

Sustainability Report 2007

ASSA ABLOY

The global leader in
door opening solutions



The bridge from risk to opportunity

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ASSA ABLOY organization

ASSA ABLOY in brief

ASSA ABLOY is the world's leading manufacturer and supplier of door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

ASSA ABLOY is represented in all major regions, on both mature and emerging markets, with leading positions in much of Europe and North America and in Australia. In the rapidly growing electromechanical security sector, the Group has a leading position in fields such as access control, identification technology, automatic doors and hotel security.

Since ASSA ABLOY was founded in 1994, the Group has grown from a regional company to an international Group with 32,000 employees and sales of over SEK 33 billion.

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

ASSA ABLOY is organized into five divisions: three geographical divisions – EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia Pacific (Asia, Australia and New Zealand) – and two global divisions.

Global Technologies is the Group's worldwide division focusing on access control, secure issuance of cards and identification technology. Entrance Systems is the Group's worldwide division of complete solutions for automatic doors.

Financials in brief

Key data	2005	2006	2007	Change, %
Sales, SEK M	27,802	31,137	33,550	8
of which: Organic growth, %	5	9	7	
Acquired growth, %	1	3	5	
Exchange-rate effects, %	3	0	-4	
Operating income (EBIT), SEK M	4,078	4,771 ¹	5,458	14
Operating margin (EBIT), %	14.7	15.3 ¹	16.3	
Income before tax (EBT), SEK M	3,556	4,100 ¹	4,609	12
Operating cash flow, SEK M	3,702	3,528 ¹	4,808	36
Return on capital employed, %	15.9	17.1 ¹	18.4	

¹ Excluding restructuring items.

ASSA ABLOY global presence



From risk to opportunity

– sustainability highlights in 2007

In 2007 ASSA ABLOY launched a new sustainability program. The program was developed by the Sustainability Council together with all functional managers in all divisions. It is based on the Group's risk assessment, significant sustainability issues and the measurable results in the applicable areas. The table below summarizes the initial results in specific program areas.

Initial results within the sustainability program – for some of the objectives.

Objective	Result 2005	Result 2006	Result 2007	Trend
Energy conservation in manufacturing: A reduction of 15 percent by 2012 compared to the result in 2006, based on normalized values.	18.7 MWh/SEK M	17.4 MWh/SEK M	16.0 MWh/SEK M	■
Organic solvents – Phase out all use of perchloroethylene and trichloroethylene by the end of 2008.	189 tonnes	172 tonnes	93 tonnes	■
Surface treatment – Improve environmental, health and safety aspects. Processes under change before the end of 2010.	47 processes	40 processes	38 processes	■
Health and safety Zero-vision, with first objectives to improve health and safety statistics: <ul style="list-style-type: none"> • 2007: IR, injury rate 10; ILDR, injury lost-day rate 220. • 2008: IR, injury rate 9; ILDR injury lost-day rate 200. – IR in injuries per million hours worked – ILDR in lost days per million hours worked	IR 13.6 ILDR 297	IR 10.9 ILDR 242	IR 9.5 ILDR 179	■
ISO 14001 – Compliance at all factories with significant environmental impact.	26	54	68 ¹	■
Suppliers – Sustainability assessments; acceptance of the Code of Conduct a documented requirement for all suppliers; sustainability audits for all risk-category suppliers.	5 pilot sustainability audits in China	40 sustainability audits in China	120 sustainability audits in China	■
Gender diversity – Each division is expected to undertake appropriate measures aimed at improving present levels of gender diversity at the more senior levels.	Not measured	Level 3: 9% Level 4: 10% Level 5: not measured	Level 3: 14% Level 4: 19% Level 5: 22%	■

¹ of 72 factories.

■ Deterioration ■ Constant ■ Improvement

ASSA ABLOY's range of electronic security products includes electronic cylinders, automatic doors and products for access control. In addition to locks, the main mechanical security products are handles, door closers, evacuation products, and door and window fittings. The images show some of the products in the ASSA ABLOY portfolio.



Johan Molin,
President and CEO



In 2007 we launched a new sustainability program with goals and commitments that reach into 2010. The main priorities are energy efficiency, health and safety, supply chain integrity, substitution of chemicals, and to increase the numbers of female employees in managerial positions. Furthermore we have begun to develop sustainability tools for additional business processes, such as sales and innovation. The program links directly into our business processes

and into our value chain. This approach will ensure that sustainability is integrated in everything we do.

For ASSA ABLOY the new sustainability program is the bridge from risk to opportunity. Our increased focus on product innovation gives us an opening for exploring the market opportunities for environmentally friendly products. The movement of our manufacturing base to low-cost countries and the great progress we have made in collaboration with our suppliers are the other important elements that we handle from a sustainability perspective.

ASSA ABLOY is dedicated to improving both sustainability results and our dialogue with stakeholders. In 2007 we held two roundtable meetings with ethical investors and made two factory visits, activities that will continue in 2008. The activities were well received and we thank all investors for their interest and valuable input. I also want to thank our employees for their dedication regarding our sustainability program, which has led to the good progress made in the past year.

In this report we make a self-declaration according to GRI, Global Reporting Initiative, declaring level C. I am also proud to declare our commitment to and participation in the Global Compact from 2008. Finally, when we published our first Sustainability report last year, we received a lot of valuable feedback. We would be more than happy to get your reactions on this year's report as well and look forward to any comments or input that can help us to improve in the future.

A handwritten signature in blue ink, consisting of stylized initials and a surname, positioned above the printed name.

Johan Molin,
President and CEO

Creating opportunities through sustainability

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Director Sustainability
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Karin, in 2004 you started to develop a management system for all sustainability issues. Looking back, which challenges did you encounter?

It has been a wonderful task and we have always had a roadmap. However, some of the challenges we faced had to do with awareness and training throughout the organization. We did create acceptance from more than 70 manufacturing entities operating in different legal and technical settings, most of them with a very short history in the Group. Every strategic element, tool or objective in the area of sustainability has been balanced to suit all entities, but they are also sufficiently 'sharp' to really create improvements.

Being a relatively young Group, ASSA ABLOY formerly had no systems for managing environmental issues at Group level. In the beginning, even though we included all sustainability issues in our commitment and strategy, we have had to take the process forward step by step.

What is at top of your agenda for the near future?

In the years to come we will have a great deal of interesting projects to work on – in order to deliver based on the objectives in our new and ambitious sustainability program. By focusing on each objective at more depth and with more best-practice sharing and cross-learning between our companies, we intend to enhance our results. An important factor is teamwork and letting our local champions be part of the whole.

Further, we intend to expand our external communication and our work with all stakeholders. We have always had a focus on materiality, i.e. significant areas as applied to our own business strategy and organization, without losing sight of the importance of society's expectations and priorities existing and emerging. I intend to keep this systematic approach, but also enhance our communication around it.

Which opportunities does ASSA ABLOY have?

ASSA ABLOY's commitment and approach to sustainability fits perfectly into our commitment to safety, security and convenience. We have unique opportunities to strengthen our products, our brand and our market position if we are able to handle our risks. With the achievements this far and with the new sustainability program we will be able to develop great opportunities. We will endeavor to be able to grow in the market also through our commitment to sustainability. Our new sustainability program is 'the bridge from risk to opportunity'.

Finally, on implementation: You have created a lot of tools for the different business processes. How can stakeholders be sure that the tools are implemented and used throughout the organization?

This is an important question and I assure you that we give a lot of attention to the implementation and the support to our companies when implementing. We intend to enroll all middle managers in different learning programs in 2008 and onwards. Our new reporting database provides follow-up reporting that will also help us identify any opportunities for improvement. In addition, we have an excellent internal communication tool in our intranet, 'keyPoint'. Our results in 2007 are excellent and completely aligned with our new sustainability program.

Finally, we have very good pragmatic managers and as a result we always get valuable input and examples from them. Many of our people have invested quite a lot of time and effort to explain how their business and/or business process functions, and how it impacts in the sustainability area. They are participating in various parts of our sustainability program. It is such a pleasure for me to work with all these wonderful people from all over the world – people who are committed to and contribute so much to sustainability. Thank you!

Strategy



Business focus

– sustainability as part of our strategy

The business case

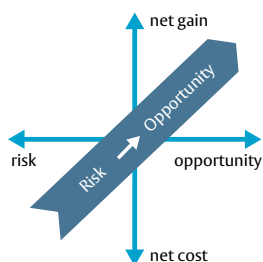
There are many reasons for our commitment to sustainability. The business case creates market opportunities through the sustainability approach and transforms them into increased market shares.

We are convinced that through good citizenship, efficient risk management and legal compliance, we will strengthen our brand value and our leadership in all the areas that we operate in, and are thereby able to make the most of those market opportunities whenever they arise.

Sustainability strategy

ASSA ABLOY's long-term sustainability strategy is to develop market opportunities, to enhance the management and results of all relevant sustainability issues, and to develop a complete and efficient management system for all issues until 2010, thereby delivering upon our sustainability vision. The sustainability strategy is based on the risk and status assessment and designed to handle all risks, improve sustainability performance and create market opportunities.

As described later, ASSA ABLOY has identified medium to high risks in some areas of activity. The illustration on the left shows how we see the connection between risk and opportunity as well as net cost and net gain. In order to move from risk assessment at value chain level, we need to focus on our daily activities and practices. ASSA ABLOY is organized around business processes, such as management, sourcing, innovation, operations and human resources. These processes are the backbone of the sustainability approach, which integrates Code of Conduct, tools, programs, indicators and objectives directly into these processes.



A main challenge is to develop new business opportunities when major risks have been reduced.

The ASSA ABLOY sustainability strategy includes the following elements:

- Policy.
- Code of Conduct.
- Sustainability governance and organization.
- Minimum requirements for environment, health and safety as well as labor conditions. Requirements include technical provisions for environmental protection, health and safety and the requirement for ISO 14001 and specific requirements and tools for risk assessments.
- Business process specific tools, e.g. tools that have been developed and tailored to fit specific sustainability issues and specific business processes. See also illustration on next page.
- Indicators – both qualitative and quantitative – to mirror the performance – integrated into a sustainability reporting database.
- Sustainability program to handle risks and to create market opportunities. The program is also linked to the business processes, tools and indicators and is described in detail later in this report.
- Training.
- Communication, stakeholder engagement and reporting.

Costs and benefits of the sustainability strategy

Cost of risks has been estimated in some areas and we have also tried to estimate potential savings, such as cost savings through increased energy efficiency. However, we believe the real potential is in the market development, be it through a sustainable profile and market communication or through the development and launch of a sustainable portfolio of products.

Strategy phases

Phase	Analysis		Implementation			Follow-up	
Issues/ Procedures	Assessment	Survey at company level	Policy	Strategy	Program	Indicators	Objectives
Economic – sustainability dimension	Evaluate 2008	Evaluate 2008	Evaluate 2008	Evaluate 2008	Evaluate 2009	Evaluate 2009	Evaluate 2009
Environment health and safety	2003	2004	2004	2004	2004	2005	2007
Ethical and social Issues	2003	2006	2004	2004	2006	2006	2007

The sustainability strategy has been developed with a long-term perspective, aiming for 2010 and beyond.

Angela McClendon,
Norton Door controls,
Charlotte, USA.



An important stakeholder group for us is our owners and analysts. ASSA ABLOY invited all Swedish based ethical

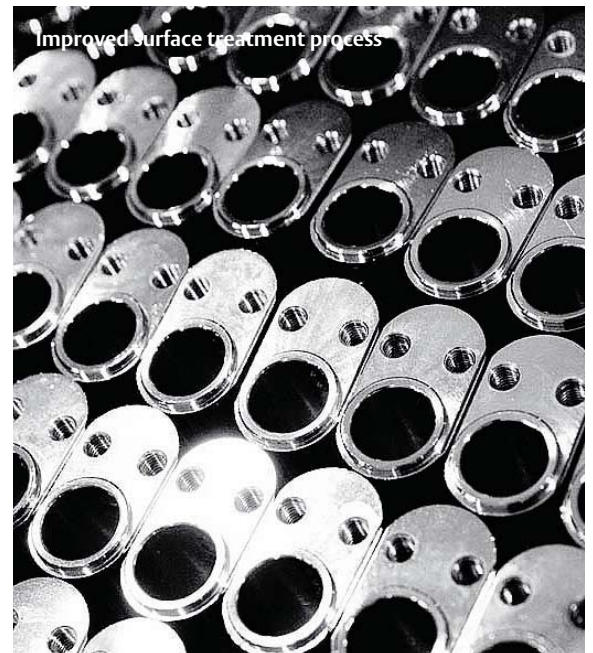
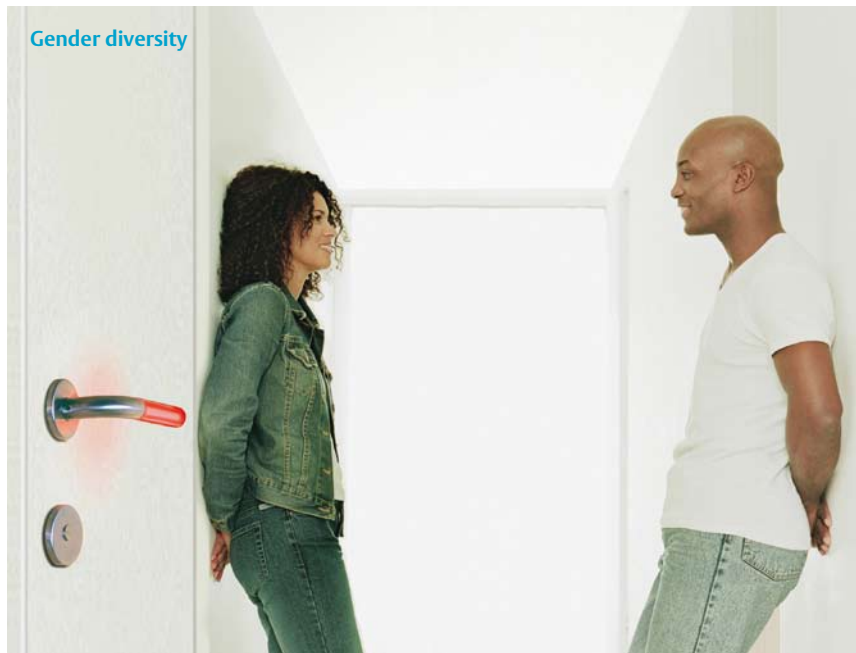
In 2007 our main commitment was to define a new sustainability program. We have spent quite some time discussing, gathering local best practice examples and measuring and evaluating different options in order to create an appropriate nonetheless ambitious program. Furthermore, the proposal has been processed throughout the entire organization and within all councils that are integrated into this work. One global meeting with several business representatives from our five divisions agreed upon the final proposal to group management, which was then approved in August 2007. And in October the next global meeting handled the implementation of operations and sourcing related objectives. Our employee representatives were integrated into this process and have also been members of some project related trips and activities, together with the Director of Sustainability and other managers.

The next section describes our new comprehensive sustainability program 2007–2010.

Implementation								
Processes and procedures							Stakeholders and procedures	
Management	Sourcing	Production	Investments	Innovation	Acquisitions	Marketing and Sales	Employees	Other stakeholders
Governance Business strategy Policy – 2004 Code of Conduct – 2004 Sustainability program – 2007	Supplier audits tools – 2006	ISO 14001 Floor requirements – 2004 Internal audit – 2005 Training and best practice sharing – 2005	Ad-hoc criteria if >SEK 1 M – 2005	Innovation sustainability strategy incl. checklist for product development – 2008	Directive Due Diligence – 2005 Studies and training	Training – 2008	Whistle-blowing – 2004 Stakeholder strategy to be defined – 2008	Strategy to be defined – 2008
Code of Conduct introduced 2004 to be updated 2008								

New objectives – Sustainability program 2007–2010

In 2007 ASSA ABLOY launched a new sustainability program. The program was developed by the Sustainability Council together with all functional managers in all divisions. It is based on the Group's risk assessment, the material sustainability issues and the measurable results in the applicable areas. The program is also based on the commitment to complete our management system elements and tools. The program encompasses objectives in the following areas:



Energy conservation

Energy savings within manufacturing – a 15 percent reduction by 2012 compared to the result in 2006, based on normalized values.

Organic solvents

Phase out all use of perchloroethylene and trichloroethylene by the end of 2008.

Improved surface treatment process

Improve environmental, health and safety aspects of the surface treatment processes.

Health and Safety

Zero-vision and objectives to improve health and safety statistics (per million working hours):

2007: injury rate 10, injury lost day rate 220.

2008: injury rate 9, injury lost day rate 200.

ISO 14001

Compliance at all factories with significant environmental impact.

Internal audits

All ASSA ABLOY companies use the same approach and tools.

Suppliers – sustainability assessments

Code of Conduct – a documented requirement for all suppliers and sustainability audits applied to risk category suppliers.

Suppliers – transport and climate change

Increased coordination of transport of goods.

Suppliers – improved ethical practices

Sourcing process to be improved locally with procedures and tollgates according to ASSA ABLOY requirements.

Innovation

Environmental, health and safety assessments are compulsory in the Gateway process.

Innovation

A Design for Environment, DfE, checklist shall be part of the Product Development Process toolbox.

Innovation

The environmental impact is measured for every major project.

Sales – sustainability into process

Integrate sustainability communication in sales process and training.

Sales – process and ethics

Evaluate, choose and implement options for ethics awareness and training.

Code of Conduct

First version in October 2004. Update in 2008.

Gender diversity

Each division is expected to undertake appropriate measures aimed at improving present levels of gender diversity within the more senior levels.

Drugs and alcohol prevention

All entities should be able to respond to problems or cases in this area, best-practice sharing between entities.

HR – benchmarking for health and safety improvement

All divisions will improve benchmarking within the health and safety area with the support of the Human Resources function. The aim is to improve health and safety results as per separately defined objective.

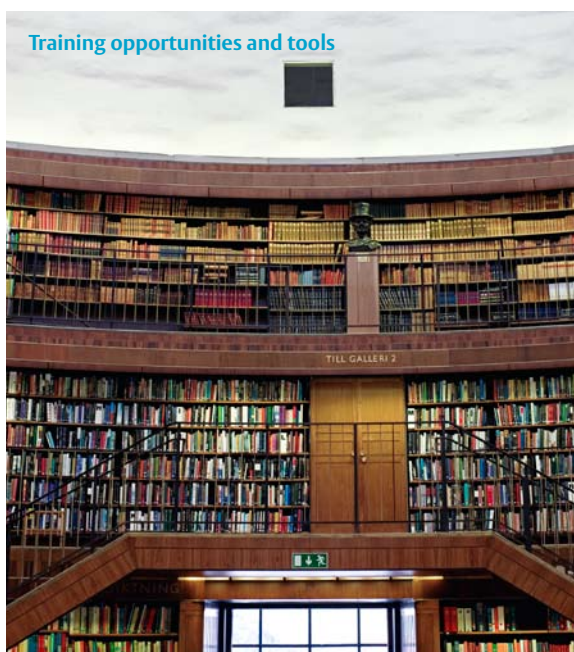
Training opportunities and tools

Awareness-raising and training will be intensified and training modules will be developed for all important sustainability tools.

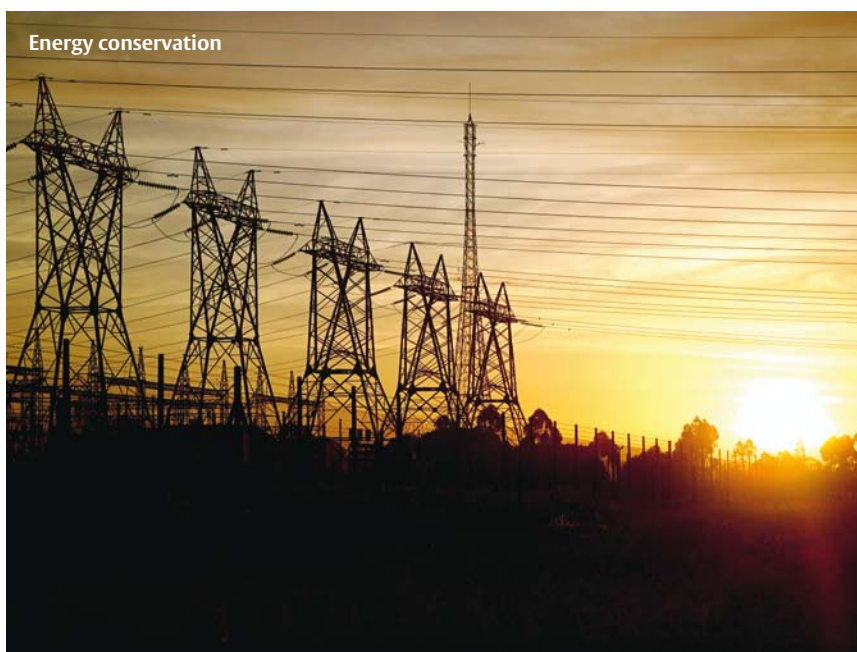
Governance model

Develop the governance and organization for sustainability.

This program will be further developed and reported as found appropriate for the specific business process and sustainability area.



Training opportunities and tools



Energy conservation

ASSA ABLOY Code of Conduct

Our policy documents and our Code of Conduct documents are all available on the ASSA ABLOY website, www.assaabloy.com.

Code of Conduct

Our Code of Conduct was introduced in 2004. It is founded on a risk and status assessment, i.e. the issues that are material for the ASSA ABLOY's specific strategy and operations, and on a combination of our policies and international conventions such as the United Nations Universal Declaration of Human Rights, the core conventions of the International Labor Organization, and the OECD guidelines for multinational companies. The Code of Conduct includes a mechanism for whistle-blowing, by which any stakeholder can report any suspected violations of the Code of Conduct.

The Code of Conduct is currently under review and the new version will be published in 2008.

Code of Conduct whistle-blowing mechanism

We firmly believe that any problems or suspected violations should be handled by local managers. Our managers are expected to ensure compliance with Our Code of Conduct and create and maintain a work environment in which any problems can be discussed openly, without prejudice. Whistle-blowing should only be used as a very last resort. A team at head office is responsible for handling all such communications.

The Group's Code of Conduct covers the following areas:

Business ethics

- Fair competition and antitrust legislation.
- Bribery.
- Records and reports.
- Government investigations.
- Conflict of interest.

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

- Child labor.
- Forced or bonded labor.
- Freedom of association and collective bargaining.
- Working hours, overtime and overtime compensation.
- Discrimination, harassment, equal opportunities, gender balance and diversity.
- Employee privacy.
- Alcohol and/or drug abuse.
- Human rights.
- Consumer interests.
- Community outreach.

Environment, health and safety issues

- Environment.
- Health and safety.



The complete corporate governance report covering information such as guidelines and policies, shareholders, board members, operational management and internal control, risk management, can be found in ASSA ABLOY's Annual Report 2007 or on the Group's website, www.assaabloy.com.

Corporate governance

ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden and headquarters at Klarabergsviadukten 90. The Group's corporate governance is based on, among other things, its articles of association, the Swedish Companies Act and the rules and regulations of the OMX Nordic Exchange Stockholm (Stockholm Stock Exchange). ASSA ABLOY applies the Swedish Code of Corporate Governance, which forms part of the rules of the Stockholm Stock Exchange. This Code is based on the principle of 'comply or explain' and primarily deals with the organization and working methods of the Annual General Meeting, the Board of Directors and the management, as well as the interaction between these bodies.

Sustainability organization



Sustainability governance and organization

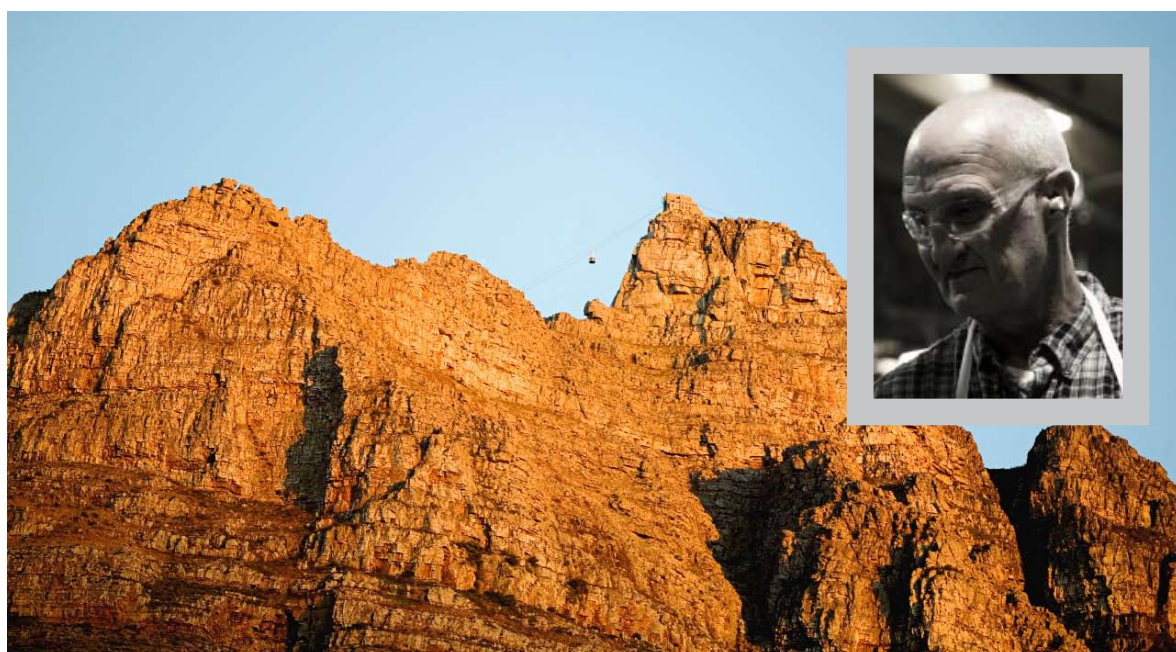
Sustainability encompasses several business processes as well as several functions. While the Board of Directors has the overall responsibility for risk management, Group management is responsible for the sustainability risk management approach. Group management also decides on sustainability policy, Code of Conduct (CoC) and strategy.

A Sustainability Council at Group level is chaired by the CFO and defines strategy and plans in accordance with policy, CoC and business strategy. The Director of Sustainability ensures that policies, programs and tools are available and implemented, coordinates internal processes and controls that all business processes have a sufficient level of risk management and performance.

Group-level councils for Operations, Human Resources, Sourcing Steering and Innovation with representatives from all divisions, handle all issues related to their business processes/functions and the implementation of all group-wide tools.

In addition, every division has one person coordinating all sustainability issues at divisional level. All divisions and their group companies are responsible for the conformance to ASSA ABLOY group-wide policies and programs as well as for reporting back to group level.

A Code of Conduct compliance team is chaired by the Director of Sustainability and includes two employee representatives. The team handles all whistleblowing cases.



The process and results of the first risk assessment is described in the Sustainability report 2005–2006 and at www.assaabloy.com.

In 2003, the Group completed an assessment of risks and opportunities in relation to sustainability issues. The assessment covered such wide-ranging sustainability issues as the environment, business ethics and social issues.

A matrix was created for the assessment, covering all issues and all segments of the value chain. The assessment categories were related to risks and opportunities, but also to present practices and impacts. Each detailed issue in a specific part of the value chain was evaluated and rated 1–5. The rating criteria were specified in advance for each assessment category.

Value chain risks

The following major risks and impacts were identified in the production segment of ASSA ABLOY's operation:

Environmental, health and safety issues:

- Local versus global standards.
- Hazards related to chemicals and technical risks.
- Energy consumption and greenhouse gas emissions.
- Integration of new companies.

Ethical and social issues:

- Workplace conditions.
- Gender balance and diversity.
- Bribery and corruption.
- Human rights.
- Integration of new companies.

The following major risks and impacts for ASSA ABLOY were identified in connection with external segments of the value chain:

- Sourcing in general.
- Waste treatment technology and control systems.
- Social issues, such as bribery and corruption, in sales operations.

- All issues in the raw materials extraction segment, although ASSA ABLOY's influence in this segment of the value chain is relatively small.

Regional risks

Another dimension in the risk map is related to regional risks. ASSA ABLOY has defined a number of risk regions, which are given special attention. The risk regions are normally linked to low-cost production and sourcing. The risks in low-cost countries cover most sustainability issues, such as environment, health and safety, labor conditions, human rights and business ethics. In many of the high risk countries ASSA ABLOY has no representation at all. In most of the risk countries where ASSA ABLOY does have operations or sourcing, there is a basic or even good level of legislation in the area. Problems are mostly related to lack of infrastructure, urban zone planning, implementation and enforcement of legislation and to the lack of awareness and understanding of legal requirements among some suppliers. However, we also experience a distinct commitment from suppliers in these regions.

ASSA ABLOY has made a mapping of countries relevant to ASSA ABLOY's operations, including those that have not ratified all of the eight core ILO conventions. The results show us where we need to have more focus in order to ensure good working conditions.

Risks related to the business strategy

The ASSA ABLOY strategy to develop low-cost manufacturing and to increase low-cost sourcing has an impact on the overall sustainability risk assessment. Such changes are coupled with and will increase the regional risks mentioned above.



Operations



Sustainability – integrated in everyday operations

The way we work – process orientation

ASSA ABLOY is organized around business processes, such as management, sourcing, innovation, operations and human resources. These processes are the backbone of the way we work and of the sustainability approach, which integrates Code of Conduct, tools, programs, indicators and objectives directly into these processes.

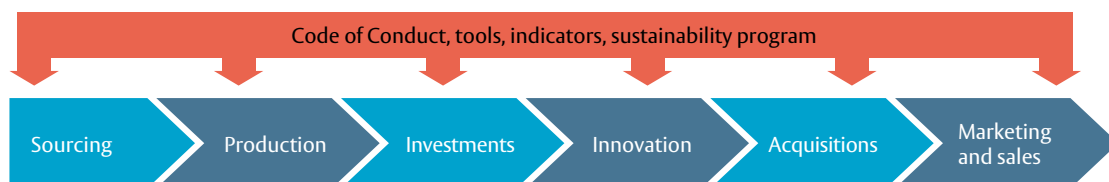
Coming from a value chain or life-cycle perspective when assessing overall sustainability risks, we have focussed on our business processes and the material sustainability issues as defined through the risk assessment.

Training and tools

All new employees undergo a training program, which includes the Code of Conduct. The intranet keyPoint con-

tains two sustainability sites. One is open for all employees and contains resources and information. A second site has been specifically developed to support implementation of the new sustainability program with detailed information about tools and best-practice examples, submitted by all local sites. This second site also includes a reporting page for all indicators and follow-up reporting for the sustainability program. The connected database allows for statistics and assessments of the information. For example each individual company can produce its own scorecard – following the results year by year and in comparison with average values. Each single indicator can be analyzed for best, worst and average values, site top lists as well as comparing on a year-by-year basis.

The sustainability strategy is integrated in each business process as part of the value chain. See also the illustration on page 5.



Manufacturing

– improving the sustainability impact

Examples of manufacturing processes within ASSA ABLOY are:

- Die-casting
- Moulding
- Welding
- Soldering
- Polishing
- Degreasing
- Pre-treatment
- Galvanizing
- Plating
- Lacquering
- Painting
- Polymer extruding

A list of all ASSA ABLOY entities that reported in 2007 can be found on www.assaabloy.com.

Number of reporting entities.

ASSA ABLOY has significant in-house manufacturing of medium overall sustainability impact and risks. However, in some regions the risks are somewhat higher as described earlier. A typical manufacturing entity of ASSA ABLOY employs between 100 and 1,000 employees. Very few entities are larger. Our manufacturing encompasses a generally rather integrated manufacturing, including manufacturing of many components. Increasingly cost-effectiveness and internal trade is being promoted.

When ASSA ABLOY began the operational work with sustainability it was the manufacturing and the environmental, health and safety impact that was prioritized. After having achieved first results in this area we have now begun to develop projects within the ethical and social area. Our strong focus on results within our own operations will remain an important aspect of our sustainability approach.

In 2005 ASSA ABLOY required all Group companies to report a set of environmental, health and safety indicators. In 2006 these indicators were complemented with a number of social indicators. The indicators facilitate follow-up on the management tools that have been implemented. All indicators enable the measurement of progress and the definition of quantitative objectives and are reported once a year. For the sustainability program 2007–2010 an additional report form has been developed in order to facilitate follow-up of the program objectives. This follow-up report will be completed twice a year by all reporting entities and forms the foundation for the development of further program activities or corrective actions.

Division	Number of reporting entities		
	2005	2006	2007
EMEA	35	35	40 ¹
Americas	21	21	24
Asia Pacific	4	6	6
Global Technologies	6	6	7
Entrance Systems	New division per Jan. 1, 2006	5	7
Total	66	73	84

¹ In 2005 and 2006 EMEA had one entity that reported aggregated for three different sites. In 2007 these three sites reported separately, thereby increasing the number of reporting sites.

ASSA ABLOY Climate change risk assessment

The business risks for ASSA ABLOY due to climate change are moderate and primarily related to energy costs. Existing risks can be exemplified by:

- Medium mid-term risk of being integrated into a trading scheme. This would require payments of any additionally needed emissions rights, the costs of which are estimated to be low.
- Cost of energy itself. The total costs of the 84 reporting entities in 2007 was SEK 230 M for ASSA ABLOY manufacturing and costs might rise significantly even on a short term basis.
- For the transport of goods ASSA ABLOY has no figures on a global basis as yet. These costs might increase as a consequence of more outsourcing and sourcing in low-cost countries.
- For business trips mainly by air, the costs might rise significantly, but should not be material.
- The risks to reputation and brand are high if ASSA ABLOY does not implement an action program with clear objectives.
- Due to climate change and global warming, sea levels might rise and cause flooding. Another, very realistic impact will be droughts in some areas of the world and a scarcity of fresh water. ASSA ABLOY, as a moderate consumer of water, primarily in plating operations, is moderately at risk of being impacted by these consequences.

Since 2005, ASSA ABLOY possesses statistics for all significant factories on direct and indirect energy consumption as well as emissions of carbon dioxide. Estimation, based on Swedish numbers, indicate that 90 percent of energy consumption stems from manufacturing and around 5 percent from transport of goods and business related flights, respectively.

The opportunities are not straightforward. However, ASSA ABLOY has an advantage in the products' energy consumption, which is usually zero or very low, the main energy consumption in most product life cycles occurs in manufacturing.

Manufacturing – climate change strategy

Energy use and CO₂ emissions have decreased in relation to sales over time.

Energy consumption	2005		2006		2007		Trend
	Results	Rel. index ¹	Results	Rel. index ¹	Results	Rel. index ¹	
Total energy use (MWh)	520,000	0.96	541,000	1.00	536,000	0.99	■
KPI, Total energy/sales (MWh/SEK M)	18.7	1.08	17.4	1.00	16.0	0.92	■
Greenhouse gas emission CO ₂ total (tonne)	172,000	0.97	178,000	1.00	179,000	1.00	■
KPI, Greenhouse gas emission CO ₂ /sales (tonne/SEK M)	6.2	1.08	5.7	1.00	5.3	0.93	■

¹ The column 'rel. index' shows the year's data compared to 2006, which is the base-year index for the energy saving objective.

■ Deterioration ■ Constant ■ Improvement

Climate change strategy

ASSA ABLOY is committed to meeting the climate change challenge. We will act where we have the greatest influence and impact. We strive to be aligned with globally agreed policies, frameworks and recommendations of internationally recognized experts.

Our strategy is to reduce our carbon footprint step by step, beginning with our own manufacturing. As a first step the objective is to reduce energy consumption within ASSA ABLOY manufacturing by 15 percent between 2006 and 2012, based on normalized values, i.e. energy intensity.

In parallel we will explore and investigate our other carbon emissions, aiming to reach measurable values. The priorities are as follows:

- Manufacturing
- Transport of goods
- Innovation
- Business trips and company cars

The inclusion of the supply chain and forwarding energy efficiency demands on the suppliers may be an option at a later stage, but for the time being it is seen as more important to reduce ASSA ABLOY's internal footprint. The reduction should begin with focus on energy efficiency measures. At a later stage alternative energy and carbon offset projects might be considered.

Combating Climate change in Operations

Objective

Energy savings within ASSA ABLOY manufacturing: A reduction of 15 percent by 2012 compared with the result in 2006, based on normalized results, i.e. energy intensity. The roughly estimated cost savings potential is SEK 30–40 M annually.

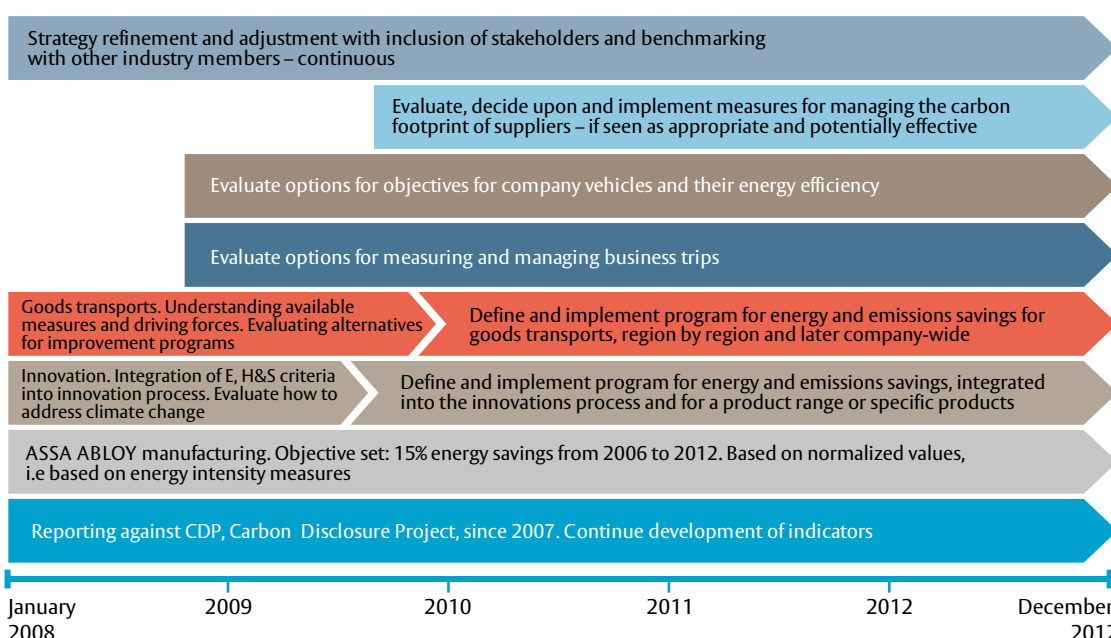
Results and discussion

ASSA ABLOY's total energy use has increased somewhat (around 4 percent) from 2005 to 2006, but decreased with 1 percent from 2006 to 2007. ASSA ABLOY sales have grown annually by 12 and 8 percent respectively between 2005 and 2007. Hence, the energy intensity KPI (Key Performance Indicator), measured as energy per sales, has decreased by 8 percent from 2005 to 2006 and by 8 percent between 2006 and 2007, which is much better than anticipated. We are therefore well on the way to achieving our objective of saving 15 percent by 2012, relative to 2006 year's results.

The corresponding numbers for the carbon dioxide emissions are 3 percent increase of total emissions, but a reduction of 8 percent between 2005 and 2006 and of 7 percent between 2006 and 2007 in relation to sales. This is also well aligned with the overall objective.

Climate change strategy

- Overall strategy
- Supply chain energy footprint
- Company cars
- Business trips
- Transport of goods
- Innovation
- Manufacturing, energy consumption
- External reporting



DID YOU KNOW?

The ASSA ABLOY total manufacturing emissions of CO₂ for 2007 correspond to the emissions of 900,000 people in Bangladesh or 67,000 people in China or 33,000 people in Sweden or 9,000 people in the United States.

Energy consumption divided by energy source.

ASSA ABLOY has only begun the project of making its manufacturing more efficient in utilizing energy. We believe that we have had favourable conditions during the past two years, due to increased sales and better utilization of our manufacturing sites. Therefore we will ensure that in 2008 we develop several activities further. One of the challenges we see is to find the best KPI. At the moment we work with sales as a reference, but we will investigate other options that might better accommodate us regarding changes in operations.

Energy consumption	2005	2006	2007
Direct energy – oil (MWh)	59,000	45,000	35,000
Direct energy – gas (MWh)	173,000	194,000	190,000
Direct energy (MWh) – Total	232,000	239,000	225,000
Indirect energy – electricity (MWh)	251,000	280,000	283,000
Indirect energy – district heat (MWh)	37,000	22,000	28,000
Indirect energy (MWh) – Total	288,000	302,000	311,000
TOTAL ENERGY USE (MWh)	520,000	541,000	536,000

Targets 2008

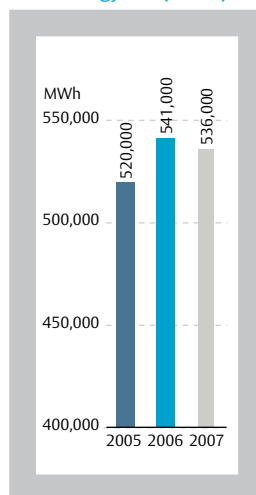
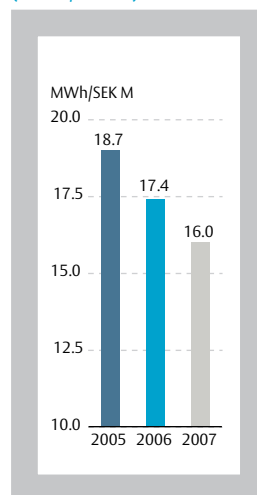
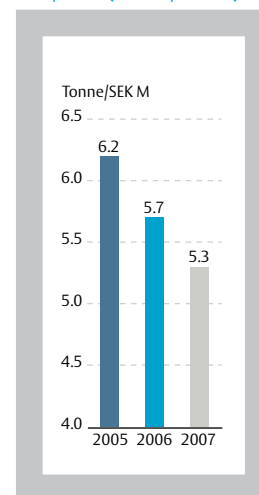
Activities in 2008 will include a pilot energy survey at one local site, development of supporting checklists for use at all sites, and an internal seminar with environment and operation managers. Furthermore the measurable target is to be aligned with the overall objective, i.e. achieving a reduction of 3 percent of the KPI energy per sales, on an annual basis.

Transport and emissions

The ASSA ABLOY climate change strategy defines a number of activities concerning transport. Today, there are no Group-wide statistics on energy/fuel consumption or emissions caused by ASSA ABLOY's transport activities. However, we have established our first overall roadmap, which includes:

- Raising the environmental awareness in all transport activities.
- Investigating modes of transportation and regions where the environmental impact can be measured in terms of emissions or others, and related costs.
- Investigating possibilities to decrease the environmental impact, through increased coordination, lowering of emissions, choice of transportation modes, such as rail instead of road, ship instead of air, renewable energy, etc.
- Defining appropriate objectives and programs.

Total energy use (MWh)

KPI, Total energy/sales (MWh/SEK M)^{1,2}KPI, Greenhouse gas emission CO₂/sales (tonne/SEK M)

¹ Sales in 2006 were 12 percent higher than in 2005.

² Sales in 2007 were 8 percent higher than in 2006.

DID YOU KNOW?

A trip by air from Stockholm to Beijing is 6,700 km long. One return trip emits 0.94 tonne CO₂. A trip by air from New York to Beijing is 11,000 km long. One return trip emits 1.53 tonne CO₂.

In 2007 ASSA ABLOY joined CDP (Carbon Disclosure Project, www.cdproject.net) and reported according to the CDP for the first time. We intend to further develop our reporting to the CDP requirements whenever applicable to our own operations and priorities.

CDP is an independent not-for-profit organization aiming to create a lasting relationship between shareholders and corporations regarding the implications for shareholder value and commercial operations presented by climate change. Its goal is to facilitate a dialogue, supported

by quality information, from which a rational response to climate change will emerge. CDP had in 2007 as many as 315 institutional investors as signatories, with assets of USD 41 trillion under management. In 2007 a reporting request was sent to 2,400 of the largest quoted corporations in the world. ASSA ABLOY was one of them.

CARBON DISCLOSURE PROJECT

Manufacturing – improving processes

Organic solvents

Objective

Phase out perchloroethylene and trichloroethylene by the end of 2008.

ASSA ABLOY uses chlorinated organic solvents perchloroethylene and trichloroethylene mainly for degreasing, cleaning and pretreatment before plating and other surface treatment operations. Both are toxic compounds, for human beings and for the environment.

In the past few years many entities have tested and substituted for alternative chemicals, mostly water-based, as substitutes.

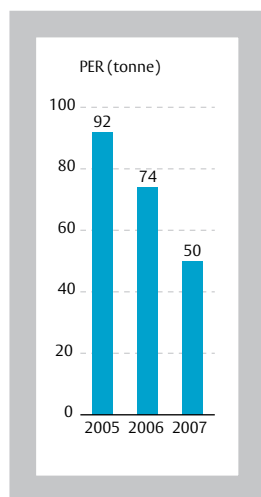
Results and discussion

The graphs show for 2005, 2006 and 2007, respectively, the consumption of perchloroethylene (PER), trichloroethylene (TRI) as well as the sum of both (PER and TRI).

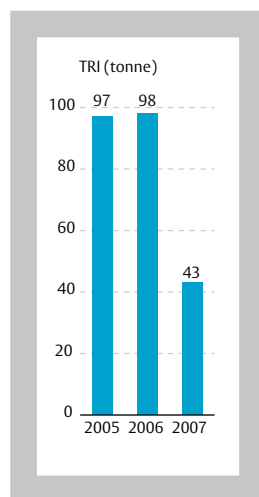
In 2007 ASSA ABLOY reduced the consumption of these two solvents radically and is now down at half of the 2006 consumption. There are only a few entities left that still need to phase out and all of them have plans for that. We are very satisfied with the great commitment our local companies have shown and the speed and ease by which they have adapted their practices. An added benefit of cost savings for chemicals has been reported.

Consumption of organic solvents	2005	2006	2007
PER (tonne)	92	74	50
TRI (tonne)	97	98	43
Total	189	172	93

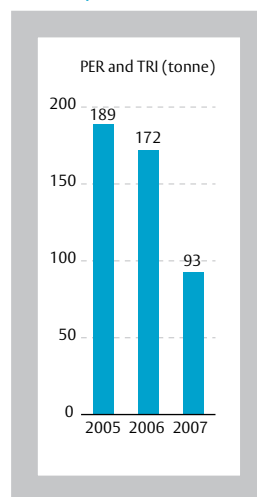
PER consumption



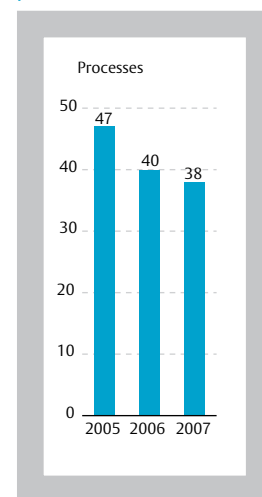
TRI consumption



PER and TRI total consumption



Surface treatment processes under review



Removing all trichloroethylene

ASSA ABLOY Australia has been using trichloroethylene (TRI) as part of its manufacturing vapour degreasing operations for over 40 years. As part of ASSA ABLOY's commitment to the environment, a target was set in early 2006 to remove all TRI from manufacturing by July 2007. "This target has now been achieved", says Colin Waters, site manager.

The method of developing a suitable process replacement for TRI required the formation of a multi-skilled team. One initiative was to benchmark sister companies within the Group. The ultimate goal was to identify an environmentally friendly alternative to TRI that would work effectively in the current manufacturing environment. It was critical that a viable solution to this problem be developed

for a variety of reasons, including the introduction of an expensive EPA licensing fee for TRI use, a need to reduce factory footprint for other manufacturing activities and the desire to initiate a more sustainable and safe manufacturing process.

After exploring numerous alternatives, it was determined that the most viable option was to introduce an aqueous-based degreasing system. Initial testing proved successful and TRI was systematically removed from production during the first half of 2007 after commissioning of two Mafac aqueous degreasing machines.



Improved surface treatment process*Objective*

Improve environmental, health and safety aspects of the surface treatment processes.

ASSA ABLOY products are to a significant extent made of metallic materials. These components and products necessitate carefully designed surface treatments in order to accomplish a high corrosion resistance, quality and aesthetics. The surface treatment processes are highly complex and require a balance of different inputs of energy, water and chemicals, as well as an automatic or semi-automatic control. ASSA ABLOY has great expertise in the surface treatment field with processes such as passivation, anodization, plating and others.

We have therefore decided to define an overall objective for these processes. The objective is to improve the environmental, health and safety aspects, for example, by saving water, saving energy, substituting chemicals, and also by refining risk assessments and by having more effective ways of managing waste water and waste handling.

We will endeavor to improve these processes step-by-step and have begun with a substitution of some of the chemicals used in specific processes. We have asked our companies to report back to us with the number of processes that were still under change during the calendar year. A few reporting entities might have had their substitution and improvement accomplished by the end of the year, but still had to report 'under change' for the whole year, so there is some lagging in the reporting. The specific deadline for this activity is the end of 2010.

Processes under change	2005	2006	2007
Number of processes	47	40	38

ASSA ABLOY is already (since mid 2005/2006) compliant with the European Union WEEE and RoHS directives. They require take-back of used products and restrict the use of some substances for a rather small range of ASSA ABLOY products, with a RoHS compliance deadline for summer 2010.

Results and discussion

The table shows the number of entities that have processes currently under change.

In 2007 ASSA ABLOY reduced the number of processes under change somewhat, especially when looking back on 2005. We are positive that the results in 2008 will be satisfying and aligned with our objective to have zero remaining processes under change from 2011. However, there are technical challenges for a few of our companies. These are companies that deliver on markets where very high corrosion resistance or other specific qualities are required, thus complicating the search for improved practices.

In 2008 we will continue with our improvements and with best-practice sharing.



Manufacturing

– water and waste trends

DID YOU KNOW?

An average European citizen consumes around 0.2 m³ of freshwater daily, giving an annual consumption of 73 m³. Therefore the ASSA ABLOY consumption corresponds to the consumption of around 29,000 Europeans, which is more or less the number of ASSA ABLOY employees.

Water consumption

Water is a scarce commodity in many regions of the world and water stress increases, this is also coupled with and impacted by climate change. Water is an environmental resource, but crucial for the development of societies – national, regional and local.

The ASSA ABLOY water consumption is to a high degree due to the plating process where the plating baths and the rinsing steps consume a lot of water. The consumption is linked to the throughput of products, so in order to reduce water consumption the process itself must be changed, e.g. through increased recycling of water. Many ASSA ABLOY companies work continuously with these improvements. It is vital to continue these efforts, since a higher water recycling rate would have a positive impact on energy consumption due to lower heating demands (water is heated in the surface treatment plant).

The water consumption remains relatively stable over the years. However, the normalized water consumption has decreased by 10 percent from 2005 and 2006 and then remained stable between 2006 and 2007.

Year	2005	2006	2007
Total water consumption (1,000 m ³)	2,132	2,024	2,138
KPI water/sales (m ³ /SEK M)	77	65	64

Factors influencing the use of water are:

- Higher loads of products going through the surface treatment.
- Water based degreasing, instead of the PER and TRI we are in the process of phasing out, leads to a higher water consumption.
- The review of surface treatment processes might also lead to higher water consumption, partly due to tests, partly to other process characteristics.

Waste

ASSA ABLOY internal reporting covers all different waste categories. This report concerns hazardous waste, which includes metal sludge, oil for recycling and other hazardous waste. Water consumption and the filter sludge portion of hazardous waste are both related to our surface treatment plants.

The amount of hazardous waste has decreased significantly in 2007. However, we believe this is an indicator that might fluctuate from year to year.

Apart from the strong link to the surface treatment there are other factors influencing this indicator. This year the metal sludge was reduced by 400 tonnes and the oil for recycling was reduced by 700 tonnes.

Year	2005	2006	2007
Hazardous waste (tonne)	5,259	5,429	4,175
Hazardous waste/sales (tonne/SEK M)	189	174	124



Health and safety

ASSA ABLOY has significant manufacturing and also significant health and safety hazards in its production. Hazards are mostly related to the use of chemicals for degreasing, painting and surface treatment, but also to processes such as die-casting, stamping, drilling, cutting and polishing.

All ASSA ABLOY entities have rigorous programs for health and safety. The above hazards are strictly controlled in all settings and this is also in most countries where ASSA ABLOY operates a legal requirement. Objectives have been set in order to allow for a continuous improvement of practices, systems and results. These objectives are based on a zero-vision.

All entities are benchmarked against each other. Special focus will be given to the 'not-satisfactory performers', entities that have above-average injury¹ and injury lost day rates².

A general program has been defined for all ASSA ABLOY entities. Each entity should make sure that an appropriate organization is in place. Such an organization includes a health and safety committee with union representation wherever possible. Top management has an overall responsibility and delegates tasks and authorization. The task is to create a culture where everybody feels responsible for health and safety issues. Health and safety audits are included in the internal audit and risk assessment should be a normal routine as is incident reporting and analysis in order to introduce preventive measures.

Injury rates

Objective

2007: injury rate 10.

2008: injury rate 9.

Injury rates for 2005 and 2006 were restated during 2007 and here the corrected numbers are reported (earlier reported values were: 2005: 15, 2006: 11).

Injury lost day rates

ASSA ABLOY has measured the injury lost day rates since 2005. Already from 2005 to 2006 results improved, but in the new objectives targets are set at even lower levels.

Objectives

2007: injury lost day rate 220.

2008: injury lost day rate 200.

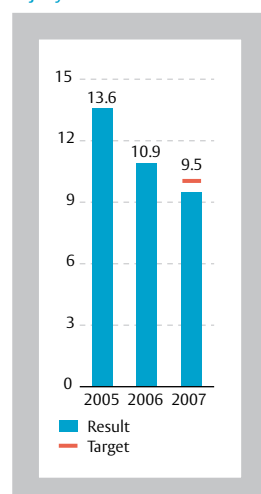
Results and discussion

Both objectives for injury rate and for injury lost day rate were met in 2007. The injury lost day rate is even better than the target for 2008.

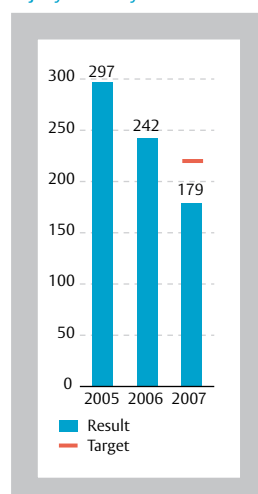
Results have been compared with statistics available at the US Department for Labor – Occupational Safety and Health Administration. In 2006 the comparable injury and illness rate for fabricated metal manufacturing was 1.8 cases with days away from work per 100 employees, i.e. 9 injuries per million hours worked. This puts ASSA ABLOY on the average level. There were no fatalities at ASSA ABLOY in 2007.

	2005	2006	2007
Injury rate ¹	13.6	10.9	9.5
Injury lost day rate ²	297	242	179

Injury rate¹



Injury lost day rate²



¹ IR in injuries per million hours worked.

² ILDR in lost days per million hours worked.

Both injury rate and injury lost day rate, a measure of the severity of injuries, can be improved further. The results so far show that the Group-wide program has had a good response from local companies and the focus on health and safety has also increased sharing of information and best-practice examples between units. Internal audits and training sessions for internal audits have given a lot of attention to job specific risk assessments, i.e. for each and every machine or manufacturing process. This has resulted in raised awareness and usage of personal protective equipment, and also in improvements regarding injury rates. However, when comparing ourselves with the best companies in similar industries we acknowledge that there is still room for improvement. We are aware that in regard to injury rates, very low rates might be possible, perhaps even down to 2–3 injuries per million hours worked.

Gender diversity

Level	Results (%)	
	2006	2007
2	0	0
3	9	14
4	10	19
5	1	22
Total²	41	39

¹ Not reported.

² Total gives the percentage of female employees in relation to all employees.

Targets 2008

Due to the very satisfactory overall results, a new target has been set as 170 for injury lost day rate. The objective for injury rate is kept at 9.

All entities with an injury rate above 15 and an injury lost day rate above 200 should perform or update their existing risk assessments for each blue-collar job function until the end of 2008 and implement all measures until Mid 2009. Furthermore we intend to intensify best-practice sharing.

Gender diversity

The total percentage of female employees within ASSA ABLOY is 39. The proportion is lower for managerial

positions. It is ASSA ABLOY's goal to over time, achieve a better gender balance for managerial roles. Activities and actions, some of which are part of the sustainability program 2007–2010, are taking place with this goal in sight.

Examples of activities that are part of the sustainability program 2007–2010:

- Each division is undertaking measures aimed at improving present levels of gender diversity on more senior levels (level 5 and above).
- Progress is reviewed in connection with the annual Talent Management review.

Other examples of activities are:

- Interviews with women regarding the barriers they may perceive and encounter.
- Give priority to the under represented gender, given equal qualifications, in connection with recruitment. The goal is to have at least one of the under represented gender among the final candidates.
- Training courses to increase awareness.
- Mentorship.
- Support for women in leadership positions, i.e. 'ensure' that they succeed.

Female manager levels

The percentage of female employees in 2006 and 2007 for levels 2–5 of the organization is shown in the table (level 2 are direct reports to the ASSA ABLOY CEO etc.). The numbers include the divisions only.

Rebecka Woodhouse, health and safety advisor, demonstrates the laser key machine station in the cylinder section.



Successful employee involvement improves health and safety.

ASSA ABLOY UK in Willenhall near to Birmingham is one of the ASSA ABLOY entities that have improved substantially during the past year. ASSA ABLOY UK did have average injury rates during the past 3 years, but has encountered problems in regard to health and safety awareness among the employees. Thanks to a rigorous program, and to detailed risk assessments the situation has now improved.

At the Portobello site 50 employees have been trained as risk assessors.

"Risk assessment is an ongoing process and implementation takes a long time, but involving our employees has been very successful", says Clare Gabriel, environmental, health and safety manager at Portobello and ASSA ABLOY UK.

Every workplace at the site, down to each surface, machine, process and operation, is looked at by the area manager and the risk assessor. Each risk found is graded on a scale from minimal to high and a guide has been created on how urgently a solution is needed. Everything is documented in the risk assessment tracking report.

Manufacturing

– management system

ASSA ABLOY has a systematic approach to sustainability. We are of the opinion that systems are necessary and valuable if they are used correctly and effectively. Systems build all elements of the sustainability strategy and approach together as one. However, systems need both qualitative and quantitative measures and objectives. Therefore we have on one hand decided to use the international certifiable standard ISO 14001 for our environmental management systems locally. On the other hand we have also defined a set of floor requirements and more specific tools and programs that strive to define the actual performance level we want to achieve. Additionally we have a system for internal audits that cover some system elements, and more extensively the floor requirements and technical specifications of how we want our manufacturers to operate.

ISO 14001 Program

ASSA ABLOY requires that all Group companies with a significant environmental impact should have implemented and certified an environmental management system (EMS) according to ISO 14001. North American units have been asked to implement documented management systems according to Americas' system (certifiable system). Middle and South American units that do not yet have an ISO 14001 have been granted an extra year for the implementation.

Year	2005	2006	2007
ISO 14001 certificates	20	29	39
Certifiable systems	6	25	29
Total	26	54	68

There are a handful companies, among them companies, acquired in 2006 and 2007, that need to implement and certify ISO 14001 in 2008.

Results

Internal audits

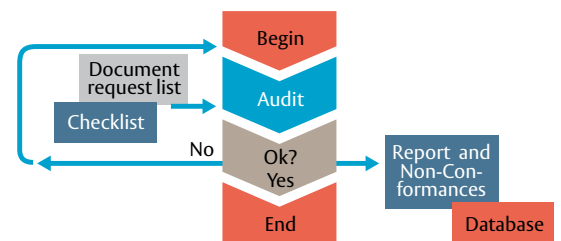
All ASSA ABLOY companies should use the same approach and tools.

The purpose of conducting internal audits is to ensure:

- Compliance with Our Code of Conduct.
- That ASSA ABLOY companies have a common understanding of acceptable practices as described in the floor requirements.
- The support of continuous improvement programs and knowledge sharing.

The same tools are used as for supply chain sustainability auditing, with the exception of the self survey used only with suppliers.

In 2007 ASSA ABLOY conducted internal audits mainly in China, Australia and in Europe. In 2008 we will continue with internal audits.



All ASSA ABLOY companies have to live up to the Code of Conduct. Internal audits are conducted to ensure compliance and that corrective actions are taken where necessary.



ASSA ABLOY has grown, through a combination of acquisitions and organic growth, from a handful of companies in 1994 to a global Group with companies in more than 50 countries in 2007.

The excellence of our suppliers in terms of quality, delivery time and cost is important to ASSA ABLOY and we need to rely on our suppliers to be committed to sustainable development. Hence, suppliers will be evaluated on how well they have managed to put business practices in place, which promote long-term excellence in environmental, social and ethical performance.

ASSA ABLOY Supplier
Quality Process drives
supplier performance.



In 2007 ASSA ABLOY adopted a supplier quality process as illustrated here. SQ1, the advanced sourcing process, ensures that we select the right suppliers through standardized criteria and requirements. The first step is the Supplier Self Assessment, which is used early in the sourcing process to let the supplier assess his/her facility to ASSA ABLOY's standards. The second step is the on-site Audit Process, to see if a potential supplier meets our requirements. In addition there is an extended sustainability audit, which is a complement to the standard sustainability screening audit.

The Code of Conduct is a documented requirement for all suppliers. Group and sustainability audits should be applied to risk category suppliers. The objective is to minimize risks of non-compliance by suppliers, foremost in low-cost countries.

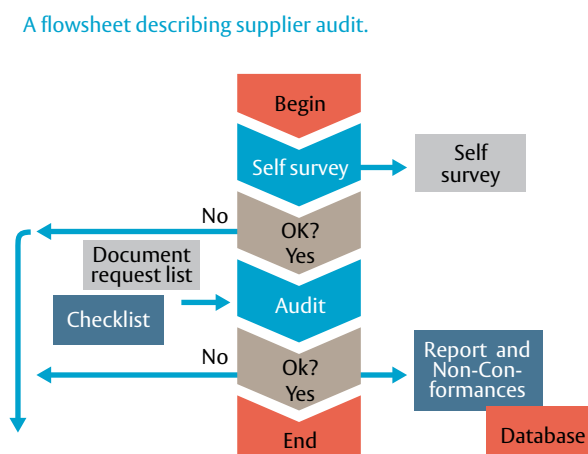
Some of the objectives are:

- The same standard contract shall apply to all suppliers, including requirements regarding Code of Conduct compliance.
- All purchasers should be trained and use the same group-wide assessment tools.
- A supplier audit database – for both quality and sustainability – will be developed in 2008.
- Contracts with suppliers will be terminated in case of serious non-compliance problems that are not remediated within an acceptable and agreed timeframe.

Around 30 purchasers and EH&S managers at sourcing offices and local companies have received training by ASSA ABLOY to be able to conduct sustainability audits, especially in China.

Specific supplier risk categories have been identified in relation to compliance with all applicable sustainability legislation. Most of them are found in low-cost countries and within risky manufacturing processes. As a result ASSA ABLOY has decided to conduct sustainability audits with all suppliers in risk countries. Priority will be given to large suppliers in China with hazardous processes.

All supplier audits – both for quality and sustainability – will be reported into a new audit database, to be developed in 2008.



Risk countries

- China
- India
- Mexico
- Brazil
- South Africa
- Other low-cost countries

Risk processes

- Plating and surface treatment
- Painting
- Die-Casting



The quality audits use a rating system, but the sustainability approach is based on conformance/non-conformance in order to ensure that the major risk of legal non-compliance is minimized, something that cannot be ensured through a rating system.

All suppliers that are rejected due to failures in the sustainability performance will also be rejected for any purchasing. Sustainability results therefore override quality results when it comes to non-compliances. In the database a traffic-light system is used:

- Green = OK
- Yellow = OK with action-plan and deadlines
- Red = Rejected, immediate action needed

After the first sustainability audit a supplier will normally receive green or yellow. Yellow means that the supplier needs to improve within specific timeframes. If the supplier does not improve, then the supplier will automatically be graded Red and only immediate actions can help the supplier from having all purchasing stopped. No purchasing from new suppliers should be approved before they have reached the green status.

Results, challenges and targets

Throughout 2007 the focus has been on integrating quality and sustainability approaches into one complete supplier quality process. For this purpose two global meetings were held where all purchasing coordinators at divisions participated and helped define the new overall objectives, their implementation and detailed targets for 2008.

Other activities in 2007 in the audit area include:

- Complete sustainability audits of more than 120 of ASSA ABLOY's 1,500 suppliers in China.
- 20 participants from sourcing offices and some sister companies received training in sustainability audits.
- Two sourcing teams are now equipped with several persons trained in the field of sustainability audits, the Guli sourcing team, and the Shanghai and Shenzhen sourcing teams, sourcing agents for several ASSA ABLOY divisions.

- Five ASSA ABLOY employees have participated in a global conference about supply chain integrity together with other Swedish multinational corporations in China.

Challenges

Several challenges have been identified in our work with supply chain sustainability assessments. The challenges are related to integration with the supplier quality process, the level of training and expertise, the level of findings and defining overall responsibility for suppliers with several ASSA ABLOY companies as customers.

The level of expertise needed in order to identify and address the problems at some suppliers is high. Critical problems can be hard to identify and it can be difficult to know how to meet the supplier in discussions for example on implementation and enforcement of local legislation. Lack of awareness, but also lack of implementation and enforcement locally is often a problem, sometimes in combination with lack of infrastructure, such as municipal waste water treatment systems or waste collection schemes. Another problem is related to the cost/compliance discussion and to ensure a concerted roll-out of requirements, so that both ASSA ABLOY 'internal' and external suppliers are treated on an equal basis.

Next step

The new audit database and the new supplier contract format will be developed and implemented in 2008.

Audit training and roll-out will continue during the year. For audits in China, the target is to conduct around 200 audits.

A focus audit exercise with external service providers will be conducted in order to calibrate our own auditing approach and to develop our internal auditors. The focus audit will cover around 20 suppliers.

A typical supplier audit

A typical sustainability audit takes one day with one or two auditors. ASSA ABLOY does not conduct unannounced audits unless there are obvious reasons, so normally the supplier will be given notice well ahead of the audit and the audit day is planned together with the supplier. The supplier should already have completed the self-survey and have no outstanding issues there. A document request list is sent in advance and the supplier is expected to have all necessary documents available during the audit.

The audit begins with a meeting with management, sustainability personnel and auditors. The program is discussed and generally the supplier makes a short presentation and communicates any relevant safety or emergency issues and provisions. Any necessary health and safety protective equipment should be held available by the supplier.

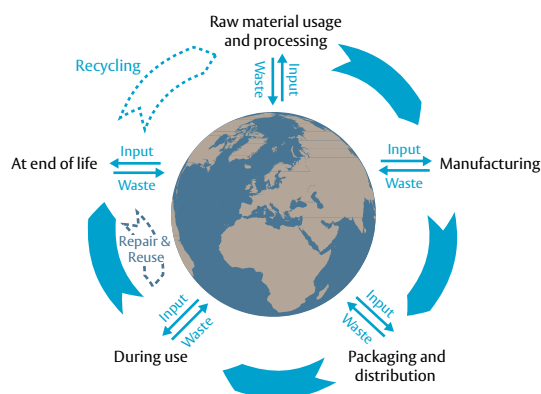
The lead auditor informs about rules and scope and about how non-conformances are handled. Interviews are held according to the audit checklist and manufacturing is inspected in order to assess all practices in relation to sustainability and to verify the information given in interviews and documentation. Throughout, the audit evidence is collected and records are made of any issues that might be non-conformant or non-compliant. Towards the end of the audit day all evidence is collected and verified and combined into a list of non-conformances and report. All findings are discussed at a closing meeting where deadlines for improvements are set. The list of non-conformances is documented and handed over to the supplier. All results are imported into the supplier audit database.

Innovation

– creating new opportunities

In 2007 ASSA ABLOY started to establish a Group-wide process for product development with the goal of cutting product development time in half while increasing the number of products. A CTO (Chief Technology Officer) has been appointed. A gateway process with clear checkpoints facilitates the integration of sustainability requirements in our new products.

A life cycle approach is integrated in ASSA ABLOY's innovation processes.



ASSA ABLOY will, through the well established process for our product development, secure products with a sustainability profile.

By reducing the use of chemicals, the energy used and the amount of material needed to fulfill the requirements for security, safety and convenience, we will not only implement our sustainability strategy but also lower our costs. To reuse and recycle the material from our products and our manufacturing has been as natural as it has been logical for many years.

New products are also developed in accordance with our sustainability ambitions. Multipoint locks provide additional functionality to doors because they enhance security and they significantly improve the performance of the sealing between the door and the door frame against wind and water, thus resulting in lower energy losses around the door. New solutions for door openings have been developed in the US to fulfill the building code requirements for hurricanes and tornados.



Life cycle balance explains the environmental impact of a product

TrioVing/ VingCard Elsafe in Norway have issued the first ASSA ABLOY EPD – Environmental Product Declaration. The EPD is based on a life cycle balance that was done for a specific lock and lock-case.

The information that is asked for comprises environmental impacts not only from the manufacturer but also from raw materials extraction, use and discarding of the product. Independent verification of the environmental declarations assures objectivity, comparability and credibility. The most important result from the LCA (Life cycle assessment) report is to be able to see the environmental impact. By having the output result for each used component, along with the environmental performance through the life cycle, we can use the analysis for the development of business strategy purchasing decisions, for product and process design and improvement. The results also makes it possible to compare products against each other, explain Kjersti Larsen and Anne Løkkeberg, EHS and Quality managers at TrioVing/ VingCard Elsafe.

About EPD:

Environmental Declarations Type III according to ISO14025 is – in short – a document that sums up and verifies the environmental impact of a single component, a finished product or a service.

The aim is that one shall be able to compare and choose the product with the best environmental profile. An Environmental declaration Type III can be generated at any stage through the complete life cycle value chain.

Sales

Sales and our activities on the market

From 2008 the sales process is one of the new areas that will be incorporated into the sustainability program. It should however be pointed out that ASSA ABLOY sales is managed through our channel partners for the main part: distributors, retailers and OEM customers. ASSA ABLOY sees an increasing potential and interest in being closer to the end-user in certain situations.

To handle this professionally and cultivate an ethical corporate culture, ASSA ABLOY sees opportunities that will encourage the workforce to continue taking company values seriously.

Objectives

For the sales process the following two objectives have been defined:

1. Integrate sustainability communication in sales processes and training.
2. Build a training program for self-governing ethical corporate culture.

The purpose of the following actions is to build effective legal and ethical risk mitigation by engaging employees in the ASSA ABLOY Code of Conduct.

Acquisitions

ASSA ABLOY's growth strategy includes both organic and acquired growth. On an annual basis typically between 5 and 15 companies are acquired. ASSA ABLOY requires all local companies to use our sustainability tool for due dili-

gence and to expect it from external service providers involved in the acquisitions so as to ensure due diligence in the area of sustainability as well.



Baodean due diligence results for sustainability

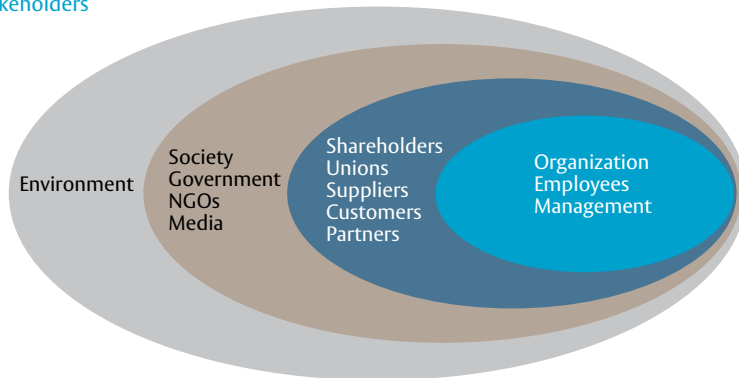
In 2007 Baodean, the Chinese high-tech producer of electromechanical locks was acquired and ASSA ABLOY now owns around 70 percent of the shares in a joint venture with the former owner. The company has two manufacturing sites and around 2,000 employees. Before the acquisi-

tion a rigorous sustainability due diligence was conducted by external service providers in cooperation with our China Sustainability Director, Mike Qian. As soon as the deal was completed a program for sustainability issues was set up and some of the activities, foremost within the area of health and safety, have already been completed.

Dialogue



Our stakeholders



For ASSA ABLOY the dialogue with our employee representatives is important. Bill Harding, VP Human Resources ASSA ABLOY EMEA, Rune Hjälms, President ASSA ABLOY European Works Council (EWC) and Krister Eriksson, Senior Vice President, Human Resources, ASSA ABLOY Group.



“During this comprehensive restructuring programme of the company, risks and opportunities must be carefully analyzed case by case. Our point of view in EWC is that employees, work councils and unions must be involved early in the analysis process for the best result. If changes within the local company are decided, it means that ASSA ABLOY has a far-reaching social responsibility for the employees and their future.” Rune Hjälms, President ASSA ABLOY EWC.

ASSA ABLOY – embedded in society

ASSA ABLOY applies an open door policy in its external contacts. We work with stakeholder groups on both an ad-hoc and regular basis. With some stakeholder groups, such as investors, rating agencies, the European Works Council, environmental organizations and unions we maintain a continuous dialogue.

Stakeholder challenges

The stakeholder challenges as we see them lie in the realm of explaining how we have developed our sustainability approach and how we prioritize specific sustainability issues. There is also an inherent challenge in the balancing of transparency and risk management, but also in maintaining a high level of improvement regarding the sustainability performance in balance with stakeholder expectations on dialogue.

Employees

ASSA ABLOY informs EWC members regularly on sustainability issues. In specific cases, such as the review of the Code of Conduct, EWC members are speaking partners. In local business and in health and safety committees EWC represents employees in the sustainability process. EWC’s president is one of two employee representatives in our global sustainability work.

EWC get continuous information regarding ASSA ABLOY’s restructuring programme. It concerns many employees in Europe and is for the EWC a matter of high importance.



Guli union

Guli, our factory in Guangdong, China, is unionized. The employees have elected colleagues to a local labor union with a mandate to do collective bargaining for the employees. The Subcommittees work with negotiation, health and safety, women’s rights and equal opportunities and recreational activities for employees. Guli’s union is part of the Chinese system and China has ratified four out of the eight core labour Conventions of the ILO. They are not affiliated to IMF or other international democratic labor union organizations.

China and labor unions

ASSA ABLOY management in China applies an open-door policy and encourages communication with employees at all levels of the organization. Dialogue between management and employees is of great importance wherever ASSA ABLOY operates.

Cen Mei Hua, Guli Security Products, China.

Health and safety committees

Health and safety committees with employee representatives are present in many of ASSA ABLOY's companies.

Business networks

ASSA ABLOY engages in several networks with other corporations and organizations, both in Sweden and abroad. Some of them are focused on information sharing, some are more specific. The Association of Swedish Engineering Industries has a sustainability network where not only information, but also practices are shared between member companies. On an ad-hoc and confidential basis practices are developed in cooperation. In 2007 several meetings were held and a seminar about supply chain integrity was organized in Shanghai.

Global Compact

At the beginning of 2008 ASSA ABLOY decided to participate in the Global Compact network. ASSA ABLOY thereby enforces its commitment to sustainable development and to the 10 Global Compact principles in the areas of human rights, labor, environment and anti-corruption. This Sustainability report therefore embodies the first communication on progress according to established accountability mechanisms within Global Compact.

ISO 26000 for social responsibility – contributing to the development

In 2004 ISO, the International Organization for Standardization, decided to develop a guidance standard, ISO 26000,

for social responsibility (covering approximately the same issues as ASSA ABLOY Code of Conduct).

Karin Ekberg, Director Sustainability, has been engaged in this project for several years and is the Swedish industry expert. This role includes coordination for the Swedish industry members and ensuring that the voice of this group is heard in the Working Group (WG) and in the WG industry stakeholder group. Furthermore, Karin Ekberg is Chair of the Swedish mirror group of one of the task groups.

Presently, the focus is for all stakeholder groups to find common ground and to ensure that the standard has a high quality and is effective and valuable for the user. The standard is scheduled for 2010.

Scope of standard

- Assist an organization in addressing its social responsibilities.
- Provide practical guidance related to:
 - Operationalizing social responsibility;
 - Identifying and engaging with stakeholders;
 - Enhancing credibility of reports and claims made about SR;
- Emphasize performance results and improvements.

The document will be an International Standard providing guidance. It may not be used for third-party certification.

ISO 26000 plenary session in
Vienna, November 2007.



Dialogue with Swedish-based investors

During the past 4–5 years ASSA ABLOY has met regularly with ethical analysts from a number of investors. In connection with the publication of the first Sustainability report we decided to invite ethical analysts to a round-table discussion and another meeting was held in connection with the launch of the new sustainability program. The companies that have participated in the round-table meetings are Alecta (pension fund), the first, second and third state-owned pension funds, Banco (ABN Amro), Folksam and Swedbank Robur.

The impression is that the meetings have been appreciated by the analysts. Some have also asked for additional bilateral meetings.

Requests from analysts have concerned more externally available information about low-cost regions, such as measures when establishing new operations, due diligence procedures, supplier networks, sourcing volumes, indica-

tors for supplier audits, detailed reports about a specific outcome of a supplier audit and information about rejected suppliers.

There has also been a demand for more details about all procedures and projects, especially for ethical and social projects. We have tried meeting these requests when preparing the Sustainability report 2007. A few requests have been found to be too detailed at the moment.

Of the above-mentioned investors, Folksam has prepared ratings for ASSA ABLOY and other listed Swedish companies. Several of the investors are also signatories to the CDP project.

Visits to ASSA ABLOY factories with ethical analysts

In 2007 Swedbank Robur visited Guli in China and one supplier and Banco visited La Fonte in Brazil. In 2008 several factory visits will be organized for the interested analysts.



Sasja Beslik



Helena Olander



Christina Kusoffsky-Hillesøy



Anna Nilsson



Carl Rosén

Quotes from analysts

Banco, Sasja Beslik, Head of ethical analysis, and Helena Olander, ethical analyst

"Banco and ASSA ABLOY have been in talks regarding sustainability for four years and it is clear that the greatest progress was made in 2007. Through increased transparency, clear objectives, and more focus regarding the integration of sustainability in the value chain, we can look forward to being able to follow this development in the forthcoming years. Banco's slogan throughout 2007 was 'From risk to opportunity' and it has been a pleasure to note that ASSA ABLOY has taken the same path. This way of working will prepare us for a sustainable future from an economic, environmental and a social perspective".

Tredje AP-fonden, Christina Kusoffsky-Hillesøy, Communications manager

"Throughout the years we have accompanied ASSA ABLOY, and we have seen how their approach to their work regarding environmental and social issues has become more and more systematic, and in many different areas. In our opinion this is a very positive development. We can hereby state that they have come a long way in their work, for example, the increased transparency, which comes in the form of a separate sustainability report, which includes key performance indicators, objectives and action plans – these measurements create confidence where the progress of their work is concerned".

Swedbank Robur, Anna Nilsson, Head of SRI Analysis

"We have been in talks with ASSA ABLOY on sustainability issues for many years and have seen them develop their approach from small scale commitment to the more extensive and systematic approach that the company employs today. ASSA ABLOY has many challenges due to the fact that they are present in low cost/high risk countries and with a high degree of manual labor and processes with environmental impact. Therefore, ASSA ABLOY's sustainability work in the supply chain, their own production, and the activities created to raise awareness among their own personnel concerning the environment, labor rights and business ethics is crucial. We also think that it is exciting that ASSA ABLOY is starting to consider the 'opportunity' side of the sustainability coin".

Andra AP-fonden, Carl Rosén, Head of governance

"Over the past few years ASSA ABLOY has worked systematically with sustainability as well as establishing high level objectives concerning these issues. The fact that ASSA ABLOY is now a member of Global Compact and that its sustainability report has been developed in accordance with the GRI guidelines is very positive to us".

Ratings



FTSE

FTSE Group confirms that ASSA ABLOY has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social, ethical and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice.

CARBON DISCLOSURE PROJECT

Carbon disclosure project (CDP)

The Carbon Disclosure Project encourages companies to disclose their greenhouse gas emissions through an annual ranking. In the first Nordic Report published in 2007, ASSA ABLOY has received a score of 41 (of 100) and holds the ranking 27 (of 37) in the Carbon-Intensive Sector. The report states that ASSA ABLOY did not state a strategy for managing identified risks and opportunities, but that the company is currently drawing one up.



Folksam

Folksam, a Swedish insurance company, conducts annual studies of companies' social and environmental responsibility.

Social responsibility index

In the Social responsibility index 273 Swedish listed companies have been analyzed based on the public information available on the company's work within the environment and human rights. In human rights, ASSA ABLOY was rated number 38 with a score of 3.36 (out of 5). In environment, ASSA ABLOY was rated number 60 with a score of 3.31.

Climate index

In the Climate index, 49 companies have reported on their environmental impact. Since ASSA ABLOY's policy for climate change was under development at the time of the investigation, the company has not been able to report on risks, possibilities or objectives for its reductions of emissions, hence receiving a score of 45 (of 100) and is placed at number 30.

Gender diversity index

The Gender diversity index measures the percentage of women on different levels in the company. In 2007 ASSA ABLOY received a score of 1.64 (out of 5) and was

placed number 151 of the 240 Swedish listed companies included in the index.

Kempen

Kempen is a Dutch merchant bank, which, amongst its financial services, provides investment funds. Since 2004, ASSA ABLOY has been included in the Orange SeNSE Fund, which invests in smaller European companies that adhere to strict sustainability criteria such as environmental, ethical, and social standards.

Centre Info – SiRi Company

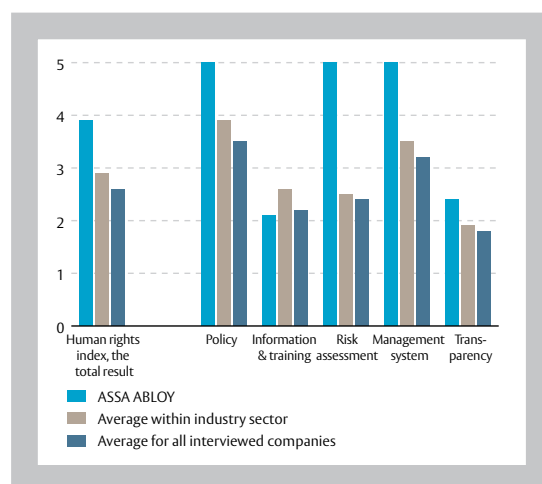
SiRi Company provides SRI research and consulting services for institutional investors and financial professionals. The criteria are in the areas of business ethics, community, corporate governance, customers, employees, environment, contractors and controversial business activities. In 2007 ASSA ABLOY satisfies most criteria, with the exception of philanthropy, diversity, environmental performance within logistics and environmental improvements of suppliers.

Amnesty Business Rating 2008

Amnesty Business Group in Sweden conducts an annual survey with the purpose of measuring to which extent Swedish companies are exposed to human rights risk and how well prepared they are to mitigate those risks.

In the period of October 30, 2007, to January 25, 2008, a total of 127 companies were interviewed over the telephone. Below the results for ASSA ABLOY compared to the industrial average and the total average are presented. Our results are based on our own responses. Amnesty Business Group's survey does not entail verification by Amnesty or a third party.

Human rights index



Since the founding in 1976, Habitat for Humanity has become a global leader in addressing substandard housing by helping more than 1,000,000 people of all races, faiths and backgrounds to have a simple, decent place to live. Habitat for Humanity works in nearly 100 countries and more than 3,000 communities worldwide.

ASSA ABLOY companies have a long-standing culture of engaging themselves in their local community. Community engagement is a way of strengthening the bond between our company, our employees and our neighbors and

thereby delivering practical help in whatever form it comes. In this report we have portrayed few really great projects that our local companies in the Americas, Brazil and South Africa have initiated and managed.



Habitat for humanity – more than locks

In many of the ASSA ABLOY Group companies, management and employees are engaged in community and charity projects. For some, such projects are integrated into their normal activities.

ASSA ABLOY Americas is in its seventh year providing locking hardware for Habitat for Humanity International (HFHI) homes built in North America and has encouraged a 'more than locks' commitment from its companies. The 'more than locks' call to action encourages divisional companies to contact their local HFHI affiliates and get involved in a build or support the local chapter in other meaningful ways. Many companies have heard the call to date and have given their time as well as building expertise to the worthy cause.

Yale Residential Security Products, located in Norcross, Georgia, has donated approximately 350,000 locksets

since 2001. Mark Fish, general manager of Yale Residential said, "We realize the extreme need for affordable and safe housing. Habitat for Humanity really allows us to give back to the community in a manner we know best, home security."

"Well over 600 ASSA ABLOY employees have participated in these home builds since April 2002. Our relationship with Habitat for Humanity is a perfect fit for us because our philosophies are so similar," states Thanasis Molokotos, Executive Vice President and Head of Americas Division. "Central to our company cornerstones is our commitment to providing a positive work environment to encourage the success of our employees. This core value is echoed in HFHI's drive to provide homes for families, which helps to create a similar successful environment in our communities."



Families, the community and environment all in focus at La Fonte in Brazil

"Much of the sustainability work at the company focuses on healthy employees, an important consideration in a country with low levels of health care and education", says Francisco Bastos, President at La Fonte.

Among programs put in place in recent years are an exercise regime to counter injuries associated with repetitive actions, subsidized meals at the company's canteen (breakfast, lunch and dinner), health insurance covering doctor and hospital visitors and lab work, and employing a full time nurse and a doctor two-days-a-week on site.

Filomena Aguiar, Human Resources Manager, La Fonte, says that employees are also encouraged to take an active part in the company's development through the Coffee with the President scheme, where staff meets with top managers to discuss issues that are important to them.

La Fonte's sustainability work also takes in the wider community through toy donations. Staff is encouraged to collect toys from their extended family and neighbors that are no longer being used.

They are then distributed to needy families through approved agencies.

Daniela Perli is EH&S supervisor. She says that when it comes to the environment, La Fonte works both on increasing awareness of issues and reducing waste and the use of dangerous substances.

All staff receive training regarding the possible impact on the environment of processes they work with; among other things we have made significant reductions in energy and water consumption, she says.



Combating HIV/AIDS in South Africa.

Here Lyna May, our HR director at ASSA ABLOY South Africa:

"Just to let you know...", our Aids Committee together with my Clinic Sister Patricia and myself arranged a family aids educational day last Saturday 1st December 2007. This was the first time we had done anything like this and we managed to get approximately 1,400 staff and family to a Park using buses and taxis where we had jumping castles for the kids, music and food, and together with this we had a young lady affected by the disease pass on her message to our staff. We had prayers and speeches from our employees and a group of our employees did a short concert, which was great fun, despite some problems with the music system.

It was a huge success. Tasha had arranged small gifts for all attendees, which was a little container with a red bracelet epitomizing the fact that we support aids, a condom and a lapel brooch. This was also a great success. All in all it was a wonderful day, with all those people in one place we had no incidents and I think all, went off taking in some of the messages we tried to impart.



Principles

ASSA ABLOY has adopted a set of principles that apply specifically for the reporting and stakeholder engagement process.

Our reporting and stakeholder engagement should be characterized by:

- Inspiration and engagement
- Materiality
- Accountability and Transparency
- Appropriateness
- Credibility
- Responsiveness
- Inclusiveness
- Clarity

Communication

ASSA ABLOY is dedicated to improving communication on sustainability, both related to transparency and scope of information, as well as quality and frequency. Internally our intranet and our sustainability reporting intranet are important tools for communication.

Our external website has been expanded and will be updated regularly.

We also frequently present our sustainability approach to external audiences.

Internal reporting management

In 2005 ASSA ABLOY implemented a formal internal reporting system. The system encompasses several quantitative and qualitative indicators as described earlier in this report. The system covers the more significant operations from an environmental, health and safety perspective.

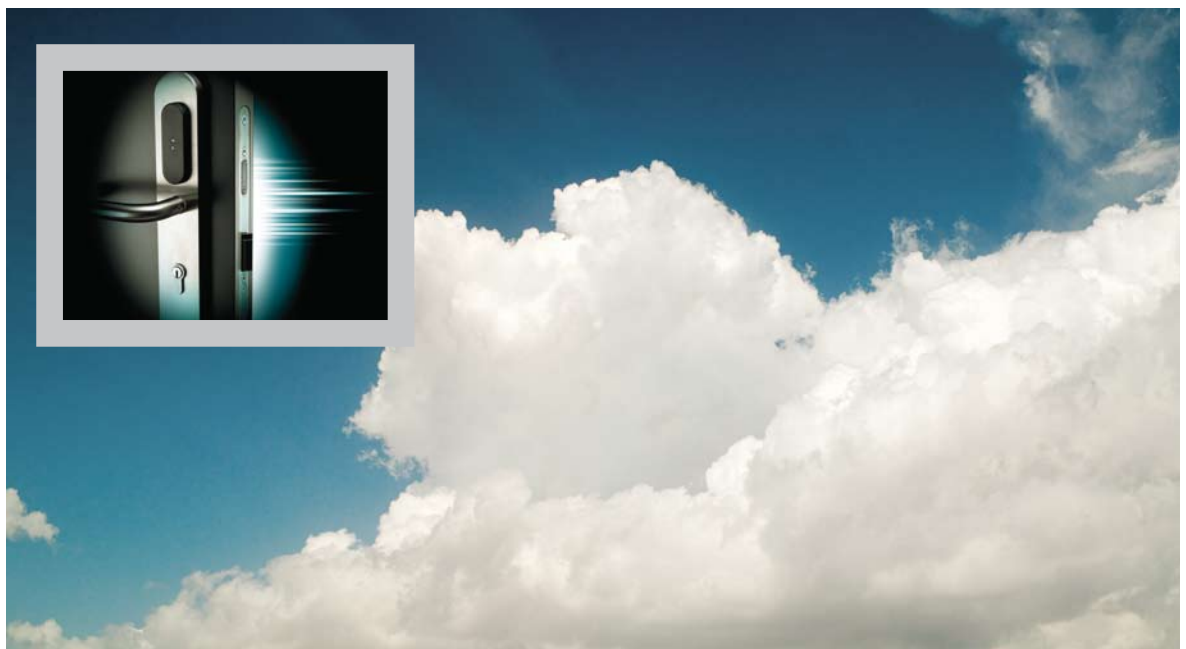
During 2005 and 2006 a report module coupled with the financial reporting system was used. In 2007 a separate reporting database was developed and the reporting scope expanded. The expansion is above all related to the new sustainability program 2007–2010. The database is described in the section 'Training and tools', page 12.

All reports are checked and verified at different levels: local level, divisional level and HQ level. Any missing or unrealistic data is collected or revised. Any changes due to restatements have been explicitly described wherever occurring. The Sustainability report 2005–2006 was published in April 2007. ASSA ABLOY reports about sustainability on an annual basis.

Global Reporting Initiative (GRI), gives guidance to our reporting

This report covers the reporting year of 2007. All ASSA ABLOY operations as well as suppliers are included in the scope. Regarding reporting of indicators the scope of 84 (2007) manufacturing entities has been defined. Joint ventures are included in the cases where ASSA ABLOY has a majority of the shares. For example offices, if not integrated with a factory site, or smaller assembly units have not been included.

The report has been developed with guidance from different standards and substantial input from investors and from available rating schemes. In particular the GRI Guidelines, have been used. ASSA ABLOY reports against level C of GRI and this by self-declaration. A cross reference to GRI is given on page 34.



Reference to GRI

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2.2 Brands, products and services	Cover, on web and Annual report
2.3 Structure	Cover, on web and Annual report
2.4 Location of headquarters	Web and Annual report
2.5 Number of countries of operation	Web and Annual report
2.6 Legal form	Annual report
2.7 Markets served	Web and Annual report
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3.2 Date of the last report	33
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Glossary

Americas

North and South America.

Asia Pacific

Asia, Australia and New Zealand.

Carbon Disclosure Project, CDP

An independent organisation, which encourages corporations to disclose their Greenhouse Gas Emissions.

Carbon footprint

A CO₂ measurement of the impact human activities have on the environment in terms of the amount of green house gases produced.

CO₂

Carbon dioxide.

CoC

Code of Conduct.

Direct energy

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

EH&S

Environment, health and safety.

EMEA

Europe, Middle East and Africa.

Energy conservation

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

EPD

Environmental Product Declaration.

EWC

European Works Council.

Global Compact

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

Global Reporting Initiative, GRI

Global guidelines for sustainability reporting.

Greenhouse Gas Emissions

Gases from the atmosphere that contribute to the greenhouse effect, for example carbon dioxide (CO₂), methane (CH₄).

Indirect energy

Electricity and heating.

IR

Injury rate, measured in injuries per Million hours worked.

ILDR

Injury lost days rate, measured in lost days due to injuries per Million hours worked.

ISO 14001

A global, certifiable standard for environmental management systems created by the International Organization for Standardization.

ISO 26000

A global, not certifiable standard for social responsibility (i.e. sustainability) under development by the International Organization for Standardization.

KPI

Key Performance Indicator.

NGO

Non-governmental organization.

Organic solvents

Perchloroethylene, trichloroethylene, etc.

PER

Perchloroethylene.

RoHS

European Union Restriction of Hazardous Substances Directive.

Sustainability

Originally defined by Ms Bruntland, General Director of WHO (World Health Organization) 1998–2003, as the balance of social, environmental and financial areas.

TRI

Trichloroethylene.

WEEE

European Union Waste Electrical and Electronic Equipment Directive.

Evaluation of results 2007

In 2007 major accomplishments were made.

- The first public sustainability report was issued and received positive feedback.
- An ambitious sustainability program was approved and the first results show good progress in every program area.
- We have expanded our commitments and dialogue.
- We are satisfied with the results, but remain realistic and will continue to drive progress.





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

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