Understanding and managing our human rights risks

We are on a journey to better understand the human rights risks associated with our activities, and to establish the tools and processes to manage these risks. Our goal is to minimize any risk of our operations causing harm to people.

Our commitment

Our first step was to update our Workplace Code of Conduct in 2014, following a corporate level impact assessment of the human rights impacts throughout our value chain in 2013. The Code of Conduct constitutes our Human Rights Policy. As our most important risk areas relate to our employees, and particularly those in our manufacturing operations, our human rights commitment focuses on labor standards.

Following extensive internal and external stakeholder engagement, human rights was also identified as one of the priorities in our sustainability framework ‘For the Better’ in 2015. Human rights are at the core of our Promise Always act ethically and respect human rights. This commitment forms the basis for our effort to identify and mitigate risks for harm to people as a result of our operations, directly or indirectly.

Organization and responsibilities

Line managers, from Group management and down, are responsible for adherence with Group policies on human rights. In 2016, we developed a human rights governance structure. We established the Ethics & Human Rights
Steering Group to oversee both ethics and human rights, by extending the remit of the existing Ethics Steering Group.

The Ethics & Human Rights Steering Group is responsible for evaluating our human rights approach, including approving priorities and action plans. It consists of senior managers and Group Management members, including the General Counsel SVP, SVP Human Resources & Organizational Development, SVP Management Assurance & Special Assignments, SVP Corporate Communications, and VP Sustainability Affairs. The work of this group includes reviewing outcomes of human rights impact assessments, overseeing action to address identified risks, and deciding focus of the assessment projects going forward.

A Human Rights Coordination Group is responsible for identifying and assessing risks, and developing human rights action plans. The CEO and the Heads of the Business Areas reviewed and approved the outcomes of the group level human rights assessment during January 2017. As a result, it was determined that local assessment pilots would be conducted in Egypt and in Thailand in 2017 (see below). Two more countries are planned for 2018.

Electrolux have defined improvement areas for each salient human rights issue, with responsibilities allocated to relevant senior managers, and progress monitored by the Ethics & Human Rights Steering Group. The relevant local managers have the responsibility for implementing and closing actions to remediate the prioritized issues resulting from the local assessments in Egypt and Thailand. The Steering Group oversees the outcomes and implementation of actions from the local assessments.

Identifying human rights risks
During 2016, we developed a methodology to identify and assess human rights impacts, which was launched at Group level. The methodology is in line with the UN Guiding Principles on Business and Human Rights, and emerging practices for human rights impact assessments. The methodology considers the likelihood and potential severity to harm people. The assessment involved around 40 representatives from all sectors, regions and key functions within the Group, and was conducted using online surveys and workshops. The assessment incorporated input from employee representatives, customers, investors and NGOs.

The Group assessment resulted in a list of our salient human rights issues, and we developed mitigating actions for these issues in 2017.

Statement on salient human rights issues
The human rights impact assessment conducted in 2016, resulted in a list of six issues, covering seven human rights. Additionally, the assessment pointed to three business processes that involve specific risks to impact on people. The six issues and three business processes constitute Electrolux’s salient human rights issues.

Additional severe potential impacts on human rights are related to health and safety in our operations and product safety. However, these are deemed to be well-managed by existing programs and thereby not included in the below.
<table>
<thead>
<tr>
<th>Right</th>
<th>Issue(s)</th>
<th>Potential impact on people</th>
<th>Context</th>
<th>Status &amp; next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right to freedom of association</td>
<td>Industrial relations</td>
<td>Employees not being able to</td>
<td>With a high number of employees</td>
<td>Freedom of association</td>
</tr>
<tr>
<td>Rights</td>
<td>Issue(s)</td>
<td>Potential Impact on People</td>
<td>Context</td>
<td>Status &amp; next steps</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Right to decent conditions at work</td>
<td>Working hours and wages</td>
<td>People unable to provide for themselves and their families due to low wages (e.g. lack of food, education, medical services, etc.)</td>
<td>Employees in countries with immature labor practices, there is risk of harm to people and company operations and reputation. China is a high-risk country. Other high-risk areas include USA, Latin America, Southeast Asia and Middle East.</td>
<td>Programs to address overtime issues have been launched in China and Thailand leading to improvements. In 2018, a monitoring system for working hours will be launched. Wage levels are part of the local assessments.</td>
</tr>
<tr>
<td>Right to adequate standards of living</td>
<td>Working hours and wages</td>
<td>Overtime is an issue in some areas.</td>
<td>Fair living wages is increasingly in focus for customers and other stakeholders. Both issues are a potential reputational risk. The impact assessment identified the risk of overtime at middle management levels.</td>
<td>Wages and overtime is a high-risk in all regions except Western Europe, Canada, Australia and New Zealand.</td>
</tr>
</tbody>
</table>

Equal rights and Diversity and Discrimination in Some level of At Group level,
<table>
<thead>
<tr>
<th>Right</th>
<th>Issue(s)</th>
<th>Potential impact on people</th>
<th>Context</th>
<th>Status &amp; next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right to privacy</td>
<td>Privacy and integrity</td>
<td>Mislabeled personal information (e.g. employee data, consumer data, market)</td>
<td>The issue is important due to digitalization, the Internet of Things, and access to employee and</td>
<td>Awareness programs and risk review underway.</td>
</tr>
<tr>
<td>Right</td>
<td>Issue(s)</td>
<td>Potential Impact on Privacy</td>
<td>Context</td>
<td>Status &amp; next steps</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>-----------------------------</td>
<td>---------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Right to life</td>
<td>Purchase of sexual services during business travel/representation</td>
<td>Exploitation as a result of employee actions during business travel causes severe harm to the victim, and contributes to a system that perpetuates such behavior.</td>
<td>Around a third of all purchases of sexual services occur during business travel. Electrolux needs a clear zero-tolerance policy.</td>
<td>The Travel policy was updated to clarify zero-tolerance for the purchase of sexual services, including visits to strip clubs. Updated Group policies will be communicated in 2018.</td>
</tr>
<tr>
<td>Right to liberty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal rights and non-discrimination</td>
<td>Corruption or bribery</td>
<td>Corruption fuels inequality, diverts expenditure away from public services and holds back economic development. Bribery undermines the rule of law and the principle of fair competition. Corruption distorts the division of economic resources and hinders social and economic development.</td>
<td>We operate in high-risk markets such as Southeast Asia, Latin America, Middle East, Egypt and Russia, and need to constantly educate our employees and monitor risks. Risk areas include obtaining licenses/certificates, sales, purchasing, gifts and events.</td>
<td>Promotion of the corruption and bribery policy is ongoing through e-learning and face-to-face training. This will be further built upon during 2018 and beyond. Corruption risks were considered in the local human rights assessments.</td>
</tr>
</tbody>
</table>
High-risk locations
We map our operations using Verisk Maplecroft Human Rights Risk Atlas, and Transparency International's Corruption Perception Index. Historic audit results, industry risks and customer request also feeds into the overall risk level. This mapping forms the basis for our audit programs, the prioritization of countries for local human rights risk assessments, and also risk screening for acquisitions, market entry and new partners.

In 2017, of the countries where Electrolux has manufacturing operations - Argentina, Brazil, China, Chile, Egypt, Mexico, Romania, South Africa, Thailand and Ukraine - were deemed as high-risk. In 2017, our facilities in Chile, China, Brazil and Mexico were audited. The first audit of our newly acquired unit in South Africa is planned for 2018. Thailand and Egypt were not audited, since they were subject to the human rights impact assessment.

Additionally, our suppliers are based in a range of risk countries.

Please see the list of our high risk countries here.

Local assessments
In 2017, we conducted two local human rights impact assessment pilots - the first one in Egypt and the second one in Thailand. The methodology incorporates four steps - web-based, anonymous survey; interviews with production and office employees, as well as external stakeholders; an assessment workshop; final conclusion and the startup of action planning.

The assessments span Electrolux's entire activities in the country, including risks at suppliers and customers. Both in Egypt and Thailand, managers and employees engaged actively in the assessments, discussing openly potential impacts and mitigating measures in place, including policies, procedures and training.

In Egypt, the core issues identified revolved around employee compensation and benefits, and also safety for sales representatives and service technicians.
An action plan was established to address the risks, and a local coordination group is in charge of implementing the actions and to monitor progress. Read more here.

In Thailand, the core issues were working hours (both at suppliers and Electrolux operations) and risks related to migrant workers in the supply chain. New issues that emerged in the local assessments and were not identified at Group level, include safety for sales and service staff, including road safety. Local management is responsible for the implementation of the remediating actions, which are followed up by the Human Rights Coordination Group.

Stakeholder engagement

Our approach to assessing local human rights impacts includes interviewing employees, employee representatives and experts on human rights and labor rights - including advocacy groups, local representatives of international organizations, academia and embassies. The context these external stakeholders provide is very valuable for understanding expectations on us as a responsible company and employer, and assessing potential human rights risks. This includes information regarding the protection of human rights in the country in question, the situation for labor organizations, and other information regarding specific human rights that are at risk.

Human rights in acquisitions

'Acquisitions' is one of the salient human rights issues identified at group level, where human rights could be better embedded. During 2017, a procedure for human rights and corruption screening was developed and piloted on an acquisition in Italy and Poland of a hood manufacturer. Prior to this, relevant topics such as labor standards and EHS were part of the due diligence efforts conducted in 2016 of the acquisition of a water heater manufacturer in South Africa that was closed in 2017. Additionally, two other acquisitions were closed in 2017 - one cooking device-maker and one producer of professional beverage dispensing equipment. Work is underway to ensure ethics and human rights are part of the integration processes of these four new organizations into the group.

Monitoring and follow up

We currently monitor our human rights performance through internal and external audits, our Ethics Helpline, employee-management dialogue, health and safety committees, and the Code of Conduct mailbox for suppliers.

Since 2017, the above approaches are complemented by the local human rights impact assessments, which provide further details about the risk of negative impact on people, focusing on our activities at the country level.
Salient human rights issues are those can have the most severe negative impacts through activities or business relationships.