

# Second-Party Opinion Electrolux Group Sustainability-Linked Financing Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Electrolux Group Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Electrolux Group Sustainability-Linked Financing Framework defines the following KPIs: i) Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e); and ii) Absolute scope 3 GHG emissions (tCO<sub>2</sub>e) (see Table 1). Sustainalytics considers the chosen KPIs to be very strong given that they: i) represent a direct measure of Electrolux Group's performance on a relevant and material environmental issue; ii) jointly have a high scope of applicability; iii) follow a clear and consistent methodology that is externally defined; and iv) support benchmarking against external GHG emissions reduction trajectories.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Electrolux Group's sustainability strategy. Sustainalytics further considers the SPTs to be highly ambitious based on comparison with historical performance, targets set by peers and science-based trajectories, as applicable.
- Financial Instrument Characteristics** Electrolux Group has linked the financial characteristics to the achievement of the SPTs. Failure to achieve these SPTs will lead to a trigger event resulting in a step-up in the coupon rate or a redemption price adjustment.
- Reporting** Electrolux Group commits to report on its progress on the KPIs in its Sustainability-Linked Financing Progress Report on an annual basis. Electrolux Group also commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs.
- Verification** Electrolux Group commits to have external limited assurance conducted against each SPT for each KPI at least once a year.

<b>Evaluation Date</b>	May 3, 2024
<b>Issuer Location</b>	Stockholm, Sweden

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	2021	Very Strong	SPTs 1.1 to 1.7: Reduce absolute scope 1 and 2 GHG emissions by 36% by 2024, 38% by 2025, 42% by 2026, 43% by 2027, 52% by 2028, 62% by 2029 and 85% by 2030 from a 2021 baseline	Highly Ambitious
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	2021	Very Strong	SPTs 2.1 to 2.7: Reduce absolute scope 3 categories 1, 4, 6 and 11 GHG emissions by 18% by 2024, 22% by 2025, 26% by 2026, 29% by 2027, 34% by 2028, 37% by 2029 and 42% by 2030 from a 2021 baseline	Highly Ambitious

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## Scope of Work and Limitations

AB Electrolux has engaged Sustainalytics to review the Electrolux Group Sustainability-Linked Financing Framework dated May 2024 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP)<sup>1</sup> and the Sustainability-Linked Loan Principles 2023 (SLLP).<sup>2</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>3</sup> opinion on the alignment of the Framework with the SLBP and SLLP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of AB Electrolux's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. AB Electrolux's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Electrolux Group. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. The measurement and reporting of the KPIs and SPTs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that AB Electrolux has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>2</sup> The Sustainability-Linked Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Introduction

AB Electrolux and its subsidiaries (together, “Electrolux Group” or the “Group”) mainly engages in manufacturing home appliances for consumer use. Electrolux Group’s products are categorized into kitchen products, laundry products, small appliances and adjacent products, with kitchen products accounting for more than half of its total revenue. The Group has business presence in North America, Europe, Latin America, Africa, the Middle East and Asia, with North America and Europe jointly contributing more than half of the Group’s total revenue. Headquartered in Stockholm, Sweden, the Group employed approximately 44,000 people at the end of 2023.

Electrolux Group intends to issue sustainability-linked bonds and sustainability-linked loans, the financial characteristics of which are tied to the achievement of sustainability performance targets of the respective KPIs. Not achieving the SPTs for the selected KPIs will lead to a coupon rate step-up or redemption premium payment. The selected KPIs refer to Electrolux Group’s scope 1, 2 and 3 GHG emissions.

Electrolux Group has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP and SLLP. The Framework will be published in a separate document.<sup>4</sup>

Electrolux Group has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	The KPI is defined as the absolute amount of scope 1 and 2 GHG emissions of Electrolux Group, measured in tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e) and calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (the “GHG Protocol”). <sup>5</sup> Scope 2 GHG emissions are calculated using a market-based methodology.  Scope 1 GHG emissions represent emissions produced directly by an organization, for instance through the combustion of fuels, such as natural gas combustion for manufacturing processes. Scope 2 GHG emissions include indirect emissions generated through the consumption of purchased energy, such as through electricity use.
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	The KPI measures absolute scope 3 GHG emissions in tCO <sub>2</sub> e. The KPI is defined in accordance with the GHG Protocol and includes GHG emissions from the following scope 3 categories: 1. Purchased Goods and Services; 4. Upstream Transport and Distribution; 6. Business Travel; and 11. Use of Sold Products. Sustainalytics notes that in the baseline year 2021, scope 3 GHG emissions addressed in the KPI were limited to approximately 73% of total scope 3 categories 1, 4, 6 and 11 GHG emissions.

**Table 2: SPTs and Past Performance**

KPI	2021 (baseline)	SPT 2024	SPT 2025	SPT 2026	SPT 2027	SPT 2028	SPT 2029	SPT 2030
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	103,103	SPT 1.1: -36%	SPT 1.2: -38%	SPT 1.3: -42%	SPT 1.4: -43%	SPT 1.5: -52%	SPT 1.6: -62%	SPT 1.7: Reduce absolute scope 1 GHG emissions by 85% by 2030 from a 2021 baseline
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	39,566,329	SPT 2.1: -18%	SPT 2.2: -22%	SPT 2.3: -26%	SPT 2.4: -29%	SPT 2.5: -34%	SPT 2.6: -37%	SPT 2.7: Reduce absolute scope 3 categories 1, 4, 6 and 11 GHG emissions by 42% by 2030 from a 2021 baseline

<sup>4</sup> The Sustainability-Linked Financing Framework will be published on Electrolux Group’s website at <https://www.electroluxgroup.com/en/category/sustainability/>

<sup>5</sup> Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/corporate-standard>

## Sustainalytics' Opinion

### Section 1: Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Electrolux Group Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



#### Selection of Key Performance Indicators

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the indicator speaks to a material impact of the issuer's activities on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

KPI 2: Absolute scope 3 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics considers the KPIs to be material and relevant given that Sustainalytics' ESG Risk Rating assessment identifies Carbon Emissions – Own Operations<sup>6</sup> and Carbon Emissions – Products and Services<sup>7</sup> as material ESG issues (MEIs) for Electrolux Group. Furthermore, the IEA recognizes the importance of the contribution of appliances and equipment to achieving the Net Zero Emissions by 2050 scenario.<sup>8</sup>

Sustainalytics notes that KPIs 1 and 2 collectively address the issue of GHG emissions and, therefore, assessed these KPIs jointly. The KPIs are an integral part of the Group's decarbonization strategy, which addresses scope 1, 2 and 3 GHG emissions. In 2021, scope 1 and 2 GHG emissions accounted for less than 1% of Electrolux Group's GHG emissions, and scope 3 accounted for 99%. Electrolux Group's scope 3 GHG emissions covered under the KPI account for approximately 73% of scope 3 GHG emissions in 2021. Therefore, Sustainalytics considers that KPIs 1 and 2 jointly apply to approximately 73% of Electrolux Group's total GHG emissions.

Based on the above, Sustainalytics considers KPIs 1 and 2 to be material and have a high scope of applicability.

#### KPI Characteristics

In assessing a KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue;<sup>9</sup> and iv) whether the methodology can be compared against an external contextual benchmark.<sup>10</sup>

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

KPI 2: Absolute scope 3 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics considers Electrolux Group's definition and methodology to calculate KPIs 1 and 2 to be clear and consistent with the Group's historical disclosures on scope 1, 2 and 3 GHG emissions. The Group follows the GHG Protocol and supports benchmarking against external GHG emissions reduction trajectories, such as the Science Based Targets initiative's (SBTi) cross-sector absolute contraction approach. Sustainalytics considers

<sup>6</sup> Sustainalytics' MEI Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes part of scope 3 GHG emissions.

<sup>7</sup> Sustainalytics' MEI Carbon - Products and Services refers to a company's management of the energy efficiency or GHG emissions of its services and products during the use phase.

<sup>8</sup> IEA, "Appliances and Equipment", at: <https://www.iea.org/energy-system/buildings/appliances-and-equipment>

<sup>9</sup> A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the MEI.

<sup>10</sup> External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

the KPIs to be directly linked to Electrolux Group’s performance on the material environmental issue of GHG emissions.

**Overall Assessment**

Sustainalytics considers KPIs 1 and 2 to be very strong given that they: i) represent a direct measure of Electrolux Group’s performance on a relevant and material environmental issue; ii) jointly have a high scope of applicability; iii) follow a clear and consistent methodology that is externally defined; and iv) support benchmarking against external GHG emissions reduction trajectories.

KPI	Strength of KPI			
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets**

**Alignment with Electrolux Group’s Sustainability Strategy**

Electrolux Group has set the following SPTs for its KPIs:

- SPTs 1.1 to 1.7: Reduce absolute scope 1 and 2 GHG emissions by 36% by 2024, 38% by 2025, 42% by 2026, 43% by 2027, 52% by 2028, 62% by 2029 and 85% by 2030 from a 2021 baseline
- SPTs 2.1 to 2.7: Reduce absolute scope 3 categories 1, 4, 6 and 11 GHG emissions by 18% by 2024, 22% by 2025, 26% by 2026, 29% by 2027, 34% by 2028, 37% by 2029 and 42% by 2030 from a 2021 baseline.

Sustainalytics considers the SPTs to be aligned with Electrolux Group’s sustainability strategy. Electrolux Group is advancing its sustainability agenda through its For the Better 2030 sustainability framework, which targets a net zero value chain by 2050. Supported by the Group’s commitment to the UN Global Compact – Business Ambition for 1.5°C, this strategy emphasizes three areas: Better Company, Better Solutions and Better Living, aimed at enhancing sustainable living globally. Furthermore, Electrolux Group integrates sustainability into its operations and financial strategies, focusing on resource-efficient operations and sustainable consumer practices, including developing products that save energy and resources, support a circular economy and maintain a diverse and ethical workforce.<sup>11</sup> Through these initiatives, Electrolux Group aims to contribute to the global sustainability agenda. Refer to Section 2 for an analysis of the credibility of the Group’s sustainability strategy.

**Strategy to Achieve the SPTs**

Electrolux Group intends to achieve SPTs 1.1 to 1.7 through the following strategies:

- Enhanced energy and resource efficiency: Continuously improve manufacturing processes, such as investments in process modularization and automation. The Group uses an internal resource efficiency programme and rating system, Green Spirit, to drive and monitor climate, energy and water performance.
- Transition to renewable energy: Increase the use of certified renewable energy sources across its operations. The Group explores alternatives, such as pilot biofuels, electrification of manufacturing processes and exploration of opportunities for solar power installations and purchase agreements.
- Fossil fuel phase-out: Eliminate the use of fossil fuels in the Group’s operations through electrification of manufacturing processes and exploration of alternative renewable energy sources.
- Phase-out of high-impact GHGs: Hydrofluorocarbons (HFCs) have a high global warming potential but can be replaced by hydrocarbon refrigerants (HCs) that have low climate impacts.

<sup>11</sup> Electrolux Group, “Sustainability Report 2023”, at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

Electrolux Group intends to achieve SPTs 2.1 to 2.7 through the following strategy:

- Supply chain initiatives:
  - Run an engagement campaign to educate suppliers about climate change.
  - Provide training and support, and employ best practices on how to make credible renewable energy use claims and reduce the carbon footprint.
  - Directly work with suppliers on exploring corporate renewable energy sourcing mechanisms.
- Sustainable logistics initiatives: Transition to biofuels and electrification for transportation and increase the use of rail and intermodal transport methods.
- Sustainable materials: Incorporate recycled plastics and low-carbon steel in manufacturing.
- Product efficiency: Enhance the energy efficiency of products, which constitute a significant portion of the Group's environmental footprint. The Group prioritizes sustainable innovations in its R&D programme by setting key performance indicators and targets for its major product categories to improve energy and water use performance. The Group also invests in new architecture to deliver more energy- and water-efficient products to consumers and actively monitors energy-labelling legislation to achieve product energy efficiency.
- Phase-out of high-impact GHGs: HFCs have a high global warming potential but can be replaced by HCs that have low climate impacts. Electrolux Group has submitted a phase-out plan to the global UN-led Cool Coalition initiative to transition to low-impact gases in all its appliances.

#### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of an SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based references.<sup>12</sup>

Electrolux Group has set a 2021 baseline for the SPTs to align with the SBTi-validated targets.

#### SPTs 1.1 to 1.7

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based trajectories.

Regarding past performance, Sustainalytics notes that between 2021 and 2023, Electrolux Group reduced its scope 1 and 2 GHG emissions by an average annual rate of 18.1%. Achieving the SPTs requires an average annual rate of reduction in the Group's absolute scope 1 and 2 GHG emissions of 9.1% between 2023 and 2030. Therefore, Sustainalytics considers the targeted performance required to achieve SPTs 1.1 to 1.7 to be below Electrolux Group's historical performance on scope 1 and 2 GHG emissions.

Sustainalytics has analyzed the performance of five of Electrolux Group's industry peers and found its targets to be in line with similar targets set by these peers. Therefore, Sustainalytics considers SPTs 1.1 to 1.7 to be aligned with peer performance.

Regarding comparison with science-based references, Sustainalytics notes that the SPTs imply an average annual reduction in absolute scope 1 and 2 GHG emissions of 9.4% between 2021 and 2030, which exceeds the minimum average annual reduction of 4.2% defined in the SBTi's absolute contraction approach for alignment with the 1.5°C decarbonization pathway. Sustainalytics considers the annual targets for 2024, 2025, 2026, 2027, 2028 and 2029 as integral parts of its decarbonization strategy for achieving the final 2030 target. This approach aligns with the SBTi's 1.5°C scenario using the absolute contraction approach. As a result, SPTs 1.1 to 1.7 yield the same assessment outcome as the final SPT. Sustainalytics notes that SPT 1 is validated by the SBTi and aligns with the 1.5°C trajectory, following the SBTi's absolute contraction cross-sector pathway.

<sup>12</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

SPTs 2.1 to 2.7

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based trajectories.

Regarding past performance, Sustainalytics notes that between 2021 and 2022, Electrolux Group reduced its scope 3 categories 1, 4, 6 and 11 GHG emissions by an average annual rate of 21.2%. Sustainalytics notes that the baseline GHG emissions in 2021 (39,566 tCO<sub>2</sub>e) accounts for approximately 73% of total scope 3 categories 1, 4, 6 and 11 GHG emissions as per the SBTi’s target-setting guidance and that no analogous data was available in 2022. Therefore, the SPT is not comparable with past performance. Nonetheless, achieving the SPTs requires an average annual rate of reduction in the Group’s absolute scope 3 GHG emissions of 2.6% between 2022 and 2030, which Sustainalytics notes represents a continuous material improvement.

Sustainalytics has analyzed the performance of five of Electrolux Group’s industry peers and found its targets to exceed similar targets set by these peers. Therefore, Sustainalytics considers SPTs 2.1 to 2.7 to be above peer performance.

Regarding comparison with science-based references, Sustainalytics notes that the SPTs imply an average annual reduction in absolute scope 3 categories 1, 4, 6, 11 GHG emissions of 4.7% between 2021 and 2030, which exceeds the minimum average annual reduction of 4.2% defined in the SBTi’s absolute contraction approach for alignment with the 1.5°C decarbonization pathway. Sustainalytics considers the annual targets for 2024, 2025, 2026, 2027, 2028 and 2029 as integral parts of its decarbonization strategy for achieving the final 2030 target. This approach aligns with the SBTi’s 1.5°C scenario using the absolute contraction approach. As a result, SPTs 2.1 to 2.7 yield the same assessment outcome as the final SPT.

**Overall Assessment**

Sustainalytics considers SPTs 1.1 to 1.7 to align with Electrolux Group’s sustainability strategy and to be highly ambitious given that they are: i) below historical performance; ii) in line with targets set by the Group’s peers; iii) aligned with the SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach.

Sustainalytics considers SPTs 2.1 to 2.7 to align with Electrolux Group’s sustainability strategy and to be highly ambitious given that they: i) represent a continuous material improvement; ii) are above the targets set by Electrolux Group’s peers; and iii) are aligned with the SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach.

SPT	Ambitiousness of SPT			
SPTs 1.1 to 1.7: Reduce absolute scope 1 and 2 GHG emissions by 36% by 2024, 38% by 2025, 42% by 2026, 43% by 2027, 52% by 2028, 62% by 2029 and 85% by 2030 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 2.1 to 2.7: Reduce absolute scope 3 categories 1, 4, 6 and 11 GHG emissions by 18% by 2024, 22% by 2025, 26% by 2026, 29% by 2027, 34% by 2028, 37% by 2029 and 42% by 2030 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious





## Financial Instrument Characteristics

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The financial characteristics of the sustainability-linked bonds or loans issued under the Framework will be linked to the achievement of both sets of SPTs. Failure to achieve these SPTs will lead to a trigger event resulting in a step-up in the coupon rate or a redemption price adjustment. For each instrument, Electrolux Group will disclose in the respective securities documentation which mechanism will be used. Electrolux Group has confirmed that all SPTs will be individually assessed and that all bonds or loans executed under the Framework will include all the KPIs and SPTs in the Framework.

Sustainalytics considers the financial characteristics of the sustainability-linked bonds and loans to be aligned with the SLBP and SLLP but does not opine on the adequacy of the magnitude and structure of the financial penalty.



## Reporting

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Electrolux Group commits to report on its progress on the KPIs on an annual basis and expects to include the relevant figures in a Sustainability-Linked Financing Progress Report, which is aligned with the SLBP and SLLP. Electrolux Group further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the SLBP and SLLP.



## Verification

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Electrolux Group commits to have one or more external verifiers provide limited assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP and SLLP on verification.

## Section 2: Assessment of Electrolux Group's Sustainability Strategy

### Credibility of Electrolux Group's Sustainability Strategy

Electrolux Group has established a group-wide sustainability strategy, For the Better 2030.<sup>13</sup> The strategy aims to create a Better Company, Better Solutions and Better Living by enhancing the positive social impacts of its products and services while reducing adverse environmental impacts.<sup>14</sup> As part of this strategy, the Group has set a climate target to achieve net zero GHG emissions in its entire value chain by 2050.<sup>15</sup> As an interim target, the Group aims to reduce its scope 1 and scope 2 GHG emissions by 85% and its scope 3 GHG emissions by 42% by 2030 compared to a 2021 baseline.<sup>16</sup>

To achieve the decarbonization targets, Electrolux Group has invested SEK 8 billion (USD 759 million) in redesigning five of its manufacturing plants in Europe and the Americas to improve resource efficiency and reduce dependence on fossil fuels.<sup>17</sup> In 2023, 60% of the energy used in the Group's operations came from renewable sources, and the Group aims to increase this to 65% by 2025.<sup>18</sup> In addition, in 2019, the Group submitted a phase-out plan (the 2023 plan) to the global UN-led Cool Coalition initiative to replace high-impact GHGs from all its appliances with gases that have a low global warming impact. By the end of 2023, 97% of the Group's products with refrigerants had switched to alternatives with a lower global warming potential according to this plan. The 2023 plan has been updated, and the remaining 3% of the applications will be phased out by 2026 at the latest.<sup>19</sup> To accelerate the decarbonization of its supply chain, the Group engages with key suppliers through the CDP Supply Chain Program, and 98% of its top 285 suppliers provided their response in 2023.<sup>20</sup>

Based on the above, Sustainalytics considers that the Framework and instruments issued under it will further support the Group's sustainability strategy.

### Electrolux Group's Environmental and Social Risk Management

Sustainalytics recognizes that Electrolux Group's targets under the Framework are impactful. However, achieving the SPTs may bear environmental and social risks related to product governance,<sup>21</sup> data privacy and security,<sup>22</sup> environmental and social impact of products and services,<sup>23</sup> and human rights in the supply chain.<sup>24</sup>

Sustainalytics comments below on Electrolux Group's ability to mitigate such potential risks.

- **Product governance:** To ensure product safety and reduce its climate impacts, the Group has a Restricted Materials List and Eco@web tool, which is used to register and monitor the substances in the components and parts used in its products.<sup>25</sup> Electrolux Group has been working to complete the global implementation of Eco@web and to cover a larger supply base in the areas where the tool has already been implemented. The Group has implemented the Electrolux Group Quality Management System (EQMS), in line with ISO 9001 and verified by independent third-party certification, across its facilities.<sup>26</sup>

<sup>13</sup> Electrolux Group, "For the Better 2030", at: <https://www.electroluxgroup.com/en/for-the-better-22127/>

<sup>14</sup> Electrolux Group, "Sustainability Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

<sup>15</sup> Electrolux Group, "Climate Goals", at: <https://www.electroluxgroup.com/en/climate-goals-32590/>

<sup>16</sup> Ibid.

<sup>17</sup> Electrolux Group, "Sustainability Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

<sup>18</sup> Ibid.

<sup>19</sup> High-impact GHGs, known as HFCs, are often used in refrigerators, air conditioners and other cooling devices, and in tumble dryers and washer-dryers with heat pumps, but there are low-impact alternatives available.

<sup>20</sup> Ibid.

<sup>21</sup> Sustainalytics' MEI Product Governance refers to how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

<sup>22</sup> Sustainalytics' MEI Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

<sup>23</sup> Sustainalytics' MEI Environmental and Social Impact of Products and Services refers to the management of the inherent characteristics of input materials and the impacts during use, disposal and recycling (excluding carbon).

<sup>24</sup> Sustainalytics' MEI Human Rights – Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.

<sup>25</sup> Electrolux Group, "Electrolux Group Restricted Materials List v20", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2010/03/Electrolux-Restricted-Material-List-v20.pdf>

<sup>26</sup> Electrolux Group, "Sustainability Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

- **Data privacy and security:** The Group has a Data Privacy Statement in place for each of the regions it operates, outlining its use of personal data and its commitment to complying with applicable laws and regulations.<sup>27</sup> The Group has also set up a Data Subject Access Request Form for European customers to submit requests regarding their personal data.<sup>28</sup>
- **Environmental and social impact of products and services:** Electrolux Group's Environmental Policy and Code of Conduct stipulates the Group's commitment to complying with all national and international legislation and regulations, and requesting suppliers to align their business practices with the Group's policies.<sup>29,30</sup> All the Group's business areas must have an environmental management system at each of their manufacturing sites to identify risks and mitigate impacts related to the environment and safety. In addition, all the Group's manufacturing facilities are subject to annual audits, with recertification audits every third year, and all manufacturing units with more than 50 employees are required to be certified to ISO 14001. Additionally, the Group is rolling out the ISO 50001 energy management system with the ambition to fully implement it at all its production facilities by 2025.<sup>31</sup>
- **Human rights in the supply chain:** Electrolux Group has a Workplace Policy, Supplier Workplace Standard and Group statement on slavery and human trafficking, covering various topics, such as child and forced labour, health and safety, non-discrimination, harassment and abuse, disciplinary action and grievances, working conditions, freedom of association, environmental compliance, corruption and business ethics.<sup>32,33,34</sup> In 2023, 742 of the Group's suppliers were the focus of the Group's responsible sourcing programme and considered critical with a high risk associated with their business operations.<sup>35</sup> The Group also conducts annual audits of its suppliers, and in 2023, conducted 369.<sup>36</sup> All zero-tolerance cases are reported to senior management in the Group's Purchasing, Procurement and Licensing Department, which monitors corrective actions or ultimately take decisions to phase out specific suppliers.<sup>37</sup> The Group also publishes an annual Conflict Minerals Report, which summarizes the Group's supply chain due diligence process and its findings.<sup>38</sup>

In addition to the above, Sustainalytics has not found evidence of any major environmental and social controversies related to Electrolux Group. Overall, Sustainalytics considers that the Group has strong management programmes and policies to mitigate the above.

<sup>27</sup> Electrolux Group, "Protection of Your Personal Data and Privacy", at: <https://www.electroluxgroup.com/en/privacy/en/>

<sup>28</sup> Electrolux Group, "Data Subject Rights Request Form for European consumers", at: <https://www.electroluxgroup.com/en/data-subject-rights-request-form-for-european-consumers-34743/>

<sup>29</sup> Electrolux Group, "Environmental policy", (2018), at: <https://www.electroluxgroup.com/en/environmental-policy-697/>

<sup>30</sup> Electrolux Group, "Code of Conduct", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2015/04/electrolux-code-of-conduct-2019-english.pdf>

<sup>31</sup> Electrolux Group, "Sustainability Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

<sup>32</sup> Electrolux Group, "Group Workplace Policy", (2021), at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2014/06/group-workplace-policy-2021-en.pdf>

<sup>33</sup> Electrolux Group, "Electrolux Workplace Directive – Updates 2021", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2014/06/electrolux-workplace-directive-updates-2021.pdf>

<sup>34</sup> Electrolux Group, "Group statement on slavery and human trafficking 2022", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2017/04/group-statement-on-slavery-and-human-trafficking-2022.pdf>

<sup>35</sup> Electrolux Group, "Sustainability Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/sustainability-report-2023.pdf>

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Electrolux Group, "Electrolux Group Conflict Minerals Report 2023", at: <https://www.electroluxgroup.com/wp-content/uploads/sites/2/2024/03/Electrolux-Group-Conflict-Minerals-Report-2023.pdf>

## Section 3: Impact of the SPTs

### Importance of reducing GHG emissions in the electronics and home appliances industry

The electronics industry is among the eight supply chains that accounted for more than 50% of global GHG emissions in 2021.<sup>39</sup> Demand for electronic and electrical equipment continues to grow, driven by increasing global connectivity and rapid economic growth in various economies.<sup>40</sup> In particular, the growing middle class is contributing to the production and purchase of household appliances, such as fridges and washing machines.<sup>41</sup>

The global demand for cooling technology continues to increase as the climate changes and global temperatures rise, wherein refrigerants is one of the considerable sources of GHG emissions in the home appliances industry.<sup>42</sup> Based on current policies, cooling systems' installed capacity is expected to triple globally by 2050 compared to 2023, more than doubling electricity consumption.<sup>43</sup> Such unprecedented growth in electricity demand for cooling, combined with leakage of refrigerants with a high GWP, makes cooling a major contributor to climate change.<sup>44</sup> The use of some potent HFCs is still increasing, for instance, the GWP of HFC-23 is 14,800 times higher than that of CO<sub>2</sub> over 100 years.<sup>45</sup> The Kigali Amendment to the Montreal Protocol to phase out HFCs entered into force in January 2019 and has been ratified by more than 140 countries,<sup>46</sup> committing countries to reduce their production and consumption of HFCs by at least 80% over the next 30 years and avoid emissions of more than 70 billion tCO<sub>2</sub>e by 2050.<sup>47</sup> The UNEP's Cool Coalition, which has more than 130 public and private partners promoting the transformation of the cooling sector, identifies the phasing out of climate-warming HFC refrigerants at a faster pace than required by the Kigali Amendment to the Montreal Protocol while improving the energy efficiency of cooling equipment as some of the key measures to reduce GHG emissions in the sector and meet the growing global demand for cooling at the same time.<sup>48</sup>

In 2023, APPLiA Home Appliance Europe, the European association of the consumer electronics industry, of which Electrolux Group is a member, has presented a policy proposal for the 2024-29 legislative period to the European Commission, the European Parliament and the governments of 27 countries.<sup>49</sup> In the proposal, APPLiA recommends establishing the right policy conditions to accelerate the decarbonization of industry, emphasizing that home appliances are strategic instruments for sustainability and have the potential to significantly reduce energy consumption and carbon emissions for all.

Based on the above, Sustainalytics is of the opinion that Electrolux Group's efforts to reduce its scope 1, 2 and 3 GHG emissions will positively contribute to reducing the carbon footprint of the electronics industry and support the ambitions of the Paris Agreement in limiting global warming to 1.5°C and the decarbonization goals of regional forums of the industry.

<sup>39</sup> World Economic Forum, "Net-Zero Challenge: The supply chain opportunity", (2021), at:

[https://www3.weforum.org/docs/WEF\\_Net\\_Zero\\_Challenge\\_The\\_Supply\\_Chain\\_Opportunity\\_2021.pdf](https://www3.weforum.org/docs/WEF_Net_Zero_Challenge_The_Supply_Chain_Opportunity_2021.pdf)

<sup>40</sup> Lopez, N. et al. (2023), "Future Proofing the Electronics Industry: The case for circular business models", PwC, at:

<https://circulareconomy.europa.eu/platform/sites/default/files/2023-11/Circular%20electronics.pdf>

<sup>41</sup> Ibid.

<sup>42</sup> UNEP and Cool Coalition Secretariat, "Global Cooling Watch report", (2023), at: <https://coolcoalition.org/global-cooling-watch-report-keeping-it-chill-how-to-meet-cooling-demands-while-cutting-emissions/>

<sup>43</sup> Ibid.

<sup>44</sup> Woods, J. et al. (2022), "Humidity's impact on greenhouse gas emissions from air conditioning", Joule, at:

<https://www.sciencedirect.com/science/article/pii/S2542435122000940>

<sup>45</sup> Climate and Clean Air Coalition, "Hydrofluorocarbons (HFCs)", at: <https://www.ccacoalition.org/short-lived-climate-pollutants/hydrofluorocarbons-hfcs>

<sup>46</sup> UNEP, "The Kigali Amendment (2016): The amendment to the Montreal Protocol agreed by the Twenty-Eighth Meeting of the Parties (Kigali, 10-15 October 2016)", at: <https://ozone.unep.org/treaties/montreal-protocol/amendments/kigali-amendment-2016-amendment-montreal-protocol-agreed>

<sup>47</sup> Climate and Clean Air Coalition, "Hydrofluorocarbons (HFCs)", at: <https://www.ccacoalition.org/short-lived-climate-pollutants/hydrofluorocarbons-hfcs>

<sup>48</sup> UNEP and Cool Coalition Secretariat, "Global Cooling Watch report", (2023), at: <https://coolcoalition.org/global-cooling-watch-report-keeping-it-chill-how-to-meet-cooling-demands-while-cutting-emissions/>

<sup>49</sup> APPLiA, "Roadmap to a fair, sustainable & prosperous European Society", at: <https://www.manifesto.applia-europe.eu/>

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The sustainability-linked bonds and loans issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	12. Responsible Consumption and Production	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

**Conclusion**

Electrolux Group intends to issue sustainability-linked bonds and loans, tying the coupon rate or a redemption price to the non-achievement of the following sets of SPTs:

- (1) SPTs 1.1 to 1.7: Reduce absolute scope 1 and 2 GHG emissions by 36% by 2024, 38% by 2025, 42% by 2026, 43% by 2027, 52% by 2028, 62% by 2029 and 85% by 2030 from a 2021 baseline
- (2) SPTs 2.1 to 2.7: Reduce absolute scope 3 categories 1, 4, 6 and 11 GHG emissions by 18% by 2024, 22% by 2025, 26% by 2026, 29% by 2027, 34% by 2028, 37% by 2029 and 42% by 2030 from a 2021 baseline

Sustainalytics considers the KPIs defined to be very strong given that they: i) represent a direct measure of Electrolux Group’s performance on a relevant and material environmental issue; ii) jointly have a high scope of applicability; iii) follow a clear and consistent methodology that is externally defined; and iv) support benchmarking against external GHG emissions reduction trajectories. In addition, Sustainalytics considers the SPTs to be highly ambitious based on comparison with historical performance, targets set by peers and science-based trajectories, as applicable.

Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with the SLBP and SLLP.

Based on the above, Sustainalytics considers the Electrolux Group Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023 and the prospective achievement of the SPTs to be impactful.

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