

# Sustainability Report 2020

**ASSA ABLOY**

Experience a safer  
and more open world



A more open world

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## Targets

In 2020 we successfully completed our five-year sustainability program, launched new ambitious targets to 2025 and committed to science-based targets.

**Read more on pages 10–11.**



## Innovation

In 2020 we developed the innovation strategy where sustainable innovation is one of ten strategic actions. Our goal to 2025 is that ASSA ABLOY will be perceived as the most sustainable company in our industry.

**Read more on pages 14–17.**



## People

We believe that culture and leadership will drive our organization and our people ahead.

**Read more on pages 30–33.**



## External recognition and memberships

ASSA ABLOY is included in FTSE4Good, the OMX GES Sustainability Sweden PI Index, and in the Kempen SNS SRI Universe.

We have participated in the Carbon Disclosure Project (CDP) since 2007. For 2020, the Group received a score of C in the CDP Climate Change Program, and a score of C in the CDP Water Program.

In 2017, ASSA ABLOY became an official regional partner in the World Green Building Council's Europe Regional Network. The Network represents a confederation of 20 Green Building Councils, eight Regional Partners and over 4,600 company members.

Other important main memberships include:

The Confederation of Swedish Enterprise (Svenskt Näringsliv), The Royal Swedish Academy of Engineering Sciences (IVA), Physical Security Interoperability Alliance (PSIA), The Zigbee Alliance and The Z-Wave Alliance.



# Highlights 2020

- We had a positive development across a majority of the reporting areas.
- We have made progress in Health and Safety and keeping employees and stakeholders safer.
- Our Injury rate was reduced by 7%.
- The Water intensity has decreased by 10% during the year.
- The Energy intensity has decreased by 5% during the year.
- The Group's total greenhouse gas emissions were reduced by 20%, as a result of increased energy efficiency and productivity, as well as new technology upgrades.
- By the end of 2020 the Group had 348 Environmental Product Declarations verified and published.
- The Group carried out 940 sustainability audits of direct material suppliers in low-cost countries.

## We commit to science-based sustainability targets

We will set science-based targets aligned to the Paris Agreement, limiting global temperature rise to 1.5°C, by halving emissions by 2030 and reaching net-zero by 2050.

## New targets to 2025

We are launching a new and ambitious sustainability program with targets to 2025, featuring increased target levels across all indicators.





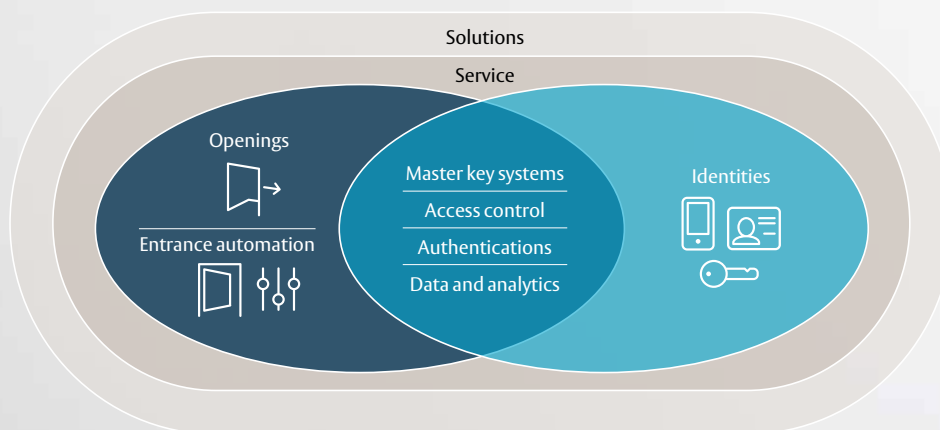
Who we are

# The global leader in access solutions

The ASSA ABLOY Group is the global leader in access solutions. Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places.

## Access solutions for every need

Our offering covers products and services related to openings; such as locks, doors, gates and entrance automation solutions. We are also experts in trusted identities; with keys, cards, tags, mobile and biometric identity verification systems. Our offerings are delivered both separately and together – as full-service access solutions.



## A decentralized organization

Our local presence enables us to quickly deliver and respond to customer enquiries with the local business units innovating, and optimizing resources and products according to the local conditions and demand. At more centralized production sites, we produce components that can be used in many markets to realize scale advantages. The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks, cylinders and security doors, adapted to the local market's standards and security requirements. The global divisions manufacture and sell electronic access control, identification products and entrance automation.

Regional divisions			Global divisions	
Opening Solutions EMEA	Opening Solutions Americas	Opening Solutions Asia Pacific	Global Technologies	Entrance Systems

## Strong brands

Our brands play an important role in creating trust, loyalty and differentiation. We use a combination of master, endorsed and standalone brands to reach all our audiences. ASSA ABLOY is our employer brand and main commercial brand, HID covers secure identities and access management, and residential products and services are led by Yale.

**ASSA ABLOY**

Group brand and employer brand

**ASSA ABLOY**

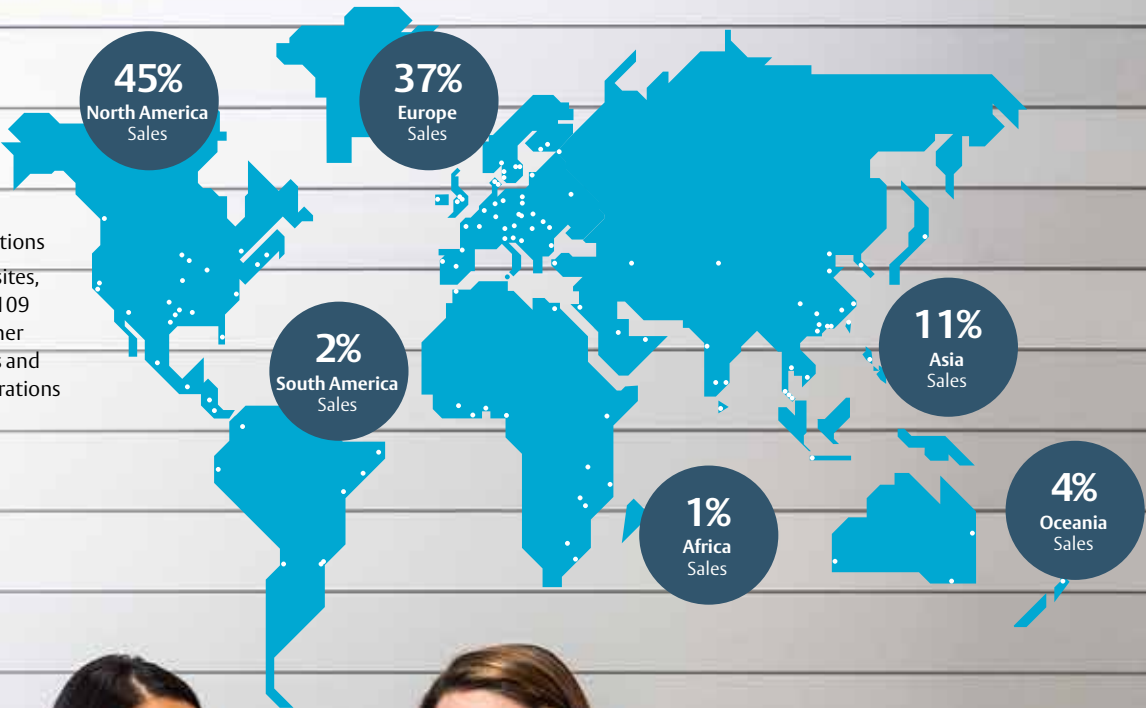
Master brands



Global presence

Country sites and larger locations

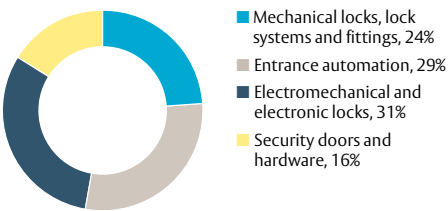
In total, we have about 900 sites, whereof 101 R&D sites and 109 production facilities. The other sites are distribution centers and offices. ASSA ABLOY has operations in more than 70 countries.



Electromechanical on the rise

The Group sees fast-growing demand for electromechanical products, as well as electronic and digital solutions. Since 2010 these have sharply increased from 25% to 31% of Group sales. Mechanical products continue to increase, but electromechanical products are growing considerably faster.

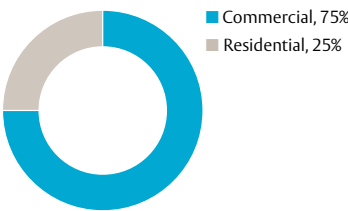
Sales by product group



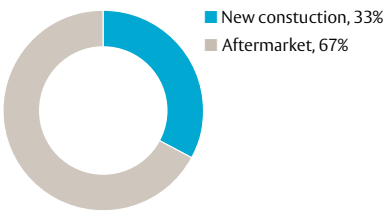
Together we create access

48,000 employees      70 countries      6% of our employees work in R&D      9,000 patents

Customer split



New construction/Aftermarket



**-7%**  
Reduced injury rate

Lower energy intensity

**-10%**  
Improvement in  
water intensity

I am pleased to report that we successfully completed our five-year sustainability program 2015–2020. We exceeded the majority of our sustainability targets by a notable margin, including the targets for health and safety, carbon footprint, energy and water consumption, and organic solvents.

We are launching a new and ambitious sustainability program 2021–2025, featuring increased target levels across all indicators. Our new program builds on the momentum and progress from ASSA ABLOY's successive five-year sustainability programs since 2010. It focuses on improving employees' health and safety, reducing energy, carbon and water consumption, increasing materials efficiency and reducing generated waste.

Our sustainability program contributes directly to the targets of our identified six most relevant UN Sustainable Development Goals (SDGs), explained in more detail throughout the report.

In October 2020 we announced that the Group is committing to set science-based targets to further substantially reduce our greenhouse gas emissions across the entire value chain. We will set targets that are aligned to the Paris Agreement, limiting global temperature rise to 1.5°C, by halving emissions by 2030 and reaching net-zero by 2050.

The demand for more sustainable and resilient access solutions, including environmental and material transparency, is fueled by the strong growth in green buildings and more sustainable urban environments around the world. This trend is manifested by the growing use of building sustain-

ability certification schemes. According to the World Green Building Council, buildings and the built environment are responsible for 39% of global energy-related carbon emissions. The market for green certified buildings is expected to grow significantly, faster than the market in general.

Our priority is the health and safety of our employees and it is our vision to be an injury-free workplace. We can achieve this by maintaining our health and safety policies and processes, and to continue developing our safety culture.

ASSA ABLOY remains committed to the principles of the UN Global Compact in the areas of human rights, labor, the environment and anti-corruption. This report contains our annual communication on our progress.

Overall I am proud of the progress we have made in sustainability, against our targets to 2020. Though we still have a lot to do, we are on a journey, and our new ambitious targets to 2025 and long-term climate commitment to halve our emissions by 2030 and be net-zero by 2050 will be our roadmap.

Finally, I would like to thank all our employees for their efforts and commitment during the year. Together we are making ASSA ABLOY a more sustainable company.

Stockholm, 5 February 2021

**Nico Delvaux**  
President and CEO





We exceeded the majority of our sustainability targets by a notable margin, including the targets for health and safety, carbon footprint, energy and water consumption, and organic solvents.



# We help people feel safe, secure and experience a more open world

Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places. By responsibly using human capital, natural resources and capital, we continuously create sustainable value, not only for our shareholders, but also for other stakeholders. Together we create value!



## Our resources

**48,000**

employees in more than 70 countries around the world. We are truly global, uniquely local

**2,800**

employed in R&D working with our sustainable innovations

**190**

strong brands and diversified product portfolio

**9,000**

patents

**109**

efficient production and assembly facilities

**~50,000**

suppliers for direct material and indirect services. We have strategic and cost efficient suppliers

**SEK 59 bn**

in shareholder equity

## How we operate

We use a **multi-brand strategy** to leverage on our **global and local strengths** and to address different market segments, customer segments and routes to market. Acquiring relevant businesses in order to continue our growth is a key part of our strategy.

**We have a decentralized organization and make decisions close to the customer.**

**Sustainability is part of everything we do and is a driver throughout ASSA ABLOY's value chain.** It is an important element in innovation, sourcing, production, employee development, in applying ASSA ABLOY's products and solutions, and in the Group's relationships with external stakeholders.

## Our strategic objectives

The Group's strategic direction is to lead the trend towards the world's most innovative and well-designed access solutions.

### Growth through customer relevance

We believe that continued profitable growth starts with understanding our customers.

### Product leadership through innovation

Innovation is an enabler for everything we do and is the most important driver for our organic sales growth.

### Cost-efficiency in everything we do

All activities must lead to improved efficiency where realized savings can be invested in innovation and activities that accelerate our growth.

### Evolution through people

Developing our people, and growing their careers within ASSA ABLOY, is how we secure the Group's future success and growth.

Together we are guided by our core values and beliefs



**Empowerment**  
We have trust in people



**Innovation**  
We have the courage to change



**Integrity**  
We stand up for what's right





A  
more  
open  
world



## Value creation to stakeholders in 2020

### Shareholders and investors

- Dividends and capital appreciation

**SEK 4.3 bn**

dividend paid

### Employees

- Professional development
- Safe and stable workplace
- Inclusive workplace with equal opportunities

**SEK 27.2 bn**

in salaries and other remuneration

### Customers

- Increased security and competitiveness for our customers
- Sustainable products with environmental product declarations

**>400**

new products launched

### Suppliers and partners

- Technological development
- Stable partner

**SEK ~42 bn**

in supplier payments

### Society

- Increased safety and security
- Reduced environmental impact
- Paid taxes and employment

**–20% CO<sub>2</sub>**

in total Carbon Footprint

## Our offering

Our aim is to deliver **safety, security and convenience**. We offer a **broad product portfolio** with **unique, innovative access solutions and trusted identities services**.



**31%**

Electromechanical products



**29%**

Entrance automation



**16%**

Security doors and hardware



**24%**

Mechanical locks

# The UN Sustainable Development Goals (SDGs)

The UN SDGs provide the global community with a roadmap for how to combat global challenges related to economic, social and environmental sustainability. As the global leader in access solutions, ASSA ABLOY's sustainability work is aligned with the objectives of the SDGs – with a focus on six SDGs in particular.



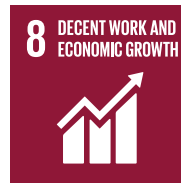
## ASSA ABLOY's contribution and progress



In order to reach ASSA ABLOY's overall goal of reducing its environmental impact, implementing water reuse and recycling systems, with a more efficient use and management of water is a critical step. During 2020 ASSA ABLOY decreased water intensity by 10% and water withdrawal by 14%. While 22% of total water consumption was recycled.

*Progress indicator:* CDP W1.2 & CDP W1.2b, CDP W5.1 & CDP W5.1a, CDP W8.1a & CDP W8.1b.

*Progress indicator GRI:* See GRI Index on page 47 for GRI progress indicator. Also, see Material KPI table on page 10.



ASSA ABLOY promotes inclusive and sustainable economic growth by integrating sustainability into the sourcing processes. Labour rights, decent work with equal pay, health and safety and gender balance are key priorities at all levels throughout the Group and the supply chain. During 2020 ASSA ABLOY reduced energy and water intensity by 5% and 10% respectively. Women constituted 30% of all employees. ASSA ABLOY conducted 940 supplier sustainability audits, while 95% of all direct material suppliers signed the Business Partner Code of Conduct.

*Progress indicator GRI:* See GRI Index on page 47 for GRI progress indicator. Also, see Material KPI table on page 10.



ASSA ABLOY supports the intention of SDG 9 on resilient infrastructure, inclusive and sustainable industrialization and innovation by systematically exploring ways to reduce production materials, optimizing product components and streamline production as well as transport methods. The Sustainability Compass is integrated into ASSA ABLOY's product innovation process, organically embedding sustainable design into the development of new products. During 2020 the overall energy consumption decreased with 9% and the proportion of energy sourced from renewable resources increased from 12.3% to 14.3%. The Group has Environmental Product Declarations (EPD) from all major product groups, representing about a third of the Group's total sales. 88% of the Group's product managers have received training regarding the use of the Compass. During 2020 we invested 3.9 BSEK in R&D and we have some 2,800 R&D engineers.

*Progress indicator:* Sustainability Compass.



As the global leader in access solutions, ASSA ABLOY is contributing to SDG 11 on making cities and human settlements inclusive, safe, resilient by offering sustainable products and services related to openings and entrance automation solutions. At the end of 2020, ASSA ABLOY had EPDs from all major product groups, which contribute points towards higher ratings in global green building certifications such as LEED and BREEAM. All new products are required to be developed using the Sustainability Compass, which focuses on optimising the environmental footprint during the whole product lifecycle.

*Progress indicator:* Sustainability Compass and Product Specific EPDs.



ASSA ABLOY has committed to adopt sustainable practices into its operations with a strong focus on resource efficiency and waste reduction through prevention, reduction, recycling and reuse. 95% of all direct material supplier sites were covered by ASSA ABLOY's Business Partner Code of Conduct. In 2020 ASSA ABLOY conducted 940 (1,175) sustainability audits. At least 7% of the hazardous waste was recycled in 2020.

*Progress indicator GRI:* See GRI Index on page 47 for GRI progress indicator. Also, see Material KPI table on page 10.



Continuous efficiency improvements in production processes reduces ASSA ABLOY's climate impact and is linked to SDG 13 on urgent action to combat climate change and its impacts by considering lifecycle environmental impacts of a product through more efficient resource use, and by applying the reduce reuse recycle principle. During 2020 the Group's total greenhouse gas emissions decreased by 20% and the related intensity improved by 16%, driven by reduced energy consumption and re-design of CO<sub>2</sub> intensive production processes. The energy intensity has decreased by 5% during the year. The water intensity decreased by 10% during the year.

*Progress indicator:* CDP CC 2020.

*Progress indicator GRI:* See GRI Index on page 47 for GRI progress indicator. Also, see Material KPI table on page 10.



# Performance and new targets

During the year, we saw a positive trend across the majority of the reporting areas – including strong improvements in the injury rate and the injury lost day rate, and for water and energy efficiency.

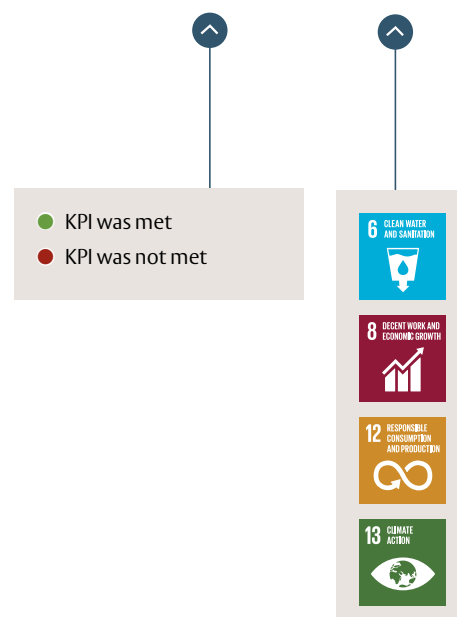
The Group 5-year targets were concluded at the end of 2020, and we report our sustainability performance (certain KPIs) every quarter. With 381 (371) reporting units, it is important to ensure good awareness of the Group's sustainability priorities throughout the organization and to share information and best practice between entities. The ASSA ABLOY sustainability reporting system, sustainability database and analysis tool are key elements for tracking performance, identifying improvement areas and enabling the smooth integration of new units.

## Closing of sustainability program up to 2020

Area	2015	2016	2017	2018	2019	2020 <sup>1</sup>	Target 2015–2020	Change 2015–2020	Linked SDGs
<b>Environmental KPI</b>									
Number of entities covered by ISO 14001 certificates and other certifiable management systems	121	124	134	121	115	100	120 ●	–21 <sup>2</sup>	12
Intensity of greenhouse gas emissions related to energy consumption (tons/SEK M)	8.3	7.4	7.5	7.3	6.3	6.0	–20% ●	–27%	12 13
Intensity of greenhouse gas emissions related to chemicals in industrial processes (tons/SEK M)	5.6	2.8	1.9	1.9	0.9	0.03	–85% ●	–99%	12 13
Energy intensity (MWh/SEK M)	23.7	21.4	20.4	19.6	17.5	16.6	–20% ●	–30%	8 12 13
Water intensity (m <sup>3</sup> /SEK M)	84.9	66.0	56.3	51.8	47.0	42.2	–20% ●	–50%	6 8 12
Hazardous waste intensity (kg/SEK M)	109	107	106	104	100	89	–20% ●	–18%	6 12
Non-hazardous waste intensity (kg/SEK M)	808	752	712	655	623	584	–20% ●	–28%	6 12
Consumption of chlorinated organic solvents (PER and TRI) (tons)	19.0	16.8	19.5	27.1	24.3	0.61	–85% ●	–97%	6
Consumption of other types of organic solvents (tons)	1,255	1,160	945	812	765	400	–50% ●	–68%	6
Portion of renewable energy	9.1%	11.7%	11.6%	11.9%	12.3%	14.3%	20% ●	+5.2 p.p.	
<b>Social KPI</b>									
Injury rate (number of injuries per million hours worked)	6.7	5.1	4.1	3.6	3.0	2.8	–55% ●	–58%	8
Injury lost day rate (number of lost days related to injuries per million hours worked)	136.0	89.2	74.6	65.6	60.0	66.7	–64% ●	–51%	8
Portion of spend in low-cost countries represented by sustainability audited direct material suppliers	90%	93%	93%	96%	97%	91%	90% ●	+1 p.p.	8
Number of sustainability audits of direct material suppliers in low-cost countries	890	865	919	1,067	1,175	940		+50	8
Gender equality	27%	27%	27%	20%	9%	9%		–18 p.p.	8
Portion of females in management positions	17%	18%	17%	17%	21%	19%		+2 p.p.	
	16%	16%	16%	20%	21%	25%		+9 p.p.	
	25%	24%	25%	25%	26%	28%		+3 p.p.	
	23%	22%	23%	24%	25%	27%	30% ●	+4 p.p.	

<sup>1</sup> For comparable units in 2020.

<sup>2</sup> The development is a combination of an increased number of certified entities, recently acquired companies with ISO 14001 certification, consolidation of entities with ISO 14001 and restructuring activities.



# New sustainability program to 2025

Our new program builds on the momentum and progress from our successive five-year sustainability programs since 2010. We have raised our ambition level across all indicators. Our new 2025 sustainability program complements our long-term climate commitment to halve emissions by 2030 and reach net-zero by 2050.

Read more  
on page 37

## Innovation



Targets pending the Science Based Targets process

## Operations



**-25%**

Carbon footprint – absolute

**-25%**

Energy intensity (MWh/SEK M)

**100%**

ISO 14001 – % sites certified in reporting scope<sup>1</sup>

**-25%**

Water intensity (m<sup>3</sup>/SEK M)

**-25%**

Hazardous waste intensity (kg/SEK M)

**-50%**

Organic Solvents intensity (kg/SEK M)

## Supply Management



**95%**

Supplier sustainability audits (% of direct material spend<sup>2</sup>)

**95%**

Business Partner Code of Conduct (% of direct & indirect material spend)

## People



**-33%**

Injury rate (number of injuries per million hours worked)

**-33%**

Injury lost day rate (number of lost days related to injuries per million hours worked)

**30%**

Gender diversity (% of females in management positions)

The baseline year for our new targets is 2019, as 2020 is not a representative year due to the Covid-19 pandemic.

<sup>1</sup> Acquisitions will be given 3 years to become certified. <sup>2</sup> Spend in identified risk countries.

**2025**

### New targets

New sustainability program to 2025 focuses on the most material areas, ensuring we have the biggest impact where it is needed most.

**2030**

### Science Based Targets

ASSA ABLOY has committed to set science-based targets, limiting global temperature rise to 1.5°C, by halving emissions by 2030.

**2050**

### Net zero

ASSA ABLOY has committed to reaching net-zero no later than 2050.



How we  
operate

# Our strategic direction

Our strategic objectives guide the ASSA ABLOY Group towards market growth, product leadership, cost-efficiency in everything we do and evolution through people. Our strategic objectives and the mission to conduct business in an ethical, compliant and sustainable way form the basis of our sustainability work.



Our expansion is facilitated by a strong brand and good reputation, which are supported by acting responsibly.

As the global leader in access solutions, sustainability is becoming increasingly important in identifying and managing business opportunities and fully exploiting ASSA ABLOY's brand portfolio across diverse segments. Our expansion is facilitated by a strong brand and good reputation, which are supported by acting responsibly.

We can reduce production costs by considering the lifecycle environmental impacts of a product through more efficient resource use, and by applying the 'reduce-reuse-recycle' principle. We can reduce our environmental impact and increase cost-efficiency by systematically exploring ways to reduce production materials, optimize product components, and streamline production as well as transport methods. Relevant sustainability aspects are considered in our business plans, decision-making processes, and business principles.

## Sustainability risk management

ASSA ABLOY's long-term risk-management strategy covers sustainability aspects throughout our value chain. Our direct material supplier audit program helps to manage

risks related to suppliers, with a particular focus on high-risk suppliers. When incorporating new acquisitions, we have established an efficient process that comprehensively reviews sustainability-related issues in order to mitigate the risks associated with incorporating new companies and their supply chains.

Risk mitigation in our own operations includes work to ensure that all factories with significant environmental impact are ISO 14001 certified. Ongoing activities are also in place to optimize resource use, including energy, water and waste. In 2017, a new Group-wide Health and Safety Management System was launched to mitigate operational risks by implementing a set of standardized metrics and tools.

The use of the ASSA ABLOY Sustainability Compass is also crucial to mitigate product-related risks through sustainable innovation and embedding sustainability into product development. The Compass is ensuring that our next generation of products is more sustainable than the previous generation, which mitigates risks for both ASSA ABLOY and our customers.

## Sustainability in the value chain

Sustainability is a driver throughout our value chain. It is an important element in innovation, sourcing, production, employee development, applying ASSA ABLOY's products and solutions, and in maintaining good relations with external stakeholders.

**Innovation** New products are evaluated from a life cycle perspective. Many recently developed products save energy as a result of improved insulation and intelligent control of various door-opening solutions. Innovation is carried out either locally, divisionally, or shared between the divisions depending on the content and scope.

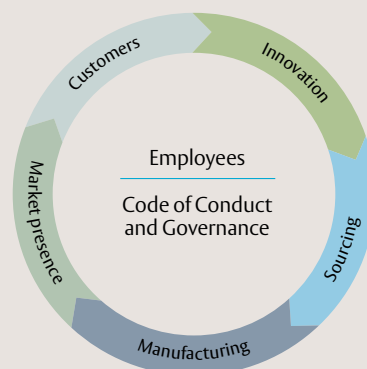
**Sourcing** Every year, the Group purchases a considerable amount of material, components, and products from about 7,800 direct material suppliers around the world at a value of more than SEK 21 billion. Around 49% of this value is sourced in low-cost countries. Direct material suppliers in risk areas are evaluated from a sustainability perspective. China is by far the dominant low-cost country.

**Manufacturing** The manufacture of our products should be carried out safely and with the lowest possible environmental impact.

**Market presence** ASSA ABLOY is present in more than 70 countries with about 900 sites, where more than two-thirds of which are in North America and Europe. Wherever we do business, we follow the Code of Conduct, respect the laws and regulations governing business ethics in the countries in which we operate, and we requires all of our partners to do the same.

**Customers** Our ambition is to supply high-quality products that fulfil customer requirements, have a long life, are manufactured with

minimal use of resources, and have a minimal environmental impact throughout their life cycle. Our customers are large institutional and commercial customers (within health care, education, retail, hospitality, office buildings, and industry), small and medium-sized customers (offices, stores), and the residential market (apartments, houses). Examples of our distribution channels are: security systems integrators, locksmiths, security installers, building and lock wholesalers, retailers, DIY, hardware and security stores, original equipment manufacturers, and door and window manufacturers.







### Actions to improve performance

Each division has identified its greatest sustainability impacts, and developed an action plan to mitigate these impacts as part of Group-wide 2020 targets. ASSA ABLOY's sustainability management has set the following priorities:

- Targets for all sustainability KPIs, covering all entities and the Group.
- Coordinated implementation of environmental management systems and systematic follow-up.
- Conduct 80–100 workshops for value analysis and value engineering (VA/VE) annually, to develop a product optimization model that reduces environmental impact.
- Increased capabilities for data analysis and benchmarking.
- Continued focus on more sustainable products.
- Health and safety – implementation of Group approach and start monitoring additional KPIs.
- Improved system support to automatically calculate audited spend in low-cost countries.
- Sales of the portfolio of sustainable products.

Every quarter, we report on, follow up, and evaluate our defined Sustainability KPIs, and a progress update is provided to management at different levels in the organization. This process has resulted in regularly updated and more ambitious targets for the majority of the follow-up areas – including some KPIs that are now followed up on a monthly basis.

### Strategic partnerships

ASSA ABLOY is a member of various national Green Building Councils around the world, and became a member of the World Green Building Council's Europe regional network in 2017. Green Building Council partnerships around the world allow us to further promote the sustainability agenda in the built environment. Working together with industry-leading companies, the EU commission and the World Green Building Council, we aim to help all stakeholders to reduce the environmental footprint of all building types globally.

### Materiality analysis and sustainability priorities

In 2020, ASSA ABLOY's Sustainability Council reviewed our materiality analysis in accordance with GRI Standards. As the latest materiality analysis was carried out in 2018, the review concluded that the materiality analysis is still valid and relevant and did not require updating.

The outcome of the materiality analysis is a list with significant sustainability topics, which also shape the content of this report. The significant sustainability topics are connected to KPIs reported on a quarterly basis.

### Significant sustainability topics:

- Reduce emissions with global warming potential  
Read more on page 24–25
- Resource efficiency  
Read more on page 22–29
- Sustainable and circular products  
Read more on page 14–17
- Creating a culture of diversity  
Read more on page 30–33
- Safety, security and convenience for customers  
Read more on page 14–17
- Human capital development  
Read more on page 30
- Improve health and safety performance  
Read more on page 30–33
- Business compliance  
Read more on page 40–41
- Sustainable supply chains  
Read more on page 18–21
- Responsible acquisitions  
Read more on page 45
- Strengthen anti-corruption measures  
Read more on page 44

See page 42 for more information about the materiality analysis process.

# Sustainable innovation

The strong growth in green buildings and more sustainable urban environments is resulting in increased demand for sustainable access solutions. ASSA ABLOY's aim is to lead the industry towards a circular economy and more sustainable products. To accomplish this we have included 'sustainable innovation' as one of 10 strategic actions in our innovation strategy. Sustainable innovation includes transparency for our customers, where our lifecycle assessment-based data guides them in their decision-making to help them to achieve their sustainability objectives.

## New targets to 2025

Targets pending the Science Based Targets process

Sustainability is a Group-wide responsibility and all our divisions actively develop products and articulate our sustainability value proposition. Environmental product declarations (EPDs) and the ASSA ABLOY Sustainability Compass are central to our continuous improvements when developing sustainable products.

### Progress in 2020

During 2020 we developed the ASSA ABLOY innovation strategy, where sustainable innovation is one of 10 strategic actions. Our strategic goal for 2025 is that ASSA ABLOY will be perceived as the most sustainable company in our industry. To help achieve this, all newly-released products should have a sustainability value proposition.

We have further developed our innovation processes to incorporate the sustainable attributes in all parts of our product development – from generation planning, roadmap alignment, design, verification, operations and marketing & sales processes. The focus has also been on improving our value proposition; translating features and functions to what benefits they will provide to our customers and ASSA ABLOY.

### Sustainability Compass

Our Sustainability Compass is used to assess a variety of environmental attributes of new products. The roll out of the compass is high on our agenda and followed up in global key performance indicators (KPIs). The Sustainability Compass is

an important part of the innovation processes and mandatory in our product management training. A total of 88% of the Group's product managers have been trained and are comfortable utilizing the compass to improve their product portfolio. Each division is responsible to train employees involved in the innovation process. We implement methodologies and ways of working on a continuous basis – a good opportunity to establish a lasting change in culture.

During 2020 the compass has been further developed with additional information and best practices, both internal as well as external references. One of the product innovation KPIs in all divisions is that 90% of new development projects have to include the Sustainability Compass, therefore securing sustainability by design.

### Material lists

An important element to consider in any product is the materials used. To simplify the material selection process, ASSA ABLOY is working with two lists: one list with materials that should be avoided and another list that provides guidance in the best choice from a sustainability perspective.

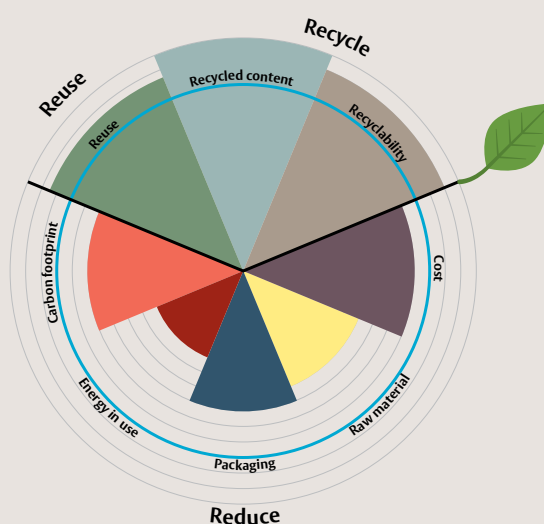
Our restricted materials list for new products was updated by ensuring alignment with the latest global standards, such as the European Union standards REACH and RoHS, as well as the American standards Proposition 65 and US Conflict Minerals Law.

The ASSA ABLOY Materials Reference Sheet works in

## ASSA ABLOY's Sustainability Compass

Our Sustainability Compass is integrated into our product development process and provides an understanding of sustainability-related design criteria. The goal is to improve the sustainable attributes in our product portfolio. The compass includes eight dimensions: raw materials, packaging, virgin material, end-of-life reusability, recyclability, in-life energy consumption, carbon footprint, and financial cost.

Each dimension is evaluated from a life cycle perspective and the goal is to have a lower impact than the previous product. These areas are tracked and communicated among internal stakeholders involved in product innovation and development.





harmony with the Sustainability Compass and helps designers to make better environmental choices when developing new products. Implemented in 2018, and continued to be rolled out during 2020, the Materials Reference Sheet is a live document with new materials added or removed regularly, much like global standards are managed.

#### **Third-party verification**

ASSA ABLOY is committed to reducing its environmental impact through smarter products and advanced production methods. The results of this are third-party verified with, for example, Environmental Product Declarations (EPDs), Health Product Declarations (HPDs) and Declare Labels, to add a level of accountability.

#### **Internal sustainability awareness**

Sustainability is a continuous journey within the company and awareness and knowledge is something that we work with every day. The Very Green Book explains our policies and goals within sustainability. The Green Team Playbook helps our sites to measure efficiency and sustainability of their operations and develop action plans to reduce waste as well as the use of energy, water and materials while tracking cost savings. The roll out of The Very Green Book and the Green Team Playbook are ongoing throughout the organization. Our intention is to develop a standardized sustainable assessment process throughout the Group – to guide and promote a sustainable culture within ASSA ABLOY.

#### **Growing market for sustainable and resilient products**

The demand for more sustainable and resilient ASSA ABLOY products, including environmental and material transparency, is fueled by the strong growth in green buildings and more sustainable urban environments around the world. This trend is manifested by the growing use of building sustainability certification schemes, such as LEED, BREEAM and the Living Building Challenge. The market for green certified buildings is expected to grow significantly faster than the market in general.

Market studies show that almost 70% of consumers across 60 countries are searching for green products and 55% of those are willing to pay more for products and services provided by companies committed to a positive social and environmental impact.

#### **Sustainable building solutions – a key differentiator**

Markets where LEED and BREEAM are used continue to be where sustainable innovation is a key differentiator.

According to the 2019 Dodge Data & Analytics World Green Building Trends report, client demand is the main factor to encourage green building activity. Environmental regulations and requirements for healthier buildings also play a part.

Respondents in the report stated that a perceived higher cost of a product is the largest obstacle to green building. Therefore innovative solutions designed with sustainability in mind are offered at little to no additional cost to the cus-



**We are committed to take a life-cycle perspective to reducing the environmental impact of our products.**





**Our innovation ambition for 2025 is to be perceived as the most sustainable company in our industry.**

tomers. As the industry continues to become more competitive, EPDs make our products more attractive because they help our customers to achieve higher ratings in their green building certification.

A key challenge for sustainable product innovation is identifying the best overall solution. For example, a solution might have excellent green attributes from one perspective, but may be less suitable from another perspective.

#### Environmental and Health Product Declarations

Our customers are increasingly assessing the environmental impact of building materials, and ASSA ABLOY continuously works to declare products with both EPDs and HPDs where applicable. In many cases the purchasing decision and path to achieve LEEDv4 and other certifications are based on information from EPDs. By the end of 2020 the Group had 348 EPDs from all major product groups, representing about a third of the Group's total sales.

The information most often requested by customers includes: level of recycled content, origin of materials, level of chemical off-gassing, specific transparency documents and product ingredients.

ASSA ABLOY is leading the industry in establishing product category rules (PCRs) which have resulted in the credible and uniform comparison of similar products. Through life cycle assessments (LCAs), the environmental impact of a product is mapped from raw material extraction to disposal or recycling – making it easier for our customers to compare products that fulfil the same function.

Significant attention will continue to be placed on the health and wellness of a building's occupants, with programs such as WELL, Fitwel, and the Living Building Challenge. The building's footprint will continue to be considered, especially with the push for Zero Net Energy. Building

resiliency will also come into view, given natural disaster and climate change conditions.

Our focus on EPDs is relevant to a progressive building materials industry. EPDs help to attain certifications such as LEED, but the data within an EPD can be applied even further. Embodied carbon reduction has become a major consideration for building project teams. Global construction group Skanska has designed a tool to specifically calculate the embodied carbon of construction materials. We can use the calculator along with EPDs for product optimization.

#### Future possibilities

The Internet of Things (IoT) will play a key role in developing more sustainable solutions. Devices and systems that are able to talk to each other and report their status will provide opportunities to dramatically reduce energy consumption through smarter door solutions.

Connected devices supply data about how doors in various applications are opened and closed. These data patterns can be used to change user behavior to maintain a consistent indoor temperature. This helps to reduce energy usage and make buildings more efficient.

Connected and smart devices have the potential to offer predictive maintenance, where a product automatically generates a notification when maintenance is needed, preventing product malfunction and minimizing downtime. This can reduce a service organization's energy consumption by preventing unnecessary journeys to check doors. It will also help to reduce energy loss in a building by minimizing downtime and it can help to extend the lifespan of an installed product.

During 2020, we launched our own fully integrated IoT platform, called ASSA ABLOY Insights, which offers our customers deeper insights on door performance, their usage

## Low-power door operator meets health and safety challenge

### Challenge:

With more people becoming hesitant to touch door handles and manual doors due to health and safety concerns, the demand for automated and touchless pedestrian door solutions has increased dramatically.

### Solution:

The goal was to develop a sleek low-energy door operator with more sustainable attributes than existing products on the market.

Using our Sustainability Compass, our product development team at ASSA ABLOY Entrance Systems designed an automatic swing door opener, the SW60, which is much smaller in size than existing products, and is therefore ideal for converting existing manual doors to touch-free automatic operation.

The SW60 can be managed and operated with an app, or opened simply with the wave of one's hand using presence sensors.

### Result:

Due to its smarter construction, resulting in a smaller product, the SW60 uses 75% less material than its predecessor. This significantly reduces the embodied carbon footprint of the product. The SW60 is constructed using recycled aluminum and other metals.

Because of its lighter weight the SW60 consumes less energy and meets US classification as a low energy door operator.

The solution is ideal for customers both from a health and safety and environmental point of view.



and remote error notifications. This allows for higher service efficiency, increased uptime, and reduced maintenance costs. In addition, ASSA ABLOY Insights helps with improved ventilation control, air quality, and real-time energy calculations.

### Building Information Modeling advances sustainability efforts

Building Information Modeling (BIM) allows hardware and architectural consultants to produce complete opening

models with door, frame and hardware specifications. Environmental data about buildings is shared with customers through BIM, EPDs and the use of digital collaboration tools.

The digitalization of the built environment continues to accelerate, and so do the opportunities to create innovative solutions for customers. Specification is a focused area, where BIM-enabled software tools open the door to cloud-based communication. We use this to promote the sales of sustainable products in key markets in order to reduce the environmental footprint.

### Sustainability is the key driver of innovation

These are the five stages companies go through on their path to become sustainable.



#### Stage 1: Viewing compliance as opportunity

Compliance becomes a springboard to innovation, forcing creativity and outside the box thinking with materials, processes and technologies.

#### Stage 2: Making value chains sustainable

The entire value chain needs to be looked at, not only the raw materials but also the energy and water for the processes, and innovative uses for returned products.

#### Stage 3: Designing sustainable products

Introspection is necessary to determine which products need to be worked on. Packaging must not be neglected.

#### Stage 4: Developing new business models

A deep understanding of what customers really want allows companies to find new, more sustainable ways to serve them.

#### Stage 5: Creating next practice platforms

By questioning the status quo and going beyond the obvious, it becomes possible to create the next practice platforms.

## Access control reader meets customers' sustainability demands

### Challenge:

With our customers requiring ever-more sustainable door opening solutions, HID Global needed to offer an improved access control reader to replace its existing product.

### Solution:

Using our Sustainability Compass as a guide, the HID Signo range of RFID readers is designed with material and energy reduction in mind – from cutting down on plastics and adhesives to significant energy savings in manufacturing and in its day to day power consumption.

The Signo reader is designed in a much smarter way than its predecessor. A 'sandwich' type approach makes manufacturing more straightforward because the parts are simply clipped together, while the drastic reduction in epoxy potting greatly simplifies the manufacturing process. The reduction in epoxy potting, which is used to bind electronic components, makes recycling the electronics at the product's end of life much more practical.

### Result:

The improved manufacturing method significantly reduces the production steps from 44 to 30, saving energy used in production, including for cleaning and maintenance of equipment.

The Signo reader has an overall product mass 38% lower than its predecessor, reducing the product's overall carbon footprint, including in its transportation.

Features such as low and high-frequency operation, Bluetooth and Open Supervised Device Protocol are in-built and thus do not need additional modules to enable them.

The Signo range also has lower day to day power consumption, due to improved power supply technology as well as its Intelligent Power Mode energy saving feature, reducing energy consumption when the reader is at rest. Maximum average power use of 0.96W equates to 210kWh over 25 years compared with 332kWh over 25 years for its predecessor.



# Supply chain management

Improving people's wellbeing, safety and peace of mind in times of uncertainty is no simple task. As consumer awareness on ethical and moral aspects of resource usage has risen, the manufacturing companies in many parts of the world have adapted. That said, a substantial part of the world's manufacturing output is not without consequences for both people and environment.

## New targets to 2025

### 95%

Supplier sustainability audits (% of direct material spend\*)

### 95%

Business Partner Code of Conduct (% of direct & indirect material spend)

\* Spend in identified risk countries.

For ASSA ABLOY, managing our supply chain in a responsible way is the key to limit unethical and unnecessary use of workforce and natural resources. Apart from meeting requirements from customers, governments, environmental organizations and other stakeholders, it also gives us the possibility to act as role models for fellow businesses around the world.

Not only do we provide products to make our customers feel safe and secure in their home and workplace, we also strive to have as limited impact as possible on the world outside these places. If we at ASSA ABLOY neglect this important task, we fear that others may follow suit, ultimately leading to increased pollution, unfair conditions for workers and accelerated global warming.

In order to meet the science-based targets, ASSA ABLOY is working to ensure a more sustainable supply chain. Meeting this challenge not only provides motivation to our employees across the organization but can also be beneficial to our business.

The trend for sustainability audits and the audited spend is positive, with the sustainability audits coverage increasing from 90% in 2015 to 97% in 2019. The audit score in general has not seen the same increase, although that is to large extent explained by stricter rules, among them limitations to the score and rating if certain issues are discovered.

However, the Covid-19 pandemic has significantly limited the ability to travel and perform on-site audits in many parts of the world. At the end of 2020, the numbers are still acceptable, but as the validity of previously performed audits will expire at some point, prolonged travel limitations would mean that these numbers will continue to fall.

### Continued Business Partner Code of Conduct roll out

A total of 97% of direct material supplier sites from low-cost countries and 95% of all direct material supplier sites were covered by ASSA ABLOY's Code of Conduct for Business Partners at the end of 2020 – with the objective to cover over 95% of all direct material supplier sites by 2020. The code applies to all partners that provide products or services to the company, such as suppliers, consultants, distributors, agents and other representatives, and provides a structured approach to integrating new acquisitions.

We have been working continuously to make sure we get the Code of Conduct signed by all of our direct material suppliers. This has been a challenge given the large number of suppliers, but with determination, supporting IT tools and suppliers that share our point of view, we have been able to achieve a very good result.

Collecting signed Code of Conduct documents for indirect material suppliers has not been a priority while we were focusing on direct material suppliers. We can now turn our attention to achieve the same results regarding indirect material suppliers. This is a challenge because the indirect material suppliers dramatically outnumber those of direct material, but we are committed to reach 95% of spend by 2025. Because the Code of Conduct program works well, extending it into wider areas of our supply chain is a natural step.

For sustainability audits, we maintain the 95% target for audited spend, because we see this as a sufficient level to be confident that our supplier base fulfils our sustainability criteria. Again, this is dependent on global travel limitations related to Covid-19 being lifted in the near future, as we only accept on-site audits.

Our aim is to remain in control of virtually all our suppliers from high risk countries and continue to improve their performance. Some of our suppliers are located in what are regarded as high risk countries, predominantly in Eastern Europe, but where there are very few, if any, issues. This is mainly because EU legislation is strict enough to prevent significant problems. Therefore we will focus on suppliers in countries known to have high risks, because the results in terms of identified and mitigated issues will be substantially higher than if we spread our resources equally across all suppliers in all high risk countries.

### Increased Business Intelligence System coverage

Data collection is becoming increasingly important as ASSA ABLOY continues to grow. Consequently, we have intensified our efforts in this area and 79% (83%) of Group spend is now reported through ASSA ABLOY's Business Intelligence System.

Data for recent acquisitions is not yet available in the Business Intelligence System, though is accounted for in financial reporting.

## Progress against 2020 targets

### Material KPI

Area	2015	2016	2017	2018	2019	2020	Target 2015–2020
Portion of spend in low-cost countries represented by sustainability audited direct material suppliers	90%	93%	93%	96%	97%	91%	90% ●
Number of sustainability audits of direct material suppliers in low-cost countries	890	865	919	1,067	1,175	940	



## Plants in low-cost countries



## Risks and challenges in our supply chain

### Supply chain risks and challenges

Ensuring that suppliers fulfill our requirements involves ongoing risks and challenges. Our low-cost country suppliers continue to pose the greatest supply chain risks – particularly related to human rights and the environment.

With local legislation being less rigid than in most high-cost countries, there is evidently a risk that suppliers may take advantage of this and manufacture goods in ways considered to be unethical. Examples are employees working too much overtime and possibly without proper remuneration, using prohibited materials or lacking safety equipment.

Our pace of acquisitions and expansion into emerging markets is another significant supply chain management challenge and risk area. In many emerging markets, there is a more unbalanced wealth distribution than in high-cost countries, which in turn makes the employees more dependent upon the employer. We also believe that corruption could potentially be more present than in mature markets. These are good reasons to constantly audit, and if needed mitigate, these risk areas.

Additional challenges and risk management work include ongoing efforts to examine supplier environmental management systems and encouraging suppliers to develop Environmental Product Declarations (EPDs), which are increasingly requested by customers.

### Supply chain risk management

We manage supply chain risks and challenges by continuing to roll out our Business Partner Code of Conduct to improve the monitoring of supplier compliance. The code ensures a consistent approach to supply chain management and helps to bring new suppliers – particularly in low-cost countries – up to our standards.

During the year, the processes to improve supplier performance and phase out non-compliant 'new-business hold' suppliers were enhanced – to support the risk management of low-cost country suppliers. Furthermore, as we continue to phase out hazardous substances, we also audit the supplier use of such chemicals.

With frequent re-audits of suppliers that perform less than optimally, we can constantly evaluate how identified problem areas are dealt with and to make sure the risk

management process is successful. Various testing of our products in many of the markets gives additional insights to whether the items provided by the supplier fulfil what has been agreed.

### Supplier sustainability audit program

The supplier sustainability audit program focuses on direct material suppliers in low-cost countries in South and Central America, Eastern Europe, Africa and Asia, as these are perceived as the greatest risk regions for not complying with ASSA ABLOY's Business Partner Code of Conduct. We may also carry out occasional spot checks if we suspect suppliers in low-risk countries could be at an increased risk level for whatever reason. The Business Partner Code of Conduct communicates our policies and principles on business ethics, human rights and labor standards, health and safety, and the environment, to suppliers.

We conduct our own supplier audits and due diligence processes to verify compliance. Each division and its supplier development manager is responsible to plan its resources and activities to have suppliers, corresponding to at least 95% of the total spend, audited when the validity date of the audits have not expired.

An audit is usually carried out by an ASSA ABLOY auditor who visits the supplier's plant and talks to both management and workers, following an established set of tasks and questions. Any identified concerns are documented and made clear in the audit report. Once finished, the audit report is sent to the supplier, which in turn has to carry out any corrective actions and report back to the auditor. The audit reports are also stored and available in ASSA ABLOY's business intelligence tool.

Depending on the outcome of the report, the supplier is given an audit score. The score is then converted to one of five ratings: green, yellow, orange, purple and red. Based on the rating, we have a set of actions:

- Green rating = Grow. These suppliers are working well and have no or very limited and minor sustainability problems. Once suppliers reach a green rating, ASSA ABLOY's focus is on improving the supplier's abilities to become even better.
- Yellow, orange or purple rating = Fix. These suppliers have some sustainability issues that need to be corrected and

there is a need to carry out preventive action to avoid similar problems in the future. The goal is to gradually improve in order to reach a green rating.

- Red rating = Exit. These suppliers have severe sustainability problems, so the immediate focus is to solve those as soon as possible and following this, raise the supplier to an acceptable level with the help of ASSA ABLOY's expertise and experience. However, if no or only very limited improvements are made and there is an unwillingness to improve, despite the assistance from ASSA ABLOY, we will phase the supplier out.

ASSA ABLOY does not tolerate child labor in its own operations nor at a business partner, as outlined in the Business Partner Code of Conduct. The Business Partner Code of Conduct does not accept any form of forced or bonded labor, prisoners or illegal workers. In addition, the code reinforces our support for the right to freedom of association and collective bargaining, as well as other working conditions, such as contracts, hours and compensation.

At ASSA ABLOY, we believe the Code of Conduct and the supporting audit program covers all reasonable risk areas. By making sure that virtually all suppliers from high risk countries are repeatedly audited and pushed to improve, we constantly reduce and remove risk factors in our supply chain. Based on historical results, we are confident that the audit program is well suited to identify and mitigate problems to a level beyond what is required.

Motivated and forward-thinking suppliers can benefit significantly from being a part of the audit program and having access to ASSA ABLOY's extensive expertise in these matters. In this way they can improve not only in their activities with ASSA ABLOY, but also with all of their other customers.

### Key audit findings in 2020

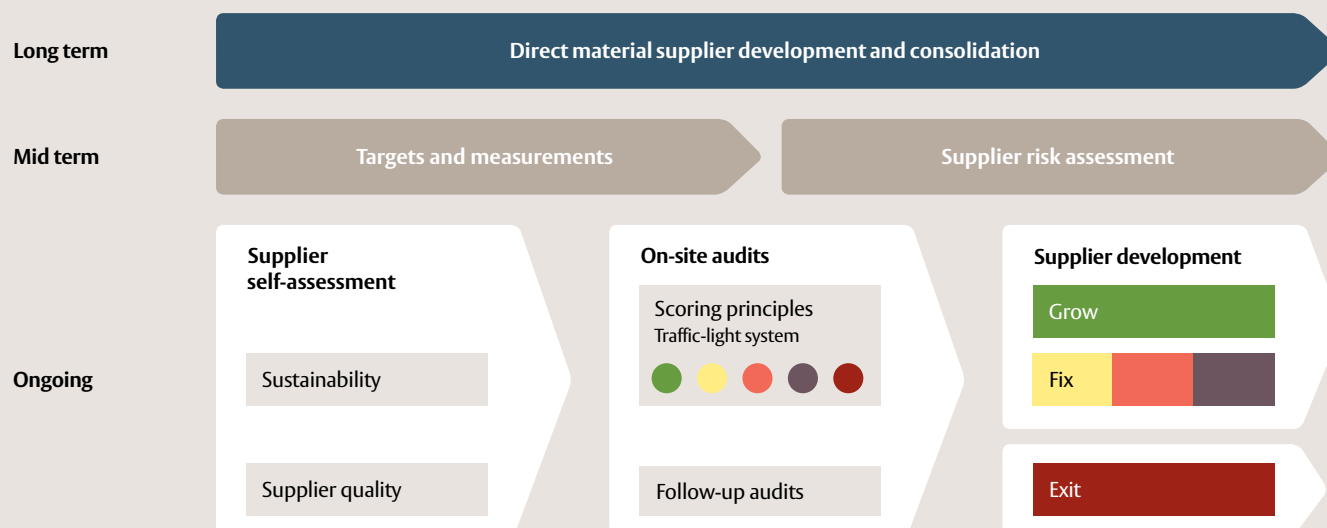
ASSA ABLOY has around 7,800 direct external material suppliers – including 3,200 in low-cost countries and regarded as high risk. The target for reducing the direct material supplier base is set individually by each division. In general, the trend is positive, but we believe there is still plenty of consolidation that can be done.

By the end of 2020, 1,409 of the 1,414 low-cost country suppliers audited had satisfied our minimum sustainability requirements – equivalent to 88% of our total spend in low-cost countries. During 2020 the Group got 1,049 new suppliers in high and low cost countries. During the year, 5.1% of those new suppliers were audited, the share of new audits in low-cost countries was 10%.

- No supplier in low-cost countries was blacklisted and prevented from doing business with us, and 9 put on 'new-business hold' by the Group, meaning they were not eligible for new business from any ASSA ABLOY entity.

According to our Business Intelligence audit data, the most common reasons for blacklisting suppliers are health and safety, and environmental issues. Examples of health and safety issues are unsatisfactory risk documentation, evacuation drills or information about how to act in emergency situations. Inadequate accident statistics, security objectives or machine safety instructions are also common deficiencies. Blacklisted suppliers with environmental issues may have missing environmental permits, inadequate documentation on hazardous waste, or no environmental risk assessments and improvement action plans.

## Audit process and Traffic-light system



### The traffic-light system

We use a traffic-light system to rate individual direct material suppliers on how they conform to our Business Partner Code of Conduct. Suppliers are rated on the following five color-coded system:

**Green** – the supplier is approved. A re-audit is done after three years to verify compliance.

**Yellow, orange, and purple** – the supplier is approved on the condition that it resolves the issues identified in a recent audit within an agreed time frame. Yellow signifies the fewest number of non-conformities and purple the most. A follow-up audit is typically done after one year.

**Red** – the supplier is not approved. The supplier is put on 'new-business hold,' and a follow-up audit will be conducted within six months.

Red, yellow, orange and purple statuses can be revised based on evidence of a corrective action plan, well-documented progress, and firm commitment from the supplier. Contracts with suppliers may be terminated in the case of a non-compliance that is not remedied within an agreed time frame. The contract is automatically terminated if a supplier is rated 'red' for longer than six months.

### Supply chain management governance

Our supply chain management is led by the Sustainability Supply Council, which includes representatives from each division. The council sets supplier sustainability targets, coordinates activities and follows up on progress. Each division is responsible for ensuring its suppliers meet our requirements.

ASSA ABLOY rates the performance of our direct material suppliers and how they conform to our Business Partner Code of Conduct.

Our audits are designed to assess if suppliers comply with our Business Partner Code of Conduct in terms of business ethics, human rights and labor standards, health and safety, and environmental criteria. Some criteria in the audit checklist are of such significance that they are known as 'stoppers,' for example, child labor. If a supplier fails to comply with these important standards, they are automatically rated as 'red' and put on 'new-business hold.' If the supplier fails to improve within an agreed time frame, they are blacklisted and their relationship with ASSA ABLOY is terminated. There are many reasons why suppliers are blacklisted, but the main reason is an unwillingness to improve and meet our demands for improvements.

The same ASSA ABLOY audit process is always followed, regardless of supplier or auditor, and includes self-assessments, on-site initial audits and on-site follow up audits to verify that the supplier has implemented the agreed action plan.

### Business Intelligence System

Divisions submit their supplier audit reports to our Business Intelligence System, which allows us to assess and analyze the performance of our suppliers. The system is used as basis for procurement decisions to identify preferred suppliers and enables us to monitor several supply chain KPIs.

## Supplier audits help to resolve health and safety issues

### Challenge:

In 2019, ASSA ABLOY's supplier quality team, responsible for one of our suppliers in China, discovered non-compliance issues related to health and safety: lack of proper personal protective equipment, insufficient safety training, no reporting and action plan for occupational health check results, a blocked hydrant, and more.

### Solution:

Our quality auditors worked together with the supplier's quality and health and safety team to identify the root cause of these problems. These were revealed to be mainly due to no health and safety management objectives and a lack of total involvement training.

The supplier started to implement a preventive action plan within their facility, established their environmental, health and safety targets, improved occupational health monitoring and trained the operators on safety.

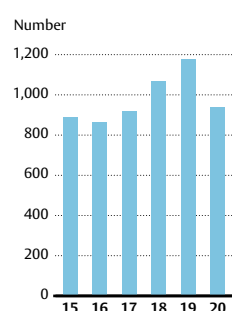
### Result:

All these improvements led to reducing the risks of injury, increased employee morale and boosted the overall health and safety score from 68% to 75%.

As a result of following this disciplined process, the supplier managed to comply with not only local government and ASSA ABLOY requirements on social accountability but also to sell more sustainable products to both ASSA ABLOY and its other customers.

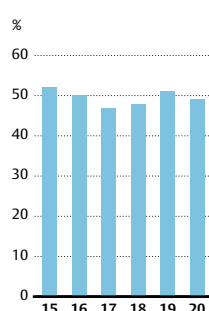


### Sustainability audits of direct material suppliers in low-cost countries



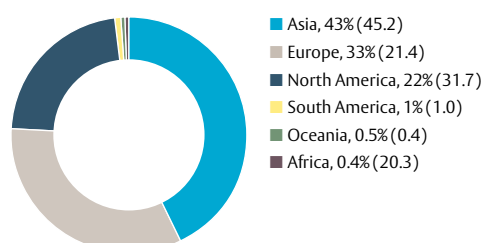
In 2020, ASSA ABLOY conducted 940 (1,175) sustainability audits.

### Share of purchases in low-cost countries

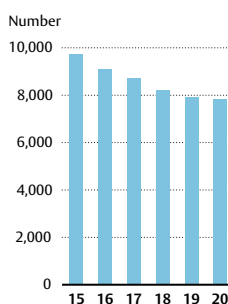


The share of the Group's total purchases of raw materials, components and finishes goods from low-cost countries was 49% 2020.

### Distribution of direct material supplier spend



### Number of direct material suppliers



Reducing the number of direct material suppliers is important for reducing costs and improving quality.

# Sustainable operations

Climate change is one of the biggest threats we face globally. ASSA ABLOY has made a long-term commitment to address climate change, which will further improve our competitiveness and resilience as an organisation.

ASSA ABLOY is committed to being a responsible global citizen. We take that responsibility seriously. It is important for us to play our part to combat climate change, in line with the latest input from science. ASSA ABLOY has committed to set science-based targets – the Group sets targets that are aligned to the Paris Agreement, limiting global temperature increase to 1.5°C, by halving emissions by 2030 and reaching net-zero by 2050.

Working to achieve science-based targets is fundamentally the right thing to do. It will enable us to reduce our operating costs and future risk exposure, making the company more competitive while leaving a positive footprint for future generations. It will also help ASSA ABLOY to become more relevant to our customers, as we focus on developing more sustainable products. This directly supports our purpose: every day to help people feel safe, secure and experience a more open world.

During the year, ASSA ABLOY concluded its five-year sustainability program to 2020 with positive results across the majority of indicators. The Group is now launching its sustainability program to 2025, building on the momentum and success of five-year programs since 2010; setting more ambitious targets across all indicators. For the first time, the Group is setting long-term goals by committing to set climate targets through the Science Based Targets initiative. Our sustainability program to 2025 will help to enable the Group to realize its science-based targets.

## Environmental risk and challenges

ASSA ABLOY's continued growth presents us with significant opportunities. At the same time, growth in regions with greater fossil fuel-intensive energy mixes, as well as water scarcity, pose potential risks and challenges that must be

managed. Energy consumption, carbon emissions and water consumption are the cause of our most significant environmental impacts; these environmental risks are extended to our supply chain. Geographic expansion also requires that environmental risks and challenges associated with transportation must be managed.

We are currently in the process of reviewing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This will enable us to determine the climate-related financial risks and opportunities, while we also further analyze our risk to the environment and climate change; a double materiality perspective.

## Environmental risk management

ASSA ABLOY mitigates environmental risks by certifying all its factories with significant environmental impact to the ISO 14001 environmental management system. In 2018, all our entities were analyzed to establish which need to be ISO 14001 certified, and most of the relevant remaining entities will be certified by the end of 2022. A variety of ongoing programs also work to optimize the use of resources, and mitigate the associated risks. We have also further developed our restricted materials list that contains materials and substances that should be avoided in manufacturing processes and products.

## Supply chain

Environmental performance within the supply chain is essential to our overall risk management. We have a comprehensive platform to monitor individual supplier risks and performance, in particular through audits of low-cost country suppliers. A total of 940 such audits were conducted in 2020.



## Performance – sustainability program to 2020:

Environmental KPI	2015	2016	2017	2018	2019	2020	Target 2015–2020	Change 2015–2020
Number of entities covered by ISO 14001 certificates and other certifiable management systems	121	124	134	121	115	100	120 ●	–21
Intensity of greenhouse gas emissions related to energy consumption (tons/SEK M)	8.3	7.4	7.5	7.3	6.3	6.0	–20% ●	–27%
Intensity of greenhouse gas emissions related to chemicals in industrial processes (tons/SEK M)	5.6	2.8	1.9	1.9	0.9	0.03	–85% ●	–99%
Energy intensity (MWh/SEK M)	23.7	21.4	20.4	19.6	17.5	16.6	–20% ●	–30%
Water intensity (m³/SEK M)	84.9	66.0	56.3	51.8	47.0	42.2	–20% ●	–50%
Hazardous waste intensity (kg/SEK M)	109	107	106	104	100	89	–20% ●	–18%
Non-hazardous waste intensity (kg/SEK M)	808	752	712	655	623	584	–20% ●	–28%
Consumption of chlorinated organic solvents (PER and TRI) (tons)	19.0	16.8	19.5	27.1	24.3	0.61	–85% ●	–97%
Consumption of other types of organic solvents (tons)	1,255	1,160	945	812	765	400	–50% ●	–68%
Portion of renewable energy	9.1%	11.7%	11.6%	11.9%	12.3%	14.3%	20% ●	+5.2 p.p.



## Supporting Living Building Challenge certification in Australia



### Challenge:

The Burwood Brickworks development is a new world-leading retail space, exemplary architecture and living spaces, and expansive and lush public spaces combine to make this community-focused precinct one of the best in the world. Aiming to be the most sustainable shopping centre in the world, the retail precinct at Burwood Brickworks offers residence the convenience of a supermarket, Cinema and a rooftop urban farm and restaurant by acre farm & eatery and over 40 specialty shops. Frasers Property Group's aim was to provide Australia with the first Urban renewal project in accordance with the Living Building Challenge guidelines.

### Solution:

ASSA ABLOY Opening solutions worked directly with NH Architecture and Frasers Property group to achieve the LBC Requirements by providing

solutions that held EPD's, Red list free and Declare label certification. Many products such as the door furniture and mortice locks were manufactured locally at our world-class facility in Melbourne, whilst the door closers were from Abloy in Finland. The entire project was specified within our Openings Studio platform to ensure compliance of the total solution.

### Result:

ASSA ABLOY Openings Solutions brand of products installed throughout the building helped Frasers property group achieve the targeted LBC certification. Frasers Property Group has gone on to win many accolades of late. Including being recognized by GRESB as the Global Development Sector Leader – Residential. It is a project that we're very proud to have worked on locally and certainly look forward to more great living building challenge projects in the future.

### Products

Risks associated with product impact and resource consumption throughout the life-cycle of a product are important to us. When developing new products, we use a tool – the ASSA ABLOY Sustainability Compass – to measure several sustainability aspects. Read more about how the ASSA ABLOY Sustainability Compass is used to mitigate impacts on page 14.

### Environmental priorities

Our environmental priorities are to:

- reduce the Group's carbon footprint
- coordinate the implementation of environmental management systems
- enhance data analysis and benchmarking
- improve water and waste management
- reduce energy consumption and increase the proportion of renewable energy
- phase out organic solvents

These priorities are all interlinked and closely related to production and resource efficiency.

Our sustainability reporting system collects high-quality data to track and analyze the performance of individual entities and divisions. As a decentralized Group – with strategic and operational responsibility at divisional level – this systematic approach and the ability to allocate and oversee the performance of individual entities are essential. Our belief is that benchmarking and best practice sharing within ASSA ABLOY drives progress.

### Environmental compliance

Ensuring environmental compliance is essential to maintain our reputation and the company's license to operate. Non-compliance could result in issues with our stakeholders – including employees, customers, shareholders and the authorities. No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations occurred during 2020.

## Energy and carbon emissions

### New targets to 2025

**–25%**  
Carbon Footprint – absolute

**–25%**  
Energy intensity

#### Energy consumption and carbon emissions

The increase in global carbon emissions is a key cause of climate change. The majority of ASSA ABLOY's Scope 1 and 2 carbon emissions are linked to energy consumption and materials used in our manufacturing processes. To play our part to mitigate climate change and achieve our new ambitious climate targets, it is important for ASSA ABLOY to reduce its overall carbon footprint. Working towards halving emissions by 2030 and reaching net-zero by 2050 will make ASSA ABLOY a more competitive company and ensure we leave a positive future footprint.

#### Energy Efficiency

##### Our approach to energy efficiency

Ensuring energy efficiency and effectiveness is a significant opportunity to reduce our global carbon footprint and as-

sociated costs. Being a decentralized Group, it is essential to have a strategic approach to improvement actions.

ASSA ABLOY has a three tiered approach to energy and sustainability improvements:

1. Global focus team – top 25 energy intensive sites  
A cross-divisional global team works collaboratively on focused energy effectiveness projects at our most material sites, representing more than 50% of the Group's total energy consumption.
2. Operational Excellence – Sustainability is a key foundation of the Group's operational excellence strategy. This ensures that sustainability and energy efficiency is an organic part of our operations strategy – it is a natural part of our activities at all production sites in the Group globally.

#### Geographical split of energy and water consumption

	Africa	Asia	Europe	North America	South America	Pacific
Energy consumption (%)	0.4%	19.5%	27.5%	45.2%	5.1%	2.4%
Water withdrawal (%)	0.7%	54.8%	13.1%	23.2%	6.4%	1.7%

#### Ozone-depleting substances

	2015	2016	2017	2018	2019	2020
Ozone-depleting substances in tons of R11 equivalent <sup>1</sup> (tons)	20.8	8.1	4.8	8.0	2.7	0.0

<sup>1</sup> R11 equivalence measures ozone-depleting potential. The calculation is based on the consumption of HCFC-141b; which has been phased out of the Group

#### Energy consumption and related CO<sub>2</sub> emissions

	2015	2016	2017	2018	2019	2020 <sup>1</sup>
Direct energy – Scope 1						
– oil (MWh)	23,177	23,911	25,965	21,697	15,054	9,707
– gas (MWh)	251,997	251,402	258,857	268,609	290,130	268,225
– coal (MWh)	88,226	48,884	30,711	11,694	10,093	61
– biofuel/biomass (MWh)	1,958	3,119	3,706	8,975	9,737	13,786
<b>Total</b>	<b>365,358</b>	<b>327,316</b>	<b>319,239</b>	<b>310,975</b>	<b>325,015</b>	<b>291,779</b>
Indirect energy – Scope 2						
– electricity (MWh)	358,983	360,618	375,982	380,470	345,248	320,488
– district heat (MWh)	30,981	28,069	34,567	35,507	38,990	31,933
<b>Total</b>	<b>389,964</b>	<b>388,687</b>	<b>410,549</b>	<b>415,977</b>	<b>384,238</b>	<b>352,421</b>
<b>TOTAL ENERGY CONSUMPTION<sup>2</sup></b>	<b>755,322</b>	<b>716,003</b>	<b>729,788</b>	<b>726,952</b>	<b>709,253</b>	<b>644,200</b>
KPI, Energy intensity <sup>3</sup> (MWh/SEK M)	23.7	21.4	20.4	19.6	17.5	16.6 <sup>4</sup>
CO <sub>2</sub> emissions related to direct energy consumption – Scope 1 (tons)	87,994	75,033	71,101	67,009	69,192	61,094
CO <sub>2</sub> emissions related to indirect energy consumption – Scope 2 (tons)	174,847	171,067	196,697	205,309	187,998	172,331
<b>Total greenhouse gas emission related to energy consumption CO<sub>2</sub> (tons)</b>	<b>262,841</b>	<b>246,101</b>	<b>267,798</b>	<b>272,318</b>	<b>257,190</b>	<b>233,425<sup>5</sup></b>
KPI, Greenhouse gas emissions intensity <sup>6</sup> (tons/SEK M)	8.3	7.4	7.5	7.3	6.3	6.0 <sup>7</sup>
Greenhouse gas emission related to substances in industrial processes						
– Calculated CO <sub>2</sub> emissions <sup>8</sup> (tons) – Scope 1	179,395	92,385	68,106	72,206	34,860	1,149 <sup>9</sup>
– Total CO <sub>2</sub> emissions – Scope 1 and 2	442,236	338,486	335,904	344,524	292,050	234,575
KPI, Portion of renewable energy (%)	9.1	11.7	11.6	11.9	12.3	14.3

<sup>1</sup> For comparable units. Total energy consumption amounted to 653,388 MWh, including units acquired during the year.

<sup>2</sup> The historical numbers have been adjusted with proforma data.

<sup>3</sup> Total energy use/value added.

<sup>4</sup> For comparable units. Total energy use/value added amounted to 16.5 MWh/SEK M, including units acquired during the year.

<sup>5</sup> For comparable units. Total greenhouse gas emission related to energy consumption amounted to 237,857 tons, including units acquired during the year.

<sup>6</sup> Greenhouse gas emission related to energy consumption CO<sub>2</sub>/value added.

<sup>7</sup> For comparable units. Total greenhouse gas emission related to energy consumption/valued added amounted to 6.0 tons/SEK M, including units acquired during the year.

<sup>8</sup> Emission factors are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2007).

<sup>9</sup> For comparable units. Total calculated CO<sub>2</sub>-emissions related to substances in industrial processes amounted to 1,149 tons, including units acquired during the year.

### 3. ASSA ABLOY Green Team Playbook

The Green Team Playbook serves as a guide for anyone, anywhere, at any site (production, sales, logistics, etc.) globally to assemble a local green team. The playbook is used to initiate several actions to give the site a firm foundation in sustainability and energy efficiency.

This strategic approach will play an important role to ensuring ASSA ABLOY achieves its goals to 2025, with a 25% reduction in energy consumption, as well as the long-term goals with science-based targets.

As much as 50% of energy consumption in our large manufacturing units is related to factors independent of production volume. We have reduced our total energy consumption by implementing various efficiency projects – including control systems or technologies for heating, ventilation and pressure systems. For example, modern LED lighting with occupancy sensors has also been introduced in a large number of factories and sales companies. Some initiatives can realize significant savings with minimal investment, such as encouraging employees to switch off machines, equipment and computers when they are not in use.

ASSA ABLOY takes steps to streamline and specialize in the production of certain products with the purpose of increasing efficiency in terms of utilization of machines, equipment and floor space, as well as allocation of competence. This allows our production facilities to work at full capacity, while supporting efficient working practices and high standards. When old machines and processes are replaced, the new machines typically not only require less space but also use energy more efficiently.

### Carbon Emissions

#### *Phasing out substances with high global warming impact*

In 2019 the total calculated CO<sub>2</sub> emissions amounted to 292,050 tons, of which emissions related to direct and indirect energy consumption in our factories and sales companies correspond to 88% of the total emissions. The remaining part of the calculated CO<sub>2</sub> emissions is related to different types of chemicals. More than 98% of these emissions are related to the use of blowing agents in three factories when producing doors with foam insulation. These production lines were completely phased out by the end of 2019. This has resulted in a significant reduction in CO<sub>2</sub> from chemicals in industrial processes, as can be seen in the table on page 24 (include % reduction since 2015 baseline –99%). ASSA ABLOY complies with the Montreal Protocol and with country-specific legislation on ozone-depleting substances.

### Intelligent logistics

The transportation of our solutions around the world plays a very important role of our value chain. If it is not managed in the right way, it can have a significant environmental impact. It is important to manage our logistics in a smart way, as well as prioritizing sea, rail and road transportation as much as possible, to minimize our environmental footprint.

We have been able to reduce the environmental impact of transportation as the Group has expanded. Locating assembly facilities close to the customer, for example, has enabled a more flexible and efficient supply of goods.

We use a database to assess and identify smart transport solutions with the lowest environmental impact. The database includes suppliers as well as our factories and sales companies, and is connected to our central purchasing database.



Working towards halving our emissions by 2030 and reaching net-zero by 2050 will make us a more competitive company and ensure we leave a positive future footprint.

## Learning to understand and see energy waste



### Challenge:

A common challenge when following up energy metrics is that there are not enough meters to be able to monitor operational processes at the level of detail needed. It is therefore difficult to gain insights in areas of energy improvement, when lacking relevant knowledge about the distribution between energy carriers and their consumers.

### Solution:

A cross divisional pilot was conducted on all Swedish sites to get experience in how each office, factory and our transports individually contributes to our energy footprint. This could, for example, be energy from the machinery, compressors, ventilation systems, lighting or the fuel consumption of

our company cars. An energy balance calculation was completed by measuring and collecting data during site visit and gemba walks.

### Result:

In the result, 20 concrete activities to achieve higher energy efficiency is clarified at a site or business unit level. If all proposed efficiency measures are carried out, the energy use in the company is estimated at 1,644 MWh / year, which makes a saving of 15,000 Kg CO<sub>2</sub> for district heating and 174,250 Kg CO<sub>2</sub> for electricity, corresponding to 5% of today's total amount of energy supplied in Sweden.

Additionally, the methodology used will serve as a foundation for a global ASSA ABLOY energy mapping framework.

## Organic solvents and surface treatment

### New targets to 2025

**-50%**  
Organic Solvents  
intensity

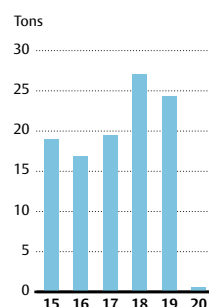
We have reduced the consumption of chlorinated organic solvents through investment in new cleaning technologies, as part of a gradual phase out of such chemicals.

Chlorinated organic solvents such as perchloroethylene (PER) and trichloroethylene (TRI) are used for the surface treatment of metals, including degreasing, cleaning and pre-treatment before plating. Surface treatment is needed to meet high standards of durability, corrosion resistance, quality and finishing.

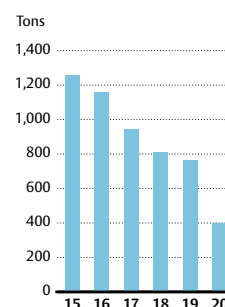
Phasing out the use of chlorinated organic solvents has been a priority for ASSA ABLOY, where we have worked systematically to eliminate the use of PER and TRI. If chlorinated organic solvents are mismanaged or not contained in the correct way, they can pose a risk to health and may cause environmental contamination. Most entities have already replaced PER and TRI with less harmful alternatives, such as ultrasonic cleaning and water or steam-based processes, and in 2020 we fully phased out the use of both PER and TRI across the Group. This is important to help ASSA ABLOY leave a positive environmental footprint.

The Group also uses other types of organic solvents, primarily for painting. If organic solvents are mismanaged or not contained in the correct way, they can pose a risk to health and may cause environmental contamination. The total consumption of other types of organic solvents for comparable units decreased by 48% to 400 tons in 2020. Compared with 2015 the consumption has been reduced by 68%. The target is to reduce consumption by 50% between 2015 and 2020, primarily by switching to water or powder-based paint applications.

Consumption of chlorinated organic solvents



Consumption of other types of organic solvents



## Phasing out PER & TRI chlorinated organic solvents



### Challenge:

Perchloroethylene (PER) and Trichloroethylene (TRI) are effective degreasing agents used to clean components. Although they are excellent cleaning agents, they pose a potential health & safety and environmental contamination risk, in the event of an accident or significant spill. ASSA ABLOY had an ambitious target to reduce the consumption of PER and TRI by 85% by 2020 against a 2015 baseline, ultimately aiming to phase out the use of the chlorinated organic solvents.

### Solution:

In 2019 the use of PER and TRI was limited to just two remaining production sites, one each in Brazil and India. It was a challenge with many iterations of trial and error to find suitable alternative technologies and solutions, which could clean the components to the same high standard, while also reducing the health & safety and environmental contamination risk.

### Result:

In Brazil our teams were able to eliminate the use of PER in two phases, by installing a standalone washing machine and then installing an expansion washing station in the surface treatment line to clean parts during the surface treatment process. In India the component cleaning process was redesigned, where the use of TRI could be fully phased out. These changes have resulted in a 97% reduction in PER and TRI, exceeding our 2020 target of 85%.



## Environmental management systems

Our objective is for all units with significant environmental impact to have an ISO 14001 certified environmental management system. As new companies are acquired, such systems are gradually introduced if they are not already in place.

A total of 100 units had environmental management systems at the end of the year, covering 73% of employees in our factories. For comparable units the number of entities covered by ISO 14001 environmental management systems decreased by 15 to 100, primarily as a result of ongoing restructuring activities and consolidation of a number of reporting entities with ISO 14001.

New targets  
to 2025

**100%**

ISO 14001 – % sites  
certified in reporting  
scope\*

\* Acquisitions will be given  
3 years to become certified.

Number of entities covered by ISO 14001 certificates and other certifiable environmental management systems

	2015	2016	2017	2018	2019	2020
ISO 14001	98	110	116	104	104	95
Certifiable systems	23	14	18	17	11	5
<b>Total</b>	<b>121</b>	<b>124</b>	<b>134</b>	<b>121</b>	<b>115</b>	<b>100<sup>1</sup></b>
Factory employees covered by environmental management systems, %	73	77	79	77	75	73

<sup>1</sup> The total number of entities covered by ISO 14001 and other certifiable management systems amounted to 105, including units acquired during the year.

## An Amazing Space at Indian Creek Nature Center

### Customer:

Indian Creek Nature Center located in Cedar Rapids, Iowa USA seeks to promote a sustainable future by nurturing individuals through environmental education and encouraging responsible interaction with nature.

### Challenge:

For decades Indian Creek Nature Center has led the area in sustainable building and operations practices. The nature center continued this leadership stance when it announced it would seek Living Building Challenge (LBC) Petal Certification for Amazing Space, a new building constructed to the highest sustainability standards. Attaining this ambitious goal required the building to produce more on-site energy that it consumed. This meant a need for low-energy building components to minimize electricity needs.

### Solution:

To attain this certification, the building was designed to be 52% more efficient than if built to standard energy code. Building components were optimized for greater energy efficiency, including the doorways that are equipped with electromechanical locks and exit devices from ASSA ABLOY Group brand Sargent. The locks and exit devices feature EcoFlex technology that reduces power consumption by up to 96%, as independently certified by GreenCircle.

Other ASSA ABLOY products are used throughout the building: HES electric strikes, Norton door closers and low energy operators; McKinney hinges; Pemko gasketing and accessories; Rockwood pulls, kickplates, door stops and accessories; Rixson door stops and holders. These products have Declare labels and other transparency documentation that help facilities attain LBC certification by listing the materials and ingredients of the products.



## Water and waste management

### New targets to 2025

**-25%**

Water intensity

**-25%**

Hazardous waste intensity

**-25%**

Non-hazardous waste intensity

Water scarcity and the lack of clean drinking water is a major concern in many parts of the world. Irresponsible disposal of waste poses a major pollution risk and threat to biodiversity, both on land and in our oceans.

For ASSA ABLOY to leave a positive footprint, it is important that we use water conservatively and efficiently, reusing water wherever we can.

We can reduce the waste we generate by: a) reducing generating waste in the first place; b) reusing as much as we can; and c) recycling and recovering as much as possible.

### Water Management

To minimize our water footprint, we promote water awareness and conservation across all sites, as well as implementing water recycling systems and closed loop systems, to promote water efficiency in our more water intensive facilities.

During 2020, water withdrawal decreased by 14% and water intensity by 10% as a result of improvement activities and changed production mix; water intensity improved by 50% compared with our 2015 baseline. Water is primarily consumed through painting, plating and cleaning processes. Twenty such entities, located mainly in the United States and China, account for more than 70% of our total water consumption.

Our water reduction target to 2025 is 25%, which will be a challenge as we have already substantially reduced our water footprint. Our new target continues our contribution to UN SDG 6 - Clean Water and Sanitation. To achieve this target we will need to be innovative in our approach to find new ways to be even more water efficient.

In 2020, our total water withdrawal amounted to 1,635,160m<sup>3</sup>, of which 85% was sent to municipal treatment plants after use. Water recirculation in wastewater treatment plants improves efficiency, and in 2020 the total

amount of recycled water equated to 22% of the total water consumption. All discharges are monitored in accordance with local regulations, and all units that manage chemicals are properly licensed and registered with the local authorities. This helps ensure the water quality of receiving bodies is not compromised.

Water withdrawal and discharges are managed in accordance with local rules and regulations. In factories with electroplating facilities, the water is used in the different process baths as well as for cleaning.

In factories producing doors, the water is typically used for cleaning. An increasing portion of the used water is recirculated and used again after different water purification methods have been applied. A wide range of technologies are used across the Group: such as filtration, sedimentation, flocculation, ion exchange and reverse osmosis.

Water discharges are measured, calculated or estimated depending on available sources of information and requirements. Out of the total reported volume, 76% is measured based on sensor readings, another 7% of the volume is calculated for the full reporting period based on a smaller number of readings at certain points in time. Around 17% of the total volume is estimated due to lack of sensors for measurement.

### Accidental discharges

There were no major spill incidents in 2020, and 2 minor spill incidents were reported. The cases did not cause us to exceed permitted levels and were managed in accordance with national legislation. We have improved our relevant internal processes to avoid future incidents.

### CDP Water

We achieved the C level on the CDP Water security evaluation for 2020.

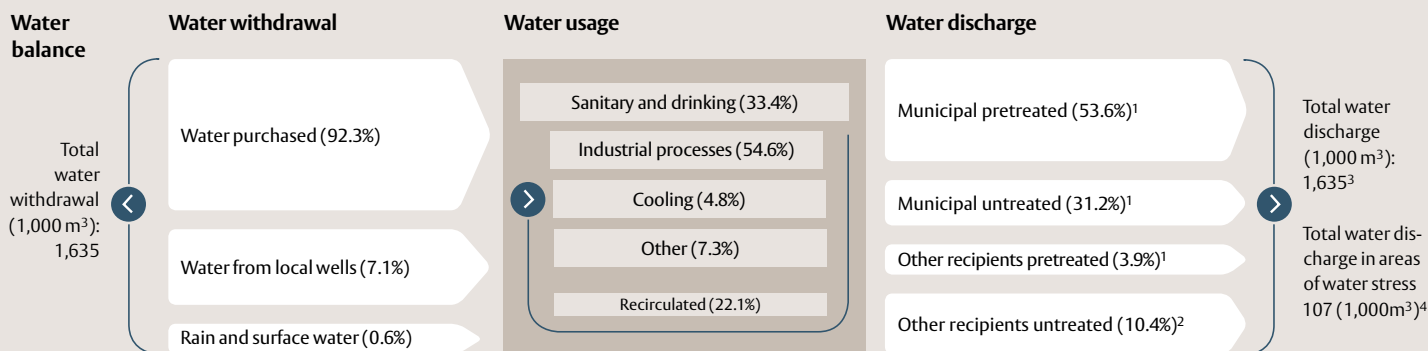
### Water performance

	2015	2016	2017	2018	2019	2020
Purchased water (1,000 m <sup>3</sup> )	1,565	1,508	1,391	1,588	1,692	1,509
Water from on-site wells (1,000 m <sup>3</sup> )	1,127	684	616	335	210	117
Rainwater (1,000 m <sup>3</sup> )	7	9	5	4	9	9
Surface water (1,000 m <sup>3</sup> )	3	2	0	0	0	0
<b>Total water withdrawal (1,000 m<sup>3</sup>)<sup>3</sup></b>	<b>2,702</b>	<b>2,203</b>	<b>2,012</b>	<b>1,927</b>	<b>1,911</b>	<b>1,635<sup>1</sup></b>
<b>KPI, Water intensity (m<sup>3</sup>/SEK M)<sup>3</sup></b>	<b>85</b>	<b>66</b>	<b>56</b>	<b>52</b>	<b>47</b>	<b>42<sup>2</sup></b>

<sup>1</sup> For comparable units. Total water withdrawal (1,000 m<sup>3</sup>) was 1,647, including units acquired during the year.

<sup>2</sup> For comparable units. Total water intensity amounted to 42 m<sup>3</sup>/SEK M, including units acquired during the year.

<sup>3</sup> The historical numbers have been adjusted with proforma data.



<sup>1</sup> Third-party water. <sup>2</sup> Surface water. <sup>3</sup> Other water (>1,000 mg/L Total Dissolved Solids).

<sup>4</sup> Water discharge to areas with water stress based on World Resources Institute 'Aqueduct Water Risk Atlas'

## Waste Management

To reduce our overall waste generated we follow the waste hierarchy to reduce, reuse, recycle and recover as much as we can. Waste represents a substantial cost both in terms of the resources needed to generate the waste and the cost to handle the waste in a proper way. By avoiding generating waste in the first place or reusing waste where possible, it helps to reduce our operational costs. We continually increase the number of recycling programs across the Group and are expanding our waste categories, enabling increased recycling.

We work to minimize waste from our manufacturing processes and packaging materials. Several companies within the Group generate revenue from selling paper, cardboard and plastic for recycling rather than paying for the disposal of these materials. Where it is not possible to recycle waste, it is recovered in terms of energy recovery where available and the balance goes to landfill as a last resort. We have challenges in some geographical regions where recycling infrastructure is not yet available, resulting in landfill disposal;

in these locations we put extra emphasis on trying to reduce and reuse any waste generated.

In 2020, our total waste generated amounted to 80,600 (86,732) tons. The amount of hazardous waste decreased for comparable units 3,453 (4,058) tons. During 2020 more waste is categorized as hazardous waste due to implementation of stricter national rules; for example, in China. Cutting oil is extensively filtered and cleaned, to allow it to be reused in manufacturing, and hazardous waste that cannot be reused is properly disposed of. The intensity value for hazardous waste decreased by 15% for comparable units.

Several companies have reduced their use of packaging materials, switched to less harmful packaging materials and introduced reusable or recyclable containers. Increasing the use of electronic orders and integrating information flows across systems has reduced the use of printed documents.

Hazardous waste is sent to authorized companies for proper processing, recycling and disposal. Available data indicates that at least 7.1% of the hazardous waste was recycled in 2020.

### Recycled metal

	2015	2016	2017	2018	2019	2020 <sup>1</sup>
Waste metal for recycling (tons)	57,632	56,338	58,316	55,795	57,363	54,529

<sup>1</sup> For comparable units. Total amount of waste metal for recycling amounted to 54,614 tons, including units acquired during the year.

### Hazardous waste

	2015	2016	2017	2018	2019	2020
Metal sludge (tons)	805	873	838	915	914	704
Oil for recycling (tons)	360	421	433	361	331	244
Electrical and electronic waste (tons)					89	101
Other types of toxic waste (tons)	2,304	2,266	2,513	2,585	2,724	2,404
<b>Total hazardous waste (tons)</b>	<b>3,469</b>	<b>3,560</b>	<b>3,785</b>	<b>3,861</b>	<b>4,058</b>	<b>3,453<sup>1</sup></b>
<b>KPI, Hazardous waste intensity (kg/SEK M)</b>	<b>109</b>	<b>107</b>	<b>106</b>	<b>104</b>	<b>100</b>	<b>89<sup>2</sup></b>

<sup>1</sup> For comparable units. Total amount of hazardous waste was 3,471 tons, including units acquired during the year.

<sup>2</sup> For comparable units. Total amount of hazardous waste/value added amounted to 88 kg/SEK M, including units acquired during the year.

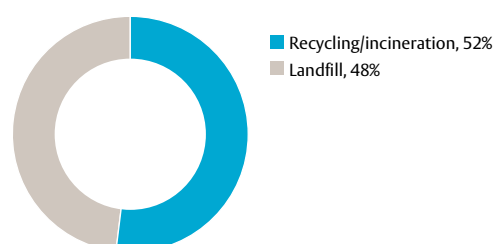
### Non-hazardous waste

	2015	2016	2017	2018	2019	2020
Household incinerated/recycled (tons)	1,766	1,838	1,960	3,200	2,762	2,533
Household deposited (tons)	11,208	11,355	11,104	9,889	10,341	9,458
Paper and cardboard for recycling (tons)	4,803	4,447	4,748	4,465	4,523	4,188
Plastic waste for recycling (tons)	879	768	797	863	869	796
Wood waste for recycling (tons)	4,277	4,426	4,854	4,470	5,061	4,188
Glass for recycling (tons)	NA	NA	185	174	236	144
Other types of waste (tons)	2,787	2,270	1,823	1,293	1,519	1,310
<b>Total (tons)</b>	<b>25,720</b>	<b>25,105</b>	<b>25,471</b>	<b>24,354</b>	<b>25,310</b>	<b>22,618<sup>1</sup></b>
<b>KPI, Non-hazardous waste intensity (kg/SEK M)</b>	<b>808</b>	<b>752</b>	<b>712</b>	<b>655</b>	<b>623</b>	<b>584<sup>2</sup></b>

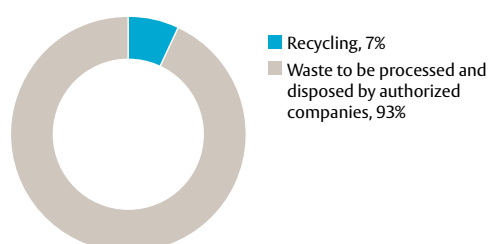
<sup>1</sup> For comparable units. Total amount of non-hazardous waste was 23,305 tons, including units acquired during the year.

<sup>2</sup> For comparable units. Total amount of non-hazardous waste/value added amounted to 588 kg/SEK M, including units acquired during the year.

### Non-hazardous waste – disposal method



### Hazardous waste – disposal method



# Together ahead with our people

The ASSA ABLOY Group is young, but we have hundreds of years of history inside our walls and a diverse range of people from all around the world. Our diversity of thought, and our experience of operating in many different markets, makes our ambition – to be a world-leading organization where people succeed – attainable. We believe that culture and leadership will drive our organization and our people ahead. In addition, we have also identified a number of key factors that will help us succeed. Our people vision and strategy for 2025 is built on this.

## New targets to 2025

**–33%**

Injury rate  
(number of injuries per  
1m hours worked)

**–33%**

Injury lost day rate  
(number of lost days  
related to injuries per  
1m hours worked)

**–30%**

Gender diversity  
(% of females in  
management positions)

## Our culture

At the beginning of 2019, we introduced our Group-wide change initiative Together we, which consists of Together we are – the identity of the ASSA ABLOY Group – and Together we grow – the strategy of the ASSA ABLOY Group.

Our values and beliefs are part of our identity, and people throughout the organization describe us as advocates of:

- Empowerment – We have trust in people
- Innovation – We have the courage to change
- Integrity – We stand up for what is right

To place emphasis on leadership – and what we expect from our leaders of people, businesses, projects, processes and ourselves – we have created Leadership Dimensions. The Leadership Dimensions connect leadership to our strategy and core values, and they describe how we lead.

We work with the duality of being decentralized and at the same time being one Group. We believe in decisions being made where our business is happening, and we want our people to feel empowered to act within the space that they're in, however big or small that might be. We believe in leaders who dare to empower their people by delegating; people grow with the opportunity to try things out and to learn from this. Taking a step back as a leader means that we enable development and growth, not only of individuals, but in how we innovate and improve products, processes, and ways of working.

In our decentralized structure, innovation is happening on many different levels and in many different topics. For us, it is about constantly asking ourselves: How do we do more and

how do we do it better? We are an organization for strivers and thrivers; we carry on even when things get tough and we find strength in our colleagues across the globe who are likely to have met similar challenges.

Being a Group means that we always have people to collaborate with; people who provide support, who inspire us to come up with new ideas, and who will happily continue to improve something that has been invented somewhere else. Being a Group also means that we have a world-wide toolbox of ways to do things, and we are encouraged to benefit from the best ideas throughout the organization. This also means that we don't have to re-invent the wheel, but benefit from and develop what others have started. This is how we create economies of scale and share costs, creating sustainable innovation and ways of working.

## Talent management

We believe that when you take charge of your own career – following your strengths and stretching your goals – you're more motivated, and do better work.

We encourage each person to find their own development path, checking in regularly to make sure it suits their aspirations and our ambitions. We provide constructive feedback, and encourage people to support their colleagues in the same way. If opportunities open up for someone to find their next challenge with another team, we will help them to pursue that ambition.

Wherever you start your career with ASSA ABLOY, you will experience an international outlook. You can choose to stay put or look for short or long term experiences at any of our 70 locations around the world. We always give internal

## Helping to keep our customers safe

### Challenge:

Many accidents in Industrial environments happen in the loading bay area at logistics companies, warehouses and production facilities. It is a dangerous environment with large vehicles, heavy equipment and people are on a constant move.

### Solution:

ASSA ABLOY Entrance Systems created a safety package to help customers to identify the biggest risks and what activities can be done to mitigate those risks. The preventive actions that

can be made ranges from training, installing safety equipment, ensure proper maintenance and fulfilling regulatory requirements.

### Result:

With the safety package as a basis we work together with our customers to increase the safety in their operations. Both by helping them identify hazards and risks but also what can be done to mitigate those risks and hazards. The solutions can range from installing traffic lights to truck restraint systems that prevents trucks from driving away while still unloading goods.

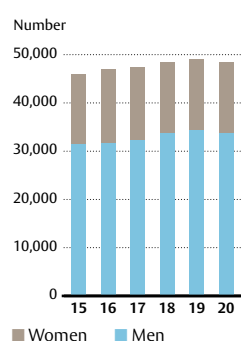






Green Fu and Katherine Li in the customer service center at our Shanghai factory.

#### Average number of employees



#### Number of employees by employment contract, employment type and gender

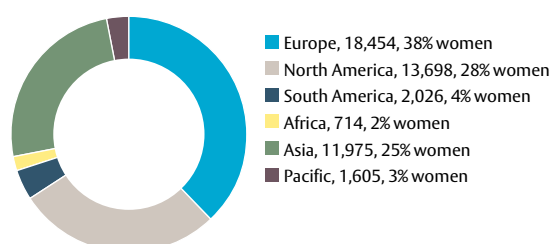
	Number	% of total	Female, %
Permanent	45,078	93	29
Temporary	3,393	7	34
<b>Total</b>	<b>48,471</b>	<b>100</b>	<b>30</b>

At the end of 2020, 35 percent of ASSA ABLOY employees were covered by collective bargaining.

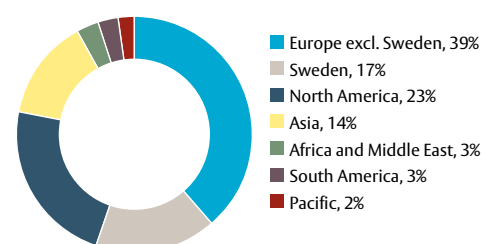
#### Women at different levels of the organization

Level	Percentage of women						
	2015	2016	2017	2018	2019	2020	2020
2 – reports to CEO	27	27	27	20	9		9
3 – reports to level 2	17	18	17	17	21		19
4 – reports to level 3	16	16	16	20	21		25
5 – reports to level 4	25	24	25	25	26		28
<b>Level 2-5</b>	<b>23</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>		<b>27</b>
<b>All employees</b>	<b>31</b>	<b>31</b>	<b>30</b>	<b>30</b>	<b>29</b>		<b>29</b>

#### Average number of employees by region



#### Nationalities – ASSA ABLOY's management teams





We believe that culture and leadership will drive our organization and our people ahead.

*John Adderley, Machine Setter based at ASSA ABLOY in Willenhall, UK.*



applicants priority for open roles. If they need some help to get to that level, through training or mentoring, we will do our best to support it.

When we talk about internal mobility – which we do, a lot – we don't just mean changing location. Our people regularly move between roles, business areas and divisions right where they are: to develop seniority, broaden their experience or dig deeper into their area of expertise. We have been at the forefront of remote working for a long time, and we know how to foster close relationships over a long distance.

As local experts with a global outlook, we know that the key to success is setting each person on an individual path towards our shared goal. Trust in our people and investments in new technologies have taken us from a Scandinavian lock company to a global leader in access solutions. While we further our ambitions, we build on that culture and legacy.

All our teams, from the shop floor to the board room, collaborate on projects, offer feedback, and learn from each other. We also encourage everyone to seek out opportunities to change direction and location as they grow with us.

We invest in our research and development teams, filing hundreds of patents every year while working to meet significant sustainability targets. In order to nurture the next generation of talent, our graduate programs and diversity

networks keep pushing for a more inclusive future.

We offer our people a vast range of training in different skills and aptitudes – both face-to-face and online, and through podcasts, blogs and videos. Our collaborative approach and focus on individual development support that learning every day.

We also encourage our people to tell us what they need. Their career is in their hands as much as it is in ours.

### We set clear expectations for great leadership

We have six Leadership Dimensions that spell out what we believe a leader should be, and what it takes to become one.

At ASSA ABLOY, we measure performance by business goals and by behavior, and they are equally important. The Leadership Dimensions enable us to look at leadership in practice. To make the Leadership Dimensions and values come to life, we incorporate them into our people processes to constantly be reminded of what “good” looks like.

Leadership development is an ongoing process, and we run programs for managers on every level in the organization to support that.

ASSA ABLOY has long-established leadership programs for managers both at Group and divisional level. The development agenda is built on a leadership framework that guides our shared approach. The foundation consists of two development programs for senior managers: ASSA ABLOY MMT (management training) and ASSA ABLOY IMD. The latter is a customized program, developed in collaboration with the Swiss management school, the International Institute for Management Development (IMD) in Lausanne, with 30 participants per intake. Its aim is to support the implementation of the Group's strategy, focusing on problem solving and topics that are relevant to us as an organization. A total of 655 of the Group's senior managers from 35 countries have participated in the IMD training program. The MMT program promotes best practice sharing and facilitates the integration of new employees following acquisitions. In 2019, 70 ASSA ABLOY managers participated in one of these two programs.

In 2020, we focused on re-designing our programs to become fully virtual, with the hope of being able to offer them in a hybrid version in 2021.

### Diversity and inclusion

We make the world a safer and more open place, and that means starting with our own people. Building and nurturing diverse teams is the right thing to do. It's also the smart thing to do, especially for a global leader. We have already made progress in making our workplace more inclusive, but we also know there is more work to do.

We want people from all kinds of backgrounds to work for ASSA ABLOY, and that doesn't happen by accident. We have

## We hold ourselves accountable and keep improving

We make the most of our international culture. As of 2020, our senior leaders come from 27 different countries, and we think we can do even better in the future. Especially as we encourage people to grasp opportunities to move around the business locally and globally.

We make learning and development opportunities easy to access. From face to face and virtual training to live instruction or webinars, blogs and podcasts, we make learning flexible so that everyone can take part.

We constantly review our recruitment processes. Everything from the job description to the interview and assessment process is up for discussion and improvement. We also set targets and shortlists to attract great people we might not have reached otherwise.

We are tackling bias in the workplace. It's possible to exclude without realizing it. We are rolling out unconscious bias training across the business through 2021, to make sure nothing is holding us back.

We make room for mentoring and peer support. We offer mentoring programs to help our people shape their careers. On top of that, our teams create networking groups to support each other, and we welcome and provide resources for them.

We are increasing our female leadership. Every year, more of our high-level roles are held by women. We were at 25% in 2019, and we aim to make that at least 30% by 2025 – and to keep going. We support this with an internal women's network and by encouraging a 50/50 gender split in our graduate programs.

set specific objectives to make sure we recruit widely and give people the right opportunities to succeed.

For us, diversity is not solely a multicultural matter, but also demands the acceptance of co-workers of different genders, races, ethnicities, ages, sexual orientations, religions, disabilities, and languages. It is also about accepting and embracing co-workers with differences in education, personalities, skill sets, experiences, and knowledge bases.

There are many reasons why diversity and inclusion matters to us as an organization and business. We will grow our talent pool by taking a diverse approach to hiring, and we will gain more interest from candidates with many different backgrounds if they can relate to us. We will also make our co-workers feel accepted and appreciated for who they are – making them more comfortable, more productive, and more likely to stay with us. An added benefit is that we, as a diverse workforce, will become better at understanding and catering to the individual customer's needs.

### Health and safety

We have come a long way since we started building on our health and safety strategy, program, and processes. We have gone from collecting statistics from our divisions, to running a Group-wide, cross-divisional working group and council with health and safety in focus – creating a program which covers all employees and personnel under our direct control we aim to continuously drive our safety agenda and culture. The first step in our journey was to create a health and safety policy that describes all of the H&S management system

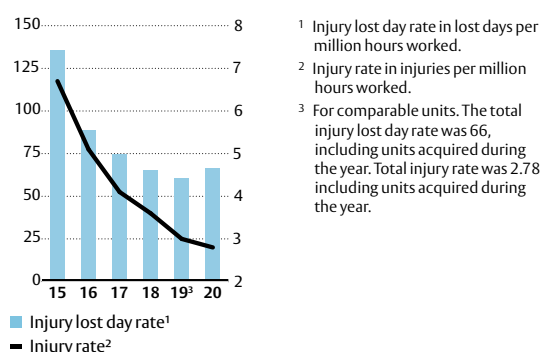
that we expected to be in place within all ASSA ABLOY entities that includes how we work with training, prevention and how we follow up injuries and corrective actions. Since then, we have based all of our work on that shared understanding and commitment, and it has helped us to get the basics right.

The next step has been to work on our culture and our behavior. Around 30,000 of our employees have participated in a workshop that focuses on how we perceive and manage risk, and how this is connected to our own attitudes and behavior; everyone needs to take responsibility for us to have zero injuries. We are currently working on a new workshop that we call 'Together we are safe', where we connect our culture to behavior and how we can improve collectively. The aim is to not only look after yourself, but also your co-workers and your surroundings.

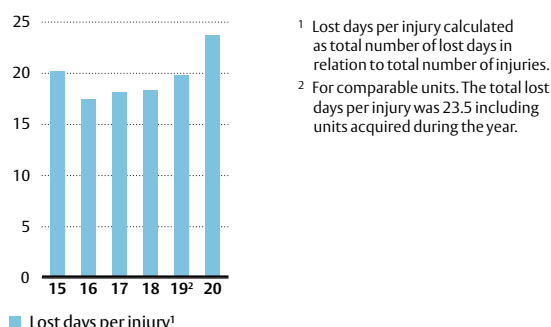
Our initial goal was to decrease the injury rate by 40%, which we reached quickly, and we set a new target of 55%, which we managed to achieve in 2019.

Our ambition and vision is to be an injury-free workplace. We believe that we can get there by maintaining our health and safety policies and processes, and to continue developing our safety culture. For example, we have added additional employee involvement in the policy, we are also developing the well-being area in our health and safety agenda, where we launched "Together we support each other" as a team workshop to cope with new way of working and well-being during the pandemic.

#### Injuries



#### Lost days per injury<sup>1</sup>



## 50 years of service!

Douglas Garlick and Stewart Taylor both celebrate 50 years of service with ASSA ABLOY.

### Why did you start to work at ASSA ABLOY and why stay for 50 years?

**Stewart** – I first started at ASSA ABLOY, when it was Josiah Parkes and Sons. I really liked the sound of the Maintenance role and the team seemed really welcoming. I also met my wife here too.

**Douglas** – I first started my career as an Apprentice at Josiah Parkes and Son (now ASSA ABLOY) in 1970, as I wanted an opportunity where I could grow and develop, unlike many of my friends, who started roles with limited self-development opportunities.

### Why is ASSA ABLOY a good employer?

**Stewart** – Throughout my 50 years with ASSA ABLOY I have enjoyed every day, each day offers a new challenge and I thoroughly enjoy my work. For me, this is what makes ASSA ABLOY stand out and a great employer.

**Douglas** – One element that makes ASSA ABLOY stand out from other

employers is the opportunities available and the people, I enjoy the team spirit that runs throughout the operational areas I work in and colleagues I work alongside.

### What makes ASSA ABLOY stand out?

**Stewart** – Every day I come to work and like the opportunities and challenges that face me, each day is different. As the years go by, the working environment has changed dramatically as technology and the working world also progresses.

**Douglas** – I believe it's the scale of the products and solutions we offer and the constant development and investment in these, which has made us the global, market leading organisation we are today. Never did I think I would see a door being opened by a phone, the technology that ASSA ABLOY has developed is truly inspiring.





What we  
offer

# Sustainability in our daily operation

The executive team comments on product sustainability and the opportunities, the progress relating to environmental sustainability and the work with Health & Safety during the year.

## Neil Vann

Neil Vann, EVP & Head of EMEA

**How are you working with product sustainability and does that offer any opportunities?**

– Sustainability has become an integral part of the product innovation process, using our Sustainability Compass. It allows us to increase the proportion of recyclable materials and components, improve energy efficiency during in-use phase, reduce maintenance, extending lifetime and improving packaging solutions. We have been able to improve our customers' experience through a variety of our sustainable solutions, such as CLIQ Connect that offers customers petrol savings, Aperio, offering energy savings and Pulse, our energy harvesting solution.

– We are seeing increasing investments in green buildings and have recognized that our customers are expecting more sustainable solutions. As a partner of the World Green Building Council, we ran an educational and advocacy campaign during World Green Building Week with the aim of 'Advancing Net Zero Buildings.' We are working to strengthen the support we provide our specification and sales teams to address this growing market segment and demonstrate our leadership to a more sustainable future.

**Please describe what progress you made, relating to environmental sustainability in 2020.**

– Covid-19 has had an impact on our operations, with health and safety being a key focus area. However, we have increased our percentage of renewable electricity to 50% (from 47% in 2019), meaning that approximately 30% of our total energy consumption comes from renewable sources. We saw new solar installations commissioned in our Abloy Joensuu manufacturing facility in Finland, Mul-T-Lock Yavne and IDS Durban.

– We have decreased our organic solvent consumption by 80%, thanks to the dedicated efforts of our teams where they have worked



with customers to understand the environmental benefits of water-based paints.

**How have you worked with health & safety in 2020?**

– We are committed to providing healthy workplaces that enable employee wellbeing. We launched Safety Week, which is now standard practice for all of our sites, which reinforces the importance of a safety culture. The Covid-19 pandemic prompted all our safety champions to respond to health and safety in ways we could never have imagined. We introduced social distancing measures in all our facilities, personal protective equipment was deployed to all sites, employees worked in shifts in order to limit the numbers in our manufacturing facilities, some of our employees worked from home where it was possible and hand hygiene was at the forefront of our daily routines.

– Preserving and protecting the health and safety of our employees is of paramount importance, and I am proud that whilst we were faced with a challenging environment, our new health and safety protocols were implemented quickly and employees were looked after in order to limit the spread of the virus in the workplace.

## Lucas Boselli

Executive Vice President and Head of Americas division

**How are you working with product sustainability and does that offer any opportunities?**

– Well-established initiatives such as LEED have increased demand for transparency documents such as environmental product declarations (EPDs), which look at the impact of products throughout their entire life cycle. We are also seeing growth opportunities in programs such as the Living Building Challenge and the WELL Building standard. Ensuring that buildings have enough natural light and openness, while still maintaining privacy has led to a robust demand for our comprehensive glass solutions in the Americas. Our most recent acquisition, Olimpia Hardware, further strengthens our portfolio for glass and aluminum accessories in emerging markets.

**Please describe what progress you made, relating to environmental sustainability in 2020.**

– We have many processes in place to improve our sustainability efforts at our production sites. We focus on initiatives to reduce energy consumption, water usage, hazardous and non-hazardous waste treatment. Reducing water usage was a particular focus in 2020 and achieved notable gains: almost 13% across the entire Americas division.

**How have you worked with Health & Safety in 2020?**

– This year, we focused a lot on Covid-19 preparedness, creating new protocols for employee safety and wellness through the pandemic. The introduction of Bluzone from HID in some of our production facilities helps employees maintain safe distances of at least 6', while also providing robust contact tracing.





## Anders Maltesen

Executive Vice President and Head of Asia Pacific division<sup>1</sup>



### How are you working with product sustainability and does that offer any opportunities?

- We have launched more solutions with Environmental Product Declarations (EPDs), a crucial requirement for architects and builders for green building accreditations. Our latest window hardware includes thicker windows to prevent heat loss and to keep cold air out, reducing energy consumption in buildings.
- We actively participate in green building councils in different markets to promote and support sustainable product development.

### Please describe what progress you made, relating to environmental sustainability in 2020.

- We fully phased out the use of Freon and switched to water-based paint in our production in China. Thanks to our Green Team Program, we implemented over 100 improvement actions, resulting in more than 1% energy reduction overall and close to 5% hazardous waste reduction.

### How have you worked with health & safety in 2020?

- Employee health and safety is our top priority. We quickly responded to the Covid-19 outbreak, immediately implementing precautionary measures at our China sites to ensure the health and safety of employees, partners and customers. Virtual meetings replaced on-site visits and face-to-face meetings. Our early initiatives were shared worldwide around the ASSA ABLOY Group and were greatly appreciated.

<sup>1</sup> In January 2021, the Asia Pacific organization was divided into two business units: Pacific & Northeast Asia and Greater China & Southeast Asia. Anders Maltesen will leave the Group during the first half 2021 when the new organizational setup is settled.

## Björn Lidelfelt

Executive Vice President and Head of Global Technologies business unit HID Global



### How are you working with product sustainability and does that offer any opportunities?

- Product sustainability and innovation go hand in hand. Product sustainability generates a positive value proposition for our customers and can help to realize growth opportunities. For example, Signo, our new range of access control readers, are energy efficient and with their Environmental Product Declarations (EPDs), can contribute to increased green building certification for our customers. They have been designed for disassembly, meaning they can be easily recycled at end of life.

### Please describe what progress you made, relating to environmental sustainability in 2020.

- An assessment for sustainability, health and safety was launched which will form the basis for continuous improvement efforts. All of our major manufacturers have adopted or continued ISO 14001 certifications for environmental management. Waste, water and electricity reduction efforts have also continued. As an example, our Austin facility has been able to eliminate the use of wood pallets and introduced green biofilm, a biodegradable plastic shrink wrap.

### How have you worked with health & safety in 2020?

- We rolled out the Together we are Safe training programs. Since March, our health and safety teams have been focused on creating a safe environment during the Covid-19 pandemic. Campaigns have included mandating social distancing, enhanced cleaning operations and temperature taking across all sites. Safety audits were also conducted at multiple locations and we continue to empower our employees to think safety first and reward those employees that identify safety concerns by giving spot bonuses.



We are seeing increasing investments in green buildings and have recognized that our customers are expecting more sustainable solutions.

## Christophe Sut

Executive Vice President and Head of Global Technologies business unit  
ASSA ABLOY Global Solutions



### How are you working with product sustainability and does that offer any opportunities?

– Our teams design and engineer products using the Sustainability Compass. This allows product managers and engineers to visualize sustainability aspects in every new project product. It helps to minimize our footprint and allows us to easily compare the sustainability implications of different designs.

– Minimizing our impact on the environment includes responsible sourcing, manufacturing, packaging, and distribution. Through third-party certified Environmental Product Declarations (EPD), we are helping our customers achieve their own sustainability goals through LEED, BREEAM and other green projects to attain certification.

### Please describe what progress you made, relating to environmental sustainability in 2020.

– Our manufacturing sites by and large do not require the use of harmful chemicals, water-intensive or high energy processes. Our focus is therefore to generally reduce energy, waste, and water consumption in all our sites.

– Through our close quarterly data monitoring, we recently identified a site that was using an unusually high volume of water. A stepwise action plan is now in place, which will result in a decrease of nearly 20%. Furthermore, proactive action is coming with the implementation of three Green Teams. Green Teams allow us to engage and to enable employees at all levels to lead sustainability initiatives. Using process tools and checklists to guide them, these volunteers act in an innovative and healthy way and implement sustainable solutions for their site.

### How have you worked with health & safety in 2020?

– While our foundational efforts are ongoing, focus in 2020 has been around the Covid-19 pandemic and keeping our employees safe. Site safety leaders have been ensuring our sites are prepared with H&S guidance based on WHO, CDC and local government advice. This has meant adding information on correct hand-washing techniques, the provision of sanitizing stations, social distancing measures including floor markers, removal of chairs, and increased flexibility for working from home.

– We have kept track of personal protection equipment (PPE) levels at each of our sites and assisted to source PPE to locations where it has been in short supply. A comprehensive checklist and protocol for returning to the workplace are also in place, and there is now also a higher awareness of mental and emotional health.

## Christopher Norbye

Executive Vice President and Head of Entrance Systems division



### How are you working with product sustainability and does that offer any opportunities?

– We're dedicated to creating products that improve energy efficiency to help to achieve net zero buildings. Our Sustainability Compass is at the heart of our innovation process, ensuring all our automated doors are designed to reduce their environmental footprint, and this offers us a vast number of opportunities to create more sustainable products.

– For example, our new overhead sectional door (OH1082P) has unrivalled temperature control thanks to best-in-class insulation, tight double seals and a broken cold bridge. Our new hurricane resistant sliding door not only has the highest pressure rating of any door on the market, but also has the best energy efficiency rating. When a door saves energy, the whole building saves energy.

### Please describe what progress you made, relating to environmental sustainability in 2020.

– We co-created an innovative new product in the Netherlands with bio-based recycled insulation using foam infills, contributing to energy saving and climate protection.

– We have developed and launched new products to increase the energy efficiency of buildings, such as the THERMCORD 3 automatic door system, which provides an exceptional thermal barrier to reduce heating and air-conditioning costs.

– Our Green Team Program encourages employees to take action that helps our business operate in a more efficient, innovative, and healthy way. A great example of this is our colleagues' initiative in the High Performance Doors business area in Belgium. They now have zero landfill and detailed monitoring of water and energy consumption. They operate a carpooling system and cycling to work scheme; have stopped the use of acetone and replaced it with 100% eco-friendly degreaser; switched from solvent-based to water-based paint; created a garden to harvest vegetables, and have a daily collection of compostable waste.

### How have you worked with health & safety in 2020?

– Thanks to our safety workshops we raise awareness of risks and hazards in the workplace, and empower our employees to take responsibility for everyone's safety. Employees are encouraged to reinforce positive safety behavior when they see it, but also to speak out when they see negative, risky behavior. The Mellora safety app was rolled out, making it easier to perform risk assessments, and to report safety issues and improvements in the field.

– Our performance this year is an injury-rate reduction of 20%.

– We've also had to face a new risk with the Covid-19 pandemic. Our number one priority is to protect our employees, but we also have to ensure business continuity. In countries and sites that continued to accept visitors, our service technicians were fully kitted out with personal protective equipment.

– We installed touchless activation units for our doors in our headquarters and local business units. Our local sites have initiatives to enable social distancing, improved hygiene practices, and checking body temperature.

# Making sustainability happen – today, tomorrow and beyond

What is the basis for ASSA ABLOY's sustainability work?  
What are we doing to meet the challenges and improve our performance in the immediate and longer-term?  
Charles Robinson, Director of Sustainability, answers these key questions.



## How do we manage sustainability in a decentralized organization?

– Our Sustainability Council consists of the sustainability managers for each division and the Group Director of Sustainability. We regularly meet remotely, with workshops, virtual face-to-face meetings and one in person face-to-face per year, when it is safe to do so. We are a positive and progressive team, sharing lessons learned and supporting each other. This structure is replicated in the divisions, promoting a culture of working together. This is backed up by our sustainability reporting, including in-depth sustainability data across more than 380 entities on a quarterly basis. We review the data and divisional action plans with the sustainability manager and divisional executives each quarter, ensuring we are moving in the right direction and have focused projects in place.

## How did ASSA ABLOY perform against the 2015–2020 targets?

– There was a step-change reduction in the carbon footprint from our operations, where the target carbon reduction of emissions in our industrial processes was –85%, where –99% was achieved. This was mainly due to the elimination of Freon from our door insulating process. We reduced energy and water consumption by more than 20%, due to a focus on energy efficiency in our factories. Our non-hazardous waste target was achieved, though we struggled to meet our hazardous waste target – in part linked to waste reclassification in China. Our percentage of energy from renewables increased to 14.3%, though short of our 20% target, linked to a lack of availability in some regions. We achieved our reduction of organic solvents. In health & safety our injury rate reduced by more than 50%, following the implementation of our Health & Safety Program. In 2019 our supplier sustainability audits audited 97% of relevant spend, where the target was 90%. In 2020, because of restrictions due to the Covid-19 pandemic we were unable to audit our suppliers at the same rate. Gender diversity has improved with 27% of females in management positions by 2020 against the target of 30%.

## How were the new goals and program to 2025 set, and how will they be achieved?

– We conducted virtual workshops to understand where we need to focus. We then had



As more than 40% of our emissions footprint is in Scope 3, we are required to set a Scope 3 reduction target to set science-based targets.

several iterations, division by division, to see what the most ambitious targets could look like. This resulted in us raising our ambition level, higher than our previous two 5-year sustainability programs. To achieve these targets we needed a clear action plan. This was done at business unit, divisional and Group level. Cross-divisional and cross-functional teams increase our knowledge-sharing. Our new sustainability program goes hand in hand with our commitment to Science Based Targets.

## How will Scope 3 emissions be measured, and will there be a Scope 3 target?

– In 2021 we will conduct a full emissions inventory of our entire value chain, including supply chain, logistics, travel, the impact of our products and their end of life. To measure these, we will follow-up the guidelines from the Science Based Targets and use supplier data and verified emissions factors. As more than 40% of our emissions footprint is in Scope 3, we are required to set a Scope 3 reduction target to set science-based targets.

## What are some of the potential risks and opportunities of climate change?

– There is a clear physical risk to our operations, supply chain and partners. This can be acute in terms of extreme weather. The risk may be chronic, with long-term increasing of temperatures to unsafe levels. To mitigate against the physical risk, we conduct a risk assessment to assess our exposure to extreme weather at each of our production sites on an annual basis. We take actions to reduce our risk, for example by improving our flood defence in locations with an increased risk of flooding. There are opportunities, too. With an increased focus on sustainable buildings there is a growing market for more sustainable products: our solutions can enable our customers to reduce their environmental impact.

## How do you manage Mergers & Acquisitions from a sustainability perspective?

– Sustainability is an important part of the due diligence process when we are looking at new companies. If there are concerns from an environmental, social or governance perspective this can be why we do not proceed with an acquisition. When a company comes into the Group they are brought up to speed on our sustainability program. This results in a prioritized action plan, reducing waste and phasing out any processes that are prohibited within ASSA ABLOY.

## ASSA ABLOY has reduced its injury rate by 58% since 2015. Can you provide a concrete example of an action you have implemented in the organization

– We began implementing our Health & Safety program in 2016 where we drive our H&S development from implementing processes and procedures to facilitate a safety culture. Actions range from a global roll-out of the H&S processes to engaging 30,000 of our employees in a workshop on how we handle and perceive risks and hazards. The workshop gives an insight in the psychology behind risk taking and was designed to stimulate an engaging dialogue. At the end of the workshop each employee made personal commitments to act in a safe way, but also suggested what we as a company could do to improve. We continue to fine tune our program and continue the dialogue with our employees on safety. We plan to run our new “Together we are safe” workshop with our employees in 2021 and 2022, where the aim is to get a deeper understanding and dialogue on behaviors and culture.

**Charles Robinson**  
Director of Sustainability

# Sustainability governance

ASSA ABLOY AB is listed on the Nasdaq Stockholm stock exchange, Large Cap. The Swedish Code of Corporate Governance, together with the ASSA ABLOY Code of Conduct form the basis of the Group's actions, behavior and external communications.



The ability to grow responsibly promotes our performance.

## Frameworks and responsibilities

ASSA ABLOY has been a signatory to the UN Global Compact since 2008. Our affiliation with the UN Global Compact means that we support and commit to actively promoting and respecting the 10 principles on human rights, labor standards, the environment, and anti-corruption in our operations and in dealings with external stakeholders.

As a signatory, ASSA ABLOY is obligated to issue a Communication on Progress report annually to the UN Global Compact. This obligation is fulfilled by issuing this Sustainability Report to the UN Global Compact.

The Board of Directors has the overall responsibility for identifying and managing existing and emerging risks. The Executive Team is responsible for sustainability risk management relating to the Group's strategy, the Code of Conduct, and other sustainability policies. The divisions have the operational responsibility as well as the responsibility to integrate the sustainability principles into their daily operations.

The full version of the ASSA ABLOY Code of Conduct is available in English, French, German, Spanish, Portuguese, and Chinese, while a short version is available in 30 languages at: [www.assaabloy.com/code-of-conduct](http://www.assaabloy.com/code-of-conduct). The full version is given to all managers, relevant employees, and union representatives. The short version is communicated and made available to all employees. New employees are required to read the Code of Conduct and agree to abide by it and any related policies within three months of joining the Group.

ASSA ABLOY respects the laws and regulations of the countries in which we operate. The Code of Conduct does not replace legislation and if the two differ, legislation takes

precedence. Although if the Code of Conduct sets a higher standard than the existing legislation, the reverse applies.

Employees are trained on the Code of Conduct. The training includes information pieces and checkpoints to promote dialogue and raise awareness of the Code of Conduct. The training also clarifies what is expected of an ASSA ABLOY employee.

## Business Partner Code of Conduct

Our Business Partner Code of Conduct is based on the pillars and frameworks of the Code of Conduct, but is adapted to external partners. The Code includes principles that apply globally to suppliers, business partners and other stakeholders such as third parties acting on behalf of ASSA ABLOY and they are all required to comply with it. The Business Partner Code of Conduct is available in 21 languages.

## The Code of Conduct Committee

ASSA ABLOY has a Code of Conduct Committee, which is chaired by the Executive Vice President & CHRO. Its members include the Director of Sustainability, Group Head of Compliance, Group Head of Internal Audit & Control, and two employee representatives. The employee representatives are also members of the ASSA ABLOY Board of Directors. Among other things, the members of the committee receive information from whistle-blowers and the committee ensures that such matters are dealt with appropriately and followed through. The committee meets three times per year.

## Growing with care

As we grow organically and through acquisitions, the relocation of production is part of creating a more efficient manufacturing structure. Expanding the business in new regions, often in emerging markets, will remain an important part of our strategy for the foreseeable future. It is important to understand the business context when moving into new regions and integrating new units. At the same time, we work to ensure that the business is run in line with ASSA ABLOY's Code of Conduct and beliefs. The ability to grow responsibly promotes our performance.

## Reporting Code of Conduct concerns

Conducting business in an ethical manner is vital to our long-term success. Employees are therefore expected to report Code of Conduct concerns and there are several communication channels available; for example, a central communication channel. The objective is for cases to be resolved on a local level; however, in 2020 some cases were reported through the central communication channel and dealt with on a Group level. The range of cases demonstrates that the mechanism is used throughout the organization.

The process for handling of Code of Conduct concerns has

## Code of Conduct

The Group-wide Code of Conduct covers business ethics, communication, human rights and labor standards, the environment, and Health and Safety. It provides the framework for our daily operations and dealings with external stakeholders.

The Code of Conduct is based on the following:

- United Nations Universal Declaration of Human Rights and associated UN conventions
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- ISO 14001 environmental management standard





been set up to ensure that reported concerns are handled in a professional manner and that it is possible for a reporter to (as far as it is legally possible) remain anonymous. Further, since most cases are resolved at local level, the process is the same for all divisions and the requirements for closing an investigation are the same in all divisions.

#### Compliance reviews

To maintain ASSA ABLOY's standards throughout the organization, internal Code of Conduct compliance reviews

are complemented with third-party audits. These audits focus on working conditions, such as human rights, labor rights, health and safety, and compliance. We carry out one to three audits every year with a focus on our manufacturing sites in Africa, Asia, Eastern Europe, the Middle East and South America. The units are given specific improvement actions to fulfil, based on the audit results. In 2020 we have been forced to postpone the audits, which instead will be carried out in 2021.

# Organizational responsibility

Our divisions have operational responsibility for their sustainability work. The work is overseen by the Executive Team and ultimately by the Board of Directors. Our strategy, sustainability objectives and the Code of Conduct form the foundation for the sustainability work.



Each division is responsible for managing our sustainability agenda, identifying and addressing risks and opportunities in the context of their business, as well as governing the Code of Conduct and related policies.

### Managing the sustainability agenda

Our sustainability issues are managed in a systematic and consistent way, mostly at divisional level. Managers for environmental sustainability, supply, and innovation at the Group and divisional levels ensure that the necessary policies, processes and tools for managing environmental issues exist and are implemented. The Human Resources (HR) functions at the Group and divisional levels have the corresponding responsibility for managing social and ethical matters.

To drive the agenda, five functional sustainability councils have been defined. The Group intranet includes two sections that focus on sustainability – one offering general information for all employees, while the other supports sustainability managers and includes tools, best practices, and access to the sustainability reporting database. Statistical reports and scorecards enable all ASSA ABLOY companies to monitor their performance and to benchmark themselves against the Group.

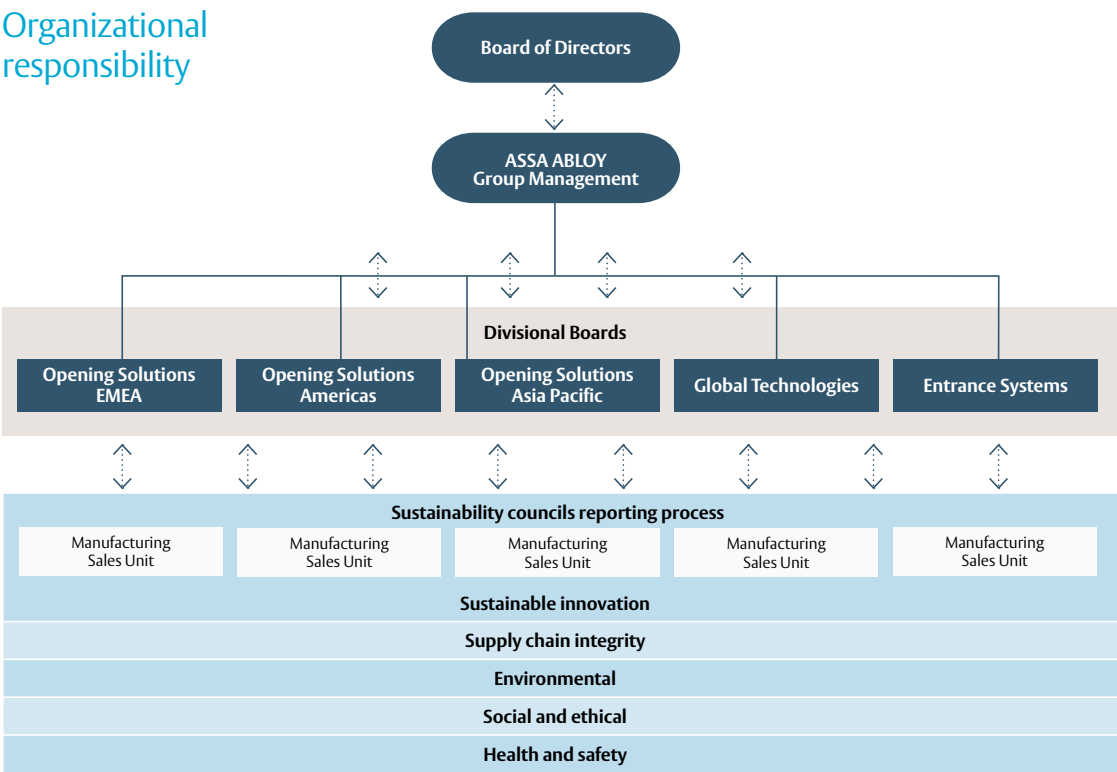
### Responsibilities

Each division is responsible for managing our sustainability agenda, identifying and addressing risks and opportunities in the context of their business, as well as governing the Code of Conduct and related policies.

Divisional work and progress is overseen by the Executive Team, and each factory or business unit has the operational responsibility within each division. Each division is also responsible for ensuring that current and new suppliers understand and comply with our requirements.

At Group level, performance is monitored via the sustainability reporting process, which includes each company's reporting of material environmental risks and actions to mitigate them. Divisional board meetings address risks, compliance, performance and other sustainability matters. The delegation of responsibility, implementation and follow up is clearly communicated and the accountability of each person and function with a particular responsibility is defined.

## Organizational responsibility



### Monitoring progress

We have a Group-wide database for sustainability indicator reporting, which enables data analysis. The database includes best practices and tools as well as details of measures taken by the various companies to achieve our sustainability targets. All companies and divisions in the Group can access information from the database to compare progress and trends. In 2020, 381 (371) factories, sales units and offices reported their data in the database.

The review process is managed by the divisions on a quarterly basis – typically with detailed follow-up discussions with the relevant sub-divisions. Overall Group performance is monitored by our Sustainability Council, which tracks the performance of individual KPIs, and the results are presented at Group Management meetings.

### ASSA ABLOY's councils

Our Sustainability Council comprises of representatives from Operations, Research and Development and Human Resources, including the person responsible for sustainability in each division. The council meets on a monthly, almost always through virtual meetings to cut down on carbon intensive travel; to discuss various sustainability matters related to innovation and production, to define action plans and set targets. Each participant in the council is responsible for reporting back to their organization and for driving implementation.

In addition to the Sustainability Council, there are councils for Innovation, Sourcing, Operations, Human Resources, Health and Safety, and Legal whose members include representatives from the Group and all divisions, which manage sustainability issues related to their business.

## Councils and workstreams related to ASSA ABLOY's sustainability work

	Sustainable Innovation	Supply chain integrity	Environmental	Social and ethical	Health and safety	Legal
<b>ASSA ABLOY Group</b>	Zeljka Svensson, Director Global Innovation Management	Stefan Calner, Director Supply Management	Charles Robinson, Director of Sustainability	Maria Romberg Ewerth, Chief Human Resources Officer	Tobias Svensson, Head of Health and Safety	Johan Ahlgren, Group General Counsel
<b>Opening Solutions EMEA</b>	David Moser, VP Product Innovation	Lee Philp, VP Operations	Leandro Peraro, Sustainability Manager	Allan Cooper, VP Human Resources	Leandro Peraro, Sustainability Manager	Hemma Patel, General Counsel
<b>Opening Solutions Americas</b>	Amy Musanti, Director of Sustainable Building Solutions	Jody Paviglionite, VP Supply Management	Vinny Yakoobian, Director Operational Excellence	Jack Dwyer, VP Human Resources and Administration	Kimberly Cummins, Human Resources Manager ASSA ABLOY Berlin	Page Heslin, General Counsel
<b>Opening Solutions Asia Pacific</b>	Jamie Tawhai, VP Innovation	Michael Deng, Sustainability Manager	Michael Deng, Sustainability Manager	Audina Choong, VP Human Resources	Audina Choong, VP Human Resources	Ivan Lu, General Counsel
<b>HID Global</b>	Ted Hoffman, Director Engineering	Joshua Freeman, VP Quality and Process Excellence	Travis Hensley, Global Sustainability Manager	David Gentry, Senior Director Global Human Resources	Travis Hensley, Global Sustainability Manager	Karen Higgins, General Counsel
<b>Global Solutions</b>	Louise Wolfshagen, Global Quality Assurance Manager	Julie Zhu, VP Operations	Louise Wolfshagen, Global Quality Assurance Manager	Claire Leighton, VP Human Resources	Julie Zhu, VP Operations	Ann-Charlotte Högberg, General Counsel
<b>Entrance Systems</b>	Mats Nordén, CTO Entrance Systems	Dan Gren, VP Operations	Dan Gren, VP Operations	Inger Lönegård, Director Human Resources	Tobias Svensson, Head of Health and Safety	Jakob Hedén, General Counsel
<b>Policies</b>	Innovation Policy Policy for Intellectual Property	Business Partner Code of Conduct Supply Management Policy	Code of Conduct Environmental Sustainability Policy	Code of Conduct HR Policies and Guidelines	Code of Conduct Health and Safety Policy Manual	Code of Conduct Anti-Corruption Policy Tax policy* * The Group's Tax policy is coordinated by Group Tax.

# Stakeholder engagement and materiality analysis

Engagement with a wide variety of stakeholders helps us to be aware of societal expectations on the company. Stakeholder engagement also provides the basis for our materiality analysis, which provides a clear understanding of which sustainability topics that are the most significant to ASSA ABLOY and our stakeholders.

## Stakeholder engagement

Our main stakeholder groups are those with a high level of influence and interaction, and with whom we interact directly and actively in our day-to-day business:

**Customers** are becoming increasingly interested in transparency and products with improved sustainability performance. Environmental and social supply chain transparency typically relates to where and how our products are manufactured, along with details of the materials contained in products, and is addressed by the company's work with our supply chain. Customer interest in sustainable products has emerged from a growing importance of sustainable cities, buildings and communities. One major focus area is energy efficiency and how our products can make a contribution. We respond to this interest by engaging and collaborating with customers in product innovation and at relevant conferences and events, as well as through our membership of green building organizations and initiatives.

**Investors and shareholders** have become increasingly interested in sustainability issues in recent years. We engage with investors and shareholders in both one-to-one meetings and roundtable discussions on a variety of issues. These include supply chain management, Code of Conduct compliance, mergers & acquisitions due diligence, phase out of hazardous materials, energy consumption and CO<sub>2</sub> emissions, health and safety, market demand and profitability for sustainable products, and solutions and type of whistle blowing cases.

**Employees** are engaged through annual appraisals, training and development initiatives, staff meetings, the internal magazine in 17 languages, and the intranet. We work to improve employee satisfaction across a broad range of areas, and progress is measured in the employee survey.

**Supplier and business partner** issues are managed through our supply chain audits and Business Partner Code of Conduct compliance.

**Non-governmental organizations (NGOs) and local communities** are engaged through local dialogue when relevant.

## Materiality analysis

In 2013 we conducted our first materiality analysis. The analysis was reviewed in 2015, and again in 2017. During 2018, we performed a materiality analysis based on requirements in the GRI Standards. Together with selected sustainability experts ASSA ABLOY's Sustainability Council identified and analyzed the significant impact of sustainability topics on the outside world. In addition, over 250 stakeholders in the form of customers, suppliers and employees assessed which sustainability topics they perceive have a substantive influence on their assessments and decisions in relation to our business.

The materiality analysis highlights the following sustainability topics as the most significant ones:

### Most significant sustainability topics for ASSA ABLOY and our stakeholders:

- Human capital development
- Improve health and safety performance
- Sustainable and circular products
- Responsible acquisitions
- Sustainable supply chains
- Resource efficiency

### Most significant topic for ASSA ABLOY:

- Reduce emissions with global warming potential

### Significant topics for ASSA ABLOY and our stakeholders:

- Safety, security and convenience for customers
- Strengthen anti-corruption measures
- Business compliance

The materiality analysis forms the basis of defining the Sustainability Report content.



# Investor statements

## Simon Clements

Partner, Portfolio Manager, Liontrust Asset Management

We look at thousands of companies from a sustainability perspective and ASSA ABLOY is in the top five or ten. We hold them up as a good example to other companies in how to make sustainability a cornerstone in conducting business.

We rate ASSA ABLOY very highly overall in terms of how it integrates social and environmental considerations into the way it operates – but also in how it plans its business. It's an integral part of its business model and there are few companies in the world that do it as well as ASSA ABLOY does.

That's why ASSA ABLOY is in our portfolio but for us a company must be well-run from an environmental, social and governance (ESG) perspective. ASSA ABLOY gets our highest possible rating of 1 on a scale of 1-5, and not many companies get a 1 rating.

We engage with all the companies in our portfolio to discuss the climate crisis. To get anywhere near to what we need to do to meet the 1.5 degrees challenge, we need to halve emissions every decade between now and 2050. ASSA ABLOY has committed exactly to that – to reduce emissions by 50% in the next decade.

Most companies aren't as ambitious as ASSA ABLOY in this respect. A lot of companies talk about being carbon neutral by 2050 but we need to reduce carbon emissions now. We are pleased that ASSA ABLOY has committed to do this.

We have been involved in sustainable investment since 2001. Good companies understand their social and environmental impact, report on them, and target absolute reductions; for example in water, waste, energy, improvements in social aspects such as diversity and employee satisfaction, data security and good governance. What really good companies like ASSA ABLOY do is go a step further to integrate this across every part of their operations. With initiatives like the Sustainability Compass ASSA ABLOY has been doing this for a number of years. We have spoken to ASSA ABLOY about Science Based Targets and the commitments we need to make – ASSA ABLOY is a leader in this and a company we really respect.

The piece that is missing is the inclusion of Scope 3 emissions in the target, and that is something that we need to work on because these can be much larger than Scope 1 and 2, but we understand that this presents a serious challenge.

**“A lot of companies talk about being carbon neutral by 2050 but we need to reduce carbon emissions now. We are pleased that ASSA ABLOY has committed to do this.”**

## Kristin Wallander

Senior Sustainability Specialist, Swedbank

ASSA ABLOY's Sustainability Compass guides its new product innovation – the company's products fit well into the trends we observe around urbanization, digitalization and sustainability, and that's creating new opportunities for revenue streams. It would be interesting to see figures on how much the company's products contribute to reducing carbon dioxide emissions for its customers – particularly regarding solutions beyond its traditional door-related products.

The company is decentralized, but its sustainability work is both central and local, which helps when it comes to integrating sustainability across the organization. ASSA ABLOY has been working with sustainability for a long time and therefore has integrated processes, including with its suppliers. However it still needs to maintain its efforts in this area as there can be risks associated with new suppliers.

ASSA ABLOY's sustainability work reflects a continuation of its previous goals and new ones have been added, which we see as positive. For example, it is encouraging that ASSA ABLOY has joined the Science Based Targets initiative, but it is also important that the company continues to reduce its footprint. Overall, I feel very positive, but it needs to look at Scope 3 emissions particularly with regard to its suppliers.

**“ASSA ABLOY has been working with sustainability for a long time and therefore has integrated processes, including with its suppliers.”**



## Rebecca Rehn

ESG Analyst, Alecta Investment Management

We see ASSA ABLOY's solutions as the foundation to reach many of the Sustainable Development Goals, and particularly Goal 11 on Sustainable Cities and Communities.

In 2019, Alecta was one of the founding members of the United Nations' Net-Zero Asset Owner Alliance, which means that we commit to transition our investment portfolio to net-zero greenhouse gas emissions by 2050. Hence, for us it is fundamental that the companies we invest in are following the same path. This is why we welcome ASSA ABLOY's newly-adopted Science Based Targets, particularly with respect to its ambitious goals for relevant Scope 3 activities. As investors, we expect to see transparent reporting on climate data on Scope 1-3 activities as well as reporting that is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework, in order to better identify financial climate risks and opportunities.

The importance for companies to address health and safety issues has become even more evident during the Covid-19 pandemic. We appreciate ASSA ABLOY's strengthened efforts towards a steady reduction in injuries in the workplace. While gender balance remains a challenge for ASSA ABLOY, we see that positive steps have been taken within the organization to promote female leadership. ASSA ABLOY has also worked hard to conduct supply chain risk assessments, including audits on site. This is essential, considering the many suppliers located in high-risk countries. We believe ASSA ABLOY could benefit from extending the risk assessments to several tiers, including upstream suppliers.

**“We appreciate ASSA ABLOY's strengthened efforts towards a steady reduction in injuries in the workplace.”**



# Anti-corruption and other compliance programs

We have specific global compliance programs and policies within the areas of anti-corruption, antitrust, export control and data protection, which supplement and build on our Code of Conduct. In 2020, we continued with the implementation of our Data Protection Compliance Program. The process for handling of Code of Conduct cases was further streamlined throughout the Group and the divisional due diligence processes was further strengthened.



**Our Anti-Corruption Compliance Program adheres to the strictest international standards to prevent, detect and respond to potential corruption – and it is constantly evaluated.**

## Progress in 2020

- Data Protection Compliance Program update and implementation
- The global program is based on both the EU General Data Protection Regulation (GDPR) and the principles set out in the OECD Guidelines on the Protection of Privacy and Trans-border Flows of Personal Data. During 2020, we have continued to work on the global implementation of the program to ensure that personal data is handled in a responsible, trustworthy and compliant manner. Additional focus has been placed on core areas of data protection including for example privacy risk management and employee training and awareness. Following a ruling of the Court of Justice of the European Union on July 16, 2020, transfers of EU personal data to third countries require further consideration and our processes are being updated to address matters related to transfer risks.

## Anti-Corruption Compliance Program

- The Anti-Corruption Compliance Program was updated to further stress that it covers a broader scope than only anti-bribery.
- Handling of Code of Conduct cases streamlined
- The implementation of the streamlined process for the handling of Code of Conduct concerns have continued. We have seen that the increased number of Code of Conduct Committee meetings have had a positive effect on the speed of the investigation process.

## Anti-corruption reviews

- In 2020, anti-corruption reviews were conducted in Asia, Middle East, South America and Europe.

## Divisional Compliance Dashboard

- The implementation of the Anti-Corruption Compliance Program is reviewed at the divisions' board meetings. The dashboard serves as a good measurement of how well the implemented the Anti-Corruption Compliance Program is.

## Compliance overview

All compliance-related programs, policies and requirements are set by the Group, which also provides selected supporting tools. Each division is responsible for implementing the programs. Implementation of the Anti-Corruption Compliance Program is reviewed at all the divisions' board meetings. Employees are expected to report Code of Conduct concerns to either their nearest manager, HR, the divisional compliance officer, Group Legal, or through the Code of Conduct whistle-blowing function.

In 2020 regions where the risk of corruption is perceived to be higher, such as emerging markets or countries with a low score on Transparency International's latest Corruption Perception Index have continued to be in focus. During the year anti-corruption reviews have been conducted in Asia, Middle East, South America and Europe. The implementation of the programs is reviewed through our established process for internal control in all operating companies and internal audits.

We also have a mergers and acquisitions compliance process as part of the acquisition process. The aim of this process is to put any potential issues on the agenda from the outset of the acquisition to be able to determine the level of risk at an early stage, as well as to mitigate specific areas of concern. Read more in the Acquisitions section on page 45.

## Anti-Corruption Compliance Program

Corruption increases inequality, the cost of doing business and reduces efficiency. We work actively to prevent corruption in our business. Our Anti-Corruption Compliance Program adheres to international standards to prevent, detect and respond to potential corruption – and it is regularly evaluated. Risk assessments, employee training, third-party due diligence, and reporting are its essential components. The program is available on the external Group website, together with the Code of Conduct and the Business Partner Code of Conduct. All relevant ASSA ABLOY employees, including top management, have received information on the Anti-Corruption Compliance Program and the Code of Conduct.

We conduct business worldwide and consequently operate in some countries where corruption risks are perceived to be high, according to the Corruption Perceptions Index published by Transparency International. A large part of our sales are handled through third parties, such as distributors, and a substantial part of our anti-corruption efforts are used to ensure that such third parties acting on behalf of us comply with ASSA ABLOY's standards. This is particularly the case in markets that are perceived to have a higher level of corruption risk exposure, such as emerging markets or countries with a low score on Transparency International's latest Corruption Perceptions Index.

## Compliance training

Our training guidelines stipulate that all new employees should receive training on the relevant compliance programs within three months and receive further training every three years thereafter. Training is conducted either through e-learning programs (available for antitrust and anti-corruption), webinars or face-to-face.

The anti-corruption e-learning program is global and available in 22 languages. The target group for the anti-corruption training includes managers as well as sales, purchasing and sourcing personnel.

## Continued work in 2021

The refined model for risk assessment will be further applied at divisional level allowing for actions to be prioritized and compliance risks to be identified and mitigated. The anti-corruption reviews will continue in regions where the corruption risk exposure is perceived to be high. The process for determining which these regions are will be further developed. The follow-up of implementation of the Anti-Corruption Compliance Program at divisional level will continue.

# Acquisitions

Acquisitions are important to our growth strategy. They strengthen our offerings, accelerate innovation, and take ASSA ABLOY into new geographic markets – enabling us to meet customer demands more rapidly.

## Progress in 2020

- New acquisitions
- 12 acquisitions were consolidated during the year. 25% of the acquisitions were in emerging markets.
- Acquisition post-closing follow up
- A new process for formally following up on all acquisitions after some 15–18 months was implemented during 2018. The follow up focuses both on financial performance and synergies but also on the status of the integration process. This process has continued during 2019 and 2020 and has become an integral part of the acquisition process.
- Integration manager
- The process for appointing a dedicated integration manager in all acquisitions that was formalized during 2018 has continued. The integration manager is appointed already during the acquisition process and is the lead person post-closing for managing all integration aspects of the acquired company.

With more than 200 acquisitions during the last 16 years, we have established an efficient process for bringing new companies into the Group. This includes reviewing sustainability related issues, sharing the company's Code of Conduct and way of doing business with prospective companies, and taking steps to help newly acquired companies raise their standards where necessary.

Due to the decentralized nature of the ASSA ABLOY Group, divisions are responsible for the entire merger and acquisition process, and are resourced accordingly. We provide an overview of company-wide activities, and support divisions with common compliance guidelines.

We prefer to acquire sound companies that share our values and business practices, and the successful integration of acquired companies is an essential part of mitigating risks.

## The acquisition process

Our Group-wide acquisition process is divided into four phases: strategy, assessment, implementation, and integration. Each phase has its own predefined activities, decision processes and documentation requirements. Within these phases there are three main due diligence processes that help us decide whether to pursue the acquisition, and what action would need to be taken if the acquisition is completed:

- Financial and tax
- Legal – including employment contracts, payment processes, wages and insurance
- Operational – including the use of chemicals and compliance

An excessive number of red flags in the Legal and Operational due diligence processes related to sustainability may mean that the acquisition process is abandoned indefinitely. The supplier base of the potential company is also investigated – including two supplier categories: large suppliers and critical components. This mapping involves Group

Supply Management and aims to identify risks and potential synergies. Post-acquisition, associated suppliers are added to our supplier database, which is continuously assessed and audited.

As part of the acquisition process, we are obliged in certain cases to file for antitrust approval. During 2020, the company did this in a few cases when it was required.

The successful integration of an acquired company normally takes between 6 and 12 months – depending on the type of acquisition and its specific circumstances.

## Risk management

We have identified the main areas of potential risks related to acquisitions, all of which are covered by Legal and Operational due diligence. Our Group-wide sustainability management program – including targets, semi-annual reporting, supply chain management, and Group-wide policies – manages risk in the following areas:

- Significant environmental pollution (soil, ground water, and air)
- Manufacturing processes that use hazardous substances
- Supplier base in low-cost countries
- Poor business ethics, including possible Code of Conduct breaches (labor rights, human rights, corruption, etc.)
- Proper permissions
- Safety

## Compliance process

Our mergers and acquisitions (M&A) compliance process aims to ensure that companies – particularly in emerging markets – comply with the company's standards. The M&A process includes a practical toolkit that provides our employees involved in the acquisition process with guidance. It covers the following areas:

- Anti-corruption
- Antitrust
- Export control
- Data protection
- Environmental, health and safety
- Tax
- Human resources

The M&A process aims to put all potential issues on the agenda from the outset of the acquisition to enable an accurate risk appreciation at an early stage. During 2018 the two areas of Data protection and Human resources were added to the areas specifically covered in the process.

Post-completion, a thorough program for addressing any identified compliance issues, as well as any Code of Conduct related aspects, such as human rights, are to be put in place and implemented. The post-completion review is particularly important if insufficient information has been obtained during the acquisition phase. The M&A compliance guidelines also offer guidance on this process.



With more than 200 acquisitions during the last 16 years, we have established an efficient process for bringing new companies into the Group.

# GRI index

## About the report

This report, along with additional information available online, describes our sustainability initiatives and performance in 2020, and addresses issues that ASSA ABLOY has identified as the most important to our stakeholders.

As signatory to the UN Global Compact, ASSA ABLOY will submit this report to the UN Global Compact as its Com-

munication on Progress Report 2020. This report has been prepared in accordance with the GRI Standards: Core option (see pages 46–47 for GRI content index).

The data presented in this report has been collected over the calendar year and includes all ASSA ABLOY operations.

For further information regarding the Sustainability Report and its reporting principles, see page 48.

## General Disclosures

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<sup>1</sup> Data for employee contract by region and employee type by gender is not available.



## Topic-specific Disclosures

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Economic					
Anti-corruption GRI 205: Anti-corruption 2016	103-1/2/3	Management Approach*	12–13, 18–19, 38–41, 42, 44–45	12	Anti-corruption
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Water GRI 303: Water and Effluents 2018	103-1/2/3	Management Approach*	10, 12–13, 22, 28, 38–42	12	Water
	303-1	Interactions with water as a shared resource	19, 28	6	
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	305-1	Direct (Scope 1) GHG emissions	24, 48	12 13	
	305-2	Energy indirect (Scope 2) GHG emissions	24, 48	12 13	
	305-4	GHG emissions intensity	24	13	
	305-5	Reduction of GHG emissions	24, 48	13	
	305-6	Emissions of ozone-depleting substances (ODS)	24	12	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions <sup>1</sup>	26	12	
Effluents and Waste GRI 306: Effluents and Waste 2016	103-1/2/3	Management Approach*	10, 12–13, 22–23, 28–29, 38–42	12	Water Waste
	306-1	Water discharge by quality and destination	28	6 12	
	306-2	Waste by type and disposal method	29	6 12	
	306-3	Significant spills	29	6 12	
Environmental Compliance GRI 307: Environmental Compliance 2016	103-1/2/3	Management Approach*	10, 12–13, 22–23, 38–42	12	Environmental compliance
	307-1	Non-compliance with environmental laws and regulations	22-23		
Supplier Environmental Assessment GRI 308: Supplier Environmental Assessment 2016	103-1/2/3	Management Approach*	10, 12–13, 18–23, 27, 38–42	12	Procurement practices
	308-1	New suppliers that were screened using environmental criteria	18–20		
Environmental management systems	103-1/2/3	Management Approach*	10, 12–13, 22–23, 27, 38–42	12	Environmental management systems
		Number of entities covered by ISO 14001 certificates and other certifiable environmental management systems	27		
Social					
Occupational Health and Safety GRI 403: Occupational Health and Safety 2018	103-1/2/3	Management Approach*	10, 12–13, 30–33, 38–42	12	Occupational health and safety
	403-1	Occupational health and safety management system	33	8	
	403-2	Hazard identification, risk assessment, and incident investigation	33	8	
	403-3	Occupational health services	33	8	
	403-4	Worker participation, consultation, and communication on occupational health and safety	33	8	
	403-5	Worker training on occupational health and safety	33	8	
	403-6	Promotion of worker health	33	8	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	33	8	
	403-9	Work-related injuries	33	8	
Diversity and Equal Opportunity GRI 405: Diversity and Equal Opportunity 2016	103-1/2/3	Management Approach*	10, 12–13, 30–33, 38–42	12	Diversity
	405-1	Diversity of governance bodies and employees <sup>3</sup>	30, 32-33	8	
Human Rights Assessment GRI: 412 Human Rights Assessment 2016	103-1/2/3	Management Approach*	10, 12–13, 18–21, 38–42, 45	12	Acquisitions
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	45		
Supplier Social Assessment GRI 414: Supplier Social Assessment 2016	103-1/2/3	Management Approach*	10, 12–13, 18–21, 38–42	12	Procurement practices
	414-1	New suppliers that were screened using social criteria	18-21	8	
Marketing and Labeling GRI 417: Marketing and Labeling 2016	103-1/2/3	Management Approach*	12–13, 14–16, 38–42	12	Sustainable innovation/ sustainable products
	417-1	Requirements for product and service information and labeling	14–16	12	

\* GRI 103: Management Approach 2016

<sup>1</sup> Data includes the use of chlorinated organic solvents. Data by nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions is not available.<sup>2</sup> Data by gender and region not available. Absenteeism and occupational diseases not available on Group level.<sup>3</sup> Data by age groups not available.

# Reporting principles

We work continuously to improve reporting transparency, scope, quality and the frequency of information. This is the Group's fifteenth Sustainability Report. This report constitutes ASSA ABLOY's statutory Sustainability Report. ASSA ABLOY reports in accordance with the GRI Standards: Core option.

## Reporting units

The number of entities (factories, sales companies and offices) reporting on sustainability in 2020 has increased from 371 to 381. The data in the Sustainability Report represents entities where 90% of the Group's employees work. In terms of manufacturing activities the report is estimated to cover entities that represent 95% of the Group's total manufacturing activities. The parts of the Group that are not covered are either related to recently acquired entities or entities with less than 10 employees. Joint ventures are included if ASSA ABLOY holds the majority ownership.

## Calculation principles

The reported number of employees represents the number of employed persons at the end of 2020.

Reported normalized KPIs are based on currency-neutral monetary values and value added rather than sales – to minimize the effect of currency fluctuations and the ongoing restructuring of the Group. By using value added as a measure, the normalized values are also not affected by the outsourcing of manufacturing. We believe this provides a more accurate picture of what is going on in the Group.

ASSA ABLOY uses the CDP's principle for calculating carbon emissions. The selected method gives a more relevant calculation on the actual carbon emissions as it takes into account how electricity is generated in different countries.

Electricity emission factors are based on data on electricity production for 2010, as published by the International Energy Agency (IEA, 2012). These emission factors are used for calculation of emissions until end of 2016. In 2017 ASSA ABLOY updated the emission factors used to calculate greenhouse gases from electricity consumption. The emission factors are based on the most recent data published by the International Energy Agency (IEA) and the International Panel on Climate Change (IPCC), and are expressed in CO<sub>2</sub> equivalents (CO<sub>2</sub>e). For Brazil, Canada, United Kingdom and the United States the emission factors are based on data published by national agencies.

We currently only report location-based Scope 2 emissions due to the unavailability of market based data.

District heating emission factors are calculated as a weighted average of energy sources for heat production per country, based on data from 2009 as published by the International Energy Agency (IEA, 2013).

Emission factors for oil, coal and gas are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2006).

## Changes in reporting management

ASSA ABLOY's sustainability reporting system facilitates the collection of data that is aligned with the Group's financial reporting. It also supports sustainability management in all areas of operations.

We have improved our internal sustainability reporting and analysis capabilities in recent years, which has resulted in restatements of previously reported data for water consumption, energy consumption and carbon emissions.

All units report sustainability performance every quarter (internal reporting).

## GRI Standards

The Sustainability Report covers the 2020 reporting year and has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Standards. This report has been prepared in accordance with the GRI Standards: Core option. Accordingly, the GRI indicators have been chosen to match the material issues disclosed on page 42. Omissions or incomplete data are commented on directly in the GRI index on pages 46–47.

We report our sustainability performance annually, and the most recent Sustainability Report, for 2019, was issued in March 2020.

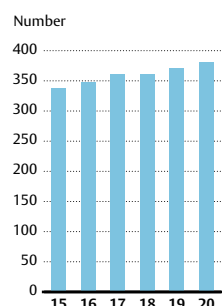
## External assurance

ASSA ABLOY has not sought external assurance for the Sustainability Report of 2020. EY Sweden has performed a GRI check and confirms that we report in accordance with the GRI Standards: Core option.

## Communication

Internally, the Group intranet and sustainability reporting database are important tools for communication. Externally, the Group website [www.assaabloy.com](http://www.assaabloy.com) and the annual Sustainability Report communicate to a wider audience. We also present our sustainability approach to external audiences, such as analysts and investors.

Number of reporting units



The number of reporting units in the Group has increased to 381 (371).

# Auditor's report on the statutory Sustainability Report

To the general meeting of the shareholders in ASSA ABLOY AB (publ), corporate identity number 556059-3575.

## Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report 2020 (fiscal year 2020-01-01-2020-12-31) and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory Sustainability Report. This means that our examination of the

statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory Sustainability Report has been prepared.

Stockholm, 5 February 2021  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

## Glossary

**Building Information Modeling (BIM):** A method of drawing data-rich 3D objects that provide a wealth of information on product options and how the equipment integrates into a building.

**BREEAM:** A sustainability assessment method and rating system for buildings, measuring a building's environmental performance during building design, construction and operation.

**Carbon footprint:** CO<sub>2</sub> measurement of the impact of human activities on the environment, in terms of the amount of greenhouse gases produced.

**CDP:** Formerly known as the Carbon Disclosure Project, CDP is an independent non-profit organization compiling the world's largest database of corporate climate change information. CDP harmonizes climate change data from local organizations from around the world to assist in the development of international carbon reporting standards.

**CO<sub>2</sub>:** Carbon dioxide.

**Direct energy:** Energy generated and utilized on site from oil, gas, etc.

**EBIT:** Earnings before interest and tax.

**Environmental Product Declaration (EPD):** A verified and registered document that communicates transparent and comparable information about the life-cycle environmental impact of products.

**Global Compact:** UN initiative that encourages companies to apply sustainable and socially responsible principles.

**Global Reporting Initiative (GRI):** Global guidelines for sustainability reporting.

**Global-warming potential (GWP):** A relative measure of how much heat a greenhouse gas traps in the atmosphere.

**Greenhouse gas emissions:** Gases from the atmosphere that contribute to the greenhouse effect, for example CO<sub>2</sub> and methane.

**Indirect energy:** Electricity and heating.

**Injury lost day rate:** Measure of days lost due to injuries per million hours worked.

**Injury rate:** Measure of injuries per million hours worked.

**ISO 14001:** Global certifiable standard for environmental management systems created by the International Organization for Standardization.

**KPI:** Key Performance Indicator.

**Lean:** Lean production philosophy is about using as few resources as possible. The focus is on just-in-time production, which means that materials, parts and products are in the right place at the right time. Striving for continuous improvement is an integral part of the Lean philosophy.

**LEED:** Leadership in Energy and Environmental Design.

**NGO:** Non-governmental organization.

**Organic solvents:** Perchloroethylene and trichloroethylene.

**PER:** Perchloroethylene.

**SRI:** Socially Responsible Investment.

**TRI:** Trichloroethylene.

**Value added:** EBIT plus total cost for personnel.

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Production: ASSA ABLOY, Narva.  
Photo: Peter Hoelstad and ASSA ABLOY's  
own photographic library, among others.  
Print: Print Run, Stockholm, 2021.



# Flexible and secure access for music college

ASSA ABLOY

The Royal College of Music in Stockholm consists of approximately 21,600 square meters of premises. The large glazed main building houses concert halls, rehearsal rooms, classrooms, studios, a restaurant and the administration facility. The school has about 1,300 students with more than 200 teachers, the location is central and the school's campus is open to both students and the general public.

The premises are characterized by flexibility and security. The technical equipment and acoustic design are of a high standard. The concert halls are flexible and can be varied to suit different types of music and events. The air in the premises must be maintained with a certain moisture content to meet the special needs of the instruments.

The school combines accessibility and high security by using the ARX access control system from ASSA ABLOY. The staff members come into the building through the main entrance and then use their access card to gain entry to their work rooms. Craftsmen and service technicians who need access to certain areas receive temporary authorization entered in their ID card. The students' access cards work as ID cards and keys to the door readers, but also as library cards and for using the copying machines.

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