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want to
know why
sustainability
is our
future?

(and calculate how much you save on energy-efficient appliances)

go to: www.electrolux.com/sustainability

Thinking of you

 **Electrolux**

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Cover

Electrolux employees from around the world are silhouetted to create an image of a symbolic map, showing the interlinking of people and the planet.

Four cross-cutting themes are woven throughout this report. Each section of this report is influenced by these trends, expectations and strategies. These themes also guide Electrolux in tackling sustainability challenges and seizing opportunities.

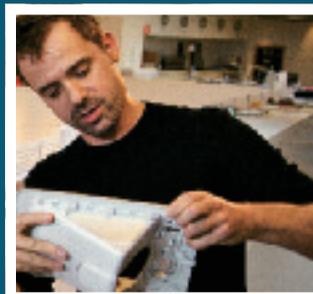
Trust in our brand

Committing to sustainability lends trust and credibility to the Electrolux brand. "Thinking of you" incorporates social and environmental concerns of consumers, employees and other stakeholders.

Thinking of you


Product innovation

Water – and energy-efficient appliances are central to product innovation. Since 2002 investments in product development have increased from approximately 1 percent of sales to 1.7 percent in 2006.



Globalization

Globalization has heightened the focus on sustainability. Electrolux strives to meet and exceed stakeholders' expectations to uphold universal standards wherever we operate in the world.



Globally facilitated, locally owned

Our approach to sustainability is grounded by a global mission translated into action at the local level. This ensures engagement, motivation and compliance.



About this report

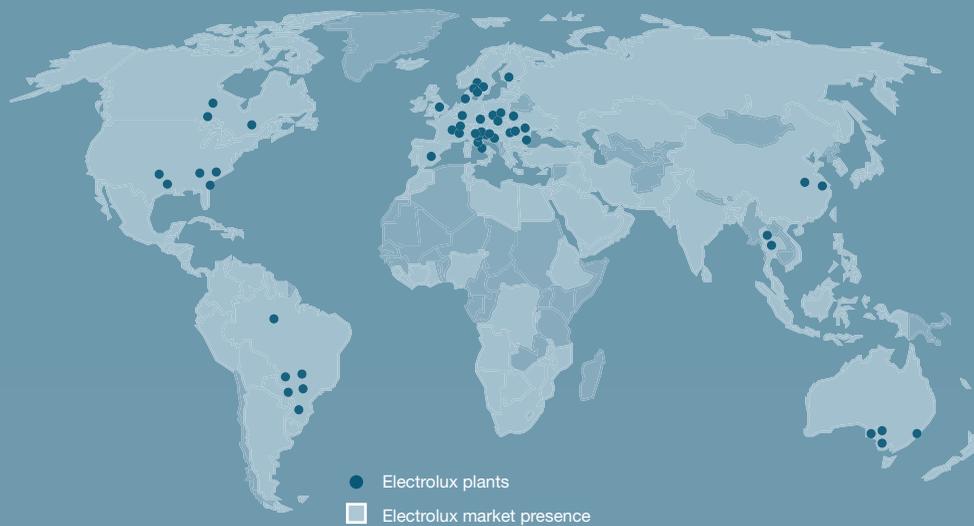
The ambition of this report is to present the social, environmental and economic performance of Electrolux from the perspective of four key issues that are most material to our company. A fifth section, Brazil, is a case study of how Electrolux approach to sustainability is implemented in an emerging economy that is also a key strategic market for the Group.

We report on how we determined the materiality of the issues presented as well as 2006 performance data in the form of tables and graphs.

Electrolux produces annual sustainability reports. The metrics represent data collected over the calendar year (from January 1 through December 31). To compensate for the changing structure and to enable comparisons over time, data from previous years has been revised to reflect the current structure of Electrolux. Manufacturing data is global, covering 90 percent of our majority-owned production facilities. Product performance indicators green range, fleet average and life-cycle impact and costs (p. 34) refer to appliances sold in Europe. A Global Reporting Initiative (GRI). G3 chart listing key components of our management approach, this report, and other relevant sources is available at www.electrolux.com/sustainability.

 This indicates when additional information is available online at www.electrolux.com/sustainability

Electrolux – a global leader with a customer focus



Electrolux is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 countries every year.

The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals. Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners and cookers sold under esteemed brands such as Electrolux, AEG-Electrolux, Zanussi, Eureka and Frigidaire.

In 2006, Electrolux had sales of SEK 104 billion and 59,500 employees.

Electrolux product offering

» Category

» Products

» CONSUMER DURABLES

KITCHEN



For household kitchens throughout the world Electrolux sells cookers, refrigerators, freezers, dishwashers, hoods and small appliances. The increasing role of the kitchen as a meeting place for family and friends gives Electrolux a unique display area for consumers.

LAUNDRY



Washing machines and tumble dryers are the core of the Electrolux product offering for cleaning and care of textiles. Innovations and growing preference for higher capacity and user-friendliness are driving demand for Electrolux products.

FLOOR-CARE



Electrolux vacuum cleaners and accessories are sold to consumers worldwide. A strong global distribution network and an attractive product offering have enabled Electrolux to increase its market share. Production is located exclusively in low-cost countries.

» PROFESSIONAL PRODUCTS



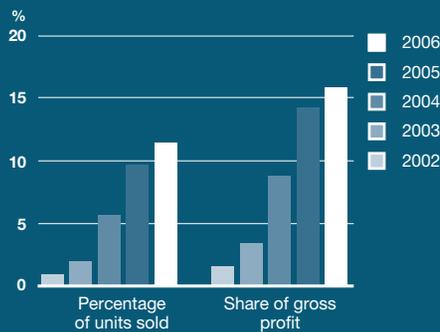
Electrolux sells a range of products for professional kitchens and laundries. High productivity, maximum utilization of resources and an extensive service network are key factors for purchases by professionals. Electrolux has a global presence, but is largest in Europe.

Focus on the Future

The Electrolux Sustainability Report focuses on four key issues that are material to our performance from a sustainability perspective. These issues were determined through the lens of our own strategic priorities and informed by an underlying materiality process. In the bars below we present how each issue is critical to our long-term success, how it is shaping our direction and the year's key activities.

Climate change

» Green Range

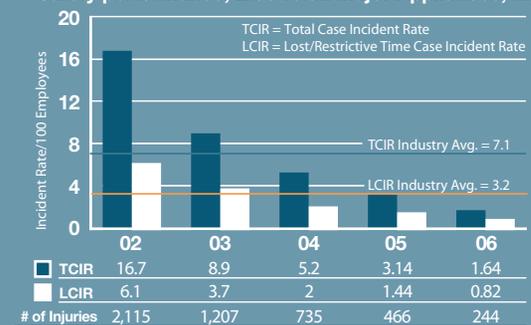


The environment, household budgets and the Electrolux brand all benefit from promoting the most energy-efficient products. Growing public concern over climate change will continue to influence consumers' purchasing choices and raise their expectations for how companies should contribute to the climate challenge.

Ethical employer and business partner

We want consumers to see value in products that carry our name. Strong brands inspire trust and are particularly important for appliance manufacturers like Electrolux, since consumers live with and rely on products for a long time and expect their appliances to reflect their own personality and values.

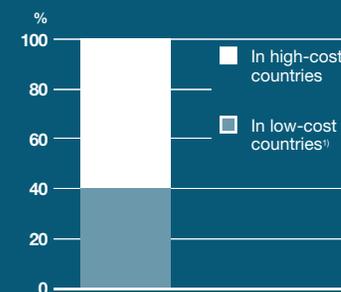
» Safety performance, Electrolux Major Appliances, NA



Restructuring

The household appliance market is transforming rapidly, visible in the speed at which major Western manufacturers are shifting production capacity to low-cost countries. In order to retain competitiveness and reach new markets, Electrolux has initiated a restructuring program. It is important to handle these transitions responsibly.

» Manufacturing of core appliances



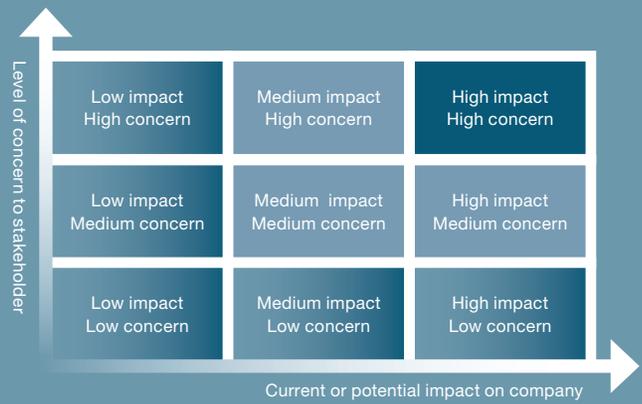
Supply Chain

Electrolux has more than 4,000 suppliers. The share of purchases from low-cost countries has risen from approximately 30 percent in 2004 to 40 percent in 2006. Our Code of Conduct helps ensure that "Made by Electrolux" means that products have been manufactured with respect and consideration for human rights, health and safety and the environment.

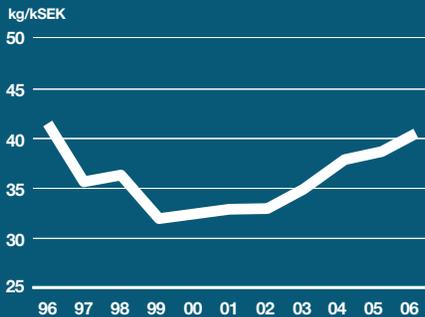
Five goals were defined for 2007:

- Expand our assurance specialist team in Asia Pacific
- Prepare organization for specialist teams in Europe and Latin America
- Establish common procedures for Code of Conduct assessment and supplier approval
- Conduct training of purchasers and commodity managers
- Focus on follow-up audits in China and support development of suppliers

In early 2007, we gathered feedback from key stakeholders — employees, investors, consumer organizations and retailers on the economic, environmental and social issues they regard as most relevant to Electrolux. We also did a review of sustainability-related media mentioning Electrolux, and considered key issues on the agenda of industry associations. The outcome of the materiality process was mapped against priorities already identified within our organization, using the matrix to the right. As a result, these four areas were determined as most material, and other issues are addressed online. For results of the materiality process, see p. 32.



» CO₂ emissions



Our focus is to cut energy consumed when products are in use. Electricity used for running appliances accounts for about 4 percent of total CO₂ emissions in Europe.

Energy efficiency in our operations—factories, warehouses and offices—is a priority. Energy-efficient management saves electricity, cuts costs and reduces CO₂ emissions.

Activities

Electrolux adopted a three-pronged approach to climate change that addresses energy efficiency in products, in operations, and raising consumer awareness on the importance of energy-efficient appliances (p. 7).

It is increasingly important for consumers, employees, investors and shareholders to associate companies with environmentally, socially and ethically responsible performance. We will meet those expectations with attention to our codes, policies and programs. We will ensure our employees meet high ethical standards. One objective is to increase awareness of Group policies relating to business ethics. Increasing gender diversity is a focus in 2007.

Activities

Electrolux Professional conducted anti-corruption training for employees. The Electrolux Manufacturing System, implemented for its first full year, gauges production performance at plant facilities and also incorporates safety and quality parameters (p.12).



» Mapping production shifts



When this restructuring program is completed by 2010, 60 percent of the Group's core appliances will be produced in low-cost countries. This will certainly impact employees and communities affected by factory closings but at the same time will boost economies in emerging markets.

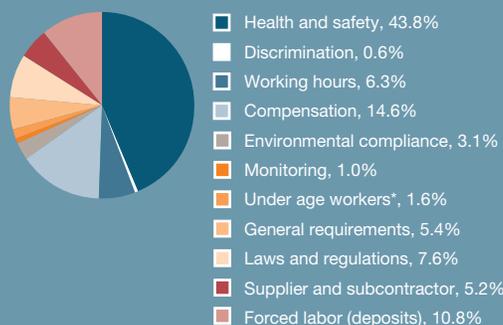
Activities

As part of the restructuring program, Electrolux moved 20 percent of European manufacturing. Factories closings and downsizings in Europe, North America and Australia were handled with an emphasis on dialogue and with the goal of minimizing the negative impact on employees (p. 18).

Activities

We further developed our Supplier Monitoring and Compliance Program, with special focus on auditing of suppliers in China. An organization was set up to accelerate the program (p. 24).

» China audit findings 2006



* Defined as workers between the ages 16 and 18 working under unacceptable working conditions.



Towards a sustainable future

It's all too easy to keep our decisions fixed on grappling with current issues and challenges. The more difficult but rewarding path is to focus on the future.

Climate change is dominating conversation these days—around dinner tables, the office coffee machine, and in conference rooms. Globalization is another frequent topic, as society debates the pros and cons of a growing global market. Expectations for ethical conduct among companies continues to rise.

Electrolux doesn't take these challenges lightly. In fact, how well we handle them is key to our success. Electrolux is currently pursuing four business strategies: developing Electrolux into a global master brand; developing innovative products; restructuring our manufacturing organization; and shifting to suppliers in low-cost countries. Getting these strategies right depends a great deal on how the market perceives us as a thoughtful company.

In my letter in the 2005 Sustainability Report, I outlined the ways in which we strive to be a thoughtful company: thoughtful design; thoughtful corporate citizen; thoughtful transitions; thoughtful employer and business partner, and thoughtful legacy. These define our role in society and reflect our brand promise, "Thinking of you."

Four key issues underline the importance of our commitment to sustainability. These have also been defined as key concerns of our employees and other stakeholders. Each is supported by the ways in which Electrolux strives to be thoughtful in our approach.

Climate change: Electrolux has the greatest potential to reduce carbon emissions through design of our products, since 80 percent of the energy impact occurs during the user phase. We emphasize energy efficiency in our products and work in partnership at the European level to accelerate the replacement of older energy-thirsty appliances.

Ethical employer and business partner: People prefer to work for and purchase from a socially and environmentally responsible company. Our products, operations, people, marketing, and interactions with society must demonstrate that we deliver on those expectations.

Responsible restructuring: Such decisions are never easy, but open dialogue is the best way to handle difficult transitions with consideration for the employees and communities negatively impacted. There's another side of the story: in emerging markets where we set up operations, there are substantial economic gains for people and communities.

Supply chain: We recognize that we have a responsibility to follow universal social and environmental standards worldwide. We stepped up our supply chain monitoring in China and will strengthen capabilities to monitor suppliers in other emerging markets. We hold our own operations and employees to the same high ethical standards.

By maintaining a thoughtful approach to these challenges, I am convinced that we can keep our focus on a sustainable future.

Stockholm, April 2007

Handwritten signature of Hans Stråberg in black ink.

Hans Stråberg
President and Chief Executive Officer



Delivering on strategies

Motivating engagement and commitment at every level of the organization is the aim of our globally facilitated and locally owned approach to delivering on our sustainability strategies.

Sustainability is about creating lasting value—both for Electrolux and our stakeholders. We measure this value in how it benefits the bottom line, the environment and society. This relates both to the products we put on the market and the integrity of our company business practices.

While the strategic perspective must come from Group level, truly integrating sustainability into a company requires a commitment throughout our operations. At Electrolux, the approach we use is a globally facilitated, locally owned way of working. This means that we have Group-level guidance in the form of codes, policies, and procedures and that business sectors are responsible for their execution. This approach is characterized by top management commitment, defined goals on both corporate and sector levels, local ownership, central support and training and Group data collection.

The way we work
Each part of the Electrolux organization contributes to meeting sustainability objectives. Group Management has overall responsibility for sustainability codes and policies. Group Environmental and Sustainability Affairs, part of Group Staff Communications and Branding, works closely with Group Management to implement sustainability issues in the organization. It develops the implementation tools and coordinates programs. The heads of business sectors must ensure compliance with codes and policies in their sector. Unit heads are responsible for day-to-day operations. At different levels throughout the Group, we communicate with our stakeholders, including investors, employees, consumers, governments and local communities, retailers and customers, and suppliers.

We believe that this is the best way to engage and motivate the organization and achieve the highest level of compliance with our sustainability agenda.

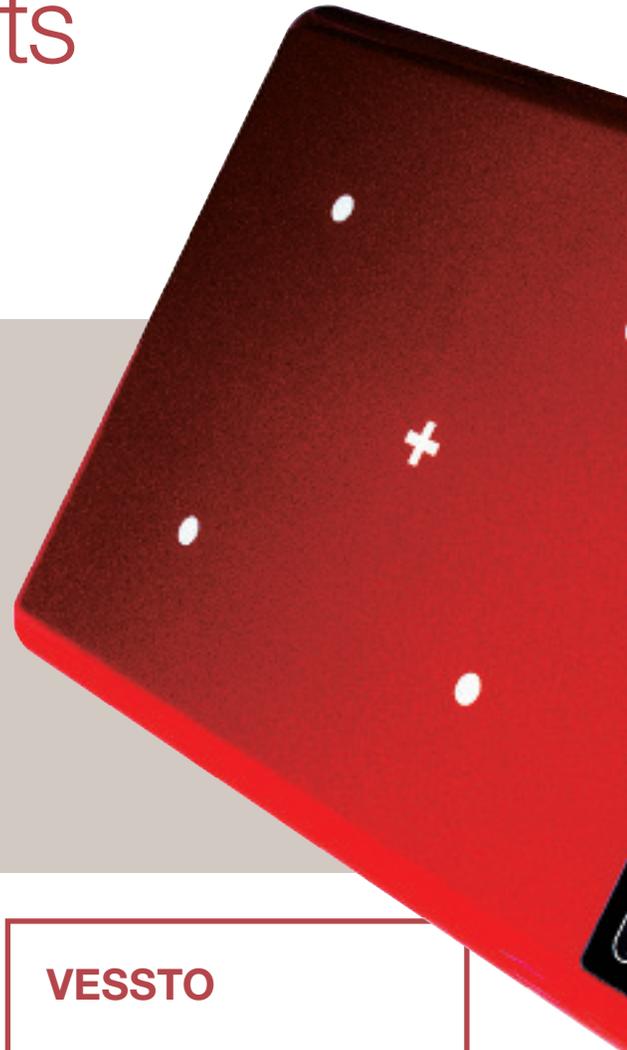
Sustainability helps identify risks and opportunities and defines a common baseline for action. There is rising awareness among consumers and society around environmental and social issues, and particularly climate change. At Electrolux, climate change ranked highest among concerns raised by our employees in a survey (p. 32). We know our greatest potential to impact climate change is through not only developing the most energy-efficient products but also stimulating consumer purchasing behavior towards these products.

At Group Environmental and Sustainability Affairs, part of our job is to engage employees at all levels of the organization to be aware of and take action on the Group's commitments—not just today but for the future.

Stockholm, April 2007

Henrik Sundström
Vice President, Group Environmental and Sustainability Affairs

Sustainable Products



Ecovalve

Water efficiency is a growing concern for consumers purchasing washing machines in drought-ridden regions such as in Australia. The Ecovalve, one of this market's top-selling washing machines, is a front-load washer with a capacity of 7 kg. Electrolux front loaders automatically adjust the amount of water according to the size of the load, thereby optimizing the use of water. In 2006, the average water consumption of our machines was reduced by 5 percent despite the trend towards larger-capacity machines. The Ecovalve was awarded four stars of a possible six by a government-run Water Efficiency Labeling Scheme (WELS) that became mandatory in July 2006.

Sensidry

Sensidry uses a heat-pump technology, providing the most effective household dryer on the market. Using a compressor, the dryer works like a refrigerator in reverse. It is a closed-circuit system that retains heat and results in almost half the energy consumption of a normal tumble dryer. In 2006, Sensidry ranked as 'Best in Test' in ratings in Belgium, UK, and Germany and was lauded for its energy efficiency and drying performance. It consumes 45 percent less energy than standard condenser dryers and operating costs have been cut by 40 percent. Sensidry exceeds class A energy requirements by 30 percent.

VESSTO

A 2006 Design Lab finalist, Vessto is a portable ceramic cooker developed by Mexican Eduardo Altamirano Segovia of La Salle University. The Design Lab jury commended Segovia for imaginatively combining user flexibility with a regenerating power source. Inspired by the need to find new ways to generate power in countries with unreliable or unavailable electricity sources, Vessto is intended to promote a healthy cooking alternative for consumers.

Electrolux Design Lab

For the fourth year, Electrolux challenged design students to fire up their creative minds and define household appliances for the future. In the 2006 edition of Electrolux Design Lab, students developed solutions for food preservation and preparation that promote “healthy eating habits in 2016.” The competition attracted hundreds of sub-

missions from 37 countries.

An international jury selected nine finalists based on their design, innovation, consumer insight and ability to promote healthy eating habits.

The 2007 edition theme is to create household appliances and solutions for 2020 that enable people to lead more sustainable lives.



air-o-speed

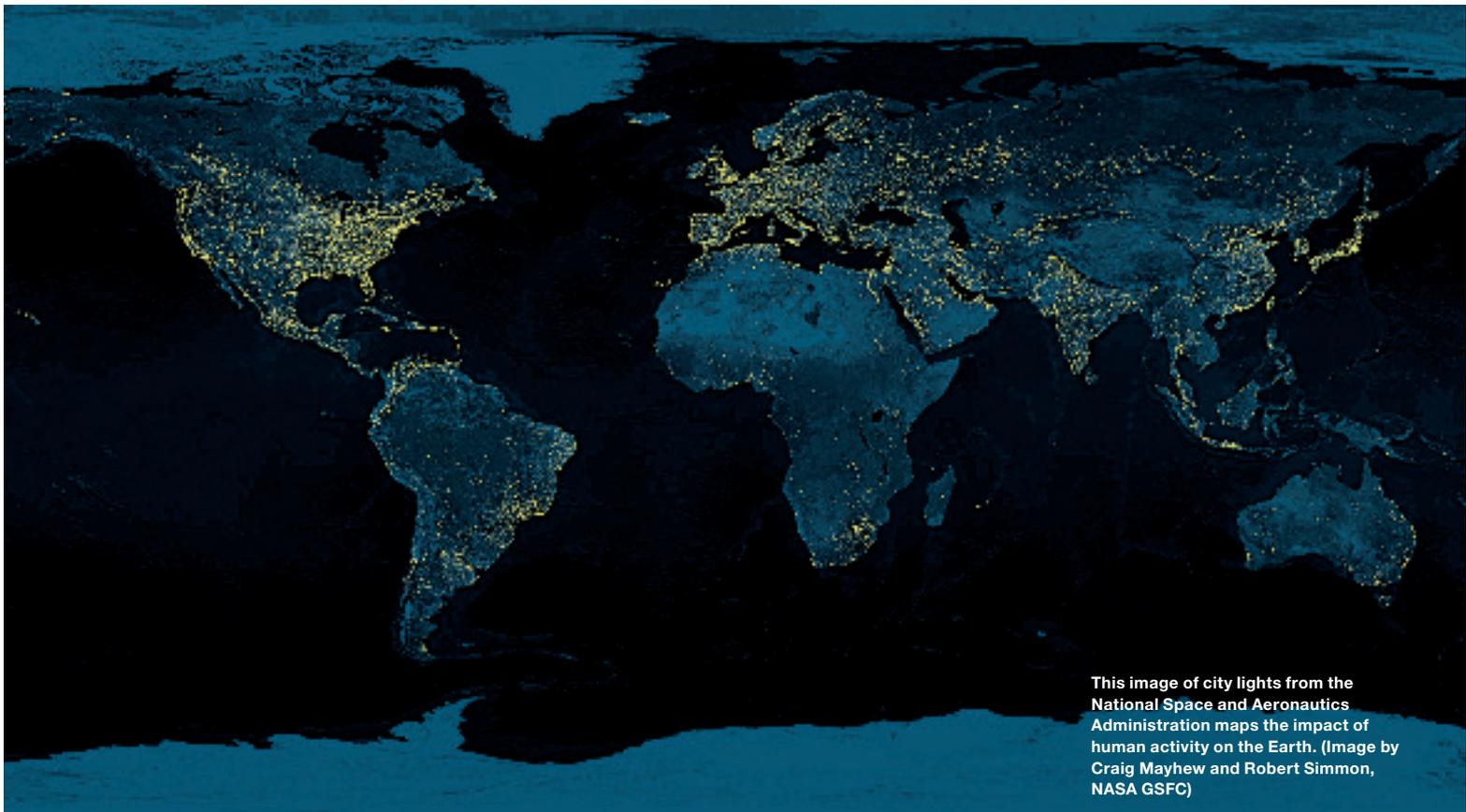
The air-o-speed™ combination oven enables professional users to apply different forms of heating for food preparation. Launched in the US during 2006, air-o-speed™ produces the same results in half the time of traditional ovens, without any loss of quality or moisture in food. Multiwaves—a new, patented form of microwaves—are used to accelerate the steam, convection and combi-cooking, but are not used to cook the food. By decreasing cooking time, energy consumption levels can be significantly reduced. Thanks to the use of these multiwave and combi-cooking technologies, the health benefits of steam cooking are preserved, including retention of vitamins and mineral salts, dispersion of fat content in meat and fish and roasting without fat or oil.

Sensa handlebars

The Sensa refrigerator and freezer handle is ergonomically designed and operates with an integrated vacuum release. The handle is tailored especially for consumers with less strength in their arms and hands and helps elderly and others with physical limitations remain self-reliant in their kitchens. Recognized for design and function, the Sensa handle is popular with users of all ages and abilities since it can be opened with the wrist when both hands are occupied.

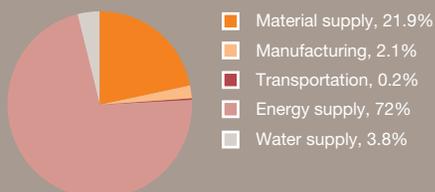
Climate Change

The global implications of climate change have moved from scientific reports to mainstream media. All sectors of society are now engaged in the impact of global warming on nations, communities and future generations. Through a focus on energy-efficient appliances and streamlining our own energy consumption, Electrolux has a role to play in reducing carbon emissions. Public concern over climate change is influencing consumers' purchasing choices and raising expectations for how companies meet the climate challenge. Taking a proactive role is fundamental to "Thinking of you." We intend to be part of the solution.



This image of city lights from the National Space and Aeronautics Administration maps the impact of human activity on the Earth. (Image by Craig Mayhew and Robert Simmon, NASA GSFC)

» Life-cycle impact



» Life-cycle cost



Source: Öko-Institut e.V. eco-efficiency analysis of washing machines (2004).

Improved environmental performance means lower operating costs for consumers and thus plays a role in marketing and product development. Offering products with outstanding environmental performance therefore provides competitive benefits.

Meeting the climate challenge

Electrolux has adopted a three-fold approach to reduce carbon dependency – energy-efficient products, leaner operations and heightened consumer awareness.

Awareness about the consequences of climate change is greater than ever. This, coupled with major incidents of power outages, and rising energy prices have put energy use in the spotlight.

“Climate change is one of the biggest challenges facing society. It is already high on the agenda of many consumers and investors,” says Henrik Sundström, Vice President of Group Environmental and Sustainability Affairs.

“Electrolux clearly has a responsibility, role and opportunity to reduce energy consumption. About 4 percent of the EU’s CO₂ emissions relate to the use of 630 million household appliances. Europe’s energy policy to achieve a 20 percent reduction of consumption by 2020 includes proposals for energy-efficiency standards in appliances.”

The time is ripe for a more ambitious profiling on energy use. “Product efficiency has always been a part of our business strategies, and that will be even more the case now,” says Sundström. Our approach is three-fold: through products, operations and awareness raising.

For ten years Electrolux has been applying a product life-cycle analysis to gauge our environmental impacts. From these studies, we know our greatest potential to influence CO₂ emissions is to improve efficiency of products while in operation—more than 80 percent of our impact occurs during use (p. 6).

R&D priority

Energy use will be further integrated into each product’s Generational Plan, which defines objectives for development for each product. By driving efficiency through Global Product Councils that manage cross-regional product issues, Electrolux will also transfer cutting-edge technologies to emerging markets.

Green range

Electrolux measures the sales fleet average of our most energy efficient products, our Green Range (p. 34). Within household appliances in Europe, the products with the best environmental performance accounted for 11 percent of total sold units in 2006, and 16 percent of gross profit. Year on year, we have demonstrated a relative improvement in energy efficiency of a number of product groups.

In proportion to our total market share, sales for cold products are overrepresented in energy class A++. Almost all (99 percent) Electrolux dishwashers sold in Europe are energy class A labeled.

Win-win

Sensidry is one product spearheading our product range. Launched in late 2005, this heat pump dryer is 45 percent more energy effective than traditional dryers. In its first full year on the market, the product accounted for 6 percent of the Electrolux sales of tumble dryers and two-thirds of the sales of all energy class A tumble dryers in Europe.

“As Sensidry demonstrates, it’s better to be proactive than a follower, because the brand gains recognition and consumers are willing to pay more for efficient products,” says Sundström.

Lean operations

In 2007 Electrolux will step up efforts to improve efficiency within operations, thereby saving measurable operational costs and CO₂ emissions (p. 10). By stepping up stakeholder and consumer communications on energy efficiency and through our ambition to play a proactive role in the climate challenge, we are also strengthening the brand.

Öko_line

No green flagship product line has been as long-standing as Öko_line (ecological line), an AEG series launched in 1986 in Germany. The four products qualifying for inclusion demonstrate environmental and economic value for consumers, touting top energy and water efficiency without compromising on product performance.

Engaging consumers is the focus of marketing strategies, both during and after their purchasing decisions. In 2006 Öko_Line was profiled through a partnership with WWF, which included product endorsements and sponsorship

of a North Sea wetlands project. AEG contributed SEK 1.3m (EUR 140k) to the WWF initiative.

Through the ÖKO_PASS, consumers register their purchase online to access additional energy-saving tips and to receive a subscription to the consumer magazine “Guter Rat” (Good Advice). A 2007 AEG-Electrolux campaign in cooperation with the ecological energy provider “Lichtblick” offers consumers a chance to win a lottery in which their household energy costs are paid for one year.

 More on the öko_line



Source of CO₂-smart solutions

Electrolux can help consumers make CO₂-smart choices. Through a product life-cycle approach, we impact energy use in manufacturing, during operation and at disposal. Source is an energy class A refrigerator featuring a function to carbonate water. From innovation to communication – it illustrates the impacts and potential benefits of a refrigerator on a consumer’s carbon footprint.

» Importance to have sparkling water



Consumer insight

Consumers drink more carbonated water than ever. Yet there is growing concern over the environmental downsides of hauling bottled water over long distances.

The impact of the water industry is substantial. At least 200,000 tons CO₂ are emitted every year from the production of PET bottles and transporting them across Europe.*



Manufacturing

In its product life cycle, the manufacturing phase of Source represents 11 percent of its total energy use. Source is manufactured in Mariestad, Sweden, among the factories spearheading our efforts to cut energy use in Electrolux facilities. The factory has

achieved a 35 percent energy reduction for heating plant facilities in 2006 compared with 2003, in part through its investment in district heating. The Scandinavian energy mix is low carbon—predominantly hydro, nuclear and renewables. Mariestad has defined a 2007 energy saving target of an

additional 6 percent based on 2006 consumption.

The Mariestad factory received ISO14001 certification in 2001.

In order to reduce the impact of transportation, Mariestad strives to use local suppliers rather than transporting compo-

» Source life-cycle impact (as per greenhouse gas emissions in kg CO₂)

Manufacturing phase 159 kg CO₂

In use (based on 13 years in operation) 1500 kg CO₂



Consumer communications

Every consumer seeking to buy an appliance in Europe receives information on energy-efficiency levels at the point of sale. EU energy labeling is highly visible on every appliance and is intended to increase the consumer’s awareness of the appliances’ energy use. For refrigerators, the energy efficiency class of the model is expressed on a scale from A++ (most efficient) to G (least efficient).



A pan-European marketing campaign was launched for Source in April 2006. All Electrolux marketing campaigns focus on a key benefit for users that have been revealed through consumer insight. This is intended to engage the consumer by describing their everyday challenges and accessible solutions. For Source, communications emphasizes that the carbonated water function eliminates the need to carry burdensome water bottles.

Recycling

Recycling is vital for an energy-lean society. Wherever in Europe Source is purchased, there is a system to take back the appliance it replaces.

European Recycling Platform

To meet the need for a cost-efficient recycling system in European countries with



large volumes of waste, Electrolux, with three other corporations have set up the European Recycling Platform (ERP). Nine EU member states are eligible for participation in ERP.

Producer responsibility

Take back systems Europe-wide are implemented according to the EU WEEE

Source of innovation

Electrolux has designed a refrigerator that includes a function to deliver the pure (filtered) flat and sparkling water normally associated with bottled water, and not at the expense of efficient energy use.

About 80 percent of a refrigerator's environmental impact occurs when the appliance is in operation. It is therefore important that new features do not increase consumption during use.

As a class A refrigerator, Source is in the energy class sold most by Electrolux. Today's average fridge is approximately 38 percent more efficient than standard refrigerators were in 1996. Only small amounts of energy are consumed for carbonating water, so it does not impact its efficiency rating.

*Data from 1999/2000 actualized with 6,2 percent per year according to market statistics



nents across the continent. Some production of components, including the appliance control system, has been moved to factory locations, thereby cutting the use of transportation. Currently its transportation is: 87 percent by truck, 11 percent by rail and almost 2 percent by sea freight.

» Mariestad – kg CO₂ per produced unit



Disposal 5 kg CO₂



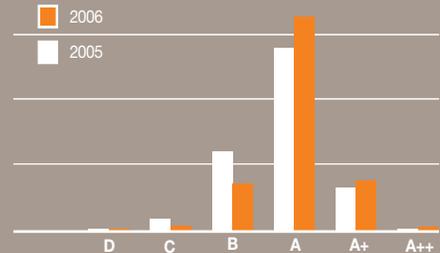
Sales of class A refrigerators

Electrolux increased the percentage of sales of energy class A refrigerators in 2006 by 22 percent.

Source sold twice as many units as originally estimated.

» Electrolux sales of cold appliances

Share of sales



Directive, which defines producer responsibility for collection, treatment and disposal of electrical and electronic products.

According to WEEE, a minimum 80 percent of the collected waste of large appliances must be recovered. This includes at

least 75 percent that is to be reused or material recycled, and a maximum 5 percent can be used for energy recovery.

Recycled material

On average, 60 percent recycled steel is used in Source. Like all Electrolux refrigerators, Source is designed for easy disassembly, this includes the polystyrene used in interior parts and the metal casing.

Recovering refrigerants

Refrigerants are also recovered at recycling. Today's models use hydrocarbons (HCs) as a refrigerant. HC's have a greenhouse warming potential of about five—producing the same effect as burning six tea-light candles. HFCs, prevalent in refrigerators of the early 90's, carry a global warming potential of 1,300, or 850 tea-lights.

On recycling, ERP and WEEE.

Driving energy efficiency in operations

Keeping our own house in order by reducing energy consumption in operations is a key part of our responsibility towards a less carbon-intensive world.

Electrolux factories and facilities monitor energy consumption as part of overall environmental management. Increased attention on the role facilities can play in greater energy efficiency will be part of the Electrolux approach in coming years.

“We have focused primarily on reducing energy consumption in our products. As of 2007, we are increasing emphasis on improving energy efficiency in our operations,” says Henrik Sundstrom, Vice President of Group Environmental and Sustainability Affairs. “We have started this approach in a number of factories in Europe but this will be expanded further.”

The factories in Europe have already found that an increased energy focus garners some easy wins. Savings can often be achieved without great investment, according to Claude Zambeaux, Industrial Engineer in Electrolux Major Appliances Europe, who is helping to manage the initiative in Europe. “When we looked at this, we realized that many improvements could be made by changing workplace behavior on a daily basis and paying continual attention to energy use,” he says.

Arne Pontenius, of Electrolux Corporate Real Estate, also part of the project management, estimates more than 10 percent savings in energy consumption can be achieved on average by Electrolux factories, with considerable cost savings. This, he says, is just an initial stage.

Energy-saving measures include: assessing the energy required, and then providing only that amount; reducing running hours where possible; stopping or reducing leakages in the compressed air processes, and encouraging employees to turn off machines and lights that are not in use.

Pressure on use of rail

Transportation has minimal impact compared to the use of appliances, yet sustainable transport can play an important role in reducing carbon emissions. This commitment is however often challenged by business imperatives that demand trade-offs.

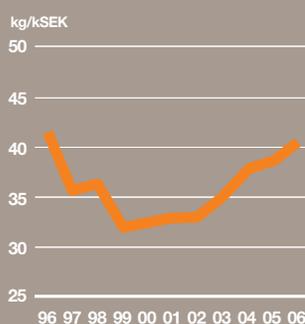
In 2006, rail transport for Electrolux household appliances in Europe accounted for 45 percent of all transport from factories to regional distribution centres. The use of rail in Europe has dropped in recent years due to retailer requirements to send products directly to stores, many of which are not well rail-connected; demand for faster deliveries; pressure on lead times, and rail service unable to meet demands and planning, or in some cases, posing a more expensive alternative.

In North America, almost all containers inbound to Electrolux factories move on rail from the port to destination. Use of road haul in the US has been further reduced through consolidation of warehouses.

» ISO 14001 certification



» CO₂ added value



An integral part of the ISO 14001 certification process is defining targets relating to energy use. The graph to the left describes the share of factories with more than 50 employees that have certified ISO14001 environmental management systems.

The Group's CO₂ emissions per added value increased slightly between 2005 and 2006 due to the fact that CO₂ emissions increased marginally while the added value in SEK was reduced.

Partners for change

Making a real impact on climate change requires partnerships across different sectors of society. Electrolux works with a variety of stakeholders to achieve more progress than would be possible on our own.

Replacement of old, energy-thirsty appliances could dramatically reduce carbon dioxide emissions in Europe. Electrolux, as a member of the industry organization CECED, the European Committee of Domestic Equipment Manufacturers, is encouraging government incentives for replacement of the estimated 188 million older, inefficient appliances in European households.

Today's appliances consume on average 40 percent less energy, compared to ten-year old products. Early replacement of older models could cut European CO₂ emissions by up to 22 million tons/year. This is equivalent to the emissions of six million cars.

Among government incentives already in place, Italian consumers receive a tax deduction of 20 percent of the purchasing price, up to a maximum of SEK 1,900 (EUR 200), if they replace old appliances with the most energy-efficient models. Energy-efficiency certificates have also been introduced in France and Italy and price rebate schemes have been implemented in Spain.

The European Union is considering more stringent energy consumption performance requirements for new appliances. Unfortunately, with the current replacement rate of household appliances, it will take up to ten years until such requirements generate significant reductions in household energy consumption.

"Governments can and should act now to encourage households across Europe to replace older, energy-consuming appliances. The industry has made huge efforts to develop state-of-the-art appliances which are widely available. Yet changing appliances that still work does not come naturally to most consumers," says Magnus Yngen, Head of Electrolux Major Appliances Europe and chairman of CECED.

While there is a clear business rationale for Electrolux to promote this strategy, in our view it is a win-win-win situation:

- CO₂ emissions are reduced, a benefit to the environment
- Consumers reduce their energy bills
- European countries achieve part of their commitment to reduce CO₂ emissions

Partnership with CLASP

Energy-efficiency labels and standards for appliances can improve energy efficiency and reduce carbon emissions. Well-designed standards transform markets by removing inefficient products and empowering consumers to make informed purchases and to manage their energy bills.

In 2006, Electrolux became the first industry partner of the Collaborative Labeling and Appliance Standards Program (CLASP), a global non-profit organization promoting adoption of energy efficient technology through efficiency standards and labels. The CLASP network includes the US Agency for International Development; Japan's Ministry of Economy, Industry and Trade; the International Copper Association, and two United Nations agencies.

In early 2007 CLASP and Electrolux signed a Memorandum of Understanding in which the partners commit to work together to foster a sustainable energy market in countries and regions of common interest, including emerging markets.

This includes promotion of the most efficient products, sharing best practice, exchanging information, and raising awareness about the importance of labelling to achieve energy-efficiency goals.

Sustainable Energy Europe

In 2006, Electrolux received the award in the category of "Best Corporate Commitment" from the European Commission within the Sustainable Energy Europe campaign 2005–2008. The aim of the campaign is to assist the European Union to achieve public awareness in reaching the

energy policy targets on renewable energy sources, energy efficiency, clean transport and alternative fuels. The campaign partners are companies, NGOs and local, regional and national authorities from throughout Europe. Electrolux is a partner in the campaign.



Ethical employer and partner

Companies rise and fall on the strength of their reputation. Increasingly, reputation rests on a company's commitment to be an ethical employer and business partner. People want to work for a company that has a strong ethical approach. For Electrolux that starts from the inside, with a robust governance structure that ensures we meet high ethical, social and environmental standards. And we expect this same commitment from our employees and suppliers. This is what builds trust in our brand promise of "Thinking of You."



UN Global Compact

Electrolux is a member of the United Nations Global Compact—an international initiative that brings companies together with UN agencies, labor and civil society to support ten principles in the areas of human rights, labor, the environment and anti-corruption. All principles are in line with Electrolux policies, including the Code of Ethics, Workplace Code of Conduct, Policy on Countering Corruption and Bribery and Environmental Policy. An annual report, "Communication on Progress", on how Electrolux has applied the principles of the Compact is submitted annually to the office of the Global Compact. Electrolux is engaged in a network of Nordic companies, which meet regularly to share experience and discuss issues of mutual interest in relation to the Global Compact and social responsibility.

 Our Communication on Progress



Thoughtful company conveys commitment

Building a strong Electrolux global brand is central to our Group strategy and underscores the link between our products and our actions as a company. We listen to our stakeholders, including employees and investors, to gauge our performance.

In 2006 the new global communications platform was launched 'Thinking of you.' It highlights the strong focus on consumer insight for development of new products and profiles Electrolux as a 'Thoughtful Design Innovator.'

"Through this platform, we want to convey that we know, reflect and respect the values of our consumers," says Lars Göran Johansson, Group Senior Vice President of Communications and Branding. "Increasingly, consumers choose products based on their perception of the company behind the brands. That's why our success rides on cultivating not only a strong product portfolio, but also a robust reputation through quality, trust and leadership."

We want consumers to see greater value in the products that carry our name. This is particularly relevant for appliances, where consumers live with and rely on products for a long time—products that increasingly reflect their own personality and values.

Being environmentally sound, as well as socially and ethically responsible, is a cornerstone of our operational performance and an essential part of our brand identity.

Listening to employees

A recently conducted internal communications survey evaluated the levels of understanding and commitment to our strategic direction, as well as Group and business sector goals. In total 10,400 employees participated. The results pointed to a continued commit-

ment and understanding of Group goals. Comprehension of sector goals improved in the 2006 survey, mainly the result of increased communication efforts by sectors.

The Employee Attitude Survey is an online tool that allows employees to anonymously provide feedback on issues of trust, empowerment and four other dimensions of facilitating team development. Results are reviewed, discussed and an action plan is decided at the local level. Approximately 70 surveys have been conducted, with around 5,000 respondents.

In addition, 500 employees responded to an online survey to gauge the sustainability issues of greatest concern to them (p. 32).

A proxy of our performance

The Edelman Trust Barometer 2007, an international brand survey, concluded that trusted companies demonstrate social and environmental responsibility, and treat employees fairly. In total, 3,100 opinion leaders from 18 countries were asked how much they trusted 33 leading brands that included GE, Unilever, Coca-Cola, Shell and Citicorp. Electrolux ranked ninth globally and second in Europe. One of the highest scores in the survey was received by Electrolux in Brazil (p. 28).

In research based on comparable parameters published by Reputation Institute in 2006, Electrolux ranked fifth in Sweden and 105th globally on the strength of brand reputation.

Investors rank Electrolux

Several socially responsible investment indices include the Electrolux Group as a constituent company, including Dow Jones STOXX Sustainability Index and the FTSE4Good Series. The Group is also ranked highly by Oekom Research in Germany, KLD Research and Analytics Inc. which has ranked Electrolux among its Global Climate 100 Index. In 2006 Electrolux topped an environmental performance review of the companies listed on the Stockholm Stock Exchange that was conducted by one of Sweden's most prominent sustainability fund managers, Banco Fonder. Electrolux was recognized for integrating environmental thinking in all aspects of operations, for reporting practices and striving to be transparent about performance.



Foundation for trust and transparency

Good governance is the basis for building lasting value for our shareholders and other stakeholders. By integrating social and environmental performance into our governance system, Electrolux is better prepared to meet strategic goals, conduct business responsibly, and build brand reputation.

At Electrolux, the Board of Directors, the CEO and Group Management are accountable for the company's economic, environmental, and social performance. The Board addresses significant business issues, including those related to sustainability, as a full group and through several internal boards and committees.

The risks and opportunities faced by companies today are continually changing, and increasingly these relate to aspects of environmental and social responsibility.

Four central company codes lay the groundwork of how Electrolux is to conduct its business sustainably and accountably:

- Code of Ethics
- Workplace Code of Conduct
- Policy on Countering Corruption and Bribery
- Environmental Policy

Our codes are based on fundamental conventions of the International Labor Organization and the OECD Guidelines for Multinational Enterprises. In addition, Electrolux has company policies addressing such issues as financial reporting and disclosure.

We have incorporated assessment tools and third-party monitoring that allow us to gauge our performance in relation to the Environmental Policy and Code of Conduct. The Awareness-Learning-Feedback-Assessment (ALFA) tool is used to assess compliance with Code of Conduct, and employees also receive training on implementation (p. 15). The Code is also applicable to our suppliers (p. 24). Responsibility for managing health & safety and crisis contingency plans lie with each business sector.

In 2006, work continued on ensuring Electrolux is in compliance with the requirements of the US Sarbanes-Oxley Act of 2002, aimed at holding corporations to high standards of ethics and accountability.

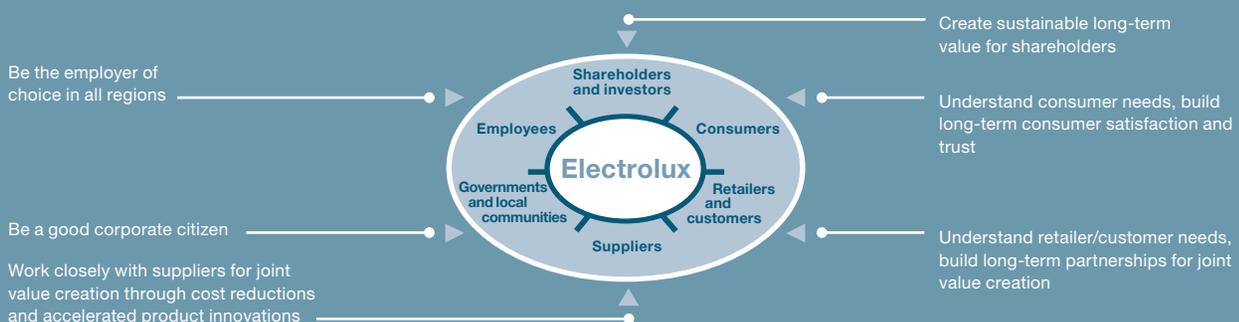
Managing risks

According to Anna Ohlsson-Lejon, Senior Vice President, Management Assurance & Special Assignments, internal control and risk management within Electrolux is the process that provides reasonable assurance that the Group's goals are met in terms of efficient operations, compliance and financial reporting. Management Assurance & Special Assignments, the Internal Audit function, evaluates and proposes improvements for more effective governance within the Group.

Being engaged and transparent with stakeholders is another important aspect of governance. Investors and other stakeholders seek a full understanding of a company's performance, including management of social and environmental issues. Increasingly, Electrolux shareholders factor corporate responsibility performance into their investment decisions.

For our 2006 corporate governance report, a list of engagement with socially responsible investors and position statements on sustainability issues material to Electrolux.

» Benefits of stakeholder dialogue



Making Code of Conduct count in daily actions

The Electrolux Workplace Code of Conduct is key to managing the daily business decisions of employees. It is our approach to upholding high ethical, social and environmental standards.

The Code defines minimum acceptable work standards for all people involved in the manufacture and sale of Group products—in all countries, business sectors and occupations. It is the responsibility of each entity to ensure that the Code is a living document and a part of daily actions.

“A Code of Conduct is only as strong as the commitment the organization is willing to put behind it,” says Jens Schlyter, Manager of Corporate Social Responsibility. “This means not only that we provide education and training and measure our performance, but that we keep a sharp focus on business ethics and step up our efforts to ensure that we meet our own requirements and respond effectively to stakeholder concerns. At the end of the day, ethical behavior is as much a part of how we do things as any other aspect of our operations.”

Spotlight on ethics training

Electrolux Professional, with an ongoing program to anchor the Code into operations, illustrates the benefits of this approach. More than 100 sourcing, marketing and sales managers from 21 countries took part in a two-day seminar on leadership, ethics and compliance to the Code at Electrolux Professional headquarters in Italy in 2006.

Participants had an open discussion that focused on business conduct and purchasing procedures, conflicts of interest, sexual harassment and bullying. It addressed how these issues impacted decision making and were influenced by organizational culture.

Learning from each other

Alberto Zanata, president of Electrolux Professional North America, a seminar participant, explains why such training is important. “Even if employees are informed about the Code of Conduct, we cannot say that we are all prepared to react in the proper way when a specific situation happens. The opportunity to discuss these issues in detail was extremely helpful because even if clear rules and policies are stated, a lot of time ‘good judgment’ is the most important driver.”

Providing guidance to employees

Human Resources within Electrolux Professional continuously monitors compliance with the Code at its facilities.

Reminders are sent twice annually to facility managers to initiate local activities that engage employees in dialogue on the contents of the Code. Part of the process to safeguard integrity at the operational level is to ensure that all contracts are transparent and that at least three suppliers are requested for proposals in order to avoid conflict of interest.

Once a year, Electrolux Professional human resources staff review current practices, performance and procedures with managers. They also receive feedback on local results of the ALFA program. (See graphs below and on p. 36)

Workplace Code of Conduct

The Electrolux Workplace Code of Conduct defines high social and environmental standards for all Electrolux employees in all countries and business sectors as well as for all subcontractors. The Code incorporates issues such as child and forced labor, health and safety, workers rights and environmental compliance.

 Complete formulations of Electrolux codes and policies.

» Alfa tracks Code of Conduct (No. manufacturing units)



Diversity focus lifts strategic business priorities

As Electrolux shifts from traditional manufacturing to a more global, consumer-focused company, managing human resources becomes a central priority, particularly relating to diversity.

Understanding the market requires that our talent pool reflects consumer profiles. Appliance purchases are most often determined by women. Therefore increasing gender diversity is an underlying factor for success.

This is addressed by the Group in many ways, depending on local legislation and culture. The key challenge for the Group is to increase the number of women in management (graph below).

In 2006, Electrolux initiated the practice to include at least one female candidate on the short list for announced positions. There were 130 manager-level appointments made in 2006, 104 for existing jobs, and 26 for new positions. Women were hired for 73 percent of the new positions, and for 21 percent of existing positions. Of those taking part in leadership training in 2006, 28 percent were female.

Electrolux also supported the Future Female Leader award in 2006 to recognize students from the Royal Swedish Institute of Technology for their outstanding leadership qualities.

Mapping diversity practices

In 2007, Electrolux will complete a study together with the pan-European university organization, The Community of European Management Schools and International Companies, to map Group diversity practices, benchmark those of other multinational corporations and identify the obstacles to achieving gender diversity. Study results will help define the way forward.

Infusion of young talent

Building partnerships are an integral part of developing the Electrolux employer brand and a talent pool for the future. Gender equality, together with greater cultural diversity, has been an added benefit of our strategic partnership with AIESEC, a leading global student organization for development of youth leadership. Since its inception in 2003, Electrolux has hosted 85 interns and retained 70 percent in permanent employment.

Jingwei Zhou is among the 26 AIESEC students working for Electrolux in 11 countries. She is based in Stockholm within marketing and brand management, giving her an opportunity to gain first-hand knowledge of a global company while Electrolux benefits from her insight into China as a market of growing importance.

"I think young people can provide a more fast-moving and entrepreneurial perspective for Electrolux, and also increase understanding of countries like China, where everything isn't black or white, but full of hidden contexts," says Jingwei Zhou.

Develop leaders for a global market

Electrolux believes in growing leaders internally. In 2006, 84 percent of the top 200 vacancies were recruited from the Group's internal talent pool compared to 56 percent in 2004. The Talent Management Process reviews more than 3,000 employees each year. This approach allows Electrolux to ensure that its talent pool matches strategic challenges. Managers foster a common approach to business and leadership through training. Between 2003 and 2006, 1,500 managers participated in leadership development, including 251 in 2006.

» Employee by geographical area



» Gender distribution

Group-wide		Group Management	
Share of women	35%	Share of women	11%
Share of men	65%	Share of men	89%
Senior managers		Board of Directors	
Share of women	9%	Share of women	43%
Share of men	91%	Share of men	57%

In 2006, the ratio of men and women has remained relatively constant. Senior managers are defined as the top 160 executive positions.

New system enhances safety mindset

We have launched the Electrolux Manufacturing System, based on best practice methods for productivity, including health and safety and quality.

Since its inception in 2005, the Electrolux Manufacturing System (EMS) has been rolled out to comprise nearly all factories. The system is based on engaging employees in productivity improvements through leadership and training. It seeks to standardize production methods throughout the company and improve ways of working through continual measurements of key production parameters.

Electrolux Professional has a comparable system called Electrolux Production System, a factory efficiency program that has helped to improve workflow, ergonomics and logistics.

The safety mindset

Nine EMS performance indicators measure production performance. They are communicated on a daily basis to factory workers and to EMS coordinators responsible in North America, Europe, South America and Asia Pacific.

Indicators also relate to quality and safety: Not right the first time (NRFT) measures the quality of a product/process. The total cases incident rate (TCIR) measures workplace injuries in relation to hours worked. In addition, Electrolux annually collates health and safety data (p. 36).

Safety and quality improvements are defined locally. Major Appliances North America uses STOP (Safety Training Observation Program). In addition, Advanced STOP has been implemented in three facilities in the US and Canada.

“At the outset, our safety improvements had to do with STOP,” says Harry Kagel, environment, health and safety coordinator for

North America. “But now safety is in the mindset of every employee. EMS is going to turn our focus on safety around yet another corner.”

Both STOP and EMS performance indicators use the common baseline of TCIR.

Australia uses a Workcover program that requires documentation, consultation and compliance on 16 aspects of health and safety. Thailand and China have similar programs.

South America has inducted an Accident Prevention Week that includes raising awareness and a range of initiatives such as measures to reduce repetitive injuries.

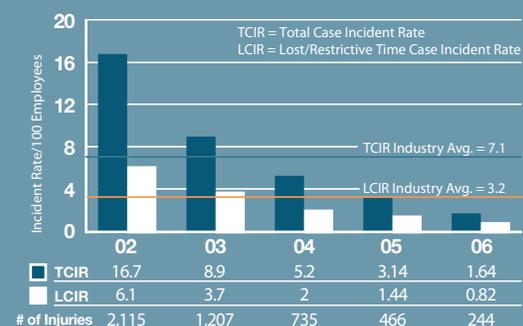
In Europe, the Forli, Italy and Spennymoor, UK plants are certified according to health and safety standard OHS 18001.

EMS best practice award

Each year, a factory is recognized with an EMS Best Practice Award. The 2006 recipient was the Solaro, Italy dishwasher plant, partly because it demonstrated improvements in its TCIR index from 3.11 to 1.11 over a three-year period, a 65 percent improvement.

In 2007, the EMS will be implemented in facilities for production of vacuum cleaners and professional products. Goals have been quantified for safety improvements: in Europe, a 10 percent improvement in the TCIR index for each plant; in North America, a TCIR result of 1.5 for 2007. EMS performance indicators are communicated for every plant.

» STOP safety performance for Electrolux Major Appliances North America



The number of work-related injuries at Electrolux Major Appliances North America declined once again in 2006, according to both the TCIR (Total Case Incident Rate) and LCIR (Lost Case Incident Work). The STOP program continues to place Electrolux as an industry leader in North America.

Restructuring

To stay competitive, meet challenges from competitors and access new markets, Electrolux is shifting production from countries with a higher-cost base to those offering lower costs. A decision to close factories or downsize production affects individuals and communities. Electrolux is committed to listening to the concerns of labor and other stakeholders and to managing restructuring responsibly. At the same time, Electrolux is able to lift economic, environmental and social standards through an expanded presence in emerging markets.



The Electrolux factories in Jászberény and Nyíregyháza, Hungary, producing vacuum cleaners and refrigerators, provide direct employment for almost 10 percent of the working population in the region. Wages are 20 percent higher than the local average norm.

Responsible restructuring depends on open dialogue

As a growing proportion of production shifts to new markets, responsibly managing the transitions associated with restructuring is an Electrolux priority.

When a factory closing is announced, a procedure is followed, adapted to local needs and priorities. A wide range of stakeholders are consulted, including labor union representatives, local, national and regional politicians and government authorities.

The Electrolux approach is an open and transparent dialogue aimed at minimizing the negative impact of restructuring decisions. Often, constructive dialogue leads to solutions that are satisfactory to all parties; in other situations achieving a positive dialogue is more difficult.

In December 2005, after a six-month long investigation, Electrolux announced a decision to close its factory in Nuremberg, Germany. Electrolux initiated a dialogue with union representatives early in the process, but it was difficult to find common ground. Following the decision, a workers' strike was staged. The agreement that ended the strike on March 7, 2006 featured a social tariff contract including severance payment of 1.8 monthly salaries per year of employment. Employees were also offered employment in a training company while older employees were offered pre-retirement schemes.

Innovative approach in Australia

Dialogue led to a more positive outcome in Australia, where two factories are closing. A voluntary redundancy program was offered to most employees from all plants in South Australia to facilitate employment opportunities for as many employees as possible wishing to continue employment at a sister plant.

In addition, Electrolux offered job search and outplacement assistance, a job referral service, and severance and closure packag-

es. The government also provided retraining. As part of the dialogue process, Electrolux consulted with federal and state governments and employee and trade unions.

Boost to emerging economies

Restructuring brings positive changes to communities in emerging markets by stimulating local economies and technology transfer, among other benefits.

The Corvinus School of Management at the University of Budapest was commissioned by Electrolux to review the company's investments, activities and contributions to Hungary from a corporate citizenship perspective. Among the conclusions, Electrolux:

- ranks as the sixth largest company among Hungary's top 20 manufacturing companies, with 4,500 employees
- created 2,500 extra jobs outside its own factory gates by encouraging growth of external suppliers
- spends three times the national average on internal training and educational programs
- conducted one of the biggest environmental remediation programs in Hungary

These positive impacts are mirrored in other emerging markets where Electrolux has established a presence in recent years. This demonstrates that it is possible for a business to be both competitive and profitable and a force for good in the societies in which it operates.

» Ongoing restructuring 2006

Ongoing and finalized plant closures

Beverley	Australia	Washing machines
Regency Park	Australia	Dishwashers
Tommerup	Denmark	Professional washing machines
Nuremberg	Germany	Fabric care and dishwashers
Fuenmayor	Spain	Refrigerators
Torsvik	Sweden	Washing machines
Greenville	United States	Refrigerators

Ongoing plant cutbacks

Florence	Italy	Refrigerators
Mariestad	Sweden	Refrigerators
Webster City	United States	Washing machines

New plants

Juarez	Mexico	Refrigerators
Olawa	Poland	Washing machines
Swidnica	Poland	Cookers
Zarow	Poland	Dishwashers
Rayong	Thailand	Professional washing machines

Finding **common ground**

A dialogue with Göran Johnsson and Hans Stråberg

Dialogue is key to finding common ground on difficult issues such as globalization, restructuring, and labor standards. These issues were discussed by Electrolux CEO Hans Stråberg, and Göran Johnsson, who was involved in negotiations for the closing of the Electrolux floor care factory in Västervik, Sweden during his tenure as head of the Swedish Metalworkers' Union.

On the pros and cons of globalization

GJ: We need an ongoing dialogue about the underlying factors for globalization, both good and bad, and the consequences for society. And we need strong leaders that can ensure that all people have the possibility to participate.

HS: The alternative—protectionism—would be much worse. I think there are very positive effects to globalization on the whole, although, of course, there are parts of society for which the impact has not been entirely positive. Governments must set the framework to create a level playing field. Fair trade is just as important as free trade.

On increased global competition for jobs

GJ: You cannot only take the advantages of globalization; you must also accept the costs and the consequences. One consequence is that companies are moving closer to the markets and to where costs are lower. I am convinced that the push for more production efficiency in Europe is necessary for industry to remain competitive. This may mean that certain jobs in Europe are no longer competitive and that we must focus on other areas where we are competitive. You need policies that accommodate these changes, such as job training or education, so that people do not feel abandoned by the system.

HS: It is also important to recognize the positive benefits. In Hungary, where Electrolux has been present for 15 years, we clearly see the impact of our investment with close to 5,000 employees today producing five million products a year. We have been able to create a competitive industry that has helped Hungary's economy, where Electrolux is among the top 20 exporters of manufactured products.

On minimizing the negative impact of restructuring

HS: At Electrolux, we have a two-step process applied globally. We analyze the factory's productivity to see how we can maintain competitiveness. We discuss with factory management, employees and union representatives and look at how to close the profitability gap. If we conclude that we must close the factory, we enter the second phase, where we determine together with those affected how best to handle the closing. We go through a process that is very transparent.

In 2006, for example, our refrigerator factory in Mariestad, Sweden faced severe economic difficulties. But when all the people involved began pulling in the same direction, we realized that if we cut production by a third and focused on product development, we could save the factory. Today we have nearly the same number of employees we had before the process began, and at the same time we improved the profitability of the business.



GJ: I agree you cannot exclude people from the process. During the time of the Västervik closing, I was not especially glad that our members were facing this situation. It was a very bitter period for Västervik and hurt many people. But we had a lot of discussion and we came to an agreement that I think was positive. Electrolux made an investment to not only help people to find jobs, but donated the former factory as an industrial park to help the local economy. Electrolux has a well thought-through strategy for addressing restructuring that perhaps other companies could do well to consider.

On responsible leadership from companies

GJ: Larger multinational companies face greater expectations on the way they conduct business, both in their home markets and abroad. If a large company closes a factory in its home market, of course it gains greater attention politically. Multinationals have a responsibility, together with other actors in society, to create a good foundation for people who live in emerging markets.

HS: Demands for a sound foundation for globalization must apply to all companies. Smaller companies should not be allowed a competitive advantage by avoiding responsibility for meeting social and environmental

standards. Otherwise you end up with a situation in which, for example, child labor or environmental pollution is allowed to occur, and that is an unsustainable foundation.

On being a force for good in emerging markets like China

HS: I think companies can definitely have a positive impact. Our economic presence in China is relatively small, so our influence is limited and we should not exaggerate the impact we can have. However, if we have the right framework and if all companies conduct business in a responsible way, then we can certainly have an impact on raising social and environmental standards. We do this, for example, through the Electrolux Workplace Code of Conduct, which applies to all our operations and all our suppliers globally.

GJ: We should all work towards the goal of improving labor and environmental standards in China. I have experience with China as the chairman of a work group of the International Metalworkers' Federation. We think it is better to work with the Chinese unions on developing a more democratic labor organization than not having any contact at all and sticking your head in the sand. Governments, companies, unions, and international organizations must communicate their values about democracy, about human rights, about the environment, so that the presence we have in China is not just about profit but is also a positive influence.

On ensuring universal values are respected and enforced in emerging markets

GJ: It is important that factories set up by multinationals in emerging markets as well as their suppliers meet these standards. Some companies will continue to behave badly, but as long as you try to have a positive influence, it is a step in the right direction. Companies that don't take these expectations seriously will find themselves in a very difficult position. Eventually evidence of business misconduct becomes discovered, and splashed across the Internet, followed by a product boycott that costs a lot of money.

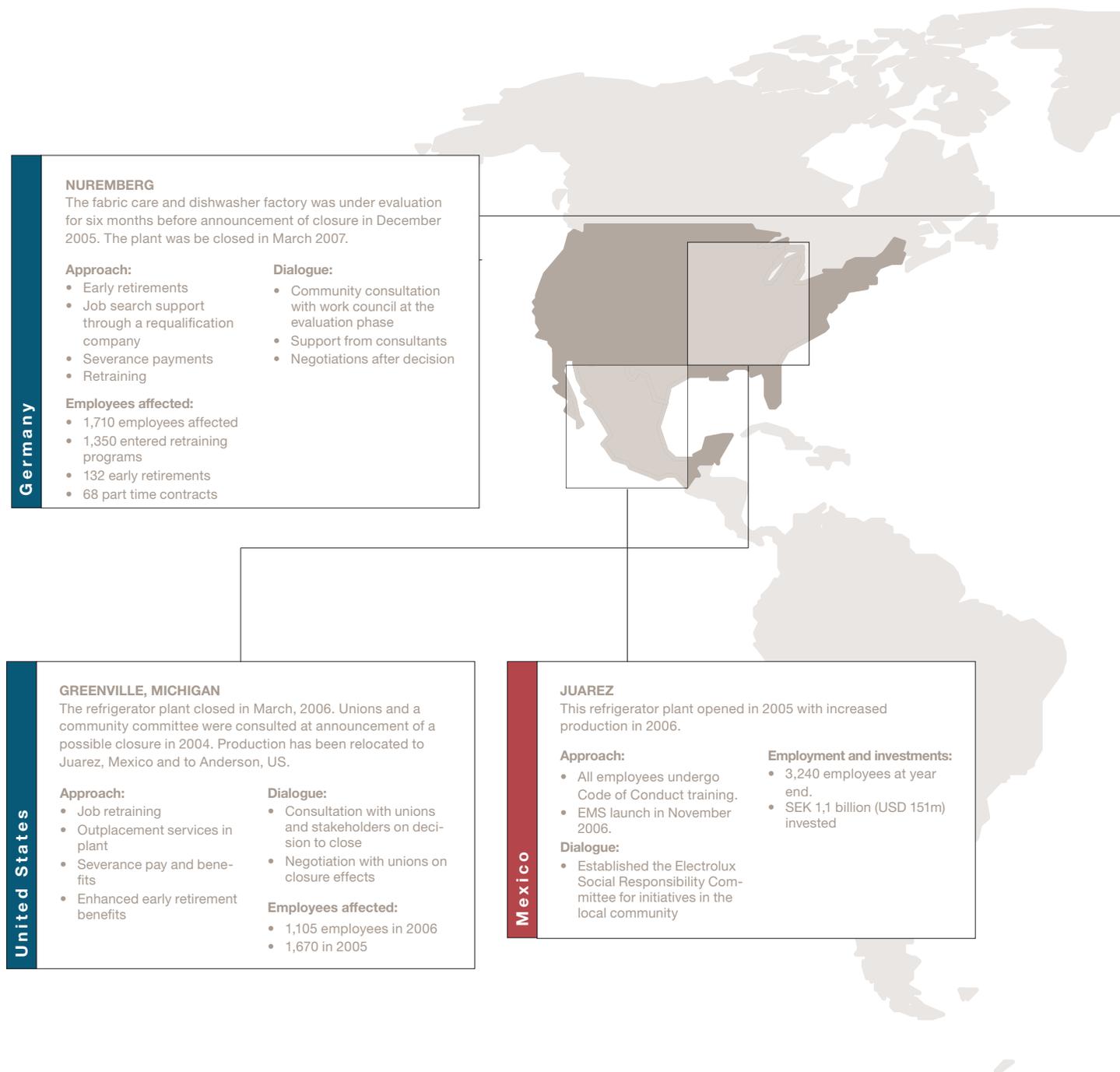
HS: Consumer opinion on these issues will be an increasing driver of corporate performance. This is something that we don't take lightly. Ensuring high standards has such a big impact on our reputation, our brand, and our future.

Hans Stråberg, left, and Göran Johnsson, right
Photo: Ryno Quantz



Mapping production shifts

The Group initiated a restructuring program in 2004. When it is completed in 2010, more than half of the Group's products will originate from low-cost countries. During 2006, closures were announced at factories in Europe, US and Australia and new factories were established in Poland, Thailand and Mexico. This map illustrates some of the ongoing restructuring. We also highlight examples of the approach applied to maintain high ethical standards in our decision making.



Germany

NUREMBERG

The fabric care and dishwasher factory was under evaluation for six months before announcement of closure in December 2005. The plant was closed in March 2007.

Approach:

- Early retirements
- Job search support through a requalification company
- Severance payments
- Retraining

Dialogue:

- Community consultation with work council at the evaluation phase
- Support from consultants
- Negotiations after decision

Employees affected:

- 1,710 employees affected
- 1,350 entered retraining programs
- 132 early retirements
- 68 part time contracts

United States

GREENVILLE, MICHIGAN

The refrigerator plant closed in March, 2006. Unions and a community committee were consulted at announcement of a possible closure in 2004. Production has been relocated to Juarez, Mexico and to Anderson, US.

Approach:

- Job retraining
- Outplacement services in plant
- Severance pay and benefits
- Enhanced early retirement benefits

Dialogue:

- Consultation with unions and stakeholders on decision to close
- Negotiation with unions on closure effects

Employees affected:

- 1,105 employees in 2006
- 1,670 in 2005

Mexico

JUAREZ

This refrigerator plant opened in 2005 with increased production in 2006.

Approach:

- All employees undergo Code of Conduct training.
- EMS launch in November 2006.

Dialogue:

- Established the Electrolux Social Responsibility Committee for initiatives in the local community

Employment and investments:

- 3,240 employees at year end.
- SEK 1,1 billion (USD 151m) invested

MARIESTAD

This refrigerator factory was under evaluation in 2005-2006. A re-evaluated strategy limited the downsizing by focusing on efficiency and product development.

Approach:

- Early retirements
- Job search support
- Retraining

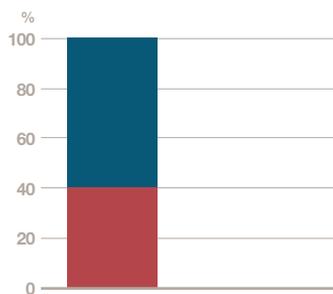
Dialogue:

- Consultation with unions at the evaluation phase
- Support from consultants
- Negotiations at downsizing

Employees affected:

- 300 employees under evaluation
- Downsized with 150 employees and 35 early retirements
- SEK 35m invested at end of downsizing

» Manufacturing of core appliances



Following completion of restructuring in 2010, 60 per cent of the Group's core appliances will be produced in low-cost countries.

■ In high-cost countries

■ In low-cost countries¹⁾

1) Including restructuring authorized in 2006 but not yet implemented.

RAYONG

The manufacturing of professional washing machines. Along with employee training and development, area university students are encouraged to gain work experience with Electrolux.

Approach:

- Code of Conduct training fully implemented and will be audited in 2007
- ISO 14001 certified.
- Ongoing local dialogue and cooperation with schools.
- EMS training for all employees
- Focus on the use of local suppliers

Employment provided:

- 160 employed
- SEK 189m

OLAWA

Production started at this fabric care plant in the second quarter of 2006 in a region of Poland designated as an 'Economic zone' to address its high unemployment.

Approach:

- Two unions are represented "ZZ Electrolux" with 60 members and Solidarnos is being established
- Acknowledgement of the Code of Conduct was signed by 200 employees
- Ongoing EMS training for all employees

Employment and investments:

- 540 employed
- SEK 500m (EUR 54m) invested

BEVERLEY AND REGENCY PARK

The Beverley fabric care and Regency Park dishwashing plants will close in February 2008 and May 2007 respectively. For more information, see p. 19.

Approach:

- A voluntary redundancy program offered to most employees from all South Australian plants.
- Job assistance,
- Severance and closure package.

Dialogue:

- Consulted with employees and trade union and government.

Employees affected:

- Beverley:
- 410 employees are affected by the closing
 - 15% retirements
 - Expect a further 50% voluntary redundancies
- Regency Park:
- Total 90 employees affected
 - 45 voluntarily redundant
 - 45 transferred to alternate sites filling vacancies

Supply Chain

By putting our name on an appliance, everything about it must live up to Electrolux values and practices—even the 4,000 companies that supply us with products, components and services. Ensuring full transparency and engagement among our suppliers in the Electrolux Code of Conduct and Environmental Policy is an integral part of managing our company well. Actions attributed to our suppliers anywhere in the world can potentially have an impact on our reputation. As a global standard, Electrolux is accelerating the supply chain program that has been in place since 2005.



Suppliers in China are a special focus of the Electrolux Supplier Monitoring and Compliance Program.

Photo: Henrik Sundström

Links in the chain

To be cost effective and competitive, Electrolux is expanding use of suppliers in low-cost countries. The Supplier Monitoring and Compliance Program requires all suppliers to meet the Electrolux Workplace Code of Conduct and Environmental Policy.

Electrolux has a global, risk-based approach to supply chain monitoring with a focus on countries that pose the biggest risks to compliance to the Code of Conduct due to poor enforcement of existing laws and other factors. It is in these countries where Electrolux is in a position to make the greatest impact on improving social and environmental standards. Since 2004 the approach has been piloted in China (p. 27), and will also be expanded to Latin America and Eastern Europe.

Boosting organization

The share of purchases from low-cost countries has risen from approximately 30 percent in 2004 to 40 percent in 2006. In 2008 the figure is expected to be 50 percent. In pace with this expansion, in 2006 Electrolux accelerated supplier monitoring and boosted the organization's capabilities. The program is now led by a director charged with global responsibility to define strategies and expand local auditing organizations in key risk markets.

"We are building a system that is robust, yet effective in all parts of the world," says Henrik Dahlström, Program Director. "Engagement with suppliers, including activities that support them to achieve higher standards, is just as important as effective auditing and monitoring, and that is a major challenge. We need to improve our dialogue with suppliers so that they understand the importance of the Code of Conduct. This area will receive greater focus in 2007."

Responsive to consumers

Most countries have adopted legislation on universal values such as the UN Declaration for Human Rights and ILO core conventions. Upholding principles of good business conduct is an integral part of protecting brand and reputation. That is why Electrolux monitors compliance to core declarations irrespective of local government enforcement.

"By being proactive in our supply chain, we're not only reducing potential risks to our brand but also addressing the concerns of a growing number of consumers whose purchasing behaviour is steered by reputation and ethics," says Jean-Michel Paulange, Senior Vice President, Global Purchasing Asia Pacific.

Global Purchasing is responsible for ensuring that the Code is implemented as part of purchasing procedures, and purchasers are trained to fulfil this task. They also look for problem areas and follow performance after a site has been monitored by auditors.

Electrolux encourages suppliers to take corrective action rather than terminate contracts.

Refining the strategy

In 2007, a rating system for suppliers will be introduced in order to gain a better understanding of the standards being met by suppliers, and to use this as a tool to provide incentives for suppliers to raise their standards. Use of external audits will increase to ensure credibility of the process.

For 2007 goals, see the inside cover of this report.

Retailers' rising expectations on the supply chain

Electrolux supplies appliances to Sears Holdings in North America under the Kenmore brand. Ian Spaulding, Director of Global Compliance at Sears Holdings, was interviewed on his expectations for managing the supply chain.

What are your expectations for Electrolux?

Sears expects that Electrolux develop standards for its suppliers that are informed by principles such as the UN Global Compact. The biggest mistake companies make is to treat all standards as zero tolerance issues—complex issues can be driven underground that way.

What issues are most crucial to you as a retailer?

Transparency. If a retailer doesn't have this, it doesn't have anything. Zero tolerance issues include child or forced labor and bribery. An example of major violations is the non-payment of minimum wage.

There are many, many challenges. The most effective way is to build strategic relationships and reward performance with orders. Factory management needs support to comply with some of the more challenging issues. Companies that focus too much on "comply or die" force their factories to hide true working conditions.

 For the complete interview

Dealing with complexities in China

Finding a sustainable solution for improved working conditions in China requires a concerted effort from industry, government, NGOs and other stakeholders to push for long-term change.

Improving working conditions in China is a complex challenge, according to NGOs and other organizations that have been working to change the situation for the better. One of these is Business for Social Responsibility (BSR), of which Electrolux is a member. BSR is a nonprofit business association that helps its member companies integrate social and environmental issues into their business strategies and operations through information, advisory services, and facilitation of collaborative solutions.

Wei Dong Zhou, China Director for BSR, finds that while requirements such as the Electrolux Code of Conduct are increasingly familiar in China, suppliers rarely take a proactive approach to adopting such standards.

“There are many reasons why this is the case”, explains Zhou. “There is little enforcement of existing labor laws, so employers don’t feel pressured to change. In the typical approach to productivity in China, working conditions rank lower than profit and competitiveness. There are also economic realities. China’s economic boom is fueled by migrant laborers who move to more industrialized areas for work, who want to earn as much as they can in a short period and return to their villages. This is a situation in which workers’ rights can be abused.”

Towards long-term change

When Western companies put demands on their Chinese suppliers to change this status quo, positive change can occur, particularly within areas relating to health and safety. However, the impact may only be short-term. In the worst case, it can prompt quick fixes such as falsified records, which is a huge problem in China, says Zhou.

Another barrier is the fear among both government and industry in China that investment in improved working or environmental standards will pose a trade barrier and reduce China’s competitiveness.

Long-term change, he adds, will require more widespread acceptance from Chinese government and industry that rather than posing a trade barrier, neglecting to invest in these areas can present a risk to future competitiveness, since decent working standards are an increasing expectation among China’s business partners and other important stakeholders in society.

“Codes of conduct are really about better enforcement of the law,” he says. “Multinational companies can work together to encourage governments to take enforcement seriously.”

Providing incentives

“Companies like Electrolux can lead by incentives and through best practice,” says Zhou. “It is not just about conducting audits but more so about building transparency and forming relationships. The importance of this approach must be communicated to suppliers so that they understand its value to their competitiveness.”

Supporting suppliers

Electrolux can play an important role by supporting suppliers in making the necessary changes, he says, for example, through capacity building, local training, knowledge transfer, and encouraging suppliers to share best practice and to benchmark against one another. It is also important to integrate social and environmental requirements into purchasing practices and thus incentivize investment, performance and legal behavior, he says. This will help lead the way for suppliers to understand the importance of ensuring the social quality of their own supply chain.

“Companies who already have a code of conduct can convey to their suppliers in China that the ability to develop and manage a variety of factors, such as quality, delivery, price as well as working conditions, comes down to good management and remaining a valued and trusted supplier.”



Wei Dong Zhou, China Director for BSR, says that company codes of conduct can be a lever to improve working conditions among their suppliers in China, especially if they communicate the long-term value of making such changes.

Focused approach in China

A continued focus on the supply chain in China is aimed at minimizing risks while engaging closely with suppliers to make a positive impact on working standards.

With the Group's increased sourcing of products and components from China, the spotlight is on ensuring that suppliers in China meet the same high environmental and social standards that Electrolux expects of suppliers globally. Since China presents specific risks in the supply chain, it continues to have high priority for Electrolux.

During 2006, in the second phase of the pilot of the Supplier Monitoring and Compliance Program in China, Electrolux conducted 83 audits of key suppliers in China, bringing the total number of audits conducted since 2005 to 114. These suppliers represent a significant part of the Group's purchasing spend in China. The audits revealed non-conformances with the Electrolux Code of Conduct, about half in the area of health and safety (see pie chart below).

About 75 percent of the audits were with active suppliers, and the remainder with potential suppliers. These included both large and small companies located primarily in the coastal areas but also around the two Electrolux factories in Changsa and Hangzhou. The audits were conducted by the internal auditing team based in Shenzhen.

The program is having an impact on the social and environmental standards of Electrolux suppliers in China, particularly within workplace health and safety, says Henrik Dahlström, Program

Director. "However, to achieve lasting change in our suppliers' practices, we must work more closely with them, with more frequent follow-ups, training and guidance, so that they understand the value of this approach, not only for the benefit of their employees but also to the future of their business."

A pervasive challenge in China is falsification of records, he notes. "We are aware of this problem and our approach is to insist suppliers show us the true records, even if it reveals substandard conditions. It is only through an open dialogue about the existing situation that we can work together towards continuous improvement," says Dahlström.

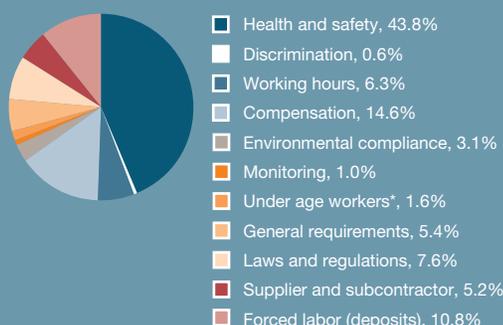
Response from suppliers is generally positive, and most provide a plan for addressing non-conformances, according to Andy Ng, Asia Quality Manager. "Companies in China are increasingly recognizing the value of complying with these standards if they want to maintain a good business relationship with their customers. At the same time, we are working with them to convey that improved standards of social responsibility and environmental protection are important to sound operations in the long term."

In 2007, the auditing team in China will be boosted with additional resources to allow for follow-up audits and to support development activities for suppliers.

» China audit findings 2005



» China audit findings 2006



The number of health and safety non-compliances per audit has been reduced. At the same time the number of violations against deposits and compensation has increased.

* Defined as workers between the ages 16 and 18 working under unacceptable working conditions.

Brazil: Sustainability in action

The four key issues presented in this report are shaped by Group priorities but are executed at the local level to generate greater motivation, engagement and compliance. We have chosen to illustrate this approach with Electrolux in Brazil. Electrolux has a growing market presence in this dynamic, emerging economy, informed by a brand that has sustainability as one of the chief components. The commitment to corporate responsibility is built from within, from product innovation to people development to responsiveness to environmental issues. Stakeholder concerns drive the way Electrolux embraces the sustainability agenda in Brazil.



Actresses Andrea Beltrao and Marieta Severo participated in the media campaign of the Brazilian Breast Cancer Control Institute campaign, co-sponsored by Electrolux, to raise awareness about breast cancer. The campaign emphasized that whether it is through products or a partnership for a social cause, Electrolux highlights the concerns of women.

Sustainability fuels market growth

In the dynamic market of Brazil, market leadership is a constant challenge. In the past five years, Electrolux Brazil has commanded a growing share in a competitive market. A commitment to sustainability has played a key part in establishing that leadership.

There was much to celebrate in 2006 when Electrolux marked its 80th anniversary of operations in Brazil. In the past three years, Electrolux market share in Brazil grew from 27 percent to 33 percent. Several factors contribute: increased brand recognition; consumer insight; innovative products, and sustainability. In fact, sustainability has been a way for Electrolux to differentiate itself from competitors.

The Electrolux brand platform “Thinking of you” is a natural fit for the Brazilian market. Thinking of the needs and concerns of consumers in Brazil is integrated into product development. In Brazil, the majority of those who purchase Electrolux products are women, and energy and water consumption are among their top concerns, Electrolux consumer insight shows.

With 2006 sales close to SEK 6.6 billion (USD 900 million), Brazil represents more than 5.5 percent of Group revenues. Brazil is the top-load washing machine competence center for global projects, specializing in low-cost innovation and design solutions that can be used in other markets.

Close to consumers

Electrolux stays close to the consumer throughout the entire product development process. In Brazil, most purchases are made at point of sale, so Electrolux puts heavy emphasis on in-store marketing and training. This includes having environmental information in marketing materials and training sales personnel on the environmental aspects of the products. According to research undertaken by Electrolux, nearly all decisions on the purchase of an appliance

come down to two brands; when the Electrolux brand is considered, it is chosen by nearly 70 percent of consumers, depending on the product category.

Energy awareness high

“The idea of sustainability is gaining momentum among Brazilians, although this is a long-term trend. Our consumer insight research shows that the high cost of energy and the need to conserve water are important to consumers,” says Winston Merchor, Marketing Director for Electrolux Brazil. “They are demanding eco-friendly brands and products. We have responded with products that are the most water- and energy-efficient on the market.”

Consumer insight led to the 2007 launch of the Turbo Economic washing machine, based on consumer insight, in which the water from the wash cycle can be re-used, for floor washing, for example.

“Electrolux is an innovative and design-oriented company. Unlike our competitors, which have different brands for different products, we only have one brand, and so it must stand for quality in every aspect, including its environmental performance. This strengthens our brand,” says Merchor.

Challenges ahead

Meeting future challenges in this competitive market will require that Electrolux continues to focus on leadership within product innovation. “With ‘Thinking of you’ as the linchpin of the strategy, this is the best way to ensure low-term profitable growth,” says Merchor.

Thinking of women’s health

Earning consumer confidence and strengthening the Electrolux brand is also about recognizing social concerns. Brazil has been involved for several years in campaigns to raise awareness about breast cancer and has also contributed to different social causes in the communities where Electrolux operates (p. 32).

Health concerns are high priorities for women, Electrolux Brazil consumer insight shows. In order to raise awareness about breast cancer in Brazil, Electrolux since 2001 has had a partnership with the Brazilian Breast Cancer Control Institute (IBCC).

The partnership includes providing free informational leaflets about breast self-examination at point of sale; offering thousands of promotional items that bear the IBCC logo, including distribution of 500 beach umbrellas at a major beach in Rio de Janeiro, and sponsorship of running competitions in ten cities in six Brazilian states. A “Fashion Targets Breast Cancer” Campaign was advertised in one of Brazil’s most popular magazines. Some four million people have been reached through the Electrolux-IBCC campaigns.

A sense of **shared** responsibility

At Electrolux Brazil, all activities are permeated by a sense of shared responsibility towards the environment and the communities where Electrolux is present.

At Electrolux Brazil, sustainability infuses product development; safe and environmentally sound manufacturing; marketing aimed at raising consumer awareness on social and environmental issues, and, not least, an ethical way of working.

This commitment starts at the top and is conveyed consistently throughout the company. In 2006, business monthly Exame Magazine ranked Electrolux one of the 150 best companies to work for in Brazil, partly based on social and environmental responsibility.

Code of Conduct sets foundation

The Electrolux Workplace Code of Conduct sets the tone (p. 15). The Code is part of induction. Managers must ensure it is understood and followed. In 2007, Electrolux Brazil is re-launching the Code for all employees in Latin America. This includes distributing a manual with practical guidance, developing leadership training for managers, and giving employees the opportunity to anonymously report non-compliances.

Encouraging diversity and equal opportunities is another priority for Electrolux Brazil. Prompted by legislative requirements, the company has a program to hire and develop people with disabilities, ranging from blindness to motor skill problems. In 2006, the company hired 80 disabled employees, representing 2.5 percent of the workforce (a 200 percent increase from 2005).

In 2007 the company intends to hire another 50 disabled employees. In partnership with other local companies, and in order to address the need for disabled people to develop employment skills,

Electrolux launched and manages the Free University for Human Efficiency, offering technical and other types of training to the disabled.

Social contributions

In a developing country like Brazil, companies play an important role to socially benefit local communities. For Electrolux, this includes donating products to social institutions (more than 250 products in 2006); donating funds and furniture to refurbish a children's hospital, and employee campaigns to collect and distribute food and clothes to disadvantaged people.

Energy consciousness in factories

Energy efficiency is also on the radar screen. All the factories in Brazil have increased energy savings by 22 percent or more by introducing energy-efficiency measures such as automatic light sensors as well as education and training of employees about the need to save energy. At the Curitiba plant, energy consumption is measured in relation to products produced. Between 2001, when measurements began, and 2006, the value improved from 33 kWh/product to 26 kWh/product.

Electrolux Brazil exceeds legal requirements for health and safety; safety groups address risks like noise and ergonomics. There were ten different campaigns to raise employees' health and safety awareness. The factories are ISO 14001 certified and Electrolux is in compliance with all national environmental legislation.

For Ruy Hirschheimer, president of Electrolux Latin America, a commitment to sustainability is the right way to do business and ensure long-term profitable growth.

"In Brazil, we think about sustainability more broadly, not only in terms of the environment but also in terms of society. It is about citizenship. When you are in a needy country, this becomes very important," he says. "You have to cultivate this passion in your company all the time."

"A brand must be consistent and stand for certain things. If you are consistent in your brand, it builds loyalty. Sustainability is fundamental for achieving this goal. It will bring us ahead of the competition."

He does not underestimate this challenge. "You don't build an image from one day to the next. It has to be conveyed through consistent communication and performance."

Sustainability also powers innovation, he notes. "We develop products with an environmental perspective. The Brazilian consumer is able to perceive that difference and is willing to pay more for it."



Ruy Hirschheimer
Photo: Ryno Quantz

Responsive to stakeholders' concerns

A company's commitment to sustainability is influenced by the world around it. Electrolux Brazil works proactively with other stakeholders to make a positive contribution.

In 2001 drought created an energy crisis in Brazil, which is strongly dependent on hydroelectric power. The ten-month period of power rationing that followed served as a wake-up call to Brazilians, who began to re-assess their energy consumption habits.

With the heightened energy awareness, the energy-efficient products in the Electrolux portfolio became even more important. Electrolux products in Brazil meet the mandatory energy-efficiency labeling standards set by the Brazilian government, similar to the International Electrotechnical Commission (IEC) standards used in Europe. In 2006 the government established a regulation that determines the maximum energy consumption for refrigerators. The majority of our products in Brazil are class A.

Part of the solution

Responding proactively to the energy crisis is just one example of how companies can play a positive role in the complex web of national and global events, priorities and trends. Being responsive to those developments, and to stakeholders' concerns, is integral to sustainability.

Emerging economies like Brazil comprise more than half of the world's population, account for a large share of world output, have very high growth rates and huge market potential. Sustainability is a key factor for creating a level playing field. Global companies like Electrolux that follow universal standards of business conduct can have a significant positive influence.

Most admired company

One sign that Electrolux is recognized for being attentive to such concerns came in 2006, when Electrolux was ranked as the second most admired company in Brazil within the white goods segment by a respected national research firm, Carta Capital. Among the issues taken into consideration in the ranking were social responsibility, ethics, respect for the consumer, commitment to human resources and a commitment to Brazil and its capacity to compete on a global scale.

Ripples in the water

The Electrolux Workplace Code of Conduct applies to suppliers in Brazil as it does throughout the Group, with the aim of ensuring that universal social and environmental are met (p. 24). In 2007, Electrolux plans to extend the focus of the Group's Supplier Monitoring and Compliance Program to Brazil and other emerging markets. This will further complement previous supply chain activities that have mainly focused on environmental standards.

Towards continued leadership

Electrolux Brazil entered a partnership in 2006 with the Ethos Institute for Companies and Social Responsibility, a non-governmental organization dedicated to helping companies manage their businesses in a socially responsible manner. The partnership provides Electrolux with access to information, tools and knowledge about corporate social responsibility as well as opportunities to take part in training and forums with other compa-

nies. Ethos Institute undertakes assessments and ranking of companies based on international criteria such as the UN Declaration of Human Rights and the Fundamental Conventions of the International Labour Organization and highlights best practice within social responsibility. Electrolux Brazil is producing a report in 2007 to describe the company's social activities. For more information, see www.ethos.org.br.

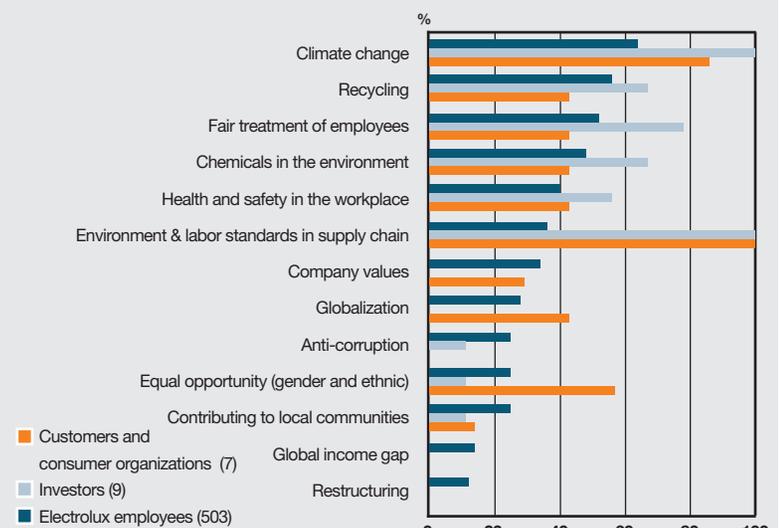
Materiality process: Taking the pulse

We conducted an informal materiality process to gauge key stakeholders' imperatives and mapped them against our own strategic priorities.

In the first quarter of 2007 Electrolux approached representatives from key stakeholder groups—employees, investors, financial analysts, representatives from retailers and consumer organizations—and asked them to rank the top five economic, environmental and social impacts they regard as important for Electrolux to report on. This feedback, coupled with an analysis of media coverage about Electrolux, contributed to determining the content of this report. For instance, issues ranked of top concern by all our stakeholders, such as climate change, are a main focus of this report (inside cover). The chart on this page shows how individual stakeholder groups ranked the issues. In total 500 employees took the time to respond to our survey. We polled the top ten investors in Electrolux and received a 60 percent response rate.

The focus areas of this report were determined by aligning the issues identified by Electrolux with those identified through the materiality process. Other topics such as chemicals in the environment, recycling and compliance to legislation are published online.

» Results of the Electrolux materiality process



» Employees voice their priorities

“What is Electrolux doing to maintain sustainable relations with suppliers in all regions? (p. 24)

“With globalization and using rising economies to provide the production of Electrolux products, I am concerned about the communities you are leaving behind. Even more so, I am concerned about the environment and labor standards (or lack thereof) of these rising economies. (p. 18, 24)

“There is no sustainable business without sustaining people. The business strategy should also focus on people development, not only the bottom line. (p. 12)

“The absolute prioritization must be climate change, or in other words, we must be better in producing more energy-efficient products and decrease the emissions from the factories (p. 6)

“Most important is staying ahead and being the first to bring environmentally safe and innovative products to market – and making sure consumers know we aim to do so. (p. 7)

“Why don't we tell consumers that we are taking care of issues like the insulation of cookers, PVC-free cables, etc? These are aspects we have addressed for years but never tell anyone. 🌍

“Health and safety in the workplace must take top priority. Treating employees fairly, maintaining company values, contributing to local communities and globalization are all key issues for any company to survive. (p. 12, 17, 18)

“In my view, reduced energy consumption and reduced waste would rank higher than any of the choices listed. A transition to renewable energy, the usage of renewable raw materials in manufacturing, and recycling 100% of non-renewable materials is the reality of the not-so-distant future. (p. 6)

“Sustainability probably has a connotation of an external, general focus - what does sustainability mean for an internal, local, individual level? We should focus more on this area. (p. 3)

Economic Data

Electrolux is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 countries every year. In 2006, net sales for continuing operations increased by 3.1 percent, or SEK 103,848 m (100,701 m), due to volume growth and product mix improvement. For more information on the Group's financial performance, visit Investor Relations at www.electrolux.com.

» Key data, continuing operations

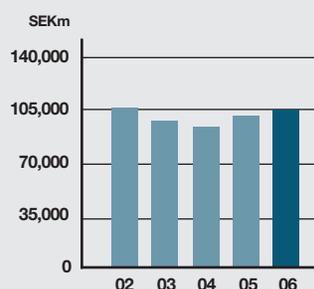
SEKm, EURm, USDm, unless otherwise stated	2006 SEK	2005 SEK	2006 EUR	2006 USD
Net sales	103,848	100,701	11,212	14,070
Operating income	4,033	1,044	435	546
Margin, %	3.9	1.0		
Income after financial items	3,825	494	413	518
Earnings per share, SEK, EUR, USD	9.17	-0.49	0.99	1.24
Dividend per share, SEK, EUR, USD	4.00 ¹⁾	7.50	0.43	0.54
Average number of employees	55,471	57,842		
Return on net assets, %	23.2	5.4		
Value creation	2,202	1,305	199	242
Net debt/equity ratio ²⁾	-0.02	0.11		
Return on equity, % ²⁾	18.7	7.0		

1) Proposed by the Board of Directors. 2) Including discontinued operations.

» Net sales and employees in 10 largest countries

	SEKm	Employees
USA	31,704	10,552
Germany	7,610	2,274
Brazil	5,969	6,465
UK	5,157	1,177
France	5,081	1,479
Italy	5,011	8,417
Canada	4,724	1,474
Australia	4,319	2,351
Sweden	3,680	3,021
Spain	2,742	911
Other	27,851	21,370

» Net sales ¹⁾



The Group's operating income for 2006 improved significantly to SEK 4,033m (1,044), corresponding to 3.9% (1.0) of net sales. Operating income increased across all business areas mainly as a result of higher sales volumes, savings from restructuring and improvements in mix.

Operating income exclusive of items affecting comparability, improved by 13.7% to SEK 4,575m (4,024). Items affecting comparability amounted to SEK -542m (-2,980) in 2006.

1) Continuing operations, excluding items affecting comparability.

» Operating income ¹⁾



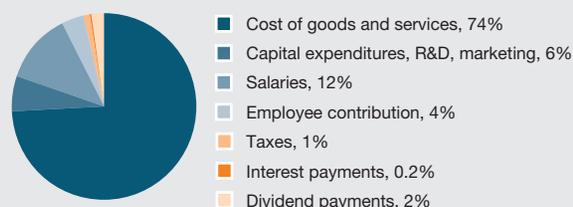
The Group contributes to the economic development of the societies in which it operates. The table and graph below show the value added that is generated by the Group and its distribution among stakeholders.

» Distribution of value added, by stakeholder

Stakeholders		2006	2005
Customers	Revenues	103,848	100,701
Suppliers	Cost of goods and services	-77,142	-73,577
	Value added	26,706	27,124
	Capital expenditure, R&D, marketing, etc.	-6,175	-5,512
Distributed to stakeholders		20,531	21,612
Employees	Salaries	12,849	13,987
	Employer contributions	4,075	4,401
Public sector	Taxes	1,177	636
Credit institutions	Interest payments	208	550
Shareholders	Dividend payments	2,222	2,038

The generated value added (in SEKm) and its distribution among stakeholders. It is defined as sales revenues less the cost of purchased goods and services.

» Distribution of Group revenue



In 2006, value added amounted to SEK 20,531m.

Environmental performance indicators

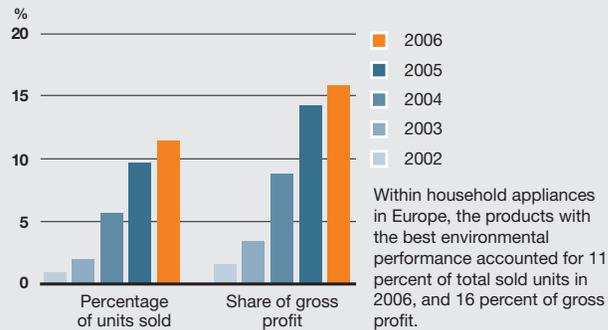
The Group is committed to continuous improvement in terms of energy efficiency, factory emissions, waste generation and handling hazardous materials in manufacturing, as well as designing products with high environmental performance. The indicators presented here reflect the Group's chief environmental impacts.

In products

In general, the greatest environmental impact of Group products occurs during use, through consumption of energy, fuel and water. Offering products with outstanding environmental performance therefore provides competitive benefits, since efficient appliances reduce the operating costs (p. 6).

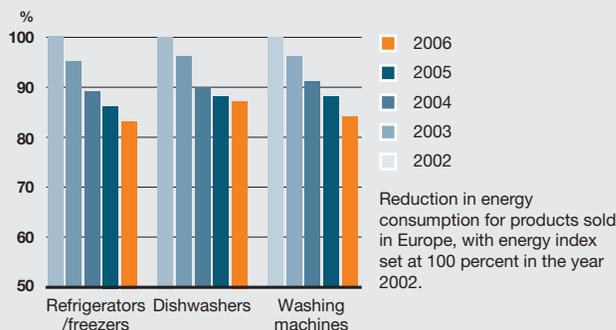
On an annual basis, Electrolux Major Appliances Europe measures relative profitability of products with leading environmental performance through 'Fleet average' and 'Green range'. Green range is defined as the top products in each product category and its criteria are made stricter each year to reflect improvement. 'Green range' compares the percentage of sold units to these same products' share of gross profit. The most efficient products account for a higher share of gross profit, reflecting consumer awareness that life-cycle savings from lower electricity costs offset higher purchase prices.

» Green Range



Fleet average shows the relative improvement in energy-efficiency of the various product groups each year using an energy index. Fleet average energy-efficiency for various categories of appliances sold by Electrolux in Europe showed continued improvement in 2006.

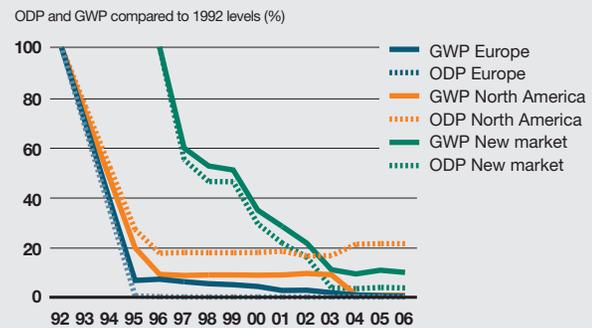
» Fleet average



Phase-out of ozone-depleting and global warming substances

The use of chlorofluorocarbon (CFC) as a refrigerant or in insulation is prohibited in most markets including the EU and the US, where the Group's products have been free of CFCs for several years.

» Phase out of substances with ozone depletion and global warming potential



The graph shows the relative change in ozone depleting (ODP) and global warming potential (GWP) in refrigerants and insulating gases used in the Group's products from 1992 to 2006. The annual calculations are based on the ODP and GWP equivalents of different substances, as defined by the United Nations Environment Program. In order to adjust for changes in production structure and enable annual comparisons, values are normalized against the total amount of used substances. The year 1992 is set as index 100%.

In operations

Year-on-year data cover the balance between ingoing direct material and outgoing products, emissions, waste, use of solvents and oils, environmentally critical processes, water consumption and related carbon dioxide emissions.

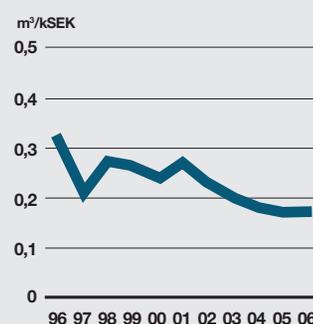
Management systems in production

The Electrolux Environmental Management System is a tool for maintaining high standards in manufacturing. Group Management has stipulated that an environmental management system is to be implemented at all manufacturing units and all those with at least 50 employees are to be certified according to ISO 14001. Newly acquired units must be certified within three years. By year end, 98 percent of the total manufacturing area was ISO 14001 certified, corresponding to 50 production units, or 92 percent of the total number of units requiring certification. In addition, five non-manufacturing units are certified.

» ISO 14001 certification



» Treated water/added value



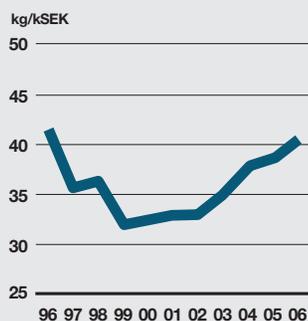
Direct material balance

Data from 54 manufacturing units, %.	2006	2005	2004	2003	2002
Finished products (incl. packaging)	91.74	92.28	91.41	90.89	90.12
External material and energy recycling	7.24	6.54	7.25	7.91	8.53
Waste to landfill (non-hazardous)	0.83	0.97	1.10	0.95	1.08
Hazardous waste	0.17	0.19	0.20	0.19	0.24
Emission to air	0.025	0.020	0.034	0.046	0.020
Emission to water	0.003	0.003	0.003	0.006	0.009
Total incoming material	100	100	100	100	100

Utilization of material in production decreased in 2006, while hazardous waste and waste to landfill were reduced.

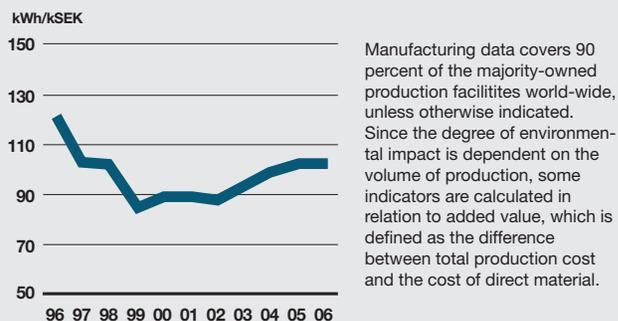
For a site by site review of Electrolux production facilities.

» CO₂ added value



The Group's CO₂ emissions per added value increased slightly between 2005 and 2006 due to the fact that CO₂ emissions increased marginally while the added value in SEK was reduced.

» Energy consumption/added value



Solvents and oils (in metric tons)

SEK	*Number of factories	Chlorinated solvents	VOC	Oils
Europe	31	9.9	202.1	376.2
North America	10	0.0	35.2	571.9
Latin America	5	0.0	0.0	123.7
Asia	4	0.3	9.8	8.2
Australia	4	0.0	0.5	20.6
	54	10.2	247.6	1,100.6

*Volatile Organic Compounds
Solvents and oils are substances that often require special handling in production and after use becomes hazardous waste.

Transportation

Efficient and sustainable transport is of strategic importance to Electrolux. In 2005, rail transport in Europe for Electrolux household appliances accounted for 45% of all transport from factories to regional distribution centers. A decrease of 0.5% from 2005 is the result of increasing retailer requirements that products be transported directly from factories.

According to a life-cycle analysis (Electrolux, 2001) transportation has minimal impact compared to the impact from the use of appliances (p. 10).

For information on transportation

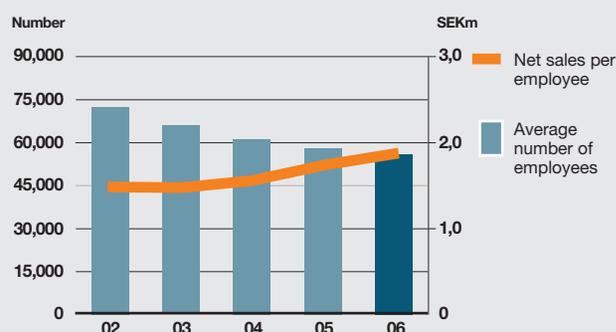
Social indicators

Our efforts in the social context of sustainability are focused primarily on employee welfare and supply chain compliance to the Workplace Code of Conduct as well as corporate governance-related issues. Furthermore, the Group endeavors to improve quality of life through its products, and assure that they are safe to use and manufacture. Electrolux has established policies and guidelines as well as management procedures aimed at guaranteeing fair business practices and consistent monitoring of social performance.

The data presented below reflect Group employees in relation to health and safety, gender ratio, and other issues addressed elsewhere in this report.

Employees in relation to net sales

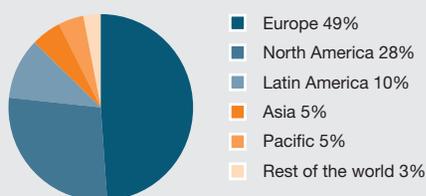
» Number of employees per net sales.



The average number of employees in 2006 was 55,471 (57,842), of whom, 3,080 (3,451) were employed in Sweden. At year-end the total number of employees was 59,491 (59,743). In 2005, the average number of employees amounted to 69,523. The decline in the workforce is due mainly to the spin-off of Husqvarna in June 2006.

For a detailed listing of the number of employees by country.

» Employee by geographical area



In 2006, the gender distribution was 35 percent women and 65 percent men, a ratio that has remained relatively constant in the last five-year period (p. 16).

ALFA

Electrolux has a Workplace Code of Conduct that defines high employment standards for all Electrolux employees in all countries and business sectors. It incorporates issues such as health and safety, workers' rights and environmental compliance.

The Group has developed an electronic assessment tool called ALFA (Awareness – Learning – Feedback – Assessment) in order to support internal implementation of the Workplace Code of Conduct and to continuously monitor Electrolux units regarding its compliance.

In 2006, ALFA was deployed in all manufacturing units and all offices/warehouses with more than 30 employees to measure how they have progressed in their work with the Code. All these units were evaluated and rated. Business units receive feedback as well as suggestions for areas of improvement.

» ALFA Group-wide evaluations

	Sent to	Responses	Response rate
Production units	55	55	100%
Offices/warehouses	81	81	100%
Total	136	136	100%

Facilities excluded (closing or not fully operational): Fuenmayor, Spain; Tommerup, Denmark; Greenville, USA; Swidnica, Poland; Nuremberg, Germany; and Torsvik, Sweden.

Health and safety

The provision of safe, healthy working conditions is an important element of the Electrolux Workplace Code of Conduct. Individual business sectors are responsible for ensuring that health and safety are effectively managed. Local units are responsible for taking action and reporting data in accordance with local regulations and laws (p. 17).

» Health and safety

	2006	2005
Number of work-related injuries ¹⁾	13.9	18.1
Number of workdays lost due to occupational injuries ¹⁾	275	277
Number of work-related fatalities	0	0

¹⁾ Per million hours worked

The table illustrates key health and safety data for the Group's operations. In 2006, data was collected covering 52 production facilities and 25 warehouses corresponding to approximately 45,900 employees. The total number of work-related injuries was 1,170 during 2006.

For information on employee absences due to illness, a table showing the sick leave rate for Electrolux Swedish operations is available in the Electrolux 2006 Annual Report, (p. 93).

More information on consumer and product safety.

Sustainability online

Information on how we apply the concepts of sustainability to our operations and products. Insight into how we tackle risks and opportunities affecting our business.

The way we work

- Group-wide policies, codes and guidelines
- Site-by-site manufacturing performance data
- Guidelines for Code of Conduct management practices
- Supplier assessment criteria

Our products

- Innovation for energy and water efficiency, quality of life and consumer safety
- Product life-cycle data
- Tips for efficient use of appliances
- Recycling

Significant impacts

- Globalization
- Climate change
- How we approach global legislation affecting the Group, including: the EU Directive on the Restriction of the use of certain Hazardous Substances (RoHS), the EU Waste Electrical and Electronic Directive (WEEE), and our Restricted Materials List (RML)

GRI matrix

GRI G3 core indicators linked to data in Electrolux Annual and Sustainability Reports as well as other relevant information.

Reports, news and downloads

The interviews, background and data behind the 2006 Sustainability Report

Eco-eco savings

See how much your country, your city and your household can save by replacing old, inefficient appliances.



The screenshot shows the Electrolux Corporate Information website. The browser address bar displays 'http://www.electrolux.com/node13.aspx'. The page features a navigation menu with links for Home, About Electrolux, Brands, Careers, Investors and Media, Corporate governance, Sustainability, and Contacts. A large banner image shows fresh vegetables in a basket. Below the banner, the 'Sustainability' section is highlighted. It includes a sidebar with links for 'Sustainability Report 2005', 'Eco-eco savings', 'The way we work', 'Products', 'GRI matrix', 'Significant impacts', 'Reports, news and downloads', and 'Contacts'. The main content area contains the text: 'We can make a positive contribution to sustainable development both through our operations and our products. For Electrolux, sustainability means embracing our responsibility to act as a good corporate citizen. We are continuously working to reduce energy consumption from products and emissions from factories, working to ensure that our employees and business partners are treated fairly, and striving to be a good neighbour in the communities in which we operate. In this section of the Electrolux Group website, we describe how we apply the concepts of sustainability to our operations and products as well as outline how we tackle key issues affecting our business.' Below this, there is a section for the 'Sustainability Report 2006' with a small image of the report cover and a brief description: 'Our 2006 edition of Our world Our approach details the social and environmental issues facing our industry and how we have woven the concept of sustainability into the Electrolux brand. From North America to Asia's surge, we provide insights on how local policies and strategies facilitated on the local level allow us to meet high social and environmental standards. Download the report, access background data, interviews and relevant facts here.' A 'Related Sites' box on the right contains a link to 'President's statement 2005 Sustainability report (PDF)'.

www.electrolux.com/sustainability

Thinking of you

 **Electrolux**

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