



Green Bond Framework

March 2019



1. Introduction

1.1 Our business

AB Electrolux (publ) (“**Electrolux**”) together with its subsidiaries (the “**Group**”) is a global leader in the production of household appliances. The Group offers thoughtfully designed, innovative and sustainable solutions. Electrolux’s products include refrigerators, ovens, cookers, hobs, dishwashers, washing machines, vacuum cleaners, air conditioners and small domestic appliances. The company mission is to reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world.

The primary function of household appliances is to make everyday living more sustainable. While convenience is an important aspect, the basic benefit of the product is more fundamental. A refrigerator preserves food and reduces food waste. The food sector accounts for approximately 30% of all greenhouse gases. Dishwashers reduce the energy, water and detergents needed to clean dishes, and have less environmental impact than cleaning by hand. Washing machines have the same function for textiles. Modern washing machines can also wash garments more gently and prolong their lifetime. The garment industry accounts for approximately 7% of the global climate impact.¹

In addition to the significant environmental benefits, appliances also have a profound social impact as they free up time for families. They are necessary not only for lifestyle choices but to enable homemakers to educate themselves, their children and join the workforce. Today, millions of families in developing countries are moving into the global middle class and refrigerators are typically one of the first products they buy as disposable income increases. The refrigerator stock in developing countries is expected to more than double by 2030 to 1.6 billion units. Electrolux is participating in the UNEP program “United for Efficiency” to encourage countries to implement policies that promotes purchases of energy-efficient and cost-effective products.²

1.2 Sustainability Framework

To achieve the Group’s purpose – Shape living for the better – and drive profitable growth, Electrolux uses a business model that focuses on creating best-in-class consumer experiences. Sustainability leadership is crucial to realizing the purpose and to delivering on the business model.

As part of the Group’s business, Electrolux has implemented a sustainability framework called “For the Better”. The framework focuses on three areas: (i) Better solutions, (ii) Better operations and (iii) Better society. Within each area Electrolux has defined three sustainability promises to make a positive difference for the better. The nine sustainability promises cover all stages of the value chain – from R&D and suppliers, through operations and consumer use, to the end of life of products. The sustainability framework also includes targets to reduce greenhouse gas emissions. As a producer of approximately 60 million products per year, the Group’s approach to environmental issues is based on a life-cycle perspective, and we recognize that the use of products is by far the dominating phase.

In 2018, a set of science-based targets identified by Electrolux were validated by the Science Based Targets initiative (the “**Science Based Targets**”) and Electrolux was among the first 100 companies to be approved. The Science Based Target Initiative is a partnership between the CDP, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature (“**WWF**”), which validates targets adopted by companies that have the aim of keeping the global temperature increase well below 2°C above pre-industrial temperatures (as set out in the Paris Agreement 2015). Electrolux commits to reduce greenhouse gas emissions from its operations by 80% (Scope 1 and 2³) and emissions from its products by 25% (Scope 3) by 2025 (2015 base year). The approval of the Science Based Targets reflects that the Group’s climate targets, through improving

¹ Measuring Fashion 2018 Environmental Impact of the Global Apparel and Footwear Industries Study

² <https://united4efficiency.org/>

³ Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, The GHG Protocol Corporate Standard: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf

manufacturing and product efficiency, are in line with global standards in the transition to a low-carbon economy.

The UN Sustainable Development Goals (“**SDGs**”) are important for defining the materiality of the Group’s sustainability framework, and the correlation between the sustainability framework and the SDGs highlights that the Group’s agenda aims to be in line with societal objectives. The SDGs set global development goals to be met by 2030, including in relation to climate change and sustainable consumption. The most relevant SDGs for Electrolux’s sustainability framework are “Responsible consumption and production” (number 12), “Climate action” (number 13), “Zero hunger” (number 2) and “Decent work and economic growth” (number 8).

Electrolux’s sustainability framework is directly overseen by Group Management. Each business areas’ management teams have been engaged in the development of the priorities and objectives within each of the Group’s nine sustainability promises. Each business area is responsible for contributing to the fulfilment of the Group’s sustainability targets under the nine sustainability promises, and several of the key performance indicators are broken down and monitored at business area level. Group Management has also adopted a code of conduct which sets out the Group’s specific policies regarding the environment, the workplace, and corruption and bribery.

The Group’s environmental policy outlines how Electrolux aims to improve environmental performance in production and product use as well as how to design products for sustainable disposal. The Group’s workplace policy sets out the Group’s requirements relating to operations and the supply chain. For example, the Group’s workplace policy provides that if more than 50 people work at an Electrolux factory, that factory is required to be ISO 14001 certified and that all factories should be certified according to ISO 50001 (energy management).

Sustainability is a key business driver for the Group, and being an industry leader in sustainability, Electrolux puts great value on the dialogue with different stakeholders. On an annual basis, Electrolux reports about its sustainability objectives and performance. This information is included in the Annual Report and the Sustainability Report, which are available on the Group’s website www.electroluxgroup.com.

In 2019 Electrolux was included in the Climate Change A-list and scored as B in CDP Water following its response to the CDP Climate Change and Water questionnaires. Electrolux was named as an industry leader in the “Household Durables” category in the Dow Jones Sustainability World Index (DJSI World) in 2018. Electrolux has been recognized in this category for the last twelve consecutive years which is published by RobecoSAM. Electrolux has also been included in several other sustainability indexes such as UN Global Compact 100 Index, Vigeo/Eiris Excellence Europe, oekom Prime and FTSE4Good.

2. Green Bond Framework

In line with its sustainability framework, Electrolux has developed this Green Bond Framework which is designed to facilitate the issuance of “Green Bonds” by Electrolux. This Green Bond Framework has been prepared together with SEB and is based on the International Capital Market Associations Green Bond Principles (June 2018) (the “**Green Bond Principles**”) and it is Electrolux’s intention to follow best practices relating to “Green Bonds” as market standards develop. Electrolux’s Green Bond Framework may therefore be amended and/or updated to reflect changes in market practice. Electrolux has commissioned Center for International Climate Research (“**CICERO**”) to provide a second opinion on this Green Bond Framework. The second opinion, together with the latest draft of the Green Bond Framework, will be made publically available on Electrolux’s website <https://www.electroluxgroup.com/greenbond>.

3. Use of proceeds

If Electrolux issues “Green Bonds”, Electrolux intends to use the net proceeds to finance or refinance certain assets that have been specifically selected in accordance with this Green Bond Framework (“**Eligible Green Assets**”). Eligible Green Assets may fall within any of the Eligible Categories listed below and will be funded, in whole or in part, by Electrolux. The Eligible Categories have been selected based on the environmental areas included in Electrolux sustainability framework. Eligible Green Assets may also include financial expenditure relating to sustainable assets such as research and developing tools, processes, machines and equipment and the integration of facilities and systems (“**Manufacturing Engineering**”). R&D includes development of new products, whereas Manufacturing Engineering includes the development of industrial processes. Under each Eligible Category, the relevant use of proceeds is outlined along with a non-exhaustive list of potential Eligible Green Assets.

Information about the split of Green Bond proceeds between new assets⁴ and refinancing will be included in the annual Green Bond Impact Report (see section 6 (Reporting) below).

Eligible Green Assets can only involve fossil-fuel based energy generation equipment if: (i) the equipment is a bridging solution towards climate-neutral production processes or (ii) if the fossil fuel component of the energy required to run the equipment is marginal (<5%) compared to the production unit’s total energy consumption. Equipment will only qualify as a bridging solution towards climate neutral production if the following criteria are met:

- a technically and economically viable solution for renewable energy does not exist; and
- the bridging solution contributes to a considerable reduction (>30%) of a production unit’s total CO₂ emissions; for example, through lower energy consumption from the production unit.

Any Eligible Green Assets which involve the use of fossil fuels will be reported in the Green Bond Impact Report (see section 6 (Reporting) below).

3.1 Eligible Categories

To be eligible for financing from Electrolux’s Green Bond proceeds, projects must fall within any one of the categories listed below (each an “**Eligible Category**”). The Eligible Categories relate to four of Electrolux’s nine sustainability promises, as well as Electrolux’s climate targets, that contribute to a better environment (see Fig. 1 below). The nine sustainability promises and the climate targets primarily support the United Nations SDGs “Climate action” and “Responsible consumption and production.” The use of proceeds for each Eligible Category is described below together with a non-exhaustive list of Eligible Green Assets for that Eligible Category.

The light blue boxes in Fig 1. below show the five Eligible Categories and how they relate to Electrolux’s sustainability framework.

The five Eligible Categories are:

1. **Improve product performance and efficiency**
 - which relates to reducing the environmental impact which results from the use of products;
2. **Make better use of resources**
 - which relates to improving the efficiency of materials that the Group uses and increasing the use of recycled materials;
3. **Eliminate harmful materials**
 - which relates to phasing out substances that could have a negative impact on health and/or the environment;
4. **Achieve more with less**
 - which relates to reducing the impact from the Group’s operations on the environment related to energy, water, waste and emissions;

⁴ “**New assets**” include any project or asset which has been, or will be, taken into operation on or after the date falling one year before the date such project or asset is approved by the Green Bond Committee.

5. Climate targets

- which relates to reducing greenhouse gases produced by the Group through the generation of renewable energy.

Each Eligible Category is described further below.

Fig 1. The Electrolux sustainability framework – For the Better

Better Solutions	Better Operations	Better Society
Improve product performance and efficiency	Ensure best health and safety	Solutions for healthy and sustainable living for more people
Make better use of resources	Achieve more with less	Be a force for good
Eliminate harmful materials	Respect human rights and ethical principles	Improve sustainability in the supply chain

Climate Targets

3.1.1 Improve product performance and efficiency

The first Eligible Category is: improve product performance and efficiency. This Eligible Category focuses on the product use phase of appliances and, in particular, the environmental impact of energy and water consumption resulting from product use.

In the Science Based Targets for Electrolux, energy generation in connection with the use of its products accounts for approximately 85% of the Group’s overall climate impact.

The proceeds of Green Bonds which are allocated to Eligible Green Assets in this Eligible Category will be directed toward financing the research, development and equipment used in the manufacturing of products with improved energy or water efficiency.

Eligible Green Assets

- Investments in manufacturing equipment and tooling which relate to specific products with a view to improving energy and/or water efficiency. Eligible Green Assets should have an energy efficiency (weighted average) that is at least 15% better compared to the average of current products produced for a specific market.
- R&D of products with improved energy or water efficiency. Eligible R&D projects will aim to improve the energy efficiency (weighted average) at least 15% compared to the average of current products produced for a specific market.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG number 12, “Responsible consumption and production.” Improve product efficiency has an impact on Scope 3 (product use phase) and forms part of the “Energy efficiency” and “Eco-efficient and/or circular economy adapted products, production technologies and processes” eligible green project categories in the Green Bond Principles.

3.1.2 Make better use of resources

The second Eligible Category is: make better use of resources. This Eligible Category focuses on improving the efficiency of materials that the Group uses and increasing the use of recycled materials.

In the assessment of the Group's total life-cycle impact, which was used for setting the Science Based Targets for Electrolux, goods and services purchased by the Group (Scope 3) account for approximately 7% of the Group's overall climate impact.

In 2018, Electrolux used approximately 300,000 metric tons⁵ of thermoplastic raw materials in its products. The climate impact from purchased plastic raw materials is in the same magnitude as the impact from the Group's manufacturing. Replacing virgin materials with recycled materials is a part of the Group's circular business approach and has the potential to reduce the climate impact from plastics by up to 50%. The use of recycled materials is also a part of the strategy to reduce direct material cost.

The proceeds of Green Bonds which are allocated to Eligible Green Assets in this Eligible Category will be directed toward financing the research, development and equipment for processing recycled materials. Eligible Green Assets in this Eligible Category should result in material compositions with at least 25% recycled material in the matrix, and Eligible Green Assets relating to R&D should have the target to achieve the same result.

Eligible Green Assets

- Investments in manufacturing equipment related to the development and production of recycled materials (for example, plastics).
- R&D of recycled materials (for example, plastics). Eligible Green Assets should have the objective to develop material compositions based on recycled plastics, or redesign and qualification of products for recycled plastics.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG number 12, "Responsible consumption and production". "Make better use of resources" has an impact on Scope 3 (purchased goods and services) and is part of the "Pollution prevention and control" eligible green project category in the Green Bond Principles.

3.1.3 Eliminate harmful materials

The third Eligible Category is: eliminate harmful materials. This Eligible Category focuses on phasing out substances that could have a negative impact on health and/or the environment.

Greenhouse gases such as hydrofluorocarbon ("**HFC**") have been phased out of most of the Group's appliances, but HCF is still used in some markets due to regulatory, technical or market barriers to alternative solutions. Transitioning to alternative methods of production which may reduce greenhouse gases, such as hydrocarbons, often requires the redesign of products and special manufacturing equipment.

In the assessment of the Group's total life-cycle impact, which was used for setting the Science Based Targets for Electrolux, greenhouse gas emissions (Scope 1 and 3) account for approximately 6% of the Group's overall climate impact.

The Group's aim is to phase out HFC gases which contribute to global warming potential in its refrigerators, freezers and products with heat pumps before the end of 2025. Electrolux also aims to replace HFC refrigerants in air conditioning equipment with alternative gases with lower greenhouse warming potential ("**GWP**").

⁵ Electrolux uses "tonne" for metric tons since "ton" in the United States commonly refers to "short ton," which is equal to 2,000 pounds or 907 kilograms.

The proceeds of Green Bonds which are allocated to Eligible Green Assets in this Eligible Category will be used to finance the research, development and manufacturing equipment in order to eliminate harmful materials (that is, refrigerants and foam blowing agents with high greenhouse warming potential).

Eligible Green Assets

- Investments in processing equipment using refrigerants or foam blowing agents with GWP of less than 15 CO₂eq.⁶
- Investments in research and development with a view to eliminating refrigerants and foam blowing agents with a GWP which is higher than 15 CO₂eq.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG number 13, "Climate action." Eliminate harmful materials has an impact both on Scope 1 (fugitive emissions of HFCs) and Scope 3 (use and recycling of products) and forms part of the "Pollution prevention and control" eligible green project category in the Green Bond Principles.

3.1.4 Achieve more with less

The fourth Eligible Category is: achieve more with less. This Eligible Category focuses in on reducing the impact from the Group's operations on the environment.

Electrolux has continuously worked to reduce energy consumption in its factories, warehouses and offices. At the end of 2018, Electrolux had reduced energy used per manufactured standard product by 44% and absolute CO₂ emissions by 66% (380,000 tonnes CO₂eq) compared to the base year 2005. Electrolux is now working toward a new target to further reduce energy consumption by a further 20% by 2020 compared to 2015.

In the assessment of the Group's total life-cycle impact, which has been used for setting the Science Based Targets, emissions from the Group's operations (Scope 1 and 2) accounts for less than 1% of the Group's overall climate impact. Electrolux has committed to reduce the Scope 1 and 2 emissions by 80% until 2025 compared to 2015.

Electrolux also aims to reduce water consumption within the Group. The Group's targets for water consumption are based on a risk model developed by the WWF and factories located in water stressed areas have targets to reduce consumption by 5% per year, whilst factories located in other areas have a 1% annual reduction target.

The proceeds from Green Bonds which are allocated to Eligible Green Assets in this Eligible Category will be used to invest in building or in equipment that will reduce the environmental impact from the Group's operations (factories, warehouses and offices). Environmental impacts can include energy use, water use, waste, and emissions to air, water or ground. The proceeds allocated to Eligible Green Assets in this category will correspond to the amount invested.

Eligible Green Assets

- Investments in commercial buildings which result in:(i) in the case of new buildings, energy efficiency that is at least 30% better than applicable building codes and (ii) for renovated buildings, at least a 30% improvement in energy efficiency;
- Investments in new or renovated factory or warehouse buildings (including Manufacturing Engineering in relation thereto) which results in at least a 20% improvement in energy efficiency;
- Investments in equipment (including Manufacturing Engineering in relation thereto) which results in at least a 20% increase in energy efficiency;
- Investments in equipment (including Manufacturing Engineering in relation thereto) which aims to reduce water consumption;

⁶ Definition according to EU directive 2012/19/EU.

- Investments in equipment (including Manufacturing Engineering in relation thereto) relating to waste water treatment;
- Investments in equipment (including Manufacturing Engineering in relation thereto) which aims to reduce emissions of harmful substances;
- Investments in equipment (including Manufacturing Engineering in relation thereto) which aims to reduce manufacturing waste;

In countries where national building codes does not exist, investments in commercial buildings has to meet the LEED GOLD criteria in order to be considered an Eligible Green Asset by the Green Bond Committee.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG number 12, “Responsible consumption and production”. Achieve more with less has an impact on Scope 1 and Scope 2 and is part of the “Energy efficiency” and “Green buildings” eligible green project categories in the Green Bond Principles.

3.1.5 Climate targets

The fifth Eligible Category is: climate targets. This Eligible Category focuses on the reduction of direct or indirect greenhouse gas emissions.

In 2018, a science-based climate target for Electrolux was approved by the Science Based Target initiative. Electrolux commits to reduce greenhouse gas emissions from operations by 80% and emissions from the products’ use phase by 25% by 2025 (2015 base year). The target will contribute to long-term and structured action on climate change that goes beyond the Group’s current 2020 objective in line with the Paris Agreement of 2015.

The proceeds of Green Bonds which are allocated to Eligible Green Assets in this Eligible Category will be used to reduce direct or indirect greenhouse gas emissions from Electrolux operations (factories, warehouses and offices). Eligible Green Assets can include assets and/or projects which involve the generation of renewable energy, such as geothermal energy, wind power, solid or gas bio-based energy, solar panels (collector) or photovoltaic panels. Investment proposals in geothermal and bio-based energy installations will be subjected to a due diligence process in order to avoid potential negative environmental aspects, e.g. local water quality, pollutants from geothermal fluids, emissions of non-condensable gases.

Eligible Green Assets

- Investments in equipment (including Manufacturing Engineering relating thereto) which relates to the generation of renewable energy.
- Investments in equipment (including Manufacturing Engineering relating thereto) which relates to replacement or conversion of equipment that uses fossil fuels to equipment which uses renewable energy.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG number 13, “Climate action.” Climate targets eligible category has an impact on Scope 2 and is part of the “Renewable energy” eligible green project category in the Green Bond Principles.

4. Process for asset evaluation and selection

Electrolux has established a Green Bond Committee consisting of representatives from Group Sustainability, Group Treasury, Investor Relations and Group Controlling. Potential Eligible Green Assets will be identified and verified through Electrolux’s regular investment request process and then evaluated in relation to the eligibility criteria in this Green Bond Framework by the Green Bond Committee. The Green Bond Committee periodically decides in consensus which projects meet the requirements to be Eligible Green Assets according to this Green Bond Framework. Assets will only be approved as Eligible Green Assets if Electrolux considers that there is a high likelihood that the

net, long-term environmental impact of the asset will be positive. The Green Bond Committee will document and keep record of its decisions.

Process overview



5. Management of proceeds

Upon receipt, the net proceeds from the issue of Green Bonds will be credited to a segregated account held in Electrolux's name (the "**Green Account**") and will be used to finance the Group's Eligible Green Assets as contemplated in this Green Bond Framework. The Green Account ensures monitoring and tracking of the use of proceeds, and Group Treasury is responsible for the allocation of the net proceeds from the Green Bonds to the Eligible Green Assets. For so long as any Green Bonds are outstanding and proceeds from issues are available on the Green Account, Electrolux shall periodically deduct funds from the Green Account in an amount equal to disbursements for the financing and/or refinancing of Eligible Green Assets made during such period.

Prior to disbursement Eligible Green Asset the amount standing to the credit of the Green Account will form part of Electrolux's liquidity reserve and will be managed accordingly.

If, for any reason, a financed Eligible Green Asset no longer complies with this Green Bond Framework, the Green Bond Committee will decide to remove the Eligible Green Asset from the pool of assets financed with proceeds from Electrolux's Green Bonds.

6. Reporting

To enable investors and other stakeholders to assess Electrolux's Green Bond issuances and how the net proceeds are allocated, Electrolux will, subject to any applicable data protection or confidentiality obligations which are owed by the Group to any other party or at law, prepare an annual Green Bond Impact Report which will be published on the Electrolux's website. The Green Bond Impact Report will include:

1. the total amount of Green Bonds that have been issued by Electrolux which are outstanding;
2. a description of the portfolio of approved Eligible Green Assets that have been financed using the net proceeds of the Green Bonds (including the amount allocated to each Eligible Category);
3. a description of the Eligible Green Assets including allocated amounts and their main environmental benefits;
4. information about the split of Green Bond proceeds between new assets and re-financing;
5. the total amount of unallocated Green Bond proceeds (if any); and
6. where possible, quantitative descriptions of the environmental benefits of the Eligible Green Assets (the proposed impact metrics are listed in Table 1 below) as well as description of any Eligible Green Assets which involve fossil fuels.

The internal tracking method, the allocation of funds from the Green Account and the Green Bond Impact Report will be reviewed annually by the Group's external auditor. The Green Bond Impact Report and the opinion of the external auditor will be periodically made publically available on Electrolux's website <https://www.electroluxgroup.com/greenbond>.

Table 1: Proposed impact metrics for Electrolux Green Bond Impact Reporting

Eligible Green Assets in each Eligible Category	Examples of impact metrics (KPIs)
Improve product performance and efficiency - product specific manufacturing equipment - product specific R&D assets	Reduced energy consumption [kWh per year]
	Reduced water consumption [liter per year]
Make better use of resources - equipment for production of recycled materials - R&D of recycled materials - R&D of applications for recycled materials	Amounts of recycled materials [tonnes per year]
	CO ₂ savings from recycled materials [tonnes CO ₂ eq]
Eliminate harmful materials - processing equipment for gases with a greenhouse warming potential less than 15 CO ₂ eq - R&D assets for applications of gases with a greenhouse warming potential less than 15 CO ₂ eq	Reduction of greenhouse gases [tonnes per year]
	Reduced greenhouse impact [tonnes CO ₂ eq per year]
Achieve more with less Investments in commercial buildings Investments or Manufacturing Engineering assets - for new or renovated buildings with improved energy efficiency - for equipment with reduced energy consumption - for equipment with reduced water consumption - waste water treatment equipment - for equipment to reduce emissions of substances - for equipment to reduce manufacturing waste	Improved energy efficiency [% or kWh/m ² *year]
	Reduced water consumption [% or m ³ per year]
	Improved energy efficiency [% or kWh per std unit]
	Amount of treated effluents [% or m ³ per year]
Climate targets - Investments in equipment or manufacturing engineering for generation of renewable energy	Generation of renewable energy [MWh per year]
	Reduced greenhouse impact [tonnes CO ₂ eq per year]

This Green Bond Framework contains certain forward-looking statements that reflect the Electrolux’s current views with respect to future events and financial and operational performance of the Group. These forward-looking statements are based on Electrolux’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Electrolux to control or estimate precisely, including changes in the regulatory environment, future market developments, fluctuations in the price and availability of fuel and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. This Green Bond Framework does not constitute a recommendation regarding any securities of Electrolux or any member of the Group. This Green Bond Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Electrolux or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.