Green Financing Framework

September 2022

Electrolux

Image: In 2021, Electrolux, in partnership with Stena Recycling, presented a prototype of a vacuum cleaner that is 90% recyclable – compared to around 75% for a conventional vacuum cleaner.

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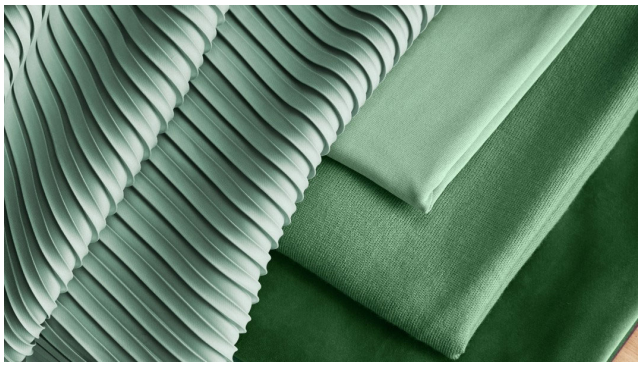
1. Introduction

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 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 global food system accounts for approximately 1/3 of all greenhouse gases[1]. 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.[2]



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.[3]

1.2 The 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 outstanding branded lifetime 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 2030". The framework focuses on three areas: (i) Better Company, (ii) Better Solutions and (iii) Better Living. Within each area Electrolux has defined three sustainability goals to make a positive difference for the better. The nine sustainability goals 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.

The Group's long-term ambition is to ensure that its entire value chain is climate neutral by 2050. In 2018, as one important step to achieve climate neutrality, 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 2[4]) 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 manufacturing and product efficiency, are in line with global standards in the transition to a low-carbon economy.

[1] FAO. Food system, the role of land use, agriculture, refrigeration, packaging and more. https://www.fao.org/news/story/en/item/1379373/icode/
[2] Measuring Fashion 2018 Environmental Impact of the Global Apparel and Footwear Industries Study
[3] https://united4efficiency.org/
[4] 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

By the end of 2021, Electrolux had reduced its absolute Scope 1 and 2 emissions by 78% and the Scope 3 emissions by ~20% compared to 2015. Together with the phase out of HFCs this corresponds to an emission reduction of more than 10 million tons of CO_2eq.[5] or approx. one fifth of Sweden's annual territorial greenhouse gas emissions.

The UN Sustainable Development Goals ("**SDG**s") 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 sustainability framework are "Decent work and economic growth" (SDG #8), "Responsible consumption and production" (SDG #12), "Climate action" (SDG #13) and "Partnerships for the goals" (SDG #17).

By the end of 2021, the total climate footprint for Electrolux had been reduced by approx. 10 million tonnes CO_2eq compared to 2015, corresponding to approx. 1/5 of Sweden's annual territorial greenhouse gas emissions.

1.3 Ethics and Human Rights

The basis for the sustainability approach is manifested in the Groups long-term commitment to the United Nations Global Compact (UNGC) and its ten principles on the environment, labor practices, human rights and anti-corruption - and has been since 2002.

All decisions in the Group are governed by the principles of ethics, integrity, and respect for people and our planet, regardless of where in the world Electrolux operates. The sustainability framework "For the Better 2030" includes two fundamental goals to make a positive difference for the better, "Act ethically, lead in diversity and respect human rights" and "Drive supply chain sustainability". The two goals also support the UN Sustainable Development Goal "Decent work and economic growth" (SDG #8).

As the most important human rights risk areas relate to Electrolux employees and the employees of suppliers, the human rights commitment has a strong focus on labor standards and employee rights.

The UNGC Communication on Progress is aligned with the UNGC's Advanced level of reporting. Electrolux also reports in accordance with the United Nations Guiding Principles on Business and Human Rights reporting framework.[6]

1.4 Governance

Electrolux sustainability framework is directly overseen by Group Management through the Sustainability Board and by the business area management teams through various reference groups and steering groups. Each business areas' management teams have been engaged in the development of the priorities and objectives within each of the Group's nine sustainability goals. Each business area is responsible for contributing to the fulfilment of the Group's sustainability targets under the nine sustainability goals, 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, as well as 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 (environmental management) 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.

1.5 Climate Risk Disclosures

The Electrolux Climate Risk Disclosures report[7] is based on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. Electrolux is committed to annually publish a

[5] Based on the calculation methodology used Electrolux and approved by the Science Based Target initiative in 2017.

[6] See Electrolux Sustainability Report 2021, sections "Key priorities and progress" and "reporting framework"

[7] See Climate Risk Disclosures, Electrolux Annual Report 2021 p. 97

report and has reported since the Annual Report 2020.

Electrolux uses two different climate scenarios based on data from the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to assess the resilience of its business. This includes potential medium- (10 years) and long-term (30 years) climate-related risks and opportunities throughout the appliance industry value chain.

1. The Rapid Transition Scenario would involve rapidly declining emissions in the coming decades, mainly driven by legislation and taxes, to achieve the objectives in the UN Paris Climate Agreement.
2. The Changing Climate Scenario would involve slowly declining emissions in line with the national climate pledges at the COP 26 meeting which would limit global warming to 1.8 °C[8]

Based on the information that was available at the end of 2021 Electrolux concluded that there are both risks and opportunities associated with both scenarios (for details see the Annual Report for 2021, Climate Risks Disclosure):

- The main risks of the Rapid Transition Scenario would be higher cost to redesign products because of more stringent energy legislation, and higher taxes on carbon emissions which could lead to higher energy and material prices. Electrolux is well positioned to meet the demands for more stringent product energy legislation as well as higher carbon taxes.
- The Changing Climate Scenario implies larger acute and chronic physical risks, primarily in the supply chain. However, Electrolux has a large flexibility in its supply chain and could adapt to the changing conditions considering the long timespan of climate change.
- In both scenarios there will be opportunities, i.e. an increasing need for electrification of appliances, a growing market as the global middle class is expanding, and a growing consumer demand.

Since 2021 physical climate risks are included in the Electrolux Enterprise Risk Managements and the outcome is reported to the Sustainability Board.

1.6 The EU Taxonomy

The purpose of the EU Taxonomy is to establish common definitions and reporting about economic activities that are in line with the EU sustainability objectives for 2030.

Electrolux is in the scope of the EU Taxonomy[9] as a producer of energy efficient equipment for buildings. Eligible economic activities (sales of products, CapEx, OpEx) are those where products are included in the EU framework regulation for energy labelling of appliances and cooling and ventilation systems[10].

Electrolux products, and hence CapEx and OpEx, that are aligned with the EU Taxonomy are primarily those that fulfill the technical screening criteria for substantial contribution to climate change mitigation as well as criteria for Do No Significant Harm (DNSH) and Minimum Safeguard.

As the technical screening criteria for climate change refers to "the highest two populated classes of energy efficiency" for a specific product category, the economic activities that are deemed to be aligned will vary over time. If one (1) single product is sold in a higher energy class, in which products previously have not been sold, then the economic activities that are "aligned" will change. As consumer demand is expected to gradually shift towards more energy efficient products, but also as the energy efficiency labelling scales (A-G) will be updated for several product categories, this will create dynamic conditions for what will be defined as environmentally sustainable products and thus Taxonomy-aligned.

The technical screening criteria for the remaining environmental areas have not yet been adopted.

1.7 External Recognition

In 2021, Electrolux was recognized for its sustainability leadership with a prestigious "double A" score for climate and water and as a Supplier Engagement Leader by the global non-profit CDP. Electrolux has been on the CDP Climate Leadership Index for the past six years and on the Water Leadership Index since 2020.

Electrolux was recognized as a sustainability leader in the Dow Jones Sustainability Index (DJSI) World and Europe in the consumer durables industry in 2021. Electrolux has also been included in several other sustainability indexes such as UN Global Compact 100 Index, Sustainalytics, MSCI, ISS oekom Prime and FTSE4Good.

[8] IEA https://www.iea.org/commentaries/cop26-climate-pledges-could-help-limit-global-warming-to-1-8-c-but-implementing-them-will-be-the-key

[9] See EU Taxonomy Report 2021, Electrolux Annual Report 2021, p. 94

[10] The "EU Labelling Framework", Regulation (EU) 2017/1369 of the European Parliament and of the Council of 4 July 2017

2. Green Financing Framework

Electrolux introduced a green bond framework to fund climate investments and other environmental initiatives in 2019.

In line with its corporate sustainability framework, Electrolux has developed this Green Financing Framework which is designed to facilitate the issuance of "Green Financial Instruments" by Electrolux. This Green Financing Framework has been prepared together with SEB and is based on the International Capital Market Associations Green Bond Principles (June 2021) (the "**Green Bond Principles**" or "**GBP**") as well as the Loan Market Association and Asian Pacific Loan Market Association Green Loan Principles (February 2021) (the "**Green Loan Principles**" or "**GLP**"). It is the intention of Electrolux to follow best practices relating to "Green Financial Instruments" as market standards develop and as the EU classification of environmentally sustainable economic activities, the EU Taxonomy enter into force. Electrolux Green Financing Framework may therefore be amended and/or updated to reflect changes in market practice. Electrolux has commissioned Cicero Shades of Green ("**Cicero**") to provide a second opinion on this Green Financing Framework. The four core pillars of the Green Bond Principles, and the recommendation for heightened transparency therein to engage an independent external reviewer are, use of proceeds, process for project evaluation and selection, management of proceeds, reporting and external review. The second opinion, together with the Green Financing Framework, will be publicly available on Electrolux website.

3. Use of proceeds

Electrolux will use the proceeds to finance or refinance certain assets that have been specifically selected in accordance with eligible categories in this Green Financing 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 corporate sustainability framework that is promoting the transition towards a low-carbon and environmentally as well as social sustainable society according to Electrolux. Eligible Green Assets may also include financial expenditures relating to sustainable assets such as acquisition[11], research and development, tools, processes, machines and equipment and the integration of facilities and systems ("**Manufacturing Engineering**"). R&D includes development of new products and materials, 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 Financing proceeds will be made based on:

- **New assets**: defined as asset which has been, or will be, taken into operation on or after the date falling one year before the date such asset is approved by the Green Financing Committee (GFC) and
- **Refinancing**: the GFC will not apply a uniform look-back period however it will apply a life-cycle assessment for approving financing of these assets with green financing proceeds. The proceeds will be included in the annual Green Financing Impact Report (see Section 6 - Reporting). The report will specify the date such refinanced asset was taken into operation and the expected remaining lifetime of such assets.

Eligible Green Assets can only involve fossil-fuel based energy generation equipment if:

1. the equipment is a bridging solution towards climate-neutral production processes or
2. 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 CO_2 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 Financing Impact Report (see section 6 - Reporting). For the full screening methodology for assets potentially including fossil fuel components please see Appendix 2. Screening methodology for assets potentially including a fossil fuel component.

[11] For the avoidance of doubt, only the value of Eligible Green Assets (as defined in this framework) within the acquired company can be eligible for Green Financing.

3.1 Sustainable Development Goals

In this Framework each Green Asset category has been broadly mapped to the SDGs in accordance with the ICMA "Mapping the SDGs" document. The selected SDGs are the most important and those Electrolux actively works on and are integrated in the Group's sustainability framework and described in the introduction above.

3.2 Eligible Categories

To be eligible for financing from Electrolux Green Financing proceeds, Eligible Green Assets must fall within any one of the categories listed below (each an "**Eligible Category**"). The Eligible Categories relate to four of Electrolux nine sustainability goals, as well as Electrolux climate targets, that contribute to a better environment (see Fig. 1 below). The four goals and the climate targets primarily support the United Nations SDGs "Responsible consumption and production" (SDG #12) and "Climate action" (SDG #13). In addition, engagement in "Partnerships for the Goals" (SDG #17) is important to support the achievement of the other SDGs. 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 green boxes in Fig 1. below show how the five Eligible Categories support the goals in the For the Better 2030 framework.

Fig 1. The Electrolux sustainability framework – For the Better 2030

Better Company	Better Solutions	Better Living
Be climate neutral and drive clean and resource-efficient operations	Lead in energy and resource-efficient solutions	Make sustainable eating the preferred choice
Act ethically, lead in diversity and respect human rights	Offer circular products and business solutions	Make clothes last twice as long with half the environmental impact
Drive supply chain sustainability	Eliminate harmful materials	Make the home a healthier place to thrive in, with half the carbon footprint
Supporting the UN Sustainable Development Goals and Climate Goals		

3.2.1 Be climate neutral and drive clean and resource-efficient operations

The first Eligible Category is: Be climate neutral and drive clean and resource-efficient operations. 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. In the assessment of the Group's total life-cycle impact for 2015, 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.

At the end of 2021, Electrolux had reduced energy used per manufactured standard product by 43% corresponding to a reduction of absolute CO_2 emissions by 78%[12] (360,000 tonnes[13] CO_2eq) compared to the base year 2015. Electrolux is now working towards a new 2025 target for its operations to further reduce energy consumption by 12.5% compared to 2020 and to use 65% renewable energy.

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 Financing instruments which are allocated to Eligible Green Assets in this

[12] At the end of 2021, Electrolux had achieved 78% reduction in the Science Based Target for Scope 1 and 2, which includes fugitive emissions from HFCs in addition to emissions related to energy use.

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

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;
- Investments in equipment (including Manufacturing Engineering in relation thereto) with an ambition to achieve best market standard in relation to waste water treatment;
- Investments in equipment (including Manufacturing Engineering in relation thereto) with an ambition to achieve best market standard in relation to reduce emissions of harmful substances;
- Investments in equipment (including Manufacturing Engineering in relation thereto) with an ambition to achieve best market standard in relation to reduce manufacturing waste;

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

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG #12, "Responsible consumption and production" and SDG #17, "Partnerships for the goals". Electrolux has set targets which have been approved by the Science Based Targets Initiative and the Group supports the United Nation's Global Compact – Business Ambition for 1.5° C, which Electrolux President and CEO has signed.

Be climate neutral and drive clean and resource-efficient operations has an impact on Scope 1 and Scope 2 and is primarily part of the "Energy efficiency" and "Green buildings" eligible Green Projects categories in the Green Bond Principles.

SDGs		GBP categories	Electrolux targets	Example indicators
 	**SDG 12** Responsible consumption and production **SDG 17** Partnerships for the goals	Renewable energy Energy efficiency Pollution prevention and control Sustainable water and wastewater management Green buildings	Science Based Targets Scope 1+2 80% reduction by 2025 Climate neutral operations by 2030 Zero Waste to Landfill certification for all factories by 2025	Improved energy efficiency [% or kWh/m^2*year] Reduced water consumption [% or m^3 per year] Improved energy efficiency [% or kWh per std unit]

3.2.2 Lead in energy-and resource-efficient solutions

The second Eligible Category is: Lead in energy- and resource-efficient solutions. This 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 accounted for approximately 85% of the Group's overall climate impact.

The proceeds of Green Financing instruments which are allocated to Eligible Green Assets in this 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 #12, "Responsible consumption and production" and SDG #17, "Partnerships for the goals". Electrolux has set targets which have been approved by the Science Based Targets Initiative and the Group supports the United Nation's Global Compact – Business Ambition for 1.5° C, which Electrolux President and CEO has signed. Electrolux also participates in the United Nations led initiative United for Efficiency to support developing countries and emerging economies in setting up effective product performance and labelling systems to help facilitate a complete market transformation to energy-efficient cooling appliances and in the Cool Coalition, initiated by UNEP, with the objective to improve the energy efficiency and to reduce the environmental impact of cooling appliances.

Lead in energy- and resource-efficient solutions has an impact on Scope 3 (product use phase) and is primarily part of the "Energy efficiency" and "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products" eligible Green Projects categories in the Green Bond Principles.

SDGs		GBP categories	Electrolux targets	Example indicators
	**SDG 12** Responsible consumption and production **SDG 17** Partnerships for the goals	Energy efficiency Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Science Based Targets 25% reduction in carbon emissions in product use by 2025 (Scope 3) Carbon neutral throughout value chain by 2050	CO_2 million tonnes saved

3.2.3 Offer circular products and business solutions

The third Eligible Category is: Offer circular products and business solutions. This Eligible Category focuses on improving circularity of materials that are used by Electrolux and increasing the use of recycled materials.

In the assessment of the Group's total life-cycle impact in 2015, which was used for setting the Science Based Targets for Electrolux, goods and services purchased by the Group (Scope 3) account for approximately 8% of the Group's overall climate impact.

In 2018, Electrolux used approximately 300,000 metric tonnes of thermoplastic raw materials in its products. The climate impact from purchased plastic raw materials is approx. twice the magnitude of the impact from the Group's transportation, or close to 1 million tonnes of CO_2eq. 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 Financing instruments 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.
- R&D of recycled materials. Eligible Green Assets should have the objective to develop material compositions based on recycled plastics, or redesign as well as qualification of products with recycled plastics.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG #12, "Responsible consumption and production" and SDG #17, "Partnerships for the goals".

Electrolux has signed an agreement with competitors in Europe on developing a standard grade of recycled plastic for certain components to improve the market for recycled plastics and has a partnership with Stena Recycling to improve circularity of products. In 2021, Electrolux became a member of Circular Sweden, which can involve collaboration on creating new circular solutions such as new business models and service offerings. The Group supports the United Nation's Global Compact – Business Ambition for 1.5° C, which Electrolux President and CEO has signed.

Offer circular products and business solutions has an impact on Scope 3 (purchased goods and services) and is primarily part of the "Pollution prevention and control" and "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products" eligible Green Projects categories in the Green Bond Principles. By 2030, the Group's goal is to replace 50% of the virgin plastic used in the manufacturing of our products with recycled plastic. The long-term ambition for Electrolux is to become climate neutral through the entire value chain by 2050.

SDGs		GBP categories	Electrolux targets	Example indicators
	**SDG 12** Responsible consumption and production **SDG 17** Partnerships for the goals	Pollution prevention and control Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Replace 50% of virgin plastics by 2030 Carbon neutral throughout value chain by 2050	Proportion of recycled plastic (in tonnes) Saved emissions (in tonnes CO_2eq)

3.2.4 Eliminate harmful materials

The fourth 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 HFC 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 of CO_2 emissions in 2015, 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.

Electrolux works according to a plan, that has been submitted to the UN Cool Coalition initiative, to accelerate the removal of F-gases from the production of new refrigerators, freezers and products with heat pumps, and to introduce gases with reduced Global Warming Potential. The plan aims to replace high-impact greenhouse gases in all Electrolux appliances by 2023 at the latest.

The proceeds of Green Financing instruments 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 CO_2eq.[14]
- Investments in research and development with a view to eliminating refrigerants and foam blowing agents with a GWP which is higher than 15 CO_2eq.

Eligible Green Assets in this Eligible Category are primarily aimed at addressing SDG #13, "Climate action" and SDG #17, "Partnerships for the goals"

Electrolux has submitted a phase out plan for HFCs to the UN Cool Coalition initiative to replace high-impact greenhouse gases.

Eliminate harmful materials has an impact both on Scope 1 (fugitive emissions of HFCs) and Scope 3 (use and recycling of products) and is primarily part of the "Pollution prevention and control" eligible Green Projects category in the Green Bond Principles.

SDGs		GBP categories	Electrolux targets	Example indicators
	**SDG 13** Climate action **SDG 17** Partnerships for the goals	Pollution prevention and control	Replace HFCs according to the plan submitted to the UN Cool Coalition Carbon neutral throughout value chain by 2050	Reduced emissions (in tonnes CO_2eq)

[14] Definition according to EU directive 2012/19/EU.

3.2.5 Supporting the UN Sustainable Development Goals and Climate Goals

The fifth Eligible Category is: Supporting the UN Sustainable Development Goals and Climate Goals. 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 Financing instruments 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 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 the 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 #13, "Climate action" and SDG #17, "Partnerships for the goals".

Electrolux has set targets which have been approved by the Science Based Targets Initiative and the Group supports the United Nation's Global Compact – Business Ambition for 1.5° C, which Electrolux President and CEO has signed.

Supporting the UN Sustainable Development Goals and Climate Goals Eligible Category has an impact on Scope 2 and is primarily part of the "Renewable energy" eligible Green Projects category in the Green Bond Principles.

SDGs		GBP categories	Electrolux targets	Example indicators
	**SDG 13** Climate action **SDG 17** Partnerships for the goals	Renewable energy	Science Based Targets by 2025 Carbon neutral throughout value chain by 2050	Produced renewable (in MWh) Saved emissions (in tonnes CO_2eq)

4. Process for asset evaluation and selection

Electrolux has established a Green Financing Committee consisting of representatives from Group Sustainability, Group Treasury, Investor Relations and Group Controlling. Potential Eligible Green Assets will be identified by the Green Financing Committee and verified through Electrolux regular investment request process and then evaluated in relation to the eligibility criteria in this Green Financing Framework as well as Electrolux corporate sustainability framework that promotes the transition towards a low-carbon and environmentally as well as socially sustainable society. The Green Financing Committee periodically decides in consensus which projects meet the requirements to be Eligible Green Assets according to this Green Financing Framework. Assets will only be approved as Eligible Green Assets if Electrolux considers the net, long-term environmental impact of the asset will be positive. The Green Financing Committee will document and keep record of its decisions.

Process overview

5. Management of proceeds

Upon receipt, the proceeds from the issue of Green Financing instruments will be credited to a segregated account held in Electrolux name (the "**Green Account**") and will be used to finance the Group's Eligible Green Assets as outlined in this Green Financing Framework. The Green Account ensures monitoring and tracking of the use of proceeds, and Group Treasury is responsible for the allocation of the proceeds from the Green Financing instruments to the Eligible Green Assets. For as long as any Green Financing instruments 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 the disbursement to the Eligible Green Asset the amount standing to the credit of the Green Account will form part of Electrolux liquidity reserve and will be managed accordingly.

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

6. Reporting

To enable investors and other stakeholders to assess Electrolux Green Financing and how the 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 Financing Impact Report which will be published on the Electrolux website. The Green Financing Impact Report will be in accordance with the ICMA handbook on Core Principles and Recommendations for Reporting[15] and include:

1. the total amount of Green Financing instruments 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 proceeds of the Green Financing instruments (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 Financing proceeds between new assets and re-financing and the date such refinanced asset was taken into operation and the expected remaining lifetime;
5. Geographical distribution of Eligible Green Assets, on a country level;
6. the total amount of unallocated Green Financing proceeds (if any); and
7. where possible, quantitative descriptions of the environmental benefits of the Eligible Green Assets (the proposed impact metrics are listed in Table 1 below).

[15] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf

The internal tracking method, the allocation of funds from the Green Account as well as the impact reporting and calculation methodology will be verified with limited assurance by the Group's external auditor. The Green Financing Impact Report and the opinion of the external auditor will annually be made publicly available on Electrolux website.

Appendix 1: Proposed impact metrics for Electrolux Green Financing Impact Reporting

Eligible Green Assets in each Eligible Category	Examples of impact metrics (KPIs)
Be climate neutral and drive clean and resource-efficient operations 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]
Lead in energy- and resource-efficient solutions – product specific manufacturing equipment – product specific R&D assets	Reduced energy consumption [kWh per year]
	Reduced water consumption [liter per year]
Offer circular products and business solutions – 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_2eq]
Eliminate harmful materials – processing equipment for gases with a greenhouse warming potential less than 15 CO_2eq – R&D assets for applications of gases with a greenhouse warming potential less than 15 CO_2eq	Reduction of greenhouse gases [tonnes per year]
	Reduced greenhouse impact [tonnes CO_2eq per year]
Supporting the UN Sustainable Development Goals and Climate Goals – Investments in equipment or manufacturing engineering for generation of renewable energy	Generation of renewable energy [MWh per year]
	Reduced greenhouse impact [tonnes CO_2eq per year]

Appendix 2. Screening methodology for assets potentially including a fossil fuel component

Eligible Green Assets can only include fossil-fuel based energy generation equipment if the equipment is a bridging solution toward climate-neutral production processes or if the fossil energy component to run the equipment is marginal (<5%) compared to the production unit's total energy consumption. A bridging solution toward climate neutral production should fulfill all the following criteria:

- A technically and economically viable solution for renewable energy does not exist.
- The solution contributes to a considerable reduction (>30%) of a production unit's total CO_2 emissions; for example, through lower energy consumption from the production unit.

Question		Answer "Yes"	Answer "No"
1	Is there a fossil fuel component in the activity?	Go to question 2	Continue the normal approval procedure
2	Is the fossil energy component to run the equipment more than 5% compared to the production unit's total energy consumption?	Go to question 3	Continue the normal approval procedure
3	Is there a technically and economically viable solution for renewable energy?	Reject	Go to question 4
4	Will the solution contribute to a considerable reduction (>30%) of the production unit's total CO_2 emissions?	Go to question 5	Reject
5	Will rebound effects outweigh the advantages of reduced CO_2 emissions?	Reject	Continue the normal approval procedure

All Eligible Green Assets including fossil fuels will be reported in the annual Green Financing Impact Report.

Read the full story

Read the full Electrolux Sustainability Report on the web:

https://www.electroluxgroup.com/en/category/sustainability/sustainability-reports/

Disclaimer

This Green Financing Framework contains certain forward-looking statements that reflect the Electrolux current views with respect to future events and financial and operational performance of the Group. These forward-looking statements are based on Electrolux 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 Financing Framework does not constitute a recommendation regarding any securities of Electrolux or any member of the Group. This Green Financing 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.