

Sustainability Report 2021

ASSA ABLOY

Experience a safer
and more open world



Accelerating towards
a sustainable future

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Recognition and memberships

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

We have participated in the Carbon Disclosure Project (CDP) since 2007. For 2021, the Group received a score of B- in the CDP Climate Change Program, and a score of C in the CDP Water Program.

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

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



Targets

In 2021, we made a very positive start against our targets in our sustainability program to 2025. We are working on setting our science-based targets, while already driving ambitious initiatives to realize our goal to halve emissions by 2030.

Read more on p. 10–11

Innovation

We continue to focus on sustainable innovation, developing more sustainable access solutions to meet the increasing demand from our customers, due to strong growth in green buildings.

Read more on p. 16–19

Operations

During 2021, we continued to drive initiatives to further make sustainability an organic part of our daily operations, resulting in improved resource efficiency.

Read more on p. 20–23

People

Our People are our most important asset. In 2021, the health, safety and well-being of our colleagues has been a key priority.

We are convinced that culture and leadership will enhance our organization and our people ahead.

Read more on p. 28–31



Highlights 2021

INJURY RATE

↓ **13%**

Our injury rate was reduced by 13%

WATER INTENSITY

↓ **23%**

The water intensity has decreased by 23%

ENERGY INTENSITY

↓ **14%**

The energy intensity has decreased by 14%

GREENHOUSE GAS EMISSIONS

↑ **2%**

The Group's total greenhouse gas emissions increased by 2% due to the higher activity level. However, compared to the base year 2019, the emissions have decreased by 17%.

SUSTAINABILITY AUDITS

861

The Group carried out 861 sustainability audits of direct material suppliers.

ENVIRONMENTAL PRODUCT DECLARATIONS

276

By the end of 2021 the Group had 276 Environmental Product Declarations verified and published.

➤ Improved health & safety performance

In 2021, the Group Injury Rate reduced by 20% compared with a 2019 baseline, as a result of increased focus on health & safety.

➤ Carbon footprint reduction

ASSA ABLOY has reduced its absolute carbon footprint by 17%, against a 2019 baseline.

➤ Reduced water consumption

During 2021, water intensity reduced by 24%, against a 2019 baseline.

➤ Dow Jones Sustainability Index Europe

ASSA ABLOY became a member of the Dow Jones Sustainability Index Europe. The index tracks the performance of the top 20% of the 600 largest European companies in the S&P Global Broad Market IndexSM that lead the field in terms of sustainability.



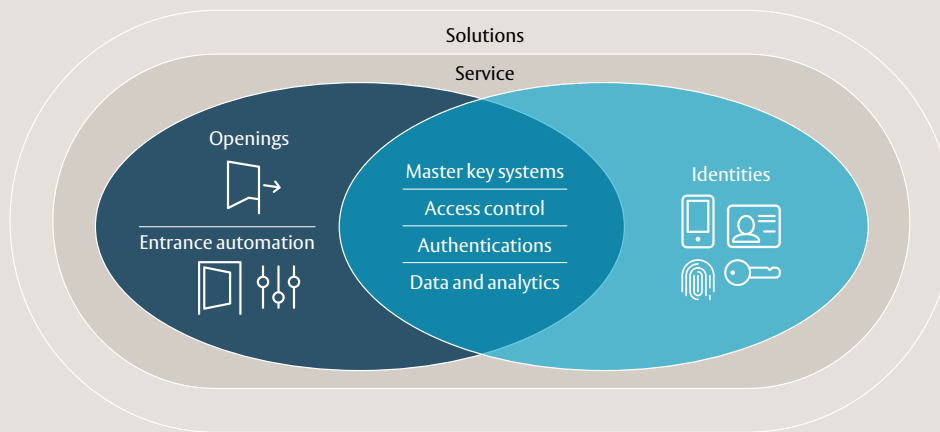
Who we are

The global leader in access solutions

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

Access solutions for every need

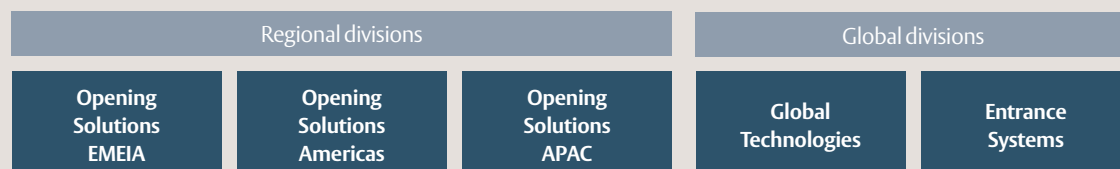
We offer a complete range of access solutions with market leading positions in areas such as mechanical and electromechanical locking, access control, identification technology, entrance automation, security doors, hotel security and mobile access. Our offerings are delivered both separately and together as part of a full-service access solution.



A decentralized organization

We are a global company with a uniquely decentralized business model that enables us to quickly meet and deliver on customer needs. Our local business units know local standards inside-out and optimize resources and products according to the local conditions and demand.

The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks, cylinders and security doors, adapted to the local market's standards and security requirements. The global divisions manufacture and sell access solutions, identification products and entrance automation in the global market.



Strong brands

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

ASSA ABLOY

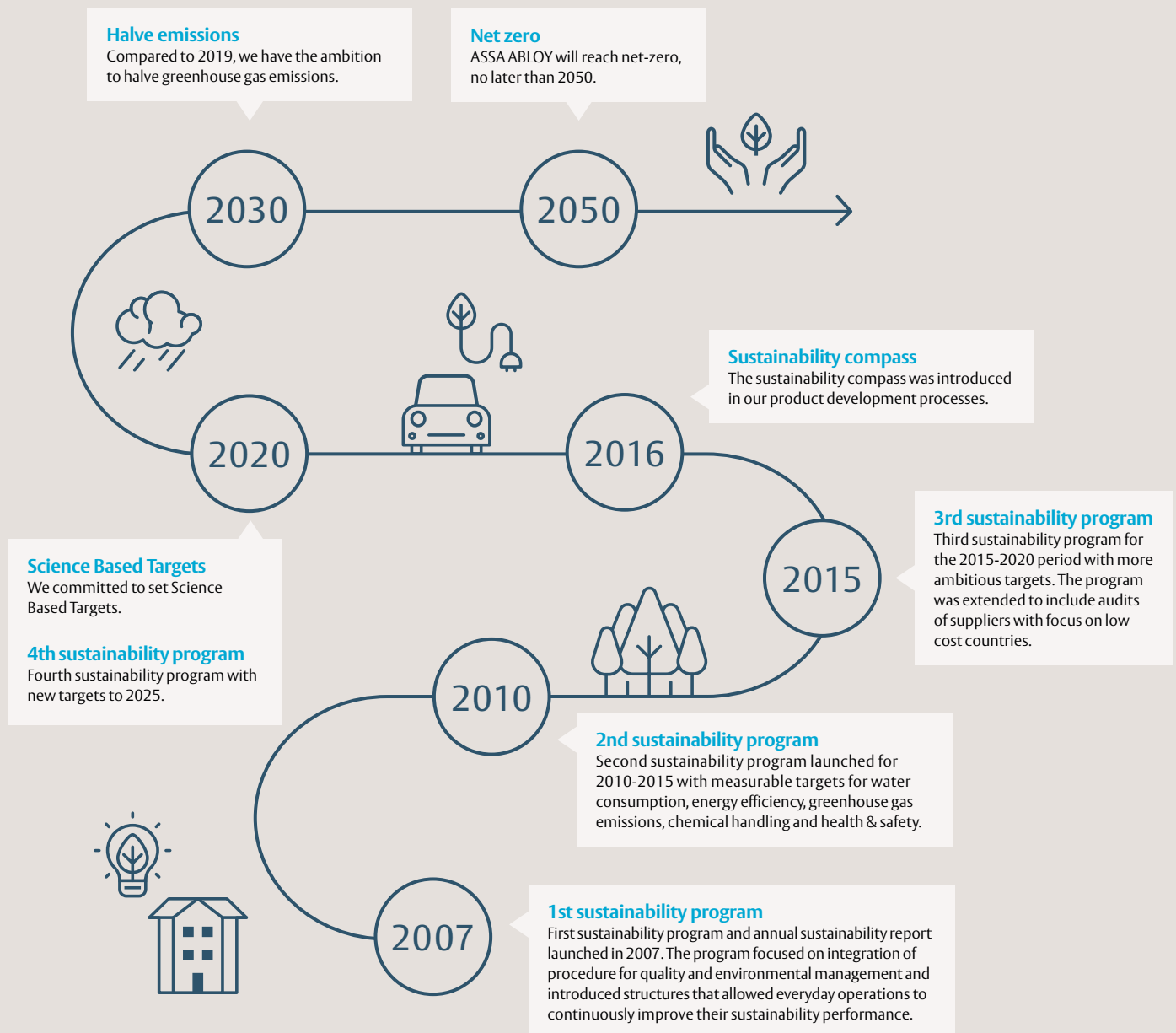
Group brand and employer brand

ASSA ABLOY

Master brands



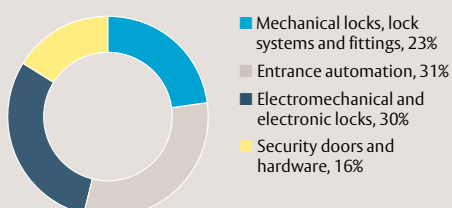
Our journey towards a sustainable future



Electromechanical on the rise

The Group sees fast-growing demand for electromechanical products, as well as electronic and digital solutions. Since 2011 these have sharply increased from 22% to 30% of Group sales. Mechanical products continue to increase, but electromechanical products are growing considerably faster.

Sales by product group



Together we create access

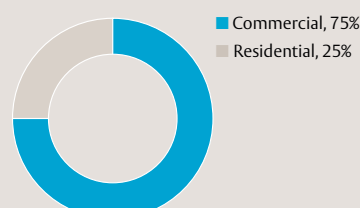
51,000
employees

>70
countries

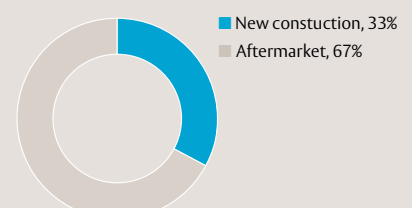
6%
of our employees
work in R&D

9,500
patents

Customer split



New construction/Aftermarket



Accelerating towards a sustainable future

During 2021 we increased our focus on sustainability, and made good progress in our sustainability journey. We were included in the Dow Jones Sustainability Index Europe for the first time, which is a recognition of our progress and our ambitions. We will continue to build on our sustainability actions, through a combination of focused initiatives and continuous improvements. Sustainability is closely aligned to, and is a positive enabler of our Group strategic objectives; our business strategy is also our sustainability strategy.

-13%

Reduced injury rate

-14%

Lower energy intensity

-23%

Improvement in water intensity

Our sustainability program

We have made good progress in our sustainability program and targets to 2025. We have developed a strategic action plan for each division, including focused activities and initiatives. The progress of the divisional action plans is reviewed on a quarterly basis to ensure we are on track to meet or exceed our targets.

In 2021, against our 2019 baseline, we reduced our water intensity by 24%, our waste intensity by 2% and our organic solvent intensity by 48%. This means we are set to meet our targets. These improvements are a direct result of our focused strategy and dedicated work.

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

Addressing climate change

The Group committed to set science-based targets in 2020 in line with a 1.5°C future; halving our absolute carbon emissions by 2030 and being net-zero no later than 2050. We are currently in the target setting process, which will include our Scope 3 emissions, and we look forward to announcing our targets during 2022.

Although we are still setting our targets, we are already firmly committed to halving our carbon emissions 2030. Energy consumption is one of the main sources of Scope 1 and 2 carbon emissions in our own operations. A global team is focused on our top 25 most energy and carbon intensive sites, to drive energy effectiveness and efficiency, and carry out major energy overhauls for our long-term strategic sites. These sites represent over 60% of our total Scope 1 and 2 emissions. All sites work on energy efficiency as part of their day-to-day. Sustainability, and a focus on energy, is a key pillar in our global operational excellence strategy. This ensures that sustainability and energy efficiency improvements are an organic part of our daily operations.

In 2021, we experienced a modest increase in our carbon emissions versus 2020, as we recovered from the Covid-19 pandemic. This was expected, as we experienced lengthy shutdowns in parts of our operations during 2020. Against our 2019 baseline, we have reduced our absolute emissions by 17%. This is a result of our initiatives to reduce energy consumption and to reduce the impact of carbon-intensive industrial processes.

During 2021, we started the process to report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). We carried out scenario analyses to qualitatively determine climate-related financial risks and opportunities for the Group. We will continue to build on our analysis and reporting.

Meeting the demand for sustainable solutions

Our new solutions are developed using our sustainable innovation tool, the Sustainability Compass. The increased focus on sustainable buildings is a growth driver and our investments in a sustainable product offering, with accompanying transparency and verification documentation, provide a good platform.

According to the World Green Building Council, buildings and the built environment are responsible for 38% of energy-related carbon emissions globally, as well as 50% of all extracted materials. In 2021, 'green' specification sales grew faster than other products, a trend that most likely will continue.

Ensuring the health and safety of our employees

The health and safety of our employees is our priority, where we aim to be an injury-free workplace. Through the roll-out of our health and safety program we are reducing the risk of injury by placing safety as the primary consideration for our employees at all levels of the organization.

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

Overall, I am pleased with the progress on our sustainability journey. We are on track to meet our targets and we will build on this momentum, through our strategic approach and focused actions. We are committed to leading our industry to a 1.5°C future.

Finally, I wish to thank all of our colleagues for their hard work and dedication during the year. I would like to thank all our customers, partners and shareholders for their trust and loyalty to ASSA ABLOY. Together we are accelerating towards a sustainable future.

Stockholm, 2 March 2022

Nico Delvaux
President and CEO

WE SUPPORT





We are committed to leading our industry to a 1.5°C future.



Read more
on page 10

2025

Our targets

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

2030

Science Based Targets

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

2050

Net zero

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



How we
create value

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

Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places. By responsibly using human capital, natural resources and capital, we continuously create sustainable value for our shareholders and wider stakeholders. Together we create value!



Our resources

51,000

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

2,800

employed in R&D working with our sustainable innovations

190

strong brands and diversified product portfolio

9,500

patents

130

efficient production and assembly facilities

~50,000

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

SEK 70 bn

in shareholder equity



How we operate

We are a global company with a uniquely **decentralized business model** with about 1,000 sites including more than 100 production facilities. We use a **multi-brand strategy** to leverage on our global and local strengths and to address different market- and customer segments and routes to market. Acquiring relevant businesses in order to continue our growth is a key part of our strategy.

Our strategic objectives

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

Our strategic objectives are executed locally, which gives a high level of autonomy in decision-making so we stay close to our customers.

Growth through customer relevance

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

Product leadership through innovation

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

Cost-efficiency in everything we do

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

Evolution through people

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

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

Together we are guided by our core values and beliefs



Empowerment
We have trust in people



Innovation
We have the courage to change



Integrity
We stand up for what's right



A
more
open
world



Value creation to stakeholders in 2021

Shareholders and investors

- Dividends and capital appreciation

SEK 4.3 bn

dividend paid

Employees

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

SEK 27.9 bn

in salaries and other remuneration

Customers

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

>400

new products launched

Suppliers and partners

- Technological development
- Stable partner

SEK ~45 bn

in supplier payments

Society

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

-17%CO₂

in total Carbon Footprint vs. 2019

Our offering

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



30%

Electromechanical products



31%

Entrance automation



16%

Security doors and hardware



23%

Mechanical locks

Our contribution towards the UN Sustainable Development Goals (SDGs)

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



ASSA ABLOY's contribution and progress



In order to reach ASSA ABLOY's overall goal of reducing its environmental impact, implementing water reuse and recycling systems, with a more efficient use and management of water is a critical step. During 2021 ASSA ABLOY decreased water intensity by 23% and water withdrawal by 10%. While 23% of total water consumption was recycled.

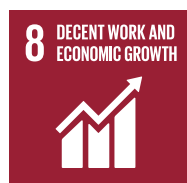
Progress indicator: CDP W1.2 & CDP W1.2b, CDP W5.1 & CDP W5.1a, CDP W8.1a & CDP W8.1b.

Progress indicator GRI: See GRI Index on page 50–51 for GRI progress indicator. Also, see Material KPI table on page 46.



As the global leader in access solutions, ASSA ABLOY is contributing to SDG 11 on making cities and human settlements inclusive, safe, resilient by offering sustainable products and services related to openings and entrance automation solutions. At the end of 2021, ASSA ABLOY had EPDs from all major product groups, which contribute points towards higher ratings in global green building certifications such as LEED and BREEAM. All new products are required to be developed using the Sustainability Compass, which focuses on optimising the environmental footprint during the whole product lifecycle.

Progress indicator: Sustainability Compass and Product Specific EPDs.



ASSA ABLOY promotes inclusive and sustainable economic growth by integrating sustainability into the sourcing processes. Labour rights, decent work with equal pay, health and safety and gender balance are key priorities at all levels throughout the Group and the supply chain. During 2021 ASSA ABLOY reduced energy and water intensity by 14% and 23% respectively. Women constituted 29% of all employees. ASSA ABLOY conducted 861 supplier sustainability audits, while 73% of all direct and indirect material supplier spend signed the Business Partner Code of Conduct.

Progress indicator GRI: See GRI Index on page 50–51 for GRI progress indicator. Also, see Material KPI table on page 46.



ASSA ABLOY has committed to adopting sustainable practices into its operations with a strong focus on resource efficiency and waste reduction through prevention, reduction, recycling and reuse. 73% of all direct and indirect material supplier spend covered by ASSA ABLOY's Business Partner Code of Conduct. In 2021 ASSA ABLOY conducted 861 (940) sustainability audits. At least 7% of the hazardous waste was recycled in 2021.

Progress indicator GRI: See GRI Index on page 50–51 for GRI progress indicator. Also, see Material KPI table on page 46.



ASSA ABLOY supports the intention of SDG 9 on resilient infrastructure, inclusive and sustainable industrialization and innovation by systematically exploring ways to reduce production materials, optimize product components and streamline production as well as transport methods. The Sustainability Compass is integrated into ASSA ABLOY's product innovation process, organically embedding sustainable design into the development of new products. During 2021 the overall energy consumption increased by 1%, and the proportion of energy sourced from renewable resources increased from 14% to 20%. The Group has Environmental Product Declarations (EPD) from all major product groups. During 2021 we invested 3.9 BSEK in R&D and we have some 2,800 R&D engineers.

Progress indicator: Sustainability Compass.



Continuous efficiency improvements in production processes reduces ASSA ABLOY's climate impact and is linked to SDG 13 on urgent action to combat climate change and its impacts by considering lifecycle environmental impacts of a product through more efficient resource use, and by applying the reduce reuse recycle principle. During 2021 the Group's total greenhouse gas emissions increased by 2% and the related intensity improved by 14%, driven by reduced energy consumption and re-design of CO₂ intensive production processes. The energy intensity has decreased by 13% during the year. The water intensity decreased by 23% during the year.

Progress indicator: CDP CC 2021.

Progress indicator GRI: See GRI Index on page 50–51 for GRI progress indicator. Also, see Material KPI table on page 46.

Performance and 2025 targets

During the year, we saw a positive progress towards the majority of our 2025 targets, against a 2019 baseline. We made strong improvements in our water and organic solvents intensity.

LINKED SDGs



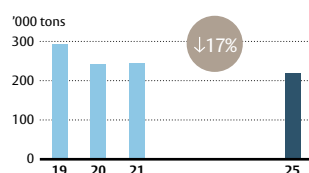
Operations

2025 TARGET

↓ 25%

Carbon footprint
(Scope 1 & 2, '000 tons absolute)

DEVELOPMENT



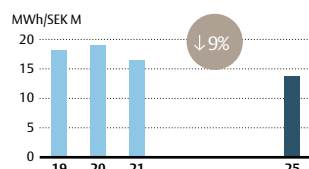
COMMENTS ON DEVELOPMENT

In 2021, there was a modest increase of 2% in CO₂ due to higher activity level. Against the 2019 baseline we have reduced CO₂ by 17%, due to focused energy efficiency and production process changes.

6
12
13

↓ 25%

Energy intensity (MWh/SEK M)

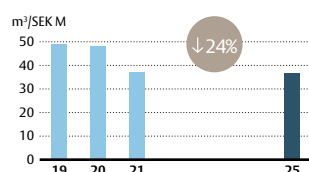


Energy intensity improved in 2021 by 14%, due to a combination of energy effectiveness and efficiency actions and increased production output resulting in higher value added.

8
12
13

↓ 25%

Water intensity (m³/SEK M)

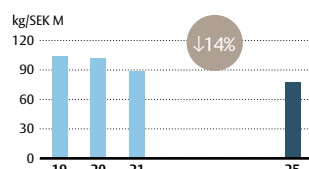


Water intensity reduced by 23% in 2021, this was a result of increased focus on water efficiency at our most water intensive sites and some upgrades in water infrastructure.

6
8
12

↓ 25%

Hazardous waste intensity
(kg/SEK M)

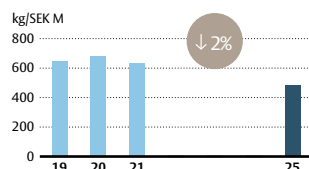


In 2021, hazardous waste intensity reduced by 12%. This was achieved through waste reduction initiatives, where production processes were further optimized to reduce waste generated.

6
12

↓ 25%

Non-hazardous waste intensity
(kg/SEK M)

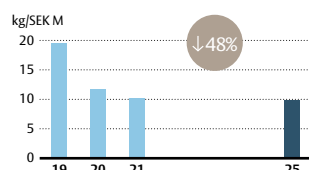


Non-hazardous waste intensity reduced by 7% in 2021. All sites follow the waste hierarchy, where avoiding waste generation is the priority, then reused or recycled as much as possible.

6
12

↓ 50%

Organic solvents intensity
(kg/SEK M)

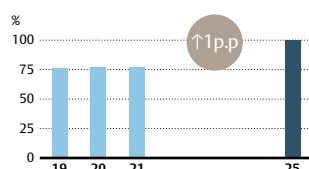


In 2021, organic solvents intensity reduced by 13%. This is a result of several projects to convert to water-based paint in out door operations.

6

100%

ISO 14001 – % sites certified in reporting scope¹



In 2021, 77% of our sites defined as requiring ISO 14001 were certified. We continue to roll-out ISO 14001 to all relevant sites.

12



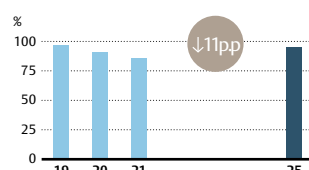
Supply Management

2025 TARGET

95%

Supplier sustainability audits
(% of direct material spend²)

DEVELOPMENT



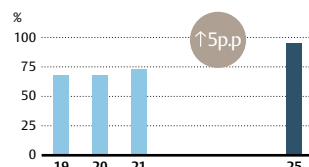
COMMENTS ON DEVELOPMENT

In 2021, 86% of our relevant direct material suppliers by spend have been audited with our supplier sustainability audit. Covid-19 impacted our ability to conduct onsite audits during the year.

8

95%

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



In 2021, 73% of our direct and indirect material suppliers by spend have signed our Business Partner Code of Conduct. We are continuing to roll this out to our indirect suppliers.

8



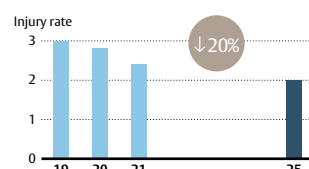
People

2025 TARGET

↓ 33%

Injury rate (number of injuries
per million hours worked)

DEVELOPMENT



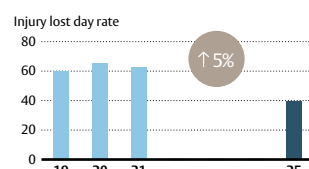
COMMENTS ON DEVELOPMENT

Our injury rate reduced by 13% in 2021, thanks to the continued roll-out of our health & safety program. The health & safety for all employees and stakeholders is a key priority.

8

↓ 33%

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

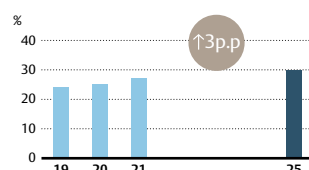


Our injury lost day rate reduced by 4% in 2021. We are continuing to investigate the cause of injuries resulting in lost days, and identifying and implementing safety improvements to reduce the risk of injury.

8

30%

Gender diversity (% of females
in management positions)



Diversity and inclusion is a key focus for the Group. The portion of females in management positions increased to 27% in 2021.

8



SEE ALSO SUSTAINABILITY DATA TABLES ON PAGE 46–49

¹ Acquisitions will be given 3 years to become certified.

² Spend in identified risk countries.



Our strategic direction

Our strategic objectives guide us, growth through customer relevance, product leadership, cost-efficiency in everything we do, and evolution through people. Our strategic objectives and the mission to conduct business in an ethical, compliant and sustainable way form the basis for our sustainability work. Our business strategy is our sustainability strategy.



New products are evaluated from a lifecycle perspective.

As the global leader in access solutions, sustainability is increasingly important for identifying and managing business opportunities. A strong brand and good reputation, supported by acting responsibly, will facilitate our growth.

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

Actions to improve performance

Each division has identified its greatest sustainability impacts, and developed an action plan to mitigate these impacts as part of the Group-wide 2025 targets. ASSA ABLOY's

sustainability management has set the following priorities:

- Targets for all sustainability KPIs, covering all entities and the Group
- Coordinated implementation of environmental management systems and systematic follow-up
- Focused workstream on energy effectiveness identifies energy improvement opportunities for our top 25 most energy-intensive sites and is a dedicated forum for rapid knowledge sharing
- Increased capabilities for data analysis and benchmarking
- Continued focus on developing more sustainable products
- Implementation of Group Health and Safety program
- Implementation of higher standards in our supplier sustainability audits to reduce risk in our supply chain and support suppliers on their sustainability journey
- Dedicated working groups to drive projects and initiatives to reduce water consumption and waste generation.

Sustainability in the value chain

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

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

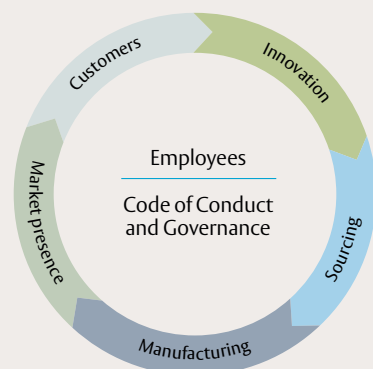
Sourcing Every year, the Group purchases a considerable amount of material, components, and products from about 8,900 direct material suppliers around the world at a value of more than SEK 29 billion. All suppliers are evaluated from a sustainability perspective.

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

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

Customers Our 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 lifecycle. Our customers are large institutional and commercial customers (within healthcare, education, retail, hospitality, office buildings, and industry), small and medium-sized customers (offices, stores), and residential customers (apartments, houses). Examples of our distribution channels include security systems integrators, locksmiths, security installers, building and lock wholesalers, retailers, DIY, hardware and security stores, original equipment manufacturers, and door and window manufacturers.





Materiality analysis and sustainability priorities

In 2021, ASSA ABLOY's Sustainability Council reviewed our materiality analysis in accordance with GRI Standards. The review concluded that the materiality analysis carried out in 2018 is still relevant and did not require updating.

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



SEE ALSO SUSTAINABILITY DATA TABLES ON PAGE 46–49

Strategic partnerships

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

Addressing climate change

According to the United Nations, climate change is one of the biggest threats we face globally. ASSA ABLOY has made a long-term commitment to address climate change by committing to set science-based targets. This will further improve our competitiveness and resilience as an organization.



Part of the process to set our science-based targets is to carry out a full carbon inventory of our entire value chain.

In October 2020, ASSA ABLOY committed to setting science-based targets aligned to the most ambitious aims of the Paris Agreement; to halve carbon emissions no later than 2030, reaching net-zero no later than 2050. As the global leader in access solutions, we have a responsibility to lead our industry by committing to and delivering on the reduction target level needed. ASSA ABLOY is firmly committed to playing its part in addressing climate change.

Although we have not formally set our science-based targets yet, we are already accelerating our carbon reduction. Before committing to set science-based targets we spent a full year analyzing and understanding what would be required to reduce our Scope 1 & 2 emissions by half by

2030, developing a multi-pronged strategic approach to achieve the targets.

This includes a top-down approach, where we focus on our 25 most energy and carbon-intensive sites across the Group; these sites make up over 50% of our CO₂ footprint. We aim to carry out major energy and carbon overhauls of the long-term strategic sites in our top 25 sites, which will significantly reduce our emissions. Over the last two years we revised our operational excellence strategy, making sustainability one of the key pillars, effectively embedding sustainability as a natural part of what we do at our sites every day. In our bottom-up approach, we identify and target energy effectiveness and efficiency improvement opportunities.

Our manufacturing footprint program (MFP) is a long-term program where we consolidate sites with a duplication of processes, to make our operations more efficient. This program also delivers a significant carbon footprint reduction. All of these approaches combine to make up our multi-pronged strategic approach to achieving our 2025 and 2030 carbon reduction targets.

Part of the process to set our science-based targets is to carry out a full carbon inventory of our entire value chain. This includes our Scope 3 emissions, everything outside of our own operations, from our raw materials, logistics and transport, employee travel and commuting to our products in-use and end of life. We are currently building the Scope 3 inventory and will set an ambitious reduction target, as part of our science-based targets.

EU Taxonomy

During 2021 we conducted several reviews of the established and emerging legislation of the EU Taxonomy green classification system. In the Taxonomy Report Technical Annex 1, under Climate Change Mitigation we interpret our relevance in section 3.5. Manufacture of energy efficiency equipment for buildings; relating to "doors with U-value lower or equal to 1.2 W/m²K". We deem our turnover from doors,

where insulation is relevant, to be Taxonomy eligible. In 2022 we will measure the percentage of our eligible revenue that is Taxonomy aligned, which will be disclosed in our Sustainability Report 2022.

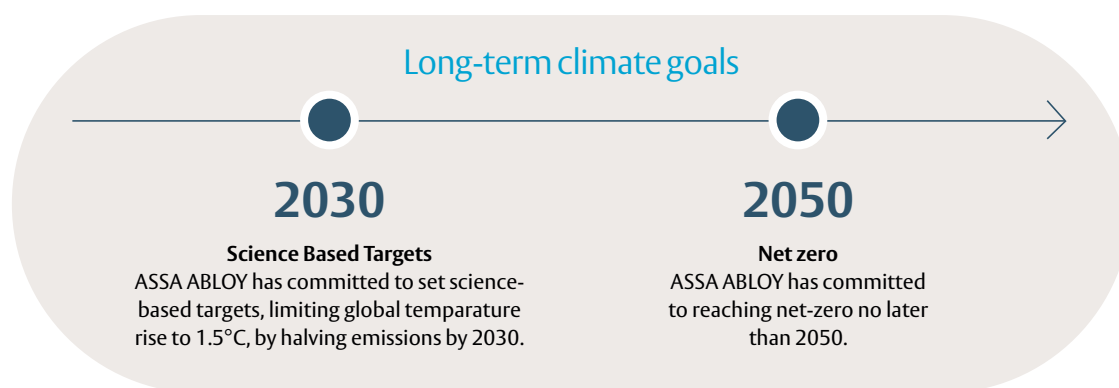
The EU Taxonomy is an evolving legislation, we will continue to monitor its development and prepare to disclose against the Taxonomy accordingly.

KPI	Total (MSEK)	Eligible %	Non-eligible %
Turnover	95,007	20.2%	79.8%
CapEx ¹	2,909	11.7%	88.3%
OpEx ²	4,233	2.4%	97.6%

Definitions:

¹ The Taxonomy Capital expenditures (CapEx) include: Property, plant, equipment, buildings and all other tangible fixed assets, according to IAS 16; purchases and acquisitions. Intangible fixed assets, excluding goodwill, according to IAS 38; purchases and acquisitions. Right-of-use assets, according to IFRS 16; new leases and acquisitions.

² The Taxonomy Operational expenditures (OpEx) include: Research and development costs. Costs for building renovation measures. Costs for repairs and maintenance of plant, machinery, equipment etc. Short-term lease costs



Task Force on Climate-related Financial Disclosures (TCFD)

In 2021, ASSA ABLOY carried out a gap analysis to identify any areas requiring additional focus to be able to start reporting in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). This is the first time we have done this reporting, and we will continue to evolve our management and processes to fully align with the TCFD. We are firmly convinced the TCFD framework will enable us to identify and navigate climate-related financial risks and opportunities.

We carried out our first climate scenario analysis during the year. The analysis reviewed the risks and opportunities to 2030 and 2050, of Market and Technology, Reputation, Policy and Regulation, and Physical Risks. The two different

climate scenarios we reviewed were developed by the UN International Panel on Climate Control (IPCC): RCP¹ 6 and RCP 2.6.

RCP 2.6, called Realizing the Paris Agreement, is a scenario where emissions decline rapidly over the coming decades, resulting in a temperature increase up to 2.3°C warmer by the end of the century.

RCP 6, called The Rocky Road, is a scenario where emissions are slowly declining and not to the level required, resulting in a temperature increase up to 3.7°C warmer by the end of the century.

¹ Representative Concentration Pathway.

Scenario analysis

In 2021, in the context of TCFD-reporting we carried out our first climate scenario analysis. The analysis reviewed risks and opportunities relating to two different climate scenarios and how they could impact ASSA ABLOY's business in 2030 and 2050. The outcomes are summarized in the blocks below.

The Rocky Road – RCP 6

Temperature increases between 2–3.7°C

Increased extreme weather events
 Fossil fuel-generated energy, poor air quality
 Forced migration
 Increased areas of water stress
 Ocean levels rise



Risks

- Coastal factories at risk of flooding
- Supply chain uncertainty
- Materials availability
- Customer expectation
- Ability to get insurance
- Higher costs for emissions

Opportunities

- Producing locally, a competitive advantage
- Increased solution requirements
- Technology will be a solution enabler
- New markets
- Increased focus on security

Realizing the Paris Agreement – RCP 2.6

Temperature increases between 0.9–2.3°C

Lower frequency of extreme weather events
 Large-scale installed renewable energy
 Robust energy legislation and carbon taxes
 High energy effectiveness and efficiency



Risks

- Availability of low-carbon materials
- Need to upgrade and retrofit older sites
- Carbon taxes and market regulations
- Customer expectation
- M&A in higher risk geographies
- Energy quality and availability

Opportunities

- New solutions reducing customers environmental footprint
- Transition to circular economy
- Local production will be an advantage
- Increased resource efficiency

Sustainable innovation

The demand for sustainable access solutions is increasing due to strong growth in green buildings and more sustainable urban environments. ASSA ABLOY aims to lead the industry towards a sustainable future by offering more sustainable products. To accomplish this, we have included sustainable innovation as one of 10 strategic actions in our innovation strategy.

Target to 2025

Targets pending the Science Based Targets process

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

Progress in 2021

Our strategic goal for innovation in 2025 is that ASSA ABLOY continues to be perceived as the most sustainable company in our industry. To benchmark our progress, we utilize the Dow Jones Sustainability Index World, a key reference point in ESG indices. To help achieve this ambitious goal, all newly released products should have a sustainability value proposition.

In 2020, we committed to the Science Based Targets initiative. From an innovation perspective we prioritize scope 3 emissions which represents a large proportion of our total CO₂ footprint. Our efforts focus on reducing the energy consumption of our products during their lifetime, while in operation and in standby mode. We also need to take responsibility for the end-of-life phase of our products by ensuring that disposal or recycling is done in a sustainable way.

New tools and knowledge related to materials allows us to minimize overall material use and maximize the use of recycled material. Reducing the amount of carbon-intensive

raw materials used in our products is another measure. During the year we also aligned the way we measure energy consumption throughout the Group. Having standardized energy measurements helps our development teams improve the energy efficiency of our products.

To further encourage our customers to achieve their sustainability targets we are strengthening our ability to help clients achieve green building certifications like BREEAM and LEED. In 2021 we developed a training program for our marketing and sales teams that clarifies the benefits for our customers and the implementation of products with Environmental Product Declarations (EPDs).

Sustainability Compass

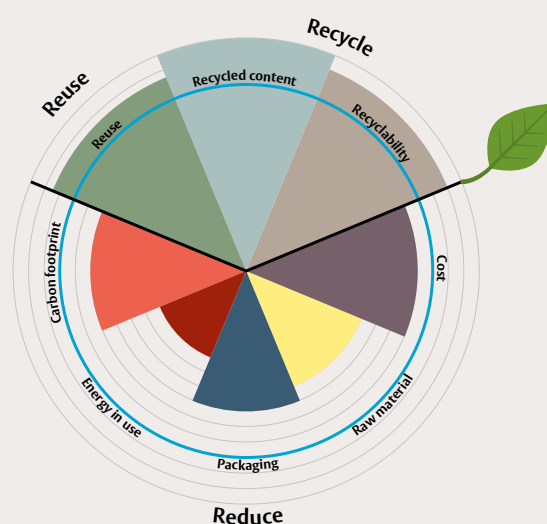
Our Sustainability Compass is used to assess a variety of environmental attributes for new products. We prioritize implementation of the compass and follow up on progress in global key performance indicators (KPIs). The Sustainability Compass is an important part of the innovation process and mandatory in our product management training. Today, a majority of our product managers and innovation teams have been trained and are comfortable using the compass to improve their product portfolio. Each division is responsible for training all employees involved in the innovation process.

Digitalization, with energy-intensive technologies like the Cloud and Artificial Intelligence (AI), along with an increase in

ASSA ABLOY's Sustainability Compass

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

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





data centers, represents a growing concern for the environment. To address this, we began developing an enhanced version of the Sustainability Compass in 2021. When developing the new compass, we visualized the infrastructure of a typical ASSA ABLOY access solution to identify critical areas for energy savings. When completed, the enhanced sustainability compass will help software development teams assess the implications of different solutions. This will guide us in making fact-based decisions regarding critical areas like communication protocols, infrastructure and firmware.

Material compliance

To assure compliance with sustainability regulations for substances of concern and restricted materials, ASSA ABLOY constantly monitors international legislation for materials and substance content.

To simplify the material selection process, we are working with two lists: one list with materials that should be avoided and another list that provides guidance on the best choice from a sustainability perspective. These lists also guide our sourcing organization and our suppliers.

The list is aligned with international and European legislation and directives such as REACH, RoHS, California proposition 65 and US Conflict Minerals Law. During 2021 we complemented the list with the US Toxic Substance Control Act (TSCA) of restricted and declarable substances.

The ASSA ABLOY Materials Reference Sheet works in harmony with the Sustainability Compass and helps designers make better environmental choices when

developing new products. We continue to develop the list of restricted materials by adding or removing recommended materials and following the scientific development in the field of substances of concern.

Third-party verification

Greenwashing practices can make it difficult for customers to identify truly responsible building products. Third-party verifiers like GreenCircle Certified help audit and validate claims made around the sustainability attributes of our products and solutions. Third-party verified Environmental Product Declarations (EPDs), Health Product Declarations (HPDs) and Declare Labels, add a level of accountability as well as trust for the customer.

Internal sustainability awareness

Sustainability is a continuous journey within the company and awareness and knowledge is something we work with every day. Our Very Green Book outlines our policies and goals within sustainability.

In 2021 we defined two new goals for sustainable innovation:

- All development projects should have a sustainability compass indicating improvements that will reduce our environmental footprint.
- One third of the Group's total sales should come from products that have a supporting EPD or LCA. EPDs and LCAs are not applicable for services and software and are therefore not included.



Our goal for 2025 is that ASSA ABLOY continues to be perceived as the most sustainable company in our industry.



ASSA ABLOY was a leading participant and an active contributor that met a challenge with a clear solution and compatible products at Sonoma.

Photo: © Celso Rojas 2021

The Green Team Playbook helps our sites to measure the efficiency and sustainability of their operations and develop action plans to reduce waste as well as the use of energy, water and materials while tracking cost savings. These guidelines are being rolled out throughout the organiza-

tion. Our intention is to develop a standardized sustainable assessment process throughout the Group to guide and promote a sustainable culture within ASSA ABLOY.

Growing market for sustainable and resilient products

The demand for more sustainable and resilient products, including environmental and material transparency, is driven by the strong growth in green buildings and more sustainable urban environments around the world. The market for green certified buildings is expected to grow faster than the market in general.

A 2021 Forbes market report indicates that 47% of executives in engineering and construction globally believe sustainability to be top-of-mind or a major concern.

Climate change and more extreme weather conditions further emphasize the need for robust and reliable products. This includes dependable products that can withstand severe rain, hurricanes, fire and extreme temperatures. Robust solutions tend to be more sustainable thanks to their increased life expectancy.

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

Sustainable building solutions – a key differentiator

The Royal Institution of Chartered Surveyors (RICS) annual sustainability report indicates that 60% of building owners and investors globally saw an increase in demand for sustainable buildings in 2020 and 2021. Despite the economic distress caused by Covid-19, just 5% of respondents noted a fall in demand for sustainable buildings.

On a global level, over 40% identify client, stakeholder and customer demand as one of the principal drivers for green buildings demand.

According to the 2018 Dodge Data & Analytics World Green Building Trends report, a perceived higher cost of a product is the largest obstacle to green building. Therefore, it is important to offer innovative and sustainable solutions at little to no additional cost to the customer. As the industry continues to become more competitive, EPDs make our products more attractive because they help our customers to achieve higher ratings in their green building certification.

Sustainability is the key driver of innovation

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

1 Viewing compliance as opportunity

2 Making value chains sustainable

3 Designing sustainable products

4 Developing new business models

5 Creating next practice platforms

Stage 1: Viewing compliance as opportunity

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

Stage 2: Making value chains sustainable

The entire value chain needs to be looked at, not only raw materials but optimizing the environmental impact of a product across its entire lifecycle.

Stage 3: Designing sustainable products

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

Stage 4: Developing new business models

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

Stage 5: Creating next practice platforms

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

Environmental and Health Product Declarations

Our customers are increasingly assessing the environmental impact of building materials, and ASSA ABLOY continuously works to declare products with both EPDs and HPDs where applicable. In many cases the purchasing decision and path to achieve LEEDv4 and other certifications are based on information from EPDs. By the end of 2021 the Group had 276 EPDs from all major product groups.

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

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

Significant attention will continue to be placed on the health and wellness of a building's occupants, with programs such as WELL, Fitwel, and the Living Building Challenge. The building's footprint will continue to be considered, especially with the push for Zero Net Energy. Building resiliency will also come into view, given natural disasters and climate change conditions.

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

Future possibilities

The strong growth in green buildings accelerated by technology and the efforts to improve building efficiency is embodied in the emergence of smart cities and smart buildings. Driven by technologies like AI, Internet of Things (IoT), 5G and data analytics as enablers, future smart buildings will be intelligent and responsive. Many of the smart building attributes are also sustainable by nature, for example self-learning capa-

bilities that optimize energy usage and adapt to conditions inside as well as outside the building.

This includes smarter door solutions that powered by IoT are able to report their status to provide opportunities to dramatically reduce energy consumption. Connected devices supply data about how doors in various applications are opened and closed. These data patterns can be used to change user behavior to maintain a consistent indoor temperature, helping to reduce energy usage and make buildings more efficient.

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

We see increasing interest in ASSA ABLOY Insights, our recently launched IoT platform that offers customers deep insights on door performance, usage and remote error notifications. This allows for higher service efficiency, increased uptime, and reduced maintenance costs. In addition, ASSA ABLOY Insights helps with improved ventilation control, air quality, and real-time energy calculations.

Building Information Modeling

Building Information Modeling (BIM) allows hardware and architectural consultants to produce complete opening models with door, frame and hardware specifications. Environmental data about buildings is shared with customers through BIM, EPDs and the use of digital collaboration tools.

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



By the end of 2021 the Group had 276 EPDs from all major product groups.

Reducing complexity

Challenge:

The goal was clear: design the most innovative hospitality access solution to date with sustainability in mind.

The design wish list was extensive: complexity reduction with added functionality, new material that could withstand harsh outdoor environments, options for those hoteliers who do not wish to use batteries. And a beautiful new look to go with that lower carbon footprint.

Solution:

We have developed an aesthetically attractive product with a modern and powerful electronics platform that supports today's stringent security requirements. Using aluminum as the base material for the lock, the unit weight was significantly reduced, with positive environmental impact on the global supply chain.

Complexity reduction is impressive as this single new lock replaces 16 models of the previous version. This simplifies the entire value chain, from inventory on our side to order entry process and spare parts required for our customers.

Result:

The sustainability compass is always useful to make sure we understand and track our sustainability goals and progress in all areas that may have impact on our products and solutions. Here are some highlights from the VingCard Novel:

- 32% reduced product weight for a complete lock by using aluminum
- 50% reduced installation time when comparing with our most sold offline lock
- 66% reduced installation time when comparing with our most sold online lock
- 100% recyclable aluminum lock trim



Sustainable operations

ASSA ABLOY is working globally to accelerate the shift towards a sustainable future. Through our sustainability program and a commitment to set science-based targets, we will leave a more positive footprint on the planet.

Targets to 2025

–25%

Carbon Footprint – absolute

–25%

Energy intensity

Buildings and the built environment are responsible for 38% of energy-related carbon emissions globally, as well as 50% of all extracted materials¹. Our industry has an important role to play to mitigate carbon emissions, while ensuring a responsible and more circular use of materials and resources and ASSA ABLOY is committed to being a responsible global citizen.

It is important for us to play our part in mitigating climate change, in line with the latest scientific input from climate science. ASSA ABLOY has committed to setting science-based targets. The Group's targets are aligned to the Paris Agreement, limiting a global temperature increase to 1.5°C, by halving absolute carbon emissions by 2030 and reaching net-zero no later than 2050.

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

Sustainability is embedded in our day-to-day operations. We established our first sustainability program in 2007, followed by successive five-year sustainability programs between 2010 and 2020. We have learned valuable lessons from our previous programs and take this with us in our ambitious program to 2025 and long-term climate commitments. We know that we need to be humble, innovative and open to change. We also know that we cannot undertake this journey alone but will need to collaborate with others, share our experiences and learn from others.

Environmental risk and challenges

ASSA ABLOY's continued growth presents us with significant opportunities. At the same time, growth in regions with greater fossil fuel intensive energy mixes, as well as water scarcity, pose potential risks and challenges that must be managed. Energy consumption, carbon emissions and water consumption are the cause of our most significant environmental impacts; these environmental risks extend to our supply chain. Geographic expansion also requires that environmental risks and challenges associated with transportation must be overcome.

Our initial work and progress with the Task Force on Climate-related Financial Disclosures (TCFD), will enable us to determine the climate-related financial risks and opportunities, while we also further analyze our risk to the environment and climate change; a double materiality perspective.

Environmental risk management

ASSA ABLOY mitigates environmental risks by certifying all of its factories with significant environmental impact in accordance with the ISO 14001 environmental management system. In 2020, all our entities were analyzed to establish which ones needed to be ISO 14001 certified. The majority

of the relevant remaining entities will be certified by the end of 2024. New acquisitions coming into the Group will have three years to become certified. A variety of ongoing programs also aim to optimize the use of resources and mitigate the associated risks. We have further developed our restricted materials list containing materials and substances that should be avoided in manufacturing processes and products.

Supply chain management

Environmental performance within the supply chain is essential to our overall risk management. We have a comprehensive platform to monitor individual supplier risks and performance, in particular through audits of identified risk suppliers. A total of 861 such audits were conducted in 2021.

Products

It is important for us to identify risks associated with product impact and resource consumption throughout the lifecycle of a product. When developing new products, we use the ASSA ABLOY Sustainability Compass – to measure several sustainability aspects. Read more on page 16 about how the ASSA ABLOY Sustainability Compass is used to mitigate impacts.

Environmental priorities

Our environmental priorities are to:

- Reduce the Group's carbon footprint
- Coordinate the implementation of environmental management systems
- Enhance data analysis and benchmarking
- Improve water and waste management
- Reduce energy consumption and increase the proportion of renewable energy
- Phase out organic solvents

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

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

Environmental compliance

In 2021, we received two environmental fines totaling 960 kSEK. The fines were linked to non-compliance in post-production operations, which were rectified in line with environmental regulations in a timely manner. Ensuring environmental compliance is a priority for ASSA ABLOY. We have rigorous processes in place to ensure we are in compliance with environmental regulations; in the rare circumstance we are in breach of an environmental regulation, we act swiftly to mitigate the non-compliance.

¹ Source: World Green Building Council
<https://worldgbc.org/WGBW2021>



Energy and carbon emissions

Energy consumption and carbon emissions

The increase in global greenhouse gas emissions is a key cause of climate change. The majority of ASSA ABLOY's Scope 1 and 2 carbon emissions are linked to energy consumption and materials used in our manufacturing processes. It is important for ASSA ABLOY to reduce its overall carbon footprint to play our part in mitigating climate change and achieving our ambitious climate targets. Working towards halving emissions by 2030 and reaching net-zero no later than 2050 will make ASSA ABLOY a more competitive company and ensure we leave a positive future footprint.

Energy Efficiency

Our approach to energy efficiency

Ensuring energy efficiency and effectiveness is an opportunity to reduce our global carbon footprint and associated costs. Being a decentralized Group, it is essential to have a strategic approach to improvement actions.

ASSA ABLOY has a three-tiered approach to energy and sustainability improvements that plays an important role in ensuring ASSA ABLOY achieves its goals to 2025. This includes a 25% reduction in energy consumption, as well as the long-term goals with science-based targets:

1. Top-down, Globally focused team for the 25 most energy intensive sites

A cross-divisional global team collaborates on energy effectiveness projects at our most material sites, representing more than 60% of the Group's total energy consumption.

2. Bottom-up, Operational Excellence

Sustainability is a key foundation of the Group's operational excellence strategy. This ensures that sustainability and energy efficiency are a natural part of our operations strategy and our activities at all production sites in the Group globally.

3. ASSA ABLOY Green Team Playbook

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

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

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

Intelligent logistics

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

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

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

Targets to 2025

-50%

Organic solvents intensity

100%

ISO 14001 – % sites certified in reporting scope*

* Acquisitions will be given 3 years to become certified.

Organic solvents and surface treatment

The Group uses various types of organic solvents, primarily for painting. If organic solvents are mismanaged or not contained in the correct way, they can pose a risk to health and may cause environmental contamination. The total organic solvents intensity for comparable units decreased by 13% to 10kg/SEK M value added in 2021.

Environmental management systems

Our objective is for all units with a significant environmental impact to have an ISO 14001 certified environmental management system. As new companies are acquired, such systems are gradually introduced if they are not already in place, with new acquisitions given three years to become certified where required. In 2021, 77% of required sites were certified with ISO 14001, a change of 1% compared to 2020.

Water management

Targets to 2025

-25%

Water intensity

-25%

Hazardous waste intensity

-25%

Non-hazardous waste intensity

Water scarcity and the lack of clean drinking water is a major concern in many parts of the world. Irresponsible disposal of waste poses a major pollution risk and threat to biodiversity, both on land and in our oceans. To minimize our water footprint, we promote water awareness and conservation across all sites. We also implement water recycling systems and closed loop systems to promote water efficiency in our more water-intensive facilities.

During 2021, water withdrawal decreased by 10% and water intensity by 23% as a result of improvement activities and a changed production mix. Water is primarily consumed through painting, plating and cleaning processes. Twenty such entities, located mainly in the United States and China, account for more than 63% of our total water consumption.

Our water reduction target to 2025 is 25%, which will be a challenge as we have already substantially reduced our water footprint. To achieve this target we will need to be innovative in our approach to find new ways to be even more water efficient.

In 2021, our total water withdrawal amounted to 1,479,988m³, of which 53% was sent to municipal treatment plants after use. Water recirculation in wastewater

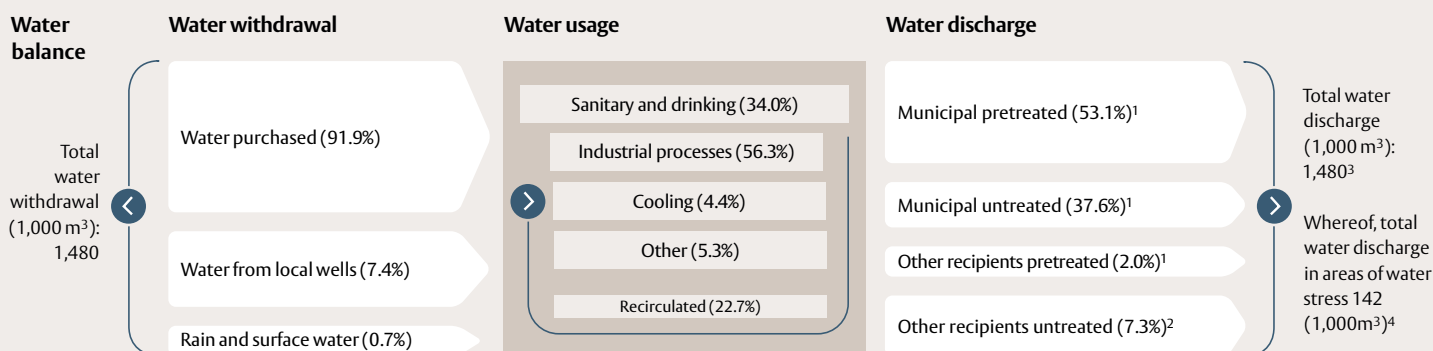
treatment plants improves efficiency, and in 2021 the total amount of recycled water equated to 23% of the total water consumption. All discharges are monitored in accordance with local regulations, and all units that manage chemicals are properly licensed and registered with the local authorities. This helps ensure the water quality of receiving bodies is not compromised.

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

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

CDP Water

We achieved the C level on the CDP Water security evaluation for 2021.



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

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



Waste management

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

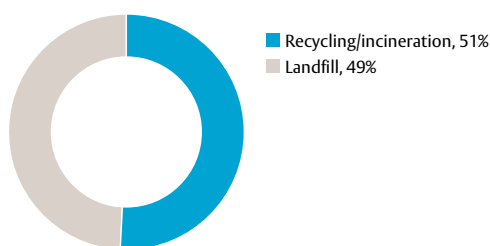
We work to minimize waste from our manufacturing processes and packaging materials. Several companies within the Group generate revenue from selling paper, cardboard and plastic for recycling rather than paying for the disposal of these materials. Where it is not possible to recycle waste, it is recovered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

In 2021, our total waste generated amounted to 85,597 (81,389) tons. The amount of hazardous waste increased for comparable units to 3,551 (3,471) tons. During 2021 more waste was categorized as hazardous waste due to implementation of stricter national rules, for example, in China. Cutting oil is extensively filtered and cleaned, to allow it to be reused in manufacturing, and hazardous waste that cannot be reused is properly disposed of. The intensity value for hazardous waste decreased by 12% for comparable units.

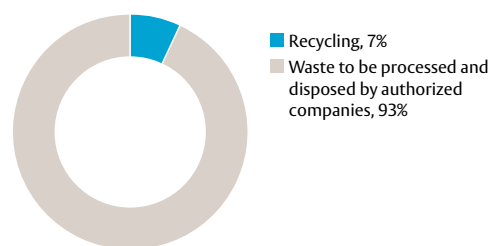
We have reduced the use of packaging materials, switched to less harmful packaging materials and introduced reusable or recyclable containers. Increasing the use of electronic orders and integrating information flows across systems has reduced the use of printed documents.

Hazardous waste is sent to authorized companies for proper processing, recycling and disposal. Available data indicates that at least 7% of the hazardous waste was recycled in 2021. All material waste-related impacts occur in ASSA ABLOY's own operations. All waste is responsibly managed according to local legislation and regulatory requirements.

Non-hazardous waste – disposal method



Hazardous waste – disposal method



→ SEE ALSO SUSTAINABILITY DATA TABLES ON PAGE 46–49

Sustainability transformation at Eskilstuna, Sweden

Challenge:

Reducing our environmental footprint has always been a top priority for ASSA ABLOY. We managed to successfully complete our 2015–2020 sustainability program and set up new ambitious targets to 2025. Furthermore we committed to set Science Based Targets in order to mitigate climate change. We realize that most of the opportunities defined as “a low hanging fruits” have already been identified and implemented via various improvement actions such as sustainability audits, OpEx assessments, Green Teams activities etc. To improve our KPIs and achieve our 2025 targets we are required to review operational sustainability from a holistic perspective.

Solution:

Sustainability is a journey of continuous improvement, in 2021 in collaboration with the owner of the property and industrial facility, we have decided to roll out numerous projects to transform our site into a more sustainable production facility. The actions contribute to our ambitious targets which includes improve-

ments in energy efficiency such as an upgrading old systems with smart systems that talk to each other and report on their status in real time to significantly reduce energy consumption; investment in onsite renewable energy to reduce our carbon footprint, new waste management onsite to recycle efficiently. A big component of our sustainability agenda is focused on our employees, therefore we want to improve the working environment, making it modern and attractive for our current and future talent.

Result:

The site in the Opening Solutions EMEA division has been modernized to become a factory model of the future. Installation of the solar park on the roof covers about 50% of electricity needs and generates 668 MWh per year, while the balance of our energy is sourced from renewable resources to help us significantly reduce our carbon footprint. Additionally, electric car charging stations were installed on the parking lot. We have improved energy efficiency through additional roof insulation, installing



a new ventilation system and new windows, improving thermal comfort and a more stable indoor climate. This sustainability transformation contributes to SDG 7 – Affordable and Clean Energy and SDG 11 Sustainable Cities and Communities and allowed us to start the process to apply for BREEAM certification.

For more information, please visit the link below:

[Eskilstuna sustainability transformation](#)

Supply chain management

Like so many other companies across the globe, ASSA ABLOY had an extremely challenging year for supply chain activities with shortages on key components, delivery delays and severe price inflation on raw materials. These challenges were addressed thanks to strong execution by our experienced operational teams globally.

Targets to 2025

95%

Supplier sustainability audits (% of direct material spend*)

95%

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

* Spend in identified risk countries.

The turmoil from the market situation in 2021 has proven once again the need to put a lot of focus, energy and resources on maintaining and developing the supply chain. The benefits were evident in our ability to handle the supply chain challenges arising from the pandemic. We managed to solve emergency situations and keep production and sales running.

In 2020, ASSA ABLOY committed to the Science Based Targets initiative. In order to meet these targets, we are working to ensure a more sustainable supply chain. Employees across the organization are motivated to meet this challenge.

We believe it's important to have, and constantly develop, a healthy relationship with our suppliers as this leads to more trust and also the possibility of being among the preferred customers when supply is scarce. We continue to look for alternative providers for situations when regular suppliers are unable to fulfill their obligations.

The trend for sustainability audits and the audited spend is positive, with the sustainability audits coverage increasing from 90% in 2015 to 97% in 2019. In 2020 this figure dropped to 91% due to the Covid-19 pandemic and travel restrictions. Our auditors were simply not able to visit our suppliers. Although the situation improved to some extent in parts of the world during 2021, the possibility of improving the audited spend has been limited, with 86% of our spend audited.

Audit scores in general remained at fairly stable levels, although that is to a large extent explained by stricter rules, among them limitations to the score and rating if certain issues are discovered.

Code of Conduct for Business Partners

The long-term objectives for supply chain management is to reduce risks, contribute to supply chain integrity and elevate sustainability performance throughout the value chain. ASSA ABLOY requires its suppliers to fulfill our requirements in terms of price, quality, delivery performance, collaboration and sustainability.

Suppliers must commit to and fulfill the requirements in the Code of Conduct document that they are required to sign. This document stipulates what ASSA ABLOY believes are necessities in terms of sustainable and fair business and it covers ethics, human rights and labor standards, environment and health and safety. We also conduct audits at our suppliers that cover 37 areas within these topics. We have spend in 39 identified risk countries in scope for audit. Depending on the total score, the re-audit frequency is determined and also if there are any particular topics that need to be improved and checked again for verification. Should the score be insufficiently low, the supplier is at risk of being put on hold or can be immediately and permanently

prohibited from conducting future business with any ASSA ABLOY entity.

By pursuing an audit program like this, sustainability issues are always on the radar and the supplier is required to constantly maintain a high level regarding ethics, human rights health and safety and environmental topics. The Code of Conduct applies to all partners that provide products or services to the company, such as suppliers, consultants, distributors, agents and other representatives, and provides a structured approach to integrating new acquisitions.

A total of 73% of all direct and indirect material suppliers by spend were covered by the ASSA ABLOY Code of Conduct for Business Partners by the end of 2021. The objective is to cover over 95% of all direct and indirect material suppliers by spend.

Collecting signed Code of Conduct documents from indirect material suppliers has not been as much of a priority while we were focusing on direct material suppliers. Now we are working to achieve the same results regarding indirect material suppliers. This is a challenge as indirect material suppliers dramatically outnumber direct material suppliers, but we are committed to reaching 95% of indirect spend suppliers by 2025. Because the Code of Conduct program works well, extending it into broader areas of our supply chain is a natural step.

We aim to remain in control of all of our suppliers and continue to improve their performance. Our main focus on sustainability risk is suppliers in identified risk countries. Our audit resources are focused on high-risk countries. This may be supported by spot checks in other countries.

Risks and challenges in our supply chain

Supply chain risks and challenges

ASSA ABLOY operates globally and this is reflected in its supplier base, which is scattered over large parts of the world. One potential concern is that what is considered reasonable or even mandatory from a sustainability point of view in more mature markets, may seem difficult to achieve in other parts of the world. If local legislation does not explicitly prohibit certain behavior, it may sometimes be difficult to get the supplier to raise the bar higher than its competitors, solely based on who their customers are.

On the other hand, having a robust and well thought-through system for conducting audits and making sure that auditors are aligned in the interpretation of their findings is a good foundation. This keeps the integrity and phases out suppliers that do not meet our requirements or suppliers that may have passed the audit, but show limited interest in improving and taking their sustainability contribution to the next level.



ASSA ABLOY and its experts on supplier development constantly evaluate and challenge the tools and processes we have in order to enhance them further. Where possible and relevant, more and more topics become “stoppers,” where a negative outcome will disqualify the supplier disregarding their performance in other areas. This is of course not just a question for the supplier base to address, but also increases the pressure on ASSA ABLOY to find suitable suppliers that are aligned with our ever-increasing demands within sustainability. By pushing our suppliers, we also need to push ourselves and although this adds complexity now, we will benefit from it in the future.

ASSA ABLOY needs to deal with many local legislations, cultures and ways of working. This implies that not all changes that are agreed upon internally are easy to implement in reality. Hence, it is a constant process of proposing improvements, evaluation and internal negotiations to continually take small steps forward.

Supply chain risk management

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

With frequent re-audits of suppliers that perform less than optimally, we can constantly evaluate how identified problem areas are dealt with and make sure the risk management process is successful. Various testing of our products in many of the markets gives additional insights into whether the items provided by the supplier fulfill what has been agreed to.

Supplier sustainability audit program

The supplier sustainability audit program focuses on direct material suppliers in identified risk countries predominately in South and Central America, Eastern Europe, Africa and Asia, as these are perceived as the greatest risk regions for not complying with ASSA ABLOY's Business Partner Code of Conduct. The Business Partner Code of Conduct communicates our policies and principles on business ethics, human rights and labor standards, health and safety, and the environment, to suppliers.

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

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

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

- **Green rating = Grow.** The supplier is approved. A re-audit is done after three years to verify compliance. Once suppliers reach a green rating, our focus is on improving the supplier's abilities to become even better.

- **Yellow, orange or purple rating = Fix.** The supplier is approved on the condition that it resolves the issues identified in a recent audit within an agreed time frame. Yellow signifies the fewest number of non-conformities and purple the most. A follow-up audit is typically done after one year.
- **Red rating = Exit.** The supplier has severe sustainability problems, so the immediate focus is to solve those as soon as possible and following this, raise the supplier to an acceptable level with the help of ASSA ABLOY's expertise and experience. The supplier is re-audited after 6 months. In the interim the supplier is put on "new business hold". If the supplier fails to improve during follow-up audits, the supplier is phased out.

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

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

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

The robustness of our auditing program is definitely one key success factor, as it creates a framework to refer to in situations that might be difficult to assess properly. One example of this might be the addition of completely new supply chains due to ASSA ABLOY's acquisition-heavy nature. An auditor might suddenly come across a new problem, but given the global team of auditors, the thousands of previously conducted audits, and the strict rules that apply, we are in a good position to assess the situation properly.

One important change that should facilitate the supply chain is the re-organization of the supply chain organization, where more power and mandate has been taken from a Group level and been transferred to the divisions that are closer to the actual suppliers and auditors.

Key audit findings in 2021

ASSA ABLOY has around 8,900 direct external material suppliers. By the end of 2021, 1,111 of the 1,128 suppliers audited had satisfied our minimum sustainability requirements – equivalent to 98% of our total spend in identified risk countries.

During 2021 the Group got 387 new suppliers in audit scope. During the year, 2% of those new suppliers were audited.

Two suppliers were added to the prohibited list and prevented from doing business with us, and 15 were put

Audit process and Traffic-light system

Long term

Direct material 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

The traffic-light system

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

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

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

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

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

on “new-business hold” by the Group, meaning they were not eligible for new business from any ASSA ABLOY entity.

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

Supply chain management governance

Our supply chain management is led by the Sustainability Supply Council, which includes representatives from each division. The council sets supplier sustainability targets, coordinates activities and follows up on progress. Each division is responsible for ensuring its suppliers meet our requirements. Divisions submit their supplier audit reports to our Business Intelligence System, which allows us to assess and analyze the performance of our suppliers. The system is used as a basis for procurement decisions to identify preferred suppliers and enables us to monitor several supply chain KPIs.

ASSA ABLOY rates the performance of our direct material suppliers and how they conform to the Business Partner Code of Conduct. Our audits are designed to assess supplier compliance related to business ethics, human rights and labor standards, health and safety, and environmental

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

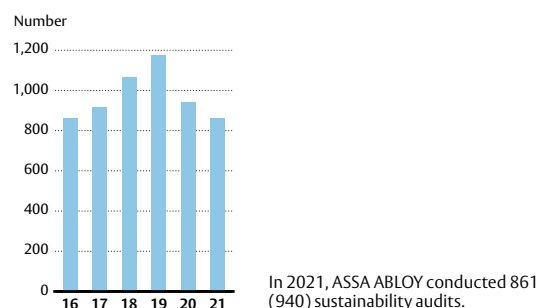
Some criteria in the audit checklist are of such significance that they are known as “stoppers,” for example, child labor. ASSA ABLOY does not tolerate child labor and if a supplier fails to comply, they are placed on the prohibited list and their relationship with ASSA ABLOY is terminated. Other stoppers e.g. forced labor and remuneration not in line with legislation results in supplier being put on “new-business hold.” If the supplier fails to improve within an agreed time frame, they are placed on the prohibited list. An increasing number of stoppers have been added to the auditing process since 2021, and more are expected in the coming years as sustainability measures increase.

While it may be a challenge to phase out a supplier and find a replacement, it is reassuring and important to know that by following ASSA ABLOY’s sustainability audit program, our supplier base will inevitably improve in the long run and contribute to a lower footprint. It is also very positive and gratifying to see suppliers improve continuously, not only for the sake of ASSA ABLOY, but also for their own businesses.

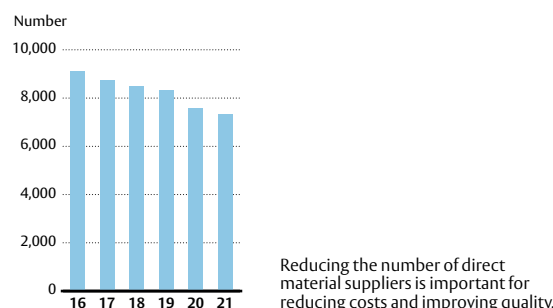


SEE ALSO SUSTAINABILITY DATA TABLES ON PAGE 46–49

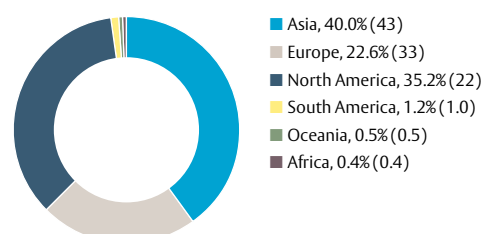
Sustainability audits of direct material suppliers in identified risk countries



Number of direct material suppliers



Distribution of direct material supplier spend



Together ahead with our people

We make the world a safer and more open place, and that means starting with our own people. Throughout our history, we have been building and nurturing diverse teams. We believe this is the right thing to do and it also makes good business sense – especially for a global leader in innovation, with an incredibly wide-ranging customer base.

Targets to 2025

–33%

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

–33%

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

30%

Gender diversity
(% of females in
management positions)

We recognize that everyone brings a unique perspective to work. It's our job to make sure employees feel confident and comfortable expressing themselves. Showing our people that we value their individual ideas generates genuine and powerful diversity of thought.

We strongly believe that culture and leadership will advance our organization and our people, and have identified a number of key factors that will help us succeed in our people vision and strategy.

Our culture

Our Group-wide change initiative, Together we, comprises the identity of the ASSA ABLOY Group (Together we are) and the strategy of the ASSA ABLOY Group (Together we grow).

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

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

Our teams in each region understand the local priorities and challenges. And while there are some issues we all share, and that we can help drive centrally, there are some culturally specific issues that we can support in other ways. We strive to carry on even when things get tough and we find strength in our colleagues across the globe who are likely to have met similar challenges.

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

Talent management

How we attract, develop, engage and retain talent is crucial for our success. Our people are encouraged to pursue their passions and take on new roles within the Group, and we focus on facilitating a personalized development journey tailored to the needs of the individual.

We believe that when our people take charge of their own career – following their strengths and developing their goals – they are more motivated, and do better work. We aim for longevity when hiring and focus on talent retention by prioritizing internal candidates. We always give internal applicants priority for open roles. If they need some help to get to that level, through training or mentoring, we will do our best to support them.

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

When we talk about internal mobility – which we do, a lot – we don't just mean changing location. We encourage our people to develop transferable skills that will allow them to move between roles in other functions, divisions or countries, with the goal of increasing seniority, broadening experience or digging deeper into an area of expertise. This has been more limited due to the pandemic, but has still been possible due to flexible working arrangements.

During the year we established an internal talent acquisition function and launched a talent assessment process to identify the development needs of future successors. We have also piloted an internal referral program to further boost internal mobility.

Thousands of employees were part of our new, global performance process pilot during the year, with people development at the forefront. Each employee has at least one personal development goal that is tied to the goals and

Our values and beliefs

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

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

Dezhi Zhang, Operator





objectives of the organization as well as to our competency framework and leadership behaviors.

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

We invest in our research and development teams, filing hundreds of patents every year while working to meet significant sustainability targets. To nurture the next generation of talent, our graduate programs and diversity networks keep pushing for a more inclusive future.

We offer our people an extensive range of digital courses, an internal leadership program and programs in collaboration with external partners. Even with this, we strongly believe

that the best way to learn is on the job and through stretch assignments that go beyond one's present expertise. On the job learning happens every day thanks to our collaborative approach and focus on the development of the individual.

Our people are encouraged to express what they need. Their career is in their hands as much as it is in ours.

We set clear expectations for great leadership

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

At ASSA ABLOY, we measure performance by business goals and by behavior, and they are equally important. The Leadership Dimensions enable us to look at leadership in practice. To make the Leadership Dimensions and

“It felt very nice to come together as a team”

From installing an OLED door to performing factory resets, Louise Bäck Crossler, Service Technician, ASSA ABLOY Entrance Systems, believes you can learn something new every day.

Louise, who lives in Stockholm, Sweden, has worked for ASSA ABLOY for three years. Most of her work involves visiting customers, performing health checks on automatic doors to keep them running smoothly, and fixing any problems that might occur.

Earlier this year, Louise and a small team installed ASSA ABLOY's highly innovative new OLED door for an event. Since the doors are transparent, people can still see what's going on behind them, and this presents a rather unique opportunity for advertising that integrates what's happening in the background.

The door displays digital images and videos using LG's organic light-emitting diode (OLED) display technology, utilised at a management conference. “It was an inspir-

ing project and really fun to do. Normally we work alone or with one other colleague.” says Louise.

Louise describes the team she worked with as supportive and inspiring. When it came time for the installation, everyone who worked on the project was there. “When it was done and everything worked, that was the proudest moment,” she says.

The installation, however, was not as straight forward as planned; requiring some brainstorming teamwork. “We managed to fix the issue thirty minutes before the event started! It was stressful, but it felt very nice to come together as a team to ensure a successful event.”

The OLED door is an attention grabber with advertising and other images providing a visual experience for customers. It made an immediate impact on Louise and her team. “After we installed it, we just stood there and watched it. It really was, ‘wow!’”.



values come to life, we incorporate them into our people processes.

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

ASSA ABLOY has long-established leadership programs for managers both at the Group and divisional level. The development agenda is built on a leadership framework that guides our shared approach. The foundation consists of two development programs for senior managers: ASSA ABLOY MMT (management training) and ASSA ABLOY IMD. The latter is a customized program, developed in collaboration with the International Institute for Management Development (IMD) in Lausanne, Switzerland, with 30 participants per intake. Its aim is to support the implementation of the Group's strategy, focusing on problem solving and topics that are relevant to our organization. A total of 655 of the Group's senior managers from 35 countries have participated in the IMD training program. The MMT program promotes best practice sharing and facilitates the integration of new employees following acquisitions. In 2019, 70 ASSA ABLOY managers participated in one of these two programs. In 2020, we focused on re-designing our programs to become fully virtual, and in 2021 we offered them in a hybrid version.

Diversity and inclusion

As a global organization, ASSA ABLOY is naturally diverse. We have offices in over 70 countries and serve customers in more than 185 countries. People with all kinds of backgrounds join ASSA ABLOY, and that doesn't happen by accident. This global environment fosters diversity of thought and inclusive open communication, which is why we naturally uphold these values. We have set specific objectives to make sure we recruit widely and give people the right opportunities to succeed. We understand that we are only at the beginning of our diversity and inclusion journey, and still have work to do to achieve our goals. Every year, more of our high level roles are held by women. We reached 24% in 2019, and we aim to make that 30% by 2025 – and keep going. We support this with an internal women's network and by encouraging a 50/50 gender split in our graduate programs.

We recognize the benefits of having a diverse workforce, which we believe makes us smarter and stronger. We actively work to bring people together to harness diverse perspectives and resources. In everything we do, we should promote acceptance, respect, and collaboration regardless of differences in race, age, gender, language, political beliefs, religion, ability, sexual orientation, or communication styles. Our core values of empowerment, innovation, and integrity, always guide us in our actions and daily business decisions.

There are multiple reasons why diversity and inclusion matters to us as an organization and business. We grow our talent pool by taking a diverse approach to hiring, being aware and overcoming bias. We also create a work environment where our co-workers can feel accepted and appreciated for who they are. This makes them more comfortable, more productive, and more likely to stay and grow their career with us. An added benefit is that we, as a diverse workforce, will become better at understanding and catering to the individual customer's needs.

Health and safety

We have come a long way since we started building on our health and safety strategy, program, and processes. We have gone from collecting statistics on a divisional level, to running a Group-wide, cross-divisional working group and council with health and safety in focus. We have created a program that covers all employees and personnel under

Diversity and inclusion starts from within

We continue to build a culture of inclusion where everyone can thrive. This means each individual can make an impact and be productive in part because they are working in an environment where they are seen, heard and valued for what they bring to the table.

We're focused on increasing the diversity and inclusion capabilities of managers and leaders to build inclusive teams, departments and organizations so that our products and community will benefit from the diverse perspectives of our people.

To achieve this, we seek out highly qualified underrepresented people who contribute to diversity, including the cognitive diversity, of our workforce. We strive to help everyone recognize how biases show up in the workplace, by providing tools to counteract them and opportunities to practice building inclusive behaviors.

Diversity in recruitment is one of our focus areas, where we structure interviews in a way to avoid common biases and assumptions. We ensure bias is mitigated in the performance process by using the same set of standards within ASSA ABLOY – our Leadership Dimensions.

We provide resources to ensure people grow in their careers. We gain more interest from candidates with many different backgrounds if they can relate to us.

our direct control and we aim to continuously drive our safety agenda and culture. The first step in our journey was to create a health and safety policy that includes how we work with training and prevention and how we follow up on injuries and corrective actions. Since then, we have based all of our work on that shared understanding and commitment, and it has helped us to get the basics right.

The next step has been to work on our culture and behavior. Around 30,000 of our employees have participated in a workshop that focuses on how we perceive and manage risk, and how this is connected to our individual attitudes and behavior; everyone needs to take responsibility for us to have zero injuries. We are currently rolling out a new workshop that we call 'Together we are safe', where we connect our culture to behavior and how we can improve collectively. The aim is to look after our co-workers and surroundings as well as ourselves. We have identified some of the most significant risks in ASSA ABLOY are working with machinery, driving, servicing/installing product, working at heights, manual handling, slip, trips and falls. Our H&S metrics include employees and contractors together.

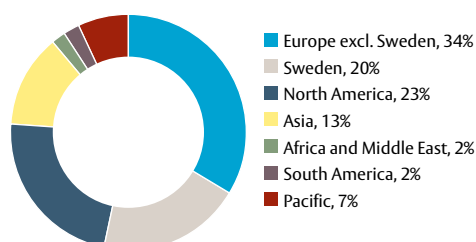
Our ambition and vision is to be an injury-free workplace. We believe that we can get there by maintaining our health and safety policies and processes, and continuing to develop our safety culture. We have, for example, developed the well-being aspects in our health and safety agenda with the launch of "Together we support each other" workshops to cope with new ways of working and address well-being during the pandemic.



Every year, more of our high level roles are held by women. We reached 24% in 2019, and we aim to make that 30% by 2025 – and keep going.

→ SEE ALSO SUSTAINABILITY DATA TABLES ON PAGE 46–49

Nationalities – ASSA ABLOY's management teams





What we
offer

Sustainability in our daily operation

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

Neil Vann

Executive Vice
President & Head of
EMEIA division



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– We are in the process of generating awareness across the organisation to ensure that all employees are engaged in this transformational project. At the same time, we are working with our suppliers to address the upstream emissions, raw materials, sourced products, logistics, business travel and commuting to quantify our Scope 3 emissions upstream and downstream.

– For our operations, (Scope 1+2), we developed 'waterfall plans' in all our sites. This is a pipeline of improvement and efficiency projects and ideas, to be implemented between now and 2030 in order to achieve 50% reduction in our footprint. These projects focus not only on energy and CO₂, but also on the reduction of water consumption and waste generation.

– Our R&D and innovation teams have analyzed the material sourcing strategy and have embedded this into our generation plans for all future products, focusing on a roadmap on how to reduce the energy used, and to dispose of or recycle them in a sustainable way at the end of their life.

– I am also pleased to say that we completed the first overhaul of one of our strategic operational sites, Eskilstuna, Sweden. Renovations include: New ventilation, new insulation of roof, solar panels, ergonomic design of workplace, recycle new lighting LED in all premises, brand new compressed air system (size -80%). This type of modernisation will be necessary to ensure our sites are highly energy efficient and future-proofed.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– The increased push for sustainability since the pandemic means that as a manufacturer, we are in a position to design intelligently, source responsibly, and deliver effective solutions that support their efforts to strive toward resilience.

– Now more than ever, we appreciate a focus on the health and wellness of the occupants of the building. How a building is designed, and the types of products that go into it contribute to employee happiness and retention.

– ASSA ABLOY is helping to decarbonize the built environment, meaning what we deduce from our 100 plus environmental product declarations is that we can take steps to optimize our products and processes, helping to lower a buildings footprint.

– We have seen an unprecedented increase in the number of specification projects for green buildings in the last year, with these projects accounting for an important part of our specification. This positive growth, has led us to develop a green specification guide that provides guidelines and tools for specification delivery on green projects that follow major environmental schemes such as BREEAM, Green Star, DGNB as an example and also highlights the growing need to focus on our Environmental Product declarations (EPDs).

What are your focus areas within Health & Safety in your division?

– In EMEIA, we have reduced our injury rate by more than 55% in the past five years, currently below the industry benchmark level of 2, which is an achievement in itself. We have developed an average of 5,000 safety improvements each year through our comprehensive internal risk assessments and safety campaigns.

– Our current focus area is within the third phase of the ASSA ABLOY Health & Safety Program, which aims to strengthen the behaviour-based safety approach and cement a safety culture in all our sites. We plan to do this through the roll-out of our Together We Are Safety Workshop.

– We are also providing additional support and assistance to our hotspots and new acquisitions in order to efficiently raise the bar and increase the standards across the organisation.

Lucas Boselli

Executive Vice
President and Head
of Americas division



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– Pledging to be transparent is a driver within Science Based Targets and we do so by continuing to put our products and processes under the microscope. Our operating sites participate in sustainable manufacturing practices to reduce the environmental impacts of the manufactured product. This can include closed-loop and industrial ecology processes, reduction of waste and emissions, water conservation, and finding opportunities for energy reduction.

– To support the latter, for example, we are installing electricity-monitoring devices to pinpoint areas in our operations where we can significantly reduce electricity usage.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– The U.S. Green Building Council has stated that Americans spend about 90% of time indoors: a statistic well proven during the Covid-19 pandemic. Green building certification programs are becoming more widespread globally and help develop guidelines for a safer built environment, highlighting products that contribute in a positive manner to the health and wellness of the building occupants.

– Over the past few years, we have seen daylighting and openness becoming strong design trends in office and factory spaces, increasing the use of glass walls and openings. We also see continued interest in energy-efficient technologies, such as our EcoFlex or power over Ethernet (PoE) access control solutions.

What are your focus areas within Health & Safety in your division?

– Each of our 27 operating sites has local safety team that focused specifically on injury prevention by encouraging proactive observations of both safe and unsafe behaviors. Safety keeps top-of-mind with regular conversations and interactions with employees. In fact, some of our best injury prevention and safety enhancement ideas come from employees themselves: they are critical to the success of any programs we have in the division.

– We have also improved our physical and mental health awareness throughout the division, offering employee assistance programs and virtual health visits. We're all responsible for health and safety – for ourselves and those around us.

Simon Ellis

Executive Vice President and Head of Pacific & North East Asia division



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– We are investigating energy monitoring solutions at all manufacturing sites and an energy audit is underway starting off with an initial desktop audit followed by site audits.

– Furthermore, we will focus on site consolidation within the Door Group which will reduce the environmental footprint. We are also taking action on the energy usage side with signing up to electricity suppliers that will provide us with renewable energy certificates providing source of energy from hydro and wind farms. We have also set up a Divisional PNEA green team that meets on a monthly basis to share learnings from each division, as well as share global initiatives.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– There is a drive in Pacific for more focus on sustainability and green building organizations like Greenstar in Australia who are prevalent in hospitals and schools, with the value being with architects who we can leverage off through specification. While a lot is focusing on air and water, we can still provide solutions and ensure we have the hardware that meets the requirements, such as Environmental Product Declarations (EPDs), while also being mindful what role our product plays in the overall building solution.

– There is also greater focus with ethics and diversity and potential to increase sustainability queries through NPS. Focus is heavily commercially driven, but we are well positioned in this area. Sustainability is being driven by industry and having a portfolio of more sustainable products that meet green specifications, regardless

of if that means EPD's or some other certification should be an important part of our strategy.

Within pacific EPD logos are now displayed in our hardware schedules for architects.

What are your focus areas within Health & Safety in your division?

– Due to the pandemic, a key priority for Health & Safety is ensuring we provide as safe as possible workplaces as staff return to our offices. Even with the significant benefits that come with vaccines a risk will always remain. In order to provide the safest possible environment we are focusing on the most effective ways to utilize space in a safe way, especially shared space. In addition, all our sites are being assessed for ventilation with a focus on implementing best practice ventilation systems.

– We have focused on reducing Health & Safety risk by carrying out safety audits at our manufacturing sites. We have implemented additional machine guarding and safety systems to ensure our machinery safety prevention measures minimize the likelihood of injury. We have also commenced with a divisional Health and Safety Council with representation from all sites focusing on learning from other facilities, preventative measures, as well as best practice sharing.

Martin Poxton

Executive Vice President and Head of Greater China & South East Asia division



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– From 2016 to 2019, we have phased out Freon in PanPan factories, which has reduced our CO₂ emissions by 18,000 tons. In 2021 we launched 12 projects that we expect will realize energy savings of 1800 MWh/year. We have also rolled out the Green team program, focusing on continuous improvement and daily control on energy waste. Furthermore, we are actively working to identify further improvement opportunities, such as using more renewable energy and production integration to improve energy effectiveness.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– We see opportunities to actively participate in the national sustainable development pilot programs (eg. in China) to build project references and establish credibility as a sustainable supplier.

What are your focus areas within Health & Safety in your division?

– To enhance employees' safety awareness, we have implemented a leadership safety visit program in the plants of Greater China and South East Asia since 2018. Led by the plant manager, the plant management team will conduct an

on-site safety tour at least once per month. The safety visit will focus on the safety risks and potential unsafe behaviours. This delivers a strong message of 'safety first' to all the employees on-site.

– We also encourage every employee to come up with safety improvement ideas. This has resulted in identifying more than 1,000 improvements in a single year, of which 97% have been implemented. We also focus on risk mitigation by using an operational safety assessment. Machine and operation risks are identified and reviewed regularly. Machine protection and proper personal protection equipment (PPE) are required to eliminate or reduce the effect of high risks.

Björn Lidefelt

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



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– HiD Global recognizes that aligning with the Science Based Targets initiative enables us to contribute to a climate-secure world and fully aligns with successful business operations. For HiD Global, this means we will identify and act on continuous improvement opportunities for our significant energy users and high impact sites. This scope and commitment includes all acquisitions.

– One of the driving factors behind these opportunities is the re-launching of our Green Teams to perform Kaizen events and waste-walks across manufacturing facilities.

– A key objective set for 2021 is the kickoff of an SDG (Sustainable Development Goal) Committee. We recognize it's imperative that our sites have a clear line of communication and a platform to share lessons learned, including progress and projects that could be applied at other facilities with similar opportunities.

– We also recognize that our employees are vital to our success. With that, we've launched awareness campaigns to promote and empower

employees to make sustainable choices every day, from idea generation to responsible consumption.

HiD's product sustainability practices include:

- Using a Sustainability Compass throughout the design and development process to uncover and access opportunities to make our products greener.
- Sourcing and developing product components that use less resources and contain a smaller carbon footprint.
- Innovating new ways for our products to function while consuming less energy.
- Providing products with GreenCircle Certifications for Energy Savings or Dematerialization, meaning our products meet the needs of customers wanting to source products with clear and certified sustainability claims.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– HiD Global continues to learn about our workplaces and employees as we've enabled a remote work method using a variety of technologies.

– While we believe that a dynamic and collaborative working environment is essential for long-term growth and organizational success, we recognize a one-size-fits-all approach is not

an enabling model as some teams have thrived in a remote environment.

– We see an opportunity for flexible working environments that improve employee morale and promote a positive workplace experience. With fewer employees on-site, our facilities use less resources and save on operating expenditures, resulting in an overall carbon footprint reduction. We've identified opportunities for the allowance of flexible work environments and space planning optimization to enable a work-centric approach that benefits both the employee and the employer.

What are your focus areas within Health & Safety in your division?

– Our primary area of focus for health and safety has been to mitigate potential risk of Covid-19 contraction within our workplace. As an organization, we have the responsibility and obligation to provide a safe working environment.

– Promoting safe workplace habits and practices is done through awareness campaigns, training, and communication in an open and transparent manner. While success is reflected in our low number of injuries per annum, we also recognize that opportunity remains to better synergize our practices and continue building a best-in-class safety program.

Stephanie Ordan

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



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– We remain on-track when it comes to meeting our targets, even with the effects of the pandemic. This includes making sure we continue to reduce energy usage, waste production and water consumption at all our sites as part of improving our overall sustainability. Reducing energy usage should also prompt further innovation in our product range. For example, we are working on ultra low-power locks, which would significantly reduce the overall level of energy consumption.

– We are looking to give clients as much information and transparency on these issues as possible. Virtually all of the products that we offer to clients working in hospitality – our biggest sector – now have certified Environmental

Product Declarations, documenting all their relevant environmental information.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– Many of our most advanced products can help with making the global recovery more sustainable. Three core areas of growth that we think will be very important are digitalization, mobile access and biometrics, all of which can also help in reducing the spread of Covid-19. Mobile access in particular attracted significant attention in many verticals during the pandemic, as a safe and convenient way to manage access rights – this will continue to be a significant growth opportunity.

– Another area of development that I am especially excited about is seamless access – doors that automatically unlock for an authorized person, without the need for any physical interaction.

– We continue to be at the forefront of the transition to a digital world. Another example of this is with increased use of video technology in senior care. With populations becoming older across the world – and the elderly being the most vulnerable to Covid-19 – this shows

how our innovations can play a part in keeping people safe and connected.

What are your focus areas within Health & Safety in your division?

– Our main focus, both internally and externally, is minimising the effects of Coronavirus. With more of our staff physically returning to work, we ourselves are balancing returning to normal while keeping health and safety standards very high.

– Our expertise is also helping clients across the globe do the same, whether their staff are returning to offices, hotels, construction sites or other places of work

– Many clients are looking at ways to adapt and improve in response to these current conditions, so the services we provide are tailored to each specific scenario due to verticals in different countries facing such a wide range of varied circumstances.

– We will not, however, let Covid-19 derail our ongoing progress on other health and safety issues. In particular, the past few years have reinforced the importance of looking after the mental health and emotional wellbeing of our staff, so this is an area we will continue to focus on.

Massimo Grassi

Executive Vice President and Head of Entrance Systems division



What are some of the key actions you are driving in your division to realize our commitment to Science Based Targets?

– ASSA ABLOY Entrance Systems has developed an evidence-based action plan to reduce our emissions and reach our emission goals. We have also identified sites that are the largest energy consumers and targeted them with initiatives such as waste heat recovery, LED upgrades, process redesign for scrap reduction, water reclamation and reuse projects, oven upgrades, and variable frequency drive installations.

Our division has acquired dedicated resources to help us achieve our Science Based Targets, such as a full-time Sustainability Engineer and a Product Sustainability Engineer. We have an in-house team working on our Environment Product Declarations (EPDs), taking a holistic view on how we can better and more efficiently create our upcoming EPDs. We are proud to have recently completed the EPD for our RR5000 high-speed industrial door with the best energy efficiency in its class for safer, more sustainable buildings.

There is a global focus on a more green and sustainable economic recovery from Covid-19, what growth opportunities does this provide?

– Becoming a more sustainable company mitigates our risk, empowers our people, and allows us to make quality products at a lower cost by reducing our energy, water, and chemicals consumption and reducing our waste generation. If we can continue to optimize our processes through the lens of sustainability, we not only improve our bottom line, but we are better able to serve our customers, which ultimately leads to growth through customer relevance. More and more customers and shareholders are asking for safe, sustainable solutions, and we have a growing range of products to meet their sustainability demands. Using our Sustainability Compass, we incorporate sustainability at the design phase allowing us to develop energy efficient automated entrances for both industrial and pedestrian use.

– THERMCORD, an automatic door system that has thermally separated door profiles with heat insulating properties, is an example of a product growing in sales because of this global trend – it's an energy efficient solution that also supports the increased demand for better hygiene in buildings through touchless access to buildings.

What are your focus areas within Health & Safety in your division?

– Covid-19 continues to be a risk for colleagues and customers, so a key focus area is ensuring all Covid-19 protocols are followed. We have issued

additional Personal Protective Equipment to all employees in customer-facing and other at-risk environments.

– An important ongoing initiative is adapting our service vehicles, so they are fitted with a one-person scissor lift, removing the need to use ladders and therefore making it safer for employees working at height.

– We're rolling out the Last Minute Risk Analysis Checklist through our service technician messaging platform to ensure they consider the risks and implement control measures before starting a job.

– Our division has also developed an innovative new industrial door removing the need for springs and reducing the need to work at height to increase safety for our employees in the field and for our customers.

– We have rolled out safety workshops in our local organization and 'health and safety toolbox talks', which are safety trainings assigned to engineers to improve safety in risk areas like working at height; slips, trips and falls; asbestos awareness; and electricity.

– We have also started to roll out the Health and Safety Directive in our newly acquired company, the record Group. Furthermore, we have put measures in place to centrally capture health and safety metrics for all units to better monitor progress towards our targets.

Sustainability governance

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



The ability to grow responsibly promotes our performance.

Frameworks and responsibilities

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

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

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

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

ASSA ABLOY respects the laws and regulations of the countries in which we operate. The Code of Conduct does not replace legislation and if the two differ, legislation takes precedence. Although if the Code of Conduct sets a higher standard than the existing legislation, the reverse applies.

Code of Conduct

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

The Code of Conduct is based on the following:

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

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

Business Partner Code of Conduct

Our Business Partner Code of Conduct is based on the pillars and frameworks of the Code of Conduct, but is adapted to external partners. The Code includes principles that apply globally to suppliers, business partners and other stakeholders such as third parties acting on behalf of ASSA ABLOY and they are all required to comply with it. The Business Partner Code of Conduct is available in 24 languages.

The Code of Conduct Committee

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

Growing with care

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

Reporting Code of Conduct concerns

Conducting business in an ethical manner is vital to our long-term success. Employees are therefore expected to report Code of Conduct concerns and there are several communication channels available; for example, a third party whistleblowing mechanism. The objective is for cases to be resolved on a local level; however, in 2021 some cases that were reported through the third party whistleblowing mechanism were dealt with on a Group level. The range of cases demonstrates that the mechanism is used throughout the organization.

The process for handling Code of Conduct concerns has been set up to ensure that reported concerns are handled



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

Compliance reviews

To maintain ASSA ABLOY's standards throughout the organization, internal Code of Conduct compliance reviews are complemented with third-party audits. These audits focus

on working conditions, such as human rights, labor rights, health and safety, and compliance. During 2021, in collaboration with an external supplier we have developed and piloted an auditing tool which includes several tests related to anti-corruption. The tool itself and the results of the pilot are currently under review. The overall aim is to a greater extent standardize the anti-corruption control methodology and to apply the anti-corruption related tests on a wider scale in the future.

Organizational responsibility

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



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

Managing the sustainability agenda

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

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

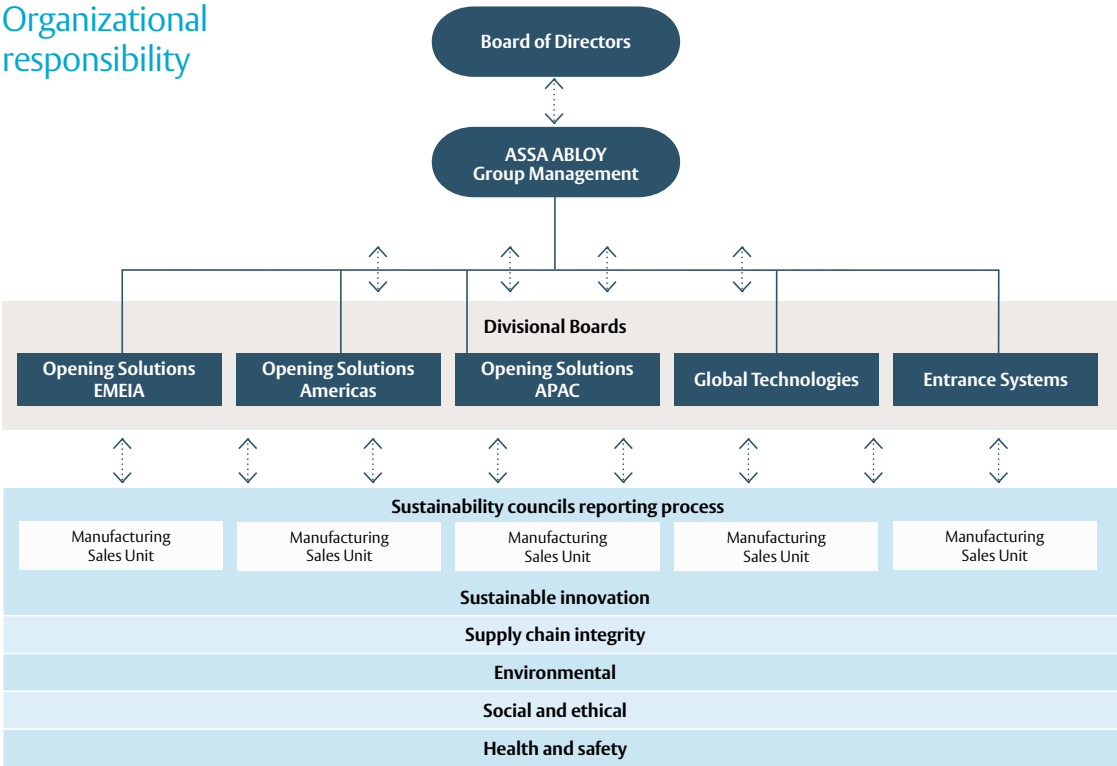
Responsibilities

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

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

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

Organizational responsibility



Monitoring progress

We have a Group-wide database for sustainability indicator reporting, which enables data analysis. The database includes best practices and tools as well as details of measures taken by the various companies to achieve our sustainability targets. All companies and divisions in the Group can access information from the database to compare progress and trends. In 2021, 410 (381) factories, sales units and offices reported their data in the database.

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

ASSA ABLOY's councils

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

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

Councils and workstreams related to ASSA ABLOY's sustainability work

	Sustainable Innovation	Supply chain integrity	Environmental	Social and ethical	Health and safety	Legal
ASSA ABLOY Group	Zeljka Svensson, VP Global Innovation Management	Jody Paviglionite, VP Supply Management	Charles Robinson, Director & Head of Sustainability	Maria Romberg Ewerth, Chief Human Resources Officer	Tobias Svensson, Director & Head of Health and Safety	Johan Ahlgren, Group General Counsel
Opening Solutions EMEA	David Moser, VP Product Innovation	Lee Philp, VP Operations	Leandro Peraro, Sustainability Manager	Allan Cooper, VP Human Resources	Leandro Peraro, Sustainability Manager	Hemma Patel, General Counsel
Opening Solutions Americas	Amy Musanti, Director of Sustainable Building Solutions	Jody Paviglionite, VP Supply Management	Vinny Yakoobian, Director Operational Excellence	Jack Dwyer, SVP Human Resources and Administration	Kimberly Cummins, Director Human Resources	Page Heslin, General Counsel
Opening Solutions APAC	Jamie Tawhai, SVP and Head of Product Innovation	Kin-Bond Wu, SVP & COO GCSEA Quintin Roberts, SVP & COO PNEA	Michael Deng, Sustainability Manager Richard Binks, Compliance Manager	Audina Choong, SVP Human Resources GCSEA Sally Georgas, SVP Human Resources PNEA	Audina Choong, SVP Human Resources GCSEA Sally Georgas, SVP Human Resources PNEA	Ivan Lu, General Counsel
HID Global	Ted Hoffman, Senior Director Engineering	Joshua Freeman, VP Quality and Process Excellence	Travis Hensley, Global Sustainability Manager	David Gentry, SVP Human Resources	Travis Hensley, Global Sustainability Manager	Karen Higgins, General Counsel
Global Solutions	Louise Wolfshagen, Global Quality Assurance Manager	Julie Zhu, VP Operations	Arto Koponen, Compliance and Sustainability Manager	Claire Leighton, VP Human Resources	Julie Zhu, VP Operations	Ann-Charlotte Högberg, General Counsel
Entrance Systems	Mats Nordén, CTO Entrance Systems	Anna-Eva Sparf Aagaard, Sourcing Director	Kristin Ruyle, Sustainability Engineer	Inger Lönegård, VP Human Resources	Helene Mauritzon Taylor, VP Human Resources	Henrik Jäger, General Counsel
Policies	Innovation Policy Policy for Intellectual Property	Business Partner Code of Conduct Supply Management Policy	Code of Conduct Environmental Sustainability Policy	Code of Conduct HR Policies and Guidelines	Code of Conduct Health and Safety Policy Manual	Code of Conduct Anti-Corruption Policy Tax policy* *The Group's Tax policy is coordinated by Group Tax.



Stakeholder engagement and materiality analysis

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

Stakeholder engagement

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

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

Investors and shareholders have become increasingly interested in sustainability issues in recent years. We engage with investors and shareholders in both one-to-one meetings and roundtable discussions on a variety of issues. These include supply chain management, Code of Conduct compliance, mergers & acquisitions due diligence, phase out of hazardous materials, energy consumption and CO₂ emissions, health and safety, market demand and profitability for sustainable products, and solutions and types of whistle-blowing cases.

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

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

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

Materiality analysis

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

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

Most significant sustainability topics for ASSA ABLOY and our stakeholders:

- Human capital development
- Improve health and safety performance
- Sustainable and circular products
- Responsible acquisitions
- Sustainable supply chains
- Resource efficiency
- Reduce emissions with global warming potential
- Safety, security and convenience for customers
- Strengthen anti-corruption measures
- Business compliance

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

Investor statements



Daniel Rozier

Capital Goods Research Analyst, Lazard

– ASSA ABLOY has a broad sustainability strategy under the banner of environmental, societal and governance and clear Science Based Targets on Scope 1 and Scope 2 emissions. This is good but is becoming more expected of companies in the sector.

– ASSA ABLOY's products might not be an obvious enabler for a lower carbon world, but Entrance Systems can certainly help customers save energy and improve the efficiency of buildings, so I'd like to see a bit more analysis on the customer energy savings for these products. Sustainable design, sustainability in the production process, recycling and reusing, is good to see.

– Investors are more focused today on understanding diversity of the board and through various levels of management. We also manage a gender diversity strategy so it's good to see ASSA ABLOY focus on gender diversity and to work towards increasing the proportion of female managers.

– It's great to see ASSA ABLOY tackling the topic of EU

“ It's great to see ASSA ABLOY tackling the topic of EU Taxonomy.

Taxonomy for sustainable activities and green revenues. It's an area of massive complexity, and difficult to know what proportion of revenues is relevant to each classification, but ASSA ABLOY is starting to get a handle on it.

– In terms of ozone depleting substances, taking this to zero is an amazing achievement. A steady fall in Scope 1 and 2 emissions over the last five years will need to be continued for ASSA ABLOY to meet its target for 2030.

– ASSA ABLOY and many other companies in the sector have assembly-based operations which rely on a huge number of suppliers, so it is good that it is stepping up its focus on better analyzing and auditing these. Capturing more data will help them tackle Scope 3 emissions.

– Scope 3 is an area we as investors would like to see more focus on, because its Scope 3 emissions are massive compared with Scope 1 and 2. Therefore Scope 3 is where they are really going to make a difference. It is much more difficult than Scope 1 and 2, which are directly under ASSA ABLOY's control, but it's good to see them begin to build a strategy for this. We'd like to see a detailed breakdown of Scope 3 emissions, then we can see where the impact is and how realistic the target looks.

Emma Englén

Head of Sustainability, Spiltan Fonder

– We are impressed by how ASSA ABLOY is working with sustainability. We believe it has a clear strategy and a great team with the right competence to set and drive its agenda. Sustainability is well integrated into all areas at ASSA ABLOY, all the way from production to product innovation as well as in its investment philosophy. From an investor perspective, it's great to see how sustainability adds value to new products and solutions.

– To stay relevant as a company, it has become crucial to ensure business development and transformation adapted to a sustainable economy, evolving products and creating solutions to meet the needs of the future. ASSA ABLOY is a good example of this. It is continuously showing progress and results towards set goals in a very impressive way. We understand that a sustainable business model is a moving target, and the road to get there is far from straight. With that in mind, it is notable how skilled ASSA ABLOY's sustainability program is.

– ASSA ABLOY's focus areas are well considered and relevant. Its engagement in the Science Based Targets initiative is appreciated as reaching net-zero is also one of our most prioritized areas. We also believe ASSA ABLOY performs very well in working with its supply chain. A good dialogue with suppliers is a prerequisite for developing and maintaining a sustainable business model. From a reporting perspective, we believe it could be beneficial for ASSA ABLOY to further enhance its communication and transparency in terms of demonstrating the sustainable impact of its efforts.



“ It's great to see how sustainability adds value to new products and solutions.

Peter Lööw

Head of Responsible Investment, Alecta

– ASSA ABLOY has sustainability high on its agenda and it is integral to everything they do. That's something we really appreciate.

– As a long-term investor we like the company for many reasons. Sustainability is one factor we take into account and ASSA ABLOY scores very highly – but also from a value creation perspective, this is important to us as investors. ASSA ABLOY is the perfect fit in that sense.

– We really appreciate our dialogue with ASSA ABLOY from a stakeholder engagement perspective. Its strategy is clear in terms of its sustainability targets, and we look forward to seeing how they will implement measures in order to meet their Science Based Targets. As ASSA ABLOY regards sustainability targets as integral to its business model, it would be good for that to be clarified.

– ASSA ABLOY is very transparent about Scope 1 and Scope 2 emissions and how they work to reduce them. Now we are looking at Scope 3 emissions, which hasn't been implemented yet, and how it will improve on these to be climate-neutral by 2050.

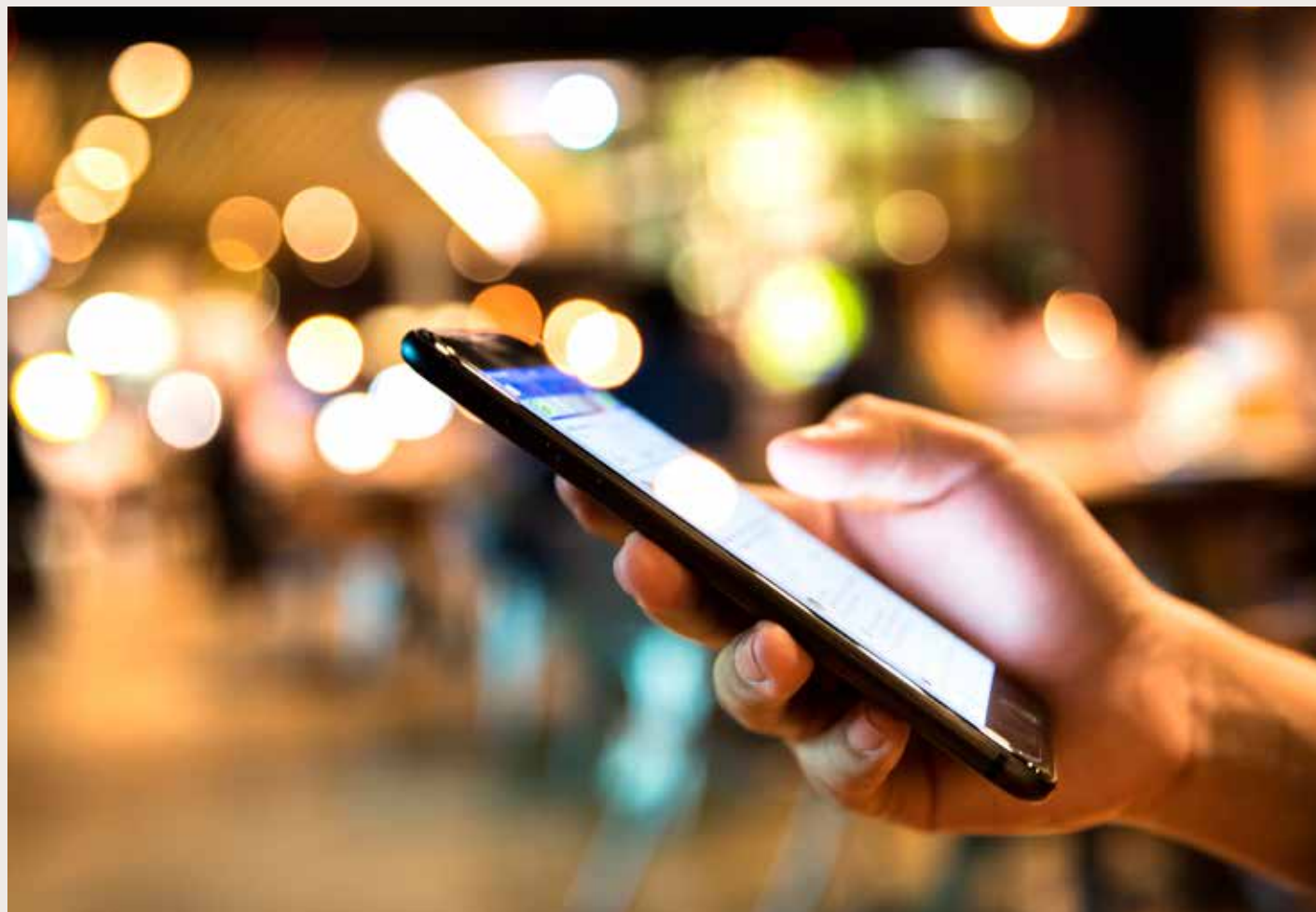
– The company has a good structure and organization, but the sustainability world is developing all the time. An area



related to this is upcoming EU regulations, and ASSA ABLOY needs to be sure it can comply with these. It is important that ASSA ABLOY is already on top of that, gathering data and communicating to the investors.

– ASSA ABLOY needs to therefore set its strategies to meet long-term targets. While traditionally companies have had a quarterly set-up to meet expectations, there is now going to be more of a long-term incentive. ASSA ABLOY is already quite good at this, but as it now needs to look to 2030 and 2050 it will be interesting to see the impact of this on its strategy and communication.

“ We really appreciate our dialogue with ASSA ABLOY from a stakeholder engagement perspective. ”



Anti-corruption and other compliance programs

We have specific global compliance programs and policies within the areas of anti-corruption, antitrust, export control & sanctions and data protection, which supplement and build on our Code of Conduct. In 2021, we continued with the implementation of our Data Protection Compliance Program. The process for handling of Code of Conduct cases was further streamlined through-out the Group and the divisional due diligence processes was further strengthened.



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

Progress in 2021

Data Protection Compliance Program

The global data protection policy is based on both the EU General Data Protection Regulation (GDPR) and the principles set out in the OECD Guidelines on the Protection of Privacy and Trans-border Flows of Personal Data. During 2021, we have continued to work on the global implementation of the program to ensure that personal data is handled in a responsible, trustworthy and compliant manner. Further, processes and documentation related to data protection compliance have been reviewed and improved.

Following a ruling of the Court of Justice of the European Union on July 16, 2020 and subsequent guidance by data protection authorities, transfers of EU personal data to third countries require further consideration. We have implemented processes to address EU personal data transfer risks and initiated the implementation of the new standard contractual clauses, adopted on June 4, 2021 by the European Commission.

Anti-Corruption Compliance Program

- The Anti-Corruption Compliance Policy was slightly updated to fit the new Group standard template.
- Implementation of a new Group wide risk-based third-party vetting process.
- Work started on an updated version of the Group's Anti-Corruption e-learning.

Anti-corruption reviews

- In 2021, anti-corruption reviews were conducted in Asia, Australia, Middle East, South America and Europe.

Compliance overview

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

In 2021 regions where the risk of corruption is perceived to be higher, such as emerging markets or countries with a low score on Transparency International's latest Corruption Perception Index, have continued to be in focus. During the year anti-corruption reviews have been conducted in Asia, Australia, Middle East, South America and Europe. The implementation of the programs is reviewed through our established process for internal control in all operating companies and internal audits.

We also have a mergers and acquisitions compliance process as part of the acquisition process. This process has been reviewed in 2021. The aim of this process is to put any potential issues on the agenda from the outset of the acquisition to be able to determine the level of risk at an early stage, as well as to mitigate specific areas of concern. Read more in the Acquisitions section on page 45.

Anti-Corruption Compliance Program

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

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

Compliance training

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

The anti-corruption e-learning course is global and available in 20 languages. The target groups for the anti-corruption and the competition law trainings have during 2021 been harmonized globally and include e.g. managers as well as sales, purchasing and sourcing personnel. During 2021 work has been done to update the anti-corruption e-learning. Also the competition law e-learning is currently being updated with the aim to create one global course instead of having separate regional courses.

Continued work in 2022

The newly launched third-party vetting process will be followed-up on a regular basis in order to analyze the roll-out and progress to make room for possible improvements. Anti-corruption reviews will continue to be carried out in regions where the corruption risk exposure is perceived to be high. The follow-up of implementation of the Anti-Corruption Compliance Program at divisional level will continue.

The implementation of controls related to EU personal data transfers will continue and the subject matter will be closely monitored for further developments.

Acquisitions

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

Progress in 2021

- New acquisitions
- 13 acquisitions were consolidated during the year. 8% of the acquisitions were in emerging markets.
- Acquisition post-closing follow up
- A new process for formally following up on all acquisitions after some 15–18 months was implemented during 2018. The follow up focuses both on financial performance and synergies but also on the status of the integration process. This process is now an integral part of the acquisition process.
- The process for appointing a dedicated integration manager in all acquisitions that was formalized during 2018 has continued. The integration manager is appointed already during the acquisition process and is the lead person post-closing for managing all integration aspects of the acquired company.

With more than 225 acquisitions during the last 16 years, we have established an efficient process for bringing new companies into the Group. This includes reviewing sustainability related issues, sharing the company's Code of Conduct and way of doing business with prospective companies, and taking steps to help newly acquired companies raise their standards where necessary.

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

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

The acquisition process

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

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

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

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

As part of the acquisition process, we are obliged in certain cases to file for antitrust approval. During 2021, the company did this in a few cases when it was required.

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

Risk management

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

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

Compliance process

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

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

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

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



With more than 225 acquisitions during the last 16 years, we have established an efficient process for bringing new companies into the Group.

Sustainability data tables

In this section we present in-depth sustainability information and full data with calculations. The information is presented under the same headline as our sustainability agenda.

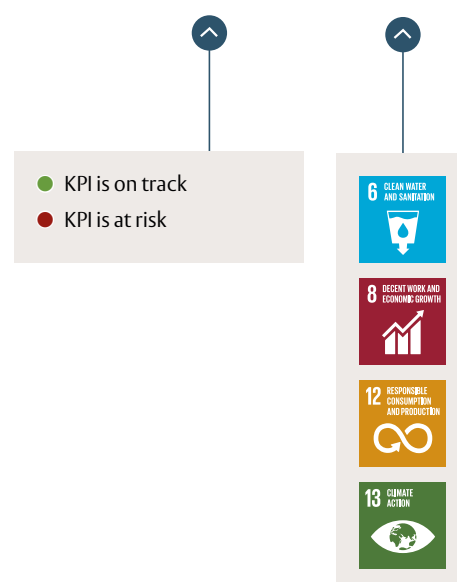
Performance against targets

Sustainability program to 2025 progress:

Area	2019	2020	2021 ¹	Target 2019–2025	Change 2019–2021	Linked SDGs
Environmental KPI						
ISO 14001 - % of sites certified in reporting scope ²	76%	77%	77%	100% ●	+1 p.p.	12
Carbon footprint - Scope 1 & 2 greenhouse gas emissions (tons absolute)	293,508	240,604	244,827	–25% ●	–17%	12 13
Energy intensity (MWh/SEK M)	18.2	19.1	16.5	–25% ●	–9%	8 12 13
Water intensity (m ³ /SEK M)	49.0	48.2	37.1	–25% ●	–24%	6 8 12
Hazardous waste intensity (kg/SEK M)	104	102	89	–25% ●	–14%	6 12
Non-hazardous waste intensity (kg/SEK M)	650	683	634	–25% ●	–2%	6 12
Organic solvents intensity (kg/SEK M)	19.6	11.7	10.2	–50% ●	–48%	6
Social KPI						
Injury rate (number of injuries per million hours worked)	3.0	2.8	2.4	–33% ●	–20%	8
Injury lost day rate (number of lost days related to injuries per million hours worked)	60.0	65.5	63.0	–33% ●	+5%	8
Portion of spend in identified risk countries represented by sustainability audited direct material suppliers	97%	91%	86%	95% ●	–11 p.p.	8
Portion of spend of direct and indirect material suppliers who have signed the Group Business Partner Code of Conduct	68%	68%	73%	95% ●	+5 p.p.	8
Gender equality	Level 2: 20%	Level 2: 9%	Level 2: 9%		–11 p.p.	8
Portion of females in management positions	Level 3: 17%	Level 3: 21%	Level 3: 12%		–9 p.p.	
	Level 4: 20%	Level 4: 21%	Level 4: 25%		+4 p.p.	
	Level 5: 25%	Level 5: 26%	Level 5: 28%		+2 p.p.	
	Level 2–5: 24%	Level 2–5: 25%	Level 2–5: 27%	30% ●	+2 p.p.	

¹ For comparable units in 2021.

² Acquisitions will be given 3 years to become certified.



Strategic direction

Sustainability risk management

ASSA ABLOY's long-term risk-management strategy covers sustainability aspects throughout our value chain. Our direct material supplier audit program helps to manage risks related to suppliers, with a particular focus on high-risk suppliers. With new acquisitions, we have established an efficient process that comprehensively reviews sustainability-related issues in order to mitigate the risks associated with integrating new companies and their supply chains.

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

The ASSA ABLOY Sustainability Compass is also crucial to mitigate product-related risks. It guides sustainable innovation and embeds

sustainability into product development. The Sustainability Compass ensures that our next generation of products is more sustainable than the previous generation, which mitigates risks for both ASSA ABLOY and our customers.

In 2021, we started the process to report in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). This provides a systematic framework to help us identify climate-related financial risks and opportunities, and take the necessary actions to address them.

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

Sustainable operations

Energy and carbon emissions

Geographical split of energy and water consumption

	Africa	Asia	Europe	North America	South America	Pacific
Energy consumption (%)	0.4%	18.4%	27.2%	46.0%	4.8%	3.2%
Water withdrawal (%)	0.9%	49.2%	14.1%	25.3%	7.9%	2.6%

Ozone-depleting substances

	2016	2017	2018	2019	2020	2021
Ozone-depleting substances in tons of R11 equivalent ¹ (tons)	8.1	4.8	8.0	2.7	0.0	0.0

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

Energy consumption and related CO₂ emissions

	2016	2017	2018	2019	2020	2021 ¹
Direct energy – Scope 1						
– oil (MWh)	23,911	25,965	21,697	15,054	9,707	8,705
– gas (MWh)	251,402	258,857	268,609	290,130	269,869	277,147
– coal (MWh)	48,884	30,711	11,694	10,093	61	49
– biofuel/biomass (MWh)	3,119	3,706	8,975	9,737	13,786	10,919
Total	327,316	319,239	310,975	325,015	293,423	296,820
Indirect energy – Scope 2						
– electricity (MWh)	360,618	375,982	380,470	345,248	327,561	338,105
– district heat (MWh)	28,069	34,567	35,507	38,990	32,404	24,717
Total	388,687	410,549	415,977	384,238	359,966	362,822
TOTAL ENERGY CONSUMPTION²	716,003	729,788	726,952	709,253	653,388	659,642
KPI, Energy intensity ³ (MWh/SEK M)	22.4	21.2	19.8	18.2	19.1	16.5 ⁴
CO ₂ emissions related to direct energy consumption – Scope 1 ⁵ (tons)	75,033	71,101	67,009	69,192	61,426	61,740
CO ₂ emissions related to indirect energy consumption – Scope 2 (tons)	171,067	196,697	205,309	189,456	178,029	182,356
Total greenhouse gas emission related to energy consumption CO ₂ (tons)	246,101	267,798	272,318	258,648	239,455	244,096 ⁶
Greenhouse gas emission related to substances in industrial processes						
– Calculated CO ₂ emissions ⁷ (tons) – Scope 1	92,385	68,106	72,206	34,860	1,149	731 ⁸
– Total CO ₂ emissions – Scope 1 and 2	338,486	335,904	344,524	293,508	240,604	244,827
KPI, Portion of renewable energy (%)	11.7	11.6	11.9	12.3	14.3	20.3

¹ For comparable units. Total energy consumption amounted to 674,440 MWh, including units acquired during the year.

² The historical numbers have been adjusted with proforma data.

³ Total energy use/value added.

⁴ For comparable units. Total energy use/value added amounted to 16.0 MWh/SEK M, including units acquired during the year.

⁵ Biogenic emissions are included in the Scope 1 disclosure.

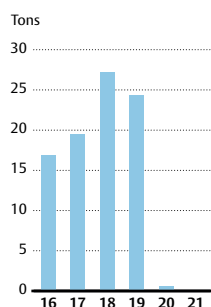
⁶ For comparable units. Total greenhouse gas emission related to energy consumption amounted to 248,781 tons, including units acquired during the year.

⁷ Emission factors are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2007). This indicator is the CO₂e sum measurement of SO_x, NO_x, HFC-245fa, HCFC-141b, HCFC-134a (R134a), CH₄, VOCs and CO₂.

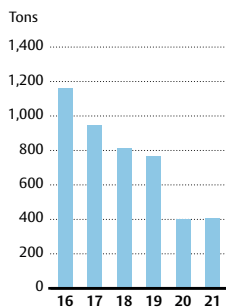
⁸ For comparable units. Total calculated CO₂-emissions related to substances in industrial processes amounted to 731 tons, including units acquired during the year.

Organic solvents

Consumption of chlorinated organic solvents



Consumption of other types of organic solvents



Environmental management systems

ISO 14001, percentage of sites certified in reporting scope¹

	2019	2020	2021
Entities certified to ISO 14001	71	72	72
Entities requiring ISO 14001 certification	94	94	94
Total % of sites certified	76	77	77

¹ Manufacturing and logistics sites with a material environmental footprint are required to be certified to ISO 14001. Acquisitions will be given 3 years to become certified.

Water management

Water performance

	2016	2017	2018	2019	2020	2021
Purchased water (1,000 m ³)	1,508	1,391	1,588	1,692	1,521	1,360
Water from on-site wells (1,000 m ³)	684	616	335	210	117	110
Rainwater (1,000 m ³)	9	5	4	9	9	10
Surface water (1,000 m ³)	2	0	0	0	0	0
Total water withdrawal (1,000 m³)³	2,203	2,012	1,927	1,911	1,647	1,480¹
KPI, Water intensity (m³/SEK M)³	68.8	58.5	52.3	49.0	48.2	37.1²

¹ For comparable units. Total water withdrawal (1,000 m³) was 1,517, including units acquired during the year.

² For comparable units. Total water intensity amounted to 36.0 m³/SEK M, including units acquired during the year.

³ The historical numbers have been adjusted with proforma data.

Water management

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

Accidental discharges

There were no spill incidents in 2021.

Waste management

Recycled metal

	2016	2017	2018	2019	2020	2021 ¹
Waste metal for recycling (tons)	56,338	58,316	55,795	57,363	54,614	56,764

¹ For comparable units. Total amount of waste metal for recycling amounted to 57,606 tons, including units acquired during the year.

Hazardous waste

	2016	2017	2018	2019	2020	2021
Metal sludge (tons)	873	838	915	914	704	936
Oil for recycling (tons)	421	433	361	331	244	232
Electrical and electronic waste (tons)				89	118	117
Other types of toxic waste (tons)	2,266	2,513	2,585	2,724	2,405	2,266
Total hazardous waste (tons)	3,560	3,785	3,861	4,058	3,471	3,551¹
KPI, Hazardous waste intensity (kg/SEK M)	111	110	105	104	102	89²

¹ For comparable units. Total amount of hazardous waste was 3,615 tons, including units acquired during the year.

² For comparable units. Total amount of hazardous waste/value added amounted to 86 kg/SEK M, including units acquired during the year.

Non-hazardous waste

	2016	2017	2018	2019	2020	2021
Household incinerated/recycled (tons)	1,838	1,960	3,200	2,762	2,660	3,042
Household deposited (tons)	11,355	11,104	9,889	10,341	9,797	10,514
Paper and cardboard for recycling (tons)	4,447	4,748	4,465	4,523	4,326	4,428
Plastic waste for recycling (tons)	768	797	863	869	855	1,337
Wood waste for recycling (tons)	4,426	4,854	4,470	5,061	4,194	3,824
Glass for recycling (tons)	NA	185	174	236	144	142
Other types of waste (tons)	2,270	1,823	1,293	1,519	1,329	1,994
Total (tons)	25,105	25,471	24,354	25,310	23,305	25,282¹
KPI, Non-hazardous waste intensity (kg/SEK M)	784	741	662	650	683	634²

¹ For comparable units. Total amount of non-hazardous waste was 27,358 tons, including units acquired during the year.

² For comparable units. Total amount of non-hazardous waste/value added amounted to 650 kg/SEK M, including units acquired during the year.

Supply chain management

Material KPI

Area	2016	2017	2018	2019	2020	2021
Portion of spend in identified risk countries represented by sustainability audited direct material suppliers	93%	93%	96%	97%	91%	86%
Number of sustainability audits of direct material suppliers in identified risk countries	865	919	1,067	1,175	940	861

Together ahead

Number of employees by employment contract, employment type and gender

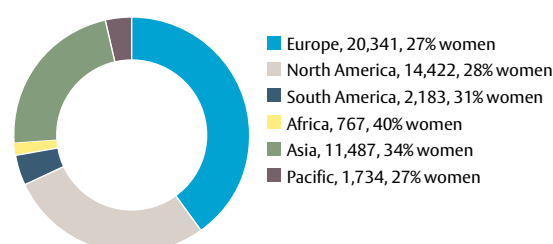
	Number	% of total	Female, %
Permanent	46,227	90%	N/A
Temporary	5,111	10%	N/A
Total	51,338	100%	N/A

At the end of 2021, 35 percent of ASSA ABLOY employees were covered by collective bargaining.

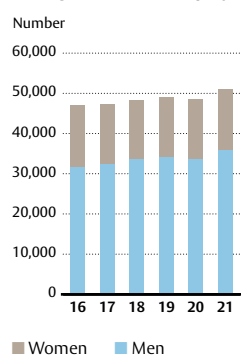
Women at different levels of the organization

Level	Percentage of women					
	2016	2017	2018	2019	2020	2021
2 – reports to CEO	27	27	20	9	9	9
3 – reports to level 2	18	17	17	21	19	12
4 – reports to level 3	16	16	20	21	25	25
5 – reports to level 4	24	25	25	26	28	28
Level 2-5	22	23	24	25	27	27
All employees	31	30	30	29	29	29

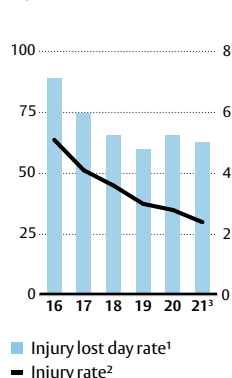
Average number of employees by region



Average number of employees



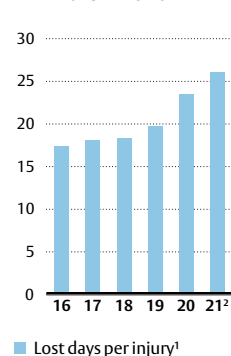
Injuries



¹ Injury lost day rate in lost days per million hours worked.

² Injury rate in injuries per million hours worked.

³ For comparable units. The total injury lost day rate was 75, including units acquired during the year. Total injury rate was 3.11 including units acquired during the year.

Lost days per injury¹

¹ Lost days per injury calculated as total number of lost days in relation to total number of injuries.

² For comparable units. The total lost days per injury was 24.1 including units acquired during the year.

GRI index

About the report

This report, along with additional information available online, describes our sustainability initiatives and performance in 2021, and addresses issues that ASSA ABLOY has identified as the most important to our stakeholders.

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

munication on Progress Report 2021. This report has been prepared in accordance with the GRI Standards: Core option (see pages 50–51 for GRI content index).

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

For further information regarding the Sustainability Report and its reporting principles, see page 50.

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¹ Data for employee contract by region and employee type by gender is not available.

Topic-specific Disclosures

GRI Standard	Disclosure		Page	Linked SDGs	Topic in ASSA ABLOY's Materiality Analysis
Economic					
Anti-corruption GRI 205: Anti-corruption 2016	103-1/2/3	Management Approach*	12–13, 24–25, 36–39, 41, 44–45	12	Anti-corruption
	205-1	Operations assessed for risks related to corruption	44–45		
	205-2	Communication and training about anti-corruption policies and procedures	36–37, 44		
Environmental					
Energy GRI 302: Energy 2016	103-1/2/3	Management Approach*	12–13, 20–23, 36–39, 41, 46–49	12	Energy
	302-1	Energy consumption within the organization	20–21, 46–47, 52	8 12 13	
	302-3	Energy intensity	21, 46	8 12 13	
	302-4	Reduction of energy consumption	21, 52	8 12 13	
Water GRI 303: Water and Effluents 2018	103-1/2/3	Management Approach*	12–13, 22, 36–41, 46	12	Water
	303-1	Interactions with water as a shared resource	22, 25	6	
	303-2	Management of water discharge-related impacts	22	6	
	303-4	Water discharge	22	6	
Emissions GRI 305: Emissions 2016	103-1/2/3	Management Approach*	12–13, 21–22, 36–39, 41, 46–47	12	Emissions
	305-1	Direct (Scope 1) GHG emissions	47, 52	12 13	
	305-2	Energy indirect (Scope 2) GHG emissions	47, 52	12 13	
	305-4	GHG emissions intensity	47	13	
	305-5	Reduction of GHG emissions	47, 52	13	
	305-6	Emissions of ozone-depleting substances (ODS)	47	12	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions ¹	47	12	
Waste GRI 306: Waste 2020	103-1/2/3	Management Approach*	12–13, 20–21, 36–41, 46, 48–49	12	Water Waste
	306-1	Waste generation and significant waste-related impacts	23, 46, 48–49	6 12	
	306-2	Management of significant waste-related impacts	23, 52	6 12	
	306-3	Waste generated	46, 48–49	6 12	
Environmental Compliance GRI 307: Environmental Compliance 2016	103-1/2/3	Management Approach*	12–13, 20–21, 36–41, 46	12	Environmental compliance
	307-1	Non-compliance with environmental laws and regulations	20–21		
Supplier Environmental Assessment GRI 308: Supplier Environmental Assessment 2016	103-1/2/3	Management Approach*	12–13, 24–27, 36–41, 46	12	Procurement practices
	308-1	New suppliers that were screened using environmental criteria	24–36		
Environmental management systems	103-1/2/3	Management Approach*	12–13, 20–21, 36–41, 46, 48	12	Environmental management systems
		Number of entities covered by ISO 14001 certificates and other certifiable environmental management systems	48		
Social					
Occupational Health and Safety GRI 403: Occupational Health and Safety 2018	103-1/2/3	Management Approach*	12–13, 28–31, 36–41, 46, 49	12	Occupational health and safety
	403-1	Occupational health and safety management system	31	8	
	403-2	Hazard identification, risk assessment, and incident investigation	31	8	
	403-3	Occupational health services	31	8	
	403-4	Worker participation, consultation, and communication on occupational health and safety	31	8	
	403-5	Worker training on occupational health and safety	31	8	
	403-6	Promotion of worker health	31	8	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	31	8	
	403-9	Work-related injuries	31	8	
Diversity and Equal Opportunity GRI 405: Diversity and Equal Opportunity 2016	103-1/2/3	Management Approach*	12–13, 28–31, 36–41, 46, 49	12	Diversity
	405-1	Diversity of governance bodies and employees ³	28–31	8	
Human Rights Assessment GRI: 412 Human Rights Assessment 2016	103-1/2/3	Management Approach*	12–13, 24–27, 36–41, 45	12	Acquisitions
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	45		
Supplier Social Assessment GRI 414: Supplier Social Assessment 2016	103-1/2/3	Management Approach*	12–13, 24–27, 36–41, 45	12	Procurement practices
	414-1	New suppliers that were screened using social criteria	24–27	8	
Marketing and Labeling GRI 417: Marketing and Labeling 2016	103-1/2/3	Management Approach*	12–13, 16–19, 36–41	12	Sustainable innovation/sustainable products
	417-1	Requirements for product and service information and labeling	16–19	12	

* GRI 103: Management Approach 2016

¹ Data includes the use of chlorinated organic solvents.² Data by gender and region not available. Absenteeism and occupational diseases not available on Group level.³ Data by age groups not available.

Reporting principles

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

Reporting units

The number of entities (factories, sales companies and offices) reporting on sustainability in 2021 has increased from 381 to 410. The data in the Sustainability Report represents entities where 90% of the Group's employees work. In terms of manufacturing activities the report is estimated to cover entities that represent 99% of the Group's total manufacturing activities. The parts of the Group that are not covered are either related to recently acquired entities or entities with less than 10 employees. Joint ventures are included if ASSA ABLOY holds the majority ownership.

Calculation principles

The reported number of employees represents the number of employed persons at the end of 2021.

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

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

Electricity emission factors are based on data on electricity production for 2010, as published by the International Energy Agency (IEA, 2012). These emission factors are used for calculation of emissions until end of 2016. In 2017 ASSA ABLOY updated the emission factors used to calculate greenhouse gases from electricity consumption. The emission factors are based on the most recent data published by the International Energy Agency (IEA) and the International Panel on Climate Change (IPCC), and are expressed in CO₂ equivalents (CO₂e). For Brazil, Canada, United Kingdom and the United States the emission factors are based on data published by national agencies.

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

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

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

Waste-related data is collected from all entities on a quarterly basis, it is analyzed and quality checked by divisional and Group management.

Changes in reporting management

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

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

All units report sustainability performance every quarter. The Group governance body is both the Board and our executive team, of which 100% are aware of our anti-corruption policies and procedures.

GRI Standards

The Sustainability Report covers the 2021 reporting year and has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Standards. This report has been prepared in accordance with the GRI Standards: Core option. Accordingly, the GRI indicators have been chosen to match the material issues disclosed on page 40. Omissions or incomplete data are commented on directly in the GRI index on pages 50–51.

We report our sustainability performance annually, and the most recent Sustainability Report, for 2020, was issued in March 2021.

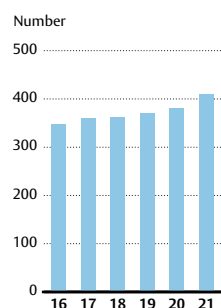
External assurance

ASSA ABLOY has not sought external assurance for the Sustainability Report of 2021. ASSA ABLOY's external auditors EY have assessed the sustainability reports compliance with GRI Standards, Core option.

Communication

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

Number of reporting units



The number of reporting units in the Group has increased to 410 (381).

Auditor's report on the statutory Sustainability Report

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

Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report 2021 (fiscal year 2021-01-01-2021-12-31) and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

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

Opinion

A statutory Sustainability Report has been prepared.

Stockholm, 4 March 2022

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

Glossary

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

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

Carbon footprint: CO₂ measurement of the impact of human activities on the environment, in terms of the amount of greenhouse gases produced.

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

CO₂: Carbon dioxide.

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

EBIT: Earnings before interest and tax.

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

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

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

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

Greenhouse gas emissions: Gases from the atmosphere that contribute to the greenhouse effect, for example CO₂ and methane.

Health Product Declaration (HPD): A verified and registered document that communicates transparent and comparable information about the life-cycle health impact of products.

Indirect energy: Electricity and heating.

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

Injury rate: Measure of injuries per million hours worked.

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

KPI: Key Performance Indicator.

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

LEED: Leadership in Energy and Environmental Design.

NGO: Non-governmental organization.

Organic solvents: Perchloroethylene and trichloroethylene.

PER: Perchloroethylene.

SRI: Socially Responsible Investment.

TRI: Trichloroethylene.

Value added: EBIT plus total cost for personnel.

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ASSA ABLOY

About ASSA ABLOY

The ASSA ABLOY Group is the global leader in access solutions. The Group operates worldwide with 51,000 employees and sales of SEK 95 billion. The Group has leading positions in areas such as efficient door openings, trusted identities and entrance automation. ASSA ABLOY's innovations enable safe, secure and convenient access to physical and digital places. Every day, we help billions of people experience a more open world.

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