



Electrolux

Conflict Minerals Report 2017

Summary

This report describes the AB Electrolux due diligence for the responsible supply chain of minerals sourced from conflict-affected and high-risk areas for 2017. The report is based on the Electrolux supply chain status for 2016, while the information on smelters and refiners has been collected in 2017.

In this report, conflict minerals are defined according to the Dodd-Frank Act. Some of the mining and trade of tin, tantalum, tungsten and gold, sourced from the Democratic Republic of Congo or surrounding countries, is illegally funding the military conflict in Congo. This is why these substances are called conflict minerals.

The Group's policy regarding conflict materials was included in the Electrolux Code of Conduct in 2014. This policy is called Electrolux Workplace Policy as of 2018.

In 2017, Electrolux set up a Conflict Minerals Due Diligence Program, based on the globally recognized framework OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

As a first step, Electrolux started to investigate the presence of conflict minerals in products, and 287 first-tier suppliers were requested to reply to the Conflict Minerals Reporting Template (CMRT). These suppliers represented 90% of the expenditure on components expected to contain conflict minerals, and the response rate was 82%. According to the information provided by the suppliers, there were more than 400 smelters or refiners in the Electrolux supply chain, and 60% of them had passed an audit of a certification body (Responsible Minerals Assurance Process on behalf of the global organization Responsible Minerals Initiative).

Electrolux co-funds independent third-party audits of refiners due diligence practices through a partnership with the Responsible Minerals Initiative and finances the Responsible Minerals Assurance Process (RMAP).

Electrolux will expand the Conflict Minerals Due Diligence Program in 2018.

More information about this certification program can be found here:

<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>

Electrolux is a global leader in household appliances and appliances for professional use. Electrolux offers thoughtfully designed, innovative and sustainable solutions, under esteemed brands including Electrolux, AEG, Zanussi and Frigidaire. More than 60 million household and professional products are sold in more than 150 markets every year. In 2017, Electrolux had sales of SEK 122 billion and employed 56,000 people around the world. For more information, go to www.electroluxgroup.com.

1. Introduction

There is a risk that mineral trade could contribute to the violation of human rights. According to the OECD, due to armed conflict such as civil war, political instability, repression or other types of harm to people, some countries have been identified as high-risk and conflict-affected areas.¹

Section 1502 of the US legislation Dodd-Frank Act points to the Democratic Republic of Congo and surrounding countries, where money from trade is often one of the largest sources of income for the national economy. In the region, armed groups (rebels or militia) may control the mines where bad working conditions, child labor and other forms of human rights violation occur.²

Smelters or refiners often source minerals from this region with a subsequent influence on workers. Tin, tantalum, tungsten and gold (also known as 3TGs) often used in the electronics, manufacturing or jewelry industries have been identified as conflict Minerals.

Governments have taken action to contribute to a sustainable supply chain. Through the Dodd-Frank Act, section 1502, the United States requires companies quoted on the US Stock Exchange to report on the country of origin for conflict minerals if they come from high-risk areas.³ In May 2017, a similar law was passed in the European Union. Importers of tin, tantalum, tungsten and gold will have to disclose information about the presence of these minerals in products and the countries of origin.⁴

There are also frameworks that help companies follow the legislation and improve transparency in the supply chain. The most important one is OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This framework has been developed by the OECD and the United Nations, and is used as reference for compliance.⁵

The Electrolux Group does not fall in the scope of current legislation. However, a Conflict Minerals Due Diligence Program has been run on a voluntary basis since 2016. As part of this commitment, the Group is taking actions to follow the regulations, and be aligned with the OECD Due Diligence Guidance.

Details of the program, followed by the results, can be found in this report.

¹ <http://www.responsiblemineralsinitiative.org/training-and-resources/conflict-affected-and-high-risk-areas/>

² <https://business-humanrights.org/en/conflict-peace/conflict-minerals/implementation-of-us-dodd-frank-act-rule-on-conflict-minerals-commentaries-guidance-company-actions>

³ <https://www.sec.gov/spotlight/dodd-frank/speccorpdisclosure.shtml>

⁴ <https://www.conflictmineralslaw.com/2017/05/19/eu-conflict-minerals-regulation-finally-published-in-the-official-journal/>

⁵ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, <http://www.oecd.org/daf/inv/mne/GuidanceEdition2.pdf>.

2. Electrolux Conflict Minerals Due Diligence Program

The Conflict Minerals Due Diligence Program has been based on the OECD Due Diligence Guidance for Responsible Supply Chains of Materials from Conflict-Affected and High-Risk Areas framework, created by the OECD and including five major steps. Below we describe how Electrolux has followed these steps.

OECD Step 1 – Establish strong company management system

The Electrolux Workplace Policy establishes that “Suppliers will ensure that the sourcing of materials in products, parts or components supplied to Electrolux does not directly or indirectly contribute to human rights abuses in conflict-affected and high-risk areas.” In addition, “Suppliers shall have in place policies and management systems, consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas that are designed to accomplish the above,” as stated in the Electrolux Group Workplace Directive.

The Electrolux management system for conflict minerals has been established by the Sustainability Affairs department with support from the Global Purchasing department. The program has dedicated resources to develop and monitor the Conflict Minerals Due Diligence Program.

To ensure transparency over the mineral supply chain, Electrolux has set the focus on surveying first-tier suppliers and reporting the results of the survey. All the information and documentation related to the topic of conflict minerals is kept and protected.

OECD Step 2 – Identify and assess risk in the supply chain

Electrolux has identified the scope of the risk assessment of the mineral supply chain. After analyzing the different categories of products, Electrolux found the main risk to be in the electrical industry of the business. Suppliers of electrical components, followed by other risk categories, such as metal, rubber, solder, glass, thermostats and plastics along with original equipment manufacturing (OEM), were included in the Conflict Minerals Due Diligence Program. Electrolux decided to approach the suppliers in these risk categories representing 90% of the total expenditure and to run a country of origin inquiry with these suppliers in order to trace the smelters and refiners of the 3TGs along the supply chain.

The Conflict Minerals Reporting Template was used for this purpose. Data was stored and analyzed on an external platform provided by a third party.

Responsible Minerals Initiative, former Conflict Free Sourcing Initiative (CFSI), is a leading organization that helps companies, with tools and other resources, to address conflict minerals issue in the supply chain.⁶ Electrolux, as its partner, has access to all necessary information such as audit status of the smelters, countries of origin (where the raw minerals are sourced from) and human rights violation risks. This information has been used to assess the results of the survey.

⁶ <http://www.responsiblemineralsinitiative.org/>

OECD Step 3 – Design and implement a strategy to respond to identified risk

The results of the Due Diligence Program's survey have been analyzed by the appointed team and reported to the heads of the Sustainability Affairs and Global Purchasing departments. The main purpose was to map the risk among the Group's suppliers. Actions are being planned to respond to the identified risks.

OECD Step 4 – Carry out an independent third-party audit of supply chain due diligence at identified points in the supply chain

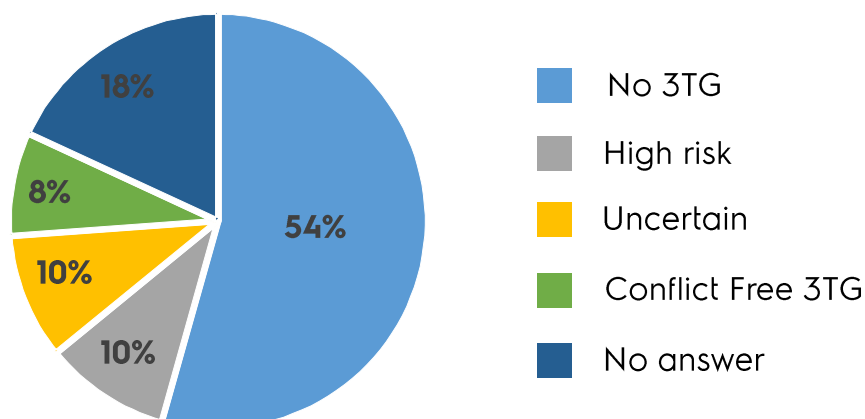
Electrolux has no direct relationship with smelters or refiners as these can be found several tiers below in the supply chain. In line with OECD Guidelines, Electrolux co-funds independent third-party audits of refiners' due diligence practices through industry programs. Electrolux partners with the Responsible Minerals Initiative and finances the Responsible Minerals Assurance Process (RMAP), an industry-wide certification program aimed at securing that business practices of smelters or refiners are not connected to any human rights abuse.

OECD Step 5 – Report on supply chain due diligence

Electrolux reports on status and results of the Conflict Minerals Due Diligence Program on a voluntary basis. Results are described in this report and are published on the Electrolux corporate web site.

3. Results

The following results are the main findings of the Conflict Minerals Compliance



Program:

3.1 Status of conflict minerals among Electrolux suppliers

The survey included 287 suppliers, and the response rate was 82%.

Fig. 1 Presence of Conflict Minerals among Electrolux suppliers

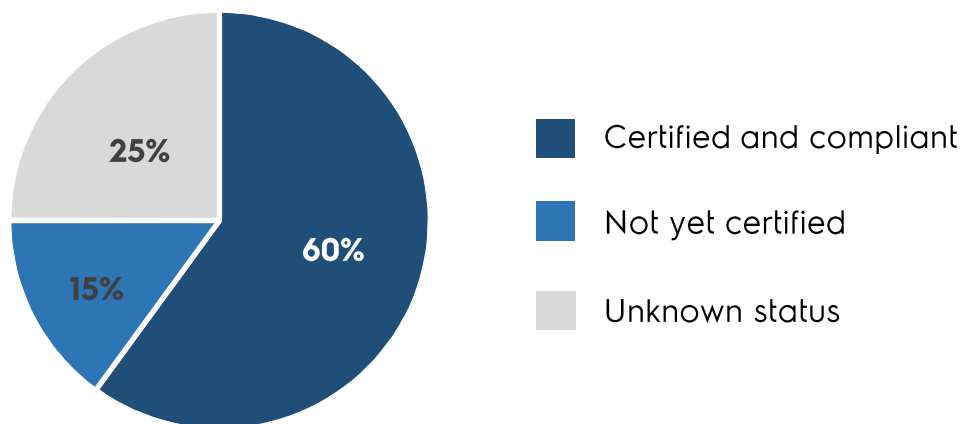
Definitions of terms:

- No 3TG – Conflict Minerals are not present in any product of 54 % of Electrolux suppliers
- High risk – 10% of these suppliers have conflict minerals in their products, probably sourced from Democratic Republic of Congo or adjoining countries
- Uncertain – 10% of these suppliers did not provide all necessary information
- Conflict free 3TG – 8% of suppliers have products which contain conflict minerals sourced from certified smelters or refiners
- No answer – 18 % of all approached suppliers did not respond

3.2 Number of smelters in Electrolux supply chain

Based on the answers from the 287 first-tier suppliers, Electrolux has identified 427 smelters or refiners in the supply chain (see Fig. 2). According to the Responsible Minerals Initiative smelter reference list⁷, 322 are active and recognized smelters (“Certified and compliant” or “Not yet certified”).

- 259 suppliers are “Certified and compliant – that is, they have passed the third-party audit and meet all the necessary requirements.
- 63 smelters are “Not yet certified” – that is, they are , not compliant and/or did not finish the audit process.
- 105 entities are of “Unknown status” – that is, not found on the smelter reference



list (Unknown status).

Fig. 2 Smelters and refiners in the Electrolux supply chain

4. Conclusions

The Conflict Minerals Due Diligence Program aims at improving transparency in the supply chain and mitigating potential risks. Electrolux will expand the Conflict Minerals Due Diligence Program in 2018 and continue working among its suppliers to increase awareness and mitigate risks. The partnership with the Responsible Minerals Initiative will continue to enable access to all smelters’ data and tools, as well provide advice and support. Electrolux will focus on its supply chain to ensure its first-tier suppliers meet the requirements specified in the Electrolux Workplace Policy and the Electrolux Group Workplace Directive and through this effort cascade responsible business practices along the supply chain.

⁷ <http://www.responsiblemineralsinitiative.org/active-smelters-refiners/>