

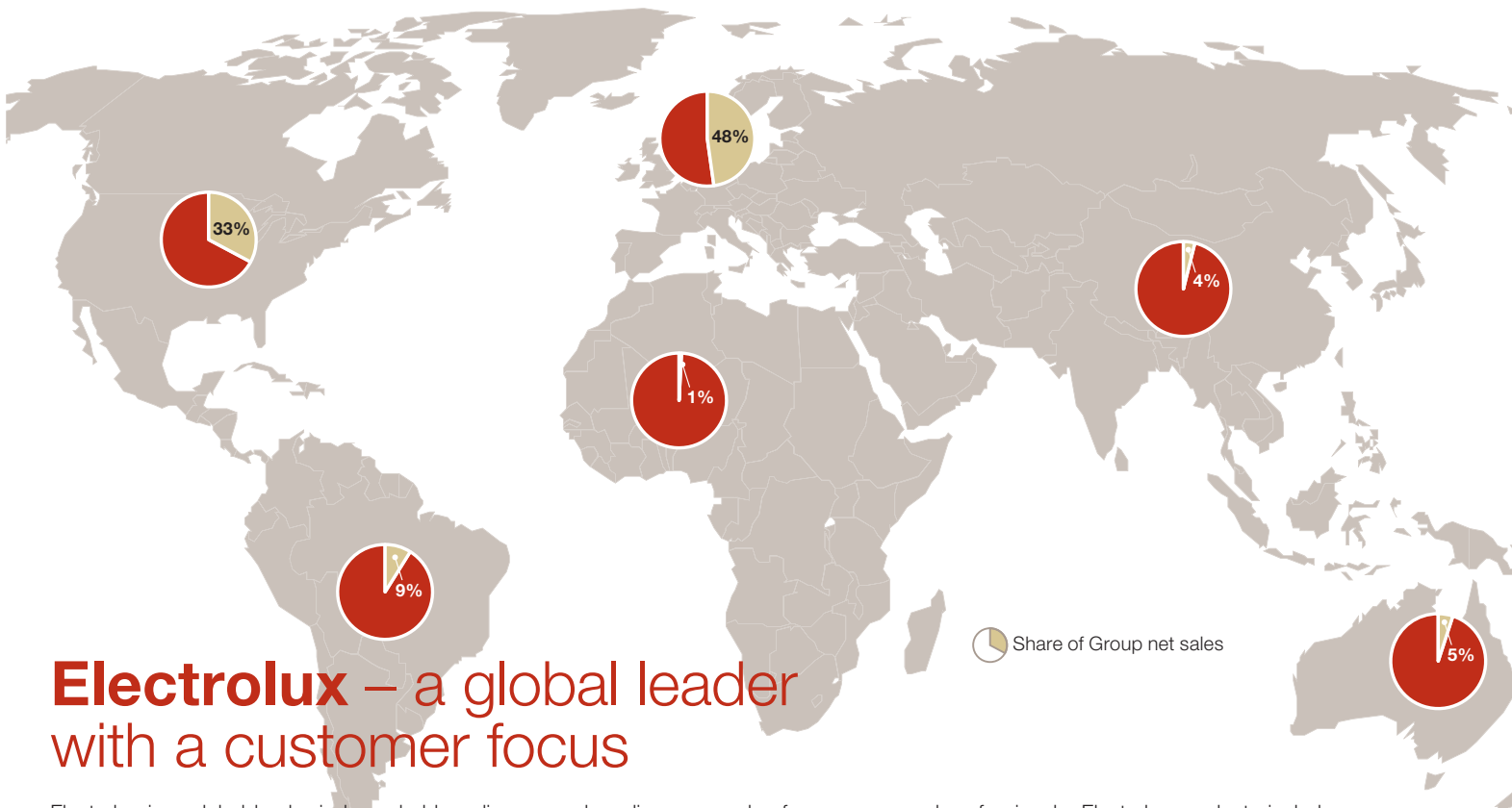
Would you like to know how sustainability creates opportunity?

Appliances can help tackle climate change. With the right market framework, we can do more. That is why we urge governments to offer consumers incentives to go energy-smart.

(Visit www.electrolux.com/sustainability)

Thinking of you

 **Electrolux**



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 and cookers sold under esteemed brands such as Electrolux, AEG-Electrolux, Eureka, Zanussi and Frigidaire.

In 2007, Electrolux had sales of SEK 105 billion and 57,000 employees.

Electrolux product offering

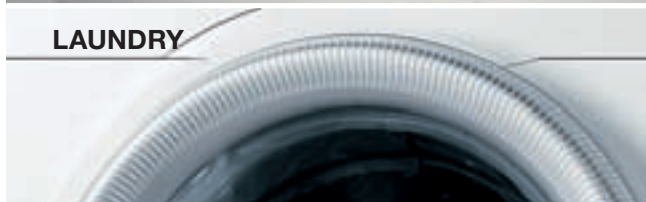
CONSUMER DURABLES

KITCHEN



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

LAUNDRY



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

FLOORCARE



Electrolux vacuum cleaners and accessories are sold to consumers worldwide. A strong global distribution network and an attractive product offering have enabled Electrolux to increase its market share.

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 leader in Europe.



In 2007, Electrolux launched a group-wide platform to showcase products that outperform in energy and water efficiency, enabling consumers to lead more climate-smart lives.

See Products for sustainability, p. 4



Embedding sustainability into the DNA of a global company takes commitment and shared vision. Four senior Electrolux representatives look at where we've come from and brainstorm on the challenges ahead.

See Building a sustainable brand, p. 18



Sustainability is a cornerstone of Electrolux in Italy. Under the banner 'Green Spirit', we are building long-term engagement, not only with Italian consumers who want their brand of choice to 'walk the talk', but with employees, government contacts, trade associations and suppliers.

See Spirited away in Italy, p. 30

Contents

| | |
|------------------------------------|----------|
| Cross cutting themes | 2 |
| CEO statement | 3 |
| Products for sustainability | 4 |
| Our four key issues | 6 |

| | |
|---------------------------|----------|
| Climate change | 8 |
| Climate change strategies | 8 |
| Ultrasilencer Green | 10 |
| Streamlining operations | 12 |
| Incentives for change | 13 |

| | |
|---------------------------------------|-----------|
| Encouraging sustainable design | 14 |
|---------------------------------------|-----------|

| | |
|---------------------------------|-----------|
| Sound business practices | 16 |
| Listening to you | 16 |
| Building a sustainable brand | 18 |
| Strong governance | 20 |
| Training and engaging staff | 21 |
| Safety net | 22 |
| People vision | 23 |

| | |
|---------------------------|-----------|
| Partners in change | 24 |
|---------------------------|-----------|

| | |
|--------------------------------------|-----------|
| Responsible sourcing | 26 |
| Supplying change | 26 |
| Audits shed light on under-age labor | 28 |
| Checking in | 29 |

| | |
|-------------------------------|-----------|
| Spirited away in Italy | 30 |
|-------------------------------|-----------|

| | |
|---------------------------------|-----------|
| Restructuring | 32 |
| Dialogue delivers fair outcomes | 32 |
| Changing production patterns | 34 |
| Boost to low-cost economies | 35 |

| | |
|--------------------|-----------|
| Our metrics | 36 |
|--------------------|-----------|

| | |
|--------------------------------|-----------|
| A proxy for performance | 41 |
|--------------------------------|-----------|

Reader's guide

Electrolux produces annual sustainability reports. The ambition of this report is to present the social, environmental and economic performance of Electrolux and demonstrate that proactive engagement offers opportunities. 'In the spotlight' sections present case studies of how the Group's approach to sustainability is reflected in our products (p. 4), activities (p. 14), local organizations (p. 30) and in our relationships with retailers (p. 24).

In 'Our Metrics', readers will find performance data collected over the calendar year (from January 1 through December 31). To compensate for the changing structure and to enable comparisons over time, data from previous years has been revised to reflect the current structure of Electrolux. Manufacturing data is global, covering 90% of our majority-owned production facilities. Product performance indicators Green Range, Fleet Average refer to appliances sold in Europe.

metrics Points readers to additional indicators at the 'Our metrics' section, p. 36.

Our online report features sustainability policies, procedures, practices and performance. It includes other topics of relevance to Electrolux such as compliance to legislation, including REACH and recycling. A Global Reporting Initiative (GRI) G3 chart listing key components of our management approach, this report, and other relevant sources is also available.

www Indicates that additional information is available at our extended online report at www.electrolux.com/sustainability.

Cross cutting themes

Electrolux is shaped by a number of key trends, expectations and strategies. The themes below guide Electrolux in tackling sustainability challenges and seizing opportunities. They are also woven into the content of this report.

Trust in our brand



Sustainability is a cornerstone of the Electrolux brand. We see environmental and social leadership as a hallmark of quality – an assurance to consumers that our products meet high standards. Being a good corporate citizen builds credibility. And engaging with our stakeholders builds trust. With public concern growing over issues like climate change and child labor, a trusted brand has to demonstrate that it shares this concern. We want consumers to know that ‘thinking of you’ doesn’t stop at their front door; we’re thinking of the world around them, too.

See pages 14, 16, 17, 28 and 30.

Product innovation

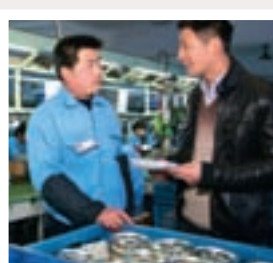


Cutting-edge design is an integral part of our product offering. And sustainability is a driving force in this. Each new generation of appliances is more efficient than its predecessors. We are constantly reducing water and energy use, making our products quieter, more intelligent, climate-smart. While all our products represent quality and durability, it is through innovation that we can deliver the right products for a resource-constrained future.

In total, over SEK 2 billion, or 1.9% of net sales, was invested in development of new products, an increase of 10% over the previous year.

See pages 4, 10, and 30.

Globalization

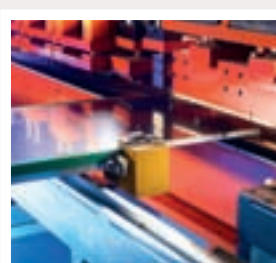


Globalization presents opportunities for our business. Designing sustainable products and services to satisfy needs in emerging economies will be part of our long term success.

It also presents new risks. With factories and operations in 56 countries, we know that how we behave in one place has an impact on how we are perceived in another. Through our membership of initiatives like the UN Global Compact, we are publicly committed to supporting universal values for conducting business. Group-wide data collection, training as well as internal and external audits help ensure that we live up to our commitment.

See pages 4, 18, 24, 26, 32 and 34

Globally facilitated, locally owned



The world may be a global village, but at Electrolux, we recognize that people have different values and preferences and markets have different needs.

Our organization is decentralized to give our business units the greatest flexibility in meeting these. Local ownership also ensures our global mission is implemented and that learning can be leveraged across markets. But decentralization doesn’t mean lack of common vision or shared values. All manufacturing units with at least 50 employees are mandated to be certified according to ISO14001 and policies are in place to guide actions group-wide. We report and monitor progress on common indicators.

See pages 12, 21, 22, 23 and 26.

A close-up portrait of Hans Stråberg, a middle-aged man with glasses, smiling and looking slightly to the right. He is wearing a dark suit, white shirt, and a patterned tie. The background is blurred, showing an indoor setting with warm lighting.

Creating lasting value

Social and environmental responsibility is not new to Electrolux. In fact, our investments in environmentally-sound products extend over decades. A new trend, however, is that consumers are starting to demand it.

I notice this trend often when I talk with both our consumers and our retailers. They recognize the role energy-lean appliances have in tackling climate change. I believe that the time for sustainable products has arrived.

Today, just under a quarter of our gross profits in Europe comes from products with a strong sustainability profile. Our aim is to build on our competitive advantage in environmental excellence to increase this share. This generates lasting value for households, for the environment and for the Electrolux brand.

I am proud of our achievements. We have dedicated significant resources – human and financial – to sustainable innovation. Continuing to meet – or even exceed – our customers' expectations in this area is a challenge to which Electrolux has a long-term commitment.

The right climate for change

To raise the profile of our most environmentally-sound appliances, every business sector is launching a green range of products. They will proactively market and sell the most efficient appliances in terms of energy and water consumption. As standards of living improve around the world and more households acquire appliances, we have to minimize the impact this has on our planet by helping consumers leapfrog to energy-lean technologies.

Our efforts don't stop at products. We are improving the efficiency of our operations. Group Management has committed to cutting energy use across all our factories by 15% by 2009. This will also help us reduce our CO₂ emissions and improve our oper-

ating margins. This is a first step. By becoming systematically aware of our energy use, we can reduce still further.

With our footprint becoming increasingly global, our aspiration is for the imprint we leave to be a positive one – environmentally, socially and ethically. Through our Responsible Sourcing Program, we are engaging suppliers to pursue the standards defined in our Code of Conduct and Environmental Policy. In China, Latin America and Eastern Europe, we are actively raising workplace standards and enhancing business practices.

We can be part of the solution. Electrolux is driving the shift to more energy-efficient products. The technology already exists to help us lead more climate-smart lives. What's needed now are strong market incentives that support green consumer choices. I urge governments to explore how tax credits can help to reduce society's carbon footprint.

We live in a globalized, resource-constrained age. Transforming these constraints into opportunities will allow us to create lasting value.

Stockholm, April 2008

A handwritten signature in black ink, reading "Hans Stråberg". The signature is fluid and cursive, with the first name "Hans" and last name "Stråberg" clearly distinguishable.

Hans Stråberg
President and Chief Executive Officer

Products for sustainability

In 2007, Electrolux launched a group-wide platform to showcase products that outperform in energy and water efficiency, enabling consumers to lead more climate-smart lives. These flagship appliances embody the spirit of our green range of products.



Market Fresh refrigerator

Launched in April 2007 in Southeast Asia, the Market Fresh range of refrigerators is both consumer-focused and climate-smart. The refrigerators preserve the freshness and nutritional value of food – satisfying the Southeast Asian preference for crisp, market-bought produce – and reducing waste by preserving fresh food for longer. According to UK studies, about a third of food purchased is thrown away and, with an estimated 20% of total greenhouse gases linked to the food chain, this represents significant wasted carbon.*

* See WRAP www.lovefoodhatewaste.com and Sustainable Development Commission www.sd-commission.org.uk

Inspiro oven

The Inspiro is a smart, 'A' energy-rated, programmable oven developed with consumer insight to guarantee delicious results every time. Consumers enter details of the type of food and how they would like it done. Dishes are placed in a cold oven, wasting no energy during the heating process and the oven switches off once the food is ready. A filtering system breaks down stubborn fats in the oven cavity and the Pyroluxe® cleaning system reduces food residue to ashes which can be wiped away without harsh chemicals. As well as environmental benefits, Inspiro has social ones too – with the cooking taken care of, there's more time to spend with friends and family!

Sunny washing machine

Sunny is an advanced washing machine which uses hot water from the domestic water supply and offers up to 40% savings on energy compared to traditional washing machines. The heated water source can be solar panels, alternative water heating devices or a traditional boiler. Sunny has dual hot and cold water inlet pipes allowing it to use cold water and heat it using its own element in the traditional way, or blend hot and cold water from the system. Sunny is part of the RexElectrolux range developed under the Green Spirit initiative in Italy. (See p. 30)

Life below zero

"The Antarctic is an extreme, pristine environment, to the point that when you arrive at the beginning of the season and put your foot on the snow, you feel you are damaging things, and are very aware of your impacts there," says Johan Berte, of the International Polar Foundation. "When you consider how expensive and difficult it is to get supplies and fuel to the Antarctic, the zero-emissions goal of the research station makes economic as well as environmental sense. One way manufacturers can help get us to zero emissions is to think of products as integrated systems rather than individual black boxes."



Electrolux Professional Smart Heavy Duty refrigeration

Smart Heavy Duty refrigerators and freezers are part of our Professional Green Spirit range of products that deliver reliability, quality and cost-effectiveness in demanding working environments while reducing energy, water, detergent consumption and CO₂ emissions.

The range offers best-in-class environmental performance, identified by the Green Spirit logo. Our new 650 liter refrigerator and freezer use Propane as a refrigerant and Cyclopentane to foam the insulation layer. These belong to the hydrocarbon gas family, which have no ozone-depleting impact and negligible global warming potential. These products are up to 80% more energy efficient than standard cabinets.



Antarctic products

A range of Electrolux products including a dishwasher, washing machine, vacuum cleaner, freezer and refrigerator were selected for the International Polar Foundation's Zero-Emissions Research Station in Princess Elisabeth, Antarctica. Johan Berte, Antarctic Base Project Manager, explains why: "We were looking for a company with the right sustainability profile, and we knew that a lot of Electrolux products have a very good energy rating. We also needed relatively simple products that people from a variety of cultural backgrounds would find easy to use, with guaranteed access to spare parts over an extended period."



Above: Anchoring points – IPF® René Robert
Below: General view station – IPF® Johan Berte

Our material world – four key issues

The Electrolux Sustainability Report focuses on four issues that are material to our performance from a sustainability perspective. These issues were determined through the lens of our strategic priorities and informed by an underlying materiality process.

Climate change

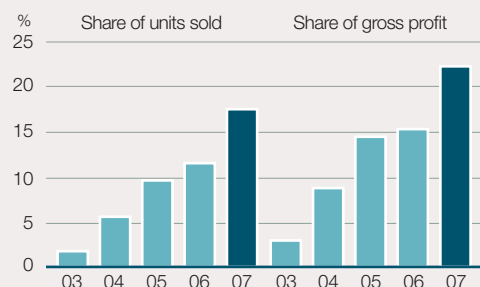
Our work to reduce CO₂ emissions benefits the environment, household budgets and the Electrolux brand.

We are keen to lead our industry in meeting growing consumer demand for climate-smart appliances. And we want to reduce our exposure to higher costs in a carbon-constrained world.

To do this, we have a three-pronged strategy. We are promoting the most energy-efficient products. We will reduce energy use in our operations by 15% by 2009. And, we are raising consumer awareness of how innovative appliances can reduce our collective carbon footprint. With the right market framework we can do more. That is why we are campaigning governments to give consumers incentives to go energy-smart.

More on p. 8

Green range



Within household appliances in Europe, the products with the best environmental performance accounted for 17% of total sold units in 2007, and 22% of gross profit.

Sound business practices

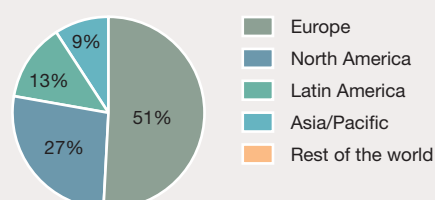
Electrolux believes in doing the right thing. While we value local knowledge and culture, we want our employees worldwide to share the same high social and environmental standards.

In a globalized world, our stakeholders expect us to have systems in place to ensure that universal values are upheld wherever we do business. This enhances our brand and reduces our exposure to reputational risks. We monitor progress and take follow-up action to ensure our policies are implemented.

Being a responsible corporate citizen helps us attract and retain quality staff – and it's the best way to earn trust and demonstrate our accountability to stakeholders.

More on p. 16

Employees by geographical area 2007



Materiality process

For Electrolux, materiality relates to those issues which stakeholders find relevant to conducting business responsibly. They can potentially affect the performance of the Group, or the development of our business.

Investors, customers and employees are key audiences for this report. Representatives from these groups were asked to rank the top five sustainability issues from a list of 13 which they consider important for us to report on.

We also conducted an analysis of media coverage on the Group and studied independent and in-house consumer insight research about relevant CSR-related topics. Together with the Global Reporting Initiative's (GRI) G3 guidelines, this feedback helped determine the content of this report.

Our four focus areas are the result of this materiality process, and are material to us over the next five years.



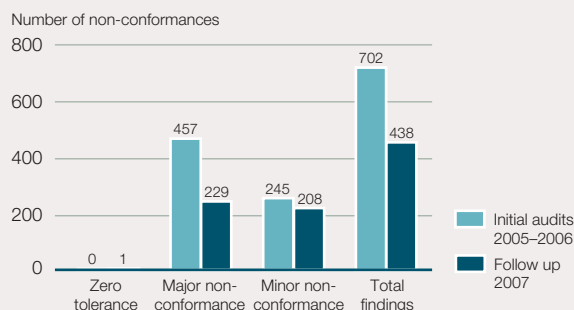
Responsible sourcing

With almost half of our 3,800 suppliers located in low cost countries, we encounter different work cultures and regulatory frameworks. In particular, in some emerging growth markets, local labor practices and environmental standards may not be in line with our expectations – or those of our stakeholders.

Compliance to the Environmental Policy and Code of Conduct are an integrated part of our purchasing policy. Through our Responsible Sourcing Program, we are committed to ensuring that our high standards are applied along our supply chain. In 2007, we conducted 116 Code of Conduct audits, about 10% of which were conducted by a third party. We also raise awareness through supplier training.

We worked closely with suppliers in Asia to build capacity and enhance the sustainability of our products. 2008 will see these efforts extend to Brazil and Eastern Europe. *More on p.26*

Follow-up audit comparisons



Result of the Electrolux materiality process, %

In total, 500 employees responded to the materiality survey that we conducted in early 2007. We polled representatives from the top ten investors in Electrolux, along with retailers and consumer organizations. All were requested to select five top issues from a list of 13. The chart shows how individual stakeholder groups ranked the issues.

Restructuring

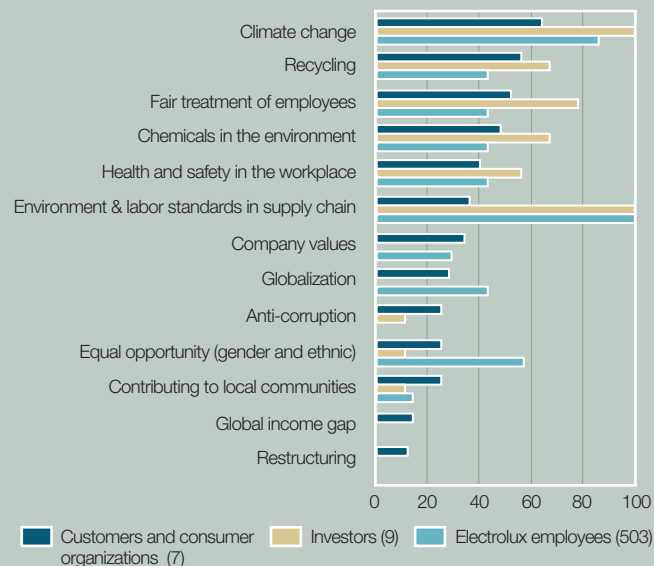
A core part of our long-term business strategy is to locate 60% of our plants in countries with a lower cost base by 2010. This is essential for Electrolux to maintain a leadership position in an increasingly competitive global appliance market.

As well as boosting our presence in emerging growth markets, restructuring our operations provides an opportunity to raise social and environmental standards throughout the world.

We realize, however, that plant closure comes at a cost for the people and regions involved. How effectively we manage this restructuring process is vital for our reputation as a responsible citizen. Through constructive engagement and dialogue we are trying to ensure positive outcomes for all involved.

Approximately 650 employees were affected by closures announced in 2007.

More on p. 32



Climate change strategies

Tackling climate change is a responsibility Electrolux takes seriously. It is an issue that also presents opportunities. Our climate-smart appliances meet the demands of growing numbers of engaged consumers. Our target to reduce energy use is also a win-win investment: less CO₂ in the atmosphere and operational savings for Electrolux.

With our biggest environmental impacts occurring during the product use phase, by far our greatest potential to reduce CO₂ is to sell energy-lean products. In 2007, products with the best environmental performance represented 17% of Electrolux units sold and 22% of our gross profits in Europe – a rise from 2006 of 11% and 16% respectively.

Goals for products and operations

To build on this momentum, in 2008 each business sector will define a green range of products that are energy and water lean, or which feature climate-smart functions. The product sales and profitability will be tracked on an annual basis.

Group Management has also committed to reduce energy use in our operations generating savings of approximately SEK 100m (€12m) annually. (See p. 12)

“As a first step, it is an ambitious target, but not an unrealistic one” says Henrik Sundström, Vice President, Sustainability Affairs. “Yet there are challenges in applying common, group-wide targets because of differences in regions, consumer preferences, products, and even the energy mix in facilities.”

To track progress against our target, a management system has been set up at Group level. Evaluations will also be conducted on a per unit basis through yearly performance assessments.

Raising awareness

One area with a critical influence on how appliances impact CO₂ is consumer choice. Electrolux is therefore using targeted marketing campaigns to communicate the role of efficient appliances.

Our US brand Frigidaire developed the campaign “Plant the seeds of change” to encourage the purchase of Energy Star-rated products. In partnership with Clubmom.com, Frigidaire also launched a site to provide tips for consumers on how to maximize appliance efficiency. After a week, 1,000 visitors had contributed advice on how they live green.

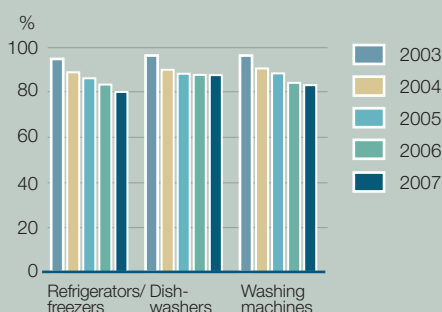
In Europe, a communications platform will be launched in 2008 under the Green Spirit banner. It will encompass TV advertisements, print, a website and point of sale material.

Energy efficiency across the spectrum

The Electrolux Group continues to improve the efficiency of all its products. We realized a 2% product efficiency improvement this year. While some products, like refrigerators, lend themselves to continuous improvement, for others such as dishwashers, improvements require re-engineering of the product's design.

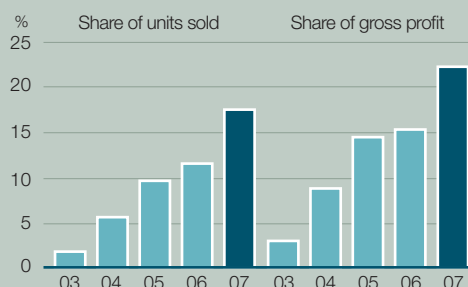
“Our stakeholders expect Electrolux to lead and continually improve. They also expect us to define goals.” Our three-pronged approach is designed to exceed these expectations.

Fleet average



We realized a 2% energy efficiency improvement in our product offering in Europe in 2007. Refrigerators demonstrate the highest efficiency improvement, and dishwashers remain at similar levels as 2006 and 2005. The energy index is set at 100% in the year 2002.

Green range



Electrolux products with the best environmental performance, accounted for approximately 17% of total units sold within household appliances in Europe and 22% of gross profit. In 2008, our green range appliances will be expanded to all business sectors in the Group.



In spring 2008, Electrolux Major Appliances in Europe will launch its Green Range marketing communications campaign. Products belonging to the range are the most energy-efficient and climate-smart appliances in each product category.

www.electrolux.com A presentation of our most energy-efficient appliances

Our material world

Climate change is a core material issue for Electrolux. In 2007, public awareness surged¹, sparking debate over the role that individuals, government and business can play in reducing CO₂ emissions.

“We clearly have an opportunity, a role and a responsibility to be engaged,” says Henrik Sundström, Vice President of Group Sustainability Affairs. “To map our journey, we’ve defined group-wide objectives.”

With our strong focus on innovation, our global presence and our broad consumer interface, Electrolux is in a unique position to effect positive change. Our efforts to reduce CO₂ encompass our products, our opera-

tions and wider awareness-raising on the role of efficient appliances. This three-pronged approach is fully integrated into how we do business – from boardroom to product design; from factory floor to marketing and communications.

With climate change now firmly in the mainstream, our strategy is to remain a step ahead of this fast-moving challenge.

1) In an Electrolux 2007 survey of 2,400 consumers in 12 countries, 70% of those polled were ‘concerned’ or ‘extremely concerned’ about the impact human activities have on our environment.



Henrik Sundström
Vice President, Group Sustainability Affairs

Ultrasilencer Green

Through a product life-cycle approach, we know how much energy is consumed in manufacturing, during operation and at disposal. The Electrolux Ultrasilencer Green uses 33% less energy and is made with 55% recycled plastic. It illustrates the impact and potential benefits a smart vacuum cleaner can have on a consumer's carbon footprint.



1 Consumer insight & product innovation

Energy savings and recycling rank highly as pro-climate activities in consumer research studies. The Electrolux Ultrasilencer Green meets the demand for energy efficiency and more sustainable material use. Without compromising quality, performance or noise, it presents:

- 33% energy efficiency*
- 55% recycled plastic

An efficient suction fan unit combined with our Dust Magnet Floor Nozzle helps deliver the same performance in terms of dust pick-up with a lower wattage motor. Vacuum motors often waste energy by producing heat. Our 1,250W motor and nozzle produce comparable dust pick-up and little heat.

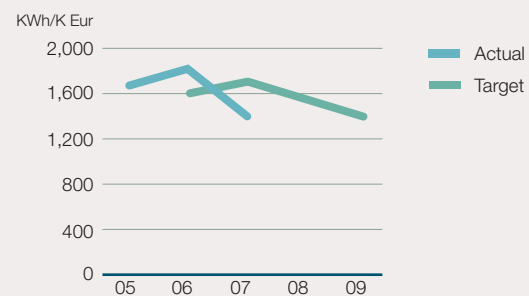
*Compared to a 2000W vacuum cleaner

2 Production & transport

With recycled material, we consume 90% less energy during manufacturing than is used to produce the same components with virgin plastics. By using 55% recycled PP content for the body of the vacuum, 2 liters of crude oil and 80 liters of water are saved per vacuum cleaner.

Ultrasilencer Green is manufactured in Lehel, Hungary. Products are distributed from the plant by truck. Through its Green Spirit program, Lehel has a program in place to contribute to Group targets to reduce energy and water use.

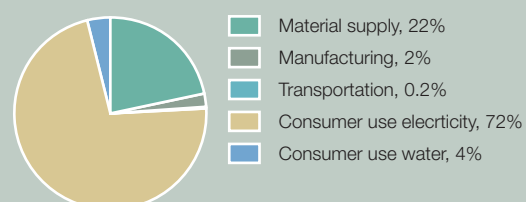
Lehel, Hungary: 2009 Energy efficiency in production



CO₂ footprint of appliances

Electrolux has estimated that about 2% of the CO₂ emitted in Europe relates to the use of the 630 million large and small appliances in operation. This is a significant drop of 50 percent compared with the mid-1990's. Despite the increasing presence of electrical products in people's homes, the CO₂ footprint from appliances has continued to decline.

Environmental life cycle assessment



The greatest environmental impact occurs when our products are in operation. For a washing machine, energy supply currently represents 72% of the life cycle impact. Through a concerted effort to develop more energy-efficient products, coupled with the introduction of market

3

Communicating with the consumer

With the Ultrasilencer Green, we aim to change the perception that high wattage equates to greater cleaning performance, by promising the same cleaning effect with lower energy.

Vacuum cleaners and other small appliances are not encompassed in the EU energy labeling scheme that is otherwise compulsory in large appliances.



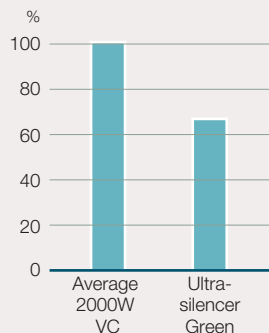
'Make a change for a better climate' communicates that smart purchasing choices can impact consumer carbon footprints.

4

Use phase

The use phase represents about 75% of the product's environmental impact. In its lifecycle, cutting energy used to operate the vacuum presents our greatest opportunity to save CO₂. On average, a vacuum is used an hour a week and is expected to service a home for ten years. In its lifetime, the Ultrasilencer Green can save:

- 364kWh of energy; enough to make a 60W light bulb burn 24 hours for 253 days
- 320kg CO₂ emissions
- Approximately SEK 700 (€73) off energy costs over 10 years, equivalent to saving a third of the purchase price. (*Compared to a 2000W vacuum cleaner)



5

Recycling

Recycling is vital for an energy-lean society. The recycling process has a net positive impact on CO₂ by recovering energy. Wherever within the European Union a vacuum cleaner is purchased, there is a system in place to take back the appliance it replaces.

Easy recyclability was a determining factor in the choice of materials for the Ultrasilencer Green. We attained 93% recyclability and most remaining material can be incinerated to recover heat.



Life cycle cost



- Purchase cost, 39%
- Energy (use phase), 24%
- Water (use phase), 37%

mechanisms, such as labeling systems and minimum efficiency standards, the appliance industry has made real strides in cutting power consumption. On average, energy and water needs have been halved in the last ten years in our appliances.

Source: Öko Institute 2004

The WEEE Directive

The EU Directive on Waste Electrical and Electronic Equipment (WEEE) defines producer responsibility for treatment and disposal of electrical and electronic products. The Directive stipulates that producers and importers have producer responsibility for products put on the market. The target for material recovery according to WEEE is 70% for small appliances (and 80% for large household appliances). As of 2007, all Member States, as well as Norway and Croatia have transposed the Directive. In Switzerland, WEEE-related legislation is also in place. Electrolux is compliant in all these countries.

www.electrolux.com More on our approach to recycling

Streamlining operations

Our goal is to cut energy in operations by 15% by 2009. Over 50 factories are responsible for emitting 95% of our direct CO₂ emissions. They are a primary instrument for change.

A 15% reduction in energy use equates to an annual company-wide CO₂ reduction of 100,000 tons, based on 2005 Group consumption levels of 1.8 TWh of energy. The imperatives of climate change and high energy prices are the key drivers. A welcome fringe benefit will be the approximate savings of SEK 100m (€12m) we expect to make annually.

To ensure progress against our goal, Henrik Sundström, VP, Sustainability Affairs says: "We monitor targets and require all operations with a heated area above 1,000 m² to report on their performance. A new target for 2012 will be set in 2008."

As the examples of Revin and Anderson illustrate, facilities show different rates of progress. We will continue to track and report their performance.

Revin exceeds 15% target

Top management commitment, teamwork and attention to detail at Revin, France, have resulted in a 16% reduction in energy consumption between 2005 and 2007. "Training and close attention to targets are key to success, especially if a re-organization or novel processes are involved," says Eric Lefèvre, Facilities Manager, Safety and Environment.



Measures taken include automatic stops on production lines after idle periods, optimization of compressed air systems, thermostats in all workshops and automated ventilation. Investments, behavior changes and delegating energy-saving responsibilities delivered a reduction of 25% per added value between 2005 and 2007. The measures put in place will save Revin an estimated 3 million kWh and SEK 1.7m (€180,000) annually.

Anderson anticipates improvements

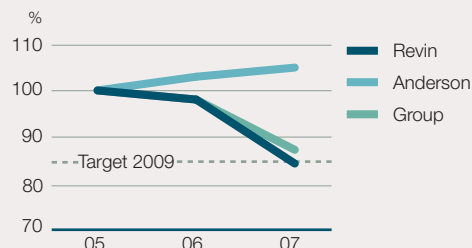
Our US plant at Anderson, South Carolina, made energy reductions of 12% per added value between 2005 and 2007, but with its increase in production volumes, it has yet to reduce its total energy use.

A switch to powder coating and lower oven temperatures has resulted in reduced electricity and gas consumption.

To contribute to our 15% target, tool pre-heaters will be powered in future by cheaper electricity instead of natural gas. A similar change is being explored for the hot water boiler. Lighting and compressed air projects present good energy efficiency opportunities and variable frequency drives in electrical motors offer additional potential savings.

metric Energy reduction targets, CO₂ emissions, Total energy use p. 38

Savings in operations



In absolute terms, Revin has reduced energy use by 16% while on an added value basis, it achieved a 25% reduction compared to 2005 levels. Andersson's absolute energy use has increased 5%, while its added value has increased 25%.

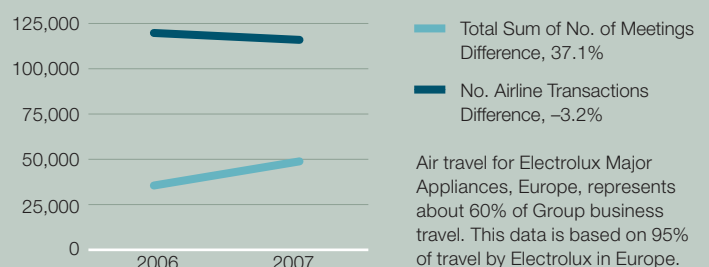
Travel down. Audio conferencing up.

Although the impact of business travel on the Group's CO₂ emissions is marginal, air travel is a major contributor to climate change. Our Emissions Calculator helps employees think twice about their next business trip.

Electrolux in Europe launched the tool to make travelers booking via our online travel site aware of the CO₂ emitted during their trip.

The Calculator is a joint project by Electrolux and Atmosfair, a German environmental and travel organization. Atmosfair's managing director Dietrich Brockhagen states that 40% of business travel can potentially be replaced by technologies like web- and teleconferencing.

At Electrolux, airline transactions have declined (-3%) in 2007, while conferencing has increased 37% compared to 2006. "It's difficult to make a direct correlation between these two indicators. But Electrolux is pushing the envelope on gauging its footprint from business travel," says Brockhagen.



Air travel for Electrolux Major Appliances, Europe, represents about 60% of Group business travel. This data is based on 95% of travel by Electrolux in Europe.

Incentives for change

Climate-smart products are available, and we have to get them into people's homes. One in every three appliances in operation is currently over ten years-old and they needlessly emit 20 million tons of CO₂ a year. That is why Electrolux urges policymakers to introduce tax credits for the purchase of energy-efficient appliances.

Our greatest potential to reduce CO₂ emissions is to help societies leapfrog to the most efficient technologies. With the right market framework, we can maximize this potential. Tax credits give consumers the incentive to go energy-smart.

Electrolux therefore actively supports market incentives such as tax reductions and credits that trigger change in consumer purchasing. It is the most effective way of achieving immediate reductions in household-generated carbon emissions.

Our position is supported by the World Energy Council, whose 2008 study finds that policies with economic incentives are "very effective." They have also been proven effective in Italy, where sales of energy-efficient refrigerators doubled in a year in 2007. The program has been extended to 2010. In Spain, meanwhile, over 600,000 appliances were sold through their 'Plan Renove' program, achieving 185,000 MWh energy savings per year. Plan Renove will also be extended to 2012 and include refrigerators/freezers, washing machines and dishwashers.

Appliances contribute to reducing CO₂

Upgrading to the highest efficiency models represents a significant potential source of consumer-generated CO₂ savings. In Europe, one in every three appliance is over a decade old. This corresponds to 188 million of the 630 million appliances currently in operation. If every household adopted today's efficient models, Europe would cut the annual carbon emitted from appliance use by approximately 20 million tons. This corresponds to emissions from 6 million cars a year.

Win-win-win

"We have a responsibility to engage, since we have solutions that generate a positive impact," says Viktor Sundberg, Manager of Environmental Affairs for Electrolux Major Appliances in Europe. "There is a clear business rationale for us to advocate this position, but at the same time there is an opportunity to cut CO₂."

Coupling incentives to recycling

Sundberg points out that incentives should be available during a limited, yet effective, timeframe and be targeted at large appliances, since they consume the most energy. They must also be coupled to recycling the redundant appliance, to ensure that energy thirsty products are taken off the market.

Raising awareness

In 2007, Electrolux launched an Eco-savings website, hosted a media day and published 'Incentives for change,' a report that maps how incentives impact consumer purchasing.

"We've brought the potential to the public eye," says Sundberg. "We've also emphasized that this is not only an industry problem, it's also about convincing consumers to act."

Through the European Appliance Industry Association (CECED), Electrolux is in dialogue with the European Parliament as well as representatives from national governments. Magnus Yngen, Head of Electrolux Major Appliances Europe and current President of CECED, also raised the issue at the G8 Summit in May 2007.


 The Electrolux report 'Incentives for Change'

Eco-savings

If an average German family replaced its ten year-old refrigerator, freezer, washing machine and dishwasher with the most updated models, it would reduce energy consumption by about 370 kWh (325 kilograms CO₂ emissions) and save 4,209 liters of water.

Electrolux launched an online service that calculates the impact on electricity and water savings of replacing energy-thirsty appliances. Potential savings are presented not only for individual consumers, but also for municipal and national governments.

The goal of the site is to raise awareness of the role of energy efficiency in tackling climate change. Some 300 articles on the Eco-savings calculator and an associated press campaign have appeared in media in Europe and North America.

 To calculate how much you can save.



Encouraging sustainable design



Design Lab, an Electrolux student design competition now in its sixth year, took on a sustainability theme in 2007 when it invited undergraduate and graduate industrial designers to develop sustainable, innovative appliances for the year 2020.

The competition has a reputation for attracting creative and lateral approaches to product design challenges and has drawn thousands of entries since its inception. The popularity of Design Lab stems partly from the prizes on offer: the winner receives a six-month internship at one of the design centers at Electrolux plus approximately SEK 50,000 (€5,000), and all the finalists take part in a series of events and workshops during the judging process.

The winner of the 2007 sustainability-themed competition was Levente Szabó from Hungary. His E-wash design uses natural soap nuts as a clothes-washing medium. Soap nuts cause no pollution in washing and offer savings in production, transport and packaging. "E-wash is a brilliant connection between ancient knowledge and high-tech" says Henrik Otto, Senior Vice President of Electrolux Global Design.

Second place was awarded to Laura Pendelle's Pebble, a portable solar food cooker using spray-on solar cells and induction heating for precise, energy-efficient cooking.

In 2008 Design Lab is inviting entries on the theme of home appliances for the Internet generation, looking two to three years in the future. But just because the products are aimed at young, savvy individuals doesn't mean the environment is excluded. Quite the opposite.

As Henrik Otto says: "sustainable design has become something of a buzzword, but we need to be clear that there is no choice to be made between sustainable and non-sustainable design. It has to be sustainable."



2006 Design Lab Winner

Metin Kaplan describes his internship at Electrolux Product Design: "The company working style is very open to new ideas; if I want to try something extreme, my boss doesn't stop me, he encourages me, even if it doesn't go into production. There is always someone to ask materials or production questions – is it easy to recycle, more sustainable, energy-efficient to build?" Describing the benefits of Design Lab for students, Metin says "Design Lab is getting better and better and is a popular competition because no others give such a great opportunity for a six-month internship – you can't buy that."

Metin Kaplan won in 2006 for Nevale, a food carrier.

2007 Design Lab winner:

E-wash, clothes washing for apartments, using natural soap nuts to replace detergents.



Matali Crasset on how consumers are responding to environmental issues: "Consumers can change their behavior if it makes sense to them. With technol-

ogy you can do the best, but also the worst. It all depends on what you use technology for, so manufacturers should domesticate technology first and make sure it can bring something to our lives. As a designer, environmental issues apply to almost every project. Design is all about questioning our work every day and finding new ways of thinking. And this is even more crucial concerning environmental issues."

Matali Crasset, industrial designer



Jason Bradbury on the work presented at Design Lab: "The quality of the visualization techniques used by the students was way in advance of what I had

expected. The way in which some of them can work in 3D is fascinating. But they have also gone the extra mile to come up with designs that stand apart from the rest. As an up-and-coming designer, if you want to be in the top bracket then it's important to look beyond your college library."

Jason Bradbury, TV Presenter, consumer gadgets and electronics



Celine Cousteau on the challenges facing designers, manufacturers and educators to address the environmental imperative: "Manufacturing is going to have to

change. The designs that the [Design Lab] students have come up with are very innovative and built upon the kind of technology that will have to be included. Human beings don't like to change, but if a product can be creative and attractive as well as being environmentally smart, then they will go for it. Ultimately though, it is about creating a real connection to the issues and why they matter. To this end, environmental education should be mandatory in all schools."

Celine Cousteau, ocean explorer and environmentalist



Henrik Otto on designers' contribution to sustainability: "Designers can play an important role because they have a natural curiosity and ask questions about materi-

als and processes. At Electrolux, our strategy of being thoughtful design innovators means we have to be considerate in every aspect of product development, and we know we need to include sustainability to stay on top of people's shopping lists. Innovation and creativity are equally important and Design Lab is a really good litmus test for us – students entering the competition have no preconceptions, giving us the opportunity to look at ourselves through their eyes."

Henrik Otto, Senior Vice President, Global Design, Electrolux



Listening to you

Understanding the concerns of consumers is central to 'Thinking of you'. As a sustainable brand, we are accountable to many stakeholders – customers, employees, shareholders and others affected by our operations and products.

To be a trusted partner, we know it is important to provide insight into our priorities, progress and how we work. Dialogue also provides a win-win opportunity – listening helps us define our strategy and find common ground.

Electrolux encourages engagement with investors, consumer and trade organizations, customers, legislators, and non-governmental organizations. Group Sustainability Affairs has overall responsibility to encourage discussion on sustainability-related issues, and top management was actively involved during 2007.

Shanghai roundtable

Owner-representatives are also engaged. Investor AB is the Group's largest owner, with close to 12% of the share capital. In fall 2007, Investor's chairman, Jacob Wallenberg, spoke about the role of energy-efficient appliances in tackling climate change at the International Business Council of the Mayor of Shanghai, chaired by Mayor Han Zheng. The focus of the meeting was how business and government partnerships can address environmental challenges.

"The meeting was a platform to discuss how private industry can help find sound, sustainable solutions for mega-cities. Investor AB has a stake in the sustainability agenda of Electrolux. This was an opportunity for me to both contribute, and garner feedback, on their approach," Mr. Wallenberg comments.

Strength in numbers

Another forum for engagement is our membership of organizations such as Business for Social Responsibility, the UN Global Compact and CECED—the European Appliance Industry Association. In them, we discuss issues such as revisions in the EU energy

labelling scheme and effective supply chain management. We also participate in the Swedish working group for the development of ISO26000, international guidelines on management of social responsibility.

Union representation on the Board

While intensity of contact with external stakeholders varies by issue, one dialogue remains constant – that with employees.

The Group's Board of Directors comprises non-executive members, the President and, in accordance with Swedish law, three employee representatives and three deputies. Their purpose is to provide employee input into company decision-making. "Our most important contribution to the Board is that we have knowledge of the company from the inside. The accumulated competence of our members gives insight into all aspects of the business," says Gunilla Brandt, representative of the Swedish trade union, Unionen.



Gunilla Brandt
Employee representative on
the Board of Directors for Unionen

Dialogue with employees

Our Employee Attitude Survey (EAS) is a web-based tool for anonymous employee feedback. EAS 2007 was the most comprehensive survey to date, with more than 10,000 employees contributing – including, for the first time, all office workers in Asia.

More examples of dialogue are on pages 9, 15, 19, 32 and 34

UN Global Compact

Electrolux is a member of the United Nations Global Compact. This brings together companies, UN agencies, labor and civil society to promote ten principles in the areas of human rights, labor, the environment and anti-corruption. All Electrolux policies, including our Code of Ethics, Workplace Code of Conduct, Policy on Countering Corruption and Bribery and Environmental Policy are in line with these principles. Electrolux submits an annual report to the office of the Global Compact, "Communication on Progress," which shows how we are applying the principles. We are also engaged in a

network of Nordic companies which meets regularly to share experience and discuss issues of mutual interest in relation to the Global Compact and social responsibility.

[www.ewg.org](#) Our Communication on Progress





Increasing diversity among employees and dialogue with stakeholders are two key areas of our work with corporate social responsibility.
Below, Left: President and CEO Hans Stråberg talks with factory workers in Olawa, Poland.
Below middle: Electrolux CSR auditor interviews supplier employee.
Below right: Electrolux Sustainability Affairs hosts seminar in China.



Our material world

Our reputation is built on how our products perform and how we act as a company. We have a strong governance structure to guide our actions and it safeguards high environmental and social standards.

At Electrolux, we thrive on our interaction with stakeholders—be they consumer, employee or other interest group. And we seek to be open with those who affect, and are affected by, our operations and products.

“We want to be perceived as a good neighbor – a company that you trust to do the right thing,” says Lars Göran Johansson, Senior Vice President, Communications and Branding. “For us, corporate social

responsibility is a part of everyday business. Policies and procedures are just the starting point. It's really all about being good to our consumers and building a profitable company for the long term.”



Lars Göran Johansson
 Senior Vice President, Communications and Branding

Roundtable discussion

– Building a **sustainable brand**

Embedding sustainability into the DNA of a global company takes commitment and shared vision. Here four senior Electrolux representatives look at where we've come from and brainstorm on the challenges ahead.

On changing consumer expectations:

Henrik Sundström (HS): We're consumer-focused – it's a core element of how we do business. More and more, consumers want to contribute to a better world through the purchasing choices they make. We take that into consideration in the way we work, our product development and marketing.

Lars Göran Johansson (LGJ): People are increasingly asking for more environmentally smart products. It's our mission to be one step ahead.

Anthony Ford (AF): Iconic products like Ultrasilencer Green meet that need. And we also have a strong base of energy efficiency to our products. Sustainability has become a way of life. I don't think we can look at it any other way.

Maria Strannegård (MS): I agree. Eco is regarded as hip and cool. It's not a fad; it's an ongoing trend.

On building trust in our brand:

LGJ: Appliances have to last a long time, so people appreciate a well-known company that's at the forefront of innovation. You have to make sure you have good products that consumers appreciate, and that if there's a problem you will fix it. We want to stand for quality and leadership. We also want to be perceived as a good neighbor – somebody you trust to do the right thing and who's here for the long term.

AF: There's greater intelligence and sophistication today in the understanding of what's behind a brand. It's about products, decisions, and actions. Companies are expected to behave in the right way. If you don't, no matter how much a consumer loves your product, you're off their shopping list.

HS: That's right. Understanding the current needs of people – and anticipating and understanding their future needs – builds trust over time. We aim to stay ahead of the competition through long-term engagement.

MS: You also need to continue to be consistent on all issues. We communicate by the way we act. Being consistent, from the factory to the shops, is the best way to communicate and build reputation.

LGJ: And to measure how consumers perceive us over time in these regards, we've added a question about sustainability in our brand scorecard.

On commitment to sustainability:

LGJ: We've always handled new risks and opportunities and tried to do that as a good citizen. It's not something new, it's a part of everyday business.

AF: We're positioning ourselves as a thoughtful design innovator. 'Thinking of you' is not only about thoughtful products, but about being a thoughtful company. Everything we do is geared to that.



Henrik Sundström (HS), Vice President, Sustainability Affairs, Anthony Ford (AF), Global Brand Director, Maria Strannegård (MS), Global Consumer Insight Manager and Lars Göran Johansson (LGJ), Senior Vice President, Communications and Branding.

But our sustainability heritage actually goes back to the early 1900's, when cleaning and making food last longer was critical to improve hygiene, reduce sickness and lower mortality. Our products improve everyday life. It's social and environmental progress through innovation.

HS: Our products contribute to sustainable living. Today, 30% of food in the UK is thrown away, yet food production contributes 20% of their CO₂ emissions. Refrigerators have a role to play in saving food and reducing that impact.

MS: It's true, sustainability is at the heart of what we do. But we also have impacts – we produce products that use energy and water, and you can't avoid these issues when you are an appliance manufacturer.

On transforming constraint into opportunity:

LGJ: Around 15 years ago, Electrolux was in the eye of the storm of one of the most important environmental issues – how freon was depleting the ozone layer. We responded with a forward-thinking product strategy for cold appliances. We offset short-term profitability for the long-term good of the environment. It paid off in the long term, but management took a risk in order to do the right thing.

HS: We took a different position from the rest of the industry. We saw replacing CFC as a business opportunity instead of a problem. That's how we're tackling climate change, too.

On the challenges ahead:

HS: More than anything it's climate change. And access to resources will be critical. Over the next 40 years the world's population will increase by 50%. We have to design products and services to satisfy the needs of people in China and India while

staying within resource constraints. Re-using and recycling materials will be essential.

LGJ: Water will be big – its availability and distribution – and people are increasingly concerned about health. These are important issues and great business opportunities! It's also important to remember the world is more transparent now. If somebody makes a mistake it will pop up within a few hours – globally. With outsourcing in third world countries, we need to handle risk and make sure we behave properly around the world.

MS: If all products become green and environmentally-friendly, it becomes much harder for sustainability leaders to differentiate their product ranges. We'll have to constantly find new ways of making products greener.

AF: Electrolux already has a lot of hidden gems when it comes to products. A lot of our products are built on very sustainable values. But we've not been very good at communicating that. This will change. We're becoming more conscious of how we talk about it.

LGJ: We need to better explain our energy efficiency improvements and the way we recycle our products. Replacing old, inefficient products with energy-lean alternatives is a sound decision, both for private citizens and for society.



Strong governance builds trust and accountability

Good governance helps Electrolux to anticipate the full spectrum of business risks and opportunities – including non-financial ones – and manage them in a transparent way.

The Electrolux Board of Directors operates in accordance with the Swedish Companies Act, the listing agreement with OMX Nordic Exchange Stockholm and other relevant Swedish and foreign laws. By addressing financial reporting, transparency, audit, remuneration of directors, conflicts of interest and shareholder rights, traditional governance ensures that Electrolux builds value and long-term success.

An ethical framework

The Board assesses ethical risks and opportunities annually. In 2007, it discussed issues such as climate change and responsible sourcing. As well as company law, international conventions, voluntary codes of conduct and stakeholder priorities are important in shaping our governance framework.

Less is more

Sustainability at Electrolux is implemented through four key policies (see table). This year, Electrolux has focused on streamlining group-wide policies to ensure strong, coherent messages across the Group. Policies are approved by Group Management and are mandatory, monitored and enforced. They are communicated to provide "simplicity, clarity and understanding for employees," explains David Scrivner, Internal Audit Director, Management Assurance and Special Assignments. Implementation is achieved through clear lines of accountability.

| Policy | Policy Holder* | Reports to | Policy Approver |
|---|----------------------------------|----------------------------------|--------------------|
| Code of Ethics | VP, Group Sustainability Affairs | SVP, Communications and Branding | Board of Directors |
| Workplace Code of Conduct | VP, Group Sustainability Affairs | SVP, Communications and Branding | Board of Directors |
| Policy on Countering Bribery and Corruption | Corporate Legal Affairs | SVP, Legal Affairs | Board of Directors |
| Environmental Policy | VP, Group Sustainability Affairs | SVP, Communications and Branding | Group Management |

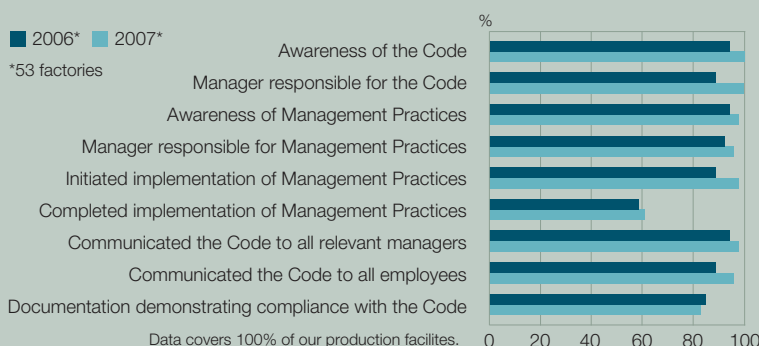
*Responsible for developing, communicating, monitoring and enforcing

Awareness of, and compliance with, the Workplace Code of Conduct are assessed through the ALFA (Awareness-Learning-Feedback-Assessment) system and on-site audits. Internal and external audits also monitor implementation of the Environmental Policy.

A key priority for 2008 is to ensure group-wide policies are communicated across the organization. Particular focus will be placed on the Code of Conduct and the Electrolux Code of Ethics, which formalizes the principles for our relations with employees, shareholders, business partners and other stakeholders. Ensuring that everyone at Electrolux upholds high social and environmental values is vital in building the trust on which our brand success depends.

[www.electrolux.com](#) An analysis of our governance structure in relation to the GRI G3. Formulations of sustainability related codes and policies. 2007 Corporate Governance Report.

ALFA tracks Code of Conduct



Data covers 100% of our production facilities. Levels of awareness of the Code of Conduct, and how it is organized and communicated to managers and employees are high throughout the Group. Although implementation levels for management practices are also high, there is room for improvement in 2008.

Training and engaging staff

Training staff in our facilities about the Workplace Code of Conduct ensures that our ethical standards are upheld across the globe.



Brazil in the limelight

Electrolux in Brazil set itself the daunting task of training over 5,285 staff in the Workplace Code of Conduct in 20 days, representing 82% of white collar and 93% of blue collar staff. Rather than present a dry list of 'dos' and 'don'ts' to attendees, the Human Resources (HR) team at Electrolux Brazil brought life to the Code. They hired professional actors to simulate Code transgressions such as bullying or discrimination. On feedback forms, 98% of those trained thought the experience was 'excellent'. Staff with concerns or suggestions about the Code of Conduct can express them via an anonymous suggestion box, e-mail, a local web site or standard mail. The HR team tailors its response and actions according to whether the comment was a doubt, a suggestion or a serious criticism.

Code of Conduct Quiz in Thailand

New members of staff at Rayong Major Appliances and Professional Indoor facilities in Thailand learn about our Code during induction. This includes a game and a Question and Answer session to bring issues into sharp relief. To refresh awareness, a prize quiz in the facility newsletter was run to test employees' knowledge – and incorrect answers were followed up. To check that the Code is being properly applied, the facility was audited in 2007. No major issues were raised. Suppliers remain a challenge, however, as Likhit Somboon, HR Director, Thailand Manufacturing explains: "We send suppliers a questionnaire and audit their factory for a day." Work on this will continue through the action plan within our Responsible Sourcing Program. (See p. 26)



Induction training in Poland

Like Thailand, in Poland each Electrolux recruit learns about the Workplace Code of Conduct at induction and a signed acceptance form is kept on their HR file. During induction, employees are asked about their approach to health, safety or ethical situations to confirm their full understanding of the Code. Management training highlights the code's relevance, explains Krzysztof Spiehs, Plant Manager at Zarow: "We identified Code of Conduct-related risks and opportunities and, based on them, we developed an action plan."

Training may be in place, but Beata Krawowska, HR manager at Zarow knows their job is far from over: "the real challenge is to implement the Code of Conduct amongst our suppliers, and to make sure that we maintain awareness of it in our factory."

Communicating the Code

Electrolux applies the Workplace Code of Conduct universally, including for suppliers and sub-contractors. It covers safety, health and environment, and addresses workers' rights such as child and forced labor. In 2007, Code of Conduct training was conducted for our HR function, purchasing and other managers in Asia/Pacific, Poland and Brazil. They, in turn, have responsibility to train their own staff.

“In communicating the Code of Conduct, a local approach enables our employees to recognize how the Code is relevant to their workplaces,” says Jens Schlyter, Manager, Corporate Social Responsibility. “The training we’ve done in 2007 demonstrates the full gambit of how we communicate the big picture in a local context.”

Used annually at all units, the ALFA tool communicates the key concepts of the Code, offers feedback opportunities and tests its integration into Group units. In 2007, internal auditors assessed units in Thailand and China and audits in Mexico and Romania were conducted by third parties.

Together with other Group staff functions, a group-wide ethics program embracing the Code of Conduct and other policies will be launched in 2008.

Safety net

Every safety incident is preventable with proper procedures, training and hands-on engagement by both manager and employee. One step at a time, we will reach our end-objective of zero accidents at our facilities.

Every factory within the Group has procedures to ensure a safe workplace. The factory's general manager and ultimately the head of the business sector have responsibility to see that they are effectively managed. Workplaces are monitored according to the Code of Conduct and management systems such as OHS18001.

Of our 53 factories, 37 apply a standardized production method called the Electrolux Manufacturing System (EMS). Safety is one of nine indicators used to gauge procedures within EMS.

The safety indicator is measured in incidents per 200,000 man-hours, or the TCIR. In 2007, three business sectors worked towards a 10% global TCIR reduction target from the previous year. North America's goal was a TCIR of 1.5. Three of four sectors achieved their objective.

Best practice in North America

Electrolux has demonstrated stable incident rates since group-wide data collection began in 2003. During this time, Electrolux has also opened factories in China, Thailand, Poland and Mexico. Our journey is best exemplified by Electrolux in North America.

"When we started in 2003, the industry recordable injury rate was about nine and we were at about 16. Today we're at about one," says Keith McLoughlin, Head of Electrolux Major Appliances in North America. Today, our plant in Juarez, Mexico has a TCIR that ranks third of eight production locations in North America.

Developing a common approach in Asia/Pacific

Our three factories in China and Thailand have also demonstrated improved performance (all of which have a TCIR under 2), with improvements in Australia (TCIR 4.1 and 11.2, down 30 %). "We've

taken what North America has done and we're building on it," Tom Bell, who manages the health and safety program for Electrolux Asia/Pacific, explains. "With our presence in low cost countries, we can't cut corners. In fact, we are off to a better start than our older factories."

Work continues in two plants in Australia to enhance the safety mindset. As people become older, they are more susceptible to injuries, for example from lifting. The average age of our factory workers in Australia is 44. Our focus is therefore on wellness issues such as the importance of exercising and good eating habits.

To develop a more coordinated approach in Asia / Pacific, general managers, safety and HR managers of their five plants will meet in Hangzhou, China for an H&S summit in May 2008.

Employee ownership of safety

McLoughlin explains the key to safety: "It just can't be a top-down management issue. It's got to be ingrained in the culture of all employees on the shop floor level." With this mindset, activities will continue at each facility to embed safety values and behaviors.

Health and Safety – key data

| | 2007 | 2006 | 2005 |
|---|-------|-------|-------|
| Number of work-related injuries ¹⁾ | 3.5 | 2.8 | 3.6 |
| Number of work-related injuries | 1,386 | 1,170 | 1,657 |

1) Per 200,000 hours worked.

The number of work-related injuries in absolute terms at our facilities last year was 1,386. (GRI G3 indicator: LA7)

Factory accident in Hungary

We are saddened to report that on July 19th, 2007 an accident at our Nyíregyháza Factory in Hungary claimed the life of an Electrolux employee. The 54 year-old maintenance worker was repairing one of our automated top panel manufacturing lines. The safety system usually intact during operation had been intentionally deactivated to enable repair work, which was identified as one of the causes of the accident.

This is the first time an accident of this nature had occurred at the factory. Immediately after the accident, a crisis steering committee was convened by János Takács, head of operations for Electrolux Central Europe. Investiga-

tions were conducted by company representatives, and external technical and safety auditors. Crisis support for employees were also provided. Safety procedures and extra training for both maintenance and operating the automated production lines have been sharpened. The deceased's partner was provided with both financial and medical support.

People vision

Electrolux is grounded on the skills and insight of our employees. With our newly-defined People Vision, we are nurturing competence throughout the Group, says Carina Malmgren Heander, Head of Group Staff Human Resources.

The Group is undergoing a major change in business strategy, by shifting from a production to a consumer-oriented company. Since we are built on the experience of our employees, we will grow by optimizing our existing talent pool as we move forward. The People Vision, defined in 2007, was launched to define how this will be achieved.

“Our vision is to have an innovative culture with diverse, outstanding employees. It is based on people who drive change and go further in delivering on the Group’s strategy and performance objectives,” Heander, explains.

Lingua Franca

A number of Group functions are in place to enable this, including HR policies, leadership programs and an internal recruitment tool, but cultivating a global approach in a decentralized organization is challenging. “A decentralized organization is designed to help us stay close to the business in terms of needed competence,” explains Heander, “yet we need to speak the same language.”

To reinforce our shared approach, in 2007 all Electrolux HR policies were revised. Our Grandparent Principle is intended to improve transparency. The Recruitment Policy aims to ensure fair hiring and our Compensation Policy defines a consistent approach to remuneration. HR training is conducted on each of these.

In 2007, the Board’s Audit Committee appraised the effectiveness of our ‘Appointment of Senior Managers’ policy in creating balanced teams. It also assessed how management teams uphold the Code of Conduct. Its conclusions will be followed up in 2008.

Sustainability and the People Vision

As well as furthering the best interests of all our employees, we want to provide them with the tools to contribute to our sustainability goals. “We aim to develop an organization that is appealing to employees as human beings,” Heander states. “Health and safety is fundamental to me – it must be a zero accident approach. That, and work with the Code of Conduct needs to be a priority in every organization.” Sustainability is also included in induction programs for all new senior managers.

Diversity

It is important that our organization mirror our consumers – our brand is global and women most often determine choice of appliance. Increasing staff gender, age and cultural diversity is vital.

The share of women represented among senior managers and Group Management increased in 2007, while representation on the Board of Directors declined. The absolute number of women remained the same, however. Approximately 140 senior and managerial positions were filled, about 27% of them by women. A similar percentage of leadership program participants were female. There are three women executives in Group Management.

Four of eleven members of Group management and four of nine owner-elected members of the Board were non-Swedes.

For more on employee feedback, see p. 18.

metric HR related indicators, p. 40

www Includes diversity, remuneration to senior management, the Electrolux People Process.



Partners in change

Strong relationships with retailers lie at the heart of our business model. Sustainability is an important part of our dialogue with them. At times, we cooperate informally to impact consumer choices through communication. Increasingly, dealers stipulate formal commitment to performance standards.

Europe: Committing to change

Magnus Yngen, Head of Major Appliances in Europe has seen growing engagement with sustainability among retailers. "When I meet with leaders from retailers, the subject pops up with about 75% of those I visit."



Magnus Yngen
Executive Vice-President,
Major Appliances Europe

Engagement among retailers

In many ways, retailers have gone beyond compliance to focus on the opportunities for change that exist in the products they offer. "I think that when it comes to sustainability, the main focus among retailers is to choose products that allow them to present themselves as proactive companies," says Yngen. "Electrolux strives to be a trusted, credible partner in these regards. The best, most advanced retailers would find a competent partner in Electrolux."

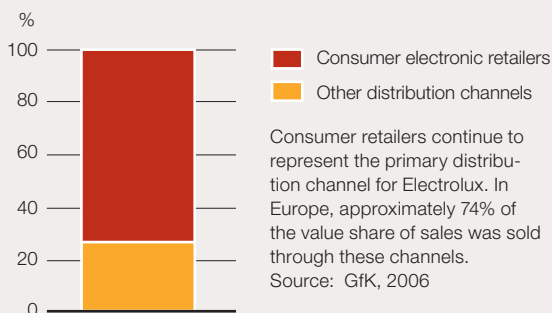
Working together to impact change

For those retailers with active shop floors, sales people are trained in the products on offer, and there is a greater opportunity to engage with consumers. For unassisted shop floors, printed information must be informative and credible in order to help consumers make smart choices. "The most important decision point is the store floor. Product point of sales material has to cover a lot of ground. Our challenge is to get the sustainability message across in this environment. That's where energy labelling comes in. Labelling is efficient, credible, and straightforward communication to consumers."

"That's why I believe it's important that suppliers and retailers align on the importance of energy labelling – both on its purpose and how to make it more effective. Labelling can be a tremendous change driver – together with competition and voluntary agreements."

Transporting goods is another way to work together to directly reduce our impact on CO₂. "That is something that we can bring to the table that can easily be addressed jointly."

Value share of sales through retailers in Europe



North America: An evolving agenda

Between 85–90% of Electrolux sales in North America are conducted through a wide range of retailers. Electrolux works through approximately 1,000 primary customers. These include three key national chains, SEARS, Lowe's and Best Buy, several regional dealers and a few hundred independent dealers.



Keith R. McLoughlin
Executive Vice-President,
Major Appliances North America

Growing awareness of environment and labour issues:

"It's ultimately about delivering value," says Keith McLoughlin, Head of Electrolux Major Appliances in North America, as he describes the rising importance of sustainability in building relationships.

"Many retailers had already been focusing on doing the right thing from quality and societal standpoints. But there certainly has been an increase in dialogue in the last year. With some, sustainability has become a key strategy platform, and they are demonstrating this through their own brand of eco-products, or their own environmental trademark."

"In North America in 2007, a fairly substantial shift has occurred among consumers. The climate change debate has done a remarkably good job in raising awareness. And growing attention to the impact of globalization has put fuel on the fire."

Priority issues

Retailers are focused firstly on energy consumption. Secondly, they don't want to sell products that are harmful to the environment (like CFCs, toxic solvents, or lead-based materials). The third criterion relates to labor practices. "They count on us to manage products sourced from around the world in a way that is in line with sound labor practices. Our increased outsourcing in low-cost countries makes this an important part of our work."



John Lewis



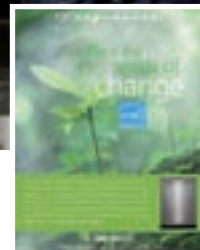
IKEA

As of summer 2009, consumers will find IKEA-designed appliances manufactured by Electrolux in IKEA stores Europe-wide.

IKEA places far-reaching demands and expectations on its suppliers. Social and environmental criteria are among the most rigorous. Inclusion in their product portfolio is not only a litmus test of the Group's practices; it is testimony to the fact that a sustainable approach creates greater business value.

Electrolux shares IKEA's commitment to promoting good business practices. The Group endorses the IKEA Code of Conduct, and will work with IKEA to monitor that Electrolux facilities and suppliers meet their high standards. Both the IKEA and Electrolux Codes of Conduct are grounded on the same universal values regarding human rights, the environment and workplace practices.

Sears



Sears Holdings is North America's leading home appliance retailer with 3,800 retail stores in the US and Canada. Sears sells Frigidaire and some products belonging to their brand Kenmore are manufactured by Electrolux Major Appliances.

Sears and Electrolux work together to pioneer new Energy Star products within their product line: "Our goal is to develop innovative appliances that help save customers time, money, and precious resources," says Ellen Sauser, Associate Buyer, Dishwashers, Compactors and Disposers. Applying rigorous quality standards, Sears conducts audits at its suppliers' factories.

The partnership approach also embraces communication, for example, the 'Plant the Seeds of Change' campaign produced by Electrolux for consumers. The material has been used by Sears in management events to raise awareness amongst dealers and employees about the potential of energy-efficient appliances.

John Lewis, a major retailer in the UK, has more than doubled its purchases of Electrolux products over the last three years.

The John Lewis Partnership, its parent company, has a long history of social responsibility. In turn, it expects all suppliers to adhere to its Responsible Sourcing Code of Practice. "Social, ethical and environmental performance is increasingly important in supplier selection and product sourcing," explains Vic Sinclair, appliance buyer for John Lewis. The retailer has observed a strong increase in the sale of ethically certified goods and merchandise with better environmental performance. John Lewis intends to increase its range of energy-efficient products and proposes that by 2009, 97% of its large electrical appliances will be A or A+ rated.

Supplying change

Since 2004, supply chain Code of Conduct monitoring has been an integrated part of sourcing from China. As we refine our procedures, work conditions are improving amongst most suppliers – but better detection also reveals more cases of non-conformance to resolve.

In 2007, 102 audits were conducted by Electrolux Code of Conduct specialists and 14 by external auditors worldwide. Our program placed particular focus on Asia.

Following his 50th re-audit, Andrew Feng, Corporate Social Audit Manager within Electrolux Purchasing in China, drew two conclusions: the number of non-compliance cases was dramatically reduced – by 38% – but only seven out of 50 were in full compliance with our Code of Conduct.

“Our audit methodology has improved, which is why we’re finding more non-compliance by some suppliers than we did during initial audits,” says Henrik Dahlström, Director of the Responsible Sourcing Program. While most categories show improvement, health and safety, child labor and working hours remain an issue in China. (See p. 28 and p. 29)

Managing risk

Responsible sourcing helps ensure that suppliers uphold the values enshrined in the Electrolux Code of Conduct and Environmental Policy. Supplier assessments take into account four areas of risk:

1. Geographical location (Asia, Latin America and Eastern Europe)
2. Extent of business with a supplier
3. Type of supplier relationship
4. Type of operation

2007 milestones

Of five objectives set in our 2006 Sustainability Report, four were achieved:

- Code of Conduct specialists are in place in China.
- Specialist teams in Eastern Europe and Latin America were approved by Group Management.
- Four purchaser training sessions were held in China and Thailand and one in Sweden.
- Follow-up audits were conducted in China with all active suppliers audited in 2005–2006.

Work in cooperation with Global Purchasing on our fifth objective, the development of common procedures for Code of Conduct assessments, is ongoing. Our end goal is to introduce a methodology that includes all aspects of the purchasing organization.

Achieving transparency and engagement along the supply chain is a long-term goal of Electrolux. Through training, we are helping suppliers foster a sense of ownership of the issues and facilitate sustained improvement.

Raising the bar

Focus areas in 2008 include:

- Launch the program in Latin America and Eastern Europe
- Further develop our methodology and tools, including more detailed environmental requirements and criteria
- Internal training and capacity building within Purchasing and Quality organizations
- Introduce training sessions and other supporting activities for our suppliers outside the audit framework

Communicating a risk-based approach

Banco Fonder's Sasja Beslik is among Sweden's leading socially responsible investors. He puts our risk-based approach into broader context and explains his expectations of Electrolux.

In a risk-based approach, location of the supplier in most cases supersedes other risk criteria.

Brazil, China and Eastern Europe share a similar set of risks, but there are slight differences. Social issues lie closer to Brazilian culture--businesses have a tradition of being proactively engaged in society. Addressing environmental issues is less clear, however. On the

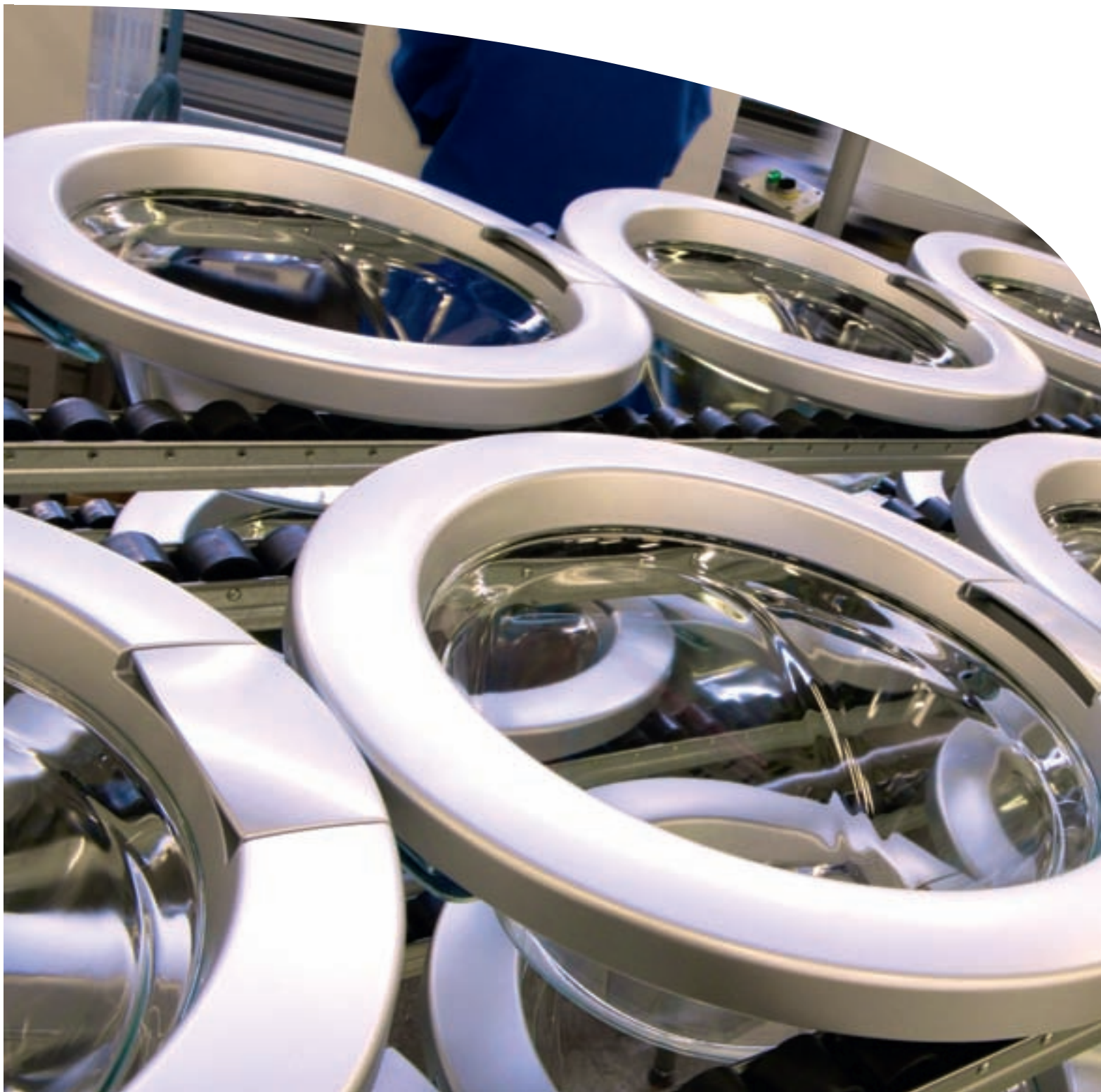
whole, in Eastern Europe corporate responsibility is not a strong element of doing business.

For emerging markets such as China, health and safety and overtime are among the key issues. The underlying problem is that companies are not necessarily provided with the full picture of their suppliers' performance.

I want to know that Electrolux has an organization in place to address these issues, the findings it has uncovered and the action it has taken to address what it has uncovered.



Sasja Beslik
Banco Fonder



Our material world

No matter where our approximately 3,800 suppliers are located, we expect the same levels of compliance to the Electrolux Code of Conduct and Environmental Policy. In fact, both requirements are an integrated part of our purchasing policy.

“The Group’s emphasis on cost reduction and quality, coupled with its sharp focus on universal standards on human rights, labor standards, environment and anti-corruption, present a complex challenge for managing the supply chain”, says Francois van Caeyzele, Chief Purchasing Officer for Electrolux.

“We are therefore driving this process with a disciplined and consistent approach.”

In the last three years, the share of purchases from low-cost countries has risen from approximately 30% in 2004 to 48% in 2007. Some regions pose higher risks for breaches in working conditions and environment than others, often because of poor enforcement of existing laws.

In 2007, Electrolux continued to monitor progress in its responsible sourcing program in China, and piloted monitoring in Brazil and Eastern Europe.



Francois van Caeyzele,
Chief Purchasing Officer

Audits shed light on under-age labor

Jiao-jie is fifteen. When a recruiter came to her village looking for workers for a supplier assembly plant, she applied. With her sister's borrowed ID, no questions were asked. She was among the 21 confirmed under-age labor cases uncovered in the Electrolux Responsible Sourcing Program in 2007.

Cases like Jiao-jie* are not uncommon. While China's legal working age is 16, socio-economic pressures mean that protecting children from work that is potentially exploitative, hazardous or harmful does not always take precedence.

Under-age labor is a zero tolerance issue for Electrolux. In 2007, we uncovered 21 children between the ages of 14 and 16 employed by four suppliers. In all such cases, our priority is to protect the interests of the child.

Each child has a story to tell

Our investigation into why Jiao-jie was working and how she was recruited found she was employed under the same conditions and had to deliver the same results as older colleagues, involving shifts and long hours. "When found, she was taken off the assembly line," says Andrew Feng. "We were able to contact her parents and prepare her return home."

In dialogue with Jiao-jie, her parents and the supplier, it was agreed she could continue to receive a salary provided she resume her schooling. Electrolux conducted a follow-up visit to her village six months later and found her returned to her family and safe.

Supplier monitoring

In under-age labor cases, non-compliant suppliers are given immediate notice by our responsible buyer that corrective mea-

sures must be taken, failing which the supplier contract is subject to termination. Within a month, they are re-audited, sometimes unannounced, to verify hiring procedures, and to search for additional under-age workers at the facility. In 2007, all affected suppliers recognized the severity of the situation and revised their routines. No supplier contract was terminated due to under-age workers.

Every child is followed up

With the exception of four children who left the premises before we were able to investigate further, Electrolux followed up all the child workers uncovered. Of the 21 children identified last year, 15 returned to their parents. Like Jiao-jie, nine of these were provided a salary and promised a job once they come of age. Six of the 15, however, refused the salary payment offer.

"Some parents are cautious about being perceived as indebted to the employer. They choose not to be tied to the factory in that way," says Henrik Dahlström, Director of the Responsible Purchasing Program.

In 2008, Electrolux will continue to dialogue with a non-governmental organization with indepth knowledge of China and issues relating to the protection of children, to further develop our response.

*Jiao-jie is not her real name.

Perspectives: UNICEF

Anna Ryott, UNICEF Sweden's fundraising director, provides her insight on child protection:

In China, issues relating to children in the workforce are highly complex and are increasing at the same rate as its rapid economic growth. Some 58 million children have been left behind by parents seeking work elsewhere, increasing these minors' vulnerability. When a company discovers children in its supply chain, each child's situation must remain in sharp focus.

About 20 million children have migrated to urban areas from their home communities. School and health-care rights as defined by the UN Convention on the

Rights of the Child are therefore inaccessible to them. Upholding the convention should guide every company's approach.

With the objective of protecting each individual child, companies should assess, define policies and procedures on what happens to children when they are no longer employed. Provisions may include support to attend school, and/or reintegrating them into their home, school and community. We also recommend that the company consult with country-specific NGOs regularly.



Checking in

A visit to a factory in Ningbo City, China, shows the Electrolux audit process at work and highlights the typical issues uncovered. Among the audit findings at this motor plant; worker compensation and overtime, fire safety and juvenile worker protection.

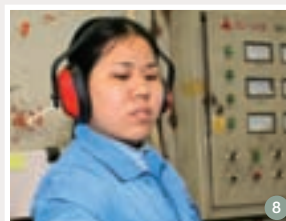
A three-hour journey from Shanghai conveys Electrolux auditors to a vacuum cleaner motor assembly plant for an announced inspection of the facilities. The factory with its 400 employees, will take a full day to inspect. The plant is a key supplier for Electrolux Floorcare and a priority for the purchasing department.

Auditors note employee ages, labor contracts, payroll documentation and time cards. They keep their eyes open for workers who look under-age, tired, have injuries or who work under potentially hazardous conditions. They also investigate whether potentially dangerous materials are used in production. At this plant, no chemicals are in evidence and the youngest worker was born in 1991.

By close of day, factory management will receive a copy of our Corrective Action Plan, which includes recommendations on how to remedy the 17 findings (8 major and 9 minor non-compliances). These include issues such as working hours, fire safety, compensation and proper documentation for juvenile workers (over 16 years). The supplier is requested to respond within seven days, with an indication of how they intend to address non-compliances and when. Findings are reported to the responsible purchaser and the plant will be revisited within three months to monitor progress.

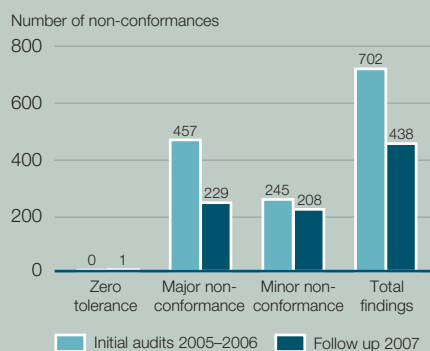
An integral part of the visits, moreover, is our consultative role – aimed at increasing transparency, engagement and understanding. “It’s not just about policing; we strive to help the supplier continually improve,” Andrew Feng, CSR Audit Manager, summarizes.

www.electrolux.com A description of how Electrolux monitors corrective action



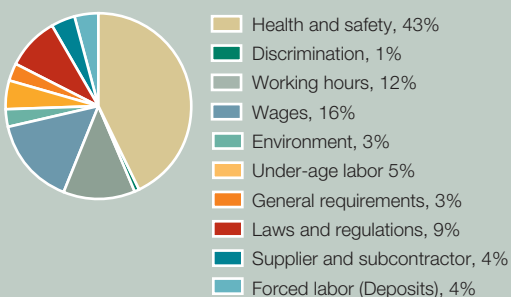
1. Two auditors entered the six story factory facility, employing 400 workers. The day-long announced inspection was a first for the supplier.
2. The 30-minute opening meeting with the factory's general and sales managers and security officer. We outline the purpose of the visit, why it is important to Electrolux and underline how good performance can improve their business opportunities.
3. Audit specialists Lucy Wang and John Yan review the factory's human resource, financial and licensing files.
4. A tour of the production area verifies whether employees work in an obstruction-free environment. We make recommendations on how to improve working conditions.
5. Selected randomly from the payroll list and work-floor, eight employees are individually interviewed in a secluded area by our auditors.
6. This inspection focused on the safety issues.
7. Auditors check that fire extinguishers are functioning and are easily accessible to workers.
8. Health and safety represents 42% of our audit findings in China. This audit score on health and safety was quite good. A worker dons proper noise protection equipment and gloves.

Follow up audit comparisons



Follow-up audits were carried out with all active Chinese suppliers that were audited in 2005 and 2006. The number of non-conformances has been dramatically reduced, especially in areas considered feasible to address, such as health & safety.

China audit findings 2007



Spirited away in Italy

Sustainability is a cornerstone of Electrolux in Italy. Under the banner 'Green Spirit', we are building long-term engagement, not only with Italian consumers who want their brand of choice to 'walk the talk', but with employees, government contacts, trade associations and suppliers.

Driven by innovation, design and an increased product range, Electrolux is a leader in the Italian appliance market. Our standing is enhanced by being a shade greener than our competitors, thanks to a product life-cycle approach and strong internal engagement.

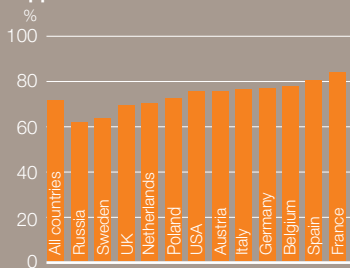
"The only way to achieve real environmental protection is through an integrated approach that can affect the entire life cycle of an appliance and that involves the whole value chain," says Gianfranco Schiava, Head of Electrolux Zanussi Italia.

Electrolux in Italy has launched the Green Spirit program to engage suppliers, employees, trade associations and end consumers in the Group's commitment to the environment.

Tapping into growing consumer interest, Green Spirit includes a series of new products to help consumers lead climate-smart lives. Our green product features go beyond energy efficiency to help consumers reduce both waste and bottled water consumption.

Engagement must start from within. Electrolux Floorcare and Professional sectors were integral partners in developing the Green Spirit program internally. Together, we are contributing to the group-wide 15% reduction targets for energy. We have also defined targets for water savings and reducing waste. The experience gathered here is serving as an inspiration for our factories all over Europe. (See p. 10)

Electrolux Consumer Insight Research: Importance of environmentally sound appliances



The Italian consumer

Italian consumers are increasingly recognizing the role of appliance energy efficiency (see above chart) and they want to see engagement in the issues by the companies from which they purchase. In a survey conducted by IPSOS Mori* in October 2007, 33% of Italian consumers polled would be more likely to purchase products from a company with a reputation for environmental responsibility.

* Corporate environmental behavior and the impact on brand value, October 2007, p. 6

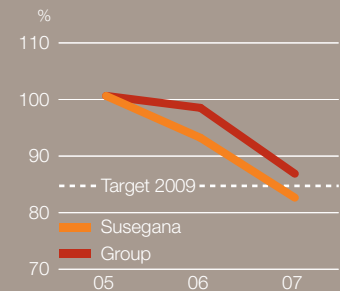


Green Spirit launch

At the launch of Green Spirit in May, Electrolux in Italy played host to top management, sustainability guru and economist Jeremy Rifkin and 200 eminent guests from the media, NGOs, government as well as trade representatives. The objective was to raise awareness and enhance the public profile of our environmental engagement.

Green Spirit intends to take its message to a wide range of stakeholders, including more active dialogue with the Italian Ministry of Environment on how to encourage consumers to purchase energy-efficient products. Water will be Green Spirit's underlying theme in 2008.

Energy Savings in Operations



Susegana factory

Susegana was first in Europe to kick off the Green Spirit project for our production facilities. Susegana set a roadmap to cut energy use by 15% by 2009, incorporating reductions of 4,992,000 kWh electricity and 3,800 tons of greenhouse gases. This corresponds to the CO₂ emitted by 1,200 cars driving 20,000 kilometers/year. The plant also intends to cut water use by 150,000 m³.

Employees have access to environmental data and can track the plant's energy consumption targets and results in real time.



WWF cooperation

Electrolux in Italy has enjoyed a 15-year partnership with WWF. WWF Italia, the local chapter of one of the world's foremost environmental organizations, has collaborated with us to raise awareness among schoolchildren of environmental issues and the role of efficient appliances.

Together, we produced and distributed 200,000 copies of Ecoguida, a booklet on how to use appliances efficiently. The guide is illustrated with the best drawings chosen from 16,000 entries from 1,000 school classes.

The theme of the 2008 drawing competition will be water and is targeted to students under the age of 14.

Products sold under the RexElectrolux and Electrolux brands are endorsed by WWF.

Wasting away

Urban waste management has considerable impact on the environment and has been a hot media topic recently in Italy.

The Electrolux bio-waste disposal unit manages and collects organic household waste, reducing waste volume by as much as 80%.

Our patented system of counteracting blades makes it possible to grind all types of organic waste, which is then sprayed with liquid enzymes to stop the fermentation process and odor build-up.

The unit is compact and can be easily fitted to kitchens. It provides the added benefit of reducing the quantity of unseparated waste going to incinerators and thus minimizes use of plastic rubbish bags.

It is available in Italy under the Electrolux brand. (See also p. 4)

Dialogue delivers fair outcomes

The restructuring program at Electrolux will relocate over half our production to low-cost countries. During this process, we aim to be transparent and inclusive, showing respect for individuals. Their experience will affect our reputation globally.

When a factory closure is announced, our first priority is to consider the impact on employees. Consulting all stakeholders in a timely manner, including labor union representatives, local, national and regional politicians and government authorities, is key. While nobody relishes plant closure, Electrolux is committed to dealing with the process responsibly.

Benefits of engagement

Simon Thomas, HR manager at Spennymoor, UK, due to close at the end of 2008, explains the benefits of early engagement with staff: "The process of the investigation works really well because there is a gradual acceptance of the situation throughout. It is a genuinely open approach and ensures that all the angles are covered, giving people the confidence that the right decision is reached, even if it's an unpalatable one."



Our Spennymoor Cooker plant closed in December, 2007. It is estimated that 90% of its employees will find new jobs.

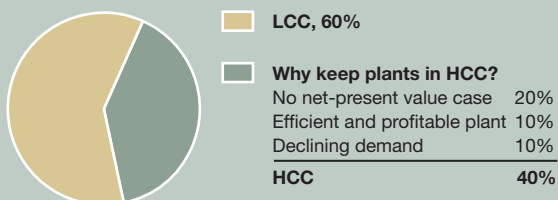
Keeping employees informed on the progress of negotiations is vital, advises Jon Sindt, Managing Director of the recently closed plant in Fredericia, Denmark. "You have to keep up a high level of communication. Every time we agreed on something we called all the employees for a big meeting in the canteen and gave an update on where we were and what we had agreed upon."

Closing a factory is difficult for all involved, however, and sometimes constructive dialogue is not possible. This was the case in Nuremberg, Germany, where the experience taught Electrolux to not underestimate the difficulty of communicating facts in such situations. With investment in employment support, re-training and pre-retirement advice, 551 of the 1,320 people who retrained found new jobs, a further 132 took early retirement and 68 agreed to part-time contracts.



A total of SEK 43 million was invested in the Fredericia, Denmark closure. By February 2008, fewer than 15 of the 150 people who worked at Fredericia were jobless.

Electrolux manufacturing footprint by 2010



By 2010, Electrolux will have 60% of its plants in low-cost countries (LCC). The remaining 40% will be in high-cost countries (HCC) due to economic reasoning: the plant is efficient and profitable; net-present value is negative for a transfer of production to LCC; or demand for the products being manufactured is declining.



Our material world

During 2007 Electrolux achieved on-target organic growth of 4% while continuing to restructure our manufacturing to ensure long-term competitiveness. Approximately 50% of our production now takes place in low-cost countries with access to growth markets, and we are approaching our goal of 60% by 2010.

Restructuring makes sound economic sense. But Electrolux recognizes that closures in high-cost countries present tough challenges for the individuals and localities concerned. It must be handled with sensitivity, in partnership with all those affected.

“When a closure is considered, Electrolux implements its rigorous ‘two-step’ process,” says Carina Malmgren Heander, Head of Group Staff Human Resources. “This engages labor unions, politicians and relevant government departments to explore all possible options. Where closure is confirmed, suitable retraining, employment search and compensation packages are brokered.”

On the plus side, restructuring offers economic benefits to new employees and suppliers in low-cost economies and contributes to the community by promoting high social and environmental standards.



Carina Malmgren Heander
Senior Vice-President, Human Resources and Organizational Development

Changing production patterns

At Spennymoor and Fredericia, employees and managers worked together during the investigation phase to explore ways to reduce the profitability gap. When the decision was taken to close, re-training and job searching opportunities were offered to employees, alongside a financial package. Good re-employment pros-

pects in the local area contributed to open and friendly negotiations with the labor unions.

An investigation has been announced in February 2008, into the competitiveness of two refrigerator factories in Italy – Susegana and Florence.

Fredericia, Denmark

When investigation into the profitability of Fredericia was announced in early 2007, production volumes had been low for some time and did not cover the fixed cost base of the factory. The decision to close followed and labor unions and management reached a financial agreement quickly. The last scheduled working day was December 21st, 2007. Wage increases, a bonus for employees with over ten years' service and an attendance bonus to encourage employees to stay during the wind-down of the factory were offered. The result was that absenteeism actually went down during this period – unusual for a closure.

Michael Lassen, union representative at Fredericia, describes the approach taken by Electrolux during the process: "Electrolux was honest and transparent and when the decision to close was taken, the company put all its efforts into helping workers get a new job."

In total SEK 43 million was invested in the Fredericia closure. By February 2008, fewer than 15 of the 150 people who worked at Fredericia were jobless.

Spennymoor, UK

Spennymoor, UK is due to finish production in December 2008. After a two month investigation into the factory making free-standing cookers and built-in ovens, the decision to close was made in December 2007.

According to Reg Bell, a senior union representative at Spennymoor, a hallmark of the investigation process was transparency: "The investigation could not have been more open. We looked at all the major savings we could [make] to bridge the profit gap with new production facilities in Poland, but in the end we were not able to compete on wages. There was a feeling amongst some that whatever we did, the decision had been made to move to Poland, but we were given every opportunity to examine any possibility to sustain the business at Spennymoor."

Unions were involved in selecting the outplacement provider to identify new job opportunities and organize retraining as well as pre-retirement and job application advice. It is estimated that 90% of employees will find new work. Total investment made by Electrolux in the Spennymoor closure is SEK 390 million.

Västervik, Sweden

Västervik, Sweden's vacuum cleaner plant in closed in 2005. Our primary focus was to individually tailor employment opportunities for staff. At the same time, we invested in the growth of small and medium-sized businesses. Credit for today's thriving community goes to partnerships between local politicians, local industry and other stakeholders.

At closure, Electrolux launched a two-year project to help the 511 employees find work. By May 2007, 367 were employed or studying full-time while 71 were unemployed or on disability payments. The remaining 73 were either retired or engaged in job support programs.

Electrolux invested a total of SEK 20m towards growing the regional economy and in Forward Västervik!, a development company jointly owned by government and businesses. We donated our factory facility, currently occupied by 25 companies.

The effort has paid off – in a 2007 Confederation of Swedish Enterprise regional ranking of economic viability, Västervik rated 65th of 290 communities in Sweden, compared to a 242nd place in 2004.

Boost to low-cost economies

Where sustainability is concerned, there is a silver lining to the restructuring cloud. Our experience at plants like Västervik shows that – properly managed – plant closure can generate positive outcomes. The opening of new plants in emerging economies, meanwhile, also creates significant opportunities for economic, social and environmental upturns.

Among the benefits that new plants bring to low-cost countries are jobs, opportunities for local suppliers, technology and knowledge transfer and improved social and environmental standards. Electrolux is receiving recognition for its high standards and commitment to equality at its plants in low-cost economies.



In 2007 employees at our Olawa plant in Poland, which produces front-loading, top-loading and compact washing machines, rose to over 1,015 from 540 in 2006. At Olawa, all staff complete Code of Conduct training upon induction. Although union membership is low, it is encouraged. There are 27 members of the national union Solidarnosc, while 87 staff have joined the local trade union.

In Hungary, Electrolux Lehel has been praised by the International Labor Organization (ILO), a specialized United Nations agency, for its proactive stance in giving women, minorities and other disadvantaged groups equal opportunities in the workplace. The company was among nine of 32 singled out to receive the agency's award, "Good Practices in Workplace Diversity in Hungary."

Rayong, Thailand

At Rayong in Thailand, two factories – Indoor Professional and Major Appliances – operate from the same site. While Indoor Professional has maintained its size over the last year, Major Appliances has grown by 300%, counting some 620 employees today from 170 in 2006. Front- and top-load washing machines and driers are currently being manufactured with plans for further product expansion in 2008.

In 2007, the Thai Labor Authority gave Rayong Major Appliances an award for Best Company in Employee Relations and Welfare. Selected from over 50,000 companies, Rayong was one of only 382 in Thailand to receive the award, which was presented by the Thai Prime Minister General.



Economic highlights

- Net sales increased to SEK 104,732m (103,848)
- Operating income rose by 5.7% in 2007, excluding items affecting comparability
- Operating income improved for all operations except for appliances in Europe
- Extra costs for new products launched adversely affected income for appliances in Europe
- Best results ever for appliances in Latin America
- Strong performance by floor-care operations worldwide
- Good growth in Asia/Pacific and strong improvement in results
- Solid performance by appliances in North America and Professional Products
- The dividend is SEK 4.25 (4.00) per share.

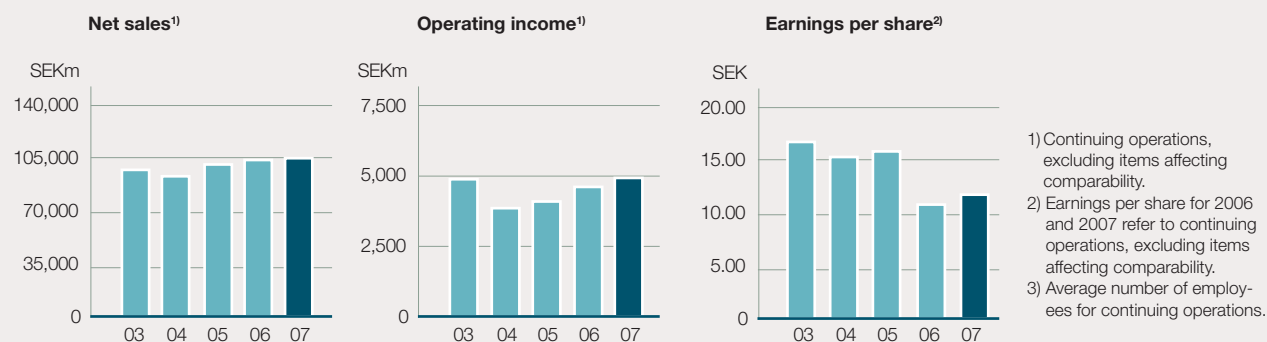
Key data ¹⁾

| SEKm, EURm, USDm, unless otherwise stated | 2007 | 2006 | 2007 EURm | 2007 USDm |
|---|---------|---------|--------------|--------------|
| Net sales | 104,732 | 103,848 | 11,326 | 15,539 |
| Operating income | 4,837 | 4,575 | 523 | 718 |
| Margin, % | 4.6 | 4.4 | | |
| Income after financial items | 4,397 | 4,367 | 475 | 652 |
| Earnings per share, SEK, EUR, USD | 11.66 | 10.89 | 1.26 | 1.73 |
| Dividend per share, SEK, EUR, USD | 4.25 | 4.00 | 0.46 | 0.63 |
| Return on net assets, % | 20.9 | 21.2 | | |
| Value creation | 2,053 | 2,202 | 222 | 305 |
| Average number of employees | 56,898 | 55,471 | | |
| Net debt/equity ratio | 0.29 | -0.02 | | |
| Return on equity, % | 22.7 | 21.1 | | |

1) Excluding items affecting comparability.

Net sales and employees in 10 largest countries

| | SEKm | Employees |
|--------------|----------------|---------------|
| USA | 29,571 | 10,648 |
| Brazil | 7,158 | 6,754 |
| Germany | 7,020 | 2,147 |
| Italy | 5,109 | 8,036 |
| France | 4,957 | 1,466 |
| UK | 4,950 | 1,122 |
| Canada | 4,577 | 1,420 |
| Australia | 4,488 | 2,144 |
| Sweden | 3,814 | 3,025 |
| Spain | 2,927 | 892 |
| Other | 30,161 | 19,244 |
| Total | 104,732 | 56,898 |



Direct economic value¹⁾



1) GRI G3 indicator: EC1

Direct economic value

| SEKm | 2007 | 2006 |
|--|-----------------------------|----------------|
| Revenues | 105,167 | 104,571 |
| Economic value distributed | | |
| Operating costs | 80,915 | 80,318 |
| Employee wages and benefits | 16,857 | 16,924 |
| Payments to providers of capital ¹⁾ | 1,748 | 2,968 |
| Payments to government | 1,110 | 1,177 |
| Community investments | Not collated on Group level | |
| Economic value retained | 4,537 | 3,184 |
| 1) In addition, redemption of shares. | 5,582 | 2,194 |

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

Environmental performance indicators

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

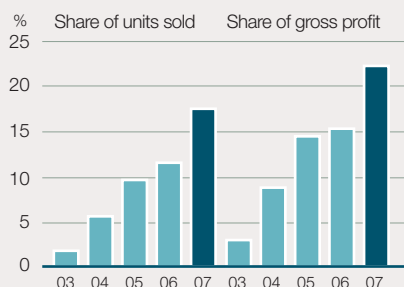
In products

On an annual basis, Electrolux Major Appliances in Europe measures relative profitability of products with leading environmental performance through 'Fleet average' and 'Green range'.

Green range

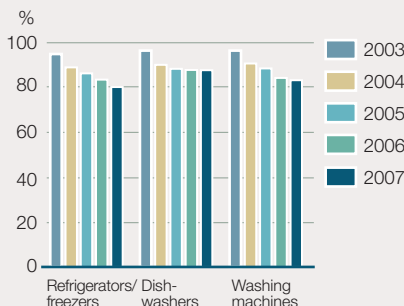
Green range is defined as the top products in each product category and its criteria are made stricter to reflect improvement. 'Green range' compares the percentage of sold units to these same products' share of gross profit.

Green range



Electrolux products with the best environmental performance, accounted for approximately 17% of total units sold within household appliances in Europe and 22% of gross profit. In 2008, our green range appliances will be expanded to all business sectors in the Group.

Fleet average



We realized a 2% energy efficiency improvement in our product offering in Europe in 2007. Refrigerators demonstrate the highest efficiency improvement, and dishwashers remain at similar levels as 2006 and 2005. The energy index is set at 100% in the year 2002.

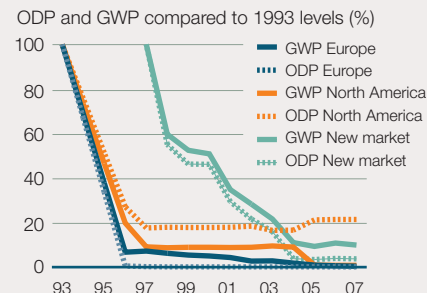
Fleet average

Fleet average shows the relative improvement in energy-efficiency of the various product groups each year using the energy efficiency index.

Phase-out of ozone-depleting and global warming substances

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

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



The graph shows the relative change in ozone depleting (ODP) and global warming potential (GWP) in refrigerants and insulating gases used in the Group's products from 1992 to 2006.

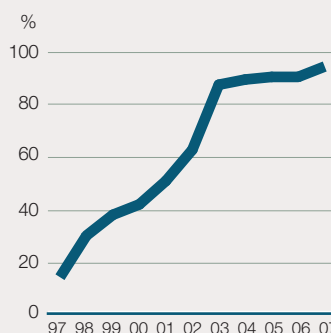
In operations

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

Management systems in production

The Electrolux Environmental Management System is a tool for maintaining high standards in manufacturing. Group Management has stipulated that an environmental management system is to be implemented at all manufacturing units and all those with at least 50 employees are to be certified according to ISO 14001. Newly acquired units must be certified within three years.

ISO 14001 certification

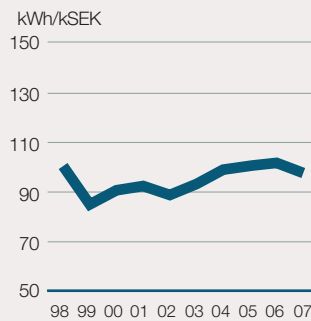


Share of factories with more than 50 employees that have certified ISO 14001 environmental management systems.

Manufacturing data covers 98% of the majority-owned production facilities worldwide unless otherwise indicated.

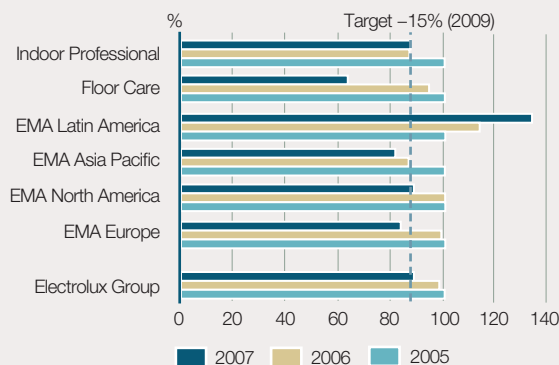
Since the degree of environmental impact is dependent on the volume of production, some indicators are calculated in relation to added value, which is defined as the difference between total production cost and the cost of direct material.

Total energy/added value

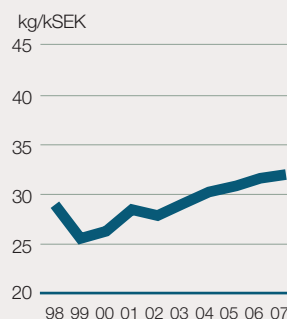


Manufacturing data covers 98% of the majority-owned production facilities worldwide, unless otherwise indicated. Since the degree of environmental impact is dependent on the volume of production, some indicators are calculated in relation to added value, which is defined as the difference between total production cost and the cost of direct material.

Group energy reduction targets (15%)

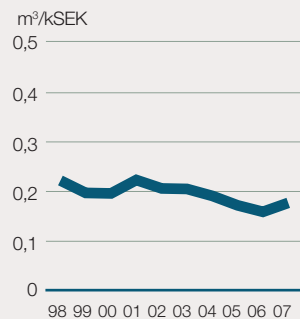


CO₂ added value



The Group's CO₂ emissions per added value decreased slightly between 2006 and 2007.

Treated water/added value



Direct material balance 2007

| Data from 54 manufacturing units, %. | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|------------|------------|------------|
| Finished products (incl. packaging) | 91.92 | 91.74 | 92.28 | 91.41 | 90.89 |
| Material and energy recycling (external) | 7.09 | 7.24 | 6.54 | 7.25 | 7.91 |
| Waste to landfill (non-hazardous) | 0.82 | 0.83 | 0.97 | 1.1 | 0.95 |
| Hazardous waste | 0.15 | 0.17 | 0.19 | 0.2 | 0.19 |
| Emission to air | 0.016 | 0.025 | 0.02 | 0.034 | 0.046 |
| Emission to water | 0.001 | 0.003 | 0.003 | 0.003 | 0.006 |
| Total incoming material | 100 | 100 | 100 | 100 | 100 |

In 2007, the high utilization of material in production was maintained.

Solvents and oils (in metric tons)

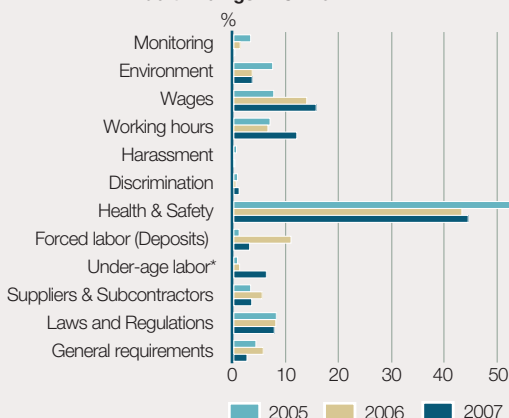
| SEK | *Number of factories | Chlorinated solvents | VOC | Oils |
|---------------|----------------------|----------------------|--------------|--------------|
| Europe | 32 | 9.3 | 183.6 | 460.8 |
| North America | 10 | 0.0 | 151.1 | 352.9 |
| Latin America | 5 | 0.0 | 2.7 | 142.8 |
| Asia | 4 | 0.1 | 0.0 | 8.9 |
| Australia | 3 | 0.0 | 0.3 | 20.2 |
| 54 | | 9.5 | 337.8 | 985.7 |

*Volatile Organic Compounds

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

Responsible sourcing indicators

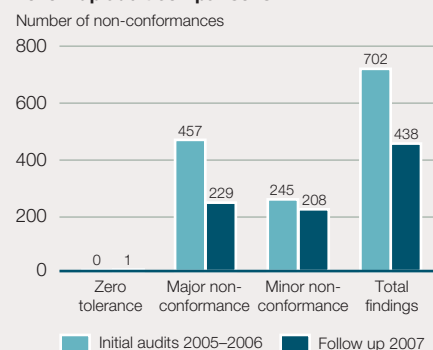
Audit findings in China



Audits represented 65% of the Group's purchasing spend in China. Of the 104 audits conducted in China, five were externally audited and three were unannounced visits. Audit findings from initial audits conducted in 2007 varied slightly compared with results from 2006. Health & Safety, working hours and compensation are still major problem areas in China. The number of under-age labor findings are higher because we have placed more stringent requirements for written policies and procedures to avoid under-age labor.

*Defined as workers under the age of 16 working under unacceptable working conditions.

Follow up audit comparisons



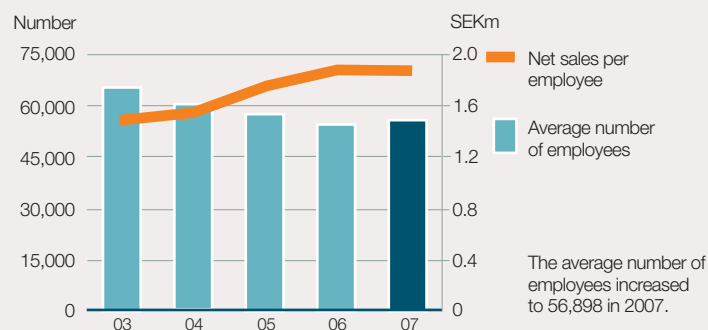
Follow-up audits were carried out with all active Chinese suppliers that were audited in 2005 and 2006. The number of non-conformances has been dramatically reduced, especially in areas considered feasible to address, such as health & safety.

Social indicators

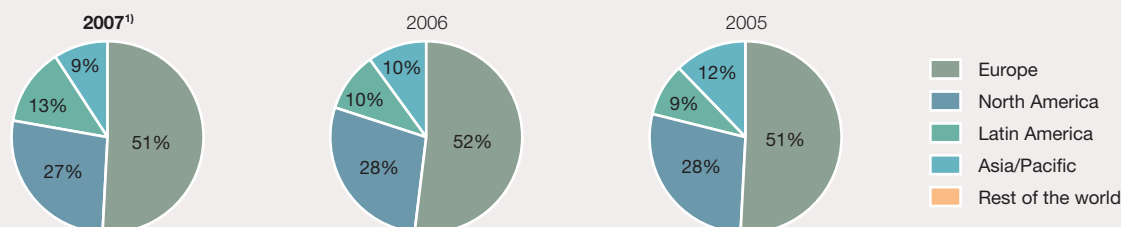
Our efforts in the social context of sustainability are focused primarily on employee welfare and supply chain compliance to the Workplace Code of Conduct as well as corporate governance-related issues. Furthermore, the Group endeavors to improve quality of life through its products, and assure that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

Employees in relation to net sales

Number of employees per net sales.



Employees by geographical area



Employee demographics changed slightly in 2007; the ratio of employees increased in Latin America from 10% to 13% while Asia-Pacific, North America and Europe decreased by approximately 1% per region. This is based on 56,898 employees during 2007. The corresponding figure for 2006 was 55,471.

1) GRI G3 indicator: (LA1)

Employee turnover and collective bargaining³⁾

| | 2007 |
|---|--------|
| Total employees – Male | 36,817 |
| Total employees – Female | 20,081 |
| Employee turnover – All employees ¹⁾ , % | 18 |
| Employee turnover – Male ¹⁾ , % | 17 |
| Employee turnover – Female ¹⁾ , % | 19 |
| Employees covered by collective bargaining agreements ²⁾ , % | 66 |

1) 28,352 out of 41,354 employees at 53 production facilities were covered by collective bargaining agreements.

2) Data covering 53 production facilities, 26 warehouses and 37 offices corresponding to 46,660 employees.

3) GRI G3 indicator: LA2 and LA3

Health and Safety – key data²⁾

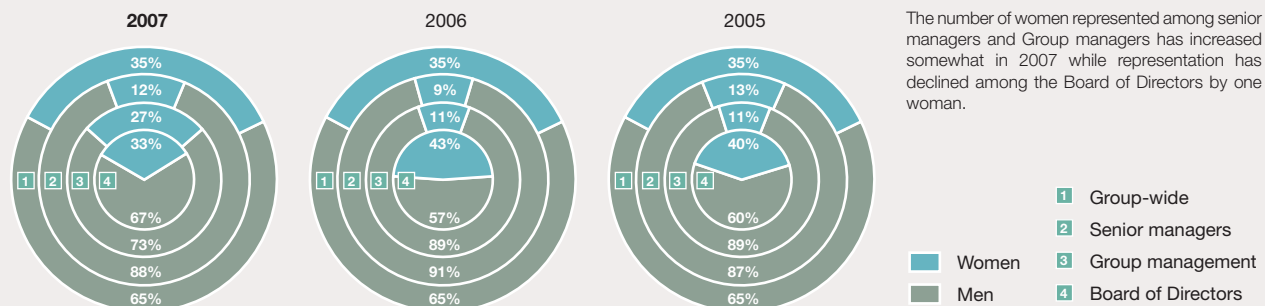
| | 2007 | 2006 | 2005 |
|--|-------|-------|-------|
| Number of work-related injuries ¹⁾ | 3.5 | 2.8 | 3.6 |
| Number of work-related injuries | 1,386 | 1,170 | 1,657 |
| Number of workdays lost due to occupational injuries ¹⁾ | 50 | 55 | 55 |
| Number of work-related fatalities | 1 | 0 | 0 |

1) Per 200,000 hours worked.

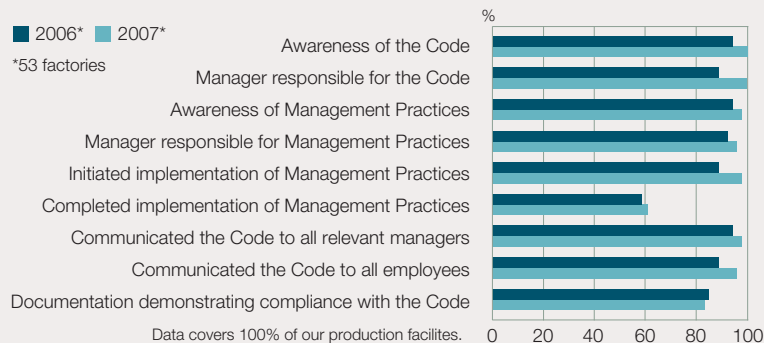
2) GRI G3 indicator: LA7

Key health and safety data for the Group's operations. In 2007, data was collected covering 53 production facilities and 22 warehouses corresponding to 44,552 employees. The total number of work-related injuries was 1,386 during 2007.

Gender distribution



ALFA tracks Code of Conduct



Data covers 100% of our production facilities.

The levels of awareness of the Code of Conduct, and the degree it is organized and communicated to managers and employees are high throughout the Group. Although implementation levels for management practices are also high, there is room for improvement in 2008.

Sustainability online www.electrolux.com/sustainability

Sustainability online provides information on how we apply the concepts of sustainability to our operations and products. It describes how we tackle risks and opportunities affecting our business.

The way we work

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

Our products

- Innovation for energy and water efficiency, quality of life and consumer safety
- Product life-cycle data

GRI matrix

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

2007 Online sustainability report

- The background and data behind the 2007 Sustainability Report
- Electrolux Consumer Insight research on environmental engagement
- How we approach global legislation affecting the Group, including: the EU Directive on the Restriction of the use of certain Hazardous Substances (RoHS), the EU Waste Electrical and Electronic Directive (WEEE), and our Restricted Materials List (RML)

Eco-savings

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

A proxy for **performance**

Electrolux has been recognized globally by government and non-governmental organizations and investors for our social and environmental performance. Several indices rank Electrolux highly, including the Dow Jones World Index and the UK-based FTSE4Good Series.

DJSI World Index

The only manufacturer of major household appliances to qualify, Electrolux is a constituent of the prestigious Dow Jones Sustainability World Index (DJSI). This places us within the top 10% of the 2,500 companies included in the Dow Jones Global Indexes with regard to long-term economic, environmental and social performance. Total assets under management in DJSI-based investment vehicles amount to €3.6 billion.



Socially responsible investors

Several other socially responsible investment indices feature the Electrolux Group:

FTSE4Good Series, UK.

The FTSE4Good selection criteria hold that constituent companies must demonstrate environmental sustainability, positive relationships with stakeholders and universal human rights.



Oekom Research, Germany.

An advisor to investor and financial service providers, Oekom research currently informs around 85 billion Euros in assets under management.

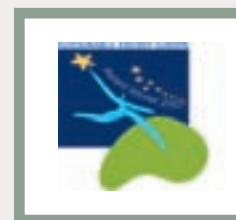
Global Climate 100 Index, USA.

A specialty index designed in partnership between KLD Research and Analytics and the Global Energy Network Institute (GENI) to promote investment in companies whose activities demonstrate the greatest potential for mitigating immediate and long-term causes of climate change.



Sustainable Energy Europe

In 2006, Electrolux received the "Best Corporate Commitment" award from the European Commission as part of its Sustainable Energy Europe campaign 2005-2008. The aim is to build public support in reaching European energy policy targets on renewable energy sources, energy efficiency, clean transport and alternative fuels. Campaign partners include companies, NGOs and local, regional and national authorities. Electrolux is a partner in the campaign.



Recognition in Sustainability Yearbook

Electrolux received mention as a Gold Class Member, Sector Mover and Sector Leader in a yearly reference work 'The Sustainability Yearbook' published by Sustainable Asset Management (SAM). SAM is among the world's leading institutions specialising in sustainability investments and manages the foremost indexes on corporate sustainability, the Dow Jones Sustainability Indexes.

- As a SAM Gold Class company, Electrolux is recognized for achieving a score of 79% in SAM's evaluation of the Group's environmental and social performance – a jump from 68% the previous year. Environmental performance was an area of particular strength.
- Since Electrolux demonstrated the greatest relative progress in its sector, the company was also awarded the title SAM Sector Mover.
- As announced in the third quarter of 2007, Electrolux was awarded Sector Leader and selected for inclusion as a constituent of the Dow Jones Sustainability World Index.

SAM analyzed the sustainability performance of the top-scoring 15% of the 2,500 largest companies as ranked by the Dow Jones Global Indexes.

See also p. 35

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