



Electrolux Lehel – more than a profitable enterprise

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CONTENTS

CONTENTS	2
Executive Summary: How does Corporate Social Responsibility work at Electrolux Lehel? ..	3
Introduction	10
CSR and the business practice	10
Summary of our view	13
Manager of the year: A first indicator for the CSR-orientation of Electrolux Lehel	15
A systematic review: How does corporate social responsibility work at Electrolux Lehel	17
1. Internal dimensions	17
1.1. Human Resource Management	17
1.2. Health and safety at work	25
1.3. Adaptation to Change	26
1.4. Management of environmental impacts and natural resources	30
2. External dimensions	57
2.1. Local communities	57
2.2. Business partners, suppliers and consumers	60
2.4. Global environmental policies	66
Appendix 1. Corporate social responsibility in the European framework (the framework for this study/headline)	69
1. Internal dimensions	69
2. External dimensions	71
Appendix 2. Newspaper articles.....	73

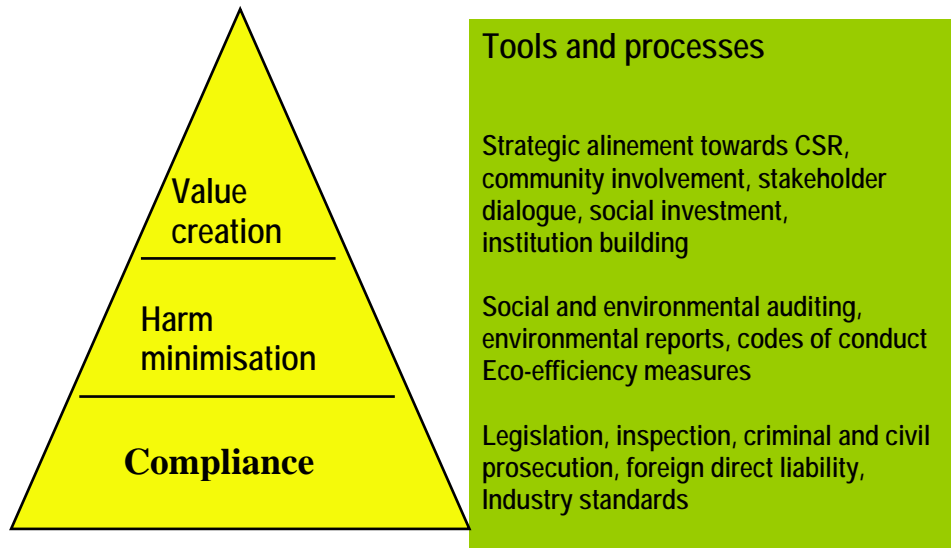
Executive Summary: How does Corporate Social Responsibility work at Electrolux Lehel?

Today's practices of corporate social responsibility were defensive in nature and were about mitigating or remedying operational harm. "*Most of what constitutes CSR or corporate philanthropy today is about doling out money to those who don't like you, about establishing relations with those who don't like you,*" said Porter. "We need to move away from these defensive strategies and start thinking in terms of efficiency and value creation. There is no inherent conflict between social and economic objectives, both can contribute to improved competitive advantage."

Accepting Porter's stand, we attempt to track down and find out through the practice of Electrolux and their Hungarian affiliate, Electrolux Lehel Kft to what extent social responsibility can be considered as a business case or as a case of "doling out money to those who don't like you".

As far as CSR is concerned, there are numerous guidelines and recommendations known. As a framework for our analysis, we used one of the most widely accepted, the EU Green Paper recommendation. We tried to find out where the parent company Electrolux in general, and, within it, Electrolux Lehel in particular stands in the process of adapting CSR. The UNIDO prism shows the CSR development levels well, so it makes sense to investigate what level Electrolux Lehel has achieved in CSR in practice.

Levels of corporate commitment
to social and environmental issues:



Source: UNIDO Corporate Social Responsibility 2002

Our investigations clearly show that Electrolux Lehel Kft. has doubtlessly reached the second level and in many respects is engaged in activities that belong to the third level, but there are still several things to do.

Irrespective of these levels, we believe that the greatest CSR-contribution of Electrolux Lehel rests on three pillars:

- creating, providing and developing quality and stable jobs in structurally weak regions of the country,
- important investments, which were significantly bigger than the dividends paid to the owners. From 1991 and 2005, the ratio of investments to dividend payments was more than 30:1¹, which is unique in the economy and, from a Hungarian point of view, an important contribution to regional and national development,
- while step by step Electrolux gave up "communal" activities that did not belong to the core business (zoo, nursery school, sports, etc.) but did not give up their support and responsibility for these and other social and environmental areas. This way of changing the tools of CSR is in context with Porter's statement mentioned above, that we have to move to efficiency and value creation.

¹ Investments of about 70 billion HUF, paid dividends of about 2 billion HUF

These three pillars already offer a basically positive image just to be made more colourful and partly more graded by detailed analysis. This grading or detail is part of the positive landscape and makes it just more persuasive.

The success of CSR is fundamentally determined by the commitment of the top manager. On the long run, however, it is important that CSR become institutionalized within the organization. In the case of Electrolux Lehel Kft, the success of CSR may be attributed mostly to the personal commitment of the chief executive officer, while there are only a few initial signs of institutionalization.

1. Internal dimensions

1.1. Human Resource Management

Electrolux is one of the most important employers in Hungary. In the list of Hungarian companies, regarding the number of employees, it is between the top 20. Calculating with a multiplier of 3 (number of people indirectly depending on Electrolux Lehel like suppliers and retailers) almost 10% of the employment in Jász-Nagykun-Szolnok depends on Electrolux Lehel.

The number of employees has decreased since 2000 by about 4%, mainly due to the increasing efficiency in production. Interesting is the structure and reasoning for fluctuation of mainly “blue collars” at Electrolux Lehel. The fluctuation is relatively high. Between 2001 and 2005

- 5298 employees left the company and
- 5601 joined.

It is also a very positive indicator of the attractiveness of working in this company that in five years time only six percent of the employees left based on their own decision, which is a very low figure in comparison with the Hungarian average.

The fact that the fluctuation of white collar employees is much lower than that of blue collar workers shows that the management team is relatively stable. The number of white collars is (average of 2001 to 2005) 14% of the total number of employees, and only 5% left.

The wages at Electrolux Lehel are more than 20% higher than the average industry-wages in the Northern Great Plain, the region where Electrolux is located. Also compared to the industry (industry HUF 141,500, machine industry HUF 141,565), Electrolux Lehel is in a relatively good position at national level as well, taking into account that a significant part of the industry is in Budapest, Pest, Fejér and Győr (40% of the industry), where the wages are traditionally relatively high.

The number of training hours increased from 45,000 hours in 1991 to 81,350 hours in 2005.

The average spending in Hungary for trainings outside the school system is about HUF 8,000 per employee and year. With about 20 hours per employee Electrolux contributes much more than the average.

The typical Scandinavian picture of a high share of women in top positions is in general also valid for Electrolux Lehel in Hungary.

1.2. Health and safety at work

The frequency of occupational accidents at Electrolux Lehel shows a slightly decreasing tendency over time. This is true, even if the number of the workforce and the intensity of work is increasing, as the total shipments of the Hungarian factories (Jászberény and now also Nyíregyháza) is increasing.

If we compare Electrolux Lehel to Electrolux Major Appliances, North America – a flagship within the Group –, we can state that Electrolux Lehel delivers even better statistics regarding the total number of accidents per 100 or 1000 workers. Electrolux Lehel is making strong efforts to improve its occupational safety performance by investments and regular trainings. In the last couple of years, Electrolux Lehel has not received any negative remarks from the authorities regarding health and safety.

1.3. Adaptation to Change

"For Electrolux, closing a factory is always a last resort. We have an open, respectful and transparent procedure in which we encourage dialogue with relevant stakeholders, and try to limit as much as possible the negative impact on those affected." (Hans Stråberg, President and CEO in Electrolux Sustainability Report, 2005) In the same document Hans Stråberg stressed that Electrolux would like to remain a thoughtful corporate citizen, when he says: "Globalization is increasingly defining the world we live in today, bringing with it greater responsibility to live up to universal standards as a global company. The global market and increased trade bring many benefits: for consumers, wider availability of products at lower prices; for people in developing economies, higher standards of living, technology transfer, and greater job opportunities, and for Electrolux, expanding markets, lower-cost production, and access to global talent."

1.4. Management of environmental impacts and natural resources

Electrolux Lehel Kft. has also realised that environmental and business performance support each other.

Although the production quantity has increased in the last five years, the total electricity consumption has slightly decreased, resulting in a significant improvement in electricity-efficiency during the production.

In spite of the specific cost increase of hazardous waste disposal, the company has managed to reduce the overall hazardous waste disposal costs which in turn has a favourable effect on the competitiveness of the products and their environmental influence.

Between 1991 and 2000 Electrolux conducted one of the biggest environmental remediation programs in Hungary and continuously monitors and improves the environmental conditions in and around the factory.

Electrolux Lehel Kft. has many environment-friendly products that received the official Hungarian eco-label. On 11th July, 2006, Electrolux had altogether 29 products with the official eco-label out of the total 363². It means that almost the 10% of all the Hungarian official eco-products are manufactured by Electrolux.

In 1998 Electrolux Lehel Kft. built up its environment-oriented management system according to ISO 14001. It is a fact that the environmental policy of the Electrolux group and Electrolux Lehel Kft. specifies stricter expectations than required by the ISO 14001 standard. There is a significant emphasis on environmental issues in product design and the company is committed to a proactive strategy that anticipates legislation.

To improve its environmental performance and to realize what is declared in its environmental policy, Electrolux Lehel worked out many environmental goals and concrete programs for its different facilities. In 2006, it has altogether 76 different programs with a fixed deadline (between 2006 and 2009) and a person responsible for it.

According to a 2003 OECD survey, Electrolux Lehel belongs to a group of companies under multiple environmental "pressures" meaning that even in comparison with other companies it pays more attention to the pressures and expectations communicated by its stakeholders, and complying with these influences its environmental strategy the most.

In the case of Electrolux Lehel Kft we might expect that its environmental activity is characterized by the culture of the Swedish parent company. This statement may have been true in the beginning but by today Electrolux Lehel Kft. has become an Electrolux affiliate with more and more Hungarian culture as proved by its environmental management system.

² <http://www.kornyezetbarat-termek.hu/15vh.htm>

As far as its environmental performance is concerned, Electrolux Lehel belongs to the group of leaders. Its environmental strategy is among the best even in national scale. It has implemented a high-level certified environment-oriented management system (ISO 14001), they have made environmental measures in multiple areas and as a result they could decrease the environmental load per unit of product. The measures taken cover the use of natural resources (low energy refrigerators), solid wastes (taking back used refrigerators, developing packaging), effluent discharge, air polluting substances (use of solvent-free paints), global pollution (freon-free refrigerators), aesthetic effects (brown field investment), soil contamination and also accident risks.

2. External dimensions

2.1. Local communities

In 2005, Electrolux in Hungary paid HUF 5 billion in local and corporate income tax. During the last 10 years the company's contribution to taxes was HUF 32 billion.

Electrolux is present in Hungary from 1991 and invested HUF 65 billion. Among the companies which are present in Hungary, Electrolux ranked 49 in value added, 22 in employment, 18 in equity and 16 among the biggest exporters.

As the biggest employer of the North-Plain, in 2005 Electrolux employed 3,736 people (statistical average headcount) and provided jobs for an additional 2,500 people through the suppliers. In 2006 the company is expecting a headcount of 4,211. With this - for the first time since the privatization - the number of employees will exceed four thousand³.

Lehel, being privatized among the firsts in Hungary, has gone through a long and difficult process to arrive at a status of being competitive in the rapidly changing market environment. As being one of the most reputable 'socialist' companies, the firm had a long list of social engagements toward several types of institutions. Inhabitants of Jászberény still have nostalgia for the "Lehel Past". Electrolux has understood the social importance of the spirit and has followed a step-by-step process in order to transfer these valuable assets to the city and still continued to pay significant donations to these institution for several years following their transfer of ownership. Electrolux' social activities have been awarded several times throughout 2005.

³ Hungarian European Business Council report.

2.2. Business partners, suppliers and consumers

The Hungarian Euronics retail chain, which currently has 138 outlets in 86 towns of Hungary, has elected Electrolux the best household appliance supplier of the year.

In February 2005, the World Packaging Organization, an independent, international federation of packaging institutes, bestowed Electrolux Major Appliances Europe plant in Jászberény, Hungary with its WorldStar 2004 Award for packaging developed for chest freezers. The award was in recognition for a pressed cardboard packaging solution for chest freezers that is 100% recyclable and saves an estimated 977 tons of wood per year.

After privatization the company started to outsource some activities to external suppliers and this relocation process resulted in a strong and efficient supplier basis. The Hungarian companies became a part of the European supplier network of Electrolux.

Not all the suppliers are success stories (see the case of Fémhuzal Kft.). Being an Electrolux supplier is an honoured position, but the quality requirements are extremely strong and no allowances are offered even if the supplier gets in a difficult situation on its own account.

2.3. Human rights

In the case of Electrolux Lehel, human rights are well respected. In connection with human resource management we can see, for instance, that there is no negative discrimination against ethnic minorities. Romanies account for around 10% of the total workforce (much higher than the national average) and they are accepted and respected within the Electrolux Lehel community.

The relation between Electrolux and the trade unions may be set as an example. While most of the multinational corporations hinder the operation of the trade unions, at Electrolux there is a partnership between trade unions and the management.

2.4. Global environmental policies

To participate in the international partnership to protect the ozone layer, Electrolux Lehel Kft. replaced the harmful freons R11 and R12 with cyclopentane, R134a and iso-butane. Since August 1994, Electrolux Lehel has been producing only refrigerators which do not contain CFCs. This technological development has cost the company around HUF 500 million.

Electrolux tries to operate sustainably all over the world by improving its economic, social and environmental performance. These efforts resulted in the fact that Electrolux has been selected by independent experts as one of the 100 most sustainable companies in the world.

Introduction

CSR and the business practice

The Social Responsibility of Business is to Increase its Profits

John Elkington of SustainAbility¹ in a conference of the European Business Campaign on Corporate Social Responsibility, put the increasing interest of business in society issues into a global context, showing how external pressures, arising from processes of globalisation and culminating in the 1999 Seattle street protests, have forced businesses to re-examine their role and their business practices.⁴

Milton Friedman the professor of the Chicago School of Economics, the father of economic liberalism has a 40-year-old proposition that increasing profits within the bounds of legal compliance is the one and only social responsibility of business. His followers could not overcome his opinion after more than forty years and repeat his ideas in different forms. The articles in the Financial Times or in different websites are repeating the exercise learned from him many years ago:

“The role of well run companies is to make profits, not save the planet. Let them not make error of confusing the two.”⁵

“Corporations aren’t allowed to be nice. Company directors are legally obliged to act in the best interest of their shareholders’ investments. ... This is why corporate social and environmental initiatives can’t really get beyond the marketing and greenwash stage.”⁶

“In spite of some noteworthy differences in corporate citizenship theories, most authors generally converge on some points, such as a strong sense of business responsibility towards the local community, partnerships, which are the specific ways of formalizing the willingness to improve the local community, and for consideration for the environment. The concern for local community has extended progressively to a global concern in great part due to the very intense protests against globalization, mainly since the end of the 90s. This sense of

⁴ European Business Campaign on Corporate Social Responsibility. (www.eabis.org or contact EABiS Manager, Peter Lacy at peter.lacy@eabis.org) It simply works better! Campaign Report on European CSR Excellence 2003-2004

⁵ Wolf, M 2001 Sleep-walking with the enemy. London Financial Times, May 16

⁶ (2001) www.corpwatch.org

global corporate citizenship led to the joint statement “Global Corporate Citizenship – the Leadership Challenge for CEOs and Boards”, signed by 34 of the world largest multinational corporations during the World Economic Forum in New York in January 2002. Subsequently, business with local responsibility and, at the same time, being a global actor that places emphasis on business responsibilities in a global context, have been considered as a key issue by some scholars (Tichy et al., 1997; Wood and Lodgson, 2002).

In spite of a global world economy, standpoints related to CSR feature "local" specialities, as shown by an international survey. It is perhaps understandable that third world countries are a little sceptical about CSR as indicated by (mostly African) brief summaries shown on the map below.

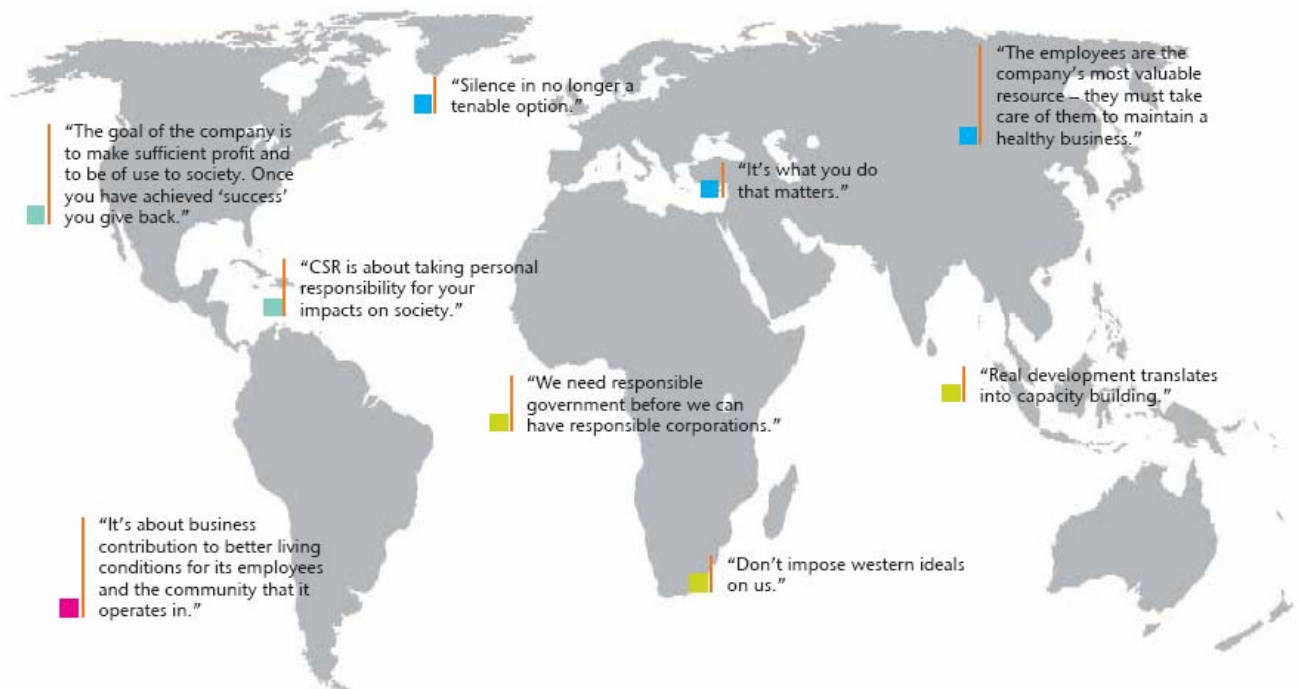


Fig. 1. – Ideas on Corporate Social Responsibility

Professor Peter Pruzan of Copenhagen Business School has a slightly different opinion: “We have to ask ourselves whether responsibility is just a means to maintain a company’s license to operate as so many people contend, or whether indeed it is an end in itself,” said Pruzan. “I would argue that corporate social responsibility is a ‘mind-set’ with fundamentally different concepts of what success is, of who a company is accountable to and of what a company’s identity is. So it is only through a change in managers’ and employees’ ‘mind-sets’ that corporate social responsibility can go from being an organisational means to being an organisational ends or concern.”

Professor Michael Porter of Harvard Business School has a more optimistic but still very critical opinion. According to Porter, today’s practices of corporate social responsibility were defensive in nature and were about mitigating or

remedying operational harm. *“Most of what constitutes CSR or corporate philanthropy today is about doling out money to those who don’t like you, about establishing relations with those who don’t like you,”* said Porter. “We need to move away from these defensive strategies and start thinking in terms of efficiency and value creation. There is no inherent conflict between social and economic objectives, both can contribute to improved competitive advantage.” Porter argued that companies should only engage in ‘context enhancing’ social activities. For example, home appliance manufacturers or property insurance companies could advantageously work to develop affordable housing for the under privileged, while IT companies could set up training academies in low-income areas to ameliorate any shortages in skilled labour.⁷

Accepting Porter's stand, we attempt to track down and find out through the practice of Electrolux and their Hungarian affiliate, Electrolux Lehel Kft to what extent social responsibility can be considered as a business case or as a case of “doling out money to those who don’t like you”. As we have seen, Porter also uses the example of home appliance manufacturers who have good opportunities to do something about fostering equal opportunities in society.

⁷ (www.eabis.org or contact EABiS Manager, Peter Lacy at peter.lacy@eabis.org) It simply works better! Campaign Report on European CSR Excellence 2003-2004 Bridging the practice-theory gap. European Business Campaign on CSR, the European Academy of Business in Society pp. 51-52.

Summary of our view

UNIDO has a prism to illustrate the levels of development, so it makes sense to compare our findings with the following figure:

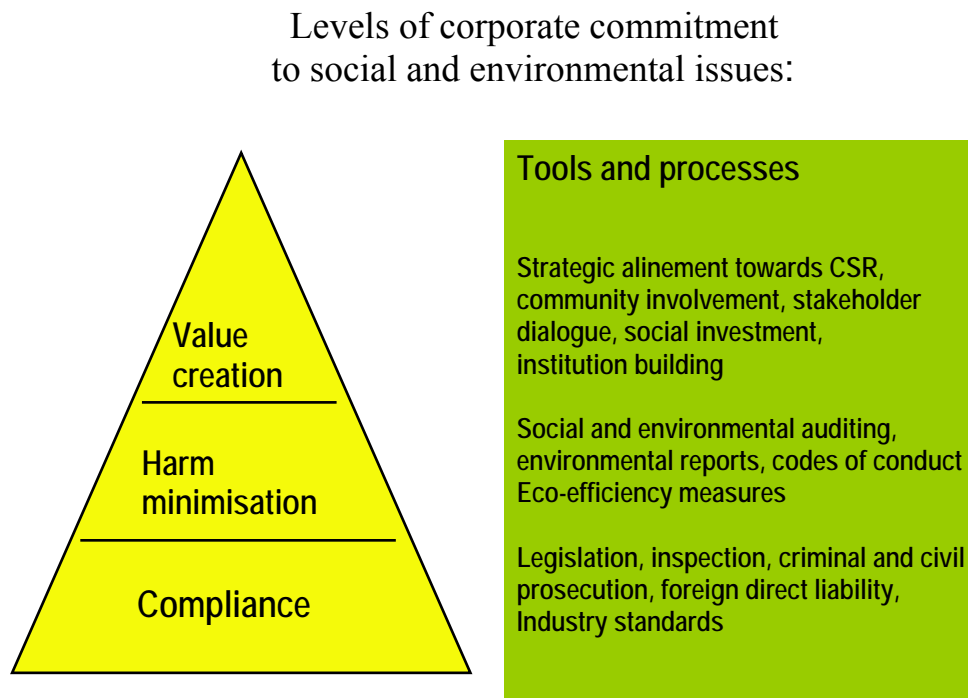


Fig. 2. – Levels of Corporate Social Responsibility⁸

As our study clearly shows, Electrolux Lehel Kft. has doubtlessly reached the second level and in many respects is engaged in activities that belong to the third level, but there are still several things to do both at the first level - with respect to complying with certain regulations - and at the second level with respect to harm minimization which could not be done as yet, while we have seen numerous initiatives characteristic of the value creation level.

Irrespective of these levels, we believe that the greatest CSR-contribution of Electrolux Lehel rests on three pillars:

- creating, providing and developing quality and stable jobs in structurally weak regions of the country,
- important investments, which were significantly bigger than the dividends paid to the owners. From 1991 and 2005, the ratio of investments to dividend payments was more than 30:1⁹, which is unique in the economy

⁸ UNIDO Corporate Social Responsibility 2002

⁹ Investments of about 70 billion HUF, paid dividends of about 2 billion HUF

and, from a Hungarian point of view, an important contribution to regional and national development,

- while step by step Electrolux gave up "communal" activities that did not belong to the core business (zoo, nursery school, sports, etc.) but did not give up their support and responsibility for these and other social and environmental areas. This way of changing the tools of CSR is in context with Porter's statement mentioned above, that we have to move to efficiency and value creation.

These three pillars already offer a basically positive image just to be made more colourful and partly more graded by detailed analysis. This grading or detail is part of the positive landscape and makes it just more persuasive.

As far as CSR is concerned, there are numerous guidelines and recommendations known. As a framework for our analysis, we used one of the most widely accepted, the EU Green Paper recommendation.

Based on this framework (see Appendix 1), a team of the Corvinus School of Management and the Faculty of Business Administration analysed and evaluated the position of Electrolux Lehel in Hungary in this context.

The summary of this analysis is that CSR is an inherent part of Electrolux Lehel's corporate philosophy and policy. Electrolux Lehel is not only a highly efficient and profitable company, but also a company delivering more as the general standard to the society in general - but especially also to its employees.

The following study will give – based on the framework described – our view regarding Electrolux Lehel's "CSR-performance".

Manager of the year: A first indicator for the CSR-orientation of Electrolux Lehel

Electrolux Hungary's approach about the issue of corporate social responsibility can be interpreted briefly as follows:

"The economy of today is characterized by tough, sometimes rough competition on the market, and we have to fight for our survival every day. We are chasing our customers, running after investors, we fight bureaucracy. But even in this speeding world we should not forget about things that are perhaps the most important for us: our fellow citizens, our settlements, our environment, our kids, the needy and the outcast." (János Takács, Regional Chief Administrative Officer – Electrolux Central Eastern Europe, "Manager of the year" in 2005)¹⁰

The success of CSR is fundamentally determined by the commitment of the top manager. On the long run, however, it is important that CSR become institutionalized within the organization. In the case of Electrolux Lehel Kft, the success of CSR may be attributed mostly to the personal commitment of the chief executive officer, while there are only a few initial signs of institutionalization.

The fact that in 2005 János Takács was granted the "Manager of the year" award, is not only a signal that Electrolux Lehel is very efficient and profitable, but also an indicator that Electrolux Lehel is doing more than being successful in the classical business sense.

The "Manager of the year" award is the highest prize that can be granted to a general manager or chief executive officer of a company in Hungary. Both in its content and traditions it is fundamentally different from the "Entrepreneur of the Year" and the "Businessman of the Year" awards. Its prestige is partly due to the fact that this is the only Hungarian competition which focuses on management as a profession, irrespective of the industry where the manager works.



Important criteria of granting the award are the ethical and human factors, the amount and quality of social responsibility-taking and the activities for the benefit of the public.

He could achieve that one of the biggest manufacturers of home appliances move its factories to Hungary one after the other. As a result of these

¹⁰ Hungarian European Business Council report.

investments Electrolux has become the biggest employer and tax payer of the region. The grantors also mentioned that János Takács' social commitment also carried a significant weight in winning the award.”¹¹

Among other activities, Electrolux, as a member of the Hungarian European Business Council (HEBC), is also showing responsiveness to public issues.

¹¹ Jászkürt 2006/5. <http://www.jaszbereny.hu/modules.php?name=News&file=article&sid=741>

A systematic review: How does corporate social responsibility work at Electrolux Lehel

1. Internal dimensions

1.1. Human Resource Management

The topic Human Resource Management covers such important areas of corporate social responsibility as

- Quality employment
- Benefit programs for employees
- Talent management
- Information policy and participation of workers
- Equal opportunities for every segment of employees

In most of these areas Electrolux Lehel delivers more than the industrial average and – what is even more important – seems to have clear priorities for the future.

a) Main employer in the region

Electrolux is one of the most important employers in Hungary. In the list of Hungarian companies regarding the number of employees, it is among the top 20.

Even more important is the regional position of the company. Electrolux Lehel contributes significantly to the employment in its regions Jász-Nagykun-Szolnok and Szabolcs-Szatmár-Bereg. These are regions where the unemployment is higher than the average (Hungary 6,1%, Jász-Nagykun-Szolnok 6,2%, Szabolcs 9,5%), so the social importance of employment is especially high.

Calculating with a multiplier of 3 (number of people indirectly depending on Electrolux Lehel like suppliers, retailers, social services and others) almost 10% of the employment in Jász-Nagykun-Szolnok is dependent on Electrolux Lehel. For Hungary in total we estimate that Electrolux Lehel has provided jobs for an additional 2500 people through suppliers.

The number of employees has considerably decreased since 1991 by about 18% in total. On the other side, efficiency increased in this period by about 300%. The almost stable number of employees connected to the increasing sales figures

shows the readiness of Electrolux to invest and trust in Hungary as a place of business.

It is a very positive (and also typical) trend that, after a period of decreasing the bureaucracy and outsourcing of „strange” activities, the number of white collars started to increase from 2002.

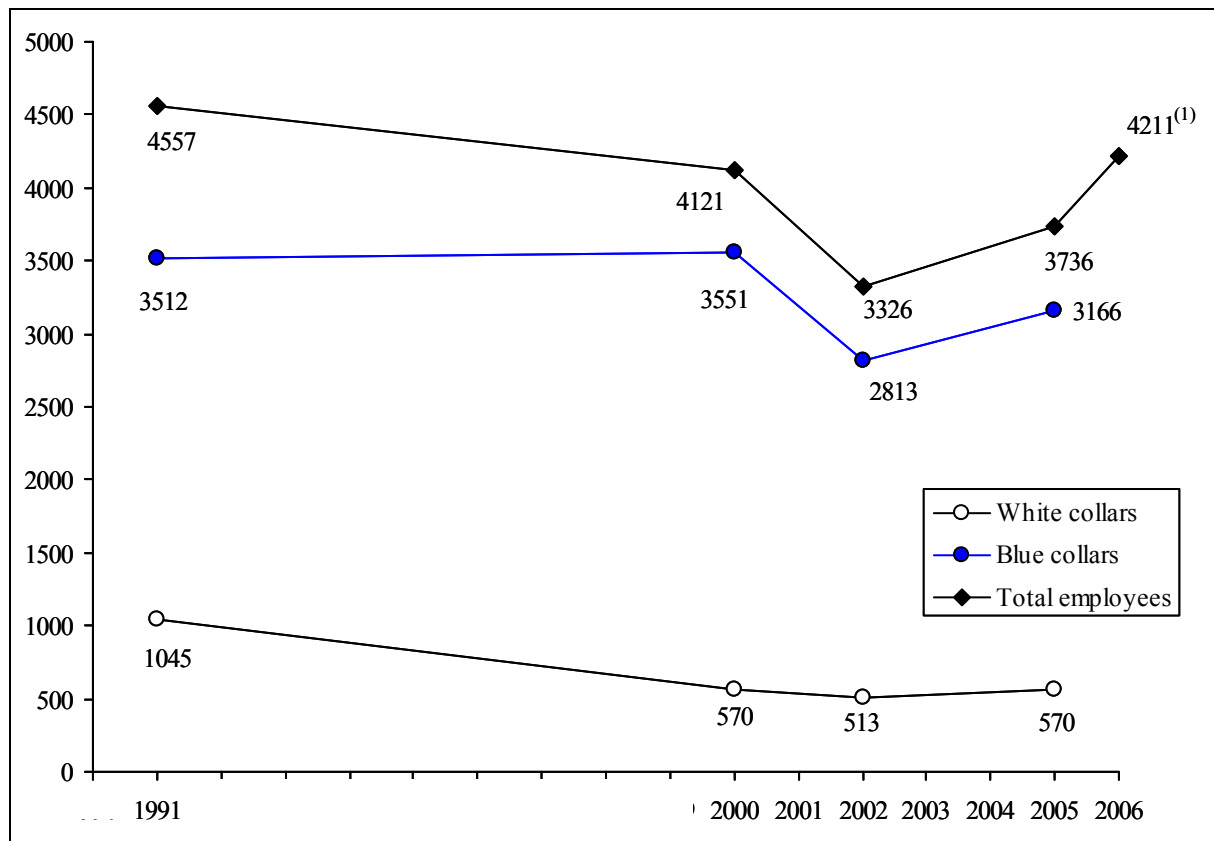


Fig. 3. – Development of employment at Electrolux Lehel

This increasing number of white collars is also a reflection of the trend of centralizing regional functions (holding, purchasing, logistics etc.) in Jászberény, which is an ideal mix of business logic and CSR. An increasing number of highly qualified workplaces is the best contribution to the attractiveness of Jászberény as a place to work, learn and live.

b) Fluctuation

It is also a very positive indicator of the attractiveness of working in this company that in the last five years only six percent of the employees left on their own initiative, which is a very low figure if compared to the Hungarian average.

¹² Planned figure for 2006

The fact that the fluctuation of white collar employees is much lower than that of blue collar workers shows that the management team is relatively stable. The number of white collars is (average 2001 to 2005) 14 % of the total number of employees, and only 5 % left.

c) *Quality employment - competitive wages compared to the region, industry and country*

Electrolux Hungary offers competitive wages for its employees compared to the regional, industry and also to the national average. Taking into account that in Hungary there are significant differences regarding the earnings between the regions and the capital (average earnings in Budapest are 45 % higher than in the countryside), Electrolux Lehel with sites in Jászberény and Nyíregyháza does not have to offer wages which are near to the Hungarian average, not speaking about Budapest's wages.

Table 1

AVERAGE WAGES IN HUNGARY⁽¹⁾			
2004 in k HUF			
Area	From earnings per month	Hungary=100	Electrolux Lehel=100
Hungary	145	100	106
Budapest	193	133	141
Countryside	133	92	97
Jász – Nagykun - Szolnok	117	81	85
Szabolcs-Szatmár-Bereg	114	79	83
Electrolux Lehel	137	95	100

Source: Statistical yearbook Hungary, Lehel data

The table shows the regional differences in Hungary and also the situation in Jászberény and Nyíregyháza and at Electrolux Lehel. The wages are relatively low only compared to Budapest, while the wages are relatively high compared to the countryside. In the districts, where the company is located, Electrolux Lehel is about 20 % higher than the average.

The most competitive regions in Hungary (Győr with Audi, Székesfehérvár with IBM etc.) don't offer significantly higher wages than Electrolux Lehel (Győr HUF 140,000, Fejér HUF 142,000), although the demand for highly qualified workers is much higher in these areas.

Also compared to the industry (industry HUF 141,500, machine industry HUF 141,565) Electrolux Lehel is with HUF 137 500 in a relatively good position taking into account that a significant part of the industry is in Budapest, Pest, Fejér and Győr (40 % of the industry), where the wages are traditionally relatively high. The wages at Electrolux Lehel are more than 20 % higher than the average industry-wages in Northern Great Plain, the region where Electrolux is located.

Although we got this positive picture regarding Electrolux Lehel's wages, there are two issues to think about – the difference between manual workers and professional employees regarding wages is extraordinarily high (see table 2).

Table 2

COMPARISON WHITE COLLAR/BLUE COLLAR	
Area	Wages of professional employees to manual workers (2004)
Hungary	2,11
Machine Industry	2,13
Electrolux Lehel	3,52

Although if these figures reflect the specifics of demand and supply in the countryside and also the relatively low share of white collars at Electrolux Lehel (share at Electrolux Lehel less than 20% last years, in the average of the machine industry 24%), it seems that this large difference (which in 2005 still increased and has been increasing for years) should be reconsidered from the point of view of the motivation and the quality of manual workers.

Vice versa, it is also a fact that the positive picture regarding the level of earnings we got for Electrolux Lehel as a whole, is slightly different for manual workers, at least in comparison with the average of the machine industry.

Table 3

INDUSTRIAL COMPARISON FOR MANUAL WORKERS

Electrolux Lehel = 100			
Area	Overall	Bluecollars	Professional
Hungary	106	99	59
Machine industry	103	115	69
Electrolux Lehel	100	100	100

It seems that there is still potential to increase the wages for manual workers. The very positive CSR effect would be that higher wages for manual workers would be more motivational for the vocational training and in turn would improve the social structure in the region.

d) Benefit programs for employees

Electrolux has a well developed program of benefits for its employees mainly based on the collective bargaining agreement and the agreements with the unions. Those benefits deliver significantly more than the law requires. The most important items like

- loyalty reward for those with a tenure of 25 or 40 years continuous employment (140 000,- HUF/person)
- rent allowance (70 000,-HUF/month/person)
- commuting allowance over the allowance specified by legislation (for distances over 25 km)
- collective life and accident insurance

reflect a good balance between social and economic objectives and give a good example for this level of CSR mentioned in figure 2.

e) Talent Management at Electrolux Hungary

It has been a part of Electrolux strategy from the start to heavily invest in its workforce based on extensive training and development programs, 5-10 days on annual basis. In order to enhance the efficiency of the Hungarian workers, several knowledge transfer techniques have been employed to achieve a quick win-win situation for the workers and Electrolux. Several of the English speaking Hungarian colleagues have participated in the Task Force Teams, while others have worked in the background of the Swedish Advisor Managers.

Electrolux has introduced a Training Policy and Program, which made it possible for the staff to participate in a wide range of training courses depending upon individual development needs. The four main categories of the trainings, as they are at present, are as follows:

- a. English language course
- b. Business Administration course
- c. Quality and Technical Management course
- d. Management trainings.

Furthermore, extensive team building sessions are held to empower the workers. As a consequence, these trainings have helped people to adapt to changes more quickly and enhanced their commitment toward Electrolux.

The number of training hours increased from 45,000 hours in 1991 to 81,350 hours in 2005. The structure reflects the needs of the company but also the interests of the employees (figures for 2005):

- 4 % Management courses
- 18 % Language courses
- 16 % Quality management
- 28 % Advanced Know-how development
- 17 % Basics
- 17 % Special Trainings

The average spending in Hungary for trainings outside the school system is about HUF 8000 per employee and year. With about 20 hours per employee Electrolux contributes much more than the average, the spending for trainings outside the school system¹³ was about HUF 70 million (in 2004) or almost HUF 24,000 per employee, which is three times the Hungarian average.

The following picture gives an overview regarding Electrolux Lehel's training policy in 1991, 2000, and 2005.

¹³ Without the support of schools and other educational institutes

Training Split for Employees

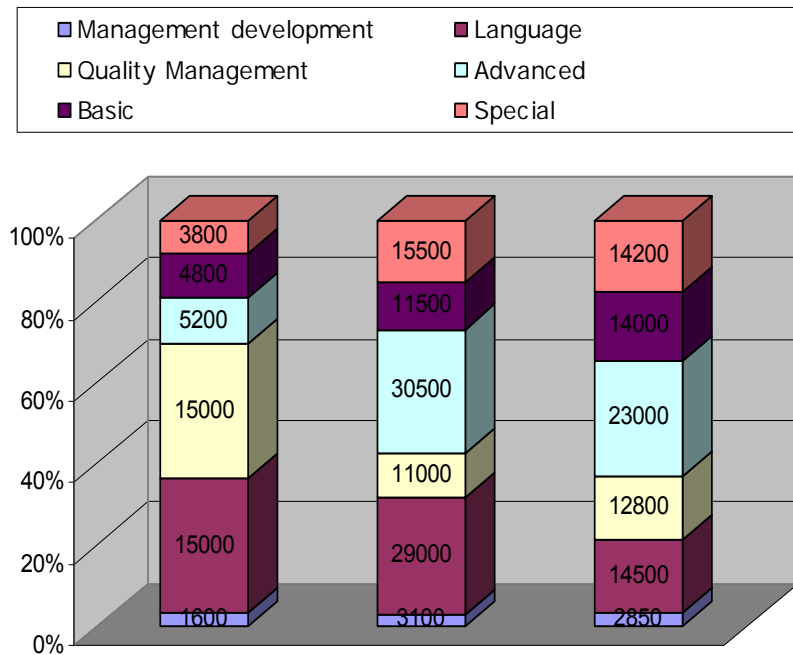


Fig. 4. – Training Split for Employees

f) Information policy and participation of workers

The internal information policy of Electrolux Lehel has three well defined pillars

- training for the management on how to communicate in specific situations (crisis management, team building, interviews with employees)
- information to the employees based on ongoing activities like internal monthly newspapers, E-Gate, Local E-Gate, CEE E-Gate, Bulletin board, internal publications (company presentation, collective agreement, etc.)
- Internal surveys and feedback sessions.

g) Equal opportunities for every segment of employees

Equal career opportunities for women is a key issue regarding the human resource dimension of corporate social responsibility.

The following figure gives a brief overview on the gender diversity within the management level and in the whole group at Electrolux in 2005.

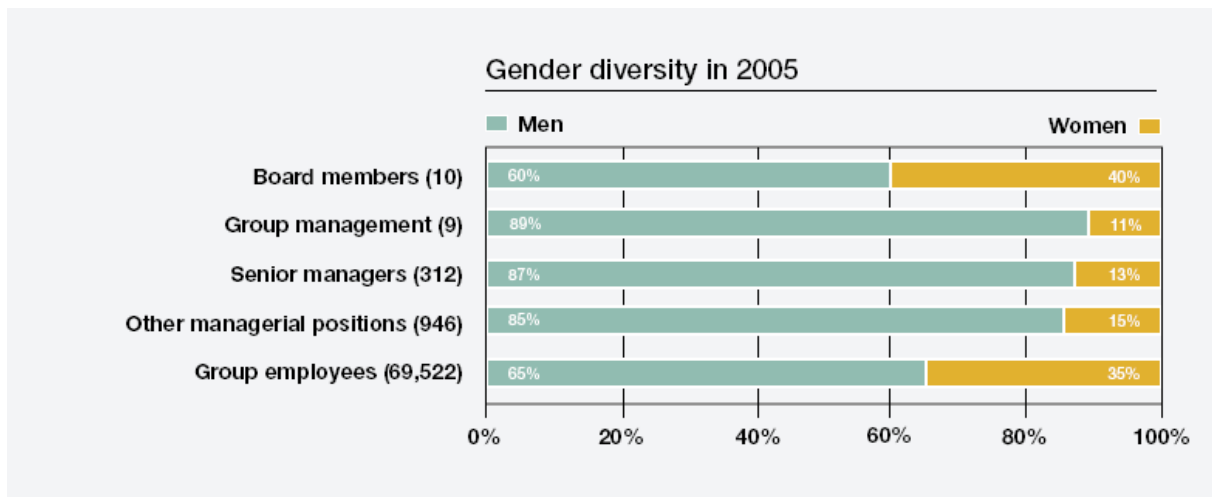


Fig. 5. - Gender diversity at the management and at the whole group level, Electrolux, 2005¹⁴

In 2005, the average number of employees of Electrolux worldwide was 69,522, of whom 45,327 were men and one third, or 24,195, were women. This ratio has remained relatively constant in the last five-year period and is in line with industry norms. At Electrolux Lehel the share of women with almost 40% is significantly higher (table 4.)

In addition to this, the typical Scandinavian picture of a high share of women in top positions is in general also valid for Electrolux Lehel in Hungary.

Table 4

Share of Women

Management	24 %
White collars	41 %
Blue collars	39 %
Total	39 %

Electrolux keeps about 50 workplaces for people with disabilities, which is a share between 1 and 2%. Compared to the average of the total Hungarian employment, which is 2.25%, there is still room for improvement.

¹⁴ Electrolux, sustainability report 2005, p. 34.

There is no discrimination against ethnic minorities. 10% of the total workforce are Romanians, much higher than the national average (see also Chapter 2.3, Human Rights).

1.2. Health and safety at work

Providing a safe and healthy working environment for the employees is a key element of corporate social responsibility. Health and safety at work can be measured by the frequency of accidents at Electrolux Lehel.

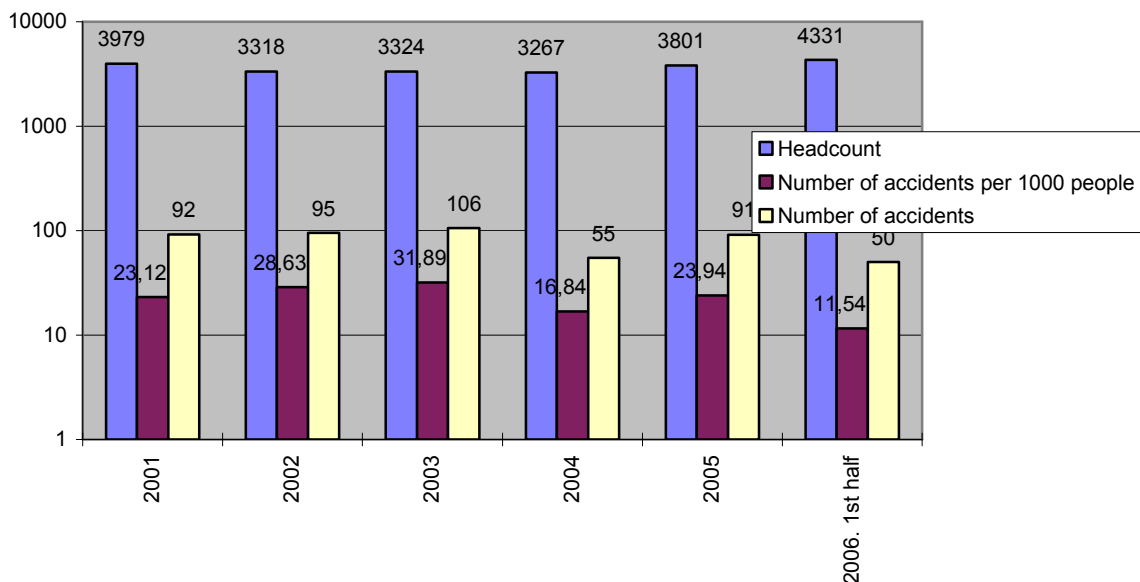


Fig. 6. – Occupational accidents at Electrolux Lehel Kft. between 2001 – 2006 first semester

As we can see from the diagram, the frequency of occupational accidents at Electrolux Lehel shows a slightly decreasing tendency over time. This is true, even if the number of the workforce and the intensity of work is increasing, as the total shipments of the Hungarian factories (Jászberény and now also Nyíregyháza) is increasing.

It can be interesting to make a comparison with an international benchmark (see the following diagram).

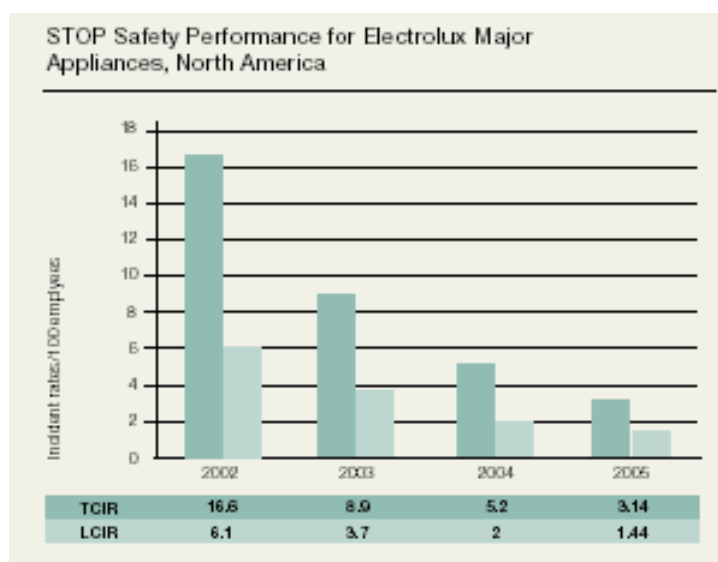


Fig. 7. – STOP Safety Performance for Electrolux Major Appliances, North America

As an international, but still comparable benchmark we have chosen Electrolux Major Appliances, North America¹⁵. We can see from the diagram that as a result of the STOP program (Safety Training Observation Program), both TCIR (Total Case Incident Rate) and LCIR (Lost Case Incident Rate), resulting in lost work time, have decreased significantly. The STOP program continues to place Electrolux as an industry safety leader in North America, operating about 50% safer than the industry average there.

If we compare Electrolux Lehel to Electrolux Major Appliances, North America – a flagship within the Group - , we can state that Electrolux Lehel delivers even better statistics regarding the total number of accidents per 100 or 1000 workers.

Electrolux Lehel is making strong efforts to improve its occupational safety performance by investments and regular trainings. In the last couple of years, Electrolux Lehel has not received any negative remarks from the authorities regarding health and safety.

1.3. Adaptation to Change

Responsible investment policy

Over the recent years the market positions of Electrolux have deteriorated considerably. This is the result of the increasing material prices in general and

¹⁵ Electrolux Sustainability Report, 2005.

the increasing price of steel in particular, and also of the market price competition. In order to maintain its competitiveness, Electrolux has decided to move its production capacities to the so-called low cost countries region. Hans Stråberg, President and CEO in Electrolux, writes about this the following: "To stay competitive and access new markets, we are restructuring our production – moving manufacturing to countries with a lower cost base. This has negative consequences for employees and communities in countries where we close factories. For Electrolux, closing a factory is always a last resort. We have an open, respectful and transparent procedure in which we encourage dialogue with relevant stakeholders, and try to limit as much as possible the negative impact on those affected." (Hans Stråberg President and CEO in Electrolux Sustainability Report 2005). In the same document Hans Stråberg stresses that Electrolux would like to remain a thoughtful corporate citizen when he says: "Globalization is increasingly defining the world we live in today, bringing with it greater responsibility to live up to universal standards as a global company. The global market and increased trade bring many benefits: for consumers, wider availability of products at lower prices; for people in developing economies, higher standards of living, technology transfer, and greater job opportunities, and for Electrolux, expanding markets, lower-cost production, and access to global talent."

It is natural perhaps that when the vacuum cleaner production was relocated in Jászberény, the Hungarian journalists mostly concentrated on the difference between the Hungarian and Swedish wage levels, the amount of subsidy the government supported the project with, and whether this investment had anything to do with the compensation for Gripens. To illustrate the various standpoints, here are several characteristic clips from the contemporary printed media:

„At its most recent meeting the relevant government committee dealing with offset programmes approved another compensation of slightly more than 150 million Swedish crowns for Gripen International (GI), the supplier of the new military fighter jets. (...) On the investment side, the Electrolux project at Nyíregyháza may be included in the programme next year. As part of this project, the company is going to build a new vacuum cleaner plant at the Szabolcs county town, investing 65 million euros.”¹⁶

„The simple reason of the Eastern efforts is the fact that while the annual wage cost of a German Electrolux employee is nearly 50 thousand euros on the average, their Slovakian colleague with the same productivity costs around 6500 euros for the company.”¹⁷

¹⁶ Világ gazdaság, 2004. 12. 28. (the whole article can be found in Appendix 2 /1.)

¹⁷ HVG, 2004. 04. 14., György Heimer (see also Appendix 2/2.)

„At the plant inauguration ceremony yesterday, the President of the Electrolux product line, Magnus Yngen said: the relocation was necessitated by cost efficiency considerations. While it is true that a Hungarian worker makes one eighth of the money his or her Swedish colleague makes, wages are only a small part of the total cost of which the material costs are the most significant.”¹⁸

„There are several possible locations considered in Electrolux' investment decisions and the winner will be the one which is the most favourable in terms of economy. Hungary has won due to its political and economic stability, the developed supplier background, the qualified and low-cost labour as well as the favourable infrastructure, but the support of the authorities including the people of Nyíregyháza also weighed a lot. Obviously it is also important that the company here has been operating well for years and is one of the best in terms of quality within the Group. The professional staff is well trained and has the proper experience since the plant at Nyíregyháza is not the first they build.”¹⁹

The explanation of why vacuum cleaner production has been brought to Hungary is obviously more complex than the simple reason proposed by the journalist of HVG. Wages would be lower in Romania or in Mexico. We must agree with János Takács and with the Electrolux' CEO, who mentioned the economic and political stability of Hungary, the developed supplier background, the qualified and low-cost labour, the favourable infrastructure, the nearness a markets and last but not least the favourable attitude of the local government of Nyíregyháza as the reasons of the investment here.

Electrolux' decision of closing a factory and selecting a location for the new factory naturally raises some CSR problems. However, if we look at the global nature of the CSR movement, the fact that Electrolux has moved its production capacity together with its peak technology and R and D capacities to Easter Europe can be considered a favourable rather than an unfavourable phenomenon. Cutting the value chain shorter, moving the production capacities closer to the markets, contributing to the economic development of underdeveloped regions can all be considered favourable signs. The Eastern region is considerably underdeveloped in Hungary. The catchment area of Nyíregyháza especially demands development.

18 Magyar Hírlap, 2004. 04. 08. (see also Appendix 2 /3.)

19 Top 200, 2005. 10. 10. (see Appendix 2 /4.)

„Cost-efficiency considerations played as role in the decision of the Electrolux Group to relocate their vacuum cleaner production from Västervik, Sweden to Jászberény. As a result of this decision an investment of 10 million Swedish crown has been made in our country and 200 new jobs have been created in Jászberény. The new vacuum cleaner plant will produce 2.5 million units per annum. The transformed and enlarged plant in Jászberény was officially inaugurated yesterday morning by Tibor Draskovics, Minister of Finance, Gábor Dióssy, Secretary of State, Ministry of Economy and Transport, and Magnus Yngen, President of the Floor-Care and Other Household Appliances product line of the Electrolux Group. In the plant 17 assembly lines produce 13,200 units of product daily in an area of 6500 square meters. Following the relocation they are producing a total of 19 product lines including top-of-the-line articles. For example, apart from the traditional vacuum cleaners, the Trilobite robot vacuum cleaners, developed by Electrolux, are also produced in Jászberény. This model was the first automatic device of this kind in the world at the time of its launch. The relocation started last August and was finished over the past weeks. Apart from the European markets, various products are shipped from here to South-America, South-Africa, Australia and Asia. Magnus Yngen pointed out that the global company tends to produce its products where it is the most cost-effective so that both the product and its manufacturer can remain competitive. He added that the Hungarian employees work for a wage one eighth of the wage their Swedish colleagues worked for earlier. This was a decisive argument in selecting the factory location. It is of no secondary importance either that the material cost of the manufactured products is much lower than it was in Sweden. Tibor Draskovics, the Minister of Finance, called the new Electrolux plant an important step. He stressed that the government makes every effort to get investors invest in more and more parts of the country and create jobs. The Minister said that last year the amount of foreign direct investment was more than ever before over the previous ten years.”²⁰

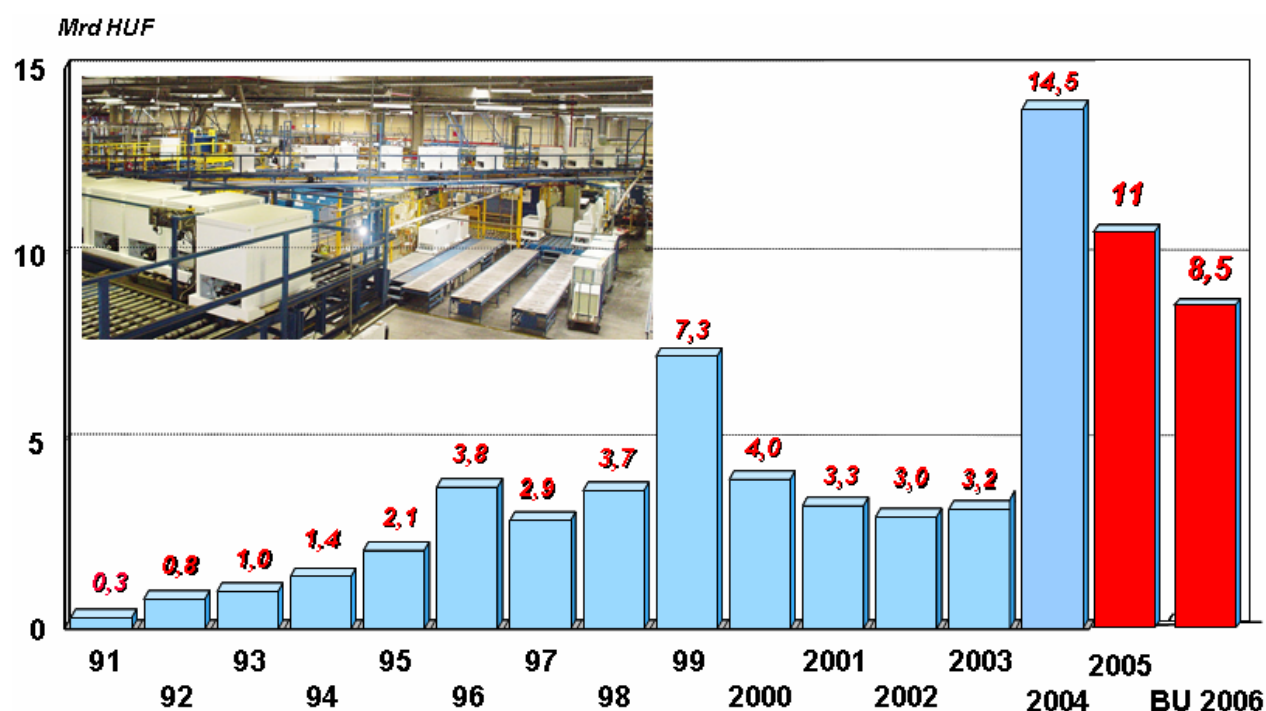


Fig. 8. – Investments at Electrolux Lehel

²⁰ Csaba Banka: Electrolux' European vacuum cleaner production in Jászberény; Új Néplap 2004. 04. 08.

Despite the fierce competition among companies regarding cutting costs, low costs are not the only issue at Electrolux when deciding about the locations for investments. The most important factors why Electrolux has decided to invest in Hungary are much more complex²¹: There are reasons like the good infrastructure or the existing support for investments.

An important – more CSR related reason – was the fact that in Hungary the workforce is well-educated, competitive and open for change and retraining. The investments in this human capital have been significant. Here we have to mention the – higher than average – contribution of Electrolux Lehel especially in the areas of:

- Training, postgraduate education
- Health and safety
- Sponsoring of HR oriented local institution

1.4. Management of environmental impacts and natural resources

The Electrolux Lehel Kft. has also realised that environmental and business performance support each other. The excellence in the environmental field can contribute to an improvement in resource efficiency, the elimination of environmental fines, consumer satisfaction, better relationship with the different stakeholder groups, etc.

In the first decade of the 21st century the corporate environmental protection is characterized by efforts to improve eco-efficiency and to eliminate unnecessary risks. At the same time the greens and the EU bureaucracy stresses ever more strongly the idea of sustainable consumption, frequently interpreted by the sphere of material production as a threat since they are frightened by a narrowing of their market opportunities. Next we investigate how the prevailing international development trends influence the operation of Electrolux Lehel Kft.

a) Resource and energy efficiency

The improvement in eco-efficiency (resource and energy efficiency) connects directly environmental and business excellence, as the costs per product unit decrease parallel to the lower environmental loads. The following couple of diagrams show some data about Electrolux Lehel over time.

²¹ FOR A COMPETITIVE HUNGARY IN A COMPETITIVE EUROPE 2004, The Report of the Hungarian European Business Council, http://www.bcch.com/upload/hebc_report_2004.pdf.

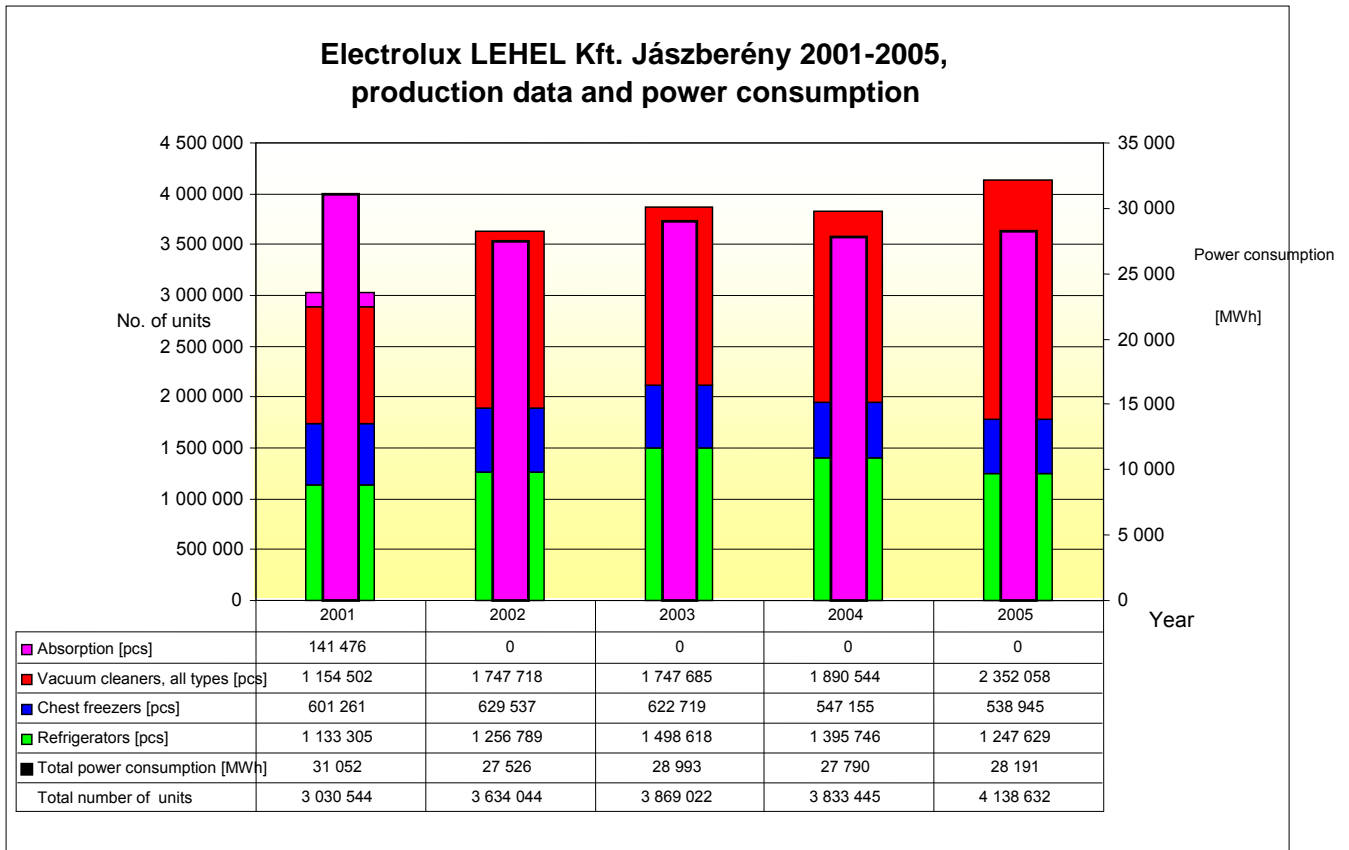


Fig. 9. – Production data and electricity consumption at Electrolux Lehel Kft. Jászberény 2001-2005

Although the production quantity increased in the past five years, the total electricity consumption slightly decreased, resulting in a significant improvement in electricity-efficiency during production.

Based on the next two diagrams, we can state that the significant drop in the total natural gas and water usage in spite of the increase of the production quantity has led to a dramatic improvement regarding resource use per unit. The increased eco-efficiency leads to both environmental and economic returns.

The radical change of water consumption is especially striking. While production volume has increased by about 25 % over five years, water consumption dropped to its third in absolute terms. While it is true that the improvement of specific water consumption is influenced by the change of production structure (increased proportion of vacuum cleaner production), but the decisive factor in such a big improvement has been the water saving efforts.

The decreased natural gas consumption, on the other hand, can be explained mostly by the structural change, while energy saving measures played only a smaller part in the process.

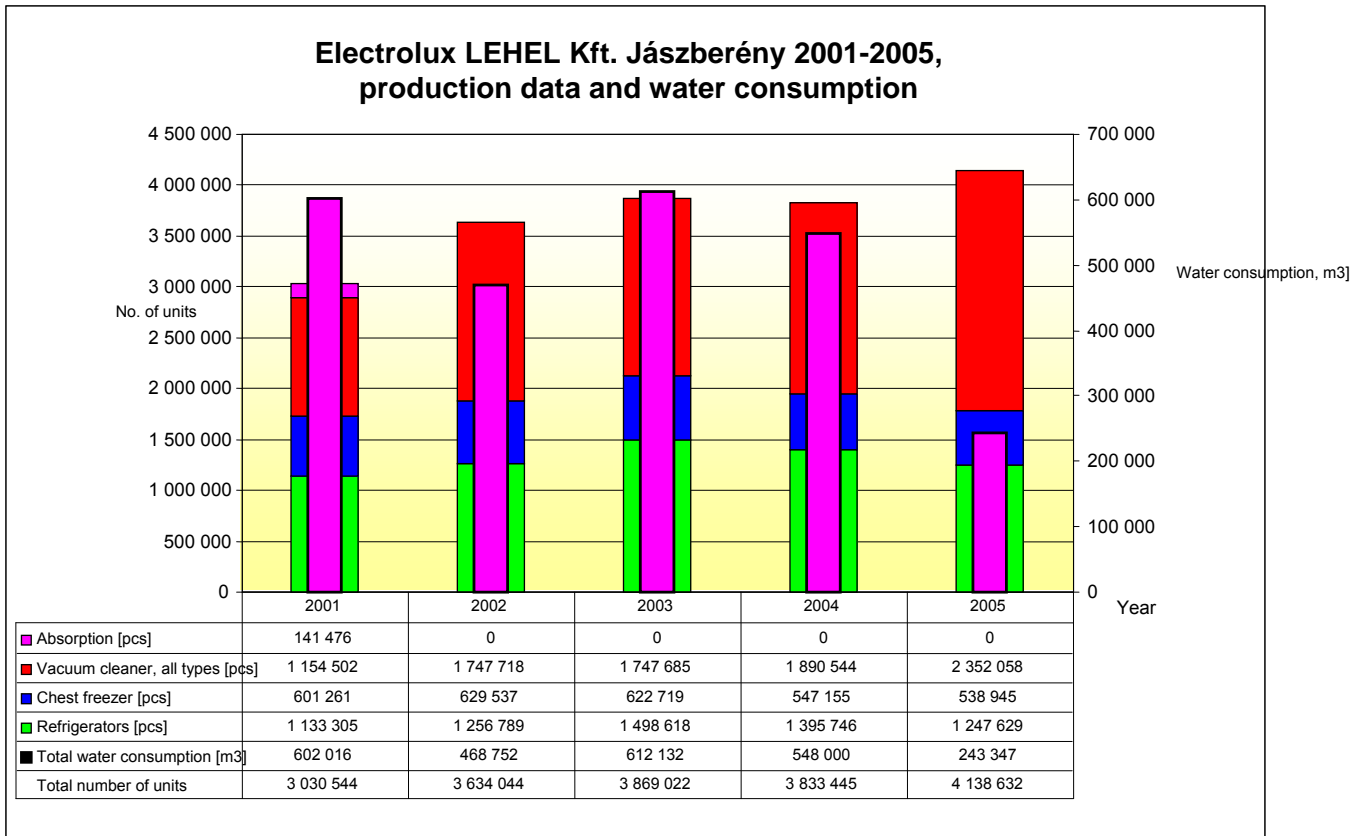


Fig. 10. - Production data and water consumption at Electrolux Lehel Kft. Jászberény 2001-2005

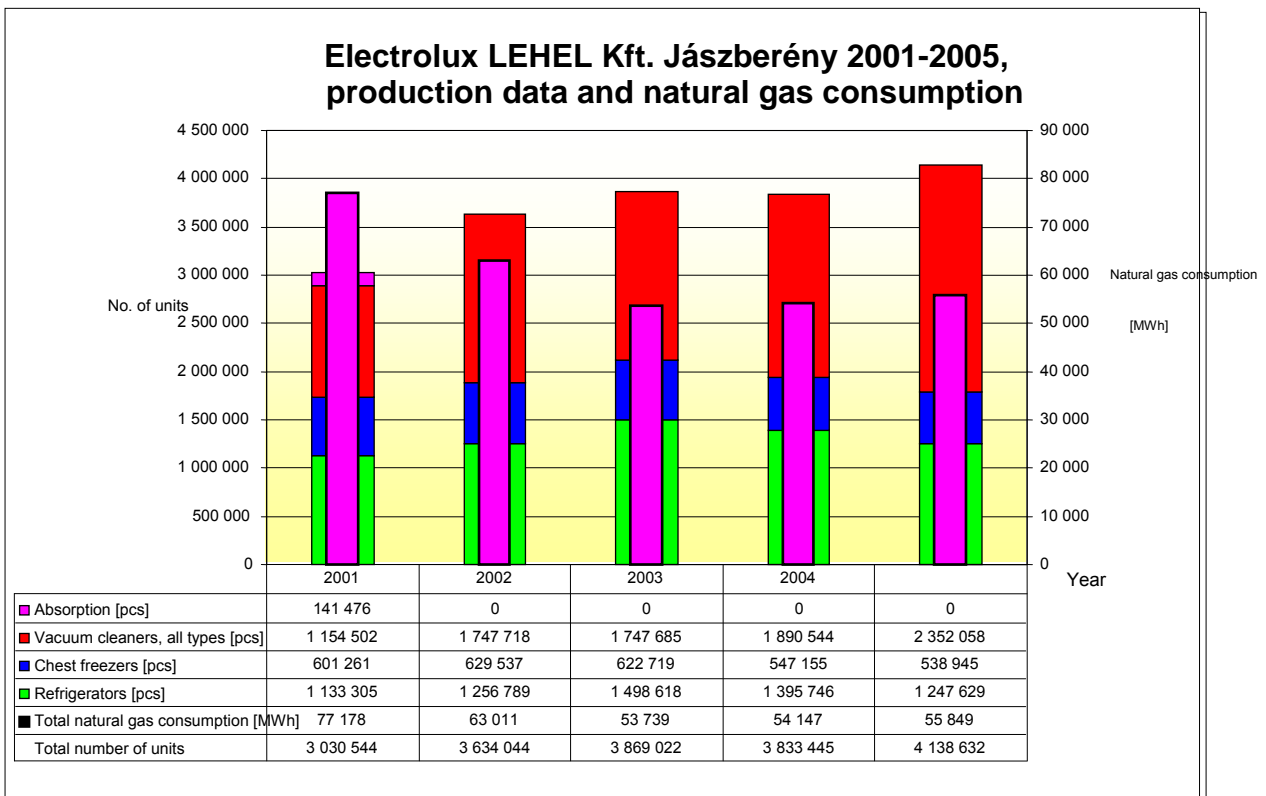


Fig. 11. - Production data and natural gas consumption at Electrolux Lehel Kft. Jászberény 2001-2005

b) Waste management

Waste management is a key element of the environmental activities at Electrolux Lehel, as different wastes are produced during production, from packaging materials used and in other phases of the product life cycle.

Hazardous wastes

The following data show the improvement in the management of hazardous wastes originating from production. We can see from the diagram that although the production quantity has increased over time, the quantity of hazardous wastes has decreased at the same time. The absolute reduction in the volume of hazardous wastes has been achieved by innovations that led to a decrease of hazardous material use. In spite of the specific growth of disposal costs of hazardous wastes, it was possible to decrease the overall waste disposal costs, which favourably influenced both the competitiveness and the environmental impact of the products.

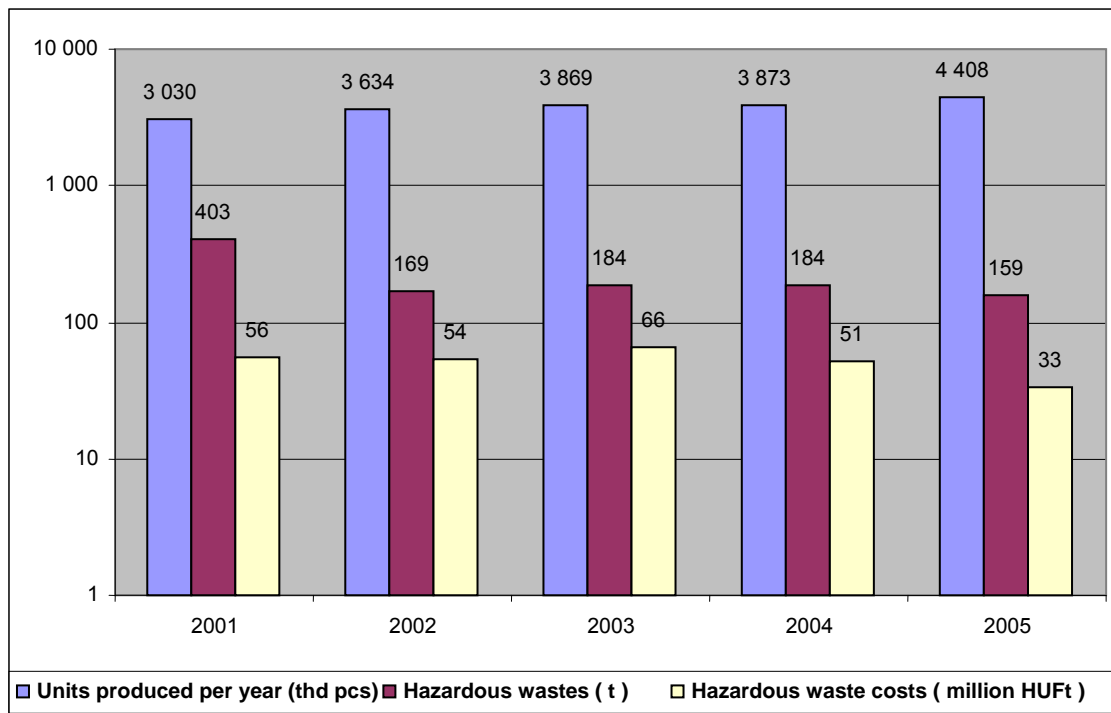


Fig. 12. – Hazardous wastes at Electrolux Lehel

To prevent the rise of hazardous wastes, Electrolux makes efforts already at the product design phase, in connection with the EU legislation. The European Union Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment, known as the RoHS Directive, has been implemented in the national legislation of the EU Member States. As of July 1, 2006, the Directive will ban placement in the EU market of electrical or

electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE), with a limited number of exceptions. Electrolux continues the comprehensive program of identifying cost-effective alternative components and manufacturing methods to comply with the Directive. Almost all Electrolux electrical products are being modified to some extent. RoHS substances may be present in printed circuit boards, plastics, solders, connectors and cables. Together with its suppliers, the Group is in the process of phasing out RoHS substances from all these components and materials²².

Packaging waste

Electrolux Lehel has made serious efforts to decrease the negative environmental impacts caused by its packaging waste. In February 2005, the World Packaging Organization, an independent, international federation of packaging institutes, bestowed Electrolux Major Appliances Europe plant in Jászberény, Hungary with its WorldStar 2004 Award for packaging developed for chest freezers²³. The award was in recognition for a pressed cardboard packaging solution for chest freezers that is 100% recyclable and saves an estimated 977 tons of wood per year. This packaging is a modular solution for the whole chest freezer range (7 lengths). Minimal material used, 100% recyclable, energy recoverable and made with low energy consumption. The bottom is suited for assembly tray on production line. Compared to the old CF packaging: less damage during transport, more loadability, stability, less scraps on assembly line, much less (1000 tons/year) wood consumption, lower direct material cost.

c) Emissions

There is no industrial effluent discharge at Electrolux Lehel Kft. In 2005 a 25 million HUF investment took place to allow the company achieve that the communal sewage discharge meets the specified limit values. Earlier the ammonium ion concentration of the discharged water exceeded the specified limits and, therefore, the company paid a penalty of 100 to 200 000 HUF per annum (see table 5.)

²² Electrolux Annual Report, 2005

²³ <http://www.packaging-technology.com>, www.electrolux.com

Table 5

THE DEVELOPMENT OF ENVIRONMENTAL PENALTIES (HUF)

	2000	2001	2002.	2003.	2004.
AIR POLLUTION	291.000	0	0	0	0
WATER POLLUTION	291.584	118.758	275.488	167.878	243.078
HAZARDOUS WASTE	0	0	0	0	0
NOISE	0	0	0	0	0
SOIL CONTAMINATION	0	0	0	0	0

In order to reduce air pollution, the last operating painting equipment that used organic solvent was removed in 2001 by an investment of 500 million HUF, replaced by an electrostatic painting unit of 2.500.000 m²/year capacity, which satisfies the requirements of our age. This investment resulted in a drastic reduction of volatile organic compounds (VOC).

d) Eco-design

The importance of environmentally friendly design is immense, especially in refrigerator production, since the life cycle analysis of these products shows that most part of their environmental load appears during their use through the environmental impacts of energy consumption. This is followed by a potential pollution at the time of their disposal.

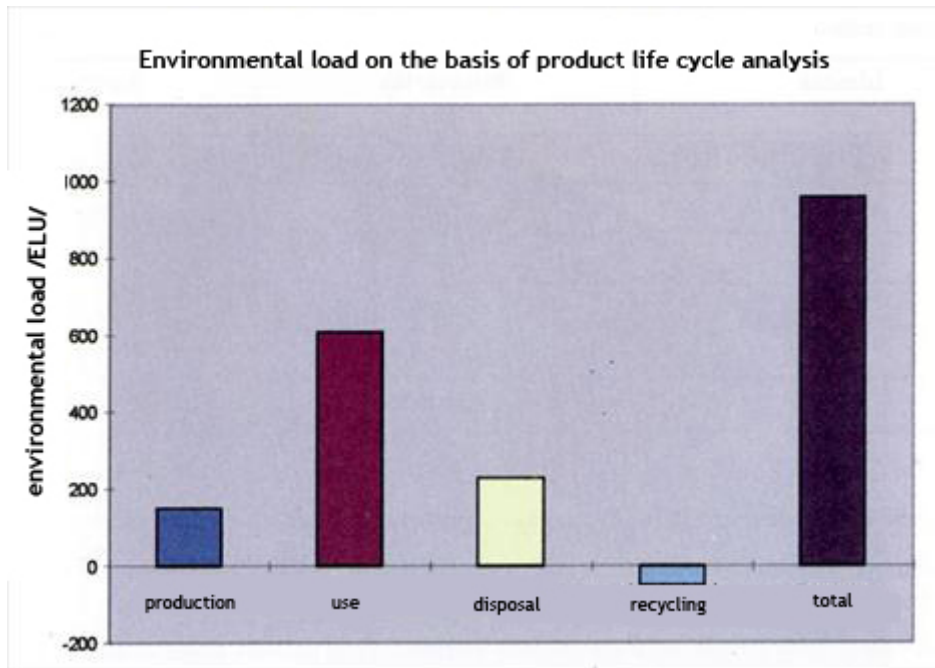


Fig. 13. – Environmental load on the basis of product life cycle analysis²⁴

Development efforts, therefore, concentrate on decreasing the energy consumption of refrigerators and achieving a CFC-free product.

The outstanding results of development are well illustrated by the following diagram, showing the decrease of power consumption.

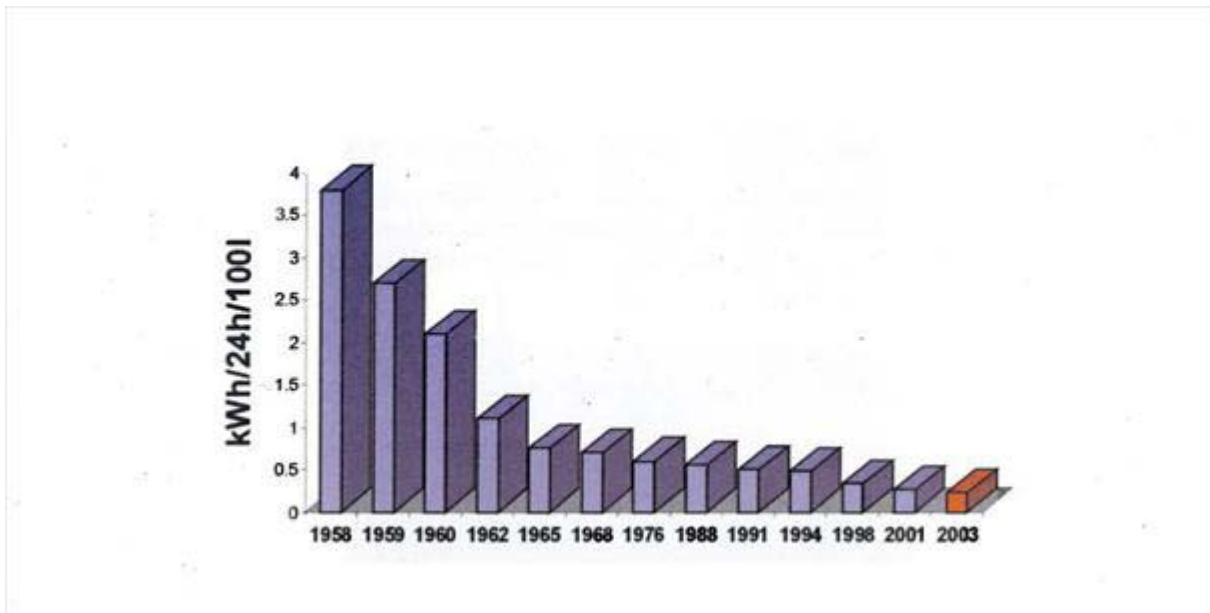


Fig. 14. – Energy consumption 1958-2003, 160 l LEHEL refrigerator²⁵

²⁴ "Lehel is 50 years old". Jubilee publication

²⁵ "Lehel is 50 years old", Jubilee publication

Electrolux Lehel Kft. has many environment-friendly products that received the official Hungarian eco-label. On 11th July, 2006, Electrolux had altogether 29 products with the official eco-label out of the total 363²⁶. It means that almost the 10% of all the Hungarian official eco-products are manufactured by Eletrolux:



Table 6

household coolers and freezers	Altogether 3 types ZLKI 261, ZLKI 262, ZLKI 302
household coolers and freezers	Altogether 11 types RB70I, FB50I, ZLFI 230, TTI160C, 200CI, 250CI, TTI150****, 190****I, 240****I, TTI120F, ZLKI301
household coolers and freezers	Altogether 2 types ZLKI 351, ZLKI 352
household coolers and freezers	Altogether 4 types CT235, CT280, A and B energy class
chest freezers	Altogether 6 types BMI 230, BMI265, BMI390 standard type, B energy class, the following model numbers: ECM 2258, ECM2240, ECM 2658, ECM2640, ECM 3858, ECM 3840
chest freezers	Altogether 3 types BMI 230, BMI265, BMI390, A energy class

Refrigerators that are entitled to show the „environment-friendly product” label should meet the following ecological criteria²⁷:

Primary criteria:

- reduced environmental harms and risks related to energy consumption (global warming, acidification, use of non-renewable energy sources);

²⁶ <http://www.kornyezetbarat-termek.hu/15vh.htm>

²⁷ Környezetbarát Termék Kht.

- reduced environmental harms and risks related to the use of materials that demolish (deplete) the ozone layer (Ozone Depleting Potential=ODP) by eliminating the use of such materials;
- reduced environmental harms related to the use of materials that cause greenhouse effect (Global Warming Potential=GWP) by eliminating the use of such materials;

Other criteria:

- elimination of the use of flame-proofing materials which are harmful to the environment and health;
- reduced noise pollution;
- product design that facilitates the recycling/disposal of scrapped appliances;
- appropriate manufacturer's policy for taking back and recycling scrapped appliances;
- other criteria regarding the packaging and proper use of appliances and mark use.

With respect to the environmental impact of the products the lifetime of appliances is an important feature since products of shorter lifetime become waste sooner.

Approximately 16 million Electrolux Group products sold every year are covered by the WEE Directive. These products include large and small household appliances as well as floor-care equipment. Electrolux makes provisions for the anticipated cost of future waste on the basis of estimates of future recycling costs, discounted over anticipated product life-cycles. Assuming an average lifetime that varies between 10 and 14 years for different products, as well as a discount rate corresponding to the prevailing market interest rate, the estimated annual cost for future waste is approximately 600 million SEK at group level, in addition to the cost of historical waste. Participation in the European Recycling Platform provides the Group with access to an efficient recycling system that is expected to reduce these costs over time. Product development that enables more efficient recycling will also contribute to cost reduction. Costs related to recycling of both historical and future waste will be added to the price of products²⁸.

e) Waste and Take-back

As life cycle analysis indicates, the take-back and recycling of scrapped refrigerators are essential activities to reduce environmental impact. In 2002 56,714 units were taken back and 62,690 units were dismantled²⁹, while in 2003

²⁸ Electrolux Annual Report 2005

²⁹ 50 éves a Lehel. Jubileumi Kiadvány

70,868 units were taken back and 70,000 units dismantled. This way Electrolux intends to apply the most up-to-date methods of waste management. Extending the principles of supply chain management to waste management, it becomes possible to use wastes in their most valuable form (as a part or material). The take-back system is strongly dependent on economies of scale and information. It can be operated only with proper volumes and a consumer information system employing e-business tools. By operating this system Electrolux has made the first step towards supporting sustainable consumption, which is one of the main goals of the EU VI. Environmental Protection Action Programme. Another system development option is a shift towards the so-called flow economy where customers buy not the product (stock) but the service offered by the product (flow). Taking back a used product and possibly restoring its operational status is an important step towards flow economy, which is mostly the dream of environmentalists today.

f) Environmental policy

Electrolux Lehel Kft. built up its environment-oriented management system according to ISO 14001. It can be stated that the environmental policy of the Electrolux Group and Electrolux Lehel Kft. specifies more stringent requirements than expected on the basis of the ISO 14001 standard. They concentrate on observing environmental aspects in their product design and commit themselves to a proactive strategy anticipating legislation.

Electrolux Lehel Kft. tries to achieve that its suppliers and other business partners also act in accordance with the content of its environmental policy..

We want our products, services and production to be part of a sustainable society.

We are committed to:

Designing products to reduce their adverse environmental impact in production, use and disposal.

Reducing resource consumption, waste and pollution in our operations.

Taking a proactive approach regarding environmental legislation that affects our business.

Encouraging suppliers, subcontractors, retailers and recyclers of our products to adopt the same environmental principles as Electrolux.

Giving appropriate weight to this environmental policy when making future planning and investment decisions.

Setting targets and objectives, within the scope of the environmental management system, to achieve continual improvement and a sustainable development.

Electrolux Group Management adopted this environmental policy on September 10, 2001. Each business sector manager is responsible for implementing the policy.

The Environmental Policy was first published in April 1993 and has been updated in 1995 and 2001.

Fig. 15. – The Electrolux Group Environmental Policy

Electrolux Lehel KFT
ENVIRONMENTAL POLICY

It is our goal that our products (refrigerators and freezers, chest freezers and vacuum cleaners), services and production be part of a sustainable society.

In order to achieve the above stated goal, **Electrolux Lehel Kft** announces the following environmental policy for its operations in **Jászberény** and **Nyíregyháza**:

1. We strive to fully observe the relevant legislations and environmental regulations, for which we assume an obligation in the name of the management of the company.
2. By product and process development we continuously develop the environmental appropriateness of our products.
3. We employ state-of-the-art production technology to avoid environment pollution as much as possible and realize an efficient and sensible use of resources.
4. In order to sustain development, to reduce environment loading and to avoid environment pollution we define short-, medium and long-term programmes and goals and continuously monitor their execution.
5. We operate an effective self-control system to monitor environmental impacts.
6. We continuously develop the environmental attitude, skill and abilities of our employees.
7. We regularly provide information on the company's environmental performance.
8. We motivate our suppliers and subcontractors to follow our corporate environmental policy.

May 10, 2005 in Jászberény

János Takács
 Chief Executive Officer

Fig. 16. – Electrolux Lehel Kft. Environmental Policy

g) Environmental goals and programmes

To improve its environmental performance and to realize what is declared in its environmental policy, Electrolux Lehel worked out many environmental goals and concrete programs for its different facilities. In 2006 it has altogether 76 different programmes with a fixed deadline (between 2006 and 2009) and a person responsible for it.

The environmental goals and programmes cover the following areas:

- decreasing of energy intensity,
- decreasing of material intensity,
- decreasing the quantity of wastes,
- recycling,
- decreasing of different emissions (air, water, soil, noise etc.),
- replacement of hazardous materials,
- elimination of former pollution (oil),
- improved process management,
- occupational health and safety,
- environmental education of employees,
- improvement of working conditions.

Electrolux Lehel believes in the creativity of its employees. Their proposals are welcome, 8 different ideas proposed by the employees were realized in the environmental field, in 2004 and also in 2005.

Environmental programmes serve well-defined goals and the goals are really diverse. As an illustration, the environmental programmes of the vacuum cleaner plant are shown in Table 5 for the year 2006. It clearly shows that the programmes serve partly eco-efficiency improvement (4.5.6.), partly environment load reduction (1.2.3.7.8.), but some programmes which aim at fulfilling the EU directive and completing international agreements can also be found (9.). The environmental programmes of other plants are similarly varied, in the case of the refrigerator plant the programme includes 19 tasks, out of which 6 directly serve eco-efficiency improvement (material and energy saving), 1 serves noise reduction, 4 waste management, 1 a reduction of the emission of gasses with greenhouse effect, 1 environment safety, 1 a reduction of the use of hazardous materials, and 5 a reduction of environment load.

Table 7.

Environmental goals and programmes for the year 2006
Vacuum Cleaner Plant/Jászberény

Item	Effect	Cost centre	Work place	Programme description	Responsible
1	Air, water cleanness, protection, general purpose	DPX-40	Vacuum cleaner plant	Reduce the proportion of wet pad printing by 90% with respect to the base 2004. Simultaneously, reduce hazardous materials (paint, solvent).	László Szilágyi
2	Environment load reduction	DPX-40	Vacuum cleaner plant	Reduce the amount of loctite glue used by 25%.	PC manager Sándor Szathmári
3	Environment load reduction	DPX-40	Vacuum cleaner plant	Eliminate point source 340 by reorganising the pad printer.	Sándor Szathmári
4	Material utilisation	DPX-40	Vacuum cleaner plant	Use of impregnated or heat treated pallets for finished goods (as per ISPM 15)	Péter Kovács/ Roberto Martinez
5	Reduction of kinds of materials used	DPX-40	Vacuum cleaner plant	Review the possibility of unifying internal packaging materials (partition cardboards, packaging foils, etc.)	László Szilágyi/ Peter Kovács
6	Material utilisation	DPX-40	Vacuum cleaner plant	Further reduction of internal scraps by 5%- per annum (more careful material handling, storage)	László Szilágyi
7	Environment load reduction	DPX-40	Vacuum cleaner plant	-3 dB (A) noise reduction at the Red fox and Olivia equipment.	Ákos Lukáts
8	Environment load reduction	DPX-40	Vacuum cleaner plant	Producing a new product without dust bag (ATLAS)	Ákos Lukáts
9	Elimination of hazardous materials	DPX-40	Vacuum cleaner plant	Limit the use of certain hazardous materials in electrical and electronic equipment - „RoHS” directive These materials are as follows: LEAD (Pb); MERCURY (Hg); CADMIUM (Cd); CHROME 6 (Cr 6+); POLYBROMINATED PHENYL BENZOLS (PBB); POLYBROMINATED DIPHENYL ETHERS (PBDE)	Zoltán Konecz/Péter Kovács/ Ákos Lukáts

h) Environmental strategy and management system - a comparison to the Hungarian average

The environmental strategy of Electrolux Lehel Kft. has been evaluated on the basis of the results of an OECD survey made in 2003.³⁰ The survey used a standardized international questionnaire to collect assessable data on 467 Hungarian companies, which can be considered a big sample and, therefore, the results offer not only interesting findings and lessons but can be used as a benchmark.

The advantage of using this survey is that this way the company's strategy can be compared to national and industrial data so we can tell if the company's environmental strategy is better or worse than that of the other players of the industry. The survey was based on a voluntary response to the questionnaire, and the evaluation is realistic to the extent the responses reflect the true situation at the companies. Based on the survey referred to above, the strategies of the companies were classified in two ways: in terms of motivations influencing the strategy and in terms of proactivity of the strategy.

The companies involved in the survey could be classified into five groups in terms of the motivations of taking environmental measures:

Cluster 1: Companies under multiple pressures: those companies belong here who are under multiple pressures, i.e. the influence of each stakeholder group was considered stronger than average with respect to their environmental activities. The pressure from environmentalists is the second most important factor for them after the regulation. This is one of the groups that considered the role of local communities important, and the only one that judged the role of banks and trade associations as more than moderately importance. 90 companies of the sample belonged to this group.

Cluster 2: Companies motivated by corporate culture: Those companies belong to this group whose environmental attitude is primarily determined by internal pressures: management, owners, company headquarters and staff, channelling the company towards a higher environmental culture. In many cases the company headquarters located abroad is a key factor in shaping the strategy. Environmental protection here became an internal and independent goal, so these companies act not only under external pressures. This cluster is made up of 78 companies.

³⁰ This research was co-ordinated by Nick Johnston who worked for the OECD Environment Directorate. It covered more than 35000 producing companies in seven countries (Canada, USA, Germany, France, Norway, Japan and Hungary). In Hungary the survey was run by the Department of Environmental Economics and Technology, Corvinus University of Budapest, led by Sándor Kerekes.

Cluster 3: Regulation followers: those companies that mostly follow legislation or regulations with their environmental attitude and do not care much with other factors. This group is represented by 115 companies.

Cluster 4: Supply chain focus: they shape their environmental attitude considering feedback from customers, consumers and suppliers, and also feel the influence of environmentalist strong. From the sample 82 companies belong to this group. This is the only group that feels that consumers are moderately important. The influence of consumers is much smaller in the other clusters.

Cluster 5: Not under pressure: they do not really feel any influence of any factors. This cluster counts 67 companies.

Based on the above classification, *Electrolux Lehel belongs to the cluster of companies under multiple pressures*, which means that they attach much importance to the pressures from, and expectations of, their stakeholders even in comparison with the other companies, and their environmental strategy is mostly influenced by their complying with those. They are especially sensitive to the requirements of regulators, the corporate headquarters, customers, consumers, industrial and trade associations, environmentalists and the local community. This statement is in harmony with the company's commitment to social responsibility since considering the interests of the stakeholders including the environmentalists, local community, consumers, employees, etc. and serving them as fully as possible are in its very focus.

In the case of Electrolux Lehel Kft. one may expect that the environmental activity of the firm is imbued by the culture of the Swedish parent company. This may have been true in the beginning (see the privatization-related text in the box).

Today Electrolux Lehel Kft. is more of an Electrolux affiliate with Hungarian culture, as proved by its environmental management system.

In 1991 the State Privatization Company (ÁPV Rt) sold the Lehel Refrigerator Works. Agreement no.1500 created the Lehel-Electrolux Rt. This agreement was unique in several respects in the history of ÁPV Rt and environmental protection. This was the first privatization agreement, and the only one in 1991, which was preceded by an environmental audit (Mária Csanádi, Table 3, page 63). Although this was not the only case where the state assumed an obligation to remedy environmental damages up to the acquisition price, but this was the only one where the buyer really spent more than half of the acquisition price on the elimination of environmental damages.

At that time the Swedish owner was criticized even by the greens, claiming that applying the strict Swedish environmental regulations under the Hungarian conditions was not justified. Electrolux management held their ground and argued even with the environmental authorities. The Lehel Refrigerator Works left a catastrophic environmental legacy in spite of the fact that they had been very successful in producing white goods. At that time an appropriately strict Hungarian regulation was already in effect but there was neither intent nor money to enforce it.

However, Electrolux was serious about the rehabilitation, since they wanted to settle in Jászberény for a long time and did not want to develop an area on the top of an explosive hazardous waste heap or close to it.

**Criteria of environmental guarantees and their enforcement in 1991
for the various companies³¹**

Contract	Name	Undertaking*	Lower limit (million HUF)	Upper limit** (million HUF)	Time limit (year)	Enforce- ment (million HUF)
252	Kiskunsági ÁG	all	5	50	any time	/
496	Douwe Egberts	four guarantees in one	/	4700	5	61
1301	Autóker Holding Rt.	decision: half of the purchase price	7	500	2	/
1500	Lehel-Electrolux (A)***	up to the purchase price	/	4280	5	2500
648	Telefongyár	general	1	900	5	28
E-15/91	Mátravidéki Cukorgyárak	only decision	/	800	2	129
344	Elzett Sopron Kft. (A)	unlimited	/	/487/	3	/
230	Bp-i Likőripari Kft.	half of the purchase price	/	1025	0,5	/
136	Villanyszerelő-ipari Rt.	general	100	/1280/	3	/
338	Répcegáz Rt.	general	/	180	/	/
TOTAL					14202	2718

* If the value of guarantee was specified in a foreign tender in the contract, it was converted to HUF at the exchange rate published in the last HVG issue of the expiration year.

** If the contract does not contain a guarantee value, the table shows the purchase price in brackets provided that the purchase price is specified.

*** (A) Companies where formal environmental audit took place.

³¹ Mária Csanádi: environmental guarantees in the privatization process (published by the GJW-CONSULTATIO consortium by order from ÁPV Rt in 1999, page 63.)

As for the quality and up-to-dateness of the corporate environmental strategy, four clusters could be identified:

The **leaders** represent a high level in all respects of the environmental agenda: they could reduce the pollution per unit of product in many areas, they have a high-level environmental management system, they control a wide spectrum of the environmental impacts of their operation, and by taking measures they try to improve their environmental performance. The companies that belong to this cluster could reduce the pollution per unit of product in almost all areas. 61% of them took some measures to reduce pollution of global effect, while in the other clusters only 4 to 15% of the company did this. By far the highest proportion of these companies employ modern management tools (eco-design, eco-controlling, etc.) and they are leading in the use of comparative analysis with respect to environmental performance (benchmarking). The proportion of facilities with environmental research and development is also the highest in this group.

The **laggers** are behind the average of all the companies in all respects. Only every second could reduce the pollution per unit of product in at least one area. They typically employ only one or two of the environmental management tools, and on the average they control three environmental impacts and take measures on two areas. Only 4% is dealing with their pollution of global effect, and only 29% took some measures with respect to accident risks as opposed to the companies of other clusters, where this proportion is 69 to 86%.

The **system lovers** shine through with the high standard of their environmental management system but they are just as good in terms of control or measures. They have reduced their pollution per unit of product in multiple areas. External and internal environmental audits are used and training programmes initiated by the most companies in this cluster. These are prerequisites of standardized systems. Apart from the leaders, the proportion of facilities with environmental R&D budget is the highest here.

The **actors** are remarkable for their low level of environmental management. They do not try to build up a comprehensive system but take a lot of environmental measures and check their environmental impacts. This action-orientation frequently implies an attitude of handling problems after they arise, hurried, unmethodical, in a fire fighting manner.

From the above Electrolux Lehel belongs to the cluster of leaders. Their environmental strategy is on of the best even at national level. They have a high-level environment-oriented management system (ISO 14001), they have taken environmental measures in multiple areas and, as a result, the environmental load per unit of product decreased. The measures cover the use of natural resources (energy-efficient refrigerators), solid wastes (refrigerator take-back,

packaging development), effluent discharge, air pollutants (the use of solvent-free paints), pollution of global effect (freon-free refrigerators), aesthetic effects (brownfield investment), soil contamination and accident risks.

Industrial comparison:

In 2003, 53 companies belonging to the "other machines and equipment" industry responded, including Electrolux. For the above classification of strategies 44 companies provided usable answer. Out of the 44 companies only 7 is among the leaders, and from the big companies (with a headcount over 500) only two. This means that apart from Electrolux Lehel Kft there is only one more responding company which can be classified to be among the best. This justifies the statement that within this industry Electrolux Lehel is an outstanding and trend-setting company with respect to environmental strategy. Within this industry 12 responding companies had obtained an ISO 14001 certification , including Electrolux Lehel.

Table 8

Clusters by environmental strategies within this industry

	Number of employees	<100	100-249	250-500	500<	Total
Clusters by environmental strategies	System lovers	2	5	3	3	13
	Actors	2	5	1	2	10
	Leaders	1	3	1	2	7
	Laggers	2	8	4		14
Total		7	21	9	7	44

i) Relation between business and environmental performance

Most probably those companies can undertake a positive strategy that goes beyond a simple compliance with regulations, whose profitability is favourable and has a growing market. Companies with profitable but stagnating market must fight for their survival since every company strives to grow and on a stagnating market this is possible only at the expense of each other. This may lead to living up resources and postponing environmental measures which are necessary but offer results only on the long run. This is why it is important also to analyse business and environmental performance together. The following matrix tries to illustrate this point:

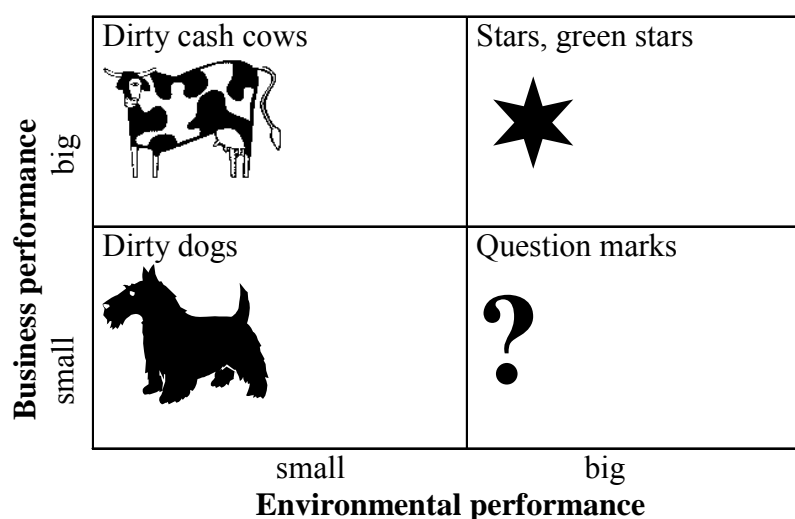


Fig. 17. – Matrix of environmental and business performances of corporations

According to a 2003 OECD survey, the green stars with excellent environmental and business performance can be found mostly among the companies with growing market and appropriate profitability. Among the profitable companies with stagnating market there are a lot of „dirty cash cows”, i.e. companies which skim profit but sometimes are forced to cut necessary costs and frequently take only firefighting type of measures in environmental protection without having a comprehensive and systematic management system. The corporate management system and the environmental performance of question marks in general are similar that of the stars but their they are not that successful in business terms: it is likely that this cluster contains the rising and falling companies. Finally, the performance of dirty dogs is below expectations both in terms of business and environmental protection.

In the above matrix *Electrolux Lehel* again may be classified in the stars, green stars group since its environmental performance is excellent plus it is profitable and can pride itself of having a growing market. In comparison with the industrial average, its environmental management system is well developed, it has taken measures in multiple areas and as a result the amount of environmental load per unit of product has decreased in the use of natural resources, effluent discharge, air pollution, soil contamination and accident risks. It seems that its business and environmental performance mutually support each other.

Table 9

Industrial environmental strategies

	Frequency	Percentage
Stars, green stars	16	37%
Dirty cash cows	17	40%
Question marks	1	2%
Dirty dogs	9	21%
Respondents total	43	100,0

The cluster analysis that served as a basis for the above categorization has been made along multiple dimensions out of which dimension-pairs has been selected for convenience of illustration to show the position of Electrolux Lehel Kft. Due to this simplification the figures only show only the approximate position of the companies among the other companies.

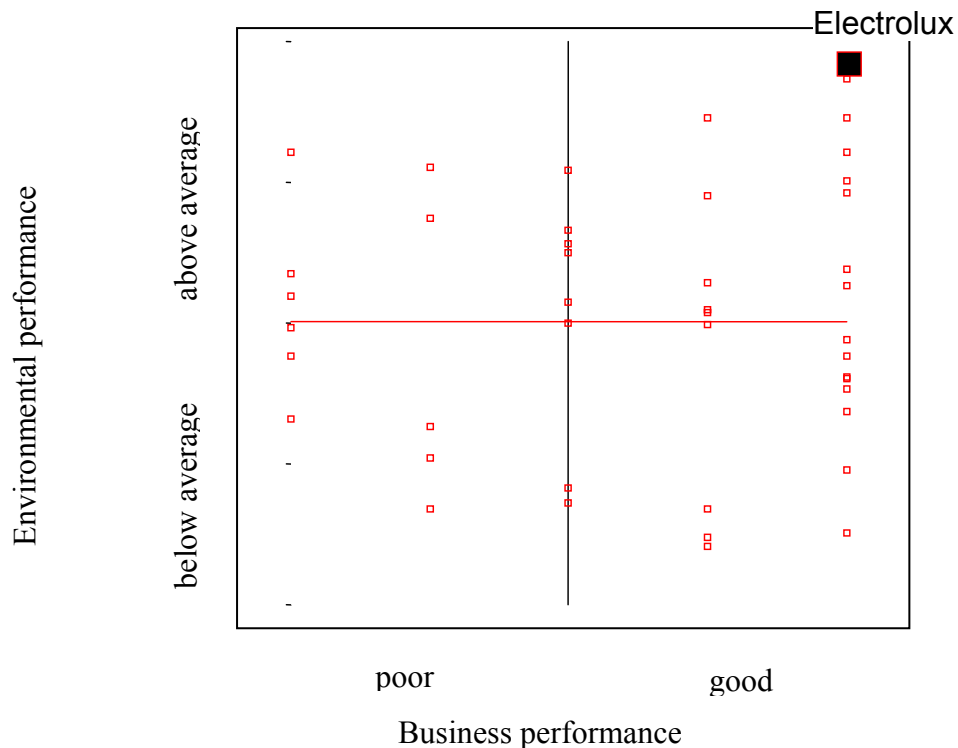
Environmental and business performance in the industry

Fig. 18. – Environmental and business performances in the industry

Corporations of the industry from the point of view of perceived environmental impacts and the quality of the environmental management system

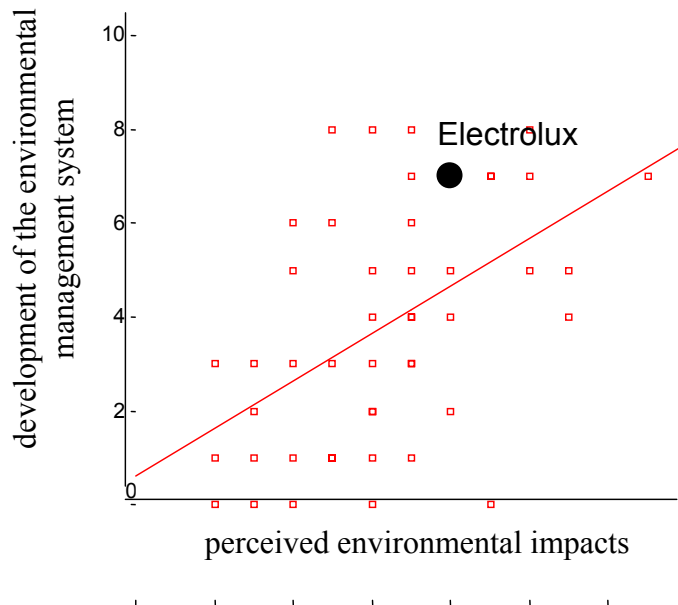


Fig. 19. – Corporations of the industry from the point of view of perceived environmental impacts and the quality of the environmental management system

The bigger the potential environmental effects of a company, the more developed environmental management systems it needs to control the expected impacts. The level of development of an environmental management system, therefore, can be judged only with respect to the impacts. From this aspect, Electrolux Lehel again belongs to the group of „good” since it operates a high-level environmental management system even in view of its impacts.

Sensitivity of the industry to the pressure of stakeholders

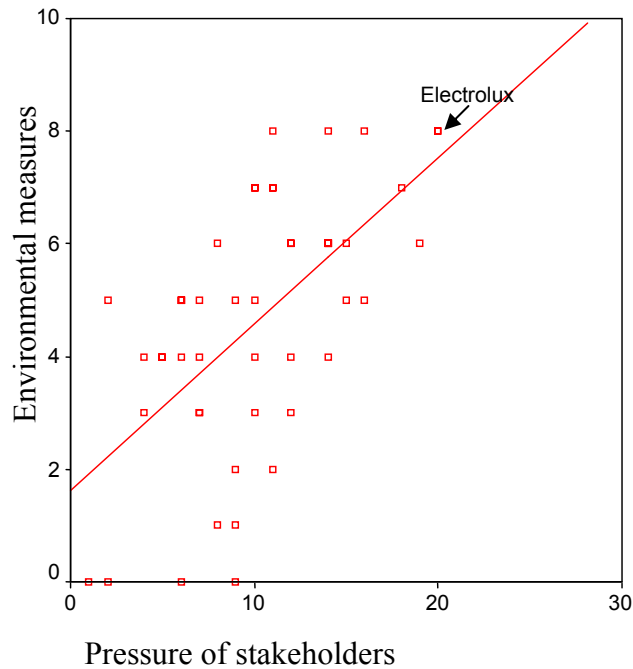


Fig. 20. – Sensitivity of the industry to the pressure of stakeholders

For the most companies it is true that the stronger they feel the pressures of stakeholders - authorities, environmentalists, owners, corporate headquarters, local residents and other stakeholders –, the more inclined they are to do things in the interest of environmental protection. Each dot in the figure represents a company within the industry. The straight line shows the average industrial reaction that corresponds to the pressure of stakeholders in terms of how many areas the companies took environmental measures with respect to pressures sensed from the stakeholders.

In comparison with other companies of the industry, **Electrolux Lehel Kft.** deems the pressure of its stakeholders significant but even with respect to this it takes environmental measures in many areas, i.e. it is more sensitive than the average to the needs of the stakeholders. This kind of sensitivity and responsiveness are good indicators of its social responsibility.

The following diagrams show a comparison between Electrolux and the average of the Hungarian manufacturing industry concerning environmental practices and motivations. Dark green bars show the tools employed by Electrolux Lehel Kft. The length of bars shows the Hungarian average. Unfortunately there are two tools, which are quite widely used internationally (i.e. environmental accounting and motivating the employees for better environmental performance), are still to be implemented at Electrolux Lehel Kft.

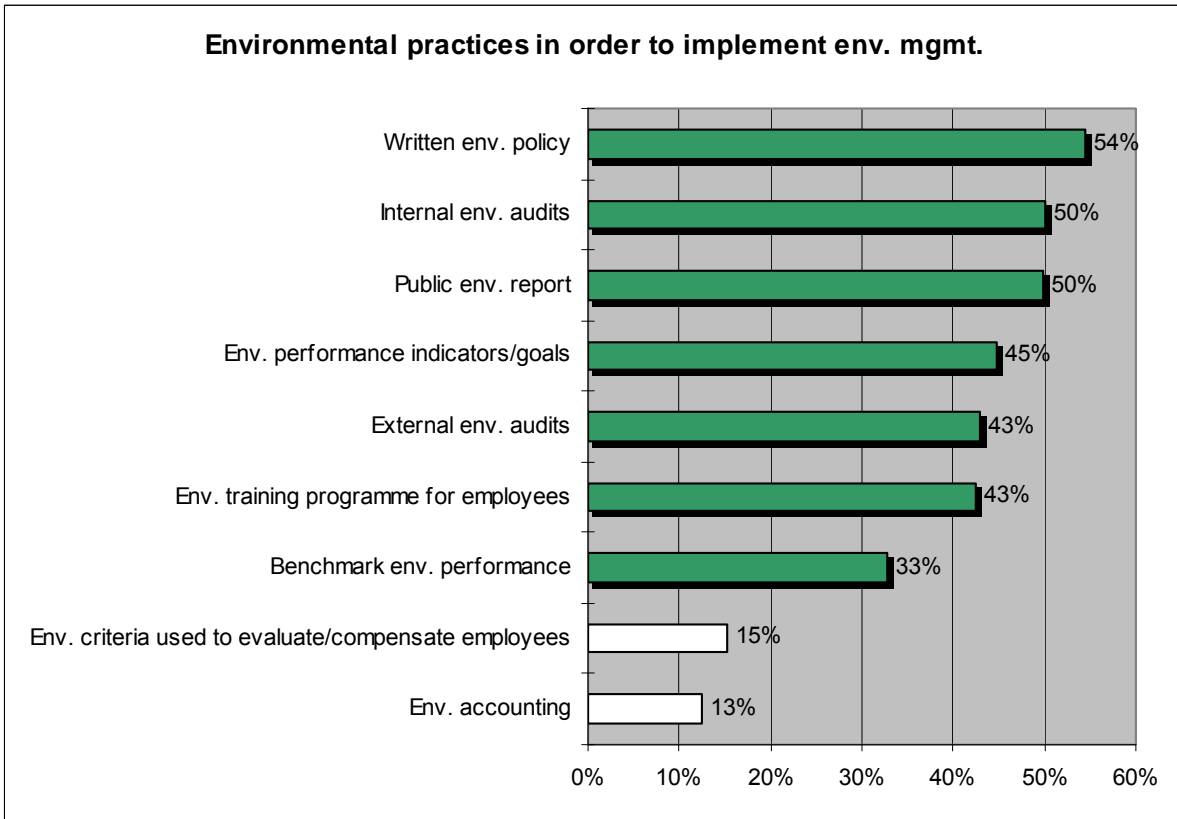


Fig. 21. – Environmental practices in order to implement environmental management

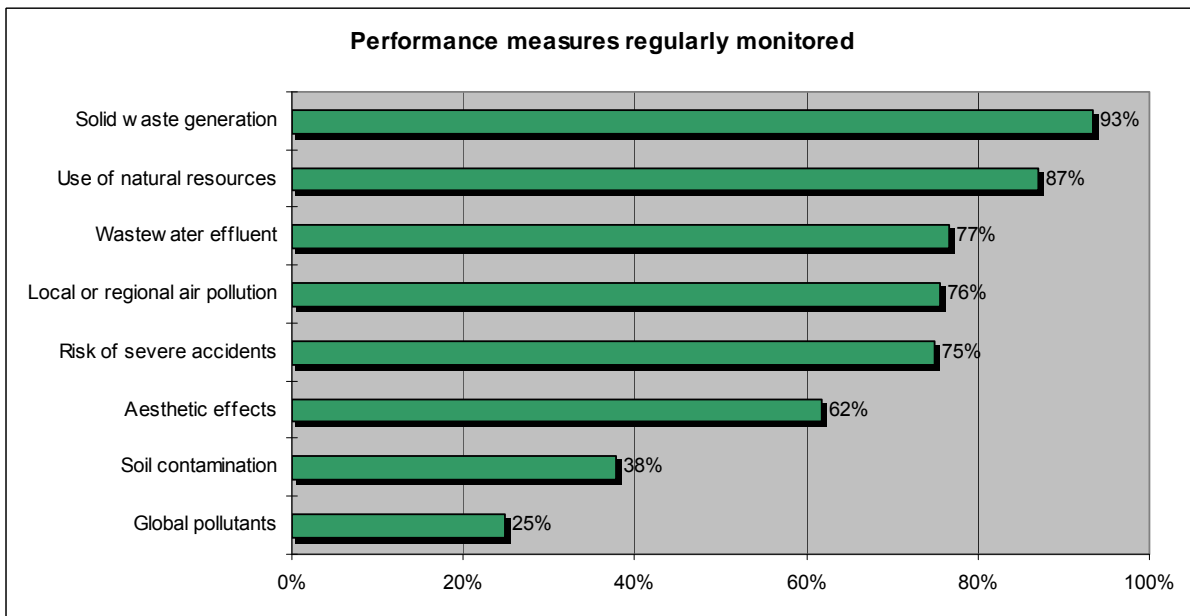


Fig. 22. – Performance measures regularly monitored

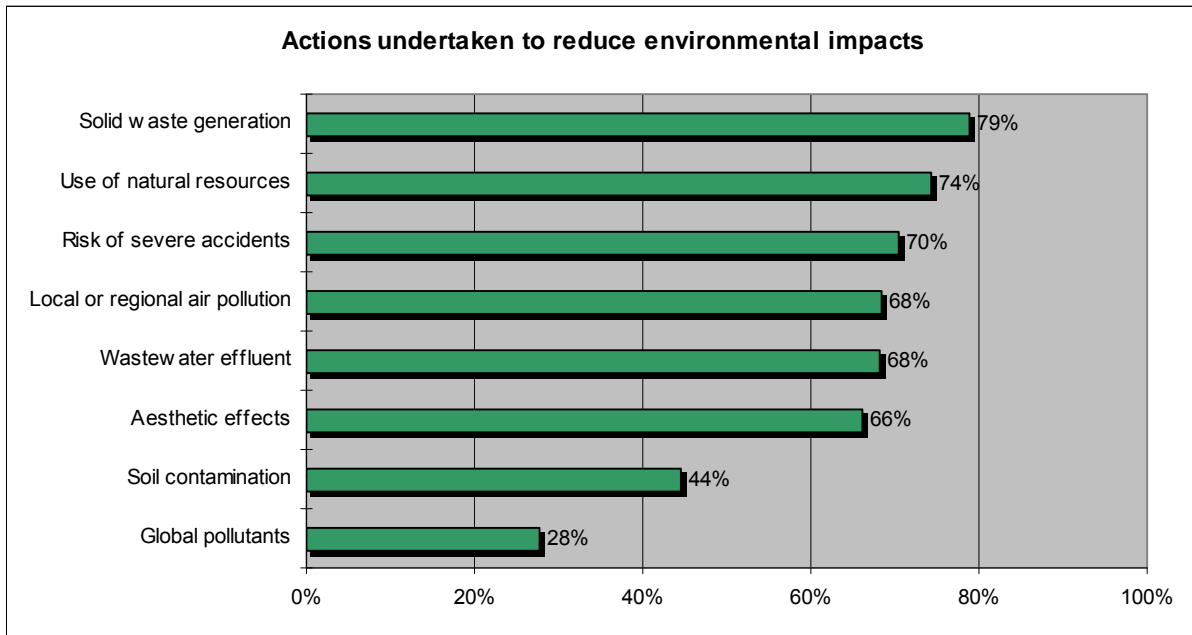


Fig. 23. – Actions undertaken to reduce environmental impacts

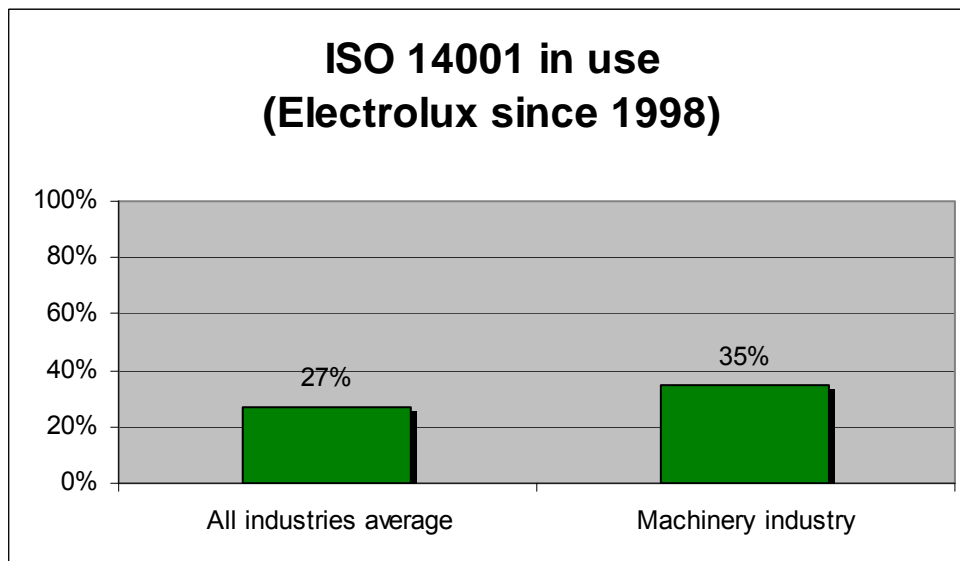


Fig. 24. – ISO 14001 in use

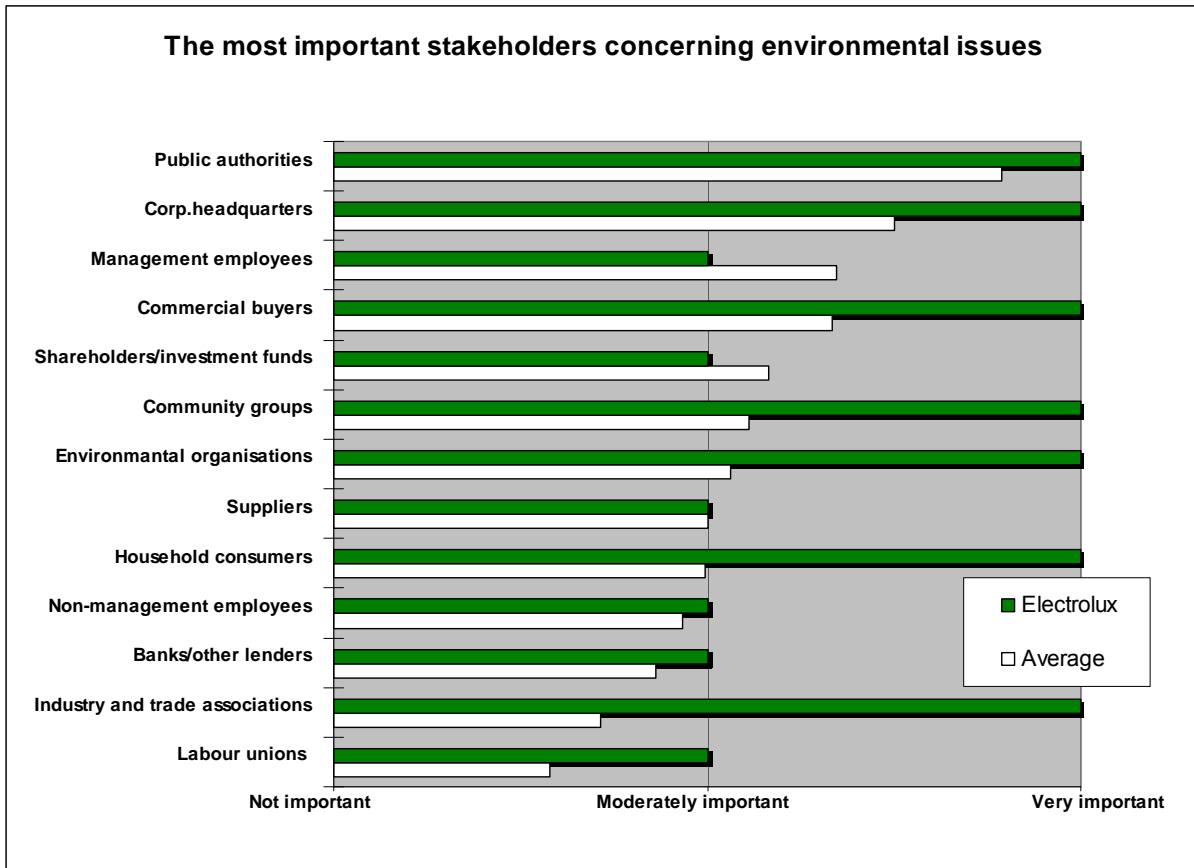


Fig. 25. – The most important stakeholders concerning environmental issues

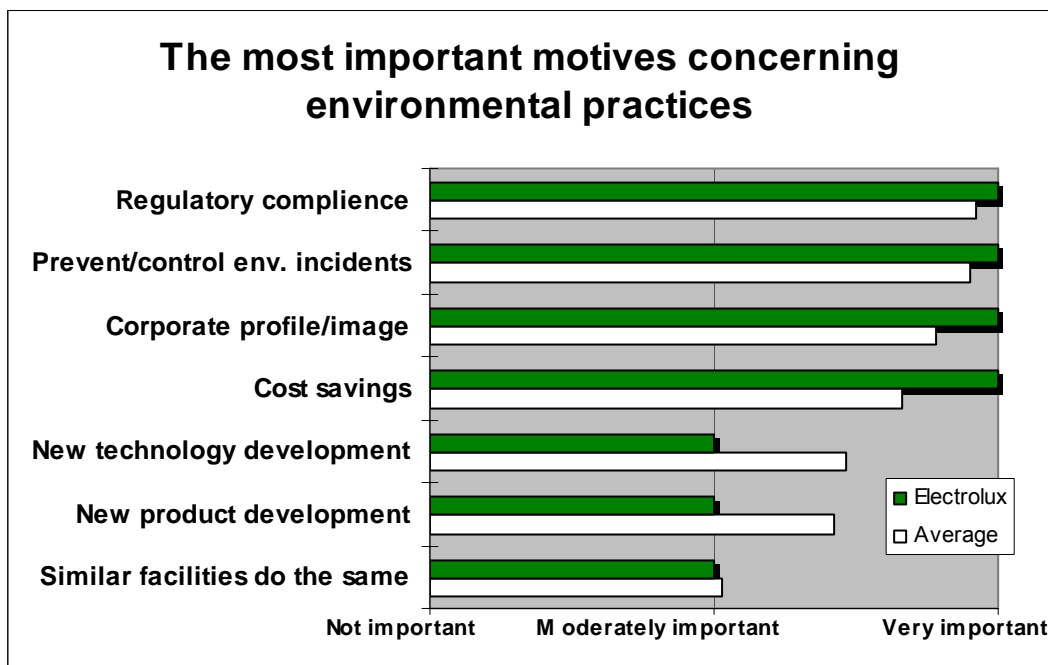


Fig. 26. – The most important motives concerning environmental practices

Based on the above figures we can state that Electrolux Lehel Kft. employs most of the environmental management tools investigated and deems environmental

protection more important than the Hungarian average. Consequently Electrolux Lehel Kft. can be considered a benchmark in Hungary in the field of environmental protection. There are only two dimensions where Electrolux Lehel Kft. is worse than average, i.e. the priority of product and process development, what can be explained perhaps by the fact that these development departments has started to move to Hungary only recently. However, the appearance of these differences can be interpreted as a favourable sign of the reliability of the survey and the generally very positive environmental performance.

2. External dimensions

2.1. Local communities

The biggest taxpayer and an important sponsor of the North-Plain Region

In 2005, Electrolux in Hungary paid HUF 5 billion in local and corporate income tax. During the last 10 years the company's contribution to taxes was HUF 32 billion. As in other emerging markets, Electrolux in Hungary is sharing know-how about resource efficiency in manufacturing and product development through world-class manufacturing facilities and technical and management training. Between 1991 and 2000 Electrolux conducted one of the biggest environmental remediation programs in Hungary and continuously monitors and improves the environmental conditions in and around the factory.

Electrolux is present in Hungary from 1991 and invested HUF 65 billion. Among companies which are present in Hungary, Electrolux ranked 49 in value added, 22 in employment, 18 in equity and it was the 16th biggest exporter.

Today Electrolux Lehel Kft. is one of the biggest industrial companies in Hungary and as such has a decisive role in the country's economy. In the list of the TOP 200 manufacturing companies, published by the business journal Figyelő, Electrolux ranks No. 6 - based on Net Sales Income.³²

Electrolux Lehel Kft. is the biggest employer and taxpayer of the North-Plain Region. Only in the year 2005 the company paid HUF 750 million local tax and more than HUF 4 billion central tax. Over the past 10 years Electrolux steadily ranks as the first in the list of the 50 most important companies in Jász – Nagykun – Szolnok County³³.

The local tax paid by the company represents about 5% of the total income of Jászberény town, or half the total amount of local tax paid by companies to the city³⁴.

The additional investments of Electrolux help to create new jobs and increase the tax income of the concerned municipalities in Hungary:

³² Hungarian European Business Council report.

³³ Hungarian European Business Council report.

³⁴ Municipality of Jászberény

Electrolux - The foundation stone of the factory at Nyíregyháza has been laid³⁵

"On July 16, 2003, the Group Board of Directors approved a project to build a new combi bottom freezer plant at Nyíregyháza. As a result of this 65 million euro investment, this factory is scheduled to start production on January 1, 2005. 600 people will work there and produce about 650.000 units in the first year.

"In my eyes I see 65 million euros, 600 satisfied people who will work here, millions of satisfied consumers who will buy the products to be produced here, satisfied investors, satisfied local governments with lower social expenditure and higher tax revenues, and a government satisfied because this project could be realized here." - said Csaba László, Minister of Finance.

Partnerships with communities, sponsoring of local sports and cultural events, donations to charitable activities

Partnerships with local communities include supporting cultural and educational institutions, providing amenities for children, and supporting educational institutions and alliances.

In the case of Electrolux Lehel, the evaluation of this area of CSR is complex. One of the most reputable 'socialist' companies up to 1990, the firm had a long list of social engagements toward several types of institutions, and the inhabitants of Jászberény still have nostalgia for the "Lehel Past".

With this heritage Electrolux was confronted with two challenges:

- to be competitive in the rapidly changing market environment, it was not possible to spend a lot of management attention and – inefficiently used – resources in areas outside the core business of Electrolux Lehel. Therefore it was necessary, although not always well accepted by the inhabitants of Jászberény, to transfer "social assets" step by step to the City. Between 1992 and 2003, sports facilities (sports hall, swimming pool), children facilities (Maci and Gólya nursery schools), and the zoological and botanical garden.

Electrolux did this without getting significant payments and did it in a well organized timing not to overstretch the limited financial and management resources of the community.

³⁵ Source: Jászkürt 2004/4. – Tibor Szántai
<http://www.jaszbereny.hu/modules.php?name=News&file=article&thold=-1&mode=flat&order=1&sid=49#2>.

- On the other side, Electrolux Lehel redefined its contribution regarding social partnership. Instead of managing own “social assets”, it became more and more an active sponsor in the classical areas of sponsorship, like:

- education;
- culture; and
- partly also sports

and became also a very active partner of the community, supporting it in a well co-ordinated way in areas like:

- financing investments like children playgrounds or
- organizing and financing a significant number of sports and cultural events

In 2005 the financial amount of sponsorship at Electrolux Lehel was near to HUF 50 million, more than 50% of which was linked to the support of different specialized schools.

Subsidies from the vocational training contribution fund in 2005:

Vocational training schools	19 000 000
High educational institutes	7 700 000

Subsidies in 2005

Lehel Sport Kht.	5 000 000
Electrolux Cup Show-jumping Riding Competition	3 500 000
Other (foundations, product sponsoring)	3 500 000
Jászberény Town Protecting and Planning Association	3 000 000
Jászberény Local Government– playground construction	3 000 000
Jászberény Maci Foundation Nursery School	1 650 000
Zagyvarékas Equestrian Sports Club	1 500 000
Jászberény Local Government Sports Committee	650 000
Other sports supports (runners, dragon boat)	500 000
Cultural Foundation for the Jász Museum	300 000

For the size of Electrolux Lehel and compared to the contribution of other companies in Hungary like Magyar Telekom, E.ON Hungary, MOL, OTP,

MKB, we think the area of social partnership and sponsorship shows a mixed picture:

- The transfer from “managing and financing social assets” to giving target oriented financial support as sponsor and partner was very successful
- Regarding the size of this support we still see significant reserves. The indicator of 1% of the net result – which would mean for Electrolux Lehel about HUF 100 to 200 million per year – should give a good orientation. We also think that a more focused social sponsorship supporting the brand image of Electrolux Lehel would make a lot of sense.

2.2. Business partners, suppliers and consumers

Product and service quality for consumers

*Electrolux is the supplier of the year*³⁶

„...Euronics Hungary Kft granted the "Supplier of the Year" title to Electrolux in honour of their performance in 2005.

The Hungarian Euronics retail chain, which currently has 138 outlets in 86 towns of Hungary, has elected Electrolux the best household appliance supplier of the year. **In the course of evaluation individual suppliers were qualified on the basis of such complex aspects like brand profit performance, price-value ratio, logistics, timeliness of supply, easy marketability of the product, new special products and their proportion within the range, aesthetics, marketing support of the brands and, last but not least, after sales services.**

...

"We are proud that after the European Euronics award granted to the Electrolux Group in 2004, as a domestic continuation of the international initiative, now Electrolux Household Appliances Hungary independently deserved the Best Supplier of the Year 2005 award" – said Zsolt Belényesi, head of the Electrolux Hungarian Sales Division."

³⁶ <http://www.uno.hu/news/story/211347>

*Innovation Award of the Hungarian Chamber of Commerce and Industry*³⁷

„This year Electrolux Lehel Kft. deserved the 2005 Innovation Prize of the Hungarian Chamber of Commerce and Industry. 38 bids describing significant innovation performances were submitted to the invitation to bid for the XIVth Hungarian Innovation Prize announced by the Hungarian Innovation Foundation.. ...

The judges evaluated the bids on the basis of the following aspects:

- originality, novelty, innovativeness
- extra profit or extra sales revenue and other advantages achieved in the given year
- **social usefulness (e.g. environmental protection, job creation, employing domestic suppliers, customer benefits, etc.)"**

Eco-labels

Electrolux has a lot of environment-friendly products, many of them have received the official Hungarian eco-label. On 11th July, 2006, Electrolux had altogether 29 products with the official eco-label out of the total 363. It means that almost 10% of all the Hungarian official eco-products are manufactured by Electrolux³⁸ (see table 6 for details).

Innovations and awards

Electrolux is taking serious efforts to reduce its negative environmental impacts. These efforts have been recognised by independent organisations as well:

World Packaging Organisation

2004 Worldstar packaging competition award winners³⁹

„Transport Packaging for Chest freezers

This packaging is a modular solution for the whole chest freezer range (7 lengths). Minimal material used, 100% recyclable, energy recoverable and made with low energy consumption. The bottom is suited for assembly tray on the production line. Compared to the old CF packaging: less damage during transport, more loadability, stability, less scraps on assembly line, much less (1000 tons/year) wood consumption, lower direct material cost. (Entry#: 839, National competition: Hungaropack, 2004, Hungary).

³⁷ Hungarian Chamber of Commerce and Industry

³⁸ <http://www.kornyezetbarat-termek.hu/15vh.htm>

³⁹ <http://www.packaging-technology.com>

Electrolux Hungary awarded for recycling solution⁴⁰

In February 2005, the World Packaging Organization, an independent, international federation of packaging institutes, bestowed Electrolux Major Appliances Europe plant in Jászberény, Hungary with its WorldStar 2004 Award for packaging developed for chest freezers. The award was in recognition for a pressed cardboard packaging solution for chest freezers that is 100% recyclable and saves an estimated 977 tons of wood per year.

Electrolux supply chain/logistics strategy enabled local SMEs fast top line growth

In the life of those industrial companies which focus on assembly production, the suppliers play a strategic role. In Electrolux Hungary, the cost of raw material is above 70 % of the total product cost.

After the Electrolux acquisition a learning process was started because the supplier selection and their quality audit were not really based on the best practice. The Swedish counterpart provided professional support and in 1993 the company developed and introduced a new system of Supplier Evaluation and Selection. The following major objectives were set to develop the supplier relationship.

- Short contracting period
- Work closely with suppliers for joint value creation through cost reductions and accelerated product innovations.
- Focus on total cost
- Integration to the European supplier network
- Reduce price continuously and improve cost efficiency
- Reduce number of suppliers, increase complexity
- Reduce inventory level
- Quality audit system

According to the above-mentioned objectives by 1998, there were less than 200 suppliers out of which 20 provided more than 75% of the total procurement value.

⁴⁰ www.electrolux.com

Table 10

**THE 15 BIGGEST SUPPLIERS OF ELECTROLUX
REFRIGERATOR AND CHEST FREEZER PLANT
IN HUNGARY**

	SUPPLIER	TO 2005 in k€
1.	JASZ PLASZTIK	12.671,60
2.	TI GROUP AUTOMOTIVE HU	9.125,70
3.	KOD	6.686,40
4.	ELASTOGRAN	6.602,50
5.	TREND	4.292,70
6.	ILPEA PROFEXT	3.874,30
7.	DUNASTYR	3.743,80
8.	METALPLASZT	2.774,50
9.	AMOND	2.408,80
10.	DWA	2.165,30
11.	H GENERAL	1.937,30
12.	ALURAD FÜTESTECHNIKAI	1.233,20
13.	HENKEL HU	1.184,80
14.	T PLASZTIK	1.125,60
15.	DELTA IDEAL	995,9

Table 11

**THE 15 BIGGEST SUPPLIERS OF ELECTROLUX
FLOORCARE PLANT IN HUNGARY**

	SUPPLIER	TO 2005 in k€
1.	Flextronics	6.437
2.	Trend	4.490
3.	Pannonplaszt	4.163
4.	Atlantas Kft	3.546
5.	Truplast	2.984
6.	Arge 2000 Kft	2.310
7.	MetálPlaszt	2.277
8.	Tiszai Vegyikombinát	2.248
9.	T-Plasztik	1.707
10.	Balaton Hungary	1.347
11.	Kód Kft	1.074
12.	Horváth Trading	991
13.	Novocoop	893
14.	Scintilla Kft	846
15.	Siroma Plaszt	777

Of course, there were some industrial specialties with the Electrolux production culture and existing Hungarian supplier companies. After the privatization the company started to outsource some activities to external suppliers and this relocation process had resulted a strong and efficient supplier basis, in which the Hungarian companies became part of the European supplier network of Electrolux. The supplied raw materials like plastic and metal products could also be used by others; therefore, some companies became the supplier not only of

Electrolux but of other companies in different sectors (Samsung, Bosch, etc). Generally these successful supplier companies are owned by former Lehel employees who could also purchase the equipment at market price and worked together with Electrolux in the development activities. That is one of the main elements of Electrolux strategic policy to conduct active and supportive purchasing processes with formal and informal tools.

In this region, the production facilities and their local supplier network altogether created extremely high economic value added, i.e. in the case of floor care it is around 80%.

Not all domestic suppliers have a success story.

„ Electrolux-Lehel Kft, Jászberény cancelled an earlier order and this drove Fémhuzal Kft., Bányaterenye into bankruptcy – claims Ferenc Ficsor, owner of Fémhuzal, who went to court (...) with a 1,4 billion HUF claim against the Jászberény affiliate of the Swedish multinational.”⁴¹

To be an Electrolux supplier has a high prestige but the quality requirements are really tough and there are no allowances even if the supplier gets into a difficult situation, albeit in its own fault.

2.3. Human rights

Although human rights are an important field of corporate social responsibility, issues like child labour etc. are mostly relevant in the third world and in the global supply chain.

In the case of Electrolux Lehel, human rights are well respected. In connection with human resource management we can see for instance that that there is no negative discrimination against ethnic minorities. Romanies account for around 10% of the total workforce (much higher than the national average) and they are accepted and respected within the Electrolux Lehel community.

⁴¹ Magyar Nemzet, Aug. 6, 2004 (the whole article can be found in Appendix 2)

„*József Ramos* is a fork-lift driver in the factory. He commutes from Jászalsószentgyörgy to Jászberény every day. Earlier he worked in this same town but in a different plant. He moved to Electrolux because his previous employer had wanted him to work in three shifts so he had frequently spent the night in the plant. They had three kids with his wife and the man far away was a burden for the family. "The two-shift working scheme of the vacuum cleaner plant is much better for us!" - says József Ramos. He adds that he is not the only Romany in the plant but there was no discrimination against them in the selection process because of their origin. Talking to several people in the plant we learnt that apart from Jászberény most people come from Jászládány, Heves, Jászárokszállás, Jászfelsőszentgyörgy, Jászkisér and Alattyán to work at the factory.”

Two shifts in the vacuum cleaner plant

Electrolux recruited labour from villages around Jászberény.

Népszabadság • Judit Doros • April 11, 2005.

Electrolux' relation to the trade unions is exemplary. While most multinationals hinder the operation of the trade unions, there is a partnership between the trade unions and management at Electrolux (see article).

„It may mitigate a lot the defencelessness of employees if their rights were represented also at government level toward the multinationals - boils down from the words of trade union leaders interviewed by the daily Magyar Nemzet (Hungarian Nation). They claim that in spite of their right to union, if a multinational does not want it, there won't be trade unions there, so as a result several hundred thousand employees work without trade union representation. According to József Sáling, government help would improve the situation by, for example, supporting only companies which have collective agreements and negotiated industrial relations. – The Department of Labour promised to promote collective agreements and strengthen employment control - said József Sáling. Out of the 300-320 thousand employees of the machine industry and metallurgy 60 to 65 thousand work for multinationals. More than half have collective agreement and trade union - the paper learned from Zoltán Hódi, who mentioned Audi, Opel and Electrolux as good examples.”⁴²

Obviously this does not mean that there are no conflicts of interest. One of the most important communal developments at Electrolux Lehel was the reconstruction of the company kitchen. This investment of 150 million HUF could be a clear-cut success story. However, the higher quality meant higher prices, and in spite of the increased meal contribution (from 2000 to 4000 HUF monthly) many strive for the return to the old, low-standard but cheap system.

⁴² Magyar Nemzet – Bakonyi Ádám

2.4. Global environmental policies

Sustainability cannot always be measured at local level, as many pollutants have global effects and also the products of one facility will be used almost all over the world, resulting in the global distribution of their environmental impacts.

To participate in the international partnership to protect the ozone layer, Electrolux Lehel Kft. replaced the harmful freons R11 and R12 with cyclopentane, R134a and iso-butane. Since August 1994 Electrolux Lehel produces only refrigerators free of CFCs. This technological development has cost around HUF 500 million.

Electrolux tries to operate sustainably all over the world by improving its economic, social and environmental performance. These efforts resulted in the fact that Electrolux has been selected by independent experts as one of the 100 most sustainable companies in the world⁴³.

The Global 100 Most Sustainable Corporations in the World is a project initiated by **Corporate Knights Inc.**, with **Innovest Strategic Value Advisors Inc.**, a leading research firm specialized in analyzing “non traditional” drivers of risk and shareholder value including companies’ performance on social, environmental and strategic governance issues. Innovest was selected as the exclusive research analytical data provider for the Global 100.

Launched in 2005, the annual Global 100 is announced each year at the World Economic Forum in Davos. Among the competitors of Electrolux, only Siemens could achieve to be involved in this list.

Electrolux is responding to the climate challenge by:

- improving the products’ energy efficiency by 4% a year
- improving processes to cut energy use in manufacturing
- supporting government incentives for energy conservation
- joining voluntary industry agreements to improve energy efficiency
- communicating the importance of energy efficiency

Electrolux has long been a leader in the development of energy-efficient products. Today, almost all products sold by the European appliance industry are top energy rated. “Too many homes have appliances running on technologies

⁴³ <http://www.global100.org/what.asp> - Electrolux - Member of the Global 100 Most Sustainable Corporations in the World in 2005

developed more than a decade ago,” says Environment Affairs Vice President Henrik Sundström. “Although we continue to cut energy levels in our products, the best approach I know to cut consumption is to encourage customers to exchange models that are more than 10 years old for new, more efficient ones.” The experience of this multinational corporation is justified by Hungarian surveys which found that customers are attached to their old obsolete refrigerators and only significant innovation may persuade them to change (see article).

„Most of us deem low energy consumption important but we do not know much about the power consumption of our refrigerator and would not buy one with a special design.

Electrolux wanted to know how much we are aware of the advantages of our refrigerators and how much we utilize them, so they carried out an online survey of cooling and freezing customs. The biggest household appliance producer of the world designs and distributes appliances for the correct storage of foodstuff. From this online survey of the domestic cooling and freezing customs they learned that the consumers need these innovations.



More than four thousand respondents filled out the questionnaire posted on Nők Lapja Café (the web page of a popular Hungarian women's magazine), most of them women between 25 and 49 who live in big cities in households of 2 to 4 people.

We cling to our refrigerator

The survey showed that we really cling to our refrigerator since in our country the majority of consumers (60 percent) is willing to buy a new appliance only when the old one breaks down, and moving to a new home would not be considered a justification for replacement either.

For the customer of the third millennium, however, the proper functioning of the refrigerator is not enough. It may sound weird but people today consider their household appliances almost as partners.

Low consumption is important

As the survey proves, Electrolux perfectly sees what is on its customers mind since 91 percent of the respondents consider low power consumption important and almost all Electrolux refrigerators and combi freezers belong to energy class "A" or "A+", i.e. they are low-energy and environment-friendly. Nevertheless 74 percent could not tell the energy consumption of their appliance.

"It is interesting how much the buying behaviour of people has changed over the past couple of years. In the past, buying a refrigerator depended on much less factors. Nowadays people expect product features that serve their convenience. It is good news for us that while the price obviously remains an important aspect of buying, but not the most important anymore, and there are numerous factors ahead which are important in terms of the protection of our

environment and the convenience of use" - said András Rohrböck, head of Electrolux' Sales Division.⁴⁴

Electrolux Lehel does a lot to persuade the Hungarian consumers to use more energy-saving appliances. Obviously this is also in the business interest of the company. Experiences show that consumer values slowly but steadily keep on changing. The new energy-saving products of the company try to meet the needs reflecting this change.

„... in the case of chest coolers and freezers (...) economic power consumption and low noise level are ahead of the price in the list of factors affecting the buying decision.”⁴⁵

„According to a recent online research of Electrolux, 10 percent of the garbage produced by Europeans is made up of expired food thrown out refrigerators. (...) There are Electrolux refrigerators which offer solutions to the above problem with their features. In the new models there is a zero-degree zone, plus extra large vegetable boxes and handy special wire shelves for storing bottles.”⁴⁶

Electrolux made the preparations in time to meet the collection requirement for consumer electronics products, which specifies a take-back ratio of one third by 2008.

„In three years the manufacturer or retailer will have to take back at least one refrigerator (...) for each three sold. (...) Electrolux (...) has already worked out a recycling system which can be employed for bulky household appliances and brown goods in Hungary.”⁴⁷

⁴⁴ Nők Lapja Café, 2005. 04. 11. Chilling truths from the world of cooling

⁴⁵ Figyelő, 2004. 11. 11. (see the whole article in Appendix 2/6.)

⁴⁶ Konyha Magazin, November 2004 (see the whole article in Appendix 2/7.)

⁴⁷ Világgazdaság, 2004. 11. 17. (see the whole article in Appendix 2/8.)

Appendix 1.

Corporate social responsibility in the European framework (the framework for this study/headline)

In July 2001, the European Commission presented a Green Paper “*Promoting a European Framework for Corporate Social Responsibility*” (COM (2001) 366). The Green paper defined CSR as “*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” as they are increasingly aware that responsible behaviour leads to sustainable business success. CSR is also about managing change at company level in a socially responsible manner. This happens when a company seeks to set the trade-offs between the requirements and the needs of the various stakeholders into a balance, which is acceptable to all parties. „Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company’s competitiveness.”⁴⁸

Corporate Social Responsibility covers the following eight areas:

1. Internal dimensions

1. 1. Human Resource Management

Within a business CSR relates to quality employment, lifelong learning, information, consultation and participation of workers, equal opportunities, integration of people with disabilities, anticipation of industrial change and restructuring, better balance between work, family, and leisure, greater work force diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for employability as well as job security. Responsible recruitment practices, involving in particular non-discriminatory practices, could facilitate the recruitment of people from ethnic minorities, older workers, women and the long-term unemployed and people at disadvantage. Such practices are essential in relation to achieving the European Employment Strategy objectives of reducing unemployment, raising the employment rate, and fighting against social exclusion.

⁴⁸ European Green Paper on “*Promoting a European Framework for Corporate Social Responsibility*” (COM (2001) 366).

1.2. Health and Safety at work

Health and safety at work has traditionally been approached mainly by means of legislation and enforcement measures. Companies, governments and sector organizations are increasingly looking at additional ways of promoting health and safety, by using them as a criterion in procuring products and services from other companies and as a marketing element for promoting their products or services. These voluntary schemes can be seen as complementary to legislation and control activities by public authorities as they likewise aim at promoting a preventive culture, i.e. higher levels of occupational safety and health.

1.3. Adaptation to change

The widespread restructuring taking place in Europe raises concerns for all of the employees and other stakeholders as the closure of a factory or a heavy cut in its workforce may involve a serious economic, social or political crisis in a community. According to one study, fewer than one in four restructuring operations achieve their objectives of reducing costs, increasing productivity and improving quality and customer service as they often cause the motivation, loyalty, creativity and productivity of the employees to suffer. Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. In particular this involves seeking the participation and involvement of those affected through open information and consultation. Furthermore, restructuring needs to be well prepared by identifying major risks, calculating all the costs, both direct and indirect, associated with alternative strategies and policies, and evaluating all of the alternatives which would reduce the need for redundancies.

1.4. Management of environmental impacts and natural resources

In general, reducing the consumption of resources or reducing emissions and waste reduce environmental impact. It can also be good for the business by reducing energy and waste disposal bills and lowering input and de-pollution costs. Individual companies have found that less use can lead to increased profitability and competitiveness.

2. External dimensions

2.1. Local communities

Companies contribute to their communities, especially to local communities, by providing jobs, wages and benefits, and tax revenues. In the other way around, companies depend on the health, stability, and prosperity of the communities in which they operate. Companies also interact with the local physical environment. Some rely on a clean environment for their production or offering of services - either clean air or clean water or unclogged roads. On the other hand, business can also be responsible for a number of polluting activities: noise, light, water pollution, air pollution, contamination of soil, and the environmental problems associated with transport and waste disposal.

Many companies become involved in community causes, notably by means of *provision of additional vocational training places, assisting environmental charities, recruitment of socially excluded people, provision of child-care facilities for employees, partnerships with communities, sponsoring of local sports and cultural events or donations to charitable activities.*

2.2. Business partners, suppliers and consumers

Some large companies demonstrate corporate social responsibility by promoting entrepreneurial initiatives in the region of their location. Examples for such practices include mentoring schemes offered by large companies to start-ups and local SMEs, or assistance to smaller firms on social reporting and communication of their corporate social responsibility activities. Corporate venturing constitutes a further way for large companies to facilitate the development of new innovative enterprises. As part of their social responsibility companies are expected to provide products and services, which consumers need and want in an efficient, ethical and environmentally aware manner. Applying the principle of design for all (making products and services usable by as many people as possible including disabled consumers) is an important example of corporate social responsibility.

2.3. Human rights

Corporate social responsibility has a strong human rights dimension, particularly in relation to international operations and global supply chains. Companies face challenging questions, including how to identify where their areas of responsibility lie as distinct from those of governments, how to monitor whether their business partners are complying with their core values, and how to approach and operate in countries where human rights violations are widespread.

2.4. Global environmental policies

Through the transboundary effect of many business-related environmental problems, and their consumption of resources from across the world, companies are also actors in the global environment. They can encourage better environmental performance throughout their supply chain within the IPP (Integrated Pollution Prevention) approach and make larger use of European and international management and product-related tools. Investment and activities of the companies on the ground in third countries can have a direct impact on social and economic development in these countries.

Appendix 2. Newspaper articles

1. Világgazdaság, 12.28.2004.

4 VILÁGGAZDASÁG

Újabb Gripen ellentételezési csomag

MUNKATÁRSUNKTÓL

Újabb, valamivel több mint 150 millió svéd korona értékű ellentételezési teljesítést hagyott jóvá a honvédség új harci repülőgépeit szállító Gripen Internationalnek (GI) legutóbbi ülésén az offset programokkal foglalkozó illetékes kormányzati bizottság. A Gazdasági és Közlekedési Minisztériumban (GKM) lapunk kérdésére elmondták: a testület legutóbbi ülésén az ellentételezési bizottság nettó 9,7 millió korona beruházást hagyott jóvá a GI-nek ellentételezés-ként, amelynek értéke – a kiemelt iparágakban alkalmazott szorzószámokkal számítva – 14,5 millió korona. A beruházás – az Electrolux beszállítójaként ismert – Nolato Kft.-hez

zasi oldalról jövőre kerülhet be a programba az Electrolux nyíregyházi építkezése, amelynek részeként a cég 65 millió eurós befektetéssel épít egy új porszívógyárat a szabolcsi megyeszékhelyen. Szintén nem került még be az ellentételezési elszámolásba az autókalkatrész-összeszereléssel foglalkozó Haldex ötmillió szeptemberi beruházása, valamint a Halton Clairia befektetése, amely félmillió eurós ráfordítással létesített egy korszerű légszűrőgyártó üzemet Vecsésen. A GI képviselői a vállalat év végi tájékoztatásukon pozitívként emelték ki, hogy a programba most már kis- és középvállalkozások is be tudtak kapcsolódni, s a részt vevő cégek egyre több magyarországi beszállítóval építenek ki kapcsolatot. A svéd-brit vadászrepülőgépek megrendelések a GI egy tizenéves ellentételezési program aláírását vállalta, amelyből a legutóbbi elszámolásig nettó 937 millió korona beruházást és 1,755 millió korona áru- és szolgáltatásexportot teljesítettek.

A megrendelt 14 Gripen harci repülőgépet 2006-2007-ben szállítják le Magyarországra. A magyar Gripenek gyártása az idén ősszel kezdődött el, s az első harci repülőgép 2005. január végén gördül ki a Saab linköpingi üzeméből. Ezzel egy időben a magyar pilóták felkészítése is megkezdődik a korszerű vadászrepülőgépek használatára. A svéd fél 15 magyar pilóta felkészítését vállalta. Az első pilóták előképzése az idén nyáron már megkezdődött, hosszabb távon pedig a honvédségnél 30-40 fő kiképzését tervezik a Gripen vadászrepülőgépekre.

fűződik, amely a közelmúltban hajtott végre alaptöke-emelést. Az ellentételezési csomag másik része szolgáltatások exportja formájában valósult meg. Ennek értéke nettó 143,4 millió – szorzószámokkal együtt 200,8 millió korona. Az összeg nagyrészt az Ericsson Magyarországhoz kapcsolható, amelynek szakemberei főként külföldi megrendelésre készítenek különféle számítógépes szoftvereket.

Az újabb ellentételezési csomaggal együtt a GI a magyar kormány felé vállalt offsetprogramjának már nagyjából 40 százalékát teljesítette. Beruhá-

OFFSETCSOMAG
Forrás: VG-gyűjtés

	Nettó	Bruttó
Beruházás	9,7	14,5
Szolgáltatásexport	143,4	200,8

* Egy svéd korona = 27 forint.

2. HVG, 04.14.2004. György Heimer

nek. A keleti törekvések egyszerű indoka, hogy míg egy német Electrolux-dolgozó éves bérköltése átlagosan közel 50 ezer euró, addig éppoly termelékeny szlovák kollegája mindössze 6500 euróba kerül a cégnek.

3. Magyar Hírlap, 04.08.2004.

Porszívóban nagy hatalom

Befejeződött az Electrolux csoport áttelepítési akciója: Väster-vikből Jászberénybe települt a svéd cég porszívógyára. Ez 270 millió forintos beruházást és kétszáz új munkahelyet jelent – meg azt, hogy immár a jászberényi a kontinens legnagyobb porszívógyára.

Az Electrolux csoport számára stratégiai szempontból fontos Magyarország: a vállalat legfontosabb európai bázisa Jászberényben található, miután a västerviki porszívógyárat áttelepítették Svédországból.

Ami az üzem méreteit illeti: a dolgozók 6500 négyzetméteren, tizenhét gyártósoron 13 200 terméket szerelnek össze naponta, azaz öt másodpercenként kerül le új áru az összeszerelő szalagokról.

Az Electrolux termékvonal elnöke, Magnus Yngen a tegnapi gyárreszlegavatáson elmondta: az áttelepítésre költséghatékonysági okokból került sor, és bár egy magyar munkás mindössze nyolcadannyit keres, mint svéd kollégája, a bérek csak kis részét adják az összes költségnek, amelyek közül az anyagköltségek a legjel-

Kulcskérdés az adó

Magyarország tartósan is vonzó lehet egy külföldi befektetőnek – jelentette ki Draskovics Tibor, aki részt vett a tegnapi gyáratvón. A pénzügyminiszter szerint a kormány feladata az, hogy segítse az



Európában a jászberényi a legnagyobb porszívógyár

tősebbek. A cég egyébként szinte a teljes európai gyártóbázisát átalakította.

„A költözések összköltsége – amely Nagy-Britanniát, Olaszországot és Németországot is érintette – 220 millió svéd koronára, azaz mintegy 5,9 milliárd forintra rúgott. A magyar beruházásra most tízmillió svéd koronát (azaz csaknem 270 millió forintot) költöttünk el” – mondta lapunk kérdésére Yngen. (Ez az összeg azon-

infrastruktúra fejlesztését, és az adórendszer új alakítsa át, hogy az nagyobb teljesítményre kényeszerítse a gazdaság szereplőit – ez kell ahhoz, hogy még több beruházó válassza Magyarországot.

ban csak egy része az Electrolux magyarországi befektetéseinek: 1991 óta ötvenmilliárd forintot ruháztak be Jászberényben és Nyíregyházán.)

bb

Célországok

A jászberényi gyárban elkészült termékek 26 százalékát Németországba, 12 százalékát Franciaországba, ugyanennyit a finn háztartásokba, hat százalékát pedig Hollandiába exportálják. Ezenkívül Észak- és Dél-Amerikába, Dél-Afrikába és – versenyezve a kínai cégekkel – Ázsiába is szállítanak porszívókat. Idén az Electrolux több mint két és fél millió takarítógép eladását tervezi világszerte.

4. Top 200, 10.10.2005.

A háztartási gép-gyártó

Úgy kerül egyre nagyobb cég élére **Takács János**, az Electrolux vezérigazgatója, hogy helyben marad. Az Electrolux-csoport ugyanis tavaly bejelentette, hogy 65 millió eurós beruházással fagyasztóval kombinált hűtőszekrény-gyártó üzemet épít Nyíregyházán, az idén pedig arról döntöttek, hogy Jászberénybe telepítik a porszívógyártást a svédországi Vastervikből. Utóbbi beruházás értéke meghaladja az egymillió eurót.

A magyar Electrolux rendkívüli beruházások nélkül is dinamikusan fejlődött: 2003-ban árbevétele 17 százalékkal, 113,4 milliárd forintra nőtt az előző évi 97,2 milliárdról. „Ez a jó minőségű termékek, a megfelelő árnak köszönhető” – értékeli a sikert Takács János. „Az idén ezt túlszárnyaljuk, ha nem is ekkora mértékben, de ilyen eredmény után a szinten tartás is



jó” – vélekedik a vezérigazgató. A növekedésnek egyelőre korlátot szab, hogy a kapacitásokat teljesen kihasználják. A nyíregyházi gyárat csak 2005-ben adják át, akkortól azonban az Electrolux-csoport minden tizedik termékét nálunk állítják majd elő: a mostani 4,2 millióról 5,5 millió fölé emelkedik az itt gyártott termékek száma. A létszám 3600 főről 4400 körülire nő. A nyíregyházi gyárral hazánk lesz az Electrolux legnagyobb hűtőgépgyártó bázisa Európában, porszívót pedig kizárólag Jászberényben gyárt majd ezen a kontinensen a világ-cég.

Az Electrolux a beruházási döntések meghozatalakor több helyszínt is megvizsgál, s a gazdaságilag legkedvezőbb lesz a befutó. Magyarország a politikai és gazdasági stabilitás, a fejlett beszállítói háttér, a jól képzett és alacsony költségű munkaerő, valamint a kedvező infrastruktúra okán győzött, de sokat számított a hatóságok, köztük a nyíregyháziak segítsége is. Persze az sem mellékes, hogy az itteni vállalat hosszú évek óta jól teljesít, minőség szempontjából az egyik legjobb a csoporton belül, a szakembergárda jól képzett, s nem utolsósorban megfelelő tapasztalattal rendelkezik, hiszen nem a nyíregyházi gyár lesz az első, amelyet felépítenek. •

Eredmények

- Folyamatosan növekvő termelés
- Az itteni cég minőség szempontjából az egyik legjobb az Electrolux-csoporton belül
- Jól képzett, tapasztalt szakembergárda
- Új nagyberuházások



5. Magyar Nemzet, 08.06.2004.

6. Figyelő, 11.11.2004.

Másfél milliárdra perli a Fémhuzal az Electroluxot

HOMMER TIBOR

Elált egy korábbi megrendelésétől a jászberényi Electrolux-Lehel Kft., ami által csődbe vitte a bányaterenyei Fémhuzal Kft.-t – állítja *Ficsor Ferenc*, a Fémhuzal tulajdonosa, aki ezen véleménye miatt a Jász-Nagykun-Szolnok Megyei Bíróságon 1,4 milliárd forintos kártérítési pert kezdeményezett a svéd multinacionális cég jászberényi leányvállalata ellen.

Az eset óta már felszámolt Fémhuzal Kft. 1997 óta volt az Electrolux partnere, huzalpolcokat gyártott az Electrolux hűtőszekrényeibe. A svéd multi leánycége 1999-ben megkereste a Fémhuzalcikk Kft.-t, hogy huzalkosarakat is gyártsanak, konkrét ár- és darabmegállapodást is megjelölve a kft.-nek. A Fémhuzalcikk Kft. a közte és az Electrolux Kft. között fennálló többéves üzleti viszonyra alapozva úgy gondolta, hogy a két cég között hosszú távú együttműködés várható, melynek ideje alatt a – több száz milliós hitelből megvalósított – beruházások megtérülhetnek. A megtérülési idő tartós megrendelés esetén háromöt évre volt tehető – állítja *Ficsor Ferenc* –, ám annak elmaradása végül csődbe vitte a 80–250 főt foglalkoztató céget.

MEGÉRI. A környezetbarát minősítésnek anyagi vonzereje is van, mint például a termékdíjkezdvezmény, ami különösen a papírtérmekek esetében jelentős. „Mivel e kedvezmény csökkenti az értékesítési árat, a fogyasztók közvetett módon ugyan, de keresik a környezetbarát papírárukat” – mondja Szemán Csilla, az iparágban tevékenykedő Latorica Kft. kereskedelmi képviselője. „Ez a hatás a hűtő- és fagyasztóládák esetében is érzékelhető, itt viszont a gazdaságos energiafogyasztás és az alacsony zajszint az árnál is előbbre került a vásárlási szempontok rangsorában” – tapasztalta Fekete Zsanett, az Electrolux Lehel Kft. pr-menedzsere. Míg a magyar vásárlók inkább akkor keresik a „zöldebb” árucikkeket, ha olcsóbbak vagy költségeik

7. Konyha magazin, november 2004.



Az Electrolux felmérése szerint az évente kidobott hűtőhulladék mennyiségével majdnem 49 Empire State Building-et lehetne megtölteni.

Az Electrolux nemrég végzett online kutatása szerint az európaiak szemetének 10 százalékát a hűtőből kidobott lejárt élelmiszerek teszik ki. Hat európai ország adatai azt mutatták hogy a háztartások 63 százalékában hetente átlagosan 7,5 liter hulladék származik a hűtőkből.

Ennel okait főleg az ételek tárolásában és vásárlásában találjuk. Az Electrolux kutatása szerint az esetek túlnyomó részében gyakran vásárolunk olyan élelmiszereket, melyből még van otthon, csak nem emlékszünk rá. Ráadásul az időhiány miatt gyakran szinte csak bedobáljuk a hűtőbe a vásárolt termékeket mindenféle rendszerezés nélkül, így nem csoda, ha elfelejtjük, hogy mi található készülékünkben. A felmérés eredménye ösztönözte, az Electroluxot hogy konkrét megoldásokat találjon a hűtőszekrénybeli rendszerezésére.

Már léteznek olyan Electrolux hűtőszekrények, melyeknek felszereltsége a fenti problémára kínál megoldást. Ilyenek: a legújabb típusokban

található nulla fokos zóna, az extra méretű zöldségtároló rekeszek, valamint a biztonságos és kimondottan az üvegek tárolására kialakított, praktikus rácspolcok.

A professzionális készülékek között található a Cyberfridge, egy intelligens hűtőszekrény, mely regisztrálja hűtőterének tartalmát és naplót vezet arról, hogy mi fogyott ki, vagy minek járt le a szavatossága. Elképzelhető, hogy e technológiával a mindennapi fogyasztók is hamarosan találkozhatnak készülékeikben.

Az Electrolux folyamatosan ötleteket ad fogyasztóinak, hogy miképpen csökkenthetik a hűtőből származó hulladék mennyiségét. Ha tanácsainkat alaposan átolvassa, majd négy hónapon át tartó sorozatunk összes kérdésére helyesen válaszol Electrolux kombinált hűtőszekrényt nyerhet. Az első tíz hibátlan megoldást beküldőt **Electrolux köténnyel és edényfogóval**, valamint az **Élelmiszerekkel szakszerűen** című kiadvánnyal jutalmazzuk.

HŪTŐSZEKRENY

8. Világ gazdaság, 11.17.2004.

E-hulladékot gyűjtő cégek

Az elektronikus eszközök egyharmadát kötelező lesz visszavenni

VG-ÖSSZEFOGLALÓ

Három év múlva három hűtőszekrényből vagy hifitoronyból legalább egyet vissza kell vennie a gyártóknak vagy a kereskedőknek. Európában erre már most felkészülnek a cégek, négy nagyvállalat (Sony, Braun, Electrolux, HP) vegyesvállalatot alapított a tevékenység koordinálására. Akciójuk egyelőre hét EU-s tagállamra

terjed ki, de értesülésünk szerint hamarosan Magyarországot is beveszik ebbe a körbe. Nálunk évente 100-130 ezer tonna e-hulladék képződik, ám ennek legfeljebb egytizedét hasznosítják. Az Electrolux egyébként már kidolgozott egy újrahasznosítási rendszert, amit Magyarországon a nagy háztartási gépeknél és a barnaárunknál lehet alkalmazni.

Cikkünk a 13. oldalon



1. Világgazdaság, 2004. 12. 28.

New Gripen compensation package

our correspondent reports

At its most recent meeting the relevant government committee dealing with offset programmes approved another compensation of slightly more than 150 million Swedish crowns for Gripen International (GI), the supplier of the new military fighter jets. At the Ministry of Economy and Transportation (GKM), as a response to our question, we were told that at the most recent meeting of the Compensation Committee approved an investment of net 9.7 million crowns for GI as a compensation with a value of 14.5 million crowns if multiplied by the factors applied in the priority sectors. The investment is related to Nolato Kft, known as a supplier of Electrolux, who increased their capital recently. The other part of the compensation package will be realized in the form of exported services. The value of this is net 143.4 million crowns or 200.8 million crowns with the multipliers. This sum may be mostly connected to Ericsson Hungary whose experts prepare various computer software products to foreign orders.

Offset package

Source: VG collection

(million Swedish crown)*

	Net	Gross
Investment	9.7	14.5
Exported services	143.4	200.8

*1 Swedish crown = 27 HUF

With this new compensation package included, GI roughly completed 40 percent of the offset programme they obliged themselves to the Hungarian government. On the investment side the project at Nyíregyháza may be included in the programme next year. As part of this project, the company is going to build a new vacuum cleaner plant at the Szabolcs county town, investing 65 million euros. The offset accounting does not include the 5 million Haldex investment at Szentlőrincáta dealing with the assembly of car parts and the Halton Clairia investment of half a million euros to build a modern air filter manufacturing plant at Vecsés. At their year-end press conference the GI representatives stressed as a positive development that now small and medium-sized companies may also be included in the programme and that the participating companies build relations with more and more Hungarian suppliers. When the Swedish-British fighter jets were ordered, GI undertook signing a fourteen-year offset programme out of which a net 937 million crown investment and 1.755 million crown exports of goods and services were completed by the most recent accounting.

The ordered 14 Gripen fighter jets will be delivered in 2006-2007 to Hungary. The production of the Hungarian Gripens started this fall and the first fighter jet will roll out of the Saab factory, Linköping at the end of January, 2005. At the same time the training of the Hungarian pilots also commences for the use of the modern fighter jets. The Swedish party undertook the training of 15 Hungarian pilots. The preliminary training of the first pilots has started this summer. On the long run the training of 30 to 40 people is planned in the army for flying Gripen fighter jets.

2. HVG 2004. 04. 14., György Heimer

The simple reason of the Eastern efforts is the fact that while the annual wage cost of a German Electrolux employee is nearly 50 thousand euros on the average, their Slovakian colleague with the same productivity costs around 6500 euros for the company.

3. Magyar Hírlap 2004. 04. 08.

Great power of vacuum cleaners

Legend: Europe's biggest vacuum cleaner plant is in Jászberény

The Electrolux Group's relocation manoeuvre has been completed: the vacuum cleaner plant has been moved from Västervik to Jászberény. This means an investment of 270 million HUF and two hundred new jobs and that this plant in Jászberény is now the biggest vacuum cleaner plant of the continent.

Hungary is strategically important for the Electrolux Group: the most important European base of the company is in Jászberény following the relocation of the vacuum cleaner plant from Västervik to Jászberény.

As for the dimensions of the plant: 17 assembly lines produce 13,200 units of product daily in an area of 6500 square meters. This means that a new product comes off the line in every 5 seconds.

Magnus Yngen pointed out that the global company tends to produce its products where it is the most cost-effective so that both the product and its manufacturer can remain competitive. He added that the Hungarian employees work for a wage one eighth of the wage their Swedish colleagues worked for earlier

At the plant inauguration ceremony yesterday, the President of the Electrolux product line, Magnus Yngen said: the relocation was necessitated by cost efficiency considerations. While it is true that a Hungarian worker makes one eighth of the money his or her Swedish colleague makes, wages are only a small part of the total cost of which the material costs are the most significant. For that matter, the company restructured almost its whole European manufacturing base.

"The total cost of relocations, involving Great Britain, Italy and Germany as well, amounted to 220 million Swedish crowns, which corresponds to about 5.9 billion forints. For the Hungarian project now we have spent ten million Swedish crowns (i.e. nearly 270 million forints)." - answered Yngen to our question. (However, this sum is only a part of Electrolux' investments in Hungary: since 1991 they have invested fifty billion forints in Jászberény and Nyíregyháza).

Target countries

26 percent of the products produced in the Jászberény plant are exported to Germany, 12 percent to France, the same volume to Finnish households, six percent to Holland. Furthermore, they ship vacuum cleaners to North and South America, South Africa and also

the Asia, competing with Chinese firms. This year Electrolux is planning to sell more than two and a half million cleaning appliances all over the world.

Tax is a key issue

"Hungary may be attractive for a foreign investor even on the long run." - stated Tibor Draskovics, who participated at the plant inauguration ceremony yesterday. According to the Minister of Finance, it is the responsibility of the government to assist the development of the infrastructure and transform the taxation system so as to force the players of the economy to greater performance since this is what is needed if we want more investors choose Hungary.

4. Top 200, 2005. 10. 10.

The household appliance manufacturer

János Takács, CEO of Electrolux is heading bigger and bigger companies by staying where he is. Last year the Electrolux Group announced that by investing 65 million euros they would build a combi bottom freezer plant at Nyíregyháza, while this year they decided to relocate their vacuum cleaner production from Västermik, Sweden to Jászberény. The value of this latter investment is over one million euros.

The Hungarian Electrolux developed dynamically even without extraordinary investments. In 2003 its sales revenue grew by 17 percent to 113.4 billion forints as compared to 97.2 billion of the previous year. "Thanks to the high-quality products and appropriate price" - says János Takács, evaluating this success. "This year we go even higher even though not by the same rate. But after such results even maintaining the level could be considered fine." - comments the chief executive officer. Growth is currently limited by the fact that the existing production capacities are fully utilized. The factory at Nyíregyháza will start production only in 2005 but from that time on every tenth of the products of the Electrolux Group will be produced in Hungary. The number of products produced here will grow from the present 4.2 million to over 5.5 million, while the headcount will increase from 3600 to about 4400. With the Nyíregyháza plant the biggest Electrolux refrigerator manufacturing base in Europe will be in Hungary, while Electrolux vacuum cleaners will be produced only in Jászberény within this continent.

There are several possible locations considered in Electrolux' investment decisions and the winner will be the one which is the most favourable in terms of economy. Hungary has won due to its political and economic stability, the developed supplier background, the qualified and low-cost labour as well as the favourable infrastructure, but the support of the authorities including the people of Nyíregyháza also weighed a lot. Obviously it is also important that the company here has been operating well for years and is one of the best in terms of quality within the Group. The professional staff is well trained and has the proper experience since the plant at Nyíregyháza is not the first they build.

Achievements

Continuously growing production

In terms of quality the Hungarian company is among the best within the Electrolux Group

Well-qualified and experienced labour force

Significant new investments

5. Magyar Nemzet 2004. 08.06.

Fémhuzal has sued Electrolux for one and a half million

Tibor Hommer

Electrolux-Lehel Kft, Jászberény cancelled an earlier order and this drove Fémhuzal Kft., Bányterenyé into bankruptcy – claims *Ferenc Ficsor*, owner of Fémhuzal, who, based on this opinion, went to the Jász-Nagykun-Szolnok County Court with a 1,4 billion HUF claim against the Jászberény affiliate of the Swedish multinational Electrolux Lehel Kft.

Fémhuzal Kft, already liquidated following the above case, had been a partner of Electrolux since 1997 and produced wire shelves for Electrolux refrigerators. In 1999, the Hungarian affiliate of the Swedish multinational contacted Fémhuzalcikk Kft and asked them to produce wire baskets as well, specifying concrete prices and quantities. Based on their business relation of several years, Fémhuzalcikk Kft visualized a long-term co-operation between the two firms and believed that investments of hundreds of million, financed by bank loans, can be recovered. The time of this recovery was estimated to be three to five years assuming a stable order - claims *Ferenc Ficsor* -, but losing the order finally drove the company, which employed 80 to 250 people, to bankruptcy.

6. Figyelő 2004. 11. 11.

It's worth it

An environment-friendly qualification has financial rewards, like the product fee allowance which can be significant, especially for paper products. "Since this allowance reduces the selling price, consumers, indirectly though, look for environment-friendly paper ware." - says Csilla Szemán, commercial representative of Latorica Kft, a company active in this industry. "This effect is sensible in the case of chest coolers and freezers, but here the economic energy consumption and low noise level are higher in the list of buying priorities" - concluded Zsanett Fekete, the PR manager of Electrolux Lehel Kft.

7. Konyha magazin, 2004. november

According to an Electrolux survey, 49 Empire State Buildings could be filled with refrigerator waste every year.

According to a recent online research of Electrolux, 10 percent of the garbage produced by Europeans is made up of expired food thrown out refrigerators. Data of six European countries show that 63 percent of the households produce an average 7.5 litres of waste from their refrigerators.

The reason can be found in how food is stored and bought. According to Electrolux' research, in the overwhelming majority of cases we frequently by certain kinds of food we still have at home but we forget about it. To make things worse, in shortage of time we just throw the things we bought in the refrigerator without any order so no wonder we forget what we have in there. The results of the survey motivated Electrolux to find concrete solutions to put an order in the refrigerators.

There are Electrolux refrigerators which offer solutions to the above problem with their features. In the new models there is a zero-degree zone, plus extra large vegetable boxes and handy special wire shelves for storing bottles.

Among the professional appliances we find Cyberfridge, a smart refrigerator which keeps a record of its content and reports what has run out or expired. Ordinary costumers can expect to see this technology soon in their appliances.

Electrolux continuously gives ideas to its consumers how they could reduce the amount of waste from refrigerators. If you carefully read our advices and answer all the questions correctly at the end of our 4-month series, you can win an Electrolux combi refrigerator. The first ten perfect solutions will win **an Electrolux apron and a mitt**, plus a publication titled **"With food professionally"**.

REFRIGERATOR

8. Világgazdaság 2004. 11. 17.

Companies that collect e-waste

One third of electronic devices will have to be taken back

In three years the manufacturer or retailer will have to take back at least one refrigerator or stereo system for each three sold. Companies are already preparing for this, four big corporations (i.e. Sony, Braun, Electrolux and HP) formed a joint venture to co-ordinate this activity. At present their effort covers seven EU member states but we understand that Hungary is going to be included soon. We produce 100 to 130 thousand tons of e-waste every year and at best only one tenth of it is recycled. Electrolux has already worked out a recycling system which can be employed for bulky household appliances and brown goods in Hungary (see article on page 13)

Take-back obligation

(consumer electronics products, percent)

Source: VG-collection