

# Sustainability Report 2013

**ASSA ABLOY**

The global leader in  
door opening solutions



The Kohler Environmental Center (KEC) at Choate Rosemary Hall, a boarding school in Wallingford, Connecticut, is the first residential environmental immersion program in secondary education in the US. ASSA ABLOY door opening solutions are installed throughout the building.

This is ASSA ABLOY

# ASSA ABLOY is the innovative global leader in door opening solutions

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.

ASSA ABLOY offers a complete range of door opening solutions.

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 more than SEK 48 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.

SHARE OF GROUP SALES BY REGION 2013

EUROPE 44%

AFRICA 1%

NORTH AMERICA 32%

SOUTH AMERICA 2%

ASIA 17%

OCEANIA 4%

ASSA ABLOY is dedicated to satisfying end-user needs for security, safety and convenience.



# Highlights

- Number of reporting units **increased to 327** from 293.
- A new Group-wide sustainability reporting system was launched.
- **885 sustainability audits** were performed in low-cost countries, compared to 795 in 2012. At the year-end 1,046 (806) active suppliers had satisfied the minimum sustainability and quality requirements and were classified reliable.
- Independent social compliance audits were performed in **Colombia and Czechia**.
- In general the Group had positive development in the majority of the reporting areas. In particular **Health and Safety showed strong improvement**.
- **Environmental Product Declarations (EPD)** were developed for a set of important product groups.

About this report

This report, along with additional information available online, explains the Group's sustainability performance in 2013. Unless otherwise stated, all information refers to activities undertaken between January 1, 2013 and December 31, 2013. The 2013 data is based on 327 entities, compared to 293 entities in 2012.



Read more at  
[assaabloy.com/sustainability](http://assaabloy.com/sustainability)

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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 2013. The sustainability report is aligned with the Global Reporting Initiative guidelines, ASSA ABLOY declares reporting in accordance with level B (see pages 27–28 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 26.



Greenhouse gases emitted through the production of this printed matter, including paper, other materials and transport, were offset through investments in the equivalent amount of certified reduction units in the Kikonda Forest Reserve Forestation project in Uganda.



# Sustainability is a commercial opportunity

In 2013, the Group continued to make progress towards fulfilling the sustainability targets running to 2015. The Group started to work with environmental product declarations in the innovation process. The Group's health and safety performance improved significantly. The scope of suppliers in low-cost countries included in the sustainability audit program was expanded and the performance scoring was refined.



ASSA ABLOY's market position creates opportunities for intelligent solutions and products that contribute to energy and cost savings. Demand for sustainable products and solutions with qualities that elevate the customers' sustainability performance and reduce their total cost of ownership is increasing; this is an opportunity for ASSA ABLOY. The whole of ASSA ABLOY's value chain, from innovation to recycling, includes sustainability aspects and we are embracing sustainability on a large scale.

The Group's business strategy for global market presence, product leadership and cost efficiency requires that ASSA ABLOY is responsive to explicit customer demands for resource efficiency. The building industry in particular has adopted norms and standards during the last few years that contribute to energy efficiency and a life-cycle approach to the handling of materials. ASSA ABLOY's door, lock- and security solutions are aimed at making our customers' buildings more energy efficient.

There are two overarching dimensions of sustainability management that are particularly important to the Group's strategy – they are (product) innovation and (resource) efficiency. The strategy sets the scene for the sustainability priorities and related investments. The priorities guiding the Group's sustainability efforts today clearly support the strategic direction. Also, it is increasingly important that the products and solutions come from sourcing and production characterized by risk and impact management.

ASSA ABLOY grows organically and through acquisitions. Expansion into new markets is an important part of the Group's strategy. The geographical spread makes local understanding and successful integration of new entities into the Group two important features in ensuring stability and progress. Critical parts of the Group's success have been local recruiting and a decentralized

and highly-skilled organization that makes decisions close to market – guided by the Group's Code of Conduct and supported by semiannual reporting, best practice sharing and internal compliance audits.

In 2013 some of the highlights were the expansion of the sustainability audit program and the increased capacity to further support the Group's expansion into new markets. A new Group-wide sustainability reporting system was launched. It will enable more efficient integration of new units and improve the quality of data and follow-up. Health and safety performance improved significantly, breaking a negative trend.

During 2013 the Group undertook a pilot project on how to develop environmental product declarations (EPD) for ASSA ABLOY's product groups. As a result of the pilot, key ASSA ABLOY product groups will carry environmental product declarations based on life cycle analysis in 2014.

More than 300 entities, including all newly-acquired companies, representing about 99 percent of our business submit sustainability performance data.

Our employees' knowledge, skills and commitment drive our sustainability performance and uphold our strong market position. With that in mind, I would like to thank all employees for their 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 performance within ASSA ABLOY.

Stockholm, 10 March 2014

Johan Molin  
President and CEO



"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."

# Strategic direction

ASSA ABLOY is the global leader in door opening solutions and a premium brand company. The Group's vision is to be the true world leader, to be the most successful and innovative provider of door opening solutions. The vision is realized by managing ASSA ABLOY's material sustainability aspects throughout the company's value chain.

## Sustainability priorities

The Group's strategic direction – world-leading market presence, product leadership and reduced break-even cost – form the basis for ASSA ABLOY's sustainability priorities and work.

In order to improve the Group's sustainability performance and to enhance the value of ASSA ABLOY's sustainability efforts, ASSA ABLOY performed a materiality analysis in 2013. Representatives from various functions and divisions participated. It resulted in a common and enhanced understanding of which aspects are most important to the business and the Group's stakeholders. It confirmed that areas included in ASSA ABLOY's sustainability agenda from 2010 cover a majority of the most material aspects.

During 2014, the work to further refine the management of identified aspects, to design action plans and identify targets will continue. This analysis was also a first step towards future reporting in accordance with GRI G4.

### ASSA ABLOY's most material aspects from a sustainability perspective, according to the 2013 materiality analysis, in alphabetical order:

- Anti-corruption
- Acquisitions
- Emissions
- Energy
- Environmental compliance
- Environmental management systems
- Occupational health and safety
- Organic solvents
- Procurement practices
- Sustainable innovation/sustainable products
- Water



### Managing challenges and opportunities

Since 2010 ASSA ABLOY has been working in accordance with a sustainability agenda, emphasizing the priorities listed below in order to progress according to plan. They are set to run until 2015.

#### Priorities to reduce impact:

- Reducing resource and energy consumption
- Reducing carbon emissions
- Improving water and waste management
- Improving health and safety performance in manufacturing
- Improving sustainability performance within the supply chain

#### Priorities to manage opportunities:

- Enhancing the sustainability performance in ASSA ABLOY's supply of products and solutions
- Creating products that fulfill our customers' demands
- Creating products that our customers want to buy
- Increasing knowledge of customers' future demands
- Increasing efficiency in production

## Turning vision into operation

Sustainability is a driver throughout ASSA ABLOY's value chain; it is an important element in innovation, in sourcing, in production, in employee development, in applying ASSA ABLOY's products and solutions, and in the Group's relation to external stakeholders.

ASSA ABLOY is a world leader in door opening solutions and a premium brand. The Group has achieved this by utilizing the strengths of the brand portfolio, by increasing growth in core business and by being successful in expanding into new markets and segments. To fully exploit the brand portfolio across diverse segments, sustainability is increasingly part of identifying and managing business opportunities. 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.

### ASSA ABLOY's value chain

ASSA ABLOY can cut production costs while also acting in a more sustainable manner by considering the environmental impact from the conception phase and onwards, by using resources more efficiently and applying the reduce-reuse-recycle principle. By being systematic, exploring various means of reducing production materials, optimizing product components and streamlining production as well as transport methods, ASSA ABLOY can reduce the environmental impact and increase 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 conception to recycling.

Each division has identified its greatest environmental impact and presented an action plan. With this input, targets have been set on Group level, running until 2015. Monitoring impact and ensuring adequate management is an everyday responsibility.

ASSA ABLOY has identified a set of priorities within the sustainability management until 2015:

- 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. 327 units are included in Group reporting.

### ASSA ABLOY SUSTAINABILITY CASE

## HID's new headquarters and operations center



**Challenge** When HID Global began designing its new headquarters and operations center in Austin, Texas, the goal was to substantially exceed standard practice in energy, economic and environmental performance.

**Solution** To avoid landfill, all concrete and asphalt on the site was reused in the construction process. Water conservation, including waste and irrigation management, was a major focus, with new low-flow fixtures installed reducing potable water consumption an average of 55 percent. A significant investment in lighting capabilities including LED bulbs, automated motion detection shutoff and daylight standby sensors.

**Result** HID Global recycled 86,200 kilograms of metal and 44,600 kilograms of concrete, and re-purposed 12,200 cubic metres of asphalt. Water usage was cut 55 percent, saving 142,000 litres monthly. The ratio of emissions to sales volume is expected to improve 20 percent using all LED lighting, with a two-year pay-back. HID Global expects a 30percent overall energy cost reduction in the future from reduced North American footprint, Energy Star efficient appliances, LED lighting, and building monitoring systems. Facility design is devoted to minimizing environmental impact with the goal of leadership in energy and environmental design (LEED) certification.



Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)

# Performance in 2013

Most of the sustainability KPIs improved in 2013, for the Group as well as for the divisions. Injury rate and injury lost day rate showed strong improvements based on a structured approach to address problem areas.

The target scheme that the Group is reporting on today was set in 2010 and runs until 2015. The Group reports its sustainability performance (certain KPIs) every six months. With 327 (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. In 2013 a new Group-reporting system was launched with the purpose to increase quality of data as well as to integrate new units more efficiently.

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.

<b>Material KPI</b>		<b>Improvement</b>				
Area	2010	2011	2012	2013 <sup>1</sup>	2010–2013	Target 2015 <sup>1</sup>
<b>Environmental KPI</b>						
Number of entities covered by ISO 14001 certificates and other certifiable management systems	69	75	100 <sup>2</sup>	101	+32 <sup>3</sup>	110 <sup>2</sup>
KPI, greenhouse gas emission related to energy consumption CO <sub>2</sub> /value added (tonnes/SEK M) <sup>7</sup>	15.4	14.8	12.9	12.3	–10.0%	–10%
KPI, energy consumption/value added (MWh/SEK M) <sup>7</sup>	39.3	36.9	36.3	35.0	–10.8%	–15%
KPI, water/value added (m <sup>3</sup> /SEK M) <sup>7</sup>	148.9	138.3	148.5	135.8	–8.8%	–15%
KPI, hazardous waste/value added (kg/SEK M)	293	191	181	139	–52.6%	–15%
Consumption of chlorinated organic solvents (PER and TRI) (tonnes)	32.3	21.6	17.2	14.4	–55.4%	–75%
<b>Social KPI</b>						
KPI, percentage of spend in low-cost countries represented by sustainability audited suppliers	80% <sup>4</sup>	90% <sup>5</sup>	90% <sup>5</sup>	89% <sup>6</sup>		>90% <sup>6</sup>
Injury rate <sup>7</sup>	7.6	9.2	9.1	7.2	–5.4%	–15%
Injury lost day rate <sup>7</sup>	157	182	187	163	+3.8%	–15%
Sustainability audits of suppliers in low cost countries	376 <sup>5</sup>	493 <sup>5</sup>	795 <sup>5</sup>	885 <sup>6</sup>		
<b>Gender equality<sup>8</sup> – Improve current levels of gender equality at senior levels.</b>						
	Level 2: 0%	Level 2: 0%	Level 2: 18%	Level 2: 22%		
	Level 3: 16%	Level 3: 15%	Level 3: 16%	Level 3: 13%		
	Level 4: 18%	Level 4: 19%	Level 4: 18%	Level 4: 19%		
	Level 5: 24%	Level 5: 26%	Level 5: 23%	Level 5: 24%		

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

<sup>2</sup> For comparable units. Number of entities covered by certificates and corresponding certifiable systems for North American units amounted to 101.

Number of entities with significant environmental impact not yet covered by ISO 14001 or other certifiable environmental management system amounts to 9.

<sup>3</sup> The development is a combination of an increased number of certified entities and recently acquired companies with ISO 14001 certification.

<sup>4</sup> Countries covered: China, Macau, Hong Kong and Taiwan.

<sup>5</sup> Countries covered: China, Macau, Hong Kong, Taiwan, India, Malaysia, Vietnam, Thailand and Philippines.

<sup>6</sup> Countries covered: All low-cost countries.

<sup>7</sup> The historical numbers have been adjusted with proforma data.

<sup>8</sup> For 2012 and 2013, the definition has been revised to include only managerial and specialist positions. This has had a negative impact on levels 4 and 5.

## SUSTAINABILITY IN OUR VALUE CHAIN

Innovation

Sourcing

Manufacturing

Market presence

Customers

Employees | Code of Conduct | Governance

**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.

**Manufacturing** Manufacture of the Group's products should be carried out safely and with the lowest possible environmental impact.

**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.



Read more about our sustainability strategy and work at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)

# Innovation for sustainable solutions

It is better and more efficient to design a sustainable product from the start than it is to improve the sustainability performance of an already existing product. ASSA ABLOY is committed to getting it right the first time – at the moment of conception.

Buildings account for about 40 percent of all energy consumption in society. The need and efforts to increase the sustainability performance within the building industry over the past couple of years has been notable. It is becoming increasingly common for buildings to be sustainability-certified, and environmental product declarations (EPDs) to be required for construction products. ASSA ABLOY supports its customers in producing more sustainable buildings by increasing the transparency of its own products' sustainability performance through Life Cycle Assessment-based EPDs. It is also expected that new security products will be designed with environmental considerations.

Energy efficiency and energy-saving qualities are at the core when ASSA ABLOY develops new products. ASSA ABLOY's ambition is to develop new product concepts that are innovative in the way they solve customers' 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 meet that challenge.

ASSA ABLOY considers the entire life cycle of products when evaluating sustainability performance and focuses on finding creative ways to apply engineering expertise in areas where the greatest improvements can be achieved. It is important that ASSA ABLOY understands the overall context of the application in question, because a product's environmental impact can vary greatly depending on the type of application that it is used in.

ASSA ABLOY's commitment to sustainability reduces costs and creates value for its customers, as sustainable products and processes are inherently more efficient in their use of resources.

## ASSA ABLOY SUSTAINABILITY CASE

### Energy-saving solution for truck docking bays



**Challenge** Energy is lost every time you open a door by letting either heated or cooled air out from the building. This is especially true with truck loading bays, when there is no truck at the bay. The tendency at most customers is for the bay's doors simply to be left open all or most of the time, with huge energy-losses especially in colder climate. A solution that encourages the customer to use the equipment in an energy-efficient way, with the opportunity to supervise, monitor and report on its use will minimize the energy-losses.

**Solution** ASSA ABLOY Entrance Systems' Monitoring System includes a sensor which can tell if a truck is docked and it can be set so that if there is no activity at the bay the door closes automatically after a pre-set time; for example 15 minutes. This prevents the door from being left open with subsequent loss of energy.

All bays can be connected to the monitoring system's server giving the customer the opportunity to supervise, monitor and report on a wide variety of aspects in their facility.

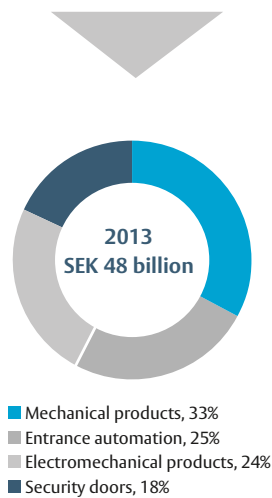
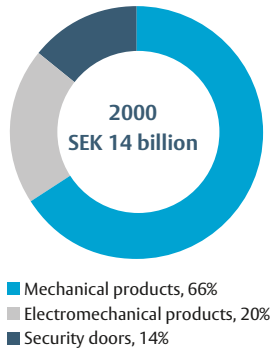
**Result** Among the customers using the monitoring system from Entrance Systems are DHL and Schenker, who both have these features and solutions as part of their set standards when building logistics centers in Sweden, all to save energy. ASSA ABLOY Entrance systems has also delivered similar solutions to other customers that confirms the system contributes to their energy savings. Considering that the difference between indoor and outdoor temperature can differ by as much as 10–15 degrees Celsius in the winter months in Northern European countries, it is clear that door management from an energy-saving point of view is of great importance.

▶ Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)



# Making sustainability an integral part of product innovation

## CHANGE IN PRODUCT MIX



Since 2000, electro-mechanical products including entrance automation have increased from 20 to 49 percent of Group sales.

ASSA ABLOY's approach to sustainable product innovation is based on understanding long-term trends and customer needs, complemented by a dedication to maximizing resource use.

Based on lean innovation principles, the ASSA ABLOY Product Innovation Process consists of several modules, including product management, voice of the customer and efficient execution of innovation projects. Long-term trends, generation planning and technologies are addressed through product management. Insights about customer needs are the foundation in the development of relevant, value-creating offerings

### The ability to look ahead determines our future position

ASSA ABLOY's product management process includes 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 new technologies. The objective is to develop environmentally and financially sustainable products and solutions.

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

### Customer needs come first

ASSA ABLOY always aims to understand customer needs in order to create valuable products. Improving products' sustainability performance is a crucial part of developing the customer offering.

The Voice of the Customer process helps us to collect, analyze and translate into useful knowledge on everything from long-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 managed. Projects are run according to Lean innovation principles and supported by a gateway process that ensures each stage of the project is completed satisfactory.

A "front-loading" approach to problem-solving is applied. Efforts are made to identify potential problems as early in the project as possible as it will be more costly to solve these problems later on. Concepts are evaluated against customer needs and sustainability requirements before moving into the engineering design phase.

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

### The Global Sustainability Product Council

A global council, representing functions within product management, innovation and design, from all Group divisions – drives and coordinates sustainable innovation in all divisions. The council develops and shares best practices, reviews methods and tools, and sets targets and policies for sustainable product development.

### A new era of product transparency

ASSA ABLOY has decided to increase the information on sustainability performance of its products by introducing environmental product declarations (EPDs). During 2013, the most important initiative driven by the Global Sustainability Product Council was the pilot phase of EPD generation for ASSA ABLOY's product groups. As a result of the pilots, key ASSA ABLOY product groups will carry EPDs based on Life Cycle Analysis in 2014. The project team will continue to evaluate how to analyze and declare remaining and future product groups.

# Securing supply chain integrity

ASSA ABLOY's work with suppliers to enhance sustainability performance throughout the value chain developed in 2013. By the end of the year, ASSA ABLOY had improved its capacity by increasing the number of in-house sustainability auditors, expanding the geographical scope and refining the auditing system.

The objective of ASSA ABLOY's supply chain management is to reduce risks, contribute to supply chain integrity and elevate sustainability performance throughout the value chain. 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 regarding their overall performance and their customers' overall performance. Sustainability audits contribute to strengthening suppliers' performance.

All suppliers are bound to comply with the ASSA ABLOY Code of Conduct. Prospective suppliers of direct material located in low-cost countries must complete a self-assessment and undergo a sustainability audit. Each division is responsible for performing audits when required.

## Four priorities

Entering 2013, ASSA ABLOY's sourcing organization decided in addition to the overall goal to ensure that ASSA ABLOY's suppliers comply with the Group Code of Conduct:

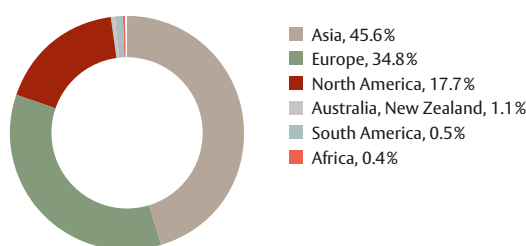
- Include suppliers in non-Asian low-cost countries in the sustainability audit program, and audit all direct material suppliers in those countries.
- Develop and launch a new auditing system.
- Improve tracking of supplier sustainability performance by implementing a new color code system.

Since 2012, the scope of the supplier sustainability audit program has been 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. All direct material suppliers in low cost countries outside Asia were included in 2013.

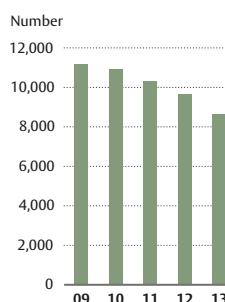
## Audit findings in 2013

During the year, 885 (795) sustainability audits were completed, including follow-up audits. At year-end, 1,046 (806) active suppliers had satisfied the minimum sustainability and quality requirements and were classified as reliable.

DISTRIBUTION OF SUPPLIER SPEND

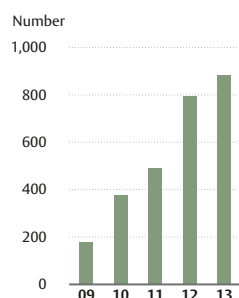


NUMBER OF SUPPLIERS



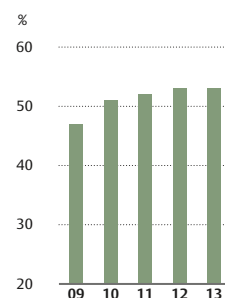
Reducing the number of suppliers is important for reducing costs and improving quality. Active efforts have reduced the total number of suppliers by 26 percent over the past five years.

SUSTAINABILITY AUDITS OF SUPPLIERS IN LOW-COST COUNTRIES



In 2013 ASSA ABLOY conducted 885 (795) sustainability audits.

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 risen to 53 percent over the past five years.

## Supply chain integrity

These activities resulted in an audited spend in excess of 95 percent in Asian low-cost countries and 89 percent in all low-cost countries. At the end of 2013, 31 (10) suppliers were blacklisted and 8 (12) on New Business Hold by the ASSA ABLOY Group, meaning they were not eligible for new business from any ASSA ABLOY entity.

In 2013, 72 (40) 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.

### Auditor training

In 2013, the divisions trained internal auditors to manage the extended geographical scope of the Group, and to ensure consistent supplier scoring across Asia, South and Central America and Eastern Europe.

ASSA ABLOY performs calibration audits every year to ensure consistency throughout markets. Two calibration audits were performed in 2013, one in Mexico and one in Romania. Each audit involved senior ASSA ABLOY auditors from various divisions and managers from Group Supply Management. The teams audited suppliers during a week-long process and compared approaches and scores. A total of 23 people were trained in calibration audits in 2013. The need for calibration audits will increase along with the increase in numbers of audits, internal auditors and geographies.

A total of 22 people were also trained in ISO 14001 by external experts.

### 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.

### Important areas looking forward

ASSA ABLOY will develop suppliers' performance to green and yellow scores and phase out suppliers that do not meet the requirements or lack the will to improve.

As the Group expands into new markets and grows its supplier base, it becomes increasingly important to ensure a consistent approach to supply chain management. For instance, during the year the audit tools were revised to include conflict minerals criteria in response to the Dodd-Frank Act. Going forward, ASSA ABLOY will examine suppliers' environmental management systems and request environmental product declarations (EPD), so that ASSA ABLOY can provide customers with EPDs. ASSA ABLOY will increase the use of third-party auditors to complement internal auditors. Finally, the Group plans to implement a new sustainability audit system.

#### AUDIT PROCESS AND TRAFFIC LIGHT SYSTEM

Long-term

Supplier development and consolidation

Mid-term

Targets and measurements

Supplier risk assessment

Ongoing

Supplier Self-Assessment

Sustainability

Supplier quality

On-site Audits

Scoring Principles  
Traffic Light System



Follow-up audits

Supplier Development

Grow

Fix

Exit

#### Scoring principles – the five-color traffic light system

Audit scores are linked to a color-coded system. The system was refined in 2013 to better capture the spectra of supplier's performance. As of 2013 the system consists of five colors as yellow has been split into three; yellow, orange and purple. Green: the supplier is approved. Yellow, orange, purple: the supplier is approved on condition that it resolves outstanding issues within an agreed time frame. Red: the supplier is not approved. Yellow, orange and purple reflects the level of non-conformities; yellow has the least non-conformities and purple the most. Red, yellow, orange and purple statuses can be revised based on evidence of a corrective action plan, well-documented progress and firm commitment from the supplier. Contracts with suppliers may be 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.

#### The supplier data base

ASSA ABLOY's suppliers in selected low-cost countries are listed, graded and tracked in a supplier database. It ensures transparency and access to consistent information on 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.

# Reducing environmental impact in operation

Overall, the Group's environmental performance improved during the year and the investments and efforts showed positive results. Energy consumption and associated carbon emissions make up ASSA ABLOY's most significant environmental impact. Several initiatives have been introduced to manage the company's expansion while reducing the impact.

ASSA ABLOY has been working for many years to reduce its environmental impact. Thus far, the Group has been successful in, for example, excluding certain hazardous substances, replacing energy-intensive materials, and reducing the amount of material used to produce products without compromising on quality or function.

However, ASSA ABLOY faces a major challenge – the Group seeks to reduce its environmental impact, while at the same time increasing capacity and expanding into markets like China, where the energy mix is dominated by fossil fuels. Moreover, as the Group and its supply chain expand, so do the transportation needs.

ASSA ABLOY has identified these areas of priority for 2010–2015:

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

During the year, ASSA ABLOY implemented a new sustainability reporting system. Apart from simplifying the reporting process, its purpose was to provide better tools to visualize and benchmark the development of individual entities and divisions. In parallel, the Group implemented a system to store and organize data on suppliers and sustainability audits. The system makes it possible to track and monitor suppliers' progress as well as risks.

Further, an increased number of units are now covered by environmental management systems (ISO 14001) and plans for a gradual roll-out of environmental management systems in North America over the coming years have been decided.

In total, the Group is generating less waste in general and less hazardous waste in particular. An increased number of entities have been able to generate revenues from selling paper, cardboard and plastic for recycling rather than having a cost for disposal of those materials.

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## Energy consumption and carbon emissions

Reducing energy consumption is a priority within the Group. ASSA ABLOY has reduced its total energy consumption by, for instance, implementing improved control systems or technologies for heating, ventilation and pressure systems. Furthermore, the Group held several energy Kaizen workshops with cross-functional teams during the year. Most of the identified improvements should generate substantial energy savings, normally without any major investments.

### Performance 2013

The Group's total energy consumption decreased by 0.1 percent in 2013 as a result of improvement activities, organic growth and entities acquired during the year. Due to improved energy efficiency the energy intensity decreased by 3.5 percent for comparable units during 2013. The target for 2015 is to reduce energy intensity by 15 percent compared to 2010.

The accumulated improvement of the energy intensity since 2010 is 10.8 (7.5) percent. In 2013, 6.9 (8.7) 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.

The Group's total carbon emissions decreased by 3.6 percent for comparable units, due to decreased usage of chemicals with high global warming potential (GWP) and decreased total energy consumption. New technologies to replace the chemicals with high GWP have been tested with promising results. Total carbon dioxide emissions related to energy consumption for comparable units, with unchanged emissions factors, decreased by 7,676 (–3,300) tonnes or 3.1 percent since 2012.

The total carbon emission intensity decreased by 4.6 percent for comparable units in 2013, which results in an accumulated improvement of 10 percent compared to 2010.



This is a net improvement and excludes the impact related to updated emission factors<sup>1</sup>.

The target for 2015 is to reduce the carbon dioxide emissions by 10 percent compared to 2010.

<sup>1</sup> 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).

## Phasing out substances that impact global warming

Since ASSA ABLOY introduced extended reporting for greenhouse gases and ozone-depleting substances, it has become apparent that two units in particular use substances that significantly impact global warming. Efforts to substitute these substances are ongoing, and the Group is benchmarking both internal and external best practices.

ASSA ABLOY complies with the Montreal Protocol and with country-specific legislative initiatives concerning ozone-depleting substances (ODS). The use of ODS is related to door producing entities in China, acquired in 2011. The aim is to phase out the use of ODS and replace them with environmental-adapted alternatives.

## Greenhouse gas emission related to substances in industrial processes

	2012	2013
Calculated CO <sub>2</sub> -emissions <sup>1</sup> (tonnes)	192,000	184,106

<sup>1</sup> Emission factors are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2007).

Ozone-depleting substances	2012	2013
Ozone-depleting substances in tonnes of R11 equivalent <sup>2</sup> (tonnes)	27.3	27.7

<sup>2</sup> R11 equivalence measures ozone depleting potential.

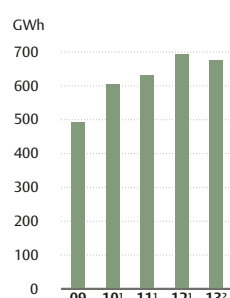
## Energy consumption

MWh	2009	2010	2011	2012	2013 <sup>1</sup>
Direct energy					
– oil	23,006	33,658	30,324	34,942	31,112
– gas	174,118	178,561	178,069	192,733	197,217
– coal	0	63,726	75,756	96,533	86,493
– biofuel/biomass					3,480
– Total	197,124	275,945	284,149	324,208	318,302
Indirect energy					
– electricity	260,806	291,357	313,966	334,331	310,860
– district heat	32,664	35,678	29,138	32,935	46,933
– Total	293,470	327,035	343,104	367,266	357,793
<b>TOTAL ENERGY USE<sup>2</sup></b>	<b>490,594</b>	<b>602,981</b>	<b>627,254</b>	<b>691,475</b>	<b>676,094</b>

<sup>1</sup> For comparable units. Total energy consumption amounted to 690,861 MWh, including units acquired during the year and increased reporting.

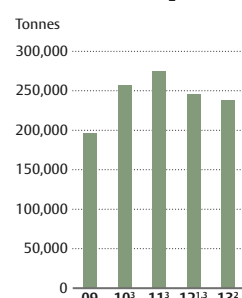
<sup>2</sup> The historical numbers have been adjusted with proforma data.

## TOTAL ENERGY USE



<sup>1</sup> The historical numbers have been adjusted with proforma data.  
<sup>2</sup> 2013 represents development for comparable units from 2012.

## GREENHOUSE GAS EMISSION RELATED TO ENERGY CONSUMPTION CO<sub>2</sub> TOTAL

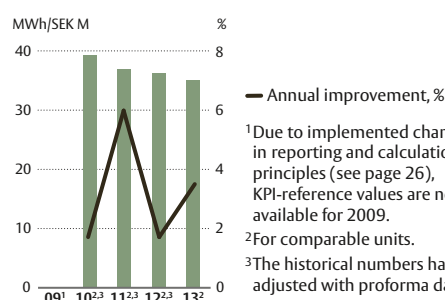


<sup>1</sup> The emissions factors have been updated for the 2012 calculations. See page 26.

<sup>2</sup> Total greenhouse gas emissions related to energy consumption amounted to 242,873 tonnes, including units acquired during the year and increased reporting.

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

## KPI, TOTAL ENERGY/VALUE ADDED

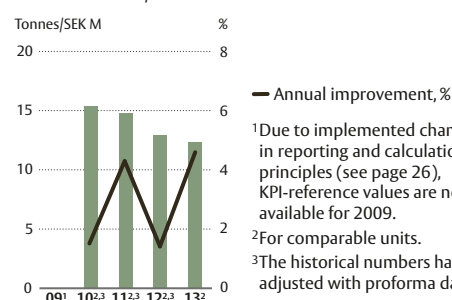


<sup>1</sup> Due to implemented changes in reporting and calculation principles (see page 26), KPI-reference values are not available for 2009.

<sup>2</sup> For comparable units.

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

## KPI, GREENHOUSE GAS EMISSION RELATED TO ENERGY CONSUMPTION CO<sub>2</sub>/VALUE ADDED



<sup>1</sup> Due to implemented changes in reporting and calculation principles (see page 26), KPI-reference values are not available for 2009.

<sup>2</sup> For comparable units.

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

### Energy consumption at facilities

As much as about 50 percent of the energy consumption in large manufacturing units is related to factors independent of production volume; for example, heating, ventilation and lighting. In order to reduce energy consumption, ASSA ABLOY has begun to monitor and consolidate energy use on Group level, and will take steps to streamline and specialize the production of certain products. The purpose is to increase efficiency in terms of utilization of machines, equipment and floor space, as well as allocation of competence. This 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 for reductions. A detailed mapping of consumption in several units has resulted 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 for energy

performance; for example, energy consumption per square meter and per worked hour. In order to identify further improvement areas, entities producing similar types of products are compared. During the year, the Group developed the analysis. It 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

ASSA ABLOY continues to reduce the environmental impact from transportation as the Group expands. For instance, locating assembly close to the customer enables a more flexible and efficient supply of goods.

The Group set up a database 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 2013, the GPS coordinates of 13,000 (12,500) supplier delivery addresses 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 2014.

## ASSA ABLOY SUSTAINABILITY CASE

### Kaizen initiative has significant effect



**Challenge** At ASSA ABLOY Occidente in Guadalajara, Mexico environmental awareness and measurement of energy use are very high priorities. During the lock production process, energy consumption verification is performed on a daily basis to identify trends and possible problem areas such as consumption of: electricity, liquid petroleum gas (LPG) and CO<sub>2</sub> output. Based on measurements during the first quarter of 2013, the team identified risks in the increased use of water, electric power and LPG.

**Solution** ASSA ABLOY Occidente started a Kaizen initiative to control and reduce energy use. Firstly, production planning was optimized when using machines with

high energy consumption by grouping small production lots which consume a relatively large amount of energy. In addition, the heating and air conditioning systems were programmed to work more efficiently. Installation of independent lighting, which has a single switch for every set of lights, prevented unnecessary use. Improvements were made to the compressed air system in the preventive maintenance area and in offices by turning off electronic devices or putting them on standby when not in use.

**Result** The activities led to a reduction in CO<sub>2</sub> generation by 30 percent and reduction in operative resources by 15 percent.

## Water and waste

Systematic efforts to reduce water consumption and improve waste management continue to be important elements of ASSA ABLOY's drive to reduce its environmental impact, increase efficiency and cut costs. In 2013 the Group improved its recirculation of water and reduced its waste disposal.

### Water

ASSA ABLOY has focused its efforts to improve water efficiency on facilities with painting or plating operations, as these consume the most water. Twenty such entities, located mainly in the US and China, account for more than 70 percent of the Group's total water consumption. ASSA ABLOY uses its sustainability database and analysis tool to benchmark comparable units and to identify areas for further improvement. The aim is to reduce operating costs and environmental impact. 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.

ASSA ABLOY's increased focus on water efficiency is beginning to pay off; the Group has gained a deeper understanding of which factors drive water consumption and how efficiency can be improved. Furthermore, performance has improved; water recirculation in recently installed wastewater treatment plants has substantially contributed to improved overall water efficiency. This technology is expected to be further deployed during the coming years.

### Water performance

	2009	2010	2011	2012	2013 <sup>1</sup>
Purchased water (1,000 m <sup>3</sup> )	1,765	1,823	1,777	1,756	1,546
Water from on-site wells (1,000 m <sup>3</sup> )	91	463	526	1,070	1,063
Rainwater (1,000 m <sup>3</sup> )	NA	NA	NA	NA	4
Surface water (1,000 m <sup>3</sup> )	NA	NA	NA	NA	10
<b>Total water consumption (1,000 m<sup>3</sup>)<sup>3</sup></b>	<b>1,856</b>	<b>2,286</b>	<b>2,303</b>	<b>2,827</b>	<b>2,623</b>
<b>KPI, Water/Value added (m<sup>3</sup>/SEK M)<sup>2,3</sup></b>	<b>NA</b>	<b>149</b>	<b>138</b>	<b>149</b>	<b>136</b>

<sup>1</sup> For comparable units. Total water consumption was 2,652 (1,000 m<sup>3</sup>) including units acquired during the year and increased reporting.

<sup>2</sup> Intensity values are calculated for comparable units, (see page 26), reference values are not available for 2009.

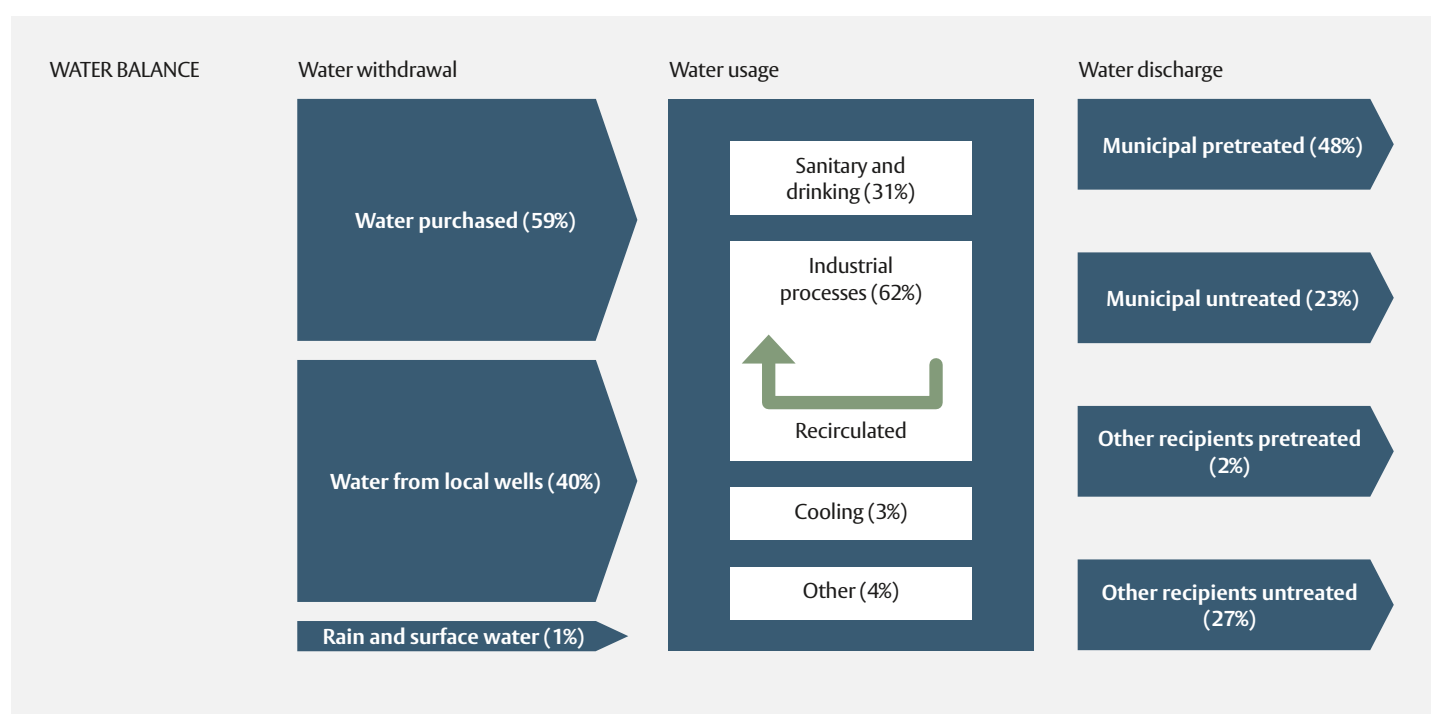
<sup>3</sup> The historical numbers have been adjusted with proforma data.

### Waste

ASSA ABLOY strives to minimize waste from its manufacturing processes as well as waste related to packing. It is evident that the Group generates less waste, including hazardous waste. Several companies within the Group generate revenues from selling paper, cardboard and plastic for recycling rather than having to pay for disposal of those materials.

In 2013, the total amount of waste in the manufacturing companies was 68,320 (66,000) tonnes, of which 80.9 (80.8) percent was recycled. The intensity value for hazardous waste continued to decrease and was reduced by 23 (7.9) percent for comparable units. The corresponding accumulated reduction since 2010 amounts to 52 percent.

A number of companies have reduced their use of packaging materials, switched to less environmentally damaging packaging materials and introduced reusable/



recyclable containers. Also, using electronic orders and integrating information flows between systems means less 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 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. It is possible to compare companies producing similar products to identify best practices and areas where improvements can be made.

#### Hazardous waste

	2009	2010	2011	2012	2013 <sup>1</sup>
Metal sludge (tonnes)	751	729	661	650	537
Oil for recycling (tonnes)	769	564	490	579	295
Other types of toxic waste (tonnes)	2,694	3,219	1,934	2,225	1,845
<b>Total hazardous waste (tonnes)</b>	<b>4,214</b>	<b>4,511</b>	<b>3,085</b>	<b>3,454</b>	<b>2,677</b>
<b>KPI, Hazardous waste/Value added (kg/SEK M)<sup>2</sup></b>	<b>NA</b>	<b>293</b>	<b>191</b>	<b>181</b>	<b>139</b>

<sup>1</sup> For comparable units. Total amount of hazardous was 2,678 (tonnes) including units acquired during the year and increased reporting.

<sup>2</sup> Intensity values are calculated for comparable units; reference values are not available for 2009.

#### Non hazardous waste

	2009	2010	2011	2012	2013 <sup>1</sup>
Household incinerated/recycled (tonnes)	1,778	1,520	1,975	2,442	1,935
Household deposited (tonnes)	5,340	5,586	6,364	6,049	6,684
Paper and cardboard for recycling (tonnes)	NA	NA	2,621	3,766	3,570
Plastic waste for recycling (tonnes)	NA	NA	382	584	534
Other types of waste (tonnes)	3,530	4,634	2,811	3,758	2,915
<b>Total (tonnes)</b>	<b>10,649</b>	<b>11,740</b>	<b>14,153</b>	<b>16,599</b>	<b>15,637</b>
<b>KPI, Non hazardous waste/Value added (kg/SEK M)<sup>2</sup></b>	<b>NA</b>	<b>757</b>	<b>755</b>	<b>872</b>	<b>810</b>

<sup>1</sup> For comparable units. Total amount of non hazardous was 16,642 (tonnes) including units acquired during the year and increased reporting.

<sup>2</sup> Intensity values are calculated for comparable units; reference values are not available for 2009.

#### Recycled metal

Tonnes	2009	2010	2011	2012	2013 <sup>1</sup>
Waste metal for recycling (tonnes)	35,802	39,027	42,710	45,972	45,958

<sup>1</sup> For comparable units. Total amount of waste metal for recycling amounted to 49,000 tonnes, including units acquired during the year and increased reporting.

Three incidents of spills were reported in 2013, none of these cases caused ASSA ABLOY to exceed permitted levels. All three cases were managed in accordance with national legislation and ASSA ABLOY has improved relevant internal processes to avoid future incidents.

## ASSA ABLOY SUSTAINABILITY CASE

### Demineralization solution reduces water consumption



**Challenge** ASSA ABLOY Romania had three plating lines consuming up to 72,000 cubic meters of water per year. Two new plating lines were needed for production, which would have driven the water consumption even higher. The price of water has increased by 96 percent in Romania in the last four years, resulting in significant production cost increases year on year.

**Solution** After reviewing numerous water re-circulation solutions, the operations team identified the most suitable technology: a demineralization solution using ion exchange resins. Implementing this system meant that ASSA ABLOY Romania could re-circulate up to 90 percent of the water consumed.

The waste water from the system can potentially be used as onsite greywater for WC flushing, which would increase the re-circulation rate to 95 percent.

**Result** ASSA ABLOY Romania has massively reduced the water consumption of the facility, while also saving EUR 50,000 per annum. The solution has a favorable payback period of 1.5 years; meaning the system makes sense both economically and environmentally.



Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)



## Organic solvents and surface treatment

ASSA ABLOY has reduced the consumption of chlorinated organic solvents thanks to investments in new cleaning technologies. During the year the Group tested new technical solutions to replace the use of certain types of organic solvents. As a result, a gradual phase out of those chemicals has been initiated.

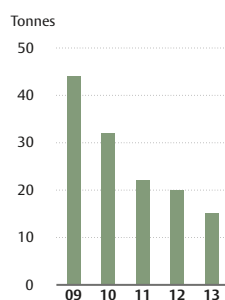
ASSA ABLOY uses chlorinated organic solvents such as perchloroethylene (PER) and trichloroethylene (TRI) for surface treatment of metals, including degreasing, cleaning and pretreatment before plating. Surface treatment is needed to meet high standards of durability, corrosion resistance, quality and finishing. The Group works systematically to reduce and ultimately to eliminate the use of PER and TRI. Most entities have already replaced PER and TRI with less harmful alternatives like ultrasonic cleaning and water- or steam-based processes.

During 2013, ASSA ABLOY completed the conversion of three surface treatment processes to less harmful processes. Also, the phase out of PER and TRI continued in 2013. The total consumption of chlorinated organic solvents was reduced by 28 (7) percent compared to 2012. Investments made in 2013 are expected to contribute to further reductions in 2014.

Due to improved reporting practices, it has become clear that other types of organic solvents are being used, primarily in recently-acquired entities. In 2013, the total consumption of other types of organic solvents amounted to 924 (933) tonnes for comparable units. These solvents will be phased out, and replaced with less harmful alternatives.

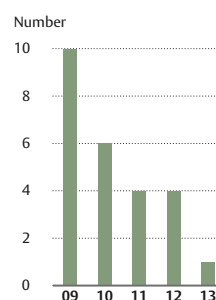
### Consumption of chlorinated organic solvents

#### PER AND TRI TOTAL CONSUMPTION



### Surface treatment processes under change

#### PROCESSES UNDER CHANGE



### ASSA ABLOY SUSTAINABILITY CASE

## Capture of waste heat to improve pre-treatment drying



**Challenge** At ASSA ABLOY's Oakleigh manufacturing site in Melbourne, Australia, the pre-treatment system for powder coating was inefficient. The final hot water rinse tank, utilizing electrical heating elements, could not achieve the desired 50°C and the pre-treatment line hot air chamber was unable to fully dry the majority of racked components, so parts were diverted to the powder coat curing oven to complete drying.

**Solution** The solution was to utilize the hot water that flows out of heat exchanger wrapped around the powder coat oven exhaust flue to supply hot water to the pre-treatment line final hot water rinse tank. When the powder coat oven burner is on a high setting, minimal gas is consumed by the gas hot water service.

**Result** After the equipment was installed the parts processed through the pre-treatment line exit were fully dried, eliminating need for secondary drying.

The calculated electricity saving is 76kWh per day through removal of heating elements; however, there could also be energy savings associated with having less volume through the oven which would more than compensate for the increase in energy required for the water heater.

The upgrade also enabled the weekday overtime to be reduced by two hours per day and by one day of weekend overtime monthly.



Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)

# People make it all happen

ASSA ABLOY believes that ‘people make it all happen’ and that it is essential to have the right people in the right roles to be successful. Today the Group employs 43,000 people in over 70 countries and this size means ASSA ABLOY has the specialism and expertise internally to sustain their position as a true world leader in door opening solutions. Yet due to the Group’s decentralized structure and entrepreneurial culture it empowers local decision making enabling them to ‘think Global but act Local’.

Maintaining the dynamic organization requires ASSA ABLOY to coordinate processes and align its activities. As a result ASSA ABLOY are open with the recruitment opportunities within its business as want to attract and retain the best people and provide an environment for them to perform and grow. ASSA ABLOY is proud when its people are ready to move on and take on new challenges within the Group and therefore prioritize internal recruitment where ever possible. In doing so ASSA ABLOY are able to keep its talent and meet their promise to be an attractive company for employees.

ASSA ABLOY has a coordinated and comprehensive approach to talent management, ensuring availability of the resources, skills and competencies needed to meet the challenges of both today and tomorrow. The talent management process includes a structured approach to succession planning and career development.

In 2012 ASSA ABLOY employees said that 75 percent had received a performance discussion with their

manager. ASSA ABLOY’s ambition is for this figure to reach 100% as believe that regular feedback is fundamental for employee development and engagement. To keep in touch with employee opinions on such matters the Group conduct a survey every 24 months and take their responsibilities seriously. The 2014 survey is currently underway; therefore ASSA ABLOY will be again mapping the results versus previous years and working with action plans, as believe that focus pays off.

Being the world leader in door opening solutions ASSA ABLOY have a social and ethical responsibility and observe high standard of integrity and fair practices. To guide in these matters ASSA ABLOY educate its employees in the Code of Conduct which is available in 22 different languages and is a key component in the Entrance to ASSA ABLOY introduction program.

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## Development in ASSA ABLOY

ASSA ABLOY provides a work environment where people can make a difference; employees have the freedom to act and to be accountable for their actions. ASSA ABLOY prioritizes employees’ professional development, and attracting and retaining the employees needed for continued success. ASSA ABLOY provides opportunities but it is up to each employee to take the responsible for his or her professional development.

### Training and development

ASSA ABLOY runs two global development programs each year for selected senior managers. The “MMT” program, specifically addresses ASSA ABLOY’s strategy, focusing on its business and operations. This program creates a network of colleagues from other countries and businesses to share best practices and identify new opportunities. The MMT is an important integration tool which is of particular importance to ASSA ABLOY given the frequency of acquisitions.

The second program, the ASSA ABLOY-IMD “Boosting Market Leadership Program”, has the primary objective of supporting the implementation of the Group’s strategy. This program builds passionate, business-minded leaders in line with ASSA ABLOY ambitions. The program was launched in 2011, replacing an earlier ASSA ABLOY-IMD program. In 2013 60 (84) ASSA ABLOY-leaders participated in at least one of these programs.

### Scholarship Program

The ASSA ABLOY Scholarship Program is available to employees providing an opportunity to temporarily transfer to another Group company, normally for a 6 month assignment. The purpose of the program is to share knowledge and experiences across geographical borders, learn other cultures, improve language skills and appreciate different ways of working.

### Job posting

ASSA ABLOY’s philosophy is that each employee is in charge of his or her professional career, job openings are therefore posted on the Group intranet for employees to apply for. Internal candidates are given priority, provided that they have comparable qualifications to those of external candidates.

## A safe place to work

A safe and sound workplace is a basic requirement for any employee and business, and ASSA ABLOY must offer just that.

Each employee is expected to contribute to a safe workplace and the individual responsibility is the foundation of ASSA ABLOY's approach to health and safety. Each manager has the responsibility to identify risks, take proactive actions and facilitate the right behavior. This includes facility reviews, monitoring the use of safety equipment and ensuring that employees have adequate training. 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 actions for improvement. The safety committees follow up that adequate training takes place.

In 2013, the Group's health and safety performance improved significantly, breaking a negative trend. All units increased health and safety monitoring and implemented stricter safety routines. Altogether, the units developed their health and safety monitoring and reporting systems to increase the level of detail.

Despite well-anchored and systematic health and safety work, the high number of acquisitions challenges the ability to uphold a positive health and safety performance. It takes some time until a new unit is fully integrated and works and reports according to the Group's guidelines.

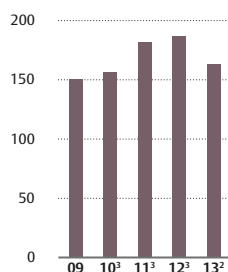
### Operational risks

ASSA ABLOY has identified that the Group'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 through councils for different functional areas. Also, semi-annual internal reporting is made available to the entire Group on the basis that transparency leads to improvement.

INJURY LOST DAY RATE, TOTAL<sup>1</sup>

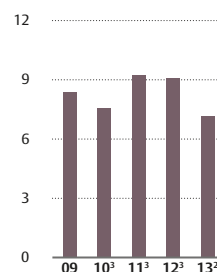


<sup>1</sup> Injury lost day rate in lost days per million hours worked.

<sup>2</sup> For comparable units. The total injury lost day rate was 164 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 entities performing service or installation.

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

INJURY RATE, TOTAL<sup>1</sup>



<sup>1</sup> Injury rate in injuries per million hours worked.

<sup>2</sup> For comparable units. The total injury rate was 7.2 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 entities performing service or installation.

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

### ASSA ABLOY SUSTAINABILITY CASE

## Lean program raises standards



**Challenge** As with any other new acquisition, Metalind d.o.o., the leading manufacturer of fireproof doors in Croatia, required improvements to be aligned with Group environmental and H&S standards.

**Solution** Lean principles 5S standards and re-layout of production improved the assembly environment. The glass factory was redesigned with drying shelves, adopting a new system for cutting fireproof glass and an advanced procedure for gluing. Pre-acquisition

analysis ensured that Metalind did not use materials that would significantly increase greenhouse gas emissions.

**Result** Metalind reduced errors by 50 percent in the fireproof glass, significantly reducing the amount of glass used. The results were down to teamwork and commitment from senior management to the factory floor, so a culture of continuous improvement was installed.

## Gender balance and diversity

ASSA ABLOY considers diversity a strength and strives to achieve higher levels of diversity at all levels of the organization. Specifically ASSA ABLOY would like to increase the number of women holding senior positions. The Groups target is that 30 percent of the managers will be female by 2020 and progress against this target is measured every six months.

The recruitment process is an important element in achieving a better gender balance. Consequently ASSA ABLOY gives priority to the underrepresented gender provided they have equal qualifications. It is also the ambition to have one candidate from the underrepresented gender on the shortlist in each recruitment situation.

### Diversity of nationalities and cultures

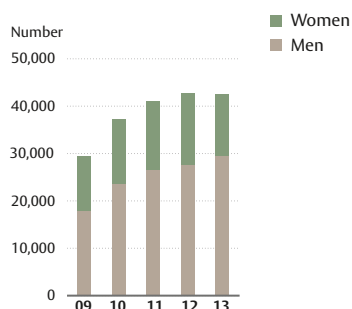
Local market understanding is a key success factor for ASSA ABLOY who is characterized by its geographical expansion and new market development. As a result more than 90 percent of managers in the local ASSA ABLOY entities are recruited from the local community.

### Women at different levels of the organization

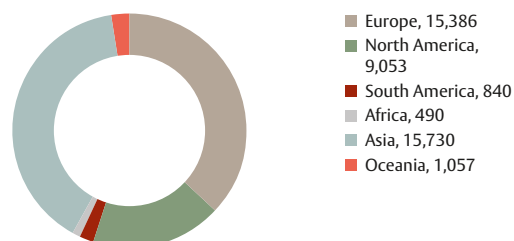
Level	Percentage of women				
	2009	2010	2011	2012	2013
2 – reports to CEO	0	0	0	18	22
3 – reports to level 2	15	16	15	16	13
4 – reports to level 3	18	18	19	18	19
5 – reports to level 4	20	24	26	23	24
<b>Level 2–5</b>	<b>–</b>	<b>–</b>	<b>24</b>	<b>22</b>	<b>22</b>
<b>All employees</b>	<b>39</b>	<b>37</b>	<b>35</b>	<b>35</b>	<b>31</b>

In 2012 and 2013 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



### ASSA ABLOY SUSTAINABILITY CASE

## Program pilots a path to leadership and commercialization



ASSA ABLOY Americas Leadership Development Program brought 35 emerging leaders together with the goal of turning good management into great leadership. The six-day employee development workshop at the Babson College Executive Education Center featured curriculum that emphasized: Product Leadership, Customer Intimacy and Operational Excellence.

Participants examined real-world case studies in classes led by Babson professors and ASSA ABLOY leaders, and then worked on team projects every evening. On the final day each of the six teams proposed an

original, polished business idea. The quality of those final projects was a reflection of both the success of the program and the level of talent of the participants. "In a word, they were excellent," said Jack Dwyer, VP human resources and administration who helped create the program. "We were in awe of the presentations and the ideas the teams developed. All six of these ideas were worthy of implementation."

The emerging leaders left with enthusiasm, insight and solid skills to apply to the next chapter of their careers.



Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)



# Engaging with stakeholders

ASSA ABLOY engages with stakeholders to understand their expectations and how well the Group meets these expectations. Over the years, stakeholder dialogues have provided valuable input to the Group's overall sustainability agenda and management of specific issues.

ASSA ABLOY considers customers, shareholders, investors, suppliers, employees, local communities, non-governmental organizations and media to be important stakeholders.

The nature of the relationships differs, and this 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 training, the employee survey and work council; and the investment community through targeted sustainability dialogues that complement other investor relations activities.

In 2013, ASSA ABLOY hosted round-table discussions and several one-on-one meetings with investors

interested in the Group's sustainability performance.

During the round-table meeting, investors were asked to rank, on a scale from 1 to 5, the relevance of specific sustainability aspects to ASSA ABLOY. ASSA ABLOY used the results as input in the materiality analysis performed later in 2013.

Among the aspects highlighted by investors participating in the round-table were: anti-corruption; risks and risk management in sourcing; acquisitions and entering new markets; implementation and follow-up of Code of Conduct compliance; more detailed information about internal and supplier audits; human rights management; and resource efficiency. The investors also requested that ASSA ABLOY elaborate on the customer value of more sustainable products and solutions.

*ASSA ABLOY's operations in 2013 per stakeholder category, based on the Group income statement*

		SEK m
<b>Customers</b>	Mechanical locks, lock systems and fittings, electromechanical and electronic locks, entrance automation, security doors and hardware	48,481
<b>Suppliers</b>	Purchases of products and services, along with depreciation, etc.	-27,759
<b>Employees</b>	Wages, salaries and social security costs	-13,759
<b>Lenders</b>	Interest	-571
<b>State</b>	Taxes	-1,595
<b>Shareholders</b>	Net profit	4,775
	Board's dividend proposal	-2,114

## ASSA ABLOY SUSTAINABILITY CASE

### Adopting re-usable packaging



**Challenge** Carton packaging is traditionally used by most suppliers to transport raw materials. Suppliers have been reluctant to adopt re-usable plastic containers because they are not sure if the containers will be returned to them in good time and they were therefore reluctant to invest in them. On the other hand ASSA ABLOY Hospitality in China had to deal with the disposal of cartons. The challenge was to persuade the suppliers to use plastic containers.

**Solution** ASSA ABLOY Hospitality's China factory has three years' experience of applying Kanban Lean production methods. Expanding kanban to suppliers accelerated the application of re-usable containers;

five suppliers have been using re-usable containers since January 2013. The suppliers became convinced because the kanban process ensures the timely return of the containers, and it is therefore easier for them to justify the investment in them. Less scrap carton reduces the supply chain cost and the containers provide a sustainable solution.

**Result** With the five suppliers who have implemented re-usable containers, the estimated weight of carton packaging saved per annum is around 8.6 tons. The continued development of this method with suppliers is a key strategy for ASSA ABLOY Hospitality.



Read more sustainability cases at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)

## External recognition

ASSA ABLOY utilizes external stakeholders' input to elevate the Group's sustainability performance. Various ratings and indices have compared ASSA ABLOY's sustainability performance to that of its peers, and the Group values such initiatives.



### OMX GES Sustainability Indexes

ASSA ABLOY is included in the OMX GES Sustainability Sweden PI Index.

The OMX GES Sustainability Indexes are created for responsible investments. The indexes are calculated by NASDAQ OMX in cooperation with GES Investment Services, a leading research and service provider for responsible investment in Northern Europe. The indexes comprise the leading companies in terms of sustainability and are selected based on how well they meet the criteria for environmental, social and governance (ESG) issues.

For more information about the indexes, please visit <https://indexes.nasdaqomx.com/Index/Overview/OMXSUSTAINSEPI>



### Kempen & Co

ASSA ABLOY is included in the Kempen SNS SRI Universe.

Kempen is a Dutch merchant bank that offers investment funds and other financial services. Since 2009, Kempen & Co has been investing in European companies that adhere to environmental, ethical and social standards.

### Folksam

The Swedish insurance company Folksam conducts annual studies of how companies manage their social and environmental responsibilities. Folksam's Corporate Responsibility Index 2013 provides an analysis of the environmental and human rights management of 245 Swedish companies. ASSA ABLOY was ranked number 30 (4.08/7.0) in the environment category, and number 31 (3.68/7.0) in human rights.

### Carbon Disclosure Project

ASSA ABLOY has participated in the Carbon Disclosure Project (CDP) for seven years. In the Nordic CDP report for 2013, ASSA ABLOY received a score of 69/100. This is a significant improvement from 2012 when ASSA ABLOY scored 38/100.

The CDP is an independent not-for-profit organization working to drive greenhouse gas emissions reductions and sustainable water use by businesses and cities. CDP now holds the largest collection globally of primary climate change data. Based on voluntary annual reporting to the CDP, companies are assessed on risks and opportunity management related to climate change as well as on how they perform.



## International guidelines

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.



## Dialogue with SRI community and analysts



**Richard Torgerson**  
Responsible ownership at Folksam

*"Given ASSA ABLOY's international presence and the nature of the business, the company faces almost every sustainability issue out there. ASSA ABLOY has firm environmental management and well-established supply chain management. We commend that the company is increasingly taking on water as an issue of priority. We would like to stress the need for ASSA ABLOY to continue evaluating the context of new markets and partners from a sustainability perspective.*

*It is positive that ASSA ABLOY increasingly is emphasizing the sustainability dimensions within its business. Given the vision, strategy and its premium brand, ASSA ABLOY should aim to be the sustainability leader of its industry."*



**Christina Kusoffsky Hillesöy**  
Head of Communications & Sustainable Investments. Third Swedish National Pension Fund (AP3)

*"ASSA ABLOY is a solid company that has taken a great leap forward over the last years, both in its general awareness around sustainability risks, and in the way the company has made sustainability a business opportunity. Sustainability is becoming an integrated part of its business and we see signs of this throughout the whole organization. Generally, ASSA ABLOY shows a much higher ambition today than some years ago.*

*Looking forward, more general expectations are that ASSA ABLOY continues to develop in line with its current strategy and becomes even more transparent around mergers and acquisitions and suppliers."*



**Helena Larson**  
Responsible investments Swedbank Robur

*"ASSA ABLOY has a solid environmental management and a well-established supply chain management, including environmental and social risks. However, there are new aspects to look into, following new regulations and frameworks relating to human rights and business ethics. We would like to see a more proactive approach from the company and also ask for more transparency.*

*We expect ASSA ABLOY to uphold excellent standards in those areas where they have been successful so far, but develop in certain aspects of occupational safety, human rights, and anti-corruption. In all these areas we expect more proactivity from the company."*



**Johan Strandberg**  
ESG analyst SEB Wealth Management

*"ASSA ABLOY has gone through a positive development, both financially and in terms of sustainability. For us, the most important issues for ASSA ABLOY to handle are related to supply-chain, health and safety, and anti-corruption. We also expect that the company keep up with its sustainability standards when growing in emerging markets.*

*We have focused on supply-chain issues in dialogue with ASSA ABLOY. The company is continuously improving. In the long term we see that ASSA ABLOY needs to integrate sustainability performance into innovation. In our view this is something that is on top management's agenda, which is crucial for it to happen."*



Read more SRI voices at [assaabloy.com/sustainability](https://assaabloy.com/sustainability)

# Sustainability 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 gives guidance concerning 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. 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 the Group’s strategy.

## Managing the sustainability agenda

ASSA ABLOY is a signatory to the UN Global Compact since 2008. The 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 external stakeholders.

In the ASSA ABLOY Group, sustainability issues are managed in a systematic and consistent way, foremost on divisional level. The environmental sustainability coordinators at the Group and divisional levels ensure that the necessary policies, processes and tools for managing environmental issues exist and are implemented. The Human Resource functions at the Group and divisional levels have the corresponding responsibility of managing social and ethical matters.

The councils for Innovation, Sourcing, Operations and Human Resources, whose members include representatives from the Group and all divisions, manage sustainability issues related to their areas. The divisions and their units are responsible for complying with ASSA ABLOY’s policies and processes, and for reporting on performance 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. 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 that such matters are handled in an appropriate way and come to a conclusion. 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 ISO 14001 certificates and other certifiable environmental management systems

	2009	2010	2011	2012 <sup>1</sup>	2013
ISO 14001	39	47	55	71	75
Certifiable systems	23	22	20	29	26
<b>Total</b>	<b>62</b>	<b>69</b>	<b>75</b>	<b>100</b>	<b>101<sup>2</sup></b>

<sup>1</sup> 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.

<sup>2</sup> Total number of entities covered by ISO 14001 and other certifiable management systems amounted to 101, including units acquired during the year and increased reporting.

	Environmental	Social & Ethical	R&D
ASSA ABLOY Group	Stefan Tisell, Head of Environmental Sustainability	Maria Ewerth, 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	Eric Sejourne, Head of Architectural Accessories and Door Control Group and Environmental Sustainability	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	Eric Luo, Operations Director, China	Dolores Shore, Head of HR	Kristian Holmen, VP Engineering

## Organizational responsibility

In ASSA ABLOY's decentralized organization, the responsibility for implementing the Code of Conduct and 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 unit.

The responsibility is not limited to ASSA ABLOY's own operations, but also includes suppliers. 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 material environmental risks and actions to mitigate them.

Divisional board meetings address risks, compliance, performance and other sustainability matters.

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

### ASSA ABLOY's sustainability council

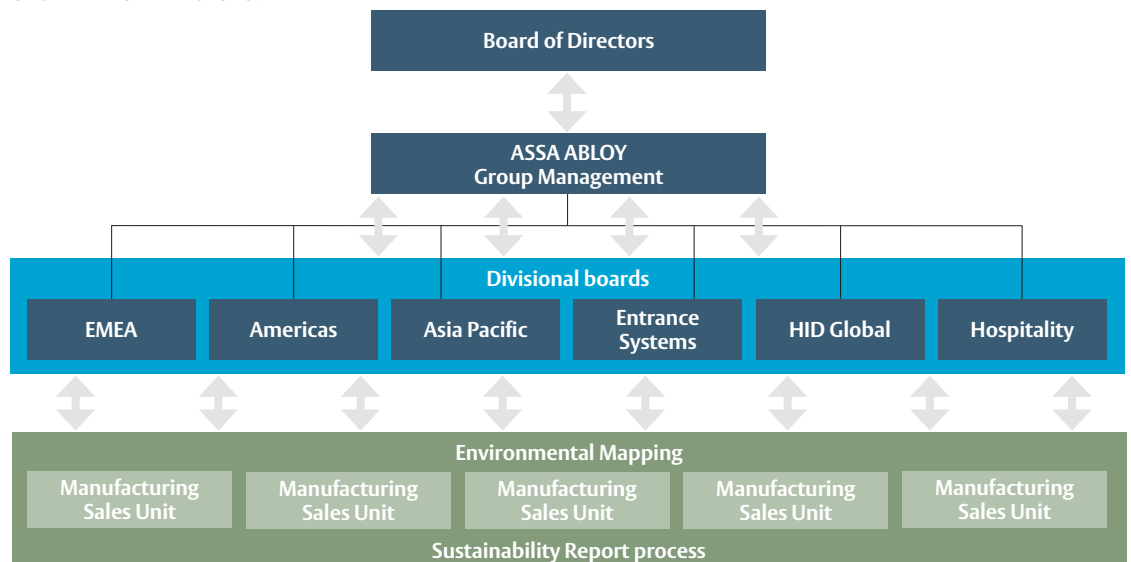
The Group sustainability council has representatives from Innovation and Production (environment) from all divisions. The council meets three to four times per year to discuss various aspects of sustainability related to innovation and production, to define action plans and set targets. Each participant in the council is responsible for reporting back to her or his organization and to drive implementation.

### Monitoring progress

The procedures put in place to manage environmental and social impact have been successful. Sustainability targets and policies have been implemented throughout the Group. These have identified material risks and taken actions to address them.

To effectively monitor progress and maintain a systematic approach, ASSA ABLOY has developed a database for sustainability indicator reports for all manufacturing companies. In addition to the KPIs, the database also includes best practices and tools as well as details of measures taken by the various companies to reach the Group's sustainability targets. ASSA ABLOY's companies and divisions can access information from the database to compare progress and trends. In 2013, 327 (293) factories, sales units and offices reported.

#### ORGANIZATIONAL RESPONSIBILITY





## Code of Conduct

The Code of Conduct covers business ethics, workers' rights, human rights, environment and health & safety, consumer interests and community outreach. 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 such as a third party acting in behalf of ASSA ABLOY. It is based on the United Nations Universal Declaration of Human Rights and associated UN Conventions such as the United Nations Global Compact, the OECD 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 its full version in English, Spanish and Chinese, while a shortened version is available in 22 languages at [www.assaabloy.com/code](http://www.assaabloy.com/code).

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 full version of the Code of Conduct is given to all managers and union representatives. A 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.

For more information about the Code of Conduct implementation, please visit [www.assaabloy.com/code](http://www.assaabloy.com/code).

### 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 Code of Conduct and values. The ability to grow in a responsible way impacts on ASSA ABLOY's performance. Growing the business in new regions will remain an important part of the strategy for the foreseeable future.

The Code of Conduct includes a mechanism for whistle-blowing. During the year, the Group handled 11 (8) cases reported through the whistle-blowing function.

ASSA ABLOY complements the internal Code of Conduct compliance reviews with third party audits. These audits focus on working and social conditions, such as human rights, working conditions, labor rights, health and safety and compliance. In 2013, external audits were performed in Colombia and Czechia.



Read more about ASSA ABLOY's Code of Conduct at [assaabloy.com/sustainability](http://assaabloy.com/sustainability)

## Anti-corruption initiatives

ASSA ABLOY does not tolerate corruption. To further emphasize this position, the Group launched a program to prevent corruption.

In 2011, ASSA ABLOY launched its Anti-Corruption Compliance Program, and as part of the program, the Board of Directors adopted an Anti-Corruption Policy, which supplements and expands on the Code of Conduct in respect of anti-corruption.

Risk assessments, employee training, third-party compliance and reporting are essential components of the Anti-Corruption Compliance Program. Implementation of the Anti-Corruption Compliance Program is an ongoing process; the Group provides supporting tools,

while each division is responsible for implementing the Anti-Corruption Compliance Program.

During the year, the main focus has been to develop a third party due diligence process within each division. The process is to be used to evaluate whether to engage agents or other third parties to act on ASSA ABLOY's behalf. In addition, the Group continued to train employees in anti-corruption. According to ASSA ABLOY's training guidelines relevant new employees should receive anti-corruption training within three

months, and receive further training every three years thereafter.

All employees should be informed about who to turn to if they have questions or need of support in connection with the Anti-Corruption 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-Corruption Compliance Program is reviewed through the Group's established process for internal control, including self-assessment in all operating companies and internal audit. In addition, in 2013 specific anti-corruption compliance testing has been conducted at four operating companies.

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## Acquisitions – risks and opportunities

Acquisitions are important to ASSA ABLOY's growth strategy. The purpose is to expand into new geographic markets, strengthen the product offering, accelerate innovation and enable the Group to meet customer demand more rapidly.

With 111 acquisitions since 2006, ASSA ABLOY has established an efficient process for bringing new companies into the Group. This includes reviewing 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 reducing risks.

### The pre- and post-acquisition processes

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. The legal and operational phases include several sustainability elements.

The operational due-diligence phase not only helps ASSA ABLOY to decide whether to pursue the acquisition, but also to understand and plan the work that needs to be conducted if the acquisition is 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 perspective. This evaluation will determine whether there are any issues that need to be resolved, or whether the process should be terminated altogether.

Examples of potential issues include the use of chemicals, applications for permissions and legal compliance. If necessary, ASSA ABLOY brings in external 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 prefers to acquire sound companies that share the Group's values and business practices. Ensuring that acquired companies are smoothly integrated into the Group helps to reduce risk and contributes to success. Before an acquisition is completed, ASSA ABLOY shares its way of doing business with the new company, including the Group's Code of Conduct. Both parties benefit from knowing as much as possible about each other.

Before an acquisition is completed, ASSA ABLOY performs a desktop analysis of the target company's supplier base. Two categories are mapped; large 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

# Reporting principles

## In retrospect

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 and in 2011 the number of reporting units increased to 256.

Between 2011 and 2012, the number of entities reporting on sustainability increased from 256 to 293. Since 2012, the sustainability reporting includes water consumption, greenhouse gases and ozone-depleting substances. Also all sales companies and offices use applicable parts of the "factory" reporting form. It has brought improved coverage regarding e.g. waste generation, water usage and injuries.

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 eighth 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](http://www.assaabloy.com) and the annual Sustainability Report communicate to a wider public.

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

## Changes in reporting management

ASSA ABLOY introduced a new sustainability reporting system in 2013. It has facilitated the collection of data as well as the quality of data. The new reporting system is a further refinement of the reporting principles applied since 2009, making the sustainability reporting structure more aligned with the Group financial reporting. It supports sustainability management in all areas of operations.

As part of continued efforts to improve the quality of internal sustainability reporting, an analysis of certain units' reporting in 2013 has resulted in restatements of previously reported data. It concerns reporting of health and safety, water consumption, energy consumption and carbon emissions.

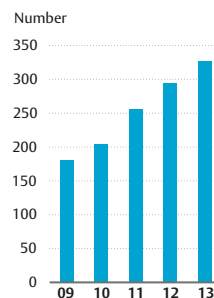
Compared to 2012, the number of entities reporting on sustainability in 2013 has increased from 293 to 327 due to acquisitions. The reporting units include sales units and offices. The number of reporting units has also been affected by the reduction in the number of factories and increased outsourcing.

Since 2012, all units report sustainability performance every six months (internal reporting). All together ASSA ABLOY has improved analysis capabilities and consolidation of data.

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

NUMBER OF REPORTING UNITS



As of 2010 ASSA ABLOY uses the same principle for calculating carbon emissions as in the annual Carbon Disclosure Project-report. 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<sub>2</sub> emission factors have been updated with respect to current international standards. In 2013, the historical numbers for energy consumption, CO<sub>2</sub> emissions, water consumption and health & safety, have been adjusted with proforma data.

## Global Reporting Initiative (GRI), 3.0

This report covers the 2013 reporting year. It covers all ASSA ABLOY operations, as well as those of our suppliers. For the reporting of indicators, the scope of 327 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 2013. 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 27–28).

ASSA ABLOY reports its sustainability performance annually. This is the eighth Sustainability Report. The most previous Sustainability Report, for 2012, was issued in April 2013.

## GRI audit

ASSA ABLOY has not submitted the sustainability report for 2013 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 2013 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) or at the Company's website (www). 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 2013  
 www = ASSAABLOY.com/sustainability

PROFILE	Page reference	Degree
<b>1. Strategy &amp; analysis</b>		
1.1 CEO statement	2	■
1.2 Description of key impacts, risks and opportunities	2–9, 25 AR 65–67	■
<b>2. Organizational profile</b>		
2.1 Name of the organization	22	■
2.2 Primary brands, products, and services	Front cover inside, 7, AR 19	■
2.3 Operational structure of the organization	22–23, AR 40–41	■
2.4 Location of organization's headquarters	Back cover	■
2.5 Countries where the organization operates	Front cover inside, 8–9, 24 AR 2–4	■
2.6 Nature of ownership and legal form	22, AR 68, 123	■
2.7 Markets	Front cover inside, 8–9, 24 AR 2–4, 44–45	■
2.8 Scale of the organization	Front cover inside, AR 24–29, 81	■
2.9 Significant changes during the reporting period	AR 63–64, 106	■
2.10 Awards received during the reporting period	24	■
<b>3. Report parameters</b>		
<b>Report profile</b>		
3.1 Reporting period	26	■
3.2 Date of most recent previous report	26	■
3.3 Reporting cycle	26	■
3.4 Contact point for questions regarding the report	Back cover	■
<b>Report scope and boundary</b>		
3.5 Process for defining report content	3, 21, 26	■
3.6 Boundary of the report	26	■
3.7 Specific limitations on the scope or boundary of the report	26	■
3.8 Basis for reporting on joint ventures, subsidiaries, etc	26	■
3.9 Data measurement techniques and calculation principles	26	■
3.10 Explanation of the effect of any restatements of information provided in earlier reports	Disclosed in footnotes on respective page, 26	■
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	26	■
<b>GRI content index</b>		
3.12 Table identifying the location of the Standard Disclosures in the report	27–28	■
3.13 Policy and current practice with regard to seeking external assurance for the report	26	■
<b>4. Governance, commitments &amp; engagement</b>		
<b>Governance</b>		
4.1 Governance structure of the organization	22–23 AR 68–75	■
4.2 The Chairman of the Board's role in the organization	AR 69, 71	■
4.3 Independent and/or non-executive board members	AR 70–73	■
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	16, 19, 21–22, 24, AR 68–69	■
4.5 Principles for compensation to senior executives	AR 70, 77, 108–109	■
4.6 Processes for avoiding conflicts of interests in the board	AR 70	■

PROFILE	Page reference	Degree
4.7 Processes for determining the qualifications of board members	AR 69–70	■
4.8 Mission, values, Code of Conduct, etc.	3–4, 24–25, AR 8–9	■
4.9 The board's monitoring of the sustainability work	22–23	■
4.10 Processes for evaluating the board's own performance	AR 69–70	■
<b>Commitments to external initiatives</b>		
4.11 Explanation of whether and how the precautionary principle is applied	20	■
4.12 Endorsement of external voluntary codes, principles or other initiatives	2, 20, 22	■
4.13 Memberships in associations	20	■
<b>Stakeholder engagement</b>		
4.14 List of stakeholder groups	19	■
4.15 Basis for identification and selection of stakeholders with whom to engage	19	■
4.16 Stakeholder engagement	3, 8, 16, 19–21	■
4.17 Key topics and concerns that have been raised through stakeholder engagement	3, 8–9, 19, 21	■
<b>5. Economic indicators</b>		
<b>DMA Economic performance; risk management, targets, policies etc.</b>	2–5 AR 1–10	■
<b>Economic performance</b>		
EC1 Direct economic value generated and distributed	19 AR 79, 83	■
EC2 Risks and opportunities for the organization due to climate changes	2–4, 6–7, 10–14, 21	■
EC3 Coverage of the organization's defined benefit plan obligations	AR 66, 103–104, 108–109	■
EC4 Financial assistance received from government		■
<b>Market presence</b>		
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	18	■
<b>Indirect economic impact</b>		
EC8 Infrastructure investments and services provided for public purposes	www	■
EC9 Significant indirect economic impacts, including the extent of impacts		■
<b>6. Environmental performance indicators</b>		
<b>DMA Environmental performance; risk management, targets, policies etc.</b>	2–7, 10–15, 22–23, AR 64, 67	■
<b>Materials</b>		
EN1 Materials used by weight or volume	11, 13–15	■
EN2 Percentage of recycled input materials		■
<b>Energy</b>		
EN3 Direct energy consumption by primary source	10–12	■
EN4 Indirect energy consumption by primary source	10–12	■
EN5 Energy saved due to conservation and efficiency improvement	10–12	■
EN6 Initiatives to provide energy-efficient or renewable energy based products/services	6–8, 10–12	■
EN7 Initiatives to reduce indirect energy consumption and results	6–8, 10–12	■

## Reporting

Fully reported ■

Partly reported ■

Not reported ■

AR = Annual Report 2013

www = ASSAABLOY.com/sustainability

PROFILE	Page reference	Degree
<b>Water</b>		
EN8 Total water withdrawal by source	13	■
<b>Biodiversity</b>		
EN11 Location/scope of land owned near protected areas/areas of biodiversity value		■
EN12 Impacts of products or operations on biodiversity		■
<b>Emissions, effluents &amp; waste</b>		
EN16 Direct and indirect greenhouse gas emissions	10–12	■
EN17 Other relevant indirect greenhouse gas emissions		■
EN18 Initiatives to reduce greenhouse gas emissions	6–8, 10–12	■
EN19 Emissions of ozone-depleting substances	11	■
EN20 NO, SO, and other significant air emissions		■
EN21 Total water discharge	13	■
EN22 Waste by type and disposal method	13–14	■
EN23 Number and volume of significant spills	14	■
<b>Products &amp; services</b>		
EN26 Initiatives to mitigate environmental impacts of products and services	3–15, 22–23, 25	■
EN27 Products sold and their packaging materials that are reclaimed		■
<b>Compliance</b>		
<b>Transport</b>		
EN29 Environmental impact of transports	12	■
<b>7. Social performance indicators</b>		
<b>DMA Social performance; risk management, targets, policies etc.</b>	3–5, 16–25	■
<b>Employment</b>		
<b>Employees</b>		
LA1 Total workforce by employment type, contract and region	16, 18 AR 109	■
LA2 Rate of employee turnover by age group, gender and region		■
LA3 Benefits provided to full-time employees	AR 94	■
<b>Labour/management relations</b>		
LA4 Percentage of employees covered collective bargaining agreements		■
LA5 Minimum notice period(s) regarding operational changes		■
<b>Health &amp; safety</b>		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees	17	■
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	17	■
LA8 Education, training, prevention and risk-control programs in place		■
<b>Training &amp; education</b>		
LA10 Average hours of training per year per employee		■
LA11 Programs for skills management and lifelong learning that support employees' career development	16, 18	■
LA12 Employees receiving regular performance and career development reviews	16	■
<b>Diversity &amp; equal opportunity</b>		
LA13 Composition of governance bodies and employees according to diversity indicators	18 AR 72–74, 109	■
LA14 Ratio of basic salary of men to women		■

PROFILE	Page reference	Degree
<b>Human rights</b>		
<b>Investment &amp; procurement practices</b>		
HR1 Investment agreements that include human rights clauses	25	■
HR2 Suppliers that have undergone screening on human rights, and actions taken	1, 8–9	■
HR3 Training and education of employees in human rights		■
<b>Non-discrimination</b>		
HR4 Total number of incidents of discrimination and actions taken		■
<b>Freedom of association &amp; collective bargaining</b>		
HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	8–9, 24–25	■
<b>Child labour</b>		
HR6 Operations identified as having significant risk for incidents of child labour and actions taken	8–9, 24–25	■
<b>Forced &amp; compulsory labour</b>		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	8–9, 24–25	■
<b>Society</b>		
<b>Community</b>		
SO1 Programs for evaluating the operation's impacts on communities		■
<b>Corruption</b>		
SO2 Business units analyzed for risks related to corruption	24–25	■
SO3 Employees trained in the organization's anti-corruption policies and procedures	24–25	■
SO4 Actions taken in response to incidents of corruption		■
<b>Public policy</b>		
SO5 Participation in public policy development and lobbying	ASSA ABLOY does not participate in lobbying.	■
SO6 Financial and in-kind contributions to political parties, politicians and related institutions	ASSA ABLOY does not give financial support to any political parties or representatives.	■
<b>Anti-competitive behaviour</b>		
SO7 Legal actions for anti-competitive behaviour	No such cases in 2013.	■
<b>Compliance</b>		
SO8 Monetary value of fines for non-compliance with applicable laws	No such cases in 2013.	■
<b>Product responsibility</b>		
<b>Customer health &amp; safety</b>		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	6–7	■
<b>Product &amp; service labelling</b>		
PR3 Type of products and service information required by procedures, and percentage of products subject to such information requirements	6–7, 9	■
PR5 Results related to customer satisfaction, including results of surveys	7, 19	■
<b>Marketing communications</b>		
PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications		■
<b>Compliance</b>		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	No such cases in 2013.	■



# 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<sub>2</sub> measurement of the impact of human activities on the environment, in terms of the amount of greenhouse gases produced.

**CO<sub>2</sub>**

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<sub>2</sub> 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.

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

[www.assaabloy.com](http://www.assaabloy.com)

**ASSA ABLOY**

ASSA ABLOY AB  
P.O. Box 70 340  
SE-107 23 Stockholm  
Sweden

Visiting address:  
Klarabergsviadukten 90  
Telephone +46 (0) 8 506 485 00  
Fax +46 (0) 8 506 485 85

### **Kohler Environmental Center Offers Green Living & Learning**

The Kohler Environmental Center (KEC) at Choate Rosemary Hall, a boarding school in Wallingford, Connecticut, is the first residential environmental immersion program in secondary education in the US. KEC has a clear mission to create a scholarly community dedicated to promoting environmental understanding, stewardship of the land, and social responsibility.

Designed by Robert A.M. Stern Architects, the KEC is a stunning 31,325 sq. ft, LEED Platinum certified facility, designed for net-zero energy efficiency, that includes dormitory rooms, faculty apartments, common spaces, classrooms, laboratories, and a state-of-the-art research greenhouse. The visible design elements include stone walls, cedar trim, and fiber cement plank siding, creating a rustic aesthetic for the building that blends with the meadows, wetlands and fields of its surroundings. But it's the invisible aspects of the green design that make the KEC a power unto itself – literally.

CURRIES Hollow Metal doors are installed as part of the building's highly efficient envelope. Dave Goetzinger, marketing manager, CURRIES, explains, "The best seal on a building can have a lost opportunity if the door and frame don't protect from heat transfer. The thermal break frame keeps that from happening." ASSA ABLOY hardware for the openings throughout the building include Sargent exits, mortise locks and door closers, McKinney hinges, Rockwood pulls and accessories and Pemko weather stripping. Also in place is a Medeco X4 key system.



Photo: Russel J. Corriveau

### **Contacts**

#### **Environmental sustainability:**

Stefan Tisell, ASSA ABLOY AB  
Director Production Processes and  
Environmental Sustainability  
[stefan.tisell@assaabloy.com](mailto:stefan.tisell@assaabloy.com)  
Tel: +46 (0) 8 506 485 00

#### **Social and ethical matters:**

Maria Romberg Ewert, ASSA ABLOY AB  
Senior Vice President Human Resources  
[maria.ewerth@assaabloy.com](mailto:maria.ewerth@assaabloy.com)  
Tel: +46 (0) 8 506 485 00