



SUSTAINABILITY  
RESULT  
PERFORMANCE  
GOVERNANCE

*Thinking of you*

 **Electrolux**

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**The Electrolux 2010 sustainability performance** review includes information provided in the printed annual report and the comprehensive online report available under Sustainability, at [www.electrolux.com/annualreport2010](http://www.electrolux.com/annualreport2010)

## Annual report

Sustainability information is integrated throughout the printed Annual Report. Written for shareholders and stakeholders, six pages are additionally dedicated to how sustainability issues are relevant to the business strategy, as well as goals and performance.



**On-line annual report:** Built around a clickable GRI index, the sustainability performance review is integrated into the on-line Annual Report. It shows how Electrolux performs against recognized sustainability indicators in a broader context. It is designed for socially responsible investors and other sustainability professionals. View at:

[www.electrolux.com/annualreport2010](http://www.electrolux.com/annualreport2010)



**Sustainability strategy report:** Future InSight is an outlook report aimed at key audiences such as employees, retailers, customers and other business contacts. It is \*forward-looking, focusing on how environmental and social challenges are driving innovation and shaping strategies and partnerships. To be launched in Q2, 2011.



Five concept vacuum cleaners made of plastics found in the world's oceans. They also form part of the marketing strategy of the Electrolux Green Range of vacuum cleaners.

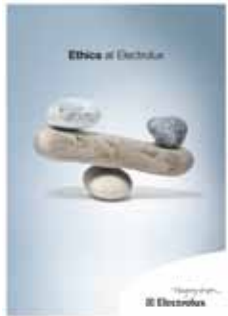
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# SUSTAINABILITY MATTERS

Through streamlining operations, efficient and smart products and active participation in the global community, Electrolux is integrating sustainability more deeply into its business. This performance review highlights how the company measured up in 2010.



Electrolux developed a group-wide ethics program including training material and a third-party-operated ethics helpline where employees can confidentially report concerns.

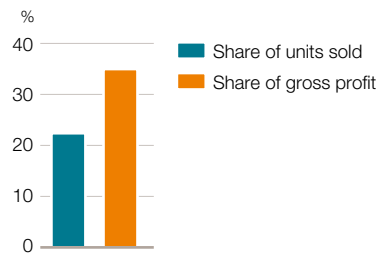


For the fourth consecutive year, Electrolux is listed as its sector leader in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance.



Electrolux Appliances has been named the sole ENERGY STAR Partner of the Year for Appliances by the U.S. Department of Energy and the U.S. Environmental Protection Agency.

## Global Green Range



Sales of the Group's most energy- and water-efficient appliances accounted for 22% of sold units and 35% of gross profit.

## Reporting realm

This report is based on the Global Reporting Initiative (GRI) framework and is in accordance with Application Level B, self-declared and GRI-checked to ensure the correct application of the GRI reporting framework. The GRI Index, available online, leads readers to reporting of each management approach and relevant indicator under the areas of Economic performance, Environment, Labor practices, Human rights, Product responsibility and Society. There is no applicable sector supplement for Electrolux.

Where relevant, this report also highlights how these priorities reflect the Group's commitment to the ten principles of the UN Global Compact. Electrolux has therefore considered the newly-launched UN Global Compact "GC Advanced" level for reporting on its Communication on Progress through this report.

Unless otherwise indicated, standard disclosures include all operations that can potentially affect Group performance. Data has been

collected over the 2010 calendar year. This GRI data, reporting 48,262 employees, encompasses majority-owned operations, or 50 factories, 33 warehouses and 38 offices in 16 countries, and representing 95% of the total number of employees. Staff working at facilities with less than 30 employees is not included in this compilation.

The St. Petersburg washing machine factory was closed during 2010. To compensate for changing structure, to improve quality of the indicators and to enable comparisons, data from previous years has been revised to reflect the current structure of Electrolux.

The company's previous sustainability report was published in March, 2009.

The full disclosure on this report is available under Sustainability, at About this Report, [www.electrolux.com/annualreport2010](http://www.electrolux.com/annualreport2010)

# A top commitment

A strong commitment to sustainability is a precondition for excelling in our business.

In my previous position as Head of Global Operations, I was a member of the Electrolux Sustainability Task Force, representing both Group purchasing and manufacturing. In 2010, we began the process of developing a blueprint for action to strengthen our sustainability commitment. We improved our grasp on emerging global challenges. We sharpened our insight into how these will affect evolving consumer needs and business conditions. We know that to lead in tomorrow's markets we have to do more with less, and—through our products—empower consumers to use less resources, too.

## Foot to the floor

2011 will mark a shift in tempo for our work with sustainability. As CEO, I intend to drive implementation of our strategy. I want to be clear about what leading in sustainability means. I want to put a stake in the ground—and make it visible across our organization. From our brand values and communications, to product design, from our supply chain to the partners we choose and the issues we support—all should align with our commitment.

## Green product range potential takes off

Sustainability leadership feeds through our product offerings in three ways: showcasing innovation through our green flagship range; promoting water and energy efficiency across all our offerings; and by growing the market for sustainable products.

We're seeing results. Each of our business sectors is launching and marketing a green range of its most environmentally-savvy products, for example in the areas of energy and water consumption. Every year, the bar for entry to these ranges is raised. Global sales of these ranges have progressed steadily since rolling them out in 2008. In 2010, our most water and energy-efficient appliances captured 22% of net sales, and contributed 35% of the Group's gross profits.

We know we can do much more to ensure our entire product offering shares this same ambition for resource efficiency. We are developing a methodology for defining efficiency targets and our renewed focus on brand and product values will ensure sustainability is front of mind in future product lines.

## Growing the market for green

We see the need for smart, green, connected appliances. I'm very excited about the value innovation for sustainability can bring to consumers' lives.



### UN Global Compact

Electrolux supports the UN Global Compact principles on human rights, labor, environment and anti-corruption. The Electrolux Code of Ethics, Workplace Code of Conduct, Policy on Bribery and corruption and Environmental Policy align with these principles.





2011 will mark a shift in tempo for Electrolux. As CEO, I intend to drive implementation of our sustainability strategy.

Keith R. McLoughlin

To accelerate uptake of energy- and water-efficient appliances, we need to drive home the importance of smart-consumer choices through marketing. Strong sustainability messaging generates results. Our Vac from the Sea campaign, highlighting the paradox of excessive plastic waste in the oceans and shortage of recycled plastic on land, helped deliver a doubling of sales of vacuum cleaners containing recycled plastics. Importantly, it also got suppliers talking about increasing supply.

With the right market framework, we can do much more. In the US, Electrolux partnered with retailers during last year's 'Cash for Appliances' incentive program in the US. The result: end of year sales increased 20%. In the first quarter of 2011, our delivery of green range appliances and efforts to educate consumers saw Electrolux Appliances named Energy Star Partner of the Year by the US Department of Energy (DOE) and the US Environmental Protection Agency (EPA).

2011 will see increased visibility and more powerful market engagement in this area.

#### **Streamlining operations**

Electrolux is here for the long term. We know natural resources can't be consumed faster than they can be renewed. It's time to step up to the plate.

This calls for a holistic approach right across Electrolux. One that builds on our heritage of care for the environment to find solutions to 21st century challenges.

Our actions on climate change are one example. I'm proud of how close we've come to reaching our 2012 energy-reduction goal—already we've cut energy 25% and are three percent shy of reducing it by 28% compared to our 2005 baseline. We're not only cutting carbon, we'll be saving 200 mSEK a year in energy costs. With volatile energy prices, this is a good outcome for shareholder and society alike.

#### **Doing ethical business and creating safe workplaces**

I'm pleased to say we've made great progress on health and safety, too. Today, we have in place a global organization tasked with shaping a strong safety culture, with targets to cut the number of accidents in our facilities. We're aiming high—a quarter of all facilities will operate at best global manufacturing practice levels by 2016.

Electrolux has a Code of Ethics. But codes, policies and governance systems alone are not enough. We have to live our values. Developed in 2010, our 'Ethics at Electrolux' program is designed to engage employees around the company's expectations for ethical conduct and personal and corporate accountability. The program will be rolled out throughout the Group during 2011. Our Ethics Helpline will also be in place, allowing employees and business partners to report areas of concern both confidentially and anonymously.

#### **Good business sense**

I'm engaged in sustainability because it makes integral business sense. Sustainability is about synergies: efficiency works for society and for the bottom line. It's part of delivering long-term shareholder and stakeholder value.

We don't have all the answers, but my role is to drive the thinking forward, set the direction and leverage the networks and partnerships that will help us deliver solutions to the marketplace. That's why I'm committed to keeping sustainability among my top priorities.

Stockholm, April, 2011

Keith R. McLoughlin  
President and Chief Executive Officer

Electrolux has considered the newly-launched UN Global Compact "GC Advanced" level for reporting on its Communication on Progress through this report. **See the online GRI Index for more information.**

# Electrolux offering

Category

Products

CONSUMER  
DURABLES



For household kitchens throughout the world, Electrolux sells cookers, ovens, 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.



Washing machines and tumble-dryers are the core of the Electrolux product offering for cleaning and care of textiles. Innovations and a growing preference for higher capacity, user-friendliness as well as lower consumption of water and energy are driving demand for Electrolux products.



Electrolux vacuum cleaners and accessories are sold to consumers worldwide. A strong, global distribution network and an attractive product offering are important competitive advantages. All production is located in low-cost areas.

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, and is largest in Europe.

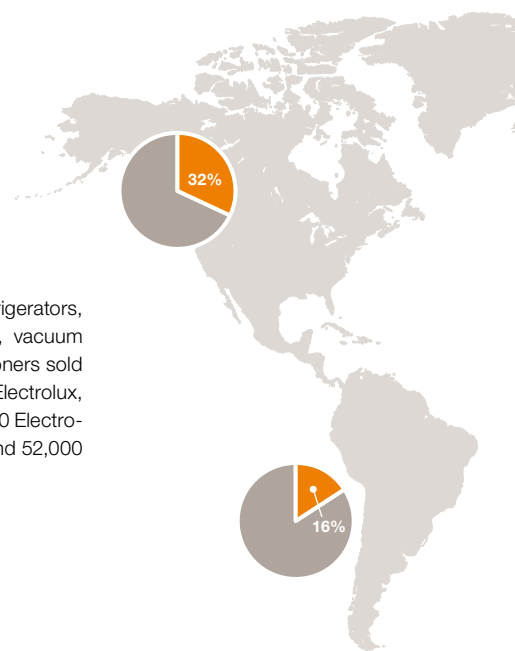
Share of Group net sales

## Electrolux – a global leader with a customer focus

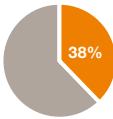
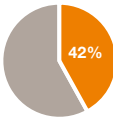
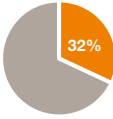
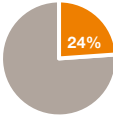
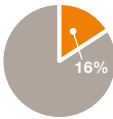
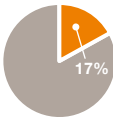
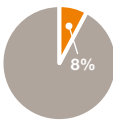
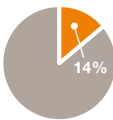

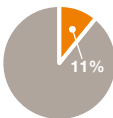
Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year.

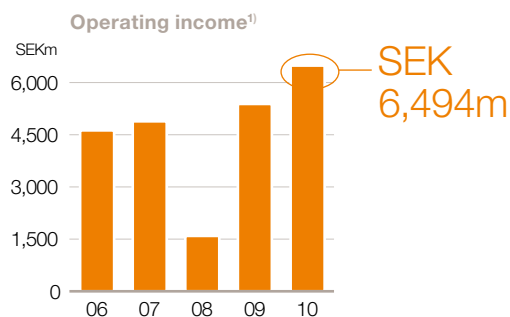
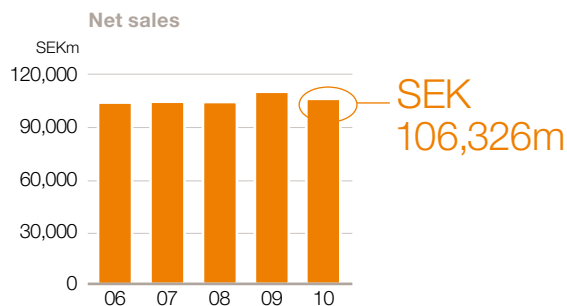
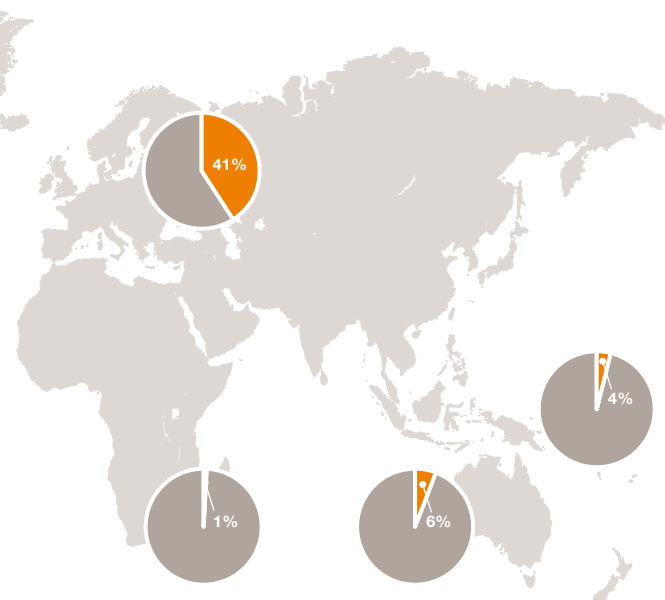
The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals.

Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners, cookers and air-conditioners sold under esteemed brands such as Electrolux, AEG, Eureka and Frigidaire. In 2010 Electrolux had sales of SEK 106 billion and 52,000 employees.



# Electrolux business areas

	Net sales	Operating income	Development 2010
Consumer Durables Europe, Middle East and Africa			Operating income for appliances improved considerably compared to the previous year, above all due to a positive mix development. Operating income for the floor-care operation also improved substantially. This is a result of increased sales of products in the premium segment, which improved the product mix.
Consumer Durables North America			Operating income for appliances increased primarily on the basis of an improved product mix. Operating income for the floor-care operations declined, due to lower sales volumes, higher costs for sourced products and lower prices in the market.
Consumer Durables Latin America			Electrolux sales volumes in Latin America increased in 2010, which led to higher sales and increased market shares for the Group in Brazil and several other markets in Latin America. Operating income for 2010 improved, primarily on the basis of higher volumes and an improved product mix.
Consumer Durables Asia/Pacific			Operating income improved considerably, on the basis of changes in exchange rates and improved cost efficiency. Electrolux sales in the Southeast Asian and Chinese markets grew substantially and the Group continued to gain market shares. The operations in Southeast Asia continued to show good profitability.
Professional Products			Operating income showed a considerable improvement due to increased sales of own-manufactured products, an improved customer mix and cost efficiencies. Price increases also impacted income positively. Operating income for 2010 was the best ever for the operations in Professional Products.



1) Excluding items affecting comparability.

# Sustainable strategy

A fast-changing world: A growing middle class. Increasingly constrained resources. Climate change. In these challenges, Electrolux sees opportunities. Through streamlining operations, efficient and smart products and active participation in the global community, the Group is integrating sustainability more deeply into its business.

To be a leader in its industry, Electrolux must lead in sustainability. The Group therefore intensified its work with its sustainability strategy encompassing how the Group runs its operations, designs products, communicates with consumers and strengthens the brand.

In addition, Electrolux seeks to lead by example by instilling high environmental and labor standards through its responsible sourcing program and a strong commitment to business ethics with a newly developed employee ethics program.

Building leadership is a long-term commitment and the Group has demonstrated that it is up to the challenge. In 2010 and for the fourth consecutive year, Electrolux was recognized as leader in the consumer durables industry sector in the prestigious Dow Jones Sustainability World Index. Electrolux thereby ranks among the top 10% of the 2,500 largest companies for social and environmental performance.

## Three-part climate strategy

- 1 Innovating and promoting efficient products
- 2 Raising awareness on the importance of energy-efficient appliances
- 3 Reducing energy use in operations

## Operational efficiency

By streamlining operations and creating safe workplaces, Electrolux combines lowering its impact on the environment and people with reducing costs and risks. In fact, by achieving its energy-reduction target in 2012, the Group will save approximately SEK 200m annually compared with 2005 energy costs.

### Objectives

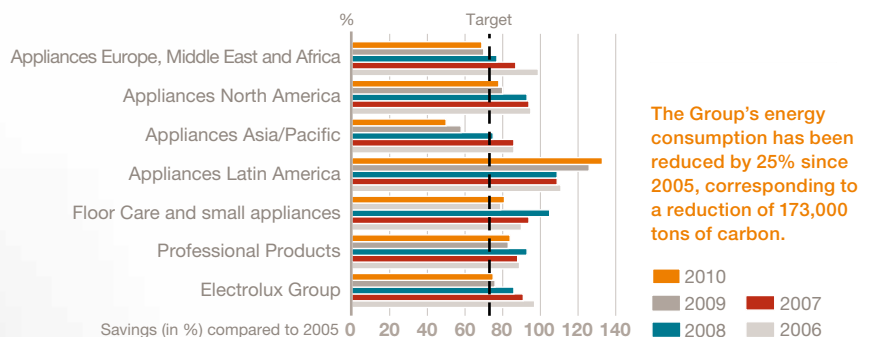
- Reduce the Group's environmental footprint in the short and long term, in part by achieving a 28% absolute reduction of energy use by 2012 compared with 2005 consumption.
- In terms of health and safety, operate 25% of Group plants at best practice levels for the manufacturing industry by 2016; with the vision of achieving accident-free facilities.

### Performance

- An accumulated 25% reduction of energy use since 2005, in line with the 2012 target.
- Set targets for reducing transport emissions and water.
- Created an organization, developed a management system and established global targets for health and safety.



EN18: 2012 Energy-savings target



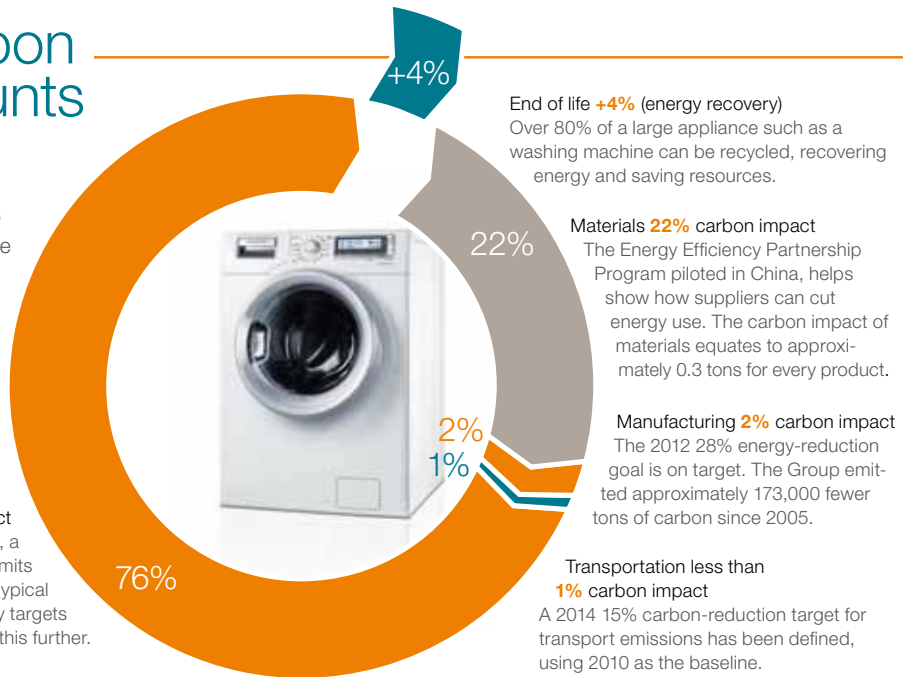


# Cutting carbon where it counts

The product life-cycle approach guides the Group in reducing its carbon footprint by indicating the carbon dioxide impact of raw-material extraction, manufacturing, transportation, use and end-of-life treatment.

Source: Öko Institute.V.'s LCA of a washing machine, 2004.

**Products in use 76% carbon impact**  
Through its consumption of energy, a washing machine in operation emits about 1 ton of carbon dioxide in a typical 10-year life span. Product-efficiency targets will be defined in 2011 to reduce this further.



**End of life +4% (energy recovery)**  
Over 80% of a large appliance such as a washing machine can be recycled, recovering energy and saving resources.

**Materials 22% carbon impact**  
The Energy Efficiency Partnership Program piloted in China, helps show how suppliers can cut energy use. The carbon impact of materials equates to approximately 0.3 tons for every product.

**Manufacturing 2% carbon impact**  
The 2012 28% energy-reduction goal is on target. The Group emitted approximately 173,000 fewer tons of carbon since 2005.

**Transportation less than 1% carbon impact**  
A 2014 15% carbon-reduction target for transport emissions has been defined, using 2010 as the baseline.

## Product excellence

Electrolux makes it easier for consumers to save energy and water. By employing the best available technology, the Group is meeting the needs of a growing urban middle class and future generations.



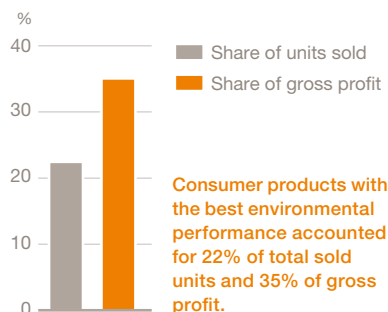
### Objectives

- Improve environmental performance of appliances and set long-term product targets for energy, water and chemical use.

### Performance

- Electrolux established a methodology for setting and verifying long-term and short-term targets across product ranges in main markets.
- Sales of the Group's green ranges, the most energy- and water-efficient appliances, accounted for 22% of sold units.
- Sustainable innovation is among the top four priorities in the Group's R&D program.

### EN26-27: Global Green Range



## Engaged in society

Electrolux engages with stakeholders across its value chain, from suppliers to customers, consumers and business partners as well as NGOs. This collaboration leads to innovative solutions to complex challenges such as championing efficient appliances and promoting sustainable consumption.

### Objectives

- Shape future markets through sustainable products and active communication to raise awareness.
- Create partnerships and engage with stakeholders.
- Build trust through dialog, transparency and openness.

### Performance

- Engaged suppliers in the Group's energy-efficiency objectives, as part of the value chain approach.
- Participation in Stockholm's Royal Seaport urban development project is one example of the Group's partnership approach. Electrolux is contributing with a cutting-edge application of smart-grid technology in household appliances.
- Raised public awareness of the growing volume of plastic waste in the world's oceans and how it can be used.

# Integrating sustainability into the business

In 2010, Electrolux intensified work with its sustainability strategy, involving every aspect of the business and along the value chain. Henrik Sundström, Vice President of Sustainability Affairs explains how this is being achieved.

## **On integrating insights of Group operations and sectors into the sustainability strategy**

In the Sustainability Task Force, we pulled together leading representatives from every business sector and relevant Group function for discussions on our direction. The task force acted as a sounding board throughout the strategy process.

In organizational terms, the next step is to ensure that the resources are in place for implementation. We also dialog with stakeholders on the strategy for feedback on the way forward.

## **On the Board and Group Management engagement in sustainability**

As part of the governance structure, the Board assesses ethical risks and opportunities and reviews sustainability-related policies on an annual basis. The sustainability strategy and related policies are defined by Group Management. It is taking a key role in pinning down what sustainability means for Electrolux.

## **On coordinating implementation in operations and products**

Major Appliances Global Operations has responsibility for coordinating product innovation, purchasing and factory management, and are active in executing many components of the sustainability strategy, including reduction targets for energy, water and transport. Responsibility at individual business sectors cover environmental management and human resources.

In terms of product excellence: It is the responsibility of each business sector to develop its own Green Range plan, including marketing and communications. At the same time Group level has defined common environmental criteria for the ranges and Group Brand and marketing are integrating sustainability values in the brand architecture.

## **On the role of Sustainability Affairs**

As part of Group Staff Communications, Sustainability Affairs supports business areas and Group functions with expertise, training and monitoring. We also help define issues that are most relevant to our business.

Each business area is responsible for implementing the plan locally. In this way, learning is leveraged across markets while Electrolux is still meeting local requirements.

## **Relevant policies that reinforce the Group's commitment to sustainability**

The Electrolux Code of Ethics covers rules of conduct for relations with employees, business partners, shareholders and other stakeholders. It is referred to as an umbrella policy because the Code of Conduct, Environmental Policy and Policy on Countering Corruption and Bribery are all included as elements of the Code of Ethics.

All of the Group's codes and policies are based on universal standards of doing business, including International Labour Organization and the OECD Guidelines for Multinational Enterprises. And they reflect the Group's support of the ten principles of the UN Global Compact.

The Electrolux Workplace Code of Conduct defines high employment standards for employees in all countries and business areas as well as for all subcontractors. It covers child and forced labor, health and safety, workers' rights and environmental compliance. The Environmental Policy outlines the Group's commitment to improve environmental performance in production, product use and disposal. The policy prescribes the precautionary principle.

It's not enough to present policies and codes and expect compliance. It is important to guide people on how to live up to them as well. That's where the Workplace Standard comes in. It describes how our operations and suppliers are to meet Code of Conduct and environmental criteria. It gives good examples and outlines auditing criteria, too.

## **On creating a culture of engagement**

Building a culture of engagement is a journey. After having been a decentralized organization where decision-making and culture was locally-defined, Electrolux is taking its first steps into creating One Electrolux, with common values and a foundation of principles that are based on sustainability elements such as diversity, ethics, safety, respect and integrity.

Human resource teams reinforce this culture through employee feedback, leadership and employee training, and performance evaluations. In 2011, they will also be crucial for rolling out the Ethics at Electrolux program. Internal award schemes, safety days and specialized activities focusing on the environment and sustainable innovation highlight how serious we are in our commitment and how our success rides on the engagement of every individual.

**On encouraging high standards for the environment and labor practices upstream, among suppliers**

Group Purchasing is ultimately responsible for compliance with the Code of Conduct and Environmental Policy along the supply chain. As an integrated part of the purchasing process, purchasing teams ensure that high social and environmental standards are mandatory and non-negotiable parts of evaluating potential and existing suppliers. To support monitoring and training, the Responsible Sourcing Program supports local purchasers and suppliers with training, audits and development activities in Latin America, Eastern Europe and Asia/Pacific. The manager of the program reports to Group Sustainability Affairs.

**On the importance of training and monitoring**

A culture of engagement requires both training and follow-ups. Electrolux runs training programs for employees covering ISO14001 certification, the Code of Conduct and Workplace Standard (also for suppliers), safety, leadership and values training. These are also supported by internal and third party monitoring. Last year, 11 of our 20 factories located in risk-defined areas were audited by a third party (including auditors Intertek and customers). We also regularly conduct audits of our own facilities. Seven external health and safety audits were also completed worldwide.

**On managing non-financial risks**

We divide risks into operational risks, related to our business operations and usually managed by each unit, and financial risks, managed at Group level. Electrolux also applies a group-wide benchmarking tool for qualitative and quantitative information about the risk situation of operations. This benchmarking is done among operations and key suppliers annually, and according to 25 risk categories and six risk areas.

The Ethics Policy, Workplace Code of Conduct and Environmental Policy also help reduce non-financial risk. As of 2011, we'll have an Ethics Helpline in place so that employees can report on potential incidents of non-compliance both anonymously and confidentially.

Electrolux also maps its operations and suppliers against areas which external sources such as Transparency International and Amnesty International have identified as high-risk. Right now, some countries in Eastern Europe, China and Mexico are areas to monitor. Training, performance monitoring and third-party assurance on operations and suppliers are focused especially in these areas. At year-end, Electrolux operated 20 (21) plants in Southeast Asia, Latin America and Eastern Europe.



**Henrik Sundström, Vice President Sustainability Affairs**

Policy	Policy holder*	Policy approver
Code of Ethics	VP, Group Sustainability Affairs	Board of Directors
Workplace Code of Conduct	VP, Group Sustainability Affairs	Senior Vice President, Communications
Policy on Countering Bribery and Corruption	Senior Associate General Counsel	Senior Vice President, Legal Affairs
Environmental Policy	VP, Group Sustainability Affairs	Senior Vice President, Communications

\*Responsible for developing, communicating, monitoring and enforcing.

**Visit the on-line report** for more details on how Electrolux manages economic factors, the environment, labor practices, human rights, product responsibility and society. Access through the GRI Index.

# Sustainability focus areas

By identifying and addressing the issues core to responsible business conduct, Electrolux is better positioned to minimize non-financial risk, understand its markets, spot trends in society and respond to the changing expectations of consumers.

Stakeholder perceptions of Electrolux as a trusted company and a valued brand are shaped to a considerable degree by how well Electrolux manages the environmental and social issues most relevant to its business and markets.

## Identifying focus areas

Four areas are particularly important to Electrolux: ethical business practices and safe working conditions; climate change; responsible sourcing; and managing the Group's restructuring process. The issues were defined by gauging the opinions of stakeholders, including employees, governments, opinion leaders, business partners, investors and consumers. The outcome was combined with market intelligence, media reviews, and an analysis of significant impacts of products throughout their life cycle. Emerging priorities were then mapped against their impact on the business and reputation.

This process underpins the Group's reinforced and updated sustainability strategy, and guides its annual performance reporting.

## Transparency builds trust

Being transparent about how the Group measures, manages and integrates these sustainability priorities into its business is an important part of the annual reporting process.

Electrolux has therefore developed a comprehensive, three-tiered approach to reporting on sustainability, including an extensive GRI report available on-line. Reporting focuses particularly on the four issues most relevant to the company, and is geared to the information needs of different stakeholders.

## 1 An ethical business and safe workplaces

Building a responsible company starts with safe workplaces, mutual respect and common values. To reflect this, Electrolux is founded on the guiding principles of ethics, integrity, respect, diversity, safety and sustainability. These are embedded in the governance structure through the Code of Conduct, related policies and management practices.

### Training, measuring and monitoring

Target-setting, data collection, training, employee appraisals and surveys help ensure that Electrolux lives up to its guiding principles. Moreover, the company monitors compliance to codes and policies. Of 20 plants located in risk-defined regions, 11 (10) were audited by third party for compliance.

In 2010, Our Electrolux, the Group's vision and values program was reinforced across the company through integration into leadership programs and through 700 workshops with 8,000 employees taking part. A revised employee engagement survey, which gauges how the corporate culture reflects the Group's values, was also introduced. It will be conducted on a regular basis.

An ethics program was developed to enhance employee understanding of Group expectations for personal and corporate ethical accountability. The program includes an ethics helpline operated by a third party where employees can anonymously and confidentially register incidents of non-compliance to codes and policies.

## GRI Application Level B

Electrolux has reported its sustainability performance in accordance with the GRI's Application Level B, self-declared and GRI-checked. This includes information provided both in this printed annual report and on-line.

**Visit the on-line report** for the GRI-checked certificate confirming that Electrolux has correctly applied its G3 framework.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked				●			

### Safety net

With the objective to operate 25% of Group manufacturing facilities at best practice levels by 2016, a global health and safety management system has been developed and short-term targets set for OHS. The program encompasses monthly safety statistics from every manufacturing facility, employee surveys to gauge perception of performance, as well as defined minimum standards for high-risk activities and emergency response programs.

The global total case incident rate decreased by 21%, while the workdays lost due to injuries decreased with 9%.

### A global company built on diversity

Electrolux aims to attract people that reflect the Group's global market and consumer base. This will be an area that requires continued improvement, particularly in finding gender balance. Female representation among senior management teams is 14% (15).

### Stakeholder insights

The International Framework Agreement, signed in 2010 with the union IF Metall and based on the Electrolux Code of Conduct, underlines that the company is serious about maintaining the same high standards for human rights, health and safety and environment globally. To gain better insights into expectations on the business, in 2011, Electrolux aims to further develop its process for stakeholder dialog that is better integrated into business strategies.

## 2 Climate challenge

Climate change is an issue of key importance to Electrolux and the biggest carbon impact occurs during use of appliances. Making energy-smart products and raising consumer awareness of the role these can play in tackling climate change is therefore essential. It makes good business sense, too, as products with outstanding environmental performance generate higher profits. In 2010, sales of the Group's green ranges, consisting of the most energy and water-efficient appliances, accounted for 22% of sold units and 35% of gross profit.

### Three-part climate strategy

Electrolux has a three-part strategy to help tackle climate change: climate-smart products; raising consumer awareness and improving operational efficiency.

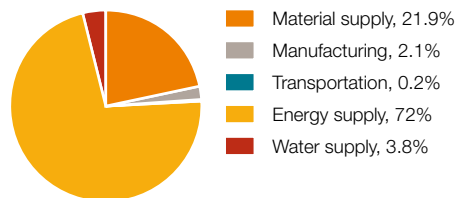
In terms of direct carbon footprint, Electrolux has a target to cut energy in operations, with an absolute reduction of 28% by 2012 compared to 2005. As of 2010, 173,000 tons less carbon were emitted than in 2005, and an accumulated 25% reduction was achieved. Reducing energy also cuts costs. When fully achieving the target, Electrolux will save approximately SEK 200m a year compared to 2005 energy costs.

Meeting the Group's climate ambitions also requires long-term alliances. An example that illustrates the Group's partnership approach is Sweden's Royal Seaport urban development project. Together with the City of Stockholm, ABB, Ericsson, and energy company Fortum, Electrolux is pioneering a smart-grid system—a precondition for zero carbon living—that will support 10,000 residences and 30,000 workplaces. Electrolux is taking part in other smart grid initiatives in Italy, Denmark and the Netherlands.

### EN26-27: Life-cycle impact



The Ethics at Electrolux Program was developed during 2010, with group-wide rollout throughout 2011.



Approximately 75% of the total environment impact of an appliance during its life cycle is generated when it is used, compared to less than 3% during production. Electrolux can therefore contribute most by developing a product-led approach. This is based on data from the average washing machine sold in Europe.

Source: Öko Institute V's LCA, 2004.

### 3 Responsible sourcing

The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 56% in 2010 and is expected to reach approximately 70% in a couple of years. In line with this shift, Group Purchasing is placing growing emphasis on ensuring the same high environmental and labor practices along the value chain. Compliance to the Electrolux Code of Conduct and Environmental Policy are mandatory and non-negotiable criteria for evaluating potential and existing suppliers.

#### Along the value chain

Using audits, training and reporting, the aim of the Responsible Sourcing program is to improve conditions by building transparent and supportive relationships with suppliers on their environmental and

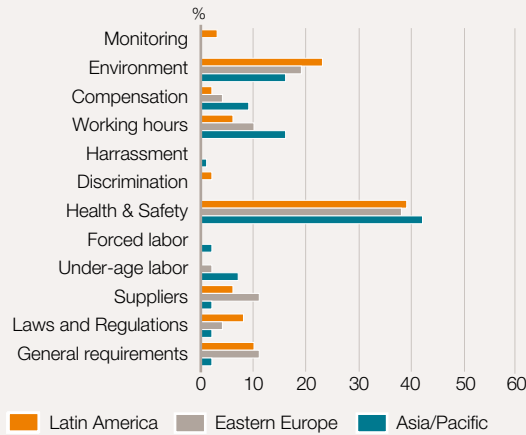
labor practices. This leading-edge approach helps reduce the Group's reputational risks and the risk of serious non-compliance that could disrupt product deliveries.

In the program, Electrolux prioritizes suppliers classified as high- or medium-risk. In total, 328 audits were performed among suppliers this year, 271 by Group sustainability auditors and 57 by third-party assurers. Auditors are in place in Asia/Pacific, Eastern Europe and Latin America.

In 2009, Electrolux required suppliers to measure their energy use through the introduction of the Workplace Standard. In 2010, the Group piloted the Energy Efficiency Partnership Program among selected suppliers in China to help them reduce their energy consumption. Learnings from the program will be rolled out among suppliers during 2011.

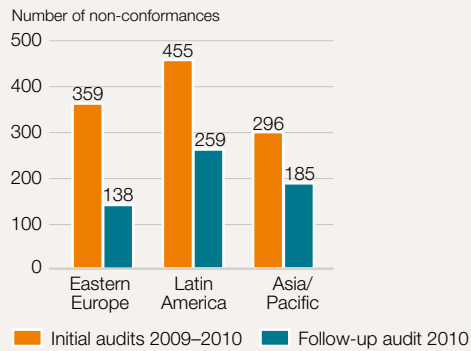
### Responsible Sourcing Program

HR1-3: Audit findings



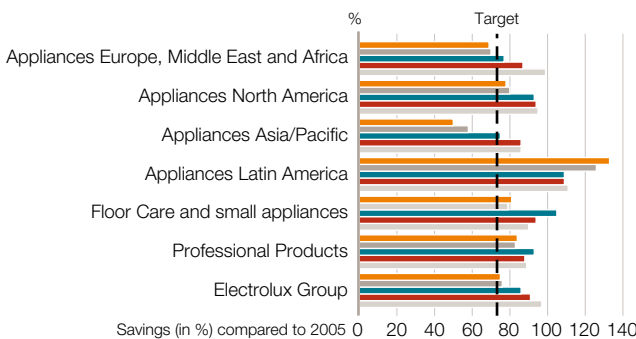
Audit findings of 328 supplier audits conducted during 2010. Health and safety and working hour issues continue to be problems areas. Since Electrolux now has stricter environmental requirements in its guidelines and monitoring, this category has become the third largest area of non-compliance. Issues related to under-aged labor (below 15 years) is not more prevalent than in the last year and is primarily an issue in Asia/Pacific. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia/Pacific, 24 (24) cases of under-aged workers were uncovered.

### HR1-3: Follow-up audit comparisons



Results of follow-up audits carried out at 16 suppliers in Europe, 23 suppliers in Latin America and 17 suppliers in Asia/Pacific during 2010. Initial audits of the same suppliers were completed in 2009 and 2010. As in 2009, the outcome of the audits indicate considerable improvement by most suppliers yet insufficient improvement by a few. Other activities, such as training and practical consultation, are necessary to support further improvements among these suppliers.

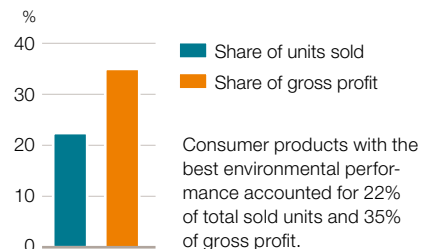
### EN18: 2012 Energy-savings target



Legend for EN18: 2010 (orange), 2007 (red), 2009 (grey), 2006 (light grey), 2008 (teal)

The Group's energy consumption has been reduced by 25% since 2005, corresponding to a carbon dioxide reduction of 173,000 tons (adjusted for data from IEA 2010). This data derives from 50 factories, 33 warehouses and 38 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.

### EN26-27: Global Green Range



Consumer products with the best environmental performance accounted for 22% of total sold units and 35% of gross profit.

# 4

## Restructuring

As a global employer, Group decisions affect individuals and local communities. Whether Electrolux is setting up new operations, leapfrogging to new technologies or managing organizational changes, the Group aims to do so responsibly, in dialog with those affected. The Group's restructuring program, to be completed in 2011, relocates over half of production to low-cost areas. Among the benefits are jobs, opportunities for local suppliers, technology and knowledge transfer, and improved social and environmental standards. Closing operations, however, is a difficult process for all involved.

As part of its restructuring program, Electrolux reduced its staff by approximately 900 employees during 2010, particularly affecting operations in Russia, US and Sweden. Electrolux aims to meet the

needs of those affected by striving to be transparent and inclusive. When a factory restructuring is under evaluation, a procedure is followed adapted to local needs and priorities. After the decision to close or downsize has been made, employees are offered assistance such as pre-retirement schemes, training programs and career coaching.

In the Electrolux experience, where feasible, supporting the search for investors to take over plants and their employees has the greatest long-term benefits for all involved. This approach was most recently applied in Motala, Sweden, and Alcala, Spain. Success lies with constructive dialog with interest groups such as unions, municipal authorities and potential investors and that the long-term interests of employees remain in sharp focus.



The number of employees at Juarez, Mexico, increased by approximately 400 employees to some 3,350 between year-end 2009 and 2010. At the plants, all staff is informed of the Code of Conduct at induction. Code of Conduct audits were also completed during the year by external and internal auditing teams in two of three Juarez plants.

### Recognition of performance

For the fourth consecutive year, Electrolux is listed as sector leader in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance. The Group is thus among the top 10% of the 2,500 companies listed in the Dow Jones Global Indexes in terms of sustainability.

In addition, the Group has been ranked highly in several other sustainability rankings including:

- FTSE4Good Series, UK.
- SAM Sustainability Yearbook 2010. Electrolux ranked as a gold class member, sector leader and sector mover.



## Performance review: Ethical business and safe workplaces

Principle/Activity	Objective / challenge	2010 Performance	Next step
<b>Dialog with Board</b> on sustainability strategies.	<ul style="list-style-type: none"> <li>More fully integrate sustainability into business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Board informed on strategy, priorities and approach.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<b>Include stakeholder input in identifying sustainability priorities.</b>	<ul style="list-style-type: none"> <li>Understand expectations and respond to different stakeholder and market concerns.</li> <li>Integrate into company decision-making processes.</li> <li>Leverage strategic partnerships with NGOs, universities, customers and suppliers to reach sustainability objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Structured dialog with investors, employees and interested stakeholders on materiality.</li> <li>Issue-specific discussions with industry partners, organizations, unions and policy-makers.</li> <li>Participation in the development of ISO 26000, guidelines for managing social responsibility.</li> <li>Signed International Framework agreement with IF Metall, based on the Electrolux Code of Conduct.</li> <li>Partnered with US environmental organizations Algalita and 5Gyres in Vac from the Sea, an awareness-raising campaign to highlight the problem of plastic waste in the oceans.</li> <li>Completed a trend report on future sustainability drivers and how they will impact business conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a process for stakeholder dialog that is integrated into business strategies.</li> <li>Further develop strategic partnerships.</li> </ul>
<b>Our Electrolux</b> – Embedding a common set of values.	<ul style="list-style-type: none"> <li>Integrate a common values system among all employees in a company that traditionally has been entrepreneurial and decentralized.</li> <li>Integrate Our Electrolux into the Talent Management processes including appraisal talks</li> <li>All white collar workers complete appraisal talks</li> </ul>	<ul style="list-style-type: none"> <li>Launched the Employee Engagement survey to collect feedback on how the corporate culture reflects the Group's vision and values, with a global response rate of 74%.</li> <li>880 employees participated in 636 Executive Essentials, leadership training sessions.</li> <li>8,000 participants in over 700 Our Electrolux workshops in 2009 and 2010.</li> <li>The year-end objective of 12,000 employees undergoing appraisals talks was achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Employee Engagement Survey to be conducted again in 2012.</li> <li>Global Induction program will include Our Electrolux elements.</li> <li>Ongoing work with Our Electrolux and increase the number of appraisal talks based on Our Electrolux program.</li> <li>Further improve corporate culture by focusing on improving office and factory working environments.</li> <li>Further improve the quality of competence development.</li> </ul>
<b>Ethics and integrity</b> – Communicating an ethics program that includes the Code of Ethics and related policies.	<ul style="list-style-type: none"> <li>Develop a program to inform all employees about policies for business ethics.</li> <li>Inform employees of policies as well as practices that help develop sound judgment on the acceptance and offering of gifts and events.</li> </ul>	<ul style="list-style-type: none"> <li>Developed an Ethics program comprising of an internal portal, training material and an ethics helpline, operated by a third party.</li> <li>Workshops regarding guidelines on gifts and events were held for selected functions.</li> <li>Content integrated into a Group US e-learning program.</li> </ul>	<ul style="list-style-type: none"> <li>Roll-out of the Ethics program in 12 languages and across all markets.</li> </ul>
<b>Ethics and integrity, safety and sustainability</b> – Improving Code of Conduct understanding, including environmental requirements through Workplace Standard training.	<ul style="list-style-type: none"> <li>Integrate customers' environmental and social requirements into Group standards.</li> </ul>	<ul style="list-style-type: none"> <li>9 training sessions on the Workplace Standard held in Hungary (3), Poland (3), Brazil, Mexico and Romania.</li> </ul>	<ul style="list-style-type: none"> <li>Implement and monitor compliance according to the standard and improve performance.</li> </ul>
<b>Ethics and integrity</b> – Monitoring Code of Conduct performance compliance.	<ul style="list-style-type: none"> <li>Uphold principles of the Code of Conduct, especially in regions with higher risks from human and labor rights perspectives.</li> </ul>	<ul style="list-style-type: none"> <li>11 (10) of 20 (21) plants in risk-defined regions were either internally, or third-party audited for Code of Conduct and environmental compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<b>Safety</b> – Global approach to health and safety (H&S) management and behavioral change.	<ul style="list-style-type: none"> <li>Operate 25% of Group facilities at manufacturing industry best practice levels by 2016, with the end-goal of zero accidents company-wide.</li> <li>Be the leader in the white goods sector for safety performance.</li> </ul>	<ul style="list-style-type: none"> <li>The global incident rate decreased by 21% while the number of workdays lost due to injuries decreased by 9%.</li> <li>Set up a global organization for OHS.</li> <li>Completed a cultural survey of 7,000 employees to gauge knowledge and engagement in safety .</li> <li>Seven external audits of facilities across markets to evaluate legal compliance to H&amp;S.</li> </ul>	<ul style="list-style-type: none"> <li>2011 targets: Sites with TCIR greater than 1.0: 10% reduction. Sites with TCIR less than 1.0: 5% reduction.</li> <li>Conduct employee safety perception survey of 35,000 employees worldwide.</li> <li>A blood-borne disease program is scheduled to be launched globally in 2012.</li> </ul>
<b>Respect and diversity</b> – Development of an innovative culture with diverse employees in terms of cultural backgrounds and gender.	<ul style="list-style-type: none"> <li>Create teams that better reflect consumers in the Group's markets. Focus more on gender equality, especially among senior management teams.</li> </ul>	<ul style="list-style-type: none"> <li>Currently 14% (15) of senior management are female.</li> <li>Supported local joint business diversity initiatives in key Group markets such as initiatives through engagement in AIESIC.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>



## Performance review: Climate challenge

Focus area	Objective / challenge	2010 performance	Next step
<p><b>Innovating and promoting efficient products:</b> Promote a green range of products in each business area. Green Range incorporates state-of-the-art energy and water-efficient appliances.</p>	<ul style="list-style-type: none"> <li>Raise the bar on Green Range criteria in ways that are relevant for the Group's major markets.</li> <li>Realize the potential of a Green Range offering through marketing and communications.</li> </ul>	<ul style="list-style-type: none"> <li>Global Green Range accounted for 22% of total sold units and 35% of gross profit for consumer products.</li> <li>Sales of products within the Floor Care Green Range doubled.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build on the ranges of top environmental performing products.</li> <li>Floor Care to complete roll out a new series of 5 Green Range products in 2011.</li> <li>Strengthen marketing and communications of Green Range products.</li> </ul>
<p><b>Define efficiency targets across product fleet</b> in main markets.</p>	<ul style="list-style-type: none"> <li>Set ambitious long and short-term targets for energy and water efficiency and chemical use in products.</li> </ul>	<ul style="list-style-type: none"> <li>Established a methodology for setting and verifying targets.</li> </ul>	<ul style="list-style-type: none"> <li>Set product efficiency targets 2011</li> </ul>
<p><b>Reducing energy use in operations</b> An absolute reduction target for energy consumption in operations by 28% between 2005 and 2012. This both reduces carbon emissions and improves operating margins.</p>	<ul style="list-style-type: none"> <li>Reduce the Group's environmental footprint (particularly by reducing energy and carbon dioxide) in the short and long term.</li> </ul>	<ul style="list-style-type: none"> <li>An accumulated absolute energy reduction of 25% (24) since 2005, in line with the 2012 target.</li> <li>173,000 fewer tons of carbon were emitted since 2005.</li> <li>Integrated energy use into Electrolux Manufacturing System's performance assessment and site certification.</li> <li>Transportation: Mapped carbon emissions impact and mode of transport group-wide.</li> <li>Set a 15% carbon reduction target by 2014 for transport emissions, using 2010 as the baseline.</li> <li>Further reduced the Group's environmental footprint by setting reduction targets for water.</li> </ul>	<ul style="list-style-type: none"> <li>Continue toward the 2012 target and evaluate the program.</li> <li>Increase efforts to reduce water from operations by sharing experience and best practice</li> <li>Continue work to reduce emissions from transport by sharing experience and best practice</li> <li>Define targets for waste and emissions reductions in factories.</li> </ul>
<p><b>Raise awareness along the value chain on the climate strategy.</b> This includes communicating with consumers, partnering with business partners and dialog with policymakers on how efficient appliances can reduce total carbon emissions.</p>	<ul style="list-style-type: none"> <li>One in three appliances in operation is over 10 years old. In Europe, 188 million of the 630 million appliances are inefficient by today's standards. The challenge is to convince consumers to exchange these appliances with energy-lean ones, which would result in an annual reduction of 22 Mton CO<sub>2</sub>.</li> <li>Performance standards and legislation vary between countries. Electrolux strives to support their global harmonization.</li> <li>Build strategic partnerships with suppliers, customers, business partners and NGOs to reduce carbon along the value chain, from suppliers to end-users.</li> </ul>	<ul style="list-style-type: none"> <li>Dialog with representatives of governments, policy-makers and intergovernmental organizations on the importance of providing financial incentives for consumers to purchase energy-efficient appliances.</li> <li>Cooperated in the US with retailers such as Best Buy, Lowes and Sears in the Electrolux 'Swap and Save' Program to motivate consumers to get energy-thirsty appliances off the electricity grid.</li> <li>Participated in the development of smart-grid projects in Italy, Denmark and Sweden, together with EU, municipal authorities and business partners. Electrolux is contributing with a cutting edge application of smart-grid technology in household appliances.</li> <li>Hosted International Energy Agency (IEA) workshop "The Smartness of Smart Grids." A forum for IEA and the business community to examine the way forward in developing sustainable grid energy.</li> <li>Engaged suppliers in the Group's energy-efficiency objectives with a pilot project of 6 suppliers in China, to further reduce upstream energy use.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing stakeholder dialog.</li> <li>Continued work with smart grids, particularly at the Royal Seaport urban development project in Stockholm, Sweden. The smart grid solution will be tested in 2012.</li> <li>Roll-out learnings from the Energy Efficiency Partnership Program to other suppliers.</li> <li>Electrolux Appliances in North America was named the sole ENERGY STAR 2011 Partner of the Year for Appliances by the U.S. Department of Energy and the U.S. Environmental Protection Agency.</li> </ul>

Performance review: **Responsible sourcing**

Focus area	Objectives / Challenges	2010 Performance	Next step
<b>Continue to develop the Responsible Sourcing Program in Latin America and Eastern Europe.</b>	<ul style="list-style-type: none"> <li>Proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 56% in 2010 and will continue to rise.</li> <li>Expanding the Responsible Sourcing teams enables the Group to cover a greater number of suppliers and continue with development projects in the areas where support is most needed.</li> </ul>	<ul style="list-style-type: none"> <li>The number of specialists increased with focus on expanding Mexican and Polish presence.</li> </ul>	<ul style="list-style-type: none"> <li>New suppliers in high-risk countries such as the Ukraine require greater geographical coverage and new challenges for the Responsible Sourcing Program.</li> </ul>
<b>Integrate Responsible Sourcing in global and local purchasing procedures.</b>	<ul style="list-style-type: none"> <li>Define a cohesive approach to evaluating existing and potential suppliers among global and local suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Internal training sessions and joint audits with quality departments.</li> <li>Code of Conduct priorities integrated into regular purchasing procedures for identifying and evaluating suppliers group-wide.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> <li>Increase monitoring activities in high-risk countries.</li> </ul>
<b>Supplier development program</b> (Workplace standard compliance).	<ul style="list-style-type: none"> <li>Encourage supplier ownership for upholding high environmental and social standards by presenting how to meet expectations and raise standards.</li> </ul>	<ul style="list-style-type: none"> <li>Broadened the scope of strategic suppliers.</li> <li>Established a supplier development team in Asia/Pacific.</li> </ul>	<ul style="list-style-type: none"> <li>Increase the number of projects in all regions.</li> </ul>
<b>Raise the level of environmental criteria.</b> The Electrolux Workplace Standard requires that all suppliers measure their energy use.	<ul style="list-style-type: none"> <li>Increase understanding among suppliers for their environmental impacts and what is required to address them.</li> <li>In the long term, develop a system to collect carbon data from suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Piloted the Energy Efficiency Partnership Program (EEPP) among six selected suppliers in China.</li> </ul>	<ul style="list-style-type: none"> <li>Apply EEPP learnings to more suppliers.</li> <li>Collect and analyze energy data from selected suppliers.</li> </ul>
<b>Conduct audits on compliance to Code of Conduct and Environmental Policy</b> among existing and potential suppliers.	<ul style="list-style-type: none"> <li>Increase the number of audits.</li> <li>Stimulate long-standing commitment to high environmental and social standards among suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>328 (290) audits conducted, 271 by Group sustainability auditors and 57 by third-party assurers.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>

## Performance review: Restructuring

Location	Objective / challenge	2010 Performance	Next step
<b>L'Assomption, Canada (authorized closure)</b> Closure of the cooking factory in 2013.	<ul style="list-style-type: none"> <li>• Agree on social plan for the 1,300 affected employees.</li> <li>• Relocate production to Memphis Tennessee, USA.</li> </ul>	<ul style="list-style-type: none"> <li>• Initiated discussions with stakeholders on closure.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to develop social plan.</li> <li>• Dialog with local government authorities.</li> <li>• 75 jobs at the on-site R&amp;D centre will continue for a further six to 12 months after closure.</li> <li>• Construct a new factory in Tennessee and start production in 2013.</li> </ul>
<b>Revin, France</b> Downsizing of the washing machine factory.	<ul style="list-style-type: none"> <li>• Reduction of manpower with 98 employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Out of 98 affected employees, 71 were offered early retirement.</li> <li>• 27 received severance packages.</li> <li>• Downsizing completed in Q4, 2010</li> </ul>	
<b>St. Petersburg, Russia</b> Closure of the washing machine factory, in 2010.	<ul style="list-style-type: none"> <li>• Provide job support and training for 215 affected employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives included outplacement programs.</li> <li>• Electrolux made direct contact with potential new employers.</li> <li>• Severance packages for all employees, based on length of employment and age.</li> <li>• Closure was completed in Q2.</li> </ul>	
<b>Alcalà, Spain (authorized closure)</b> Announcement of the closure of the washing machine factory in 2011.	<ul style="list-style-type: none"> <li>• Pursue external investors to also provide jobs for affected employees.</li> <li>• Relocate production to Rayong Thailand.</li> </ul>	<ul style="list-style-type: none"> <li>• 443 employees affected whereof:</li> <li>• 61 entered early retirement</li> <li>• 83 received partial contract</li> <li>• 202 seeking employment receiving severance packages</li> <li>• 97 employees received employment with new owner(s).</li> <li>• Rayong was audited for Code of Conduct compliance by a third party assurer</li> </ul>	<ul style="list-style-type: none"> <li>• Finalize agreement with new owner(s).</li> </ul>
<b>Motala Sweden</b> Announcement of the phase-out of cooker production by year-end 2010.	<ul style="list-style-type: none"> <li>• Smooth transition to new buyer of the Motala factory, including rehiring of plant personnel.</li> <li>• Relocate production to Swidnica, Poland.</li> </ul>	<ul style="list-style-type: none"> <li>• New owners are Borö AB, heat pump and solar energy panel suppliers.</li> <li>• Decided to delay factory closure to Q2, 2011.</li> <li>• 240 employees affected whereof:</li> <li>• 30 entered early retirement</li> <li>• Approx. 100 new jobs with the new owner (including capacity for remaining Electrolux production that requires 65 employees).</li> <li>• Swidnica was audited by a third party for Code of Conduct compliance and employees have undergone training in the Workplace Standard.</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of approx.100 employees to new owner in Q2, 2011.</li> <li>• Continue the search for replacement jobs for the remaining 110 people.</li> <li>• They will receive requalification training and other job support in order to be hired either by the new owner or by external companies.</li> </ul>
<b>Webster City and Jefferson, Iowa, USA (authorized closure)</b> Closure of vacuum cleaner production and laundry production in Q4, 2010 (Jefferson) and Q1 2011 (Webster City).	<ul style="list-style-type: none"> <li>• Coordinate employee support with city/state/federal governmental agencies.</li> <li>• Job support and training for affected employees.</li> <li>• Relocate production to Juarez, Mexico.</li> </ul>	<ul style="list-style-type: none"> <li>• 940 employees affected. Work with the Iowa Workforce Development Agency to arrange for delivery of state and federal programs and benefits to employees. To date 345 employees are accessing benefits.</li> <li>• Code of Conduct and environmental policy audits were conducted in two of three Juarez plants.</li> </ul>	<ul style="list-style-type: none"> <li>• 493 people will remain in employment until Q2, 2011.</li> </ul>

# An inclusive approach

Accountability to consumers, customers, employees, shareholders and others affected by the Group's operations involves sharing experience and addressing concerns. Stakeholder insight also enables Electrolux to better understand its markets and societal trends.

## Sharp focus on consumer needs

Consumer insight is decisive for both the business strategy and product development. Trend reports, independent analysis as well as interviews and visits to households throughout the world enable the Group to identify consumer behaviour as well as how people are affected by societal mega-trends. Electrolux is thereby better able to respond to them in the product offering.

In 2010, Electrolux compiled its own micro-trend report to review the sustainability-related drivers and trends most relevant to Electrolux. This analysis is intended to further integrate sustainability thinking into the brand, product development and business strategy.

## Long-term relationships with customers

Strong relationships with retailers are central to the business model. Electrolux has long cooperated informally with retailers to promote environmentally-sound appliances and enhance consumer awareness. As an example, Electrolux Major Appliances in North America conducted training with representatives of some of its largest outlets such as Best Buy, Lowe's and Sears in order to bring the message of energy efficiency directly to the sales floor. This was particularly relevant during Q2 at the launch of the USD 300m (SEK 2,290m) American Recovery and Reinvestment Act which generated rebates for the purchase of a dishwasher, washing machine or refrigerator carrying an Energy Star efficiency rating.

Growing numbers of retailers are stipulating formal commitments to social and environmental performance standards in their contracts.

## Employee input

Employee contributions are highly valued. The Group's Board of Directors comprises non-executive members, the President and, in accordance with Swedish law, three employee representatives and three deputies. They thereby provide employee input into company decision-making.

The Employee Engagement Survey seeks feedback from personnel on the corporate culture and how it meets up to the Electrolux values, team efficiency, and leadership. This is a new generation engagement survey for Electrolux, more closely aligned with the Group's Our Electrolux vision and values program (see case study available on-line).

## Building relationships with unions

In 2010, Electrolux and IF Metall signed an international framework agreement about workplace conditions at Electrolux (see case study available on-line).

## Shareholder priorities

Dialog with investors and owners, many of which are pension funds with long-term commitments to Electrolux, is also ongoing. Their primary concerns are that Electrolux understands and acts on emerging issues and that the Group is transparent with regard to long- and short-term risks and opportunities.

## Socially responsible investors

Much of the information needs of socially responsible investors (SRI) are reflected in the Group's reporting practices. This includes Sustainable Asset Managers (SAM), managers of the prestigious Dow Jones Sustainability Index. Electrolux has been a member of the DJSI investment community since 1998. Electrolux has also reported to the Carbon Disclosure Project since its inception. The Climate Q&A, a synopsis of the Group's answers to the CDP questionnaire is published at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability).

## Shared agenda

The Electrolux staff for sustainability affairs is responsible for Group dialog with internal and external stakeholders on sustainability-related issues, such as climate change, producer responsibility for recycling and responsible sourcing. Identification and choice of partners are primarily based on the weight the organizations carry for issues relevant to the Group.

Stakeholders include organizations such as the Worldwide Fund for Nature (WWF) and Business for Social Responsibility (BSR). Frequency of engagement is issue- and agenda-driven. Since 2004, Electrolux has taken part in the development of ISO 26000 social responsibility guidelines launched in 2010, and in the harmonization of product performance standards through the International Electro-technical Commission.

At the launch of Vac from the Sea, an awareness-raising campaign to highlight the problem of plastic waste in the oceans, Electrolux partnered with organizations such as the US-based Algalita and 5Gyres (see p. 20).

Electrolux in Italy hosted its 2010 green event at the Solaro Factory. The annual event brings together business leaders, policymakers and sustainability thought-leaders.

Another focus area for the partnership approach during 2010 was in the area of smart grids. Electrolux entered into public-private partnerships in Italy, Sweden, Denmark and the Netherlands in order to spearhead applications of the technology to reduce residential use of energy and better enable the use of renewable energy in households (see case study available on-line).

Additionally, Electrolux representatives have spoken in engagements at COP16 in Mexico, the Business for Social Responsibility conference held in New York, and at various universities.

### Endorsing initiatives

Over and above its support of the UN Global Compact (UNGC) and its ten principles Electrolux endorses initiatives such as Caring for Climate, aimed at advancing practical solutions and shaping both public policy and attitudes on climate change. In 2010, Electrolux signed the UNGC CEO Water Mandate, a public-private initiative designed to assist companies in the development, implementation and disclosure of water policies and practices.

Electrolux is also a signatory of the European Appliance Industry Code of Conduct (CECED).

### Dialog with governments

Electrolux also maintains continuous dialog with representatives from governments and intergovernmental organizations. This is conducted both directly and through membership in appliance industry associations such as CECED and the American Home Appliance Manufacturers Association (AHAM). Public policy discussions with governmental authorities cover issues such as climate change, energy efficiency, producer responsibility for recycling, product responsibility as well as the introduction of government incentives for consumer purchases of energy-efficient appliances. A milestone announcement was that the US EPA recognizes Electrolux as the EPA/ENERGY STAR Appliance Partner of the Year for 2011.

### Integrating insights into business decisions

Feedback from stakeholders are compiled and reported to Group Management, and reflected in their decision-making. Sustainability Affairs also conducts dialog with target audiences on the reporting process.

Each market and business area is responsible for maintaining dialog with representatives from relevant interest groups. Local operations cooperate and engage with non-governmental organizations such as WWF in Italy, the Ovarian Cancer Research Fund and the United Way in the United States and the Ethos Institute for Companies and Social Responsibility in Brazil. Electrolux also cooperates with other corporations that have similar goals through, e.g., the UN Global Compact and its Nordic network, as well as the Confederation of Swedish Enterprise.

In 2011, Electrolux intends to further intensify its work with stakeholder engagement by building a process that is better integrated into business strategies.



Electrolux in Italy hosted its 2010 green event at the Solaro Factory. The annual event brings together business leaders, policymakers and sustainability thought-leaders.

Visit the on-line report for more information on the Employee Engagement Survey and other case studies mentioned here. The GRI Index also indicates how performance meets the 24 criteria of Advanced level COP reporting.

# From trash to treasure

In Vac from the Sea, Electrolux is raising awareness about plastic waste in the ocean – plastic that could instead be re-used for more sustainable products. Through innovative product design and information campaigns, Electrolux is triggering engagement in an emerging environmental issue across the value chain, from suppliers to consumers.

## Sustainable products get a boost

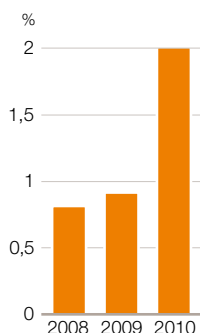
When plastic gets trashed rather than treasured, it contributes to the shortage of recycled material. Vac from the Sea, an awareness-raising campaign to highlight the problem of plastic waste in the oceans, helped spark public debate about an issue relevant to Electrolux. The Floor Care Green Range currently contains up to 70% post-consumer recycled material; the lack of certain types of high-grade recycled plastic is a barrier to increasing the share in more products.

The long-term objectives of Vac from the Sea are three-fold: to trigger widespread attention on a shared societal challenge, to stimulate greater supply of recycled material in the market and to boost sales of green products. The outcome has exceeded expectations within all three of these aims. In fact, net sales of Floor Care Green Range products doubled during 2010.

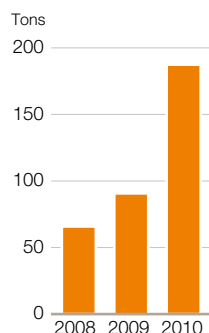


The Electrolux Floor Care Green Range will be launched on every continent during 2011. The range contains high-grade plastics recycled from such sources as carparts.

Sales of Floor Care Green Range products 2008–2010



Volume of recycled material used in Green Range products



Sales of Floor Care's Green Range have increased from 1% to 2% of the total net sales of vacuum cleaners. The volume of recycled material used for the Floor Care's Green Range has increased over 190% in a three-year period.



To illustrate the potential of trash-turned-treasure, Electrolux designed five unique concept vacuum cleaners, using plastics found in each of the world's oceans.



Large concentrations of plastic debris are collected in the North Pacific Gyre, the most heavily-researched area for plastic pollution. The gyre spans waters roughly twice the size of the United States. Source: 5Gyres.

**135**  
million viewers

## Building partnerships

In Vac from the Sea, there is an opportunity to connect the dots – to bring together individuals and organizations across the entire value chain to solve a complex sustainability challenge. In addition to engaging suppliers, the initiative is intended to inspire take-back schemes and recycling efforts.

### Joining forces

Partnering with environmental organizations, such as the US-based Algalita and 5Gyres, volunteers in the project gather plastics from marine environments around the world. The Electrolux concept vacuum cleaners, made from plastics found in each of the world's five oceans, illustrate the importance of their efforts.

Focusing on longevity rather than disposability, recycled plastics have the potential to benefit society, reduce pollution and create more sustainable products. Electrolux is working with its suppliers to increase the availability and quality of post-consumer, recycled material.

## Eye-opener

People feel connected to oceans and are passionate about their conservation. A total of 135 million people have been engaged, either through print, online or social media. This includes:

- 82,000 hits on the Vac from the Sea website as of year-end
- Second most frequently visited Electrolux website
- One re-tweet about the project every other minute during launch

The initiative won a number of PR awards in 2010, including gold medals in the European Excellence Awards for Best International Communication and Best Campaign. Eurobest, the European Championship in Marketing, awarded Electrolux two silvers and a bronze medal. Vac from the Sea was also presented at the UN climate conference COP16 in Mexico in December. Progress on Vac from the Sea can be tracked at:

- [www.electrolux.com/vacfromthesea](http://www.electrolux.com/vacfromthesea)
- <http://twitter.com/vacfromthesea>

# Management & performance

## Labor practices

A sustainable approach starts at home, with safe workplaces, mutual respect and common values. Our Electrolux, the corporate-wide vision and values program, helps the Group realize this approach and is comprised of both principles of conduct and core values.

For 2010 achievements and future objectives, see the performance reviews of Ethical Business and Safe Workplaces on p. 14 for ongoing operations and Restructuring on p. 17 regarding how Electrolux is shifting production to low-cost countries. See the on-line report for more information on the management approach.

### LA1-3: Employment

Among the Group's most relevant labor issues is building a strong people culture that reflects the Electrolux vision, values and strategy. This encompasses OHS, freedom of association and competence-related priorities. Group-wide systems are in place for talent management, leadership programs and health and safety in production. Electrolux has processes for aligned appraisal talks, as well as collecting group-wide and consistent measurements and monitoring performance for many key GRI indicators.

The Electrolux approach to managing its employees is organized through each business area, with group-wide sustainability-related codes, policies and tools available for guidance.

### Performance

**Workforce:** At year-end Electrolux employed 50,920 (51,750) people and the average number of employees during the year was 51,544 (50,633). There has been some organizational growth in Brazil.

**Turnover rate:** The Group's turnover rate is currently collated locally. The company's 84% internal hiring ratio for senior management is considered healthy in global manufacturing operations. See table LA2: Employee turnover on p. 24.

**Employee feedback:** The Employee Engagement Survey (EES) measures corporate culture, team efficiency, employee engagement and leadership. In 2010, the survey was distributed to 16,393 employ-

ees and had a global response rate of 74%. The results of the 2010 EES show that Electrolux is in line with and/or exceeds the external benchmark for employee engagement. Key improvement areas include continual performance feedback and recognizing employee performance (see case study at the on-line report).

**Employees and employee benefits:** The Workplace Standard stipulates that all employees are expected to be remunerated at levels no less than local minimum wage based on legally-stipulated working hours. Additionally, each operational unit is responsible for providing its employees with all legally-mandated benefits to which they are entitled (i.e.: medical and social insurance and pensions). This is detailed in the Workplace Standard, available on-line.

Electrolux applies both long-term and short-term incentive programs to full time employees. Benefits to Group and senior management are described in the Board of Directors report in the Annual report. Compensation for the members of the highest governance bodies, senior managers and executives are currently not based on the Group's social and environmental performance.

### LA4-5: Labor & management relations

For Electrolux, as regulated by Swedish law, labor relations start at the top. The Board of Directors comprises non-executive members, the President and three employee representatives together with their three deputies. Labor relations are primarily managed at the national and local-site levels in accordance with the Workplace Code of Conduct and Workplace Standard.

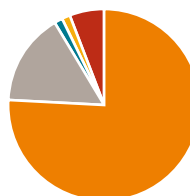
### Performance

At present, 57% (62) of Electrolux workforce is represented by an independent trade union or covered by collective bargaining agreements.

**Freedom of Association:** During the year, Electrolux signed an agreement with international unions IF Metall, Unionen and IMF to protect the rights of every employee to join trade unions of their choosing. It also promised not to adopt activities that discourage workers from forming unions.

## EC1: Direct economic value

SEKm	2010	2009
<b>Revenues</b>	<b>106,672</b>	<b>109,429</b>
<b>Economic value distributed</b>		
Operating costs	81,207	84,769
Employee wages and benefits	16,375	17,201
Payments to providers of capital	1,594	533
Payments to government	1,309	877
Community investments	NA	NA
<b>Economic value retained</b>	<b>6,187</b>	<b>6,049</b>



- Operating costs, 76.1%
- Employee wages and benefits, 15.4%
- Payments to providers of capital, 1.5%
- Payments to government, 1.2%
- Economic value retained, 5.8%

The direct economic value is defined as net sales plus revenues from financial investments and sales of assets.



**Restructuring:** As part of its restructuring program, Electrolux reduced its staff by approximately 900 employees during 2010, particularly affecting operations in Russia, US, Spain and Sweden. Closing operations and times of layoffs are difficult for all involved, and the Group remains committed to being transparent and inclusive. During this process, Electrolux consulted with labor unions, politicians and public authorities to develop new employment and training opportunities.

**Monitoring:** As part of Code of Conduct audits, Electrolux checks to make sure that freedom of association and collective bargaining are part of doing business at each facility. Through the yearly ALFA questionnaire, 49 of 50 facilities confirmed that they adhere to the Workplace Standard, which includes instructions regarding freedom of association. ALFA (Awareness-Learning-Feedback-Assessment) assesses compliance with the Workplace Code of Conduct among all factories, warehouses and offices.

**LA6-9: Occupational health & safety**

Electrolux has a long-term goal to operate 25% of its plants at best-practice levels for manufacturing industries by 2016 with a vision for accident-free facilities. The Group's work with OHS primarily focuses on the safety of workers in production.

**Performance**

Manufacturing facilities are the focus for health and safety (OHS). As of this year, there is a group-wide organization in place to manage a global system for OHS. Additionally, targets were set for factory facilities. Electrolux defined a year-on-year 10% improvement rate on the total number of OHS incidents (TCIR) for sites with a TCIR rate greater than 1.0. For those with a TCIR rate of less than 1.0, a 5% improvement rate applies.

**Joint management-worker OHS committees:** The Workplace Standard and Workplace Code of Conduct stipulate that local OHS management must live up to Group standards. To ensure this, an OHS Committee, consisting of both management and workers, must be in place at every facility. Moreover, the Electrolux OHS program, the

global system used to manage safety, is built on engaging both workers and management in achieving objectives, monitoring performance and advising on OHS programs.

The Group will conduct an employee safety perception survey in Q1 to define the benchmark on the effectiveness of its practices.

**Rates of injury:** The Group is improving on a global scale. In 2010, the global incident rate decreased by 21% while the number of work-days lost due to injuries decreased by 9%. See table LA7: Rates of injury on p. 24.

**LA10-12: Education & training**

Electrolux has tools and processes in place to manage organizational learning and knowledge management. This includes formal learning networks, Internet-based knowledge, as well as a company-own education facility.

The Executive Assessment develops the 200 positions of the company. So far, since 2005, 130 have been assessed within the scope of this project and members have also participated in follow-up discussions with coaching. To develop employees further, Electrolux ran four leadership programs for people with managerial responsibilities during 2010.

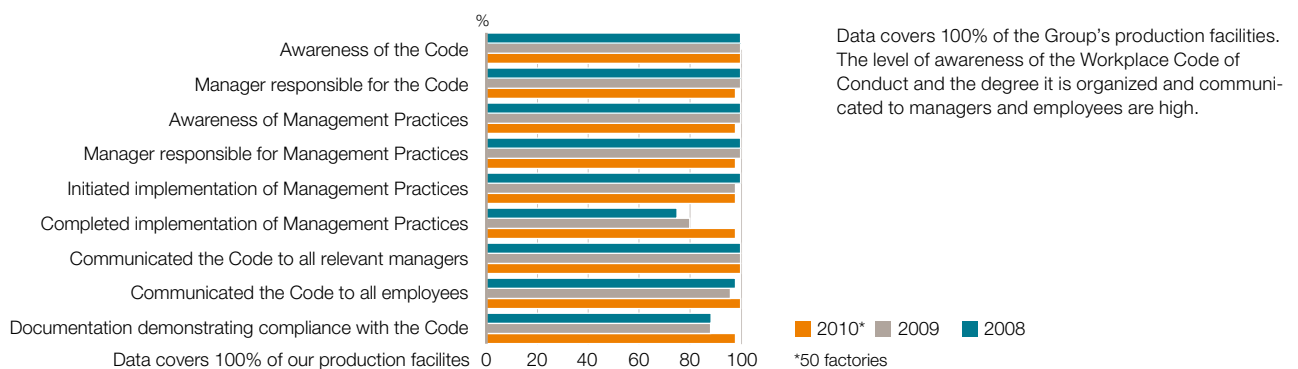
In order to increase strategic execution, alignment and commitment to the strategy, 800 middle managers across the globe underwent training through "The Executive Essentials".

Since its inception in 2009, Electrolux held 700 workshops, with some 8,000 employees on training in the Electrolux vision and values program, Our Electrolux.

In addition, Electrolux uses its annual Appraisal Talks as a mandatory tool for all white collar employees (26%) for a formal skill mapping and to develop their competencies further. The Group does not, however, collect data on the average number of hours of training per employee.

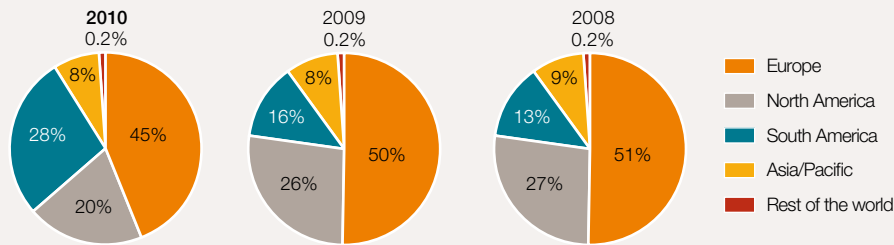
**Workplace Standard:** Workshops and training are ongoing to support other aspects of Electrolux sustainability goals. These include ISO14001, Workplace Standard, Health & Safety and Our Electrolux,

LA 4-5: ALFA assessment of the Group production units



Data covers 100% of the Group's production facilities. The level of awareness of the Workplace Code of Conduct and the degree it is organized and communicated to managers and employees are high.

LA1: Employees by geographical area



At year-end Electrolux employed 50,920 (51,750) people and the average number of employees during the year was 51,544 (50,633). There has been some organizational growth in Brazil.

LA2 and 4: Employee turnover and collective bargaining

	2010	2009
Total employees – Male	27,997	32,955
Total employees – Female	15,404	17,678
Employee turnover – All employees, %	16 <sup>1)</sup>	17
Employee turnover – Male, %	18 <sup>1)</sup>	18
Employee turnover – Female, %	12 <sup>1)</sup>	15
Employees covered by collective bargaining agreements, %	57 <sup>2)</sup>	62

- 1) Data covering 50 production facilities, 33 warehouses and 38 offices corresponding to 48 262 employees.
- 2) 25,621 out of 37,065 employees, (69%) at 50 production facilities were covered by collective bargaining agreements.

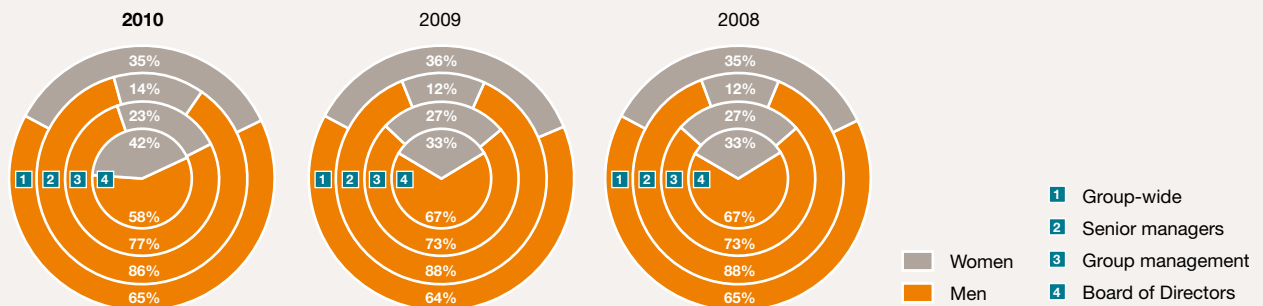
LA7: Rates of injury

	2010	2009	2008	2007
Number of work-related injuries <sup>1)</sup>	800	1,012	836	1,435
Injury rate <sup>1)</sup>	2.13	2.6	2.2	3.2
Number of workdays lost due to occupational injuries <sup>1)</sup>	9,671	10,686	18,350	17,469
Lost day rate <sup>1)</sup>	26	27	48	46
Number of work-related fatalities	0	0	0	1

1) Per 200,000 hours worked (TCIR).

Key health and safety data for the Group's operations. In 2010, data was collected covering 50 production facilities and 33 warehouses corresponding to 39 209 employees.

LA13-14: Gender distribution



Visit the on-line report for disclosures and indicators regarding Economic performance.

vision and values training. In 2010, nine Workplace Standard training sessions were held; three in Hungary, three in Poland and one session each in Mexico, Brazil and Romania.

**Occupational health and safety:** There is sharp group-wide focus on training in order to prevent injuries and illnesses, especially in manufacturing. Global OHS training are ongoing, including induction, CPR, first aid, driver-awareness, drugs and alcohol, and safe operating of machinery such as fork-lifts. A blood-borne disease program is scheduled to be launched globally in 2012.

**Anti-corruption:** During 2010, workshops on guidelines for gifts and events were held for selected functions and content of these guidelines were integrated into an e-learning program in the US. As of 2011, the company will roll-out e-learning and in person training through the Ethics at Electrolux program.

### LA13-14: Diversity and equal opportunity

A global company built on diversity, Electrolux aims to attract people that reflect the Group's global market and consumer base. This will be an area that requires continued improvement, particularly in finding gender balance.

#### Performance

**Composition of governance bodies:** The key diversity issue for Electrolux is to increase the gender balance at senior management levels. The Group's current workforce consists of 35% (35) female employees. 14% (15) Management positions are held by women. Four women are members of the board. If employee union representatives are included, there are five female representatives. Six countries are represented in Group Management, with six of 11 members coming from countries outside Sweden—a high number for a Swedish company.

**Other activities:** During 2010, local Electrolux operations have initiated their own programs to increase diversity (see case study available on-line). In addition, Electrolux is a partner of AIESEC, the world's largest student organization and an international platform for young people to explore and develop their leadership potential. One of the key purposes in the partnership is to tap into a diverse talent pool by offering internships throughout the Group's global operations. In 2010, 31 trainees were hosted by Electrolux, 17 of which were female. 54% of interns from 2009 were offered permanent employment in 2010.

## Human rights

Work with human rights is designed to protect the inherent dignity of every individual, regardless of his or her culture or background. These rights are by their nature universal, as set out in the United Nations Declaration of Human Rights (UNDHR). As members of society, Electrolux also recognizes its responsibility to contribute to the promotion and protection of human rights along its value chain.

Human rights encompass areas such as eliminating under-age labor, non-discrimination, non-tolerance of harassment and freedom of association. It is integrated into business practices through the Workplace Code of Conduct and upholding human rights is deemed the responsibility of every employee.

For 2010 achievements and future objectives, see the performance review for ethical business and safe workplaces, on p. 14 and responsible sourcing on p. 16. See also the GRI online report for more information on the management approach.

### HR1-3: Procurement practices

Instilling high standards among suppliers is the joint responsibility of Group Purchasing and Sustainability Affairs through the Responsible Sourcing Program, an independent audit function. The objective of the Responsible Sourcing Program is four-fold; create long-term, sustainable improvement among suppliers; assure compliance to customers' standards; reduce risks to the Electrolux brand and reputation; and reduce the risk of serious non-compliances that could lead to disruption in product deliveries. Electrolux Sustainability auditors are in place in Asia/Pacific, Eastern Europe and Latin America.

The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 56% in 2010 and is expected to reach approximately 70% in a couple of years.

#### Performance

In total, 328 audits were performed among suppliers this year, 271 by Group sustainability auditors and 57 by third-party assurers, see graphs on p. 26.

Audit findings conducted during 2010 indicate that health and safety and working hour issues continue to be prevalent. Since Electrolux now has stricter environmental requirements in its guidelines and monitoring, environment has additionally become the third largest area of non-compliance.

Follow-up audits were also carried out at 16 suppliers in Europe, 23 suppliers in Latin America and 17 suppliers in Asia/Pacific. Initial audits of the same suppliers were completed in 2009 and 2010. As in 2009, the outcome of the audits indicates considerable improvement by most suppliers, yet insufficient improvement by a few. Other activities, such as training and practical consultation, are necessary to support further improvements among these suppliers.

The Responsible Sourcing Program has been a forerunner in applying a 'beyond compliance' approach, by providing supplier training, through the Workplace Standard and by developing projects for specific, strategic suppliers.

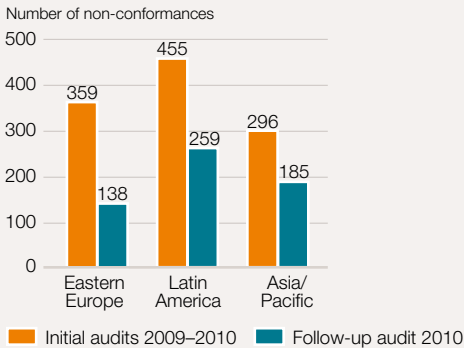
### HR4: Non-discrimination

As in accordance with the Code of Ethics and Workplace Code of Conduct, Electrolux does not discriminate based on personal characteristics or beliefs such as, for example, age, race, ethnic group, religion, gender, political opinion, marital status, maternal/ paternal status or national or social origin. All Group and supplier employees are to be treated strictly according to his or her abilities and qualifications in any employment decision.

Moreover, Electrolux does not tolerate harassment in any form, including physical, sexual, psychological or verbal harassment or abuse. This can take the form of written and verbal remarks, gossip, jokes and banter, defamatory or offensive language and comments or bullying in which people in authority abuse their position through insulting, intimidating or malicious behavior.

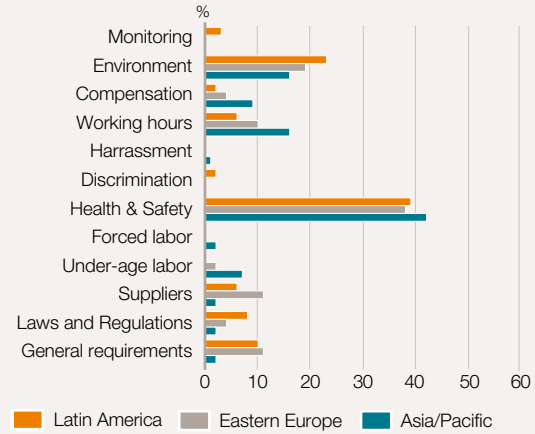
Responsible Sourcing Program

HR1-3: Follow-up audit comparisons



Results of follow-up audits carried out at 16 suppliers in Europe, 23 suppliers in Latin America and 17 suppliers in Asia Pacific during 2010. Initial audits of the same suppliers were completed in 2009 and 2010. As in 2009, the outcome of the audits indicate considerable improvement by most suppliers yet insufficient improvement by a few. Other activities, such as training and practical consultation, are necessary to support further improvements among these suppliers.

HR1-3 Audit findings



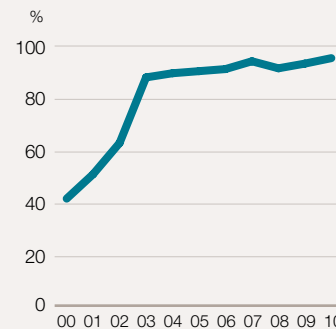
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EN18: Greenhouse gas reductions per business sector, %

	2010	2009	2008
Major Appliances, Europe	69	70	77
Major Appliances, North America	78	80	93
Major Appliances, Asia/Pacific	50	58	75
Major Appliances, Latin America	133	126	109
Floorcare and Small Appliances	81	79	105
Professional Products	84	83	93
Electrolux Group	75	76	86

ENMA: ISO 14001 certification



Share of factories with more than 50 employees that have certified ISO 14001 environmental management systems. Two factories are currently in the process of certification.

Visit the on-line report for additional GRI performance indicators

#### HR5-7: Mapping risks

Electrolux strictly prohibits the use of child labor and forced labor. The company adheres to accepted international laws and practices as set out by the UNDHR, and the United Nations Global Compact. The company also expects suppliers to commit to these same high standards.

As in accordance with the ILO Minimum Age Convention, suppliers and local management are responsible for providing working conditions, working hours and wages that are appropriate for the authorized minors' age. They must also be in compliance with applicable local law as a minimum.

**Prevention of forced and compulsory labor:** As in accordance with the ILO Convention on the abolition of forced labor, forced or involuntary labor is not tolerated in any form. During Code of Conduct audits, Electrolux makes sure that all employees are covered by an employment contract, and workers are interviewed regarding their working conditions. The audits also check that overtime hours have been done voluntarily. In the case of apprentice programs, students are also audited to ensure that they are there voluntarily and provided proper compensation.

**Security practices:** Stipulated in the Workplace Standard, the purpose of security guards is to ensure the safety of employees and protect the premises; not to stop employees from leaving the workplace.

**Indigenous Rights:** Electrolux does not report on indigenous rights as it is deemed not to be among the most material issues to the company on the basis of the GRI Reporting Principles and according to Human Rights assessments conducted of its operations.

#### Performance

Annually, Electrolux tracks areas that pose challenges to upholding high standards in human rights such as protecting freedom of association, the abolition of child labor and forced and compulsory labor. The Group maps its operations and suppliers against geographical areas deemed sensitive by external sources such as Transparency International and Amnesty International because of their weak legislation or poor enforcement of existing laws. At present, Electrolux is placing particular focus on operations in China and Mexico and some Eastern European countries.

The Group also notes types of operations that are vulnerable to breaches and environmental practices.

As a result of this assessment, Electrolux focuses on Workplace Standard training, performance monitoring and third-party assurance on compliance to the Workplace Code of Conduct, as well as policies on ethics and the environment for operations and suppliers that lie in risk areas. In 2010, nine Workplace Standard training sessions were held; three in Hungary, three in Poland and one session each in Mexico, Brazil and Romania. At year-end, Electrolux operated 20 (21) plants in Southeast Asia, Latin America and Eastern Europe. Electrolux will also take over operations of a factory in the Ukraine in 2011.

**Freedom of association:** In those regions where worker associations are not possible because of national praxis, each Unit and suppliers are expected to find appropriate and legal mechanisms through which workers can effectively express workplace concerns to management. Records are to be kept from these formalized consultations and be made available upon request. See also Labor practices, labor and management relations, on p. 22.

**Child labor in the supply chain:** Issues relating to under-aged labor (below 15 years) are not more prevalent than in the last year and is primarily an issue in Asia/Pacific. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia Pacific, 24 (24) cases of under-aged workers were uncovered.

## Environment

Electrolux applies a product life-cycle approach to managing environmental impacts. Factories, warehouses and offices have processes in place to manage risks and integrate environmental priorities.

Each business area is required by Group Management to implement an environmental management system throughout its operations. The environmental management system is built on the Environmental Policy, Workplace Standard, the Group's guidelines on how to meet Electrolux sustainability-related codes and policies, and ISO14001 certification. All manufacturing units of over 50 people must be certified to ISO 14001, and newly acquired units are required to complete the certification process within three years of acquisition. 96% of applicable operations are certified according to ISO14001, see graph on p. 26.

For 2010 achievements and future objectives, see both performance reviews for Climate Challenge and Responsible Sourcing (for work with suppliers). See the GRI on-line report for more information on how Electrolux manages the environment.

#### EN1-2: Materials

Material use is collated on a site-by-site basis during the annual Environmental Performance Assessment. The site manager is responsible for sending the data to Sustainability Affairs. Continuous improvement in reducing material use is driven through ISO 14001.

#### Performance

Sales of Floor Care's Green Range have increased from 1% to 2% of the total net sales of vacuum cleaners. The volume of recycled material used for the range has increased over 190% in a three-year period. See table EN1 on materials used by weight and volume.

#### EN3-7: Energy

Electrolux employs a three-part climate strategy:

- Innovating and promoting efficient products
- Raising awareness of the importance of energy-efficient products
- Reducing energy use in operations

Green Spirit focuses on environmental performance improvement and employee engagement through action plans. To help achieve energy saving targets in factories, offices and warehouses, each facility gathers energy consumption data and sends it to Sustainability Affairs on a monthly basis. Here it is collated, and best practice examples shared across the Group. Green Spirit information points in facilities and offices keep employees up to date with progress against targets. Suggestions from employees for environmental improvement are encouraged and rewarded. During 2010, the focus of Green Spirit across the Group was mostly on energy, and in 2011 a broader range of action plans will be implemented, including reducing water use and cutting carbon emissions from transport.

## Performance

**Energy consumption and efficiency improvements:** In total, 92% of the Group's energy consumption derives from production facilities, the remaining 8% coming from office and warehouses. Manufacturing comprises a mix of assembly and other processes such as metalworking, molding of plastics, painting and enameling.

**Energy saved due to conservation:** Overall, direct and indirect energy consumption was 25% lower in 2010 than in 2005, corresponding to a reduction of 173,000 tons of carbon. See graph EN18 on p. 26 and tables EN3-5 on p. 31. Data for 2010 is based on 50 factories, 33 warehouses and 38 offices, compared to 52, 17 and 25 respectively in 2005.

Note: Energy reductions performance was calculated according to World Resources Institute (WRI). Electricity emissions factors were updated according to the 2010 data set as published by the International Energy Agency (IEA).

### EN8-15 Water and biodiversity

Producing appliances is not water intensive relative to many other manufacturing industries. Water consumption in factories is managed under Green Spirit, using the same approach as energy saving to compile and share water data across the Group. Electrolux has defined a reductions target for water use of 20% by 2014, using 2010 as a baseline.

Through innovation, and by promoting water-efficient products, Electrolux is helping to reduce water use amongst customers.

Biodiversity issues are managed locally, with group-wide guidelines as defined by the Workplace Standard as bio-diversity is not deemed a material issue for the Group. Two facilities (Solaro, Italy and Revin, France) are adjacent to protected biodiversity areas. Electrolux monitors all its facilities for emissions and no significant impacts on biodiversity have been identified.

## Performance

Initiatives to reduce water usage are in place in several Electrolux facilities (see case study available on-line). In 2010 a target was set to reduce water use by 20% by 2014 using 2010 as the baseline year. Water withdrawal reported includes water circulated for cooling purposes. In 2010, Electrolux signed the UNGC CEO Water Mandate. See table EN8 on p. 31.

**Land owned adjacent to protected areas:** The factory at Solaro (83,523 m<sup>2</sup>) is adjacent to the protected area called "Parco delle Groane" and the Revin facility (54,866m<sup>2</sup>) is adjacent to the river Meuse protected area called "Natura 2000".

**Significant impacts of activities:** Solaro and Revin emit 6.2 tons of solvents, particles and other emissions to air, down from 8.5 tons in 2009. There were no emissions to water, and emissions from combustion processes at the factories are not taken into consideration. No significant impacts have been identified.

### EN16-25: Emissions, effluents and waste

All hazardous waste (mainly oils, solvents and other chemicals) is managed in accordance to local regulations and is overseen primarily through the Electrolux Manufacturing System.

## Performance

Energy efficiency measures implemented at Electrolux through lean manufacturing and the Green Spirit program have saved 173,000 tons of carbon between 2005 and 2010.

### Greenhouse gas emissions and reductions achieved:

Electrolux is already well on track to achieve an absolute reduction in energy use of 28% by 2012, compared to 2005 levels (see case study). When the energy target is reached, the Group will have achieved an annual saving in energy costs of SEK 200 m. See graph EN18 on p. 26.

**Waste water discharge:** Quality of water is not reported due to lack of data.

**Weight of waste and disposal method:** The method of disposal was defined by the reporting organization and waste disposal contractors. See table EN22 on p. 31.

**Volume of significant spill:** The number of incidents has been investigated. No significant spills have been identified, as reported in the Board of Director's report, available online.

**Note:** Historical data have been revised and restated for indicators EN16, EN18 and EN19.

### EN26-27: Products and services

Each business area within Electrolux promotes its own range of water and energy-efficient appliances and vacuum cleaners. Electrolux raises the bar for products qualifying for the range on a yearly basis. Although locally defined to meet each market need and regulatory demand, the series is based on environmental parameters defined by the Group.

The company's designers are trained on the Electrolux System using the Product Management Flow, which includes sustainability guidelines. These guidelines are currently being reviewed and the revised version will be integrated during 2011.

## Performance

Global sales in the Green Range, consisting of the Group's most energy and water-efficient appliances, accounted for 22% of sold units during 2010, while they contributed 35% in gross profit. Net sales of Floor Care Green Range products doubled during 2010.

Electrolux requires that its products fulfil and exceed all regulatory limits.

In Europe, minimum efficiency-performance standards (MEPS) and other environmental requirements were in effect in 2010 for dishwashers, washing machines, refrigerators and freezers. Revised rules for energy labelling were also launched in the EU during 2010. These changes in legislation and the need to modify products could potentially have a material impact on Electrolux. However, their financial implications have not been quantitatively collated on Group level.

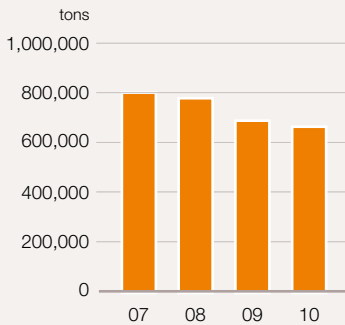
Electrolux qualifies for 2008–2010 tax credits for the sale of Energy Star appliances manufactured in the US. The energy-efficiency parameters for qualifying for the credits have been raised for each product type, compared to previous generations of credits.

Electrolux Appliances has also been named the ENERGY STAR Partner of the Year for Appliances by the U.S. Department of Energy (DOE) and the U.S. Environmental Protection Agency (EPA). Electrolux

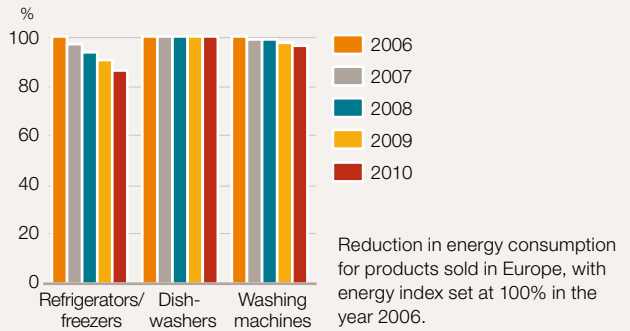
## EN1: Direct material balance

Data from 51 manufacturing units, %	2010	2009	2008	2007
Finished products (incl. packaging)	90.1	91.8	91.2	90.9
External material and energy recycling	8.8	7.3	7.8	8.1
Waste to landfill (non-hazardous)	0.9	0.7	0.8	0.9
Hazardous waste	0.16	0.18	0.20	0.15
Emission to air	0.009	0.008	0.010	0.012
Emission to water	0.003	0.001	0.001	0.001
<b>Total incoming material</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

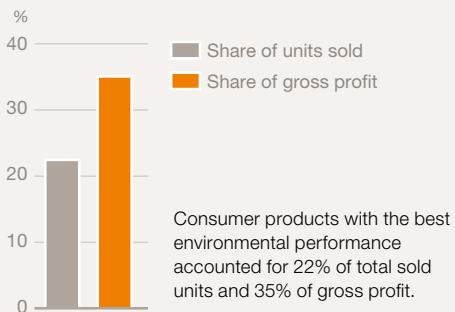
## EN16: Direct and indirect GHG emissions



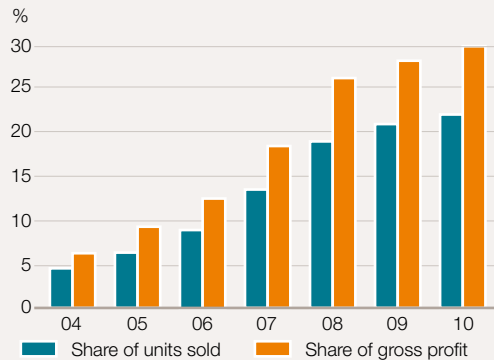
## EN26-27: Fleet average



## EN26-27: Global Green Range



## EN26-27: Green Range Europe



has increased shipments of ENERGY STAR qualified appliances to 4.9 million in 2010, nearly a 12% increase from 2009.

See also graphs EN26-27 Green range as well as Green range and Fleet average for Europe on p. 29.

Guidelines and tips for the efficient use of products are included in the product user materials and are available at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability).

### EN28-29: Compliance and Transportation

A Group-wide system for gathering and tracking transport data has been developed, and information collected by sectors is sent to Sustainability Affairs for monitoring. During 2011, the new transport carbon reduction target, set in 2010, will be embedded and best practices shared across the Group.

#### Performance

**Compliance:** The number of incidents and non-compliance has been investigated. No significant fines and non-monetary sanctions have been identified, as stated in the Board of Directors report.

**Transport:** In 2010, Electrolux set a target to reduce carbon emissions from transportation by 15% by 2014, with 2010 as a baseline. A successful logistics pilot study was undertaken in Italy to develop an automated transport emissions calculation platform which will be adopted widely during 2011. See case study 'Trucks en route' available on-line.,

## Product responsibility

Electrolux takes an active life-cycle interest in consumer safety and quality assurance relating to its appliances. Safety and quality are included in procedures for evaluating suppliers, designing products, selecting materials, testing finished appliances and monitoring product performance. A process is underway to ensure that these procedures are harmonized across the Group.

### PR1-2: Customer health and safety

In order to qualify for use, products and components sourced from external suppliers are subject to an assessment procedure including safety and quality elements.

Before a product designed by Electrolux goes into production it is subject to a number of tests and quality assurance activities. It is tested throughout production to ensure that it complies with safety and quality criteria.

The Group has a system for collecting information on safety-related incidents and analyzing them to identify root causes and effects. These analyses have provided the Group with an understanding of how accidents occur. The expertise is integrated into product development.

The responsibility for product safety rests with the respective sector. To ensure that all major issues are reported to Group management, each sector must have a Sector Product Safety Advisory Committee (SPSAC). All SPSACs must report its sector's product safety status to the Group Product Safety Advisory Committee (GPSAC) regularly.

Research undertaken by Electrolux reveals that the majority of these incidents represent no risk to the consumer.

### PR3-5: Product and service labeling

By using labeling and providing user manuals, Electrolux provides customers with sustainability information and fulfils legal requirements regarding customer safety.

Globally, Electrolux conducts approximately 80,000 to 90,000 systematic consumer interactions every year to find out more about customer preferences. The Group uses methods ranging from ethnographies and contextual observation to quantitative discrete choice surveys.

Electrolux does not have a direct sales relationship with the end-user and CRM databases are built using warranty card information. One of the cornerstones of Electrolux strategy is the global needs management process, as well as the product development approach.

The Electrolux Customer Care Manifesto, launched in 2010, is designed to ensure that customers can find answers to any questions easily and that problems they may face are solved quickly and conveniently. The Group's customer service quality standards documentation is updated regularly and is backed up by customer service quality management workshops at regional, national and corporate level.

Customers' product experience is followed up through the Electrolux Quality Evaluation System. Knowledge gained is fed back into design and production processes.

Encompassing all sectors and all regions within the Group and to be launched in 2011, the Global Customer Care Program is a major change program to improve how Electrolux cares for its customers.

### PR6-7 Marketing communications

Electrolux produces guidelines, shared across Business Sectors, on how the environmental attributes of appliances should be communicated. These guidelines are designed to ensure that environmental claims about Electrolux products are factual, balanced and substantiated.

### PR9: Compliance with laws on the use of products

Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2010. (See Board of Director's report, Other facts).

## Society

An ethical approach is vital to the success of Electrolux and to ensure its societal "license to operate" as responsible corporate citizens. As a sustainable brand, Electrolux is accountable to many stakeholders—customers, employees, shareholders and others affected by the Group's conduct.

For 2010 achievements and future objectives in regards to areas of anti-corruption, see the performance review for Ethical Business and Safe Workplaces, on p. 14. The performance review on restructuring provides 2010 performance on engaging with local governments and unions in regards to restructuring decisions (p.16). For more information on engaging with stakeholders on climate change, the Group's most relevant environmental impact, see the performance review for Climate Challenge on p. 15. A complete management approach for Society is available on-line.



**EN3: Direct energy consumption by primary energy source**

GJ	2010	2009
<b>Non-renewable primary source</b>		
Oil	51,269	44,889
Coal	0	0
Natural gas	2,040,902	2,076,175
LPG	142,856	146,282
<b>Renewable primary source</b>		
Biofuel	0	0
Ethanol	0	0
Hydrogen	0	0

**EN4: Indirect energy consumption by primary source**

GJ	2010	2009
District heating	137,534	115,364
District cooling	9,443	7,632
Steam	2,417	1,937
Electricity	2,458,073	2,542,494
Renewables	0	0

**EN8: Water withdrawal by source**

m <sup>3</sup> /year	2010	2009
Surface water	623,415	863,260
Ground water	4,262,939	4,510,856
Rainwater	54,100	74,072
Wastewater, other organizations	26,472	78,800
Municipal water	2,705,768	3,493,969

**EN16: Direct and indirect GHG emissions**

tons	2010	2009
<b>Direct emissions (EN3)</b>		
Energy generation	116,779	119,161
Fugitive emissions	252,040	260,442
<b>Indirect emissions (EN 4)</b>		
Electricity	281,665	290,579
District heating/cooling	3,179	3,443
Steam	529	424

Note: Calculations are based on WRI's "Calculation Tool for Direct Emissions from Stationary Combustion Calculation worksheets. July 2005. Version 3.0". Indirect emissions have been calculated using CO2 Emissions from Fuel Combustion (2010 Edition), International Energy Agency (IEA). Emission factors have shifted three years (2007 to 2010) to allow year-on-year comparisons. Historical data have been revised in order to align with updated emission factors.

**EN22: Weight of waste by type and disposal method**

tons	2010	2009	2008	2007
<b>Hazardous waste</b>				
	2,912	4,116	4,770	4,056
<b>Non-hazardous waste</b>				
Composting	735	507	279	11
Recycling	146,711	150,397	175,250	212,372
Incineration	984	2,013	2,387	2,515
Landfill	18,065	18,682	21,468	22,982
Deep well injection	0	435	273	0

**SO1: Community**

At Electrolux, community initiatives and financial support for not-for-profit organizations are primarily coordinated on the local level in order to respond to, and deliver on, local needs.

**Performance**

The Group's own ALFA (Awareness-Learning-Feedback-Assessment) system, sent to all Electrolux operations on an annual basis, measures the awareness of, and compliance with the Workplace Code of Conduct and thereby the impacts of their operations on communities. Moreover, the company monitors compliance to codes and policies through on-site audits. Of 20 plants located in risk-defined regions, 11 (10) were audited by a third party for compliance in 2010.

When a factory restructuring is under evaluation, a procedure is followed adapted to local needs and priorities. This includes dialog with government officials and union representatives.

**SO2-4: Anti-Corruption**

In addition to the ALFA tool, the internal auditing group, Management Assurance and Special Assignments, which reports its findings to the Board of Directors, conduct regular audits of internal operations on Group Codes and Policies.

During 2010, workshops on the guidelines for gifts and events were held for selected functions and content of these guidelines were integrated into an e-learning program in the US.

An ethics program was developed to enhance employee understanding of Group expectations for personal and corporate ethical accountability, including anti-corruption. Translated into 12 languages, Ethics at Electrolux comprises a guidebook, and an intranet site with additional information about relevant policies and guidelines and other ethics and compliance matters. It also includes a mandatory e-learning ethics training module. Roll-out of the ethics program is scheduled to begin in 2011.

Employees who violate a Group Policy may be subject to disciplinary action, up to and including dismissal, depending on the facts and circumstances.

**SO5-6: Public policy**

Electrolux has adopted formal policy positions on, for the Group, core strategic issues such as supporting market incentives that trigger change in consumer purchasing.

Public policy initiatives are primarily coordinated with industry organizations such as the European Appliance Industry Association (CECED) and the American Home Appliance Manufacturers Association (AHAM). Public policy issues relevant to Electrolux include climate change, energy efficiency, producer responsibility for recycling, product responsibility, labeling, harmonization of legislation such as chemicals use. Since performance standards and legislation vary between countries Electrolux supports their global harmonization.

There are no significant differences between the Group's lobbying positions and the policies of Electrolux, its sustainability goals or other public positions.

Electrolux does not make political contributions, including donations to politicians or political parties. Employees who engage in dialogue with governments and other public bodies to inform or influence public policy must do so responsibly and transparently, making it clear at all times that they represent Electrolux.

**SO7: Anti-competitive behaviour**

Electrolux has a specific policy on insider trading. A small group of directors, officers and other employees have, because of their positions within the company, regular access to sensitive information concerning Electrolux. These qualified insiders must by law be listed in a public register and their activities are governed by a strict internal policy. This is intended to prevent insider trading.

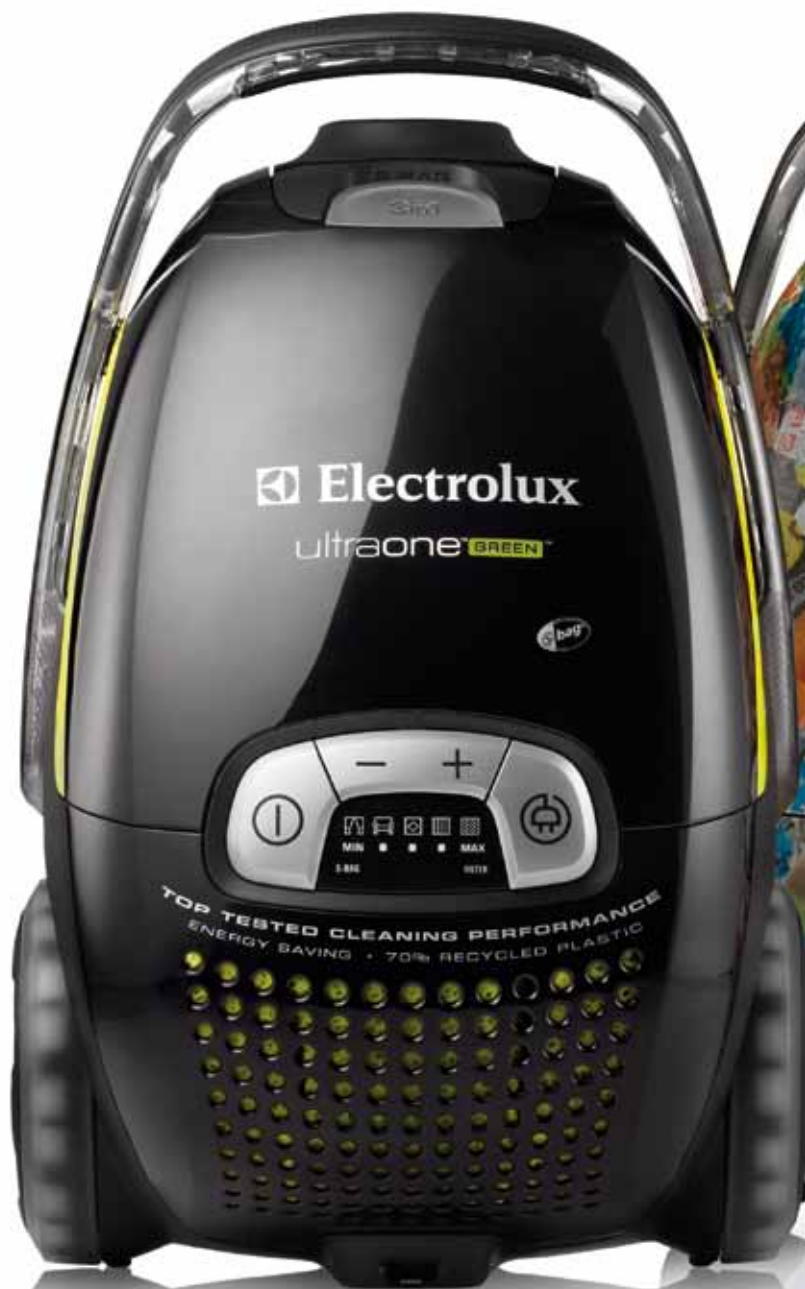
At Electrolux, no director, officer, or employee may directly or indirectly buy or sell securities in any publicly traded company, including Electrolux, when in possession of insider information regarding such a company. Nor may they disclose such information to anyone within or outside the company. The Head of Legal Affairs is the policy holder. Training and awareness-raising of the policy is included in the Ethics at Electrolux program, to be rolled out in 2011.

**SO8: Compliance**

Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2010.

*Thinking of you*

 **Electrolux**



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