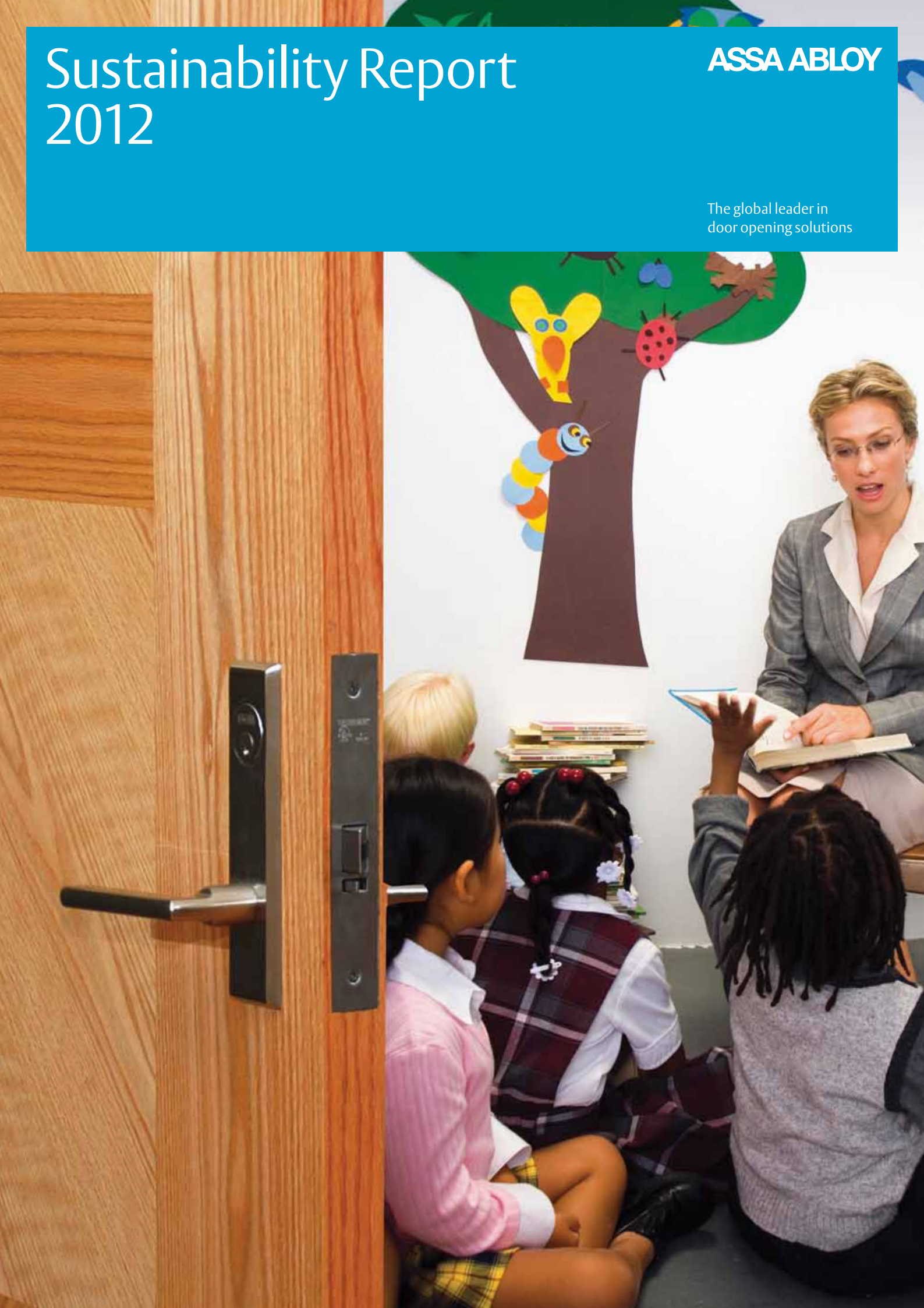
Sustainability Report 2012

ASSA ABLOY

The global leader in door opening solutions



The Sound of Silence

Students thrive in learning environments without unwanted distractions. Patients need rest to heal. Band rehearsals produce beautiful music but may be disturbing to some. Classrooms, healing environments and music rehearsal rooms all share the same challenge. They need to contain or keep unwanted sound out while maintaining an everyday aesthetic for each building environment.

To meet the challenges that sound can present, ASSA ABLOY offer Sound Transmission Class (STC) rated door openings. These door openings provide sound suppression of both airborne and/or structure borne vibrations. A certified door, frame, threshold, gasket and door bottom assembly can silence the sound so noise is reduced and privacy maintained.

ASSA ABLOY's Ceco, Curries, Graham, Maiman and SMP doors combined with ASSA ABLOY's Pemko hardware can provide third-party certified STC-rated solutions for wood and hollow metal door openings ranging from STC 30 to an industry leading rating of 55.

Thanks to ASSA ABLOY's solutions, any room in any building can receive the rating needed without compromising aesthetics. Classroom distractions are minimized with STC 30 door openings, patient rooms provide enhanced peace and quiet with STC 33 openings and music rooms become private performance spaces with STC 40 solutions.

Reader's guide

ASSA ABLOY has published a sustainability report each year since 2006. The report describes the Group's sustainability initiatives and addresses issues that ASSA ABLOY has identified as the most important to its stakeholders. The report is aimed at experts and professionals with an interest in ASSA ABLOY's sustainability performance, including analysts, investors and nongovernmental organizations.

As signatory to the UN Global Compact, ASSA ABLOY will submit this report to the UN Global Compact as its Communication on Progress report 2012. The sustainability report is aligned with the Global Reporting Initiative guidelines, ASSA ABLOY declares reporting in accordance with level B (see pages 47–48 for GRI content table). 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 46.

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Sustainability highlights 2012

- Number of reporting units **increased to 293** from 256.
- **795 sustainability audits** were performed in low-cost countries, compared to 493 in 2011.
- **Increased reporting** of environmental data on water usage and greenhouse gases.
- Independent social compliance audits were performed in **Romania and China.**
- Employee survey carried out with close to **28,000 participants.**
- More than 6,000 employees participated in **anti-bribery training.**

About this report

This report, along with additional information available online, explains the Group's sustainability performance in 2012. Unless otherwise stated, all information refers to activities undertaken between January 1, 2012 and December 31, 2012. The 2012 data is based on 293 entities, compared to 256 entities in 2011.

Lock and lock systems

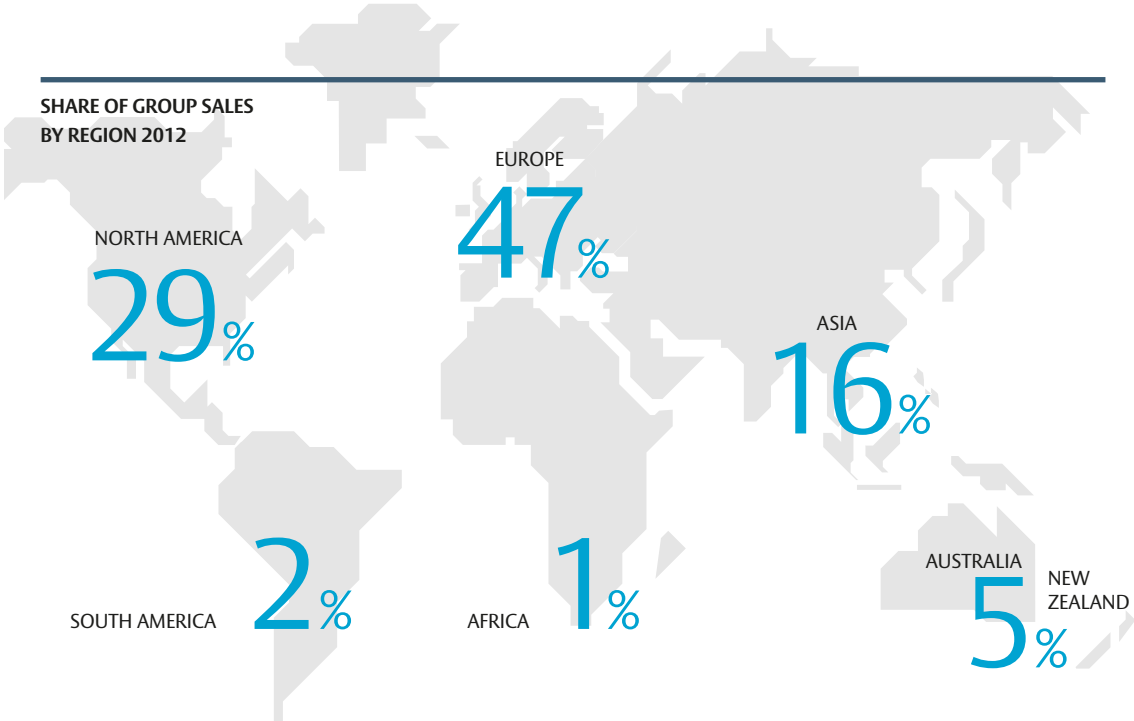
Mobile keys

Access control

Door closers

ASSA ABLOY is the global leader dedicated to satisfying end-user and convenience.

ASSA ABLOY is represented on both mature and emerging markets worldwide, with leading positions in much of Europe, North America, Asia, Australia and New Zealand.



Schools and offices

Museums

Homes

Hospitals

Electromechanical locks

Entrance automation

Industrial doors

Digital locks

in door opening solutions, needs for security, safety

As the world's leading lock group, ASSA ABLOY offers a more complete range of door opening solutions than any other company on the market.

47
SEK 47 billion in sales

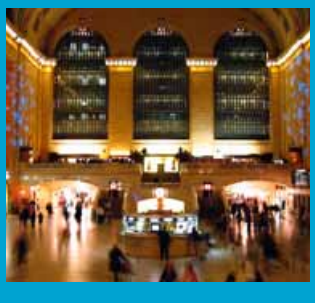
Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international group with around 43,000 employees and sales of around SEK 47 billion.

In the fast-growing electromechanical security segment, the Group has a leading position in areas such as access control, identification technology, entrance automation and hotel security.

Industry

Arenas

Railway Stations and Airports



Hotels

Sustainability as a driver for growth

ASSA ABLOY continued its progress towards fulfilling its sustainability goals and we are on track to meet our goals for 2015. We have gone from annual to semi-annual internal sustainability reporting and conducted 795 supplier sustainability audits in 2012 – a record number. We are embracing sustainability in our product innovation process and continued to develop more sustainable products.

Sustainability is integrated throughout the value chain and supports our business strategy for global market presence, product leadership and cost efficiency. Our sustainability goals and initiatives support the entire process from sourcing, product development, manufacturing, logistics and sales to installation. Target setting is a corporate responsibility, while the actions are implemented and results are achieved within the divisions.

ASSA ABLOY is the market leader in the global shift from mechanical to electromechanical solutions for locks, doors and windows. Our position creates opportunities for intelligent solutions and products that can greatly contribute to energy and cost savings.

Demand for sustainable products is increasing. This is an opportunity for ASSA ABLOY and we are embracing sustainability on a large scale. We are producing products in a more environmentally friendly manner that better meet our customers' needs while also lowering their total cost of ownership.

In our innovation and product development processes, we conduct life-cycle assessments that start from the design phase and continue through to the recovery phase. The selection and development of solutions, materials, suppliers, manufacturing and logistics is governed by systematic processes that promote resource- and cost-efficiency.

The ASSA ABLOY Group welcomes the building industry's adoption of new norms and standards that contribute toward energy efficiency and a life-cycle (cradle to grave) approach to the handling of materials.

In 2012, we continued our progress toward fulfilling our sustainability goals for 2015. We have made improvements in areas such as energy and water consumption, introduced measures to reduce hazardous waste and phased out certain types of solvents by investing in new processes. Nearly 300 entities, including all newly acquired companies, representing about 99 percent of our business now submit sustainability reports. The scope of our reporting has been expanded to include water consumption, greenhouse gases and ozone-depleting substances. We have also gone from annual to semi-annual internal sustainability reporting.

Our focus on sustainability has revealed areas where we need to improve. For example, carbon emissions at some newly acquired companies are still too high. We will continue our efforts to reduce emissions by investing in new technologies and reviewing existing processes.

Our sustainability work also includes the performance of our supply chain. This is a challenge, given ASSA ABLOY's rapid expansion in emerging markets. In 2012, we conducted 795 supplier audits – more than double the number completed in 2011.

"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 progress."

Internally, training is provided for skills and career development, and also to support the improvement of our sustainability performance. In 2012 we conducted comprehensive anti-corruption training and commissioned independent internal social compliance audits to asses our performance. Our long-term efforts to improve the gender balance in management positions will continue.

I want to thank the investors who participated in the SRI roundtable discussions in 2012. Stakeholder dialogue is an important means of sharing knowledge and experience.

Our employees' knowledge, skills and commitment drive our sustainability work. With that in mind, I would like to thank all employees for outstanding efforts during the year.

I hope that this report will be valuable to you, and give a fair and in-depth picture of the sustainability activities within ASSA ABLOY.

Stockholm, 4 April 2013

Johan Molin
President and CEO

Challenges and opportunities

ASSA ABLOY's most important sustainability challenges are related sourcing, resource consumption, dependence on certain input materials, expansion of manufacturing in low-cost countries and health and safety in manufacturing.

To mitigate challenges, the Group will:

- Reduce resource and energy consumption
- Reduce carbon emissions
- Improve water and waste management
- Improve health and safety performance in manufacturing
- Improve sustainability performance within the supply chain – focus is to ensure compliance with the ASSA ABLOY Code of Conduct

The Group's most important sustainability opportunities are related to ASSA ABLOY product offerings that are sustainable; either inherently or because of what they can do for our customers or to create a more sustainable environment.

To manage opportunities, ASSA ABLOY will:

- Create products that fulfill our customers' demands
- Create products that our customers want to buy
- Increase our knowledge of customers' future demands
- Increase efficiency in our production

Skanska thriving on sustainable practices

Skanska, with activities in the US, Europe and Latin America, is one of the world's leading construction and development companies, and an industry frontrunner when it comes to sustainability. Sustainability is just another aspect of good business practice in Skanska's view, and it selects suppliers who share this opinion.

When it comes to sustainability issues, the construction industry – at least in some parts of the world – has made major strides in the past five years. "There is a much greater commitment to safety, there is more attention to waste reduction by the construction industry and people are starting to wake up to the issues of embedded carbon in materials and energy efficiency," says Noel Morrin, senior vice president of sustainability at Skanska.

Read the full version at www.assaabloy.com/sustainability

Materials under scrutiny

Environmental Product Declarations (EPDs) are becoming increasingly important for construction and property management companies such as Norway's Statsbygg.

Statsbygg manages about 2.7 million square meters of floor space and owns 2,350 buildings in Norway and abroad on behalf of the Norwegian government. In 2006, Statsbygg started requiring EPDs, beginning with a new government building project.

An EPD is a certified environmental declaration developed in accordance with the ISO 14025 standard. It is designed to provide relevant, verified and comparable information about the environmental impact of goods and services. Prior to getting started with EPDs, Statsbygg informed potential suppliers about the most important materials in the building project, and explained that EPDs would be necessary in order to be considered as a supplier. Suppliers were given a year to work on their declarations.

"There's a cost involved in doing EPDs," Zdena Cervenka, a senior advisor at Statsbygg, acknowledges. "But companies are gaining very important knowledge about their own production and how they can reduce its environmental impact. We have seen that many suppliers are making improvements."

Read the full version at www.assaabloy.com/sustainability

Many improved KPI´s 2012

Most of the sustainability KPI´s improved during 2012 – for the Group as well as for the divisions. In 2010, ASSA ABLOY updated its sustainability priorities with goals and targets set to run until 2015. The program is based on the Group's risk assessment procedures, covers material sustainability issues and mandates measurable results.

The overall goal for 2012 was for ASSA ABLOY to ensure a systematic implementation of the updated sustainability program throughout the Group in order to achieve the defined short and long-term targets.

With 293 reporting units, it is important to ensure a high level of knowledge of the Group's sustainability priorities in all parts of the organization and to share information and best practices between entities. The ASSA ABLOY Sustainability database and analysis tool is a key element for tracking performance and identifying areas where improvements can be made.

Since 2010, the divisions are obliged to identify and report the most material environmental risks for each individual entity, and also to explain how these risks are managed.

PERFORMANCE REPORTING FLOW

Using the 2011 data as a baseline, the 2012 data was collected and analyzed in order to understand the status quo and to set long- and short-term targets.

Each company is obliged to set targets for the coming year for all of the main KPIs and will report on progress every six months to ASSA ABLOY Group.

Each division is fully responsible for the implementation of the sustainability program within its entities and, in several cases, a monthly follow-up of the prioritized KPIs and defined actions is conducted.

Material KPI

Area	2010	2011[1]	2012[1]	Improvement 2010 – 2012	Target[1] 2015
Environmental KPI					
Number of manufacturing entities covered by ISO 14001 certificates and other certifiable management systems	69	75	91[2]	+22[3]	110[2]
KPI, Greenhouse gas emission related to energy consumption CO_2/Value added (tonnes/SEK M)	15.4	14.8	13.9	–9.9%	–10%
KPI, Energy consumption/Value added (MWh/SEK M)	39.4	37.2	34.9	–11.4%	–15%
KPI, Water/Value added (m^3/SEK M)	135.2	124.6	115.8	–14.5%	–15%
KPI, Hazardous waste/Value added (kg/SEK M)	293	191	176	–39.9%	–15%
Consumption of chlorinated organic solvents (PER and TRI) (tonnes)	32.3	21.6	17.2	–46.7%	–75%
Social KPI					
KPI, Percentage of spend in low-cost countries represented by sustainability audited suppliers	80%[4]	90%[5]	90%		>90%[6]
Injury rate	7.8	8.9	9.0	+16%	–15%
Injury lost day rate	141	161	173	+23%	–15%
Suppliers – Sustainability appraisals – Code of Conduct requirement for all suppliers Sustainability audits of suppliers in risk category	376 sustainability audits[4]	493 sustainability audits[5]	795 sustainability audits[5]		
Gender diversity	See page 34	See page 34	See page 31		

[1] For comparable units.
[2] For comparable units. Number of entities covered by certificates and corresponding certifiable systems for North American units amounted to 100. Number of entities with significant environmental impact not yet covered by ISO14001 or other certifiable environmental management system amounts to 10.
[3] The development is a combination of an increased number of certified entities and recently acquired companies with ISO14001 certification.
[4] Countries covered: China, Macau, Hong Kong and Taiwan.
[5] Countries covered: China, Macau, Hong Kong, Taiwan, India, Malaysia, Vietnam, Thailand and Philippines.
[6] Countries covered: All low-cost countries.

Sustainability in line with our vision

Sustainability is one of the drivers in the ASSA ABLOY value chain. By placing ASSA ABLOY in a broader context, the Group can better understand the sustainability risks and opportunities in the business.

Managing the sustainability risks and opportunities will help ASSA ABLOY grow and remain profitable. It will also support ASSA ABLOY's vision:

- To be the true world leader, the most successful and innovative provider of door opening solutions
- To lead in innovation and provide well-designed, convenient, safe and secure solutions that give true added value to our customers
- To offer an attractive company to our employees

Supporting the strategy

ASSA ABLOY is a world leader in its market and a premium brand. The Group has achieved this by utilizing the strengths of the brand portfolio, by increasing growth in our core business and by being successful in expanding into new markets and segments. To fully exploit the brand portfolio across diverse segments, it is necessary to identify and manage business opportunities related to sustainability performance and to understand the market. The Group's expansion into new markets is facilitated by a strong brand and a good reputation, which is earned in part by acting in a responsible way.

By considering the environmental impact from the design phase onward, using resources efficiently and applying the reduce-reuse-recycle principle, ASSA ABLOY can cut production costs while also acting in a more sustainable manner. By being systematic, exploring various means of reducing production materials, optimizing product components and streamlining production as well as transport methods, ASSA ABLOY reduces its environmental impact and increases cost-efficiency.

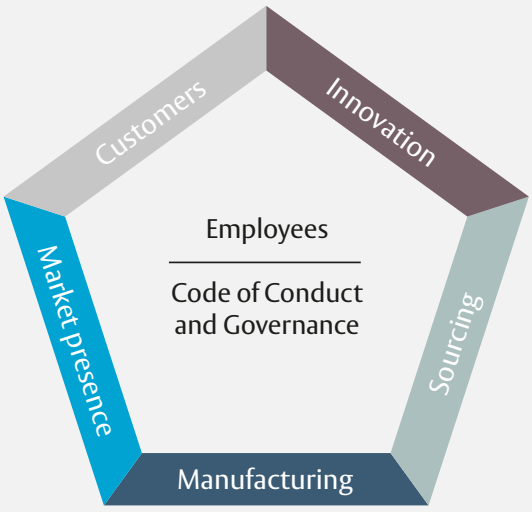
Relevant sustainability factors are considered in business plans, decision-making processes and business principles. In keeping with the Group's long-term risk-management strategy, sustainability is an integral part of the approach to value-chain management – from design to recycling.

ASSA ABLOY has defined four environmental sustainability priorities that support the Group's vision and strategy, and frame the targets set by each division. The priorities until 2015 are:

- Targets set for all sustainability KPIs, covering all entities and the Group
- Coordinated implementation of environmental management systems
- Increased capabilities for data analysis and benchmarking
- Increased focus on sustainable products

The procedures put in place to maintain quality and manage environmental impact have been successful. Sustainability targets and policies have been implemented throughout the Group, and each division is responsible for identifying its greatest environmental impact and presenting an action plan to address the issues.

SUSTAINABILITY IN OUR VALUE CHAIN



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.

Sourcing

The Group's suppliers in risk areas are evaluated from a sustainability perspective. Suppliers failing to comply with the Group's requirements are encouraged to make improvements or risk being phased out.

Manufacturing

Manufacture of the Group's products should be carried out safely and with the lowest possible environmental impact. Hazardous processes are gradually being phased out and replaced by eco-friendly alternatives.

Energy-efficient doors system from Entrance Systems

Challenge

The ICA Group has set a target to reduce its carbon emissions by 30 percent between 2006 and 2020. ICA has made a strategic investment in a pilot project at the ICA store in Sannegården, Gothenburg Sweden, using energy-conserving technology.

Solution

ASSA ABLOY Entrance Systems has supplied two energy-efficient Besam RD3L revolving doors to ICA. This is a high-capacity door opening solution, which is 20 percent more energy-efficient than any other current automatic door system – thanks to its use of enhanced insulation and low-energy bulbs. The door is designed to ensure separation between internal and external environments.

Result

In this pilot project, ICA has managed to reduce energy consumption by around 35 percent, compared to a five-year-old ICA store. Besam's revolving doors are responsible for about a third of this energy reduction. The reduction is equivalent to the annual energy consumption of two medium-sized Swedish households. In addition, the indoor environment has improved as temperatures remain more or less constant and noise and exhaust fumes from outside are excluded.

The pilot project was successful and ICA estimates that it could reduce its carbon emissions by 30 percent. ICA intends to apply these energy-reducing principles in the construction of new stores.

Improving indoor air quality

Challenge

Volatile organic compounds are chemicals used to manufacture and maintain building materials, interior furnishings, cleaning products and personal care products. These carbon-based chemicals evaporate or can easily get into the air at room temperature. Since some volatile organic compounds pose health risks, ASSA ABLOY needed to eliminate them from its processes and products.

Solution

Volatile organic compounds are emitted by a wide array of products including paints, glues and adhesives. By eliminating certain materials, ASSA ABLOY has achieved both GREENGUARD Indoor Air Quality Certification and GREENGUARD Children & Schools Certification for seven of its brands: Ceco, Curries, Fleming, Graham, Maiman, Rite Door, and Security Metal Products.

Door and frame products from these brands meet or exceed standards such as UL ISR 102, and contribute to the construction of high-performance green buildings in accordance with rating systems such as LEED.

ASSA ABLOY's participation as a founding sponsor of the Health Product Declaration (HPD) Collaborative has also established leadership to provide standardized disclosure of product contents, emissions and health information.

Result

Anyone wishing to comply with rating systems such as LEED or the Collaborative for High Performance Schools (CHPS) can safely rely on products from a wide range of ASSA ABLOY brands. CHPS originated in California, but is growing in popularity across the US as the green movement spreads across the country. Worldwide, there is increased demand for buildings that are environmentally responsible and resource-efficient.

Market presence

ASSA ABLOY follows its Code of Conduct, respects the laws and regulations governing business ethics in the countries in which it operates, and requires all of its partners to do the same.

Customers

ASSA ABLOY's ambition is to supply high-quality products that fulfill customer requirements, have a long life, are manufactured with minimal use of resources, and have a minimal environmental impact throughout their life cycle.

Sustainability – an integral part of product innovation

It is easier to design sustainable products than it is to reduce the environmental impact of existing products and ASSA ABLOY is committed to getting it right the first time – at the moment of conception.

Since buildings account for about 40 percent of all energy consumption, there has been an increased focus on sustainability in the building industry over the past couple of years. As a result, it is becoming increasingly common for buildings to be sustainability-certified, and environmental product declarations (EPDs) to be required for construction products. Similarly, it is expected that new security products will be designed with the environment in mind.

Every attempt is made to ensure that newly designed products use as little energy as possible. In the long run, ASSA ABLOY can save money for both the Group and its customers by making sustainability an integral part of the product innovation process.

ASSA ABLOY's ambition is to develop new product concepts that are innovative in the way they solve customer problems and create customer value, while being based on more sustainable solutions and processes. Increasingly, customers require products that have a minimal environmental impact and ASSA ABLOY is committed to helping them meet this challenge.

ASSA ABLOY considers the entire life cycle of products and focuses on finding creative ways to apply engineering expertise in areas where the greatest improvements can be achieved. The Group looks at the bigger picture, as a product's environmental impact can vary greatly depending on the type of application that it is used in.

ASSA ABLOY believes that its commitment to sustainability can reduce costs and create value for its customers, as sustainable products and processes are inherently more efficient in their use of resources.

Powershield Steel Doors

New platforms reduce both energy consumption and cost

Challenge

ASSA ABLOY made an effort to develop a completely new range of locks and panic devices that could be used in most commercial applications. The idea was to upgrade many of the mechanical devices to electro-mechanical solutions. Furthermore, the challenge was to develop platforms that reduced the number of parts and materials used – thereby improving production efficiency.

Solution

To achieve its goal, ASSA ABLOY began by improving several processes – for instance, R & D competence centers were set up in Central Europe in order to concentrate knowledge and engineering. Engineers were trained in implementing more efficient production processes and ASSA ABLOY gave significant weight to input from customers, received both in the project specification phase and in regular reviews. A complete range of central platforms was designed based on an integrated bus system for easy connection of products and functions, and a new eco-design concept was implemented – together with the CAD Sustainable Design Module.

Result

The new platforms have reduced both energy consumption and cost. This is a result of more efficient use of components and materials, as well as improved production process efficiency. The new platforms have also led to a more adaptive product that is able to meet specific customer needs. ASSA ABLOY has now developed a wide product portfolio that ranges from standard to high-tech locking solutions, and for which 20 patents have been granted.

Challenge

To provide a high-performance security door offering, tailor-made to meet each individual customer's needs, with sustainability embedded from concept through to completion.

Solution

Powershield's new-generation steel doors are designed to support architects, specifiers and contractors working on projects ranging from commercial office space and health-care applications to data protection units and pharmaceutical facilities. Doors are manufactured with 48 percent recycled steel and are almost fully recyclable.

Powershield high-performance acoustic doors from ASSA ABLOY Security Doors are manufactured from steel, which provides a greater mass than other raw materials and therefore considerably limits the transmission of sound.

Extensive research has been conducted to create a combination of materials that produce improvements in insulation and stiffness. This, in turn, helps to limit the vibrations of the door, resulting in improved acoustics and sound control.

Result

Powershield has produced a complete range of high-performance doors that meet specific customer requirements. The use of recycled material and the recyclability of the doors themselves mean that virtually nothing will go to waste, but can instead be reused when the product ceases to be useful.

The research focus on stiffness and insulation has resulted in excellent thermal properties yielding a low U-value. This makes Powershield's steel doors highly energy-efficient, ensuring thermal comfort while also reducing the end user's operating costs and environmental impact.

Delivering sound reduction of up to 45dB, ASSA ABLOY Security Doors' new-generation steel doors are proven to effectively manage sound transmission. They have been used at the Cork School of Music in Cork, Ireland, where the combination of acoustic properties and attractive aesthetics has resulted in a functional and modern facility.

Sustainable innovation

ASSA ABLOY is committed to sustainable product innovation based on a process of understanding long-term trends and customer needs, complemented by a dedication to minimizing waste of time, effort and money.

Based on lean innovation principles, the ASSA ABLOY Product Innovation Process consists of several modules including product management, voice of the customer and efficient delivery of innovation projects.

Long-term trends, generation planning and technologies are addressed through product management. Insights about customer needs, meanwhile, are collected via voice of the customer, forming the foundation for the development of relevant, value-creating offerings. Finally, the efficient delivery of innovation projects ensures that no time, effort or money is wasted when developing high-quality products or services.

The ability to look ahead determines our future

A wide variety of factors contribute to ASSA ABLOY's product management process, including long-term social, political, economic, technological and customer trends, as well as developments in market standards and regulations. With these considerations in mind, generation plans are devised for new products and entirely new technologies. This approach makes financial sense because the market will reward a proactive approach to sustainability.

ASSA ABLOY's long-term planning is influenced by the same reduce-reuse-recycle principle that forms this product innovation process, with the aim to develop products that are as upgradable and exchangeable as possible.

Customer needs come first

ASSA ABLOY always aims to understand its customers' needs so that it can create products they want to buy. Products with enhanced sustainability performance are no different, as they can only benefit the environment if customers want to buy them.

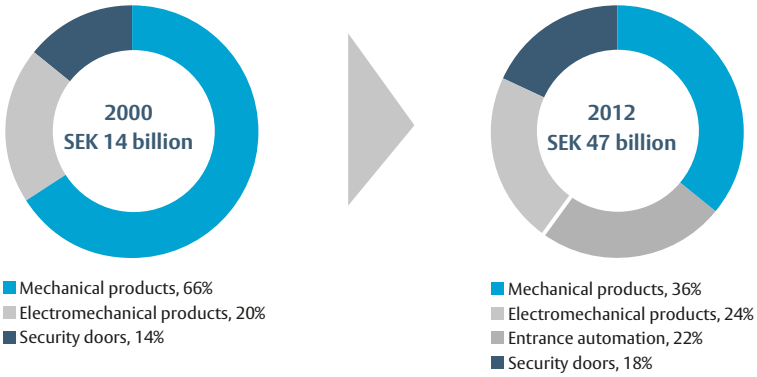
The voice of the customer process helps us to collect, analyze and translate into useful knowledge everything from longer-term customer needs and trends to highly detailed decisions related to specific products or components.

Reducing inefficiencies and waste

Across the Group, the reduce-reuse-recycle principle guides the manner in which innovation projects are developed. Projects are run according to lean innovation principles and supported by a gateway process that ensures each stage of the project is completed satisfactorily.

A "front-loading" approach to problem-solving is encouraged. In other words, every effort is made to identify potential problems as early in the project as possible because it will be more costly to solve these problems later on. Concepts are carefully evaluated against customer needs and sustainability benchmarks before moving into the engineering design phase.

CHANGE IN PRODUCT MIX



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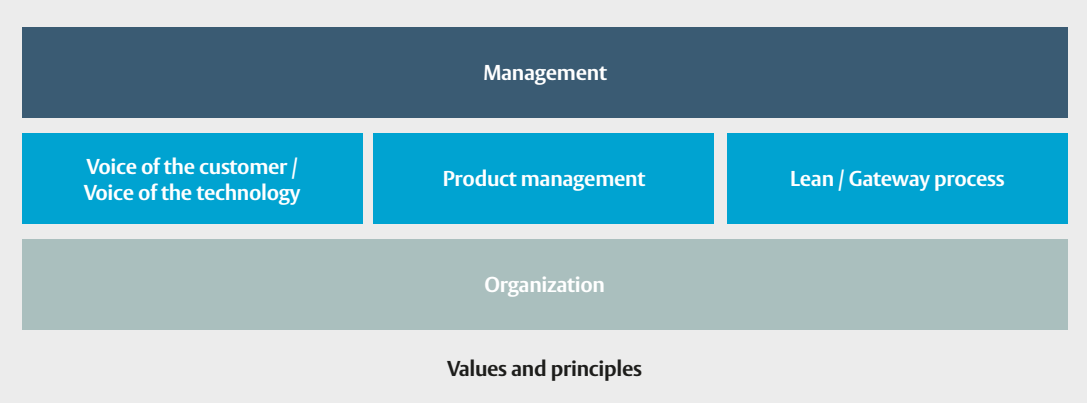
PRODUCT INNOVATION PROCESS



Once a concept has been validated and approved, it is further developed during the specification and design phase. The gateway process requires all project leaders to apply the environmental checklist before they are given the go-ahead to proceed beyond the process and design stage, thereby ensuring that all sustainability aspects are taken into consideration in the development of the product and the manufacturing process. The checklist guarantees that sustainability aspects are considered when developing new products.

Product's energy consumption reduced by 15 percent

Challenge	ASSA ABLOY sought to develop a fire door application that would offer high holding forces, various status indications, as well as excellent performance in case of fire. Among the design challenges was the issue of fine-tuning between mechanical, electrical and electronic components. Another challenge was finding the right balance between performance, reduced power consumption and a decreased use of raw materials.
Solution	Electric strike 143 is a certified product for fire door applications. It provides high holding forces and indicates whether the door is locked or not and/or if the strike is blocked. In case of fire, the device automatically keeps the door shut. When developing the Electric strike 143, ASSA ABLOY managed to improve the manufacturing process. In some cases, this entailed a complete change of manufacturing technologies. The final product was then based on both hardware- and software-optimized electronics, as well as a solenoid designed with fewer components.
Result	The improved manufacturing process brought a 15 percent reduction in the product's energy consumption. The solenoid design resulted in significant waste reduction. Finally, fewer components and both energy and cost savings resulted in an overall improvement in product performance.

Striving for improvement
A global council – representing the various functions within innovation and design, as well as the divisions within the Group – ensures that sustainability is part of the innovation process. The council develops and shares best practices, reviews methods and tools, and sets targets and communication policies.

Value-chain analysis of key product groups and environmental risk areas is also within the global council's remit. R&D units will use the results of this analysis to fine-tune their sustainable design efforts.

A global council to drive and coordinate sustainable innovation in all divisions, and have put in place an initial framework to drive sustainability in innovation across the Group.

Optimal energy efficiency achieved with Trio-E Door and other Group hardware

Challenge	The Science Center at Wolf Ridge Environmental Learning Center is located on a 2,000 acre campus in northern Minnesota. Climate conditions in this region are some of the harshest in the continental US, with winter temperatures as low as –50° F and snow accumulation of over 100 inches annually. A replacement door for the west entrance had to be able to withstand these difficult conditions. Given Wolf Ridge's educational mission, the project presented a three-pronged challenge: securing heating efficiency, modeling sustainable technologies and teaching conservation practices.
Solution	Specifying cohesive Group products for the project met the challenge on all fronts. A Curries Trio-E Door with Thermal Break frame provided the primary barrier, supported by McKinney NRP hinges, a Corbin Russwin 5200 Series exit device, Norton 7500 Series Door Closer, and Rockwood kick plate. Pemko accessories included threshold, rain drip, and auto door bottom. The integrated ASSA ABLOY solution creates a near perfect seal against the elements.
Result	Extensive testing by engineers, staff and students included blower tests and infrared imaging. The results are impressive, resulting in an 88 percent improvement in thermal retention for the opening. A significant carbon reduction was realized, as well as a valuable teaching tool for Wolf Ridge.

Developing supplier relationships and securing supply chain integrity

For ASSA ABLOY, working with suppliers to improve sustainability performance throughout the value chain is an important task that has no end point. Systematic auditing is an important tool in managing risks and identifying potential synergies.

Sustainability auditing training in Bogotá, Colombia

In order to develop suppliers in Latin and Central America and include them in the sustainability audit program, ASSA ABLOY must first train its own local employees. In June 2012, training took place at ASSA ABLOY Cerracol in Bogotá, Colombia. The participants were appointed sourcing and supply managers from Sargent Manufacturing Company, EMTEK Products, Grupo Industrial Phillips, ASSA ABLOY Occidente, Yale La Fonte, ASSA ABLOY Chile and Cerraduras de Colombia.

The objective was to learn about risk assessment, how to conduct an audit, and how to develop suppliers in Latin America according to Group Supply Management Sustainability guidelines and processes. The focus was on five critical categories: business ethics; workers' rights; health and safety; environment; and management systems.

The training was led by Group Supplier Quality and Sustainability Manager Anders Wirsenius.

Four priorities

Starting in 2012, the sourcing organization set four priorities: refine the audit method; perform calibration audits; audit suppliers representing 90 percent of ASSA ABLOY's spend in Asian low-cost countries; and begin to widen the scope of low-cost countries included in the sustainability audit program.

During 2012, ASSA ABLOY developed a method to ensure that its sustainability audits are in line with international standards. While the audit template is in accordance with international standards, it is still based on the ASSA ABLOY Code of Conduct.

ASSA ABLOY's existing sustainability auditing structure has been further refined in order for the Group to reach its goal of auditing 90 percent of the spend on suppliers in Asian low-cost countries.

During the year, the scope of the supplier sustainability audit program was expanded to include suppliers in South and Central America, Eastern Europe and Africa. In total, the Group has about 2,000 direct material suppliers based in low-cost countries.

Audit leaders in Asia, South and Central America and Eastern Europe were trained in order to achieve the targeted number of audits. The training also ensured a consistent approach to scoring suppliers.

Audits and results in 2012

Including follow-up audits, 795 sustainability audits were completed in 2012 – compared to 493 audits in 2011. At year-end, 806 (461) active suppliers had satisfied the minimum sustainability and quality requirements and were classified as reliable.

These activities resulted in an audited spend in excess of 90 percent in Asian low-cost countries. At the end of 2012, 10 (19) suppliers were blacklisted by the ASSA ABLOY Group – meaning they are not allowed to be assigned any new business by any ASSA ABLOY entity.

In 2012, 40 (15) internal auditors underwent training in the ASSA ABLOY audit method and scoring principles. Part of the training process involved performing actual audits in order to harmonize the scoring of individual areas of the ASSA ABLOY standard review list.

Calibration audits

During the year, three calibration audits were performed in China. Calibration audits are important in ensuring that suppliers are scored in the same way, regardless of auditor and geography. A calibration audit

involves a team of senior ASSA ABLOY auditors from various divisions, together with managers from Group Supply Management, auditing a number of suppliers during a weeklong process and then comparing their scores. The need for calibration audits will increase along with the number of audits and internal auditors.

Organization for sustainable supply management
Group Management sets the sustainability targets and the overall framework, whereas each division is responsible for the implementation and maintaining a sustainable supplier base.

Group Supply Management leads a Sustainability Steering Council with representatives from each division. The Council coordinates activities and follows up on progress. All divisions follow the same guidelines and processes, which are provided by Group Supply Management. The divisions report to the Sustainability Steering Council on a monthly basis.

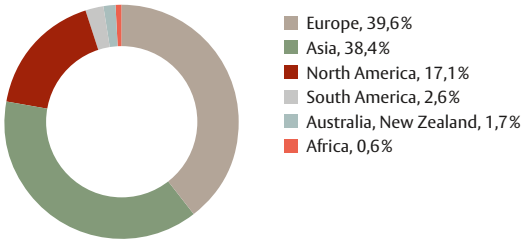
The sustainability audit process
It is a requirement by contract that an ASSA ABLOY supplier complies with the ASSA ABLOY Code of Conduct. As stated above, the long-term objective is to develop the relationship and enhance the level of sustainability performance downstream. Prospective suppliers of direct material of low cost countries to ASSA ABLOY must first complete a self-assessment and then undergo a sustainability audit.

The objective of the audit is to minimize risks of non-compliance among suppliers. The sustainability audit process is the main tool used to evaluate how well potential and existing suppliers meet the requirements. Both the self-assessment and the on-site audit checklist are designed to verify whether or not the supplier is in compliance with the ASSA ABLOY Code of Conduct.

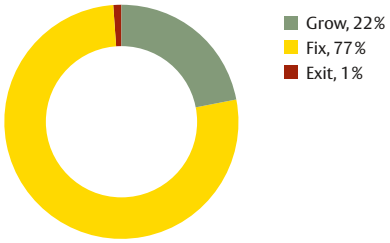
Each division is responsible for performing audits when required and their audit reports are submitted to the Group's supplier database.

Scoring Principles – The Traffic Light System
Audit scores are linked to a color-coded system in which green means that the supplier is approved, yellow that the supplier is approved on condition that it resolve outstanding issues within an agreed time frame, and red that the supplier is not approved. Both red and yellow 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 subject to termination in case of non-compliance that is not remedied within an agreed time frame. If a supplier is scored "red" for longer than six months, the contract is terminated.

DISTRIBUTION OF SUPPLIER SPEND

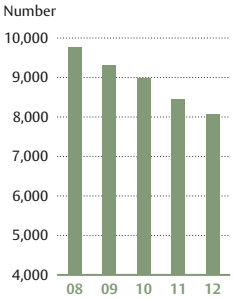


RESULTS OF AUDITS IN LOW-COST COUNTRIES



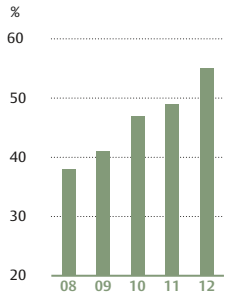
In 2013, the yellow score will be divided into three colors, yellow, orange and purple.

NUMBER OF SUPPLIERS



Reducing the number of suppliers helps to cut costs and improve quality. Through a concerted effort, ASSA ABLOY has reduced its total number of suppliers by 17 percent over the past five years.

SHARE OF PURCHASES IN LOW-COST COUNTRIES



The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has increased from 38 percent to 55 percent over the past five years.

Looking back at the audit results, the biggest problem areas are health, safety and workers' rights. Some suppliers have underestimated the importance of these issues to their overall performance and to their customers overall performance.

A large number of ASSA ABLOY's suppliers are currently scored "yellow". During 2012, the decision was taken to differentiate further between these suppliers and divide the yellow band into three levels, yellow, orange and purple. The system will be adjusted accordingly in 2013.

The ASSA ABLOY supplier data base

ASSA ABLOY's suppliers in selected low-cost countries are listed, graded and tracked in a supplier database. The database ensures transparency and that the purchase organization has access to consistent information about the suppliers' performance. The supplier database is available on the Group intranet for access by selected purchasers. Confidentiality is ensured by assigning user rights and limiting updating rights to accredited and trained administrators.

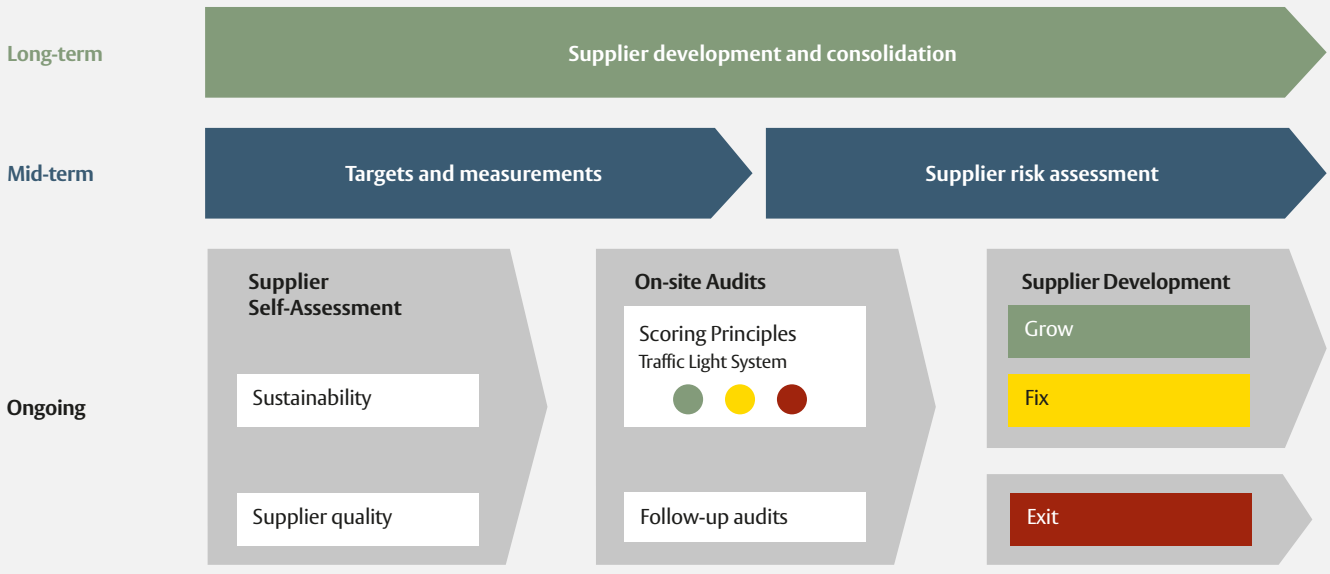
The database enables several key performance indicators to be followed up and is an important means of identifying and developing preferred suppliers.

Challenges and focus going forward

As the ASSA ABLOY Group grows and new markets such as South and Central America and Eastern Europe are included in the audit program as well as new suppliers through acquisitions, it becomes increasingly important ensure a consistent approach.

During 2013, supplier sustainability audits will be conducted in new markets and ASSA ABLOY Supply Management will continue to develop systematic processes, templates and scoring principles to manage challenges.

AUDIT PROCESS AND TRAFFIC LIGHT SYSTEM



Audits are designed to assess risks within areas such as business ethics, workers' rights, health and safety, and environment. The ASSA ABLOY auditing process is always the same, regardless of the type of supplier or auditor.

The audit is carried out using a sustainability audit checklist, which lists a number of criteria and questions the auditor uses to calculate a score according to ASSA ABLOY's Scoring Principles – The Traffic Light System. The checklist was updated during 2012 to remain relevant.

The Traffic Light System links the scores to three colors: green, yellow and red. Green means that the supplier is approved, yellow that supplier is approved on condition that issues are resolved within an agreed time frame, and red that the supplier is not approved and will not be given any new business until the problems have been resolved (as verified by a follow-up audit within a maximum period of six months). In 2013 the yellow band will be divided into three levels. If the supplier fails to improve its performance, it is blacklisted and ASSA ABLOY will end the professional relationship. Some criteria in the audit checklist are of such significance that they are called "stoppers". If a supplier fails to comply with these ASSA ABLOY standards, it is automatically rated "red" – regardless of its performance in other areas.

Reducing environmental impact in operation

An assessment of ASSA ABLOY's production processes shows that energy consumption and associated carbon emissions are responsible for most of the Group's impact on the environment.

ASSA ABLOY faces a major challenge in seeking to reduce its environmental impact while simultaneously increasing its capacity and expanding into markets such as China, where the energy mix is dominated by fossil fuels. At the same time, the Group must cope with the increased transportation needs of its expanding supply chain.

ASSA ABLOY is dependent on energy and the Group is vulnerable to the consequences of extracting energy from exhaustible resources. Examples of such consequences include increasing prices as a result of diminishing supply.

The Group has been working for many years to reduce its environmental impact and has been successful in excluding certain hazardous substances, replacing energy-intensive materials, reducing the amount of material used to produce products without compromising on quality or function, creating synergies in its production processes, and so on. This initiative has no end point and ASSA ABLOY has identified a number of areas of priority for 2011–2015:

- Coordinated implementation of environmental management systems
- Increased capabilities for data analysis and benchmarking
- Increased focus on minimizing waste

Energy consumption and related carbon emissions

Reduced energy consumption is a top priority for all factories and companies within the Group. The reported data forms the basis for performance evaluation and benchmarking. Metrics such as energy consumption per square meter and energy consumption in relation to number of hours worked can be used to compare the sustainability performance of similar entities. Increased taxes on emissions and oil prices emphasize the fact that ASSA ABLOY's ability to run its business in an efficient and environmentally sensible manner is closely linked to the cost of resources.

Although ASSA ABLOY has reduced its total energy consumption, this has unfortunately not resulted in an overall reduction in carbon emissions due to its increased reliance on fossil fuels in countries such as China.

Performance 2012

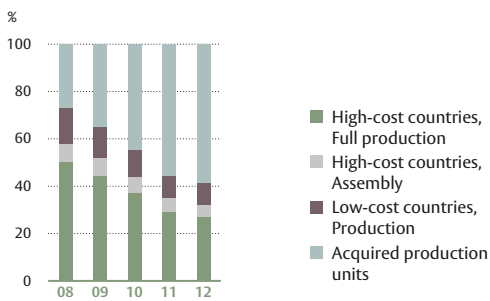
Total energy consumption for comparable units increased by 1,000 MWh or 0.2 percent compared to 2011. The normalized result – i.e. energy intensity – improved by 6.1 (5.5) percent in 2012. The target for 2015 is to reduce energy intensity by 15 percent compared to 2010 (see page 8). The accumulated improvement of the energy intensity since 2010 is 11.4 percent.

Total carbon dioxide emissions related to energy consumption for comparable units, with unchanged emissions factors, decreased by 3,300 tonnes or 1.2 percent compared to 2011. Emissions intensity for comparable units improved by 5.8 percent (4.3) percent compared to 2011, which results in an accumulated improvement of 9.9 percent compared to 2010. The target for 2015 is to reduce the carbon dioxide emissions by 10 percent compared to 2010 (see page 7). In 2012 the carbon dioxide emission factors used for different types of energy were updated in order to reflect current international standards on national and global levels[1]. With respect to the current mix of energy sources and the geographical locations of the Group's entities the new factors represents a reduction of the calculated carbon dioxide emission by 10 percent. The new factors have been applied when calculating the total carbon dioxide emissions for 2012. The evaluation of the total emissions and intensity improvements have been made with unchanged factors between 2011 and 2012 in order to reflect implemented improvements as correctly as possible.

In 2012, 8.7 (10) percent of the energy used came from renewable sources. ASSA ABLOY will continue looking for ways to make its energy supply more efficient and cleaner.

[1] The emissions factors have been updated for the 2012 calculations:
- Electricity emission factors are based on data on electricity production for 2010, as published by International Energy Agency (IEA, 2012).
- For district heat the emissions 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).

CHANGE IN PRODUCTION STRUCTURE



An increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence on end-customer markets ensures fast delivery and efficient assembly of customized products.

Efforts to phase out substances with global warming impact

Extended reporting was introduced in 2012 for greenhouse gases and ozone-depleting substances. As a result, it became apparent that two units use substances with a global warming potential of 725 and 1,430 respectively. The majority of the total calculated CO_2-effect is related to a recently acquired entity. Efforts to substitute these substances are ongoing. ASSA ABLOY is benchmarking both internal and external best practices.

The extended reporting does also include substances that destroy the ozone layer in the stratosphere. As far as these ozone-depleting substances (ODS) are concerned, we comply with the Montreal Protocol and with country specific legislative initiatives. The use of ODSs is related recently acquired door producing entities in China. It is our goal to phase out the use of ODS with environmental friendly alternatives.

Greenhouse gas emission related to substances in industrial processes	2011	2012
Calculated CO_2-emissions[1] (tonnes)	192,000	192,000

[1] Emission factors are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2007).

Ozone-depleting substances	2011	2012
Ozone-depleting substances in tonnes of R11 equivalent[2] (tonnes)	27.3	27.3

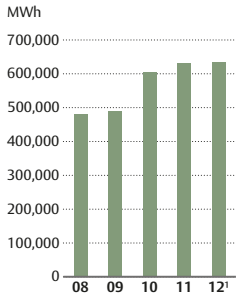
[2] R11 equivalence measures ozone depleting potential.

Energy consumption

MWh	2008	2009	2010	2011	2012[1]
Direct energy					
– oil	9,000	23,000	34,400	31,200	35,100
– gas	191,000	174,000	176,600	179,200	188,200
– coal			67,200	76,300	66,900
– Total	**200,000**	**197,000**	**278,200**	**286,700**	**290,200**
Indirect energy					
– electricity	260,000	261,000	291,200	316,000	312,600
– district heat	22,000	33,000	35,700	29,300	30,300
– Total	**282,000**	**294,000**	**326,900**	**345,300**	**342,700**
TOTAL ENERGY USE	**482,000**	**491,000**	**605,100**	**632,000**	**633,200**

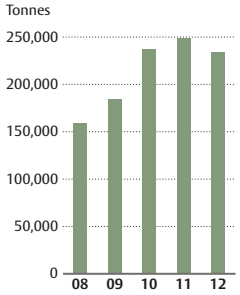
[1] For comparable units. Total energy consumption amounted to 693,000 MWh, including units acquired during the year and increased reporting.

TOTAL ENERGY USE



[1] Total energy consumption amounted to 692,400 MWh, including units acquired during the year and increased reporting.

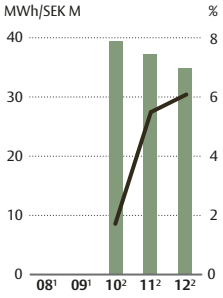
GREENHOUSE GAS EMISSION RELATED TO ENERGY CONSUMPTION CO_2 TOTAL



[1] Total greenhouse gas emissions related to energy consumption amounted to 246,900 tonnes, including units acquired during the year and increased reporting.

[2] The emissions factors have been updated for the 2012 calculations: See page 18.

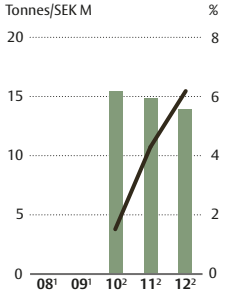
KPI, TOTAL ENERGY/VALUE ADDED



[1] Due to implemented changes in reporting and calculation principles (see page 49), KPI-reference values are not available for 2008 to 2009.

[2] For comparable units.

KPI, GREENHOUSE GAS EMISSION RELATED TO ENERGY CONSUMPTION CO_2/VALUE ADDED



[1] Due to implemented changes in reporting and calculation principles (see page 49), KPI-reference values are not available for 2008 to 2009.

[2] For comparable units.

Energy consumption at facilities

Analysis revealed that about 50 percent of the energy consumption in large manufacturing units was related to factors independent of production volume such as heating, ventilation, lighting, office equipment, and so on. In order to reduce energy consumption, ASSA ABLOY has consolidated its manufacturing footprint. The consolidation will continue and steps will be taken to streamline and specialize the production of certain products, thereby increasing efficiency in terms of utilization of machines, equipment and floor space, as well as allocation of competence. Streamlining will allow ASSA ABLOY's production facilities to work at full capacity while supporting efficient working practices and high standards of quality.

An understanding of the main drivers behind energy consumption is a prerequisite if further reductions are to be achieved. A detailed mapping of consumption in several units has been conducted, resulting in targets being set for energy consumption for the following year. Energy consumption is also continuously monitored in each unit. Performance metrics and targets are prominently displayed, and employees are encouraged to come up with ideas for improving efficiency. An increasing number of entities have adopted equipment for more intelligent energy-consumption control.

The ASSA ABLOY Sustainability database and analysis tool contains current and historical data per entity as well as a set of standardized measures of energy performance – for example, energy consumption per square meter and energy consumption per worked hour. In order to identify areas for further improvements, entities producing similar types of products are compared. The analysis was developed further during the year and now includes climate data per geographical site. Heating and cooling are important drivers of total energy consumption in certain areas and this data is carefully monitored.

Transport

Efforts continue to reduce the environmental impact of transportation as the Group expands. One solution is to locate assembly close to the customer, thereby enabling a more flexible and efficient supply of goods.

A database has been established to store the geographical locations of all suppliers of direct materials, as well as all ASSA ABLOY factories and sales companies. At the end of 2012, the GPS coordinates of 12,500 (4,000) suppliers had been entered into the database. The database is connected to ASSA ABLOY's central purchasing database, which enables transportation impact estimations based on purchased value, weight of purchased goods and mode of transportation. The system can also be used for optimization and coordination of transportation within the Group, as well as from suppliers in different geographical regions. The implementation of the system will continue in 2013.

Water and waste

Systematic improvements to waste management and efforts to reduce water consumption continue to be important elements of ASSA ABLOY's drive to reduce its environmental impact, increase efficiency and cut costs.

Water

Efforts to improve water efficiency have focused on facilities with painting or plating operations as these consume the most water. The 20 largest entities in terms of water consumption account for more than 70 percent of the Group's total water consumption. The operations responsible for the highest levels of water consumption are located in the US and China. The ASSA ABLOY Sustainability database and analysis tool is used to benchmark comparable units and thereby identify areas for further improvement. Analysis capabilities were developed further in 2012 with regard to process types and volumes of products painted or plated in particular production lines. The aim is to reduce operating costs and environmental impact.

During 2012 the Group's collection of water-consumption data was expanded to include information about recirculated water, quality of water discharged, users, and how the water is used. This enhanced data set enables a more detailed analysis and allows for more precise corrective measures to be taken.

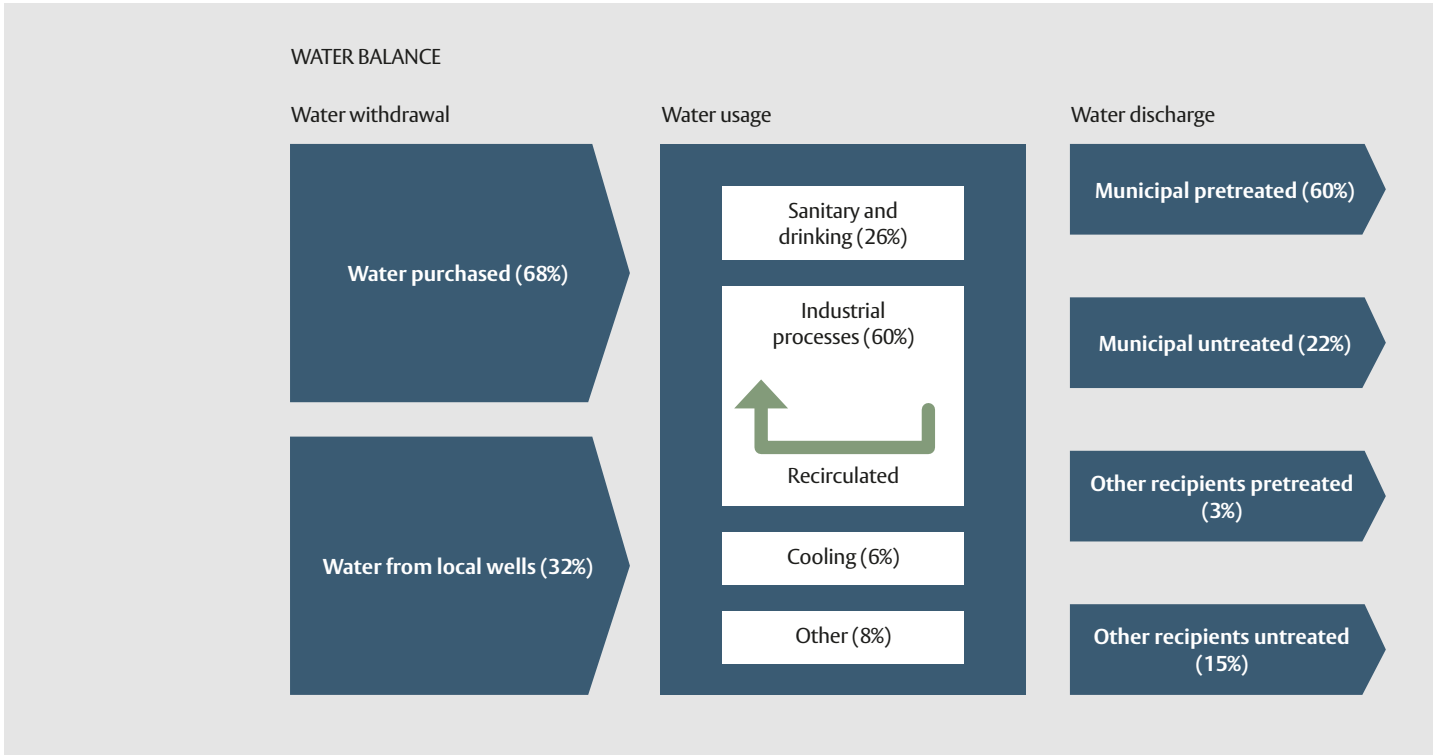
Technological innovation in the recirculation and reuse of water has resulted in a decrease in water intensity during the past years. Reduced water consumption in the plating processes also means less water to heat, which in turn saves energy.

Emissions to water are monitored in accordance with local regulations. ASSA ABLOY units that manage chemicals are properly licensed and registered with the local authorities.

Water performance

	2008	2009	2010	2011	2012[1]
Purchased water (1,000 m³)	1,763	1,765	1,819	1,775	1,729
Water from on-site wells (1,000 m³)	104	91	256	300	374
Total water consumption (1,000 m³)	**1,867**	**1,856**	**2,075**	**2,075**	**2,103**
KPI, Water/ Value added (m³/SEK M)[2]	NA	NA	135.2	124.6	115.8

[1] For comparable units. Total water consumption was 2,594 (1,000 m³) including units acquired during the year and increased reporting.
[2] Intensity values are calculated for comparable units, (see page 46), reference values are not available for 2008 to 2009.



Waste

It is a priority within ASSA ABLOY to minimize waste related to packing and waste created directly and indirectly by its manufacturing processes. Various waste data are important indicators when keeping track of materials used in production. One of the consequences of continuous efforts to reduce waste is a need to reduce the number and amount of materials used. This, in turn, will reduce energy consumption.

In 2012 the total amount of waste in the manufacturing companies was 66,000 (59,600) tonnes, of which 80.8 (80.3) percent was recycled. A number of companies have reduced their use of packaging materials, switched to less environmentally damaging packaging materials and, in some cases, also introduced reusable/recyclable containers. The increased use of electronic orders and integrated information flows between systems has also reduced the number of printed documents.

Various metals are sorted by type to assist in the recycling of their content. Cutting oil is extensively filtered and cleaned so that it can be reused in manufacturing. Certified companies appropriately dispose of any hazardous waste that cannot be reused. The intensity value forhazardous waste continued to decrease and was reduced by 7.9 percent for comparable units compared with 2011. The corresponding accumulated reduction since 2010 amounts to 40 percent.

The ASSA ABLOY Sustainability database and analysis tool contains current and historical data per entity as well as a set of standardized metrics for waste performance evaluation – for example, generated waste per worked hour. Companies producing similar types of products can be compared in order to identify best practices and areas where improvements can be made.

Hazardous waste

	2008	2009	2010	2011	2012[1]
Metal sludge (tonnes)	895	751	728	660	633
Oil for recycling (tonnes)	878	769	564	490	351
Other types of toxic waste (tonnes)	2,688	2,694	3,211	1,932	2,216
Total hazardous waste (tonnes)	**4,461**	**4,214**	**4,503**	**3,082**	3,200
KPI, Hazardous waste/ Value added (kg/SEK M)[2]	NA	NA	293	191	176

[1] For comparable units. Total amount of hazardous was 3,554 (tonnes) including units acquired during the year and increased reporting.
[2] Intensity values are calculated for comparable units; reference values are not available for 2008 to 2009.

Non hazardous waste

	2008	2009	2010	2011	2012[1]
Household incinerated (tonnes)	1,001	1,778	1,515	1,975	2,395
Household deposited (tonnes)	5,339	5,340	5,593	6,364	5,418
Paper and cardboard for recycling (tonnes)	NA	NA	NA	2,621	3,586
Plastic waste for recycling (tonnes)	NA	NA	NA	382	440
Other types of waste (tonnes)	2,993	3,530	4,633	2,812	3,111
Total (tonnes)	**9,333**	**10,649**	**11,740**	**14,153**	14,949
KPI, Non hazardous waste/Value added (kg/SEK M)[2]	NA	NA	757	755	824

[1] For comparable units. Total amount of non hazardous was 16,599 (tonnes) including units acquired during the year and increased reporting.
[2] Intensity values are calculated for comparable units; reference values are not available for 2008 to 2009.

Recycled metal

Tonnes	2008	2009	2010	2011	2012[1]
Waste metal for recycling (tonnes)	38,700	35,800	39,000	42,300	43,400

[1] For comparable units. Total amount of waste metal for recycling amounted to 46,000 tonnes, including units acquired during the year and increased reporting.

Organic solvents and surface treatment

Chlorinated organic solvents such as perchloroethylene (PER) are often used for surface treatment of metals, including degreasing, cleaning and pretreatment before plating.

ASSA ABLOY has been working systematically for many years to reduce and, in the long run, eliminate its use of perchloroethylene (PER) and trichloroethylene (TRI). While ASSA ABLOY measures its use of several different organic solvents, perchloroethylene (PER) is included in the sustainability report because they are the most environmentally hazardous organic solvents. Most entities have replaced the above solvents with less environmentally harmful alternatives such as ultrasonic cleaning and water- or steam-based processes.

Performance The phase out of PER continued in 2012 and a further reduction of the number of sites using PER was achieved. The use of TRI in 2012 was related to a recently acquired entity and alternative solutions are being investigated. Total consumption of chlorinated organic solvents was reduced by 7 percent compared to 2011. Commitment to reducing the use of chlorinated organic solvents will continue with the aim to cease using them.

Increased reporting has shown that other types of organic solvents are being used, primarily as solvents for paint. The total consumption in 2012 amounted to 933 tonnes of which recently acquired entities account for the majority. The use of these types of organic solvents will step by step be replaced by more environmental friendly solutions. Alternative processes are being investigated.

Surface treatment

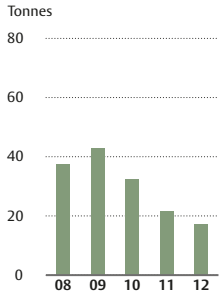
Products and their components need surface treatments to meet high standards of durability, corrosion resistance, quality and finishing.

In most cases, the surface treatment processes are highly complex and require accurate process controls. Care must also be taken to ensure the correct concentrations of active chemicals are used in order to achieve the desired results. Parts are treated in sequential baths and cleaned in water tanks before each new sub process commences. Using modern cleaning technologies, the waste water can be recirculated back into the process multiple times, thereby minimizing water consumption, saving energy and reducing costs. ASSA ABLOY has long-established expertise in the surface treatment field, including processes such as passivation, anodization and plating

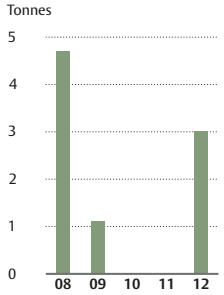
Performance During 2012, the conversion of another three surface treatment processes were initiated. These activities are planned to be completed in 2013.

Consumption of chlorinated organic solvents

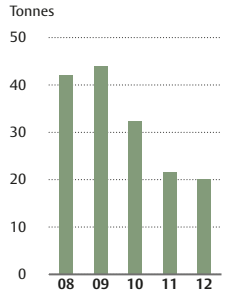
PER CONSUMPTION



TRI CONSUMPTION

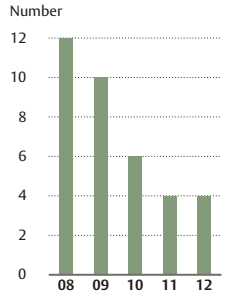


PER AND TRI TOTAL CONSUMPTION



Surface treatment processes under change

PROCESSES UNDER CHANGE



Smart ECO automation

Challenge

Automatic doors fitted with traditional radar open every time someone passes by – even if they have no intention of entering. In areas such as malls where large numbers of people are moving about on a daily basis, this can be a problem. Energy is wasted and the indoor environment is affected in a negative way.

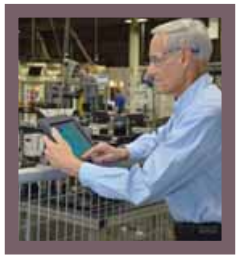
Solution

ASSA ABLOY Besam has developed a one-directional impulse device, known as an ECO-radar, that is able to determine the direction in which pedestrians are moving. Doors fitted with this device will open automatically only if a pedestrian is walking directly toward them. The system maintains a safety zone of 200 mm.

Result

Doors fitted with the ECO-radar device open half as often as conventional automatic doors, thereby saving energy. The indoor climate also remains more temperate, which further reduces energy costs.

Customers who fit ECO-radar to an existing door can expect to see a return on investment within one year, or even sooner if the ECO-radar is installed from the beginning. Several customers have reported energy savings as a result of using the ECO-radar.



Energy-management system increases efficiency

Challenge

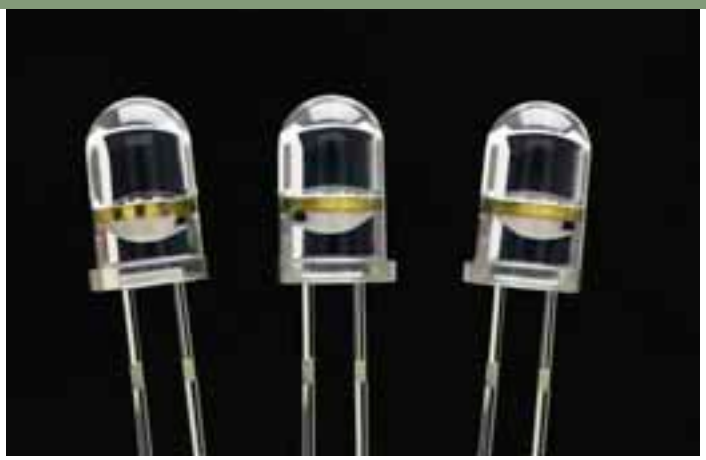
Sargent Manufacturing production facilities routinely conduct Kaizen studies that examine the efficiency of various operations within the building, such as assembly line functionality or accounting and customer service processes. If such lean practices can be applied to the processes within the building, then surely the building itself can also become more efficient. The facility in New Haven, Connecticut, sought to develop and implement a plan to better control overall facility power usage and become more energy-efficient.

Solution

By linking each of the major building operational platforms into a Siemens energy-management system, the facility management team is able to monitor and control the power usage of 72 pieces of equipment, including the HVAC system, boilers and air compressors. The energy management platform enables Sargent to set up time schedules that tell different pieces of equipment when to turn on and off. On weekends, for example, the heating and air-conditioning are programmed to turn off automatically, while other energy-hungry devices such as the 675 horsepower air compressors are powered down.

Result

The entire facility is now tied into the system, producing annual savings of USD 180,000 in energy costs, all while reducing the building's carbon footprint. From a convenience standpoint, the energy-management system performs diagnostic monitoring of each component and warns when something is amiss. The system can also be controlled remotely via smartphone or tablet computer.



LED lighting reduces energy consumption

Challenge

The amount of energy needed to light a 288,000-square-foot production floor with existing compact fluorescent fixtures creates a substantial cost to the overall building operating budget. Fortunately, new technologies are emerging to lessen this energy burden. The Sargent Manufacturing production facility in New Haven, Connecticut, is lowering its lighting energy requirements by installing new LED fixtures.

Solution

The LED fixtures are 50 percent more efficient than the T-5 fluorescent models that are being replaced and generate the same level of illumination. The older fixtures also contain mercury and must be carefully disposed off to avoid accidental release of the hazardous material. In addition, each fixture has an occupancy sensor that will shut off if no one is in the area. A total of 1,000 fixtures are being upgraded with the LED technology and are expected to last 10 years with little or no maintenance. The local power company is subsidizing 50 percent of the replacement cost. At year-end 2012, the replacement project was 20 percent complete.

Result

Once all the LED fixtures are in place, Sargent will see its lighting costs reduced by USD 100,000 annually. The normal payback time for this project would be four years, but thanks to the utility company incentive, the payback time will be cut in half to two years. Performance wise, the LED lights emit a slight bluish tint compared to the yellow of the T-5 fluorescent models, but employees have reported no difference in working conditions.

Security Intersects with Sustainability

Challenge

Facilities are faced with the challenge of increasing security within the restraints of their existing budget with minimal disruption to the building. Together with the growing trend of sustainable building design, many facilities seek to leverage existing infrastructure while maximizing energy efficiency and achieving sustainability goals.

Solution

To meet this end-user security challenge, Group brands Corbin Russwin and SARGENT have developed IP-enabled Power over Ethernet (PoE) and WiFi locking solutions that utilize existing infrastructure to expand access control. These high performing electronic access control solutions, particularly PoE locks, help achieve numerous sustainability goals. The Corbin Russwin Access 800 IP1 PoE lock easily brings online access control to more doors and provides substantial advantages, including minimized components – access control functions (e.g. door position monitoring and request to exit sensor) are incorporated in one lock body rather than separately purchased and installed components. This PoE lock uses 50 percent less power per activation than traditional access control solutions using PoE, and significantly less standby power than traditional access control. Facilities also re-use existing building infrastructure adding to the overall ROI savings.

Result

The Access 800 IP1 exemplifies a new generation of energy-efficient, sustainable access control products. When the total Life Cycle Assessment of a PoE system is considered, the result is less energy and material used during manufacturing, shipping, installation and use.

People make it all happen

ASSA ABLOY is a global company with around 43,000 employees in more than 70 countries. The ambition is to take advantage of the size and resources of a large organization and at the same time operate with the speed and sense of entrepreneurship characteristic of a smaller company. This is why ASSA ABLOY has a decentralized structure.

Decisions are made close to the local market by those who understand it the best. ASSA ABLOY wants each employee to feel that he or she has the mandate to make decisions and impact their work situation. Everyone should feel that they contribute to their company and ASSA ABLOY as a whole.

The overall objective of the employee development activities is to help achieve and sustain the goals of growth and profitability. In order to do that, ASSA ABLOY strives to have people with the right skills and competencies in the right place at the right time, and to provide a safe and sound working environment.

A regular dialog between manager and subordinate about performance and development is a key component for employee development. According to the ASSAABLOY employee survey in 2012, 75 percent of the employees have had performance and career development reviews during the last 12 months. Measured over the last 24 months 82 percent of the employees have had performance and career development reviews.

Throughout the Group, business is delegated with great trust to the divisions and their entities. ASSA ABLOY expects its employees to show respect to one another, create and maintain a safe and healthy workplace, express themselves, i.e. to respect the Code of Conduct. The ASSA ABLOY Code of Conduct is an important document, guiding everyday work. It is available in 22 languages and all employees must adhere to the Code. New employees participate in an "Entrance to ASSA ABLOY" program, which – among other things – familiarizes them with the Code of Conduct.

The ASSA ABLOY Employee Survey

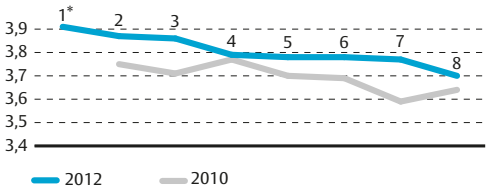
The ASSA ABLOY Employee Survey is an efficient means of finding out what the employees think about their work situation, how they perceive ASSA ABLOY as an employer, how they perceive health and safety in their workplace and if everyone is given equal opportunities.

All employees should have annual performance reviews. The employee survey addresses this matter and employees are asked whether the reviews have taken place or not.

The survey is carried out every 18–24 months. The most recent survey took place in March 2012, with nearly 28,000 respondents. The results in 2012 show a slight improvement in all areas compared to the previous survey (2010).

The results have been broken down into 275 units, making them more relevant to all employees and enabling appropriate actions to be taken at the local level to achieve further improvements.

EMPLOYEE SURVEY RESULTS FROM 2012 RELATED TO SUSTAINABILITY



* Question 1 added 2012.

Questions and results relating to sustainability, on a scale of 1–5:

How well do the following statements correspond to your opinion?

1. My unit provides equal opportunities to men and women (3.91)
2. My unit shows environmental responsibility (3.87)
3. My unit values diversity among its employees (3.86)
4. I am treated with fairness and respect at my unit (3.79)
5. I would recommend ASSA ABLOY as a good place to work (3.78)
6. My unit shows responsibility regarding the health, well-being and work environment of its employees (3.78)
7. My unit has high ethical and moral standards (3.77)
8. I can openly and with respect express my views and opinions within my unit (3.70)

Careers in ASSA ABLOY

People turn our values and strategy into action, making them our most valuable resource. ASSA ABLOY offers all employees the opportunity to perform and develop according to their potential. The Group provides a work environment where people can make a difference – employees have freedom to act and accountability.

ASSA ABLOY takes great interest in the employees professional development in order to attract and retain the employees it needs to achieve continued success. ASSA ABLOY provides the opportunities, but each employee is in charge of his or her own professional development.

Training and development

Two Group-wide development programs are run yearly and offered to a number of ASSA ABLOY's senior leaders. One is the internal "MMT" program, in which the participants learn more about all parts of ASSA ABLOY's business and operations, develop a network with colleagues from other countries and businesses, share best practices and identify new business opportunities. This is of particular importance to ASSA ABLOY, given the many acquisitions. "MMT" therefore also plays an important role in successful integration. Since its launch in 1996, 419 leaders from 36 countries have participated in the program.

The second program, the ASSA ABLOY-IMD "Boosting Market Leadership Program", has the primary objective of supporting the implementation of the three strategic actions; cost efficiency, innovation and market leadership. The program was launched in 2011, replacing an earlier ASSA ABLOY-IMD program.

In 2012, 84 leaders participated in one of the above programs.

Scholarship Program

The ASSA ABLOY Scholarship Program provides the opportunity for employees to work at a Group company other than their own for a few months. The purpose is to share knowledge and experiences, and learn from other cultures and ways of working. The program is open to all employees. During 2012, six employees participated in the program.

Talent Management Process

ASSA ABLOY's Group-wide Talent Management Process aims at supporting career development and ensuring availability of the resources, skills and competencies needed to meet future challenges. The process involves all levels of the organization and includes a structured approach to succession planning and career development.

Job posting

It is ASSA ABLOY's philosophy that the employees must take charge of their professional careers. As a consequence, all job openings are posted on the Group intranet. Internal candidates are given priority, provided they have comparable qualifications to those of external candidates.

Boosting market leadership

Allen Wong, vice president of operations and technology, ASSA ABLOY Asia Pacific, found immediate application for models about incentives and values.

A new IMD program brought ASSA ABLOY's most senior leaders together for an intensive week of learning and networking.

More than 250 of ASSA ABLOY's most senior managers from 32 countries have participated in executive education programs from IMD, a world-leading business school, since ASSA ABLOY began its collaboration with the Swiss institution in 2005. The latest program, called Boosting Market Leadership, was launched in 2011.

The program, which is held once or twice a year, focuses on key strategic priorities, market leadership, innovation and growth. It is designed to give senior leaders within the ASSA ABLOY Group a relevant and inspirational learning experience.

Allen Wong, vice president of operations and technology, ASSA ABLOY Asia Pacific, has participated in two IMD programs, most recently in late 2011. "It was a very good experience," Wong says. "I learned a lot and it was quite intense, but enjoyable. I learned as much from the knowledge and views of my colleagues in the class as from the IMD program itself."

Wong has already applied two models he learned about at the program, one regarding incentives and the other to do with values. "The program is very relevant to our job and our leadership development," he says. The main benefits for Allen were learning new ways of thinking, how to adapt new models, and most importantly, "reflecting on my style of management so that I can be more effective."

Maria Bergving,
vice president of marketing and communications, ASSA ABLOY Entrance Systems

"IMD was a great experience, a chance to meet colleagues from all over the world and from all parts of the Group. The program was well prepared and very relevant to the challenges we see in boosting our market leadership, covering issues and cases that could be taken right back into the daily business, as well as leadership challenges in order to manage change. All in all, it was good learning that I bring with me in both my strategic and operational work."

Debra Spitler,
vice president of mobile access solutions, HID Global

"The IMD program provided valuable insights and tools that can be used to streamline the new product development process, resulting in a shorter time to market and a faster time to revenue."

John Middleton,
market region manager, UK, Middle East and Africa

"Apart from the very relevant case studies that gave us insight into how other corporations dealt with similar strategic issues that we face as a Group, I found the group work extremely stimulating. The way the groups are mixed up gives one the opportunity to interface with many colleagues from across the Group and to exchange ideas. In particular, the 'Must Win Projects' represented the perfect selection of people from across the Group facing similar challenges."

The IMD collaboration
Together with the IMD business school, ASSA ABLOY has organized a learning experience for the Group's most senior leaders. "Boosting Market Leadership" is the name of the most recent program.

MMT in 2012

Efforts to accelerate implementation of the corporate strategy continue with the ongoing MMT educational program for senior leaders. Every year, the management training initiative – first started in 1996 – welcomes a new group of participants who are nominated by their respective divisions.

The overall objective of MMT is to develop internal networks within the global organization, thus facilitating sharing of best practices and enabling participants to detect new business opportunities within their markets. The program is an important tool for building a cohesive culture that spans all divisions and immersing acquired companies into the corporate strategy. MMT is a one-year program consisting of three modules. Each module focuses on one of the three strategic actions. Participants work together throughout the year to address a strategic issue for the Group.

Employees that have completed the program speak enthusiastically about its virtues.

Rebecca Yim,
ASSA ABLOY Asia Pacific
This is a great opportunity to learn from colleagues with different job functions who can share their knowledge and experience. It creates an open forum for discussions.

A safe place to work

A safe and sound workplace is a basic requirement for any employee, and ASSA ABLOY strives to create a work environment in which risk is minimized.

Everybody is expected to contribute to a safe workplace and the individual responsibility is the foundation of the ASSA ABLOY health and safety strategy. Each manager has the responsibility to map risks, take proactive measures and ensure the right behavior. This includes facility reviews, monitoring that safety equipment is used in a proper way, ensuring that employees have adequate training and education, and that appropriate actions are taken where needed.

The production units have their own health and safety committees, which include union representatives where applicable. The committees report on health and safety performance and take the lead on measures for improvement. The safety committees are responsible for ensuring that adequate training is provided.

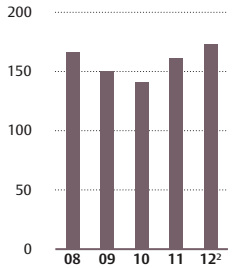
Risks in our operations

A risk mapping shows that ASSA ABLOY's health and safety risks are mainly related to cutting and crushing injuries and production-related noise. Heavy lifting and traffic pose the biggest risks in service and maintenance. Risk management is part of the everyday health and safety work at all units.

Learning from each other

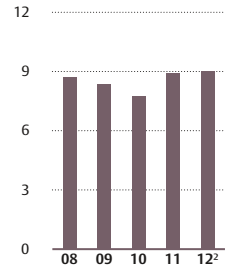
ASSA ABLOY wants to utilize the knowledge and expertise that exists within the Group. One way to achieve this is to systemically share best practices and thereby learn from real experiences.

INJURY LOST DAY RATE, TOTAL[1]



[1] Injury lost day rate in lost days per million hours worked.
[2] For comparable units. The total injury lost day rate was 171 including units acquired during the year and increased reporting. From 2012 the reporting of injuries and days lost due to injuries includes data from ASSA ABLOY enties performing service or installation.

INJURY RATE, TOTAL[1]



[1] Injury rate in injuries per million hours worked.
[2] For comparable units. The total injury rate was 9.1 including units acquired during the year and increased reporting. From 2012 the reporting of injuries and days lost due to injuries includes data from ASSA ABLOY enties performing service or installation.

Humberto De La Vega, HID Global
I found it valuable to interact with people representing different parts of the Group and get a sense of how ASSA ABLOY functions cohesively on a global scale. MMT teaches us that part of the learning experience is to openly share our knowledge with others when performing our daily job.

Leif Lippestad, TrioVing
Learning all aspects of ASSA ABLOY's global operations gives us a better sense of the opportunities in front of us. By working together and taking advantage of our Group knowledge we can react quickly when a market opening presents itself.

Wendy Bowman, ASSA ABLOY Americas EMS & OEM Group
I think the most valuable point is developing relationships with colleagues from across the globe and getting different perspectives on our business. I can apply this knowledge to my day-to-day activities and improve my group's performance in areas such as voice of the customer outreach.

Growing with care

ASSA ABLOY grows organically and through acquisitions. Relocation of production is part of creating a more efficient manufacturing structure. When moving into new regions and integrating new units, it is important to understand the new context and to work to ensure that the business is run in line with ASSA ABLOY's policies and the Code of Conduct. The ability to grow with care will have an impact on ASSA ABLOY's performance as developing our business in new regions will remain an important part of the strategy for the foreseeable future.

ASSA ABLOY believes that it is valuable to complement the internal reviews of the implementation of the Code of Conduct with independent external social compliance audits. These audits focus on compliance with the Code of Conduct and the general working and social conditions covering areas such as human rights, working conditions, labor rights and conditions, health and safety and compliance. Normally, two audits are performed per year. The external audits have helped to develop a more systematic approach to these issues, as well as the implementation of remedial actions where needed. ASSA ABLOY has commissioned external audits since 2009, with a focus on higher-risk countries. In 2012, external audits were performed in China and Romania. The audit in Romania revealed impressive improvements within a short space of time. The audit in China detected certain issues that need to be addressed and local management will take actions accordingly.

INDEPENDENT SOCIAL COMPLIANCE AUDITS 2009–2012

2009: Mexico City, Mexico and Johannesburg, South Africa
2010: Xiaolan, China and Johor, Malaysia
2011: Shanghai and Suzhou, China
2012: Bucharest, Romania and Shenfei, China

Employees' voices heard through the ASSA ABLOY EWC

The ASSA ABLOY European Works Council (AAEWC) is a forum where 24 European employee representatives meet with representatives from Group management to get information and discuss the business situation, the development of the Group and pending issues. This is an important forum for dialog on principle matters.

Please tell us about the AAEWC and your work
I am Chairman of AAEWC, the only international employee forum within the Group. AAEWC was formed in 1996 as an agreement between ASSA ABLOY and employee reps from European countries. The agreement is renegotiated every fifth year. AAEWC has a dialog with Group management about the business and facilitates the information flow downstream. We collect opinions from around the Group and aspire to contribute to two-way communication.

Gender balance and diversity

ASSA ABLOY believes that diversity is a strength within the organization and strives to achieve higher levels of diversity among its employees at all levels of the organization. Initiatives include a systematic effort to increase the number of women in senior positions. In 2010, ASSA ABLOY put a gender diversity policy in place to guide its work in this area. A target has been set for 30 percent of managerial positions to be held by women by 2020. Progress toward this target is reviewed every six months.

The work of promoting women into senior positions includes efforts to increase the percentage of women participating in ASSA ABLOY's leadership and development programs.

The recruitment process is an important element in achieving a better gender balance. Consequently ASSA ABLOY gives priority to the underrepresented gender in connection with recruitment, provided the candidates' qualifications are equal. It is also a goal to have a candidate from the underrepresented gender on the shortlist for each vacant position.

Diversity of nationalities and cultures

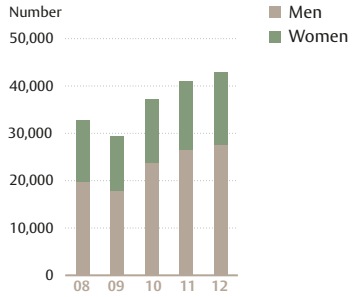
A high degree of diversity of nationalities across the organization is achieved by relying on local staff at all levels of the Group. Recruitment is normally conducted locally and the vast majority of employees, including senior management, are local. More than 90 percent of the managers in the local entities are hired from the local community.

Women at different levels of the organization

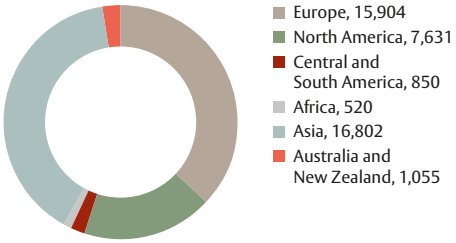
	Percentage of women				
Level	2008	2009	2010	2011	2012
2 – reports to CEO	0	0	0	0	18
3 – reports to level 2	11	15	16	15	16
4 – reports to level 3	17	18	18	19	18
5 – reports to level 4	23	20	24	26	23
Level 2–5	**–**	**–**	**–**	**24**	**22**
All employees	**40**	**39**	**37**	**35**	**35**

In 2012, the definition has been revised to include only managerial and specialist positions. This has had a negative impact on levels 4 and 5.

AVERAGE NUMBER OF EMPLOYEES



NUMBER OF EMPLOYEES BY REGION



What does AAEWC typically work with during a year?

We run a different action plan each year. In 2012 we followed up on the restructuring programs that have been implemented throughout the Group since 2006. As ASSA ABLOY grows, develops and moves its bases of production, it is important to oversee how the employees are affected.

Acquired companies have expectations on ASSA ABLOY and on becoming a member of the Group. AAEWC strives to be proactive in the acquisition process so that we can make the best out of our part. Historically, AAEWC and the unions worked quite hard in Eastern Europe to create well-functioning forums for employee involvement.

Over time ASSA ABLOY has changed what it produces and where. We oversee the restructuring progress on the local level. AAEWC can offer a different perspective and articulate factors of importance that Group management might not have taken into consideration. It does not mean that we try to alter the decision; we enable a more informed decision.

My role on the Board includes participation in the committee that follows up implementation of the Code of Conduct. AAEWC works with information and education regarding the Code of Conduct.

What do you think is characteristic of ASSA ABLOY as an employer?

The culture at ASSA ABLOY is open-minded. It is clear in the organization that the employees are a cornerstone in the strategy. Every employee is entrusted with freedom and responsibility.

Which employee-related matters do you consider the most important to ASSA ABLOY?

Work environment, stress-related matters, involvement and feedback, restructuring and social conditions, and wages.

Rune Hjälm, employee representative on ASSA ABLOY Board of Directors since 2005, representing all employees in the Group. Rune is Chairman of ASSA ABLOY European Works Council (AAEWC), and joined ASSA ABLOY in 1982.

Engaging with stakeholders

ASSA ABLOY's stakeholders are those who have a direct relationship with us, are affected by us, or affect us. Stakeholder groups that ASSA ABLOY considers to be relevant to the Group's sustainability work and performance are: customers, shareholders, investors, suppliers, employees, local communities, non-governmental organizations and media.

The level of impact and the nature of the relationship differ, which is reflected in the engagement approach. For example customers are involved in the product development process through Voice of the Customer, suppliers are engaged through the sustainability audit process, employees through the daily work as well as trainings, the employee survey and work council, and the investment community through targeted dialogue on sustainability issues as a complement to capital markets day etc.

The investment community is an important stakeholder group that offers input on their expectations, including best practices and risk management. Engaging in dialog provides an important opportunity for ASSA ABLOY to communicate our ways of working. In 2012, ASSA ABLOY carried out the annual round-table discussions and several one-on-one meetings with this group. The dialog, which has been ongoing for several years, has resulted in important input to ASSA ABLOY's strategies and daily work, as well as to how we communicate on these matters. The topics raised in 2012 were quite similar to those raised in 2011. Examples include: risks and risk management in sourcing; implementation and follow-up of compliance with the ASSA ABLOY Code of Conduct throughout the Group and in acquired companies in particular; more detailed information on third-party audits in the supply chain and within the Group's units, as well as further information on the standard of suppliers; resource efficiency and the constant effort to reduce ASSA ABLOY's environmental impact in sourcing and production. ASSA ABLOY's opportunities related to sustainable development continue to increase in importance. The investment community would like ASSA ABLOY to further elaborate on how it creates customer value through products and solutions that contribute to efforts to improve sustainability performance. The Group is committed to continuing to improve its communication and reporting on sustainability performance to better meet the needs for information among stakeholders.

ASSA ABLOYs operations in 2012 per stakeholder category, based on the Group income statement

		SEK m
Customers	Mechanical locks, lock systems and fittings, electromechanical and electronic locks, entrance automation, security doors and hardware	46,619
Suppliers	Purchases of products and services, along with depreciation, etc.	–25,367
Employees	Wages, salaries and social security costs	–12,705
Lenders	Interest	–802
State	Taxes	–1,617
Shareholders	Net profit	5,125
	Board's dividend proposal	–1,891

External recognition

To ASSA ABLOY, external stakeholders are an important source of knowledge and vital partners in advancing our business. Various ratings and indices have compared ASSA ABLOY's sustainability performance to that of its peers, and we value such initiatives. Below are some examples of how we rated in 2012.

FTSE4Good Index
FTSE is an independent company jointly owned by The Financial Times and the London Stock Exchange. It produces various indices. The FTSE4Good Index aims to facilitate investments in companies that meet globally recognized corporate responsibility standards. ASSA ABLOY is included in the FTSE4Good Index. The company meets the stringent social, ethical and environmental criteria of the global index company FTSE Group, and is positioned to capitalize on the benefits of responsible business practice.

FTSE4Good ESG Ratings: Supersector Leaders
In September 2012 ASSA ABLOY was included in the FTSE4Good ESG Ratings: Supersector Leaders within the Construction and Materials sector. It was a great pleasure that gave us extra motivation to continue the everyday work to continue to enhance the Group's sustainability performance.

For more information and additional details on the FTSE4Good ESG Ratings methodology, please visit www.ftse.com/analytics/ftse4good-ESGRatings.

Kempen & Co
Kempen is a Dutch merchant bank that provides investment funds, among other financial services. ASSA ABLOY has been included in the Kempen SNS SRI Universe that, since 2003, invests in European companies which adhere to strict sustainability criteria such as environmental, ethical and social standards.

Folksam
The Swedish insurance company Folksam conducts annual studies of how companies manage their social and environmental responsibilities. Folksam presents various reports and indices on corporate responsibility among Swedish companies listed on the NASDAQ OMX Small, Mid and Large Cap.

Corporate Responsibility Index
Folksam frequently issues a Corporate Responsibility Index, which presents an analysis of how 245 Swedish companies voluntarily report their management of environmental and human rights issues. The most recent analysis was released in 2011, in which ASSA ABLOY was rated 42nd and received a score of 3.43. The maximum score is 7.

Carbon Disclosure Project
ASSA ABLOY has participated in the Carbon Disclosure Project (CDP) for six years. The CDP is an independent not-for-profit organization working to drive greenhouse gas emissions reductions and sustainable water use by businesses and cities. The CDP is backed by 655 institutional investors holding USD 78 trillion in assets. Based on the voluntary reports to the CDP, an assessment of companies' preparedness regarding risks and opportunities related to climate change is presented annually. In the Nordic CDP report for 2012, ASSA ABLOY received a score of 38/100 (41/100).

Dialog with SRI community and analysts

Christina Olivecrona
Analyst Sustainability, Second Swedish National Pension Fund AP 2

We are thrilled to see that, during 2012, ASSA ABLOY has increased new business segments such as energy-efficient entrance solutions. Sustainability is certainly a business opportunity for ASSA ABLOY, and the company has successfully integrated sustainability into the whole organization – including a clear division of responsibility. However, ASSA ABLOY also faces inherent sustainability risks and we are pleased to see that the never-ending process of reducing environmental impact and managing social risks continued during 2012.

ASSA ABLOY is communicating its environmental impacts in a good way but we would like more comprehensive data, especially relating to targets and results. Regarding social data, there is room for general improvements. Over the years, the information has become increasingly more detailed – but still, information on acquisitions and associated sustainability management could be more comprehensive. To us, the integration of acquired companies and ensuring compliance with the ASSA ABLOY guidelines are matters of particular interest.

ASSA ABLOY has an open invitation to investors to participate in sustainability audits, which is very positive.

Johan Strandberg
ESG analyst SEB Wealth Management

ASSA ABLOY operates in a large number of high-risk countries. The company makes a good effort to handle issues of potential risk. Such issues are often related to ASSA ABLOY's supply chain and include human rights violations and corruption. ASSA ABLOY's Code of Conduct, Anti-Bribery Policy and sustainability audits are important risk-mitigation practices.

Overall, we are pleased with the sustainability information that ASSA ABLOY provides. At the same time, we believe that ASSA ABLOY could be more transparent with regard to the risks that follow from having a decentralized organization and expanding into emerging markets.

We would like ASSA ABLOY to develop its materiality analysis and key performance indicators to focus on challenges closely linked to its operations and where the company has a direct impact. Finally, diversity is an aspect where we continue to ask for more information.

Read the full version at www.assaabloy.com/sustainability

Anna Nilsson
Head of Responsible Investments,
Swedbank Robur

The most material issue for ASSA ABLOY is production and supply chain management. This entails overseeing both in-house production and purchasing. Given ASSA ABLOY's sizable and decentralized organization, shaped by acquisitions, it is important for the company to focus on maintaining a high and common standard at its own production sites. As the number of suppliers in low-cost countries is growing, it is fair to say that the company's supply chain has inherent risks.

In the coming year, we expect ASSA ABLOY to implement OHSAS 18001 and to provide more robust health and safety information. Also, we would like a more focused definition of specific risks and opportunities and clear sustainability criteria for mergers and acquisitions. Finally, ASSA ABLOY's corruption risk management is another area of interest.

Josefine Ekros
Analyst – Responsible investments DNB

ASSA ABLOY has been successful in handling the environmental challenges that are most relevant to its business. The company has also managed to make a connection between its product portfolio and its sustainability strategy.

ASSA ABLOY's environmental communication is relatively thorough. We appreciated that sustainability was included in this year's capital markets day. Furthermore, we value the fact that ASSA ABLOY performs social compliance audits. However, we would like more complete social data, including health and safety measures and information relating to near misses.

Given ASSA ABLOY's wide range of sourcing markets and its rapid expansion into new markets, it is relevant for ASSA ABLOY to report a thorough risk analysis adapted for each market. Naturally ASSA ABLOY should also report which measures it is taking to respond to these risks.

Emilie Westholm
Analyst Corporate Governance, Folksam

Given recent corporate scandals and the new Swedish anti-bribery legislation and anti-bribery code, awareness and expectations have reached a new high. Legislators have made it clear that each company has the responsibility to find out about the risks it faces and to take appropriate action.

Folksam expects more information on anti-corruption management from ASSA ABLOY. In 2011 the Group issued an Anti-Bribery Policy, which is very positive. Now Folksam would like to learn more about the implementation, risk mapping, anti-bribery training, follow-up, etc.

ASSA ABLOY is constantly improving its sustainability management and performance; obviously we would like them to continue in that direction. Folksam really appreciates the increasingly transparent communication on this subject and that the CEO speaks on behalf of the company regarding sustainability performance. It sends the signal that sustainability aspects are managed by top management and are considered to be of strategic importance.

Read the full version at www.assaabloy.com/sustainability

International guidelines leading the way

WE SUPPORT

CARBON DISCLOSURE PROJECT

ASSA ABLOY's long-standing commitment to sustainability work is reflected in its partnerships and memberships.

ASSA ABLOY and the UN Global Compact

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 ourselves to actively promoting and respecting the 10 principles on human rights, labor standards, environment and anti-corruption in our operations and in relation to the various ASSA ABLOY stakeholders.

As a signatory, ASSA ABLOY is obligated to issue a Communication on Progress Report annually to the UN Global Compact. We fulfill this obligation by issuing an annual Sustainability Report, which is communicated to the UN Global Compact.

Community outreach

ASSA ABLOY has numerous opportunities to contribute and give back to the local communities in which it operates. These opportunities bring meaning and joy to a great number of people, organizations and communities.

ASSA ABLOY believes that community outreach plays an important role in building trust in our organization, thereby making our employees feel proud to represent the Group. Community outreach is also part of being a good corporate citizen. The need for community outreach varies from one region to another. Some of the initiatives carried out during 2011 are outlined below.

ASSA ABLOY is a politically neutral company that does not engage in lobbying or contribute financial support to political parties or representatives.

ASSA ABLOY UK raises more than GBP 8,000 for charity

Over a two-day period in September, 16 ASSA ABLOY UK employees participated in a 160-mile cycle from the ASSA ABLOY EMEA head office in Woking to the ASSA ABLOY UK head office in Willenhall to raise funds for national charity Victim Support.

Victim Support helps victims overcome both the physical and psychological effects of crime.

HID Global's commitment to changing lives

Company partners with Mission 500 to help children and communities in need throughout the world

For the past four years, HID Global has partnered with Mission 500, a non-profit dedicated to serving the needs of children and communities in crisis through its cooperation with World Vision.

VingCard Elsafe donates security solutions to children's charity

In September, VingCard Elsafe announced its continued involvement with Give Kids The World Village (GKTW) in Kissimmee, Florida, and donation of state-of-the-art front desk and locking systems for the resort.

Give Kids The World Village officially opened in 1989 and has today grown into a 70-acre resort housing 140 villa accommodations, entertainment attractions, whimsical venues, and fun specifically designed for children with special needs. Located near central Florida's most beloved attractions, Give Kids The World provides children with life-threatening illnesses and their families with weeklong, fantasy vacations at no cost.

VingCard Elsafe has been working in partnership with Give Kids The World Village since outfitting the original villas with electronic locks in 1989. Through the years, the villas have been kept up-to-date with new technologies. The latest contribution of Signature RFID locks and the patented VISIONLINE wireless locking system provides the resort with the most advanced security technology available.

ASSA ABLOY Americas partners with Yale School of Architecture for Vlock Building Project

The Vlock Building Project has been a rite of passage for first-year students in the Yale School of Architecture (YSA) since 1967. Sargent has been a corporate sponsor of the program since 2004, supplying hardware and offering instruction and advice to the students.

"We love to do this project, and we spend a lot of time with the students," says David Higginson, director of business development at Sargent and McKinney. "We are a local manufacturer and multi-generational employer, and we love to be involved in the community."

Governance

ASSA ABLOY AB is listed on the NASDAQ OMX Stockholm, Large Cap. The Group applies the Swedish Code of Corporate Governance. It is based upon the principle of "comply or explain", and primarily deals with the organization and working methods of the Annual General Meeting and the Board of Directors, as well as the management of and interaction between these bodies. Furthermore, the ASSA ABLOY Code of Conduct forms the basis for the Group's actions and behavior.

Sustainability governance and organization
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 and decisions relating to sustainability policy, the Code of Conduct and strategy.

Managing the sustainability agenda
In the ASSA ABLOY Group, sustainability issues are managed in a systematic and consistent way. The environmental sustainability coordinators at the Group and divisional levels ensure that the necessary policies, programs and tools for managing environmental issues exist and are implemented, while the Human Resource functions at the Group and divisional levels are overseeing and responsible for managing social and ethical matters.

Councils for Innovation, Sourcing, Operations and Human Resources – whose members include representatives from the Group and all divisions – handle sustainability issues related to their areas. The divisions and their units are responsible for complying with ASSA ABLOY's policies and programs and for reporting to Head Office every six months, as requested.

A Code of Conduct compliance committee is chaired by the Group Senior Vice President of Human Resources, and its members include the person responsible for environmental sustainability at Group level and two employee representatives who are also members of the ASSA ABLOY Board of Directors. Among other things, the committee receives information from whistle-blowers and ensures such matters are handled in an appropriate way. The committee meets twice a year.

The Group intranet includes two sites that are focused on sustainability. One site offers general information for all employees, while the other supports the sustainability managers and includes tools, best practices, access to the reporting database and all sustainability indicators. Statistical reports and score cards enable all of the ASSA ABLOY companies to monitor their performance and to compare themselves with other companies in the Group.

Number of entities covered by ISO14001 certificates and other certifiable environmental management systems

	2008	2009	2010	2011	2012[1]
ISO 14001	37	39	47	55	67
certifiable systems	26	23	22	20	24
Total	**63**	**62**	**69**	**75**	**91**[2]

[1] From 2012 sales companies are included in the reporting of environmental management systems. A part of the change is related to increased number of certified entities as well as closing of units in the restructuring program.
[2] Total number of entities covered by ISO14001 and other certifiable management systems amounted to 100, including units acquired during the year and increased reporting.

	Environmental	Social & Ethical	R&D
ASSA ABLOY Group	Stefan Tisell, Head of Environmental Sustainability	Krister Eriksson, Head of HR	Åsa Christiander, Director Product Innovation Process
EMEA	Justin Sasse, Head of Operations	Bill Harding, Head of HR	Charles Robinson, Operations & Sustainability Analyst - EMEA
Americas	Jeff Mereschuk, CFO[1]	Jack Dwyer, Head of HR	Aaron Smith, Director - Sustainable Building Solutions
Asia Pacific	Allen Wong, Head of Operations	Iker Zubia, Head of HR	Mark Solari, Packaging Manager
Entrance Systems	Tobias Svensson, Responsible Process Excellence	Maria Ewerth, Head of HR	Mats Nordén, CTO ASSA ABLOY Entrance Systems
HID Global	Rodney Glass, Head of Quality and Operations	Michele DeWitt, Head of HR	Ian Croston, VP Global Manufacturing Engineering
Hospitality	Dolores Shore, Head of HR	Dolores Shore, Head of HR	Kristian Holmen, VP Engineering

[1] Eric Sejourne, VP Operational Development, will take over responsibility from 1 April 2013.

Organizational responsibility

In ASSA ABLOY's decentralized organization, the responsibility for implementing the Code of Conduct and other related policies, as well as for identifying and managing sustainability risks, is delegated to each division and overseen by the Executive Team. Within the divisions, the operational responsibility is delegated to each factory or business.

The responsibility is not limited to ASSA ABLOY's own operations, but also includes the supply chain and supply chain audits. Each division is further responsible for ensuring that current and new suppliers meet ASSA ABLOY's requirements.

At Group level, performance is monitored via the sustainability reporting process, which includes each company's reporting of environmental risks that have been identified as material and actions to mitigate these risks.

Frequent divisional board meetings address risks, compliance and other sustainability-related matters.

The delegation of responsibility, implementation and follow-up throughout the Group is well communicated and the accountability of each person and function with a particular responsibility is defined.

ASSA ABLOY sustainability council

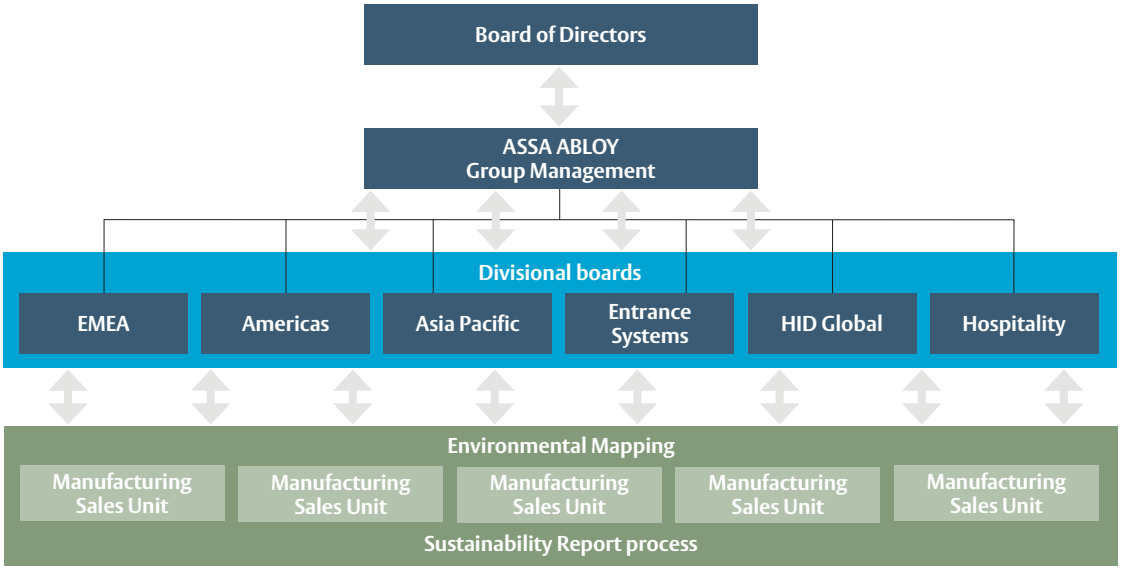
Within the ASSA ABLOY Group there is a sustainability council with representatives from Innovation and Production (environment) from all divisions. The council meets three to four times per year. During these meetings, various aspects of sustainability related to innovation and production is discussed, action plans are set and ambitions are decided upon. Each participant is responsible for reporting back to his or her organization to ensure implementation.

Monitoring progress

The procedures put in place to maintain and manage environmental and social impact have been successful. Sustainability targets and policies have been implemented throughout the Group, and each division is responsible for identifying its greatest impact on the environment and presenting an action plan to address problems.

To effectively monitor progress and maintain a systematic approach, ASSA ABLOY has developed a database of all manufacturing companies' sustainability indicator reports. In addition to the actual KPIs, the database also includes best practices and tools. Details of measures taken by the various companies to reach the Group sustainability targets have been entered into the database. ASSA ABLOY companies and divisions can access information from the database to compare progress and trends. In 2012, 293 (256) factories, sales units and offices reported.

ORGANIZATIONAL RESPONSIBILITY



Code of Conduct

The Code of Conduct covers business ethics, workers' rights, human rights, consumer interests, community outreach, environment and health & safety. It provides the framework for ASSA ABLOY's daily operations.

The Code of Conduct sets forth principles that apply globally to employees, suppliers and other stakeholders. It is based on the United Nations Universal Declaration of Human Rights and connected UN Conventions such as the United Nations Global Compact, the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises, ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the ISO 14001 environmental management standard.

The ASSA ABLOY Code of Conduct is available in full in English, Spanish and Chinese, while a shortened version is available in 22 languages at www.assaabloy.com/code.

At the core of everything

ASSA ABLOY respects the laws of the countries in which it operates. The Code of Conduct does not replace legislation and if the two are in conflict, legislation takes precedence. If the Code of Conduct sets a higher standard than the existing legislation, the reverse applies. The Code of Conduct represents the minimum level of action required for responsible business practices and sustainable development.

The full version of The Code of Conduct is given to all managers 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.

ASSA ABLOY monitors the implementation of the Code of Conduct. Any non-compliance is handled without delay.

It is the division's responsibility to ensure that the ASSA ABLOY Code of Conduct is communicated in a proper way, and that all employees have read and understood it. New employees receive training in ASSA ABLOY's Code of Conduct as part of their introduction training, Entrance to ASSA ABLOY.

In order to ensure that information about the Code of Conduct is given to the employees as expected, ASSA ABLOY's Global Employee Survey includes questions that address various aspects of the Code of Conduct.

ASSA ABLOY's Code of Conduct covers:

Business ethics

- Fair competition and antitrust legislation
- Bribery
- Fraud
- Entertainment, gifts, gratuities and donations
- Records and reports
- Government investigations
- Conflicts of interest

Workers' rights, human rights, consumer interests and community outreach

- Child labor
- Forced or bonded labor
- Freedom of association and collective bargaining
- Workers' contracts, working hours and compensation
- Diversity and gender balance
- Discrimination, harassment and equal opportunities
- Employee privacy
- Alcohol and drug abuse
- Human rights
- Consumer interests
- Community outreach
- Environment, health and safety issues
- Environment and sustainability
- Health and safety

Whistle-blowing mechanism

Any issue related to the Code of Conduct shall be dealt with at the local level whenever possible. Managers have the responsibility to ensure compliance with the Code of Conduct and to foster a workplace culture in which any issue can be discussed openly and without prejudice.

The Code of Conduct includes a mechanism for whistle-blowing, by which employees and any stakeholders, anonymously or otherwise, can report suspected violations. During 2012 eight cases were reported, compared to three in 2011 and six in 2010. The cases reported in 2012 included non-compliance with working hour regulations, irregularities in the purchasing process , undue influence. and discrimination. All whistle-blowing cases are subject to thorough investigations and appropriate actions are taken, depending on the outcome of the investigation. Wherever possible, information on which actions have been taken is also shared with the whistle-blower.

Anti-Bribery Policy

By introducing an Anti-Bribery Policy and a zero-tolerance approach to offenders, ASSA ABLOY has taken a firm stand against bribery.

ASSA ABLOY is committed to growing its business and conducting itself in accordance with the highest ethical standards and in compliance with applicable laws. In light of the introduction of stricter anti-bribery legislation, an "Anti-Bribery Compliance Program" was launched in 2011 with the aim of ensuring that the Group meets international standards in this area. As part of the Anti-Bribery Compliance Program, the Board of Directors adopted an Anti-Bribery Policy in 2011, which supplements and expands on the Code of Conduct.

The Anti-Bribery Policy is also available in a summarized version – the so-called "Key Messages". The Anti-Bribery Policy and the Key Messages are available in 17 languages. The Key Messages is also included – together with other important compliance policies such as the Group Legal Policy, the Export Control Policy and the Anti-Trust Policy – in a booklet that is distributed throughout the Group.

Initiatives within the Anti-Bribery Compliance Program include risk assessments, employee training, third-party compliance and reporting.

Implementation of the Anti-Bribery Compliance Program is an ongoing, top-down process. Each Division is responsible for implementing the Anti-Bribery Compliance Program and supporting tools are made available by the Group.

As part of the implementation process, each Division's management has received face-to-face training on the Anti-Bribery Policy. Furthermore, the Divisions have identified which of their employees should receive anti-bribery training. During 2012, more than 6,000 employees within the Group have received training – either face-to-face or online.

All employees will be informed about who to turn to if they have questions or need of support in connection with the Anti-Bribery Policy. Any suspected incidents are to be reported to the nearest manager, Divisional Compliance Officer, Group Legal, or through the Code of Conduct whistle-blowing function.

The implementation of the Anti-Bribery Compliance Program is reviewed through the Group's established process for internal control, including self-assessment in all operating companies and internal audit.

Environmental, social and economic benefits of wooden doors

Challenge

Awareness of deforestation and associated risks keeps increasing. At the same time, green construction is on the rise. This has led to an increased demand for more sustainable materials among manufacturers, builders and developers. More precisely, rapidly renewable and/or certified wooden raw materials are needed. ASSA ABLOY's challenge is to provide such products at a reasonable price.

Solution

ASSA ABLOY wooden door companies Graham and Maiman offer products made with Forest Stewardship Council (FSC) certified wood. The Chain of Custody certification verifies that the materials used were grown, harvested, replenished and transported to the manufacturing facility in ways approved by the FSC. The materials used are also kept separate from non-certified products, or mixed only as approved by the FSC.

In addition, each brand's doors feature many non-virgin wood components classified as recycled or renewable. For example, particle board used in the core of a standard Graham door or a Maiman Thermal Fused door contains between 75 and 100 percent recycled wood fiber. Graham also offers products with agrifiber cores, i.e. cores made with any fibrous material generated from agricultural/bio-based products. Such cores are both recycled and rapidly renewable, and make up at least 78 percent of a door.

Result

FSC Chain of Custody certification makes it possible for consumers to choose products in line with responsible forest management. Showing double digit growth in this product category, ASSA ABLOY's wooden door solutions meet the need for a more sustainable product while also bringing the company one step closer to realizing its sustainability ambitions.

Acquisitions – risks and opportunities

Acquisitions continue to represent an important part of ASSA ABLOY's strategy. It is a strategy for expansion into new geographic markets, strengthening the product offering, accelerating innovation and enabling the Group to meet customer demand more rapidly.

With a history of more than 200 acquisitions, ASSA ABLOY has established an efficient process for bringing new companies into the Group. This includes the review of sustainability-related issues and taking steps to help newly acquired companies raise their standards where necessary. The successful integration of acquired companies is an important part of the process of managing risk.

The pre- and post-acquisition process

The Group-wide acquisition process is divided into four phases: strategy, assessment, implementation and integration. Each phase has its own pre-defined activities, decision points and documentation requirements. Within these phases there are three main due-diligence processes: financial and tax; legal; and operational. There are sustainability elements to the legal and operational due-diligence phases in particular.

The operational due-diligence phase not only helps ASSA ABLOY to decide whether or not to pursue the acquisition, but also to understand and plan for the work that would need to be done if the acquisition were completed. Operational due diligence includes elements such as site visits and a comprehensive review of all aspects of the operational, commercial and administrative activities. The major findings are recorded and evaluated from a risk point of view. This evaluation will determine whether there are any issues that need to be resolved before or after the acquisition is closed, or whether the process should be terminated altogether.

Examples of issues that can arise include those relating to the use of chemicals, applications for appropriate permissions and compliance with legislation. If necessary, ASSA ABLOY brings in external experts as advisors.

Examples of aspects that are covered by the legal due-diligence phase include employment contracts, payment processes and wages, insurance and taxes.

ASSA ABLOY realizes the importance of acquiring sound companies that share its values and business practices. Ensuring that acquired companies are smoothly integrated into the Group helps to reduce risk and create success. Before an acquisition is completed, ASSA ABLOY informs the new Group company about the way in which ASSA ABLOY does business, including information about the Code of Conduct. It is in the best interests of the Group that both parties know as much about each other as possible.

ASSA ABLOY'S DEVELOPMENT AND ACQUISITIONS 2007–2012

2007 – Expansion in Asia
A new brand strategy is launched, with ASSA ABLOY as the master brand. The Group acquires iRevo in South Korea, a major player in digital door locks. Other acquisitions: Aontec (Republic of Ireland), Baodean (China), Powershield (UK), Pyropanel (Australia), Pemko and La Force (USA), Alba (Israel), Esety (Italy), Integrated Engineering (Netherlands) and Portronik (Canada).

2008 – Wireless technology launched
The new Aperio wireless technology is launched, making it easy for customers to upgrade their access control systems. Other acquisitions: Beijing Tianming and Shenfei (China), Gardesa and Valli &Valli (Italy), Copiax (Sweden), Cheil (South Korea) and Rockwood (USA).

2009 – Strong results despite weak market
Acquisition of the Ditec Group, a leading company in automatic doors, industrial doors, high-speed doors and gate automation. Other acquisitions: Portsystem (Sweden), Maiman (USA) and Cerracol (Colombia).

2010 – Acquisitions strengthen customer offering in Asia
Acquisition of Pan Pan, China's largest manufacturer of high-security steel doors, King Door Closers, South Korea's leading manufacturer of door closers, Paddock, the UK's leading manufacturer of multi-point locks, ActivIdentity, a leader in secure identity solutions (USA), Security Metal Products (USA), LaserCard (USA), and Swesafe (Sweden). Other acquisitions: Interest in Agta Record (Switzerland).

2011 – Global leader in entrance automation
Acquisition of Crawford Entrance Solutions and FlexiForce, which strengthen the customer offering in industrial doors, docking solutions and garage doors. An agreement was signed to acquire Albany Door Systems, a global leader in automatic high-speed doors. Other acquisitions: Swesafe (Sweden), Portafeu (France), Metalind (Croatia), Electronic Security Devices (USA), and Angel Metal (South Korea).

2012 – Acquisitions strengthen Entrance Systems range
Acquisition of Dynaco, a leading producer of high-speed doors specialized in sales to a global network of distributors, Guoqiang, a Chinese window hardware manufacturer and 4Front, a leader in docking systems. Other acquisitions: Securistyle (UK), Traka (UK), Frameworks (USA), Helton (Canada) and Sanhe (China).

In addition to the acquisitions listed here, ASSA ABLOY has acquired a number of smaller companies.

Pre-acquisition, a desktop analysis is performed of the target company's supplier base. Two categories are mapped; big suppliers and critical components. The mapping involves the Group Supply Management and aims at identifying risks and potential synergies. Post-acquisition, associated suppliers are automatically included in the Group's supplier database, which is continuously assessed and audited.

Recognized risks

ASSA ABLOY has identified the following main areas of potential risk related to acquisitions:

- Significant environmental pollution (soil, ground water and air)
- Supplier base in low-cost countries
- Manufacturing processes that use hazardous substances
- Poor business ethics
- Proper permissions

Acquisitions strengthen Entrance Systems range
Acquisition of Dynaco, a leading producer of high-speed doors specialized in sales to a global network of distributors.

Reporting principles

In retrospect
When ASSA ABLOY began focusing on sustainability, it prioritized manufacturing because of its impact on the environment, as well as health and safety.

In 2005, ASSA ABLOY implemented its first formal internal reporting system. The system encompassed several quantitative and qualitative indicators and covered the more significant operations from an environmental/health and safety perspective.

In 2007, a separate reporting database was developed and the scope of reporting on sustainability was expanded.

Between 2008 and 2009, the number of units reporting on sustainability increased from 80 to 181 – including sales units and offices.

Between 2009 and 2010, the number of reporting units increased from 181 to 204. In 2011 the number of reporting units increased to 256. The increase since 2009 is related to acquisitions of new companies.

ASSA ABLOY has further developed its reporting system with improved analysis capabilities and consolidation of data.

ASSA ABLOY is dedicated to improving its sustainability communication in terms of transparency, scope, quality and the frequency of information. This is the Group's seventh Sustainability Report. ASSA ABLOY reports on GRI application level B.

Communication
Internally, the Group intranet and sustainability reporting database are important tools for communication. Externally, the Group web site www.assaabloy.com and the annual Sustainability Report communicate to a wider public.

The Group also frequently presents its sustainability approach to external audiences, such as analysts and investors.

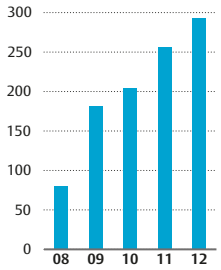
Changes in reporting management
In 2009, the Group moved from a reporting structure that focused on geographical sites to one based on operational units – also called base units. This means that the reporting structure and data are similar to those used for Group-level financial reporting and therefore support the integration of sustainability into all areas of operations. As of 2012 the units reports sustainability performance every six months (internal reporting).

Compared to 2011, the number of entities reporting on sustainability in 2012 has increased from 256 to 293 due to acquisitions. The reporting units include sales units and offices. The number of reporting units has also been affected by the reduction in the number of factories and increased outsourcing. As of 2012 the sustainabilityreporting includes water consumtion, greenhouse gases and ozone-depleting substances.

From 2012 all sales companies and officies use applicalbe parts of the full "factory" reporting form. This gives an improved coverage regarding e.g. waste generation, water usage and injuries.

Changes in calculation principles
Reported normalized KPIs are based on currency-neutral monetary values and value added rather than sales, in order 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.

NUMBER OF REPORTING UNITS



We believe this provides a more accurate picture of what is going on in the Group.

From 2010 ASSA ABLOY uses the same principle for calculating carbon emissions as in the annual Carbon Disclosure Project-report. Previous reporting has been based on the same CO_2 factor for all countries in the Group. The selected method gives a more relevant calculation on the actual carbon emissions since it takes into account how electricity is generated in different countries. In 2012 the CO_2 emission factors have been updated with respect to current international standards.

Global Reporting Initiative (GRI), 3.0
This report covers the 2012 reporting year. It covers all ASSA ABLOY operations, as well as those of our suppliers. For the reporting of indicators, the scope of 293 units has been defined. Joint ventures are included if ASSA ABLOY holds a majority of the shares. Sustainability indicators are reported by companies that have been part of the Group since at least the end of the first quarter of 2012. Units with less than 10 employees do not report on sustainability indicators.

The report has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Guidelines. ASSA ABLOY reports on level B of the GRI by self-declaration. (See cross-reference to the GRI on pages 47–48).

ASSA ABLOY reports its sustainability performance annually. This is the seventh Sustainability Report. The most previous Sustainability Report, for 2011, was issued in April 2012.

GRI audit
ASSA ABLOY has not submitted the sustainability report for 2012 to a third-party audit. KPMG Sweden has performed an application check and confirms that ASSA ABLOY reports on GRI level B.

GRI content index table

ASSA ABLOY's Sustainability Report 2012 applies the Global Reporting Initiative (GRI) guidelines 3.0, application level B. The table below indicates where information can be found; Sustainability Report (if nothing else is stated) or Annual Report (AR). The table covers all core indicators as well as additional indicators that are applicable to ASSA ABLOY's operations. The colors of the symbols indicate if the respective indicators are fully, partially or not reported on.

Fully reported ■
Partly reported ■
Not reported ■
AR = Annual Report 2012

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1.2 Description of key impacts, risks and opportunities	4–5, 6, 8, 12, 15–18, 30, 44–45	■
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2.2 Primary brands, products, and services	2–3	■
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EC2 Risks and opportunities for the organization due to climate changes	4–6, 8, 10, 12–14, 18–22, 34–35	■
EC3 Coverage of the organization's defined benefit plan obligations	AR 67, 103–104, 108–109	■
EC4 Financial assistance received from government		■
Market presence		
EC5 Range of ratios of standard entry level wage compared to local minimum wage		■
EC6 Policy, practices, and proportion of spending on locally-based suppliers		■
EC7 Local hiring and proportion of senior management hired from the local community	31	■
Indirect economic impact		
EC8 Infrastructure investments and services provided for public purposes	37–38	■
EC9 Significant indirect economic impacts, including the extent of impacts		■
6. Environmental performance indicators		
DMA Environmental performance; risk management, targets, plolicies etc.	4–10, 12–14, 39–41, 44–46	■
Materials		
EN1 Materials used by weight or volume	19, 22–23	■
EN2 Percentage of recycled input materials	22	■
Energy		
EN3 Direct energy consumption by primary source	18–19	■
EN4 Indirect energy consumption by primary source	18–19	■
EN5 Energy saved due to conservation and efficiency improvement	18–20	■
EN6 Initiatives to provide energy-efficient or renewable energy based products/services	10–14, 18–20, 24–25	■

Fully reported ■
Partly reported ■
Not reported ■
AR = Annual Report 2012

PROFILE	Page reference	Degree
EN7 Initiatives to reduce indirect energy consumption and results	10–14, 18–20, 24–25	■
Water		
EN8 Total water withdrawal by source	21	■
Biodiversity		
EN11 Location/scope of land owned near protected areas/areas of biodiversity value		■
EN12 Impacts of products or operations on biodiversity		■
Emissions, effluents & waste		
EN16 Direct and indirect greenhouse gas emissions	18–19	■
EN17 Other relevant indirect greenhouse gas emissions		■
EN18 Initiatives to reduce greenhouse gas emissions	10–12, 18–21	■
EN19 Emissions of ozone-depleting substances	19	■
EN20 NO, SO, and other significant air emissions		■
EN21 Total water discharge	21	■
EN22 Waste by type and disposal method	22	■
EN23 Number and volume of significant spills	No significant spills reported to Group level in 2012.	■
Products & services		
EN26 Initiatives to mitigate environmental impacts of products and services	4, 6, 10–23, 44–45	■
EN27 Products sold and their packaging materials that are reclaimed		■
Compliance		
Transport		
EN29 Environmental impact of transports	20	■
7. Social performance indicators		
DMA Social performance; risk management, targets, plolicies etc.	4–9, 26–32, 34–42, 44– 46	■
Employment		
Employees		
LA1 Total workforce by employment type, contract and region	31 AR 109	■
LA2 Rate of employee turnover by age group, gender and region		■
LA3 Benefits provided to full-time employees	AR 94	■
Labour/management relations		
LA4 Percentage of employees covered collective bargaining agreements		■
LA5 Minimum notice period(s) regarding operational changes		■
Health & safety		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees		■
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	29	■
LA8 Education, training, prevention and risk-control programs in place		■
Training & education		
LA10 Average hours of training per year per employee		■
LA11 Programs for skills management and lifelong learning that support employees' career development	27–29	■
LA12 Employees receiving regular performance and career development reviews	26	■

PROFILE	Page reference	Degree
Diversity & equal opportunity		
LA13 Composition of governance bodies and employees according to diversity indicators	31 AR 109	■
LA14 Ratio of basic salary of men to women		■
Human rights		
Investment & procurement practices		
HR1 Investment agreements that include human rights clauses	15–17, 44–45	■
HR2 Suppliers that have undergone screening on human rights, and actions taken	1, 4, 15–17	■
HR3 Training and education of employees in human rights		■
Non-discrimination		
HR4 Total number of incidents of discrimination and actions taken	41	■
Freedom of association & collective bargaining		
HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	15–17, 30, 44–45	■
Child labour		
HR6 Operations identified as having significant risk for incidents of child labour and actions taken	15–17, 30, 44–45	■
Forced & compulsory labour		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	15–17, 30, 44–45	■
Society		
Community		
SO1 Programs for evaluating the operation's impacts on communities		■
Corruption		
SO2 Business units analyzed for risks related to corruption	42, 44–45	■
SO3 Employees trained in the organization's anti-corruption policies and procedures	42	■
SO4 Actions taken in response to incidents of corruption	41	■
Public policy		
SO5 Participation in public policy development and lobbying	37	■
SO6 Financial and in-kind contributions to political parties, politicians and related institutions	37	■
Anti-competitive behaviour		
SO7 Legal actions for anti-competitive behaviour	No such cases in 2012	■
Compliance		
SO8 Monetary value of fines for non-compliance with applicable laws	No such cases in 2012	■
Product responsibility		
Customer health & safety		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	10–13	■
Product & service labelling		
PR3 Type of products and service information required by procedures, and percentage of products subject to such information requirements		■
PR5 Results related to customer satisfaction, including results of surveys	12	■
Marketing communications		
PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications		■
Compliance		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	No such cases in 2012	■

Glossary

5S principles
5S is a key element of Lean and stands for Sort, Set in order, Shine, Standardize and Sustain.

Carbon Disclosure Project (CDP)
The Carbon Disclosure Project, or 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.

Carbon footprint
A CO_2 measurement of the impact of human activities on the environment, in terms of the amount of greenhouse gases produced.

CO_2
Carbon dioxide.

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

EBIT
Earnings before income and tax.

Energy conservation
The practice of decreasing the quantity of energy used, for example through efficient energy use.

Gateway process
ASSA ABLOY's product development is based on a structured Gateway process, which means all projects must pass through six different stages from concept to installed product.

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

Global Reporting Initiative, GRI
Global guidelines for sustainability reporting, version 3.0.

Greenhouse gas missions
Gases from the atmosphere that contribute to the greenhouse effect, for example CO_2 and methane.

Indirect energy
Electricity and heating.

Injury rate
Measure of injuries per million hours worked.

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

ISO 14001
A 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.

RoHS
European Union Restriction of Hazardous Substances Directive.

SRI
Socially Responsible Investment.

TRI
Trichloroethylene.

Value added
EBIT plus total cost for personnel.

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ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience

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