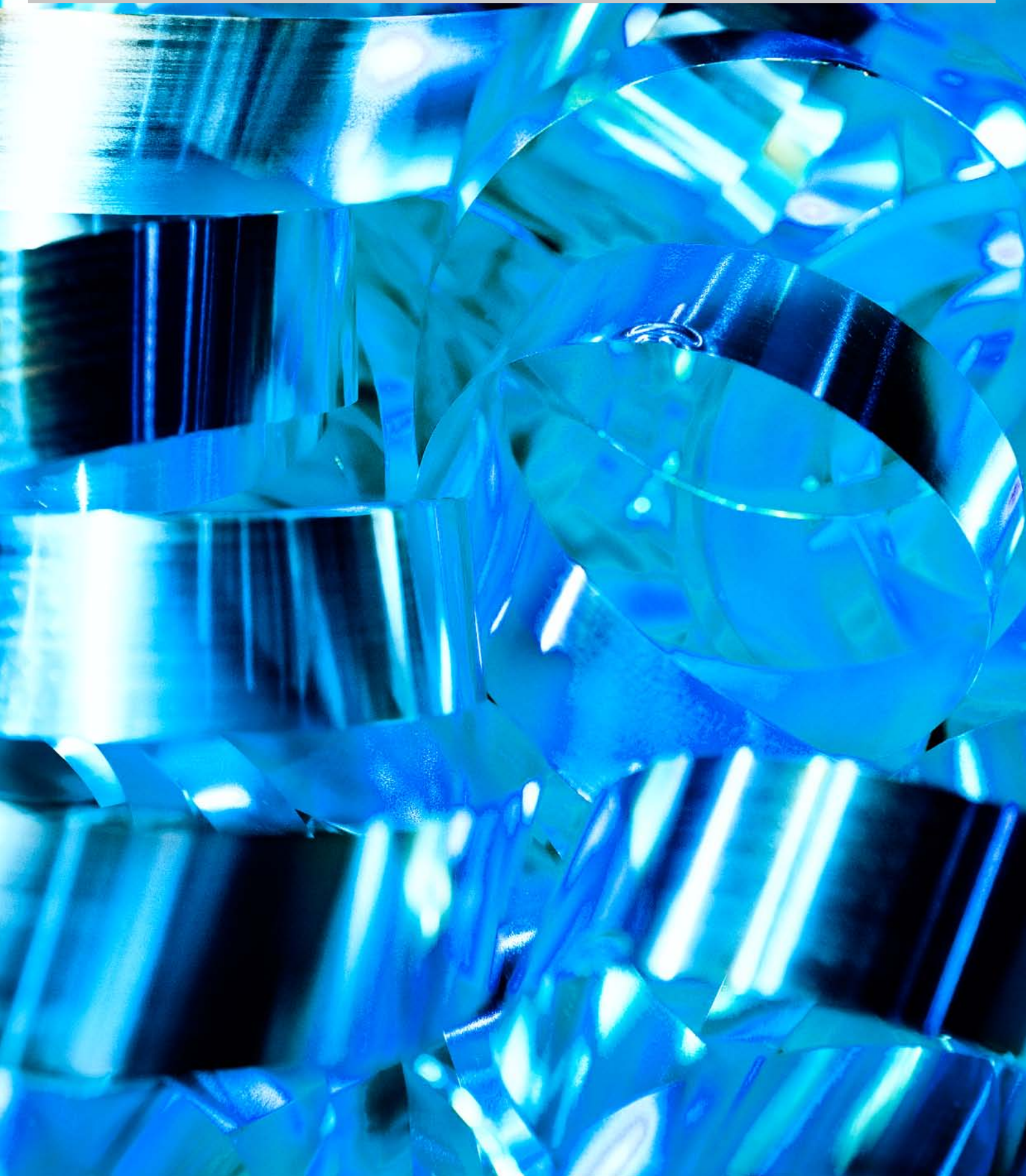


# Sustainability Report 2010

**ASSA ABLOY**

The global leader in  
door opening solutions







Cover photo:  
Metal scrap recycling is material to ASSA ABLOY from both an economic perspective and from a cycle perspective. Recycling contributes to decreased environmental impact of ASSA ABLOY, it decreases the energy and resource consumption - hence it creates economic and environmental incentives. It is a classic win win situation.

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### Reader's guide

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

As signatory to the UN Global Compact, ASSA ABLOY will submit this report to the UN Global Compact as a Communication on Progress report. The sustainability report is aligned with the Global Reporting Initiative guidelines declaring level C (see page 42–43 for GRI content index). The data presented in this report has been collected over the calendar year and includes all ASSA ABLOY operations as well as suppliers. For further information regarding the sustainability report and its reporting principles, see page 41.



NATL Power.

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# Sustainability highlights 2010

- **Targets defined for all major areas up to 2015.** These include water consumption, energy efficiency, green house gas emissions, chemical handling and health & safety.
- **The number of sustainability audits in low cost countries increased to 376 compared to 188 in 2009.** At the year end 288 active suppliers had satisfied the minimum standards for quality and sustainability and were classed as reliable.
- **Independent social compliance audits** were performed at ASSA ABLOY's Guli-factory, China, and at the factory in Johor, Malaysia.
- **18,000 employees took part** in the third global employee survey.
- **The number of entities reporting** on sustainability has increased from 181 to 204.
- **During 2010 ASSA ABLOY developed a tool** to visualize the sustainability development on Group, division and company level.

## About this report

This report, along with additional information available online, explains the Group's sustainability performance in 2010. Unless otherwise stated, all information refers to activities undertaken between January 1, 2010 and December 31, 2010.

The 2010 data is based on 105 factories and 99 sales units and offices, compared to 91 factories and 90 sales units and offices in 2009.

# ASSA ABLOY in brief

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

ASSA ABLOY is represented in both mature and emerging markets worldwide, with leading positions in much of Europe, North America, Asia and the Pacific. In the fast-growing electromechanical security segment, the Group has a leading position in areas such as access control, identification technology, door automation and hotel security.

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international Group with about 37,000 employees and sales of about SEK 37 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.

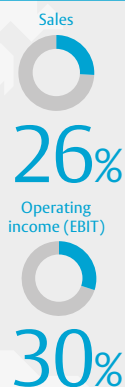
## ASSA ABLOY's divisions at year-end 2010

### Americas division

Share of Group total

#### Americas

Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America. The majority of the division's sales are in North America, where ASSA ABLOY has an extensive sales organization and sells its products through distributors. Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte. The division has 7,000 employees and divisional management is located in New Haven, Connecticut, USA.

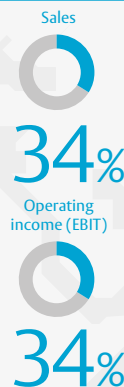


### EMEA division

Share of Group total

#### EMEA

EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and fittings in Europe, the Middle East and Africa. Most sales take place in West Europe, but emerging markets in East Europe and the Middle East are gaining in importance. EMEA consists of a number of Group companies with a good knowledge of their local and in many respects diversified markets. Some of the division's leading brands are ABLOY, ASSA, IKON, Mul-T-Lock, TESA, UNION, Yale and Vachette. The division has 9,500 employees and divisional management is located in London, United Kingdom.

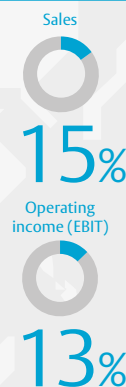


### Asia Pacific division

Share of Group total

#### Asia Pacific

Asia Pacific division manufactures and sells mechanical and electromechanical locks, digital door locks, high-security doors and fittings. China and the rest of Asia account for about 70 percent of sales, while Australia and New Zealand account for the remaining 30 percent of the division's sales. In Asia, the division's largest brands are Baodean, Gateman, Guli, King, Pan Pan, Shenfei, Tianming, Wangli and Yale. In Australia and New Zealand, the largest brands are Lockwood and Interlock. The division has 15,500 employees and divisional management is based in Hong Kong, China.



### Global Technologies division

Share of Group total

#### Global Technologies

Global Technologies has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units: HID Global and ASSA ABLOY Hospitality, with sales mainly to the commercial segment. HID Global is a global leader in secure identity solutions, primarily in identity and access control, and in contactless identification solutions. ASSA ABLOY Hospitality is the market leader in electronic lock systems and safes for hotels and cruise ships. The division has 2,500 employees and divisional management is based in Stockholm, Sweden.

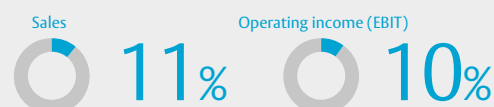


### Entrance Systems division

Share of Group total

#### Entrance Systems

Entrance Systems division is a global leader in automatic entrance solutions. The product range, sold under the Besam brand, includes automatic swing, sliding and revolving doors, air curtains and a comprehensive service range. Door, gate and garage door automation and industrial doors are sold under the Ditec brand. The products are sold through distributors and installation companies, and installed in industrial, commercial, institutional and residential applications. The division's third brand, EM, markets automatic pedestrian door products and targets major distributors particularly in Europe. Entrance Systems has 2,700 employees and divisional management is located in Landskrona, Sweden.



A selection of ASSA ABLOY products that meet the increasing demand from customers for electromechanical, digital and intelligent door opening solutions.

#### Sliding doors for clean-room environments

Ditec Entrematic added three new product lines to its Valor range of pedestrian sliding doors in 2010: the Valor D space-saving model for double doors, the Valor S for doors weighing up to 500 kg, and the Valor H hermetic model.

The new additions double the number of models in the range to six, allowing Ditec Entrematic distributors to provide sliding door automation for an even wider array of applications, including clean-room environments.

All Valor automation units feature advanced electronics and user friendly control panels and displays for operating and monitoring the doors. Both the opening width and closing time can be set to adjust automatically when user traffic increases.



#### Mobile phones replace hotel room keys

ASSA ABLOY initiated a world first pilot project in the fall of 2010 at the Clarion Hotel Stockholm in Sweden. ASSA ABLOY joined forces with Choice Hotels Scandinavia, TeliaSonera, VingCard Elsafe and Venyon to replace hotel room keys with NFC-enabled mobile phones. The end result was the world's first complete mobile key service utilizing NFC technology.

Selected hotel guests receive an NFC-enabled mobile phone with special software installed. They book hotel rooms in the usual way and receive booking confirmation on their mobile phones. The guests can check in on their mobile phones before arrival at the hotel. When check-in is complete, a digital hotel room key is sent to the mobile phone. On arrival at the hotel, the guests skip the check-in line, go directly to their rooms and open the door by holding the mobile phone close to the door lock. When leaving the room, the doors lock automatically. Guests check out using their mobile phones and the digital hotel room keys are deactivated.

The solution is made possible through ASSA ABLOY's scalable secure delivery infrastructure for mobile keys. This solution ensures end-to-end security and is applicable for residential, commercial and hotel applications.



#### Enhanced security with HID

HID Global introduced its multiCLASS Magnetic Stripe readers that are designed for customers upgrading their current access control card system from the popular magnetic stripe (magstripe) technology to enhanced security from 13.56 MHz smart card technology. Supporting access control technology combinations including magnetic stripe, keypad, HID Prox and 13.56 MHz smart card technology (including iCLASS and FIPS 201 credentials), the multiCLASS reader line represents the ultimate in flexibility, enabling a cost effective and truly seamless migration solution with no operational disruption.

#### SUSTAINABILITY WORK HIGHLIGHTS

2004/ 2005	2006	2007	2008	2009	2010
Code of Conduct	Supplier audit tool	Sustainability program	Innovative sustainability strategy with checklists for product development	Sales companies and offices are included in reported figures	Increased number of audits of suppliers in low-cost countries
Whistle-blowing	Employee survey		Employee survey	The follow-up of energy consumption and CO <sub>2</sub> is expanded	Targets for 2015 are defined for all monitored areas
Internal audits			Training for marketing and sales	A common recruitment and selection guide is launched	
Training and best practice sharing			Supplier audit training		
Criteria for investments if > SEK 1 M			Code of Conduct updated		
Directive due diligence					



# CEO statement

## Sustainability integrated into the business processes

During the last five years it has been shown that the best way to achieve true and enduring progress for sustainability within ASSA ABLOY has been to integrate it in the main business processes, which are sales, logistics, manufacturing, product development and sourcing. Sustainability is not a stand-alone process or something we simply add on top of what we do. The integrated approach ensures that sustainability becomes a natural part of everyday work for all our employees.

Let me give you some examples. When a new supplier agreement is finalized, sustainability forms an integral part of the agreement as one component amongst all the terms agreed upon. When a salesperson makes a deal with a customer, the Code of Conduct is one of several basic principles followed. When a manager is hiring staff or promoting people within the organization, equal treatment - regardless of gender or nationality - is an important consideration. In the product development process the environmental impact of packaging, logistics and energy consumption, to mention a few examples, are factored into quality levels and manufacturing costs. These are practical examples of how sustainability is assured as a part of our everyday processes.

Group Management sets the sustainability targets and the framework, but execution is the responsibility of the operational divisions. This is why we have only a small corporate sustainability organization, which mainly handles guidelines, follow-up and coordination. All other staff dealing with these issues are based in the divisions close to the business processes.

After setting and delivering on the first round of targets for sustainability we now have a new set of targets for 2015 which covers all areas. The new targets are described and quantified in this report. The Group is also stepping up its activities within product development, sales and marketing to integrate sustainability aspects on an even larger scale in the product range within for example energy savings for the customers, use of recycled materials and also recyclability of our products.

The activities within energy conservation in our own operation, health and safety, supply chain, substitution of chemicals and equal opportunities are progressing very well.

More than 40 percent of our material is sourced from low-cost countries and the program for audits of quality and sustainability in these countries has been increased significantly over the last years. We will carry on ensuring that

“The integrated approach ensures that sustainability becomes a natural part of everyday work for all our employees.”

all our suppliers maintain the same standards, regardless of where in the world they operate.

The social and ethical performance of our sites is an important part of our approach to sustainability. Therefore we carry out several social audits every year through an independent audit company. The audits focus on workplace conditions, health and safety, security, ethical behavior and similar topics. Two audits were performed in 2010, one in China and one in Malaysia. The results gave us important feedback on areas in which we can improve.

In 2010, we held a roundtable meeting with ethical investors. The meeting was well received and we thank all investors and analysts for their interest and valuable input.

I also want to thank our employees for their dedication and achievements during the year.

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

Stockholm, 20 April 2011



Johan Molin  
President and CEO



Working  
to make  
sustainability  
part of  
everyday life.

Balancing economic, social and environmental considerations across our entire business.



# ASSA ABLOY's way of working

ASSA ABLOY's sustainability work is integrated throughout the value chain. From sourcing to recycling, sustainability initiatives are based on an ongoing risk analysis as well as on the Code of Conduct, and involve both internal and external stakeholders.

## Beyond the strategy

In 2007, ASSA ABLOY launched a new sustainability program. The program was developed by the Group's Sustainability Council with representatives from all divisions.

Running until 2010, the program is based on the Group's risk-assessment procedures, covers key sustainability issues and mandates measurable results.

The program has been successful in integrating procedures for quality and environmental management, and in providing a structure that allows everyday operations to continuously improve their sustainability performance. Sustainability targets and policies have been implemented throughout the Group. The organization recognizes the need for continuous improvement and consequently new targets have been set for the period 2011 to 2015.

## Part of everyday business

ASSA ABLOY is organized around business processes such as innovation, sourcing, operations and sales. The Group's approach to sustainability means that programs, indicators and objectives are integrated into these processes.

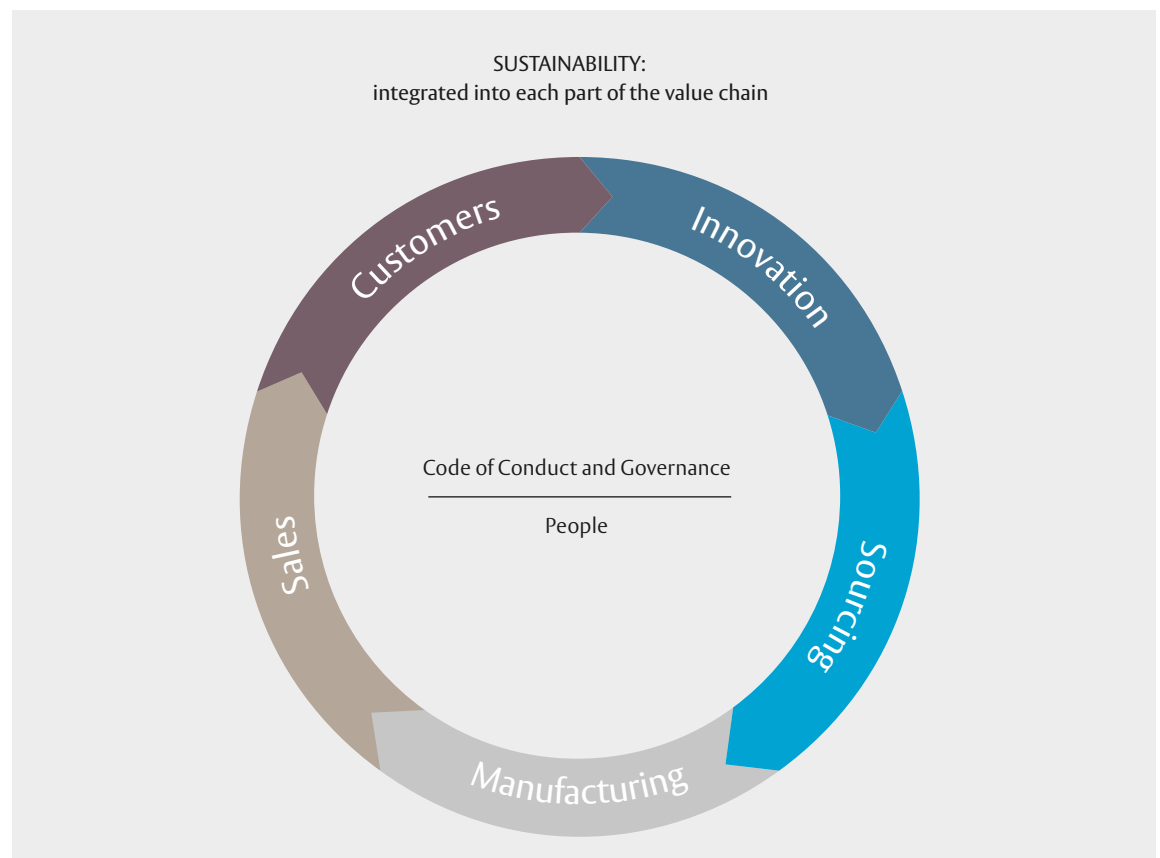
Sustainability considerations are integrated into business plans, decision-making processes and business principles.

Following a long-term strategy to handle risks, the Group will continue to integrate sustainability into the value chain.

## Monitoring the progress

To effectively monitor progress and maintain a systematic approach, ASSA ABLOY has developed a database of manufacturing companies' reports on sustainability indicators. It includes examples of best practices and other tools.

Details of steps that have been taken by various companies to reach Group sustainability targets have been entered into the database. Group companies and divisions can access information from the database to compare their progress and trends with those of other ASSA ABLOY companies. In 2010, 204 factories, sales units and offices reported.



# Code of Conduct

The Code of Conduct includes ethical business practices, safe working conditions and environmental standards, and sets the framework for ASSA ABLOY's daily operations.

## Whistle-blowing mechanism

Any issues related to the Code of Conduct are dealt with at the local level whenever possible. Managers have the responsibility to ensure compliance and to foster a workplace culture in which any problem can be discussed openly and without prejudice. The Code of Conduct includes a mechanism for whistle-blowing, by which any stakeholder can report suspected violations.

During 2010, six cases were reported – compared to seven in 2009.

Following thorough investigations, appropriate measures have been taken and the cases have been resolved.

The Code of Conduct is available in 18 languages on [www.assaabloy.com/code](http://www.assaabloy.com/code).

The ASSA ABLOY Code of Conduct establishes the principles that ASSA ABLOY applies in relation to its employees, suppliers and other stakeholders. The Code of Conduct is consistent globally and available in 18 languages.

The Code of Conduct is based on the United Nations Global Compact, the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises, and the ISO14001 environmental management standard.

## At the core of everything

For ASSA ABLOY the Code of Conduct represents the minimum level of action required for responsible business practices, and our contribution to sustainable development.

The Code of Conduct is given to all managers and union representatives. It is communicated and made available to all employees. New employees starting their work at ASSA ABLOY are required to read the Code of Conduct and agree to abide by it and any related policies.

ASSA ABLOY monitors the implementation of the Code of Conduct. Any non-compliance is handled immediately.

During 2009, increased awareness and understanding of the importance of complying with the Code of Conduct was promoted in all parts of our organization through the mandatory orientation program, which was completed by more than 22,000 employees. A global employee survey carried out in 2010 showed that 86 percent of respondents had been informed about the Code of Conduct, compared to 79 percent in the 2008 survey.

ASSA ABLOY adheres to the laws of the countries in which it operates. The Code of Conduct does not replace legislation – if the two are in conflict, legislation takes precedence. If the Code of Conduct sets a higher standard than the existing legislation, the Code of Conduct takes precedence.

## Ensuring supplier compliance

Sustainability is a key element in supplier selection and overall supply management.

ASSA ABLOY's divisions are responsible for securing their respective suppliers' compliance with the Code of Conduct and the Environmental Requirements.

The Code of Conduct is a document that all suppliers are required to read. Quality and sustainability audits are carried out before suppliers are accepted. Though the objective is to minimize the risk of non-compliance by all

suppliers, the focus is on risk-category suppliers, particularly in low-cost countries.

If a supplier fails to comply with the Code of Conduct, ASSA ABLOY first engages in a dialog aimed at bringing about measurable improvements. The supplier is requested to follow the agreed improvement plan. Contracts are terminated if non-compliance continues and is not remediated within an agreed time frame of a maximum of 12 months.

## ASSA ABLOY's Code of Conduct covers the following areas:

### Business ethics

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

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

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

# Governance

ASSA ABLOY's corporate governance is based on its articles of association, the Swedish Companies Act and the rules and regulations of the NASDAQ OMX Stockholm (Stockholm Stock Exchange).

## Corporate governance

The Group 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 governance and organization

The Board of Directors has the overall responsibility for existing and emerging risks, and for identifying and maximizing opportunities to reduce them.

The Executive Team is responsible for sustainability risk management and decides on sustainability policy, Code of Conduct and strategy.

## Managing the sustainability agenda

At ASSA ABLOY, sustainability issues are managed systematically by a set of established standards, tools and requirements.

The environmental sustainability coordinators at the Group and divisional levels check that the necessary policies, programs and tools regarding environmental issues exist and are implemented, while the Human Resource function at the Group and divisional levels oversees social and ethical issues.

Councils for Operations, Human Resources, Sourcing and Innovation – with representatives from the Group and

all divisions – handle sustainability issues related to their business processes and functions. The divisions and their units are responsible for compliance with ASSA ABLOY policies and programs as well as for reporting back to Head Office.

A Code of Conduct compliance committee is chaired by the Group Senior Vice President Human Resources and includes the person responsible for environmental issues at Group level and two employee representatives. Among other things, the committee handles whistle-blowing cases.

The Group intranet contains a site intended to support the sustainability managers. It includes tools, best practices and access to the reporting database. It presents all sustainability indicators and allows follow-up reporting of the sustainability program. Statistical reports and score cards enable companies to compare their performance with other ASSA ABLOY companies.

## Management system

All factories with significant environmental impact should be certified according to the environmental management standard ISO14001 or another certifiable environment management system.

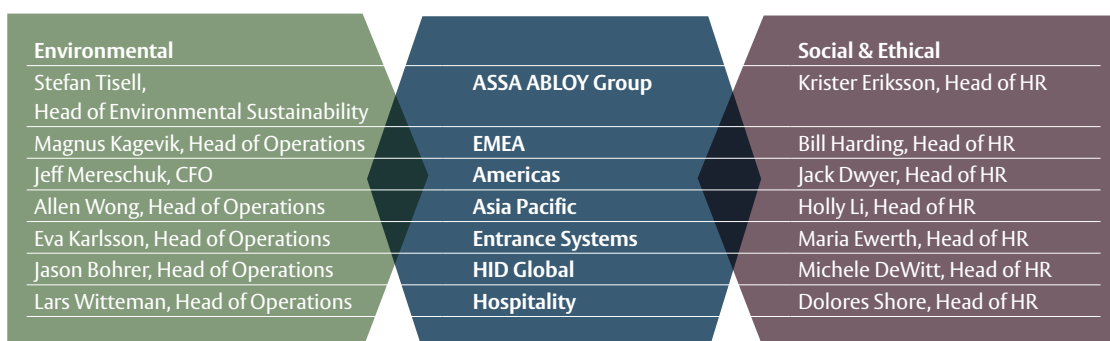
By the end of 2010, 69 of the Group's production units had implemented such a system. The number of units that are ISO14001 certified has increased from 39 in 2009 to 47.

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

	07	08	09	10 <sup>1</sup>
ISO 14001	39	37	39	47
Certifiable systems	29	26	23	22
<b>Total</b>	<b>68</b>	<b>63</b>	<b>62</b>	<b>69</b>

<sup>1</sup> The change is due in part to the closing of units in the restructuring program, while some new units have been certified.

## SUSTAINABILITY ORGANIZATION



# Goals and performance

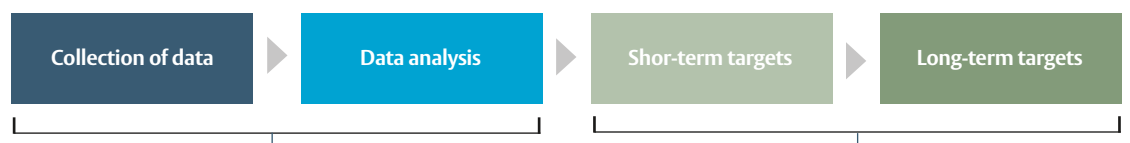
In 2010 ASSA ABLOY updated its sustainability program with goals and targets set to run until 2015. The targets have been developed by the Group's Sustainability Council with representatives from all divisions. The program is based on the Group's risk assessment procedures, covers material sustainability issues and mandates measurable results.

The overall goal for 2010 was for ASSA ABLOY to further develop the governance of sustainability and to increase the knowledge and control of sustainability status within the Group. In order to do so, a series of different activities were introduced during the year. These activities will continue throughout 2011 with further fine-tuning and follow-up on performance.

Below the most important activities within the Group are presented:

- The implementation of a process for all companies within the ASSA ABLOY Group that included setting targets for all environmental KPIs;
- The implementation of a validation and consolidation process on the divisional and Group level with regards to the targets for environmental KPIs on company level;
- All companies within the ASSA ABLOY Group are as from 2010 obligated to identify and report their most material environmental risks and how they are managed. The companies report to Group level.

## PERFORMANCE REPORTING FLOW



Using the 2009 data as a baseline, the 2010 data was collected and analyzed in order to understand the status and to set long and short-term targets.

Each company is obligated to set targets and will report on progress at least every six months to ASSA ABLOY Group.

### Material KPI

Area	2009	2010	Target <sup>1</sup> 2015
Number of entities covered by ISO 14001 certificates and other certifiable management systems	62	69	75
KPI, Greenhouse gas emission CO <sub>2</sub> /Value added (Tonne/SEK M)	12.4	12.2	-10%
KPI, Energy consumption/Value added (MWh/SEK M)	33.0	32.4	-15%
KPI, Water/Value added (m <sup>3</sup> /SEK M)	124.6	110.0	-15%
KPI, Hazardous waste/Value added (kg/SEK M)	283	259	-15%
Consumption of chlorinated organic solvents (PER and TRI) (tonne)	44	32	-75%
KPI, Percentage of spend in low cost countries represented by sustainability audited suppliers	40% <sup>2</sup>	80% <sup>2</sup>	>90% <sup>3</sup>
Injury rate	8.4	7.6	-15%
Injury lost day rate	150	142	-15%
Proportion of females in senior roles	See page 33	See page 33	Increased share

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

<sup>2</sup> Countries covered: China, Macau, Hong Kong and Taiwan.

<sup>3</sup> Countries covered: All low cost countries.



# Organizational responsibility

ASSA ABLOY is a decentralized organization and the responsibility of implementing the Code of Conduct, as well as other policies such as the risk management policy, is delegated from the Group to each division.

The organizational responsibility for identifying and managing sustainability risks lies within each division in the ASSA ABLOY Group. Each division is expected to have the appropriate risk awareness and to manage the risks in a proper way, regarding both “traditional” risks and sustainability risks. Within each division, the operational responsibility is delegated to each factory or business. The monitoring process differs among markets and divisions. Each division has the responsibility to design its monitoring process. The responsibility does not only cover the division's own business, but also includes the supply chain and supply chain audits are to be performed. Each division is further responsible for ensuring that new suppliers meet the ASSA ABLOY requirements.

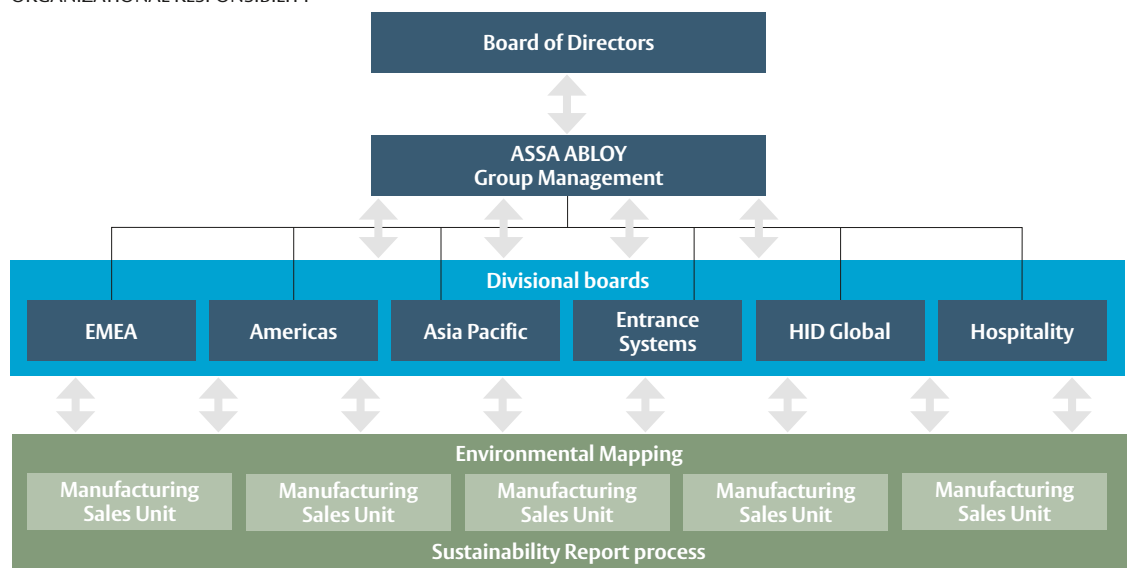
At the ASSA ABLOY Group level, the divisions' is followed-up via the sustainability reporting process. Since 2010, additional reporting on each company's most material environmental risks and risk mitigation actions is mandatory for each company within the Group.

At the divisional board meetings among other things risks, compliance and sustainability related matters are on the agenda.

Integrating acquisitions is an important part of risk management.

All acquisitions are preceded by a thorough due diligence process including sustainability issues. The due diligence process enables an effective integration into the Group.

## ORGANIZATIONAL RESPONSIBILITY



# Acquisitions

With its history of more than 150 acquisitions, ASSA ABLOY has a comprehensive process for bringing new companies into the Group, including bringing them up to set sustainability standards.

Through acquisitions, ASSA ABLOY expands into new geographic markets, strengthens its product offerings, accelerates innovation, meets customer demand more rapidly and expands partner opportunities. ASSA ABLOY has implemented a Group-wide process that sets out the steps for making acquisitions.

This process is divided into four phases: strategy, assessment, implementation and integration. Each phase consists of predefined activities, decisions and documentation requirements.

## Acquisition integration

Sustainability represents an important area to cover in the acquisition process and forms part of the due diligence process. Special attention is paid to environmental matters in the integration process.

The companies acquired are integrated into the Group based on their specific conditions. This lets them provide

added value to ASSA ABLOY's customers worldwide through increasingly complete solutions to meet growing security challenges.

## Recognized risks

ASSA ABLOY has identified three sources of potential risk as a result of acquisitions:

- Significant environmental pollution to soil or ground water that have occurred in the past;
- The supplier base in low-cost countries of the acquired company;
- Manufacturing processes that use hazardous substances.

Recognizing these risks enables ASSA ABLOY to address them early in the integration process and manage them in accordance with Group policies and guidelines.



## Pan Pan manufactures and sells security doors

ASSA ABLOY acquired the Chinese company Pan Pan in March 2010. Pan Pan manufactures and sells security doors under the brands Pan Pan and Jing Jing.

Prior to the acquisition, an environmental due diligence process was performed by the responsible division together with third-party experts. The due diligence process disclosed shortcomings in the Pan Pan waste water treatment and the environmental management in general was considered too poor. Also the due diligence disclosed the need for after-treatment of polluted soil. ASSA ABLOY made the decision to acquire Pan Pan despite the need for several improvements. As part of the terms for the acquisition, Pan Pan was provided with an action plan by ASSA ABLOY. The demand was made to Pan Pan to invest in a qualified waste water facility and to improve the systematics in the environmental management in general.

In addition to investigating the level of environmental risk management, ASSA ABLOY also analyzed the need for improvements in health and

safety management. The analysis showed a need for improvement and ASSA ABLOY required Pan Pan to install certain safety equipment in the factory and raise the general safety level.

The progress of Pan Pan's management is followed-up by a sustainability supervisor within the ASSA ABLOY Group in China. Pan Pan is required to report on its performance regularly. Pan Pan has advanced in its management and performance. ASSA ABLOY considers the acquisition to be an example of successful integration into the Group.

ASSA ABLOY is not the single owner of Pan Pan and the co-owner (the seller) will keep the local management until 2012. When Pan Pan becomes wholly owned by ASSA ABLOY, the integration into the Group will be complete. Despite the shared ownership, the ASSA ABLOY Code of Conduct is implemented and applies to the entire Pan Pan organization.

# Sourcing process and supply chain integrity

Sustainability is a vital factor in our sourcing process. For ASSA ABLOY, auditing and improving sustainability performance among our suppliers is a continuous task.

## Process and organization for sustainable supply management

Group Management sets the sustainability targets and framework, but each division is responsible for managing the process in the operations and maintaining a good supplier base. During 2010, the organization was further streamlined as the Global Sourcing Office was closed and resources were distributed to each division. This means that the divisions are responsible for having competent auditors on their teams.

Following the changes in the organization, the Group Supply Management leads a Sustainability Council including representatives from each division. The Council coordinates activities and follows-up on target achievement. All divisions are operating according to the same guidelines, processes and IT system, which are provided by Group Supply Management.

## The sustainability audit process

Based on a risk assessment, high-risk suppliers in low-cost countries are required to perform a supplier self-assessment in the sustainability areas that correspond with the

areas covered in ASSA ABLOY Code of Conduct. Based on the response in the self-assessment, on-site sustainability audits are agreed on with the supplier.

Both the self-assessment and the on-site audit check list are designed to verify if the supplier is compliant with the ASSA ABLOY Code of Conduct, covering business ethics, labor rights and human rights, environment, health and safety.

In 2010, the Sustainability Check List was reviewed and revised to further assure that relevant areas of the Code of Conduct are covered. It also helped clarify the scoring criteria to ensure suppliers are assessed and rated in a consistent way. Calibration training was conducted in Shanghai with participants from all divisions to familiarize them with the revised check list and practice it at external suppliers in the region.

Each division is responsible for performing audits when required, and their audit reports are submitted to the Group's supplier database. A Group audit function follows-up on reports in the database and carries out calibration audits to ensure that correct procedures are followed.

### AUDIT PROCESS

#### Long-term

Supplier development and consolidation

#### Mid term

Target and measurements

Supplier risk assessment

#### Ongoing

##### Supplier Self Assessment

Sustainability

Supplier Quality

##### On-site Audits

Scoring principles  
Traffic light System



Follow Up Audits

##### Supplier Development

Grow

Fix

Exit

The audit is carried out by applying a sustainability audit check list. If required, further questions are asked. When evaluating the audit results, the auditor uses a "Scoring Principles – The Traffic Light System." The green color indicates that everything is ok and that the supplier complies with ASSA ABLOY requirements and no further investigation is needed. Yellow demands further evaluation of the severity of the non-compliances and if considered relevant, an action plan will be provided by ASSA ABLOY to the supplier. Red signifies the absolute

demand for an action plan, a dialog and follow-up. If the supplier fails to improve its performance, ASSA ABLOY will end the professional relationship. There are a few questions in the audit check list that are of such significance that they are called "stopper". That means that if a supplier fails to comply with the ASSA ABLOY standards on such a matter, the supplier is disqualified, no matter how great the performance is on other matters.

# Sourcing process and supply chain integrity

## Scoring Principles – The Traffic Light System

An audit results in a rating for the supplier, green, yellow or red, depending on total score. While green means that the supplier is accepted, yellow indicates that improvement measures need to be implemented within a specific time frame. Red means that the supplier is not approved for sourcing following the audit.

Both red and yellow status can be revised based on evidence of a corrective action plan, well-documented progress and firm commitment from the supplier. Contracts with suppliers may be subject to termination in case of non-compliance that is not acted upon within an agreed time frame.

## Suppliers in low-cost countries

ASSA ABLOY suppliers in selected low-cost countries are listed, graded and tracked in a supplier database. The database ensures transparency and that the purchase organization has access to consistent information about the suppliers' performance. The supplier database is available on the Group intranet for access by selected purchasers.

Confidentiality is ensured by assigning user rights and by limiting updating rights to accredited and trained administrators.

The database enables follow-up of Audited Spend and a tool for prioritization and identification of preferred suppliers.

## Audits and results in 2010

In 2010, ASSA ABLOY increased the number of on-site audits in low-cost countries compared to 2009. During the year, ASSA ABLOY performed 376 sustainability audits. At year-end, 288 active suppliers had satisfied the minimum standards for quality and sustainability and were classed as reliable. The percentage of spend represented by sustainability audited suppliers increased from 40 percent to 80 percent in 2010.

Some of the audits revealed serious infringements of the sustainability criteria, and eight active suppliers received the red rating during the year. This means that they are added to the Group Black List pending corrective actions and follow-up audits.





ASSA ABLOY has worked with supplier development and selection to improve the performance of the supplier base. The detailed information in the supplier database shows that the purchase volumes from suppliers that receive the highest rank, green, with respect to sustainability, or that are categorized as Class A with respect to supplier quality, have gone up significantly. In 2010, 35 percent of total spend in low-cost countries were from green-rated suppliers.

#### **Challenges and focus going forward**

ASSA ABLOY Supply Management will continue to work with and develop suppliers in order to increase the number that receive high rates in the supplier assessments. This will reduce risks associated with non-compliance and at the same time contribute to better control and quality at suppliers.

The main challenge going forward is how to sustainably manage and ensure that standards are being met at the growing number of suppliers, including a large number of suppliers that each represents low sourcing volumes. The

large increase of suppliers in China between 2009 and 2010 is mainly due to acquisitions. ASSA ABLOY is identifying strategically important and preferred suppliers, to help prioritize resource allocation and audits.

Moving forward, ASSA ABLOY will include more low-cost countries in the Group's auditing program.

#### **Risk**

To follow the Code of Conduct is a requirement in all supplier contracts. Sustainability audits are carried out on suppliers in risk categories. The objective is to minimize risks of non-compliance among suppliers, primarily in low-cost countries.

As of 2009, a sustainability audit process is the main tool used in on-site audits to evaluate how well a potential supplier meets set requirements. These tools were reviewed and strengthened during 2010. ASSA ABLOY has carried out standardized audits on suppliers in regards to sustainability since 2006.

“Improving the sustainability performance within ASSA ABLOY and among our suppliers is a very important task. All divisions are responsible to ensure that their suppliers comply with ASSA ABLOY standards, and to make sure that the Group targets are achieved.”

Stefan Tisell, Director Production Processes and Environmental Sustainability.

Customers  
increasingly  
value  
sustainability.

# Sustainable product innovation

Delivering world-class innovation requires a process that takes customer needs into account, meeting them with solutions that add value in an efficient and sustainable way.

Customer research shows that customers are more inclined to buy green or energy-efficient security and safety products if these are offered as part of a complete green door opening solution.

The environmental impact of ASSA ABLOY's new products and the processes in which they are produced are determined mainly in the development phase. Material choice and quantity, manufacturing process, energy savings and other sustainability aspects are all determined during product development. Group companies use the Group's Product Innovation Process and environmental check list for their new product development.

## The Product Innovation Process

The Product Innovation Process has three major elements:

- Product Management – addressing the strategic aspects of innovation.
- Voice of the Customer – ensuring the development of what the customers want.
- Lean Product Development and a Gateway system – ensuring development projects are carried out in an efficient way with minimum waste.

## Environmental check list

As a part of the global Product Innovation Process, an environmental check list has been designed to help ensure that no irrelevant or unnecessary functions are developed, no unnecessary or hazardous materials are used, and processes are sustainable and efficient.

By designing products and processes correctly from the start, the cost-benefit ratio is optimized and the need for subsequent corrections is minimized. The aim is to follow the principle of reduce-reuse-recycle: for example, reducing the amount of material in our products; designing products that can be upgraded rather than exchanged; and enabling the recycling of material from process scrap and at the end of the product life cycle.

## Product Management

Value analysis or value engineering (VA/VE) is a specific method to review a suggested or existing product to ensure that over-specification is avoided. This method is required by the Gateway process for all new development.

Close to 100 VA/VE workshops were carried through during 2010. The workshops give good results in terms of reduced material, components and unnecessary processes. Estimates indicate that the workshops have saved many tonnes of metal.

## Voice of the Customer

Customer research shows that customers are more inclined to buy green – or energy-efficient – security and safety products if these are offered as part of a complete green door opening solution.

Listening to customers ensures consideration of their sustainability expectations when developing new products. This also applies to manufacturing the products and how the products perform in serving the customers.

Customers increasingly value sustainability. This is demonstrated by, for example, increasing demand for construction that is considered green and the increasing number of buildings registered with LEED.

Voice of the customer methods are critical in determining both what level of performance products have to live up to and what can be changed or removed without affecting the value of the product to the customer.

## Lean product development

The Gateway process ensures that all relevant sustainability issues are considered. For example, environmental and health and safety issues should have been identified, checked and dealt with before continuing beyond the product and process design step in the Product Innovation Process.

With Lean product development, waste – defined as “not adding value to customers” – is reduced in both the development and production phases.

## Graham Sketch Door combines visual appeal and eco-friendliness

The Sketch Door from Graham is a flush wood door alternative to traditional stile and rail doors.

By mixing and matching different woods and grain directions, Sketch Doors provide high-end visual appeal and can be constructed from a wide range of core materials, ranging from fire-rated mineral to eco-friendly Agrifiber.

Graham Sketch Doors are available with a sound rating up to STC 46, fire rated up to 90 minutes, Forest Stewardship Council certified and can be made with no added urea formaldehyde.



“Sustainable product innovation is all about understanding and meeting the needs of our present and future customers, actively mitigating negative environmental and social impact and making sure that ASSA ABLOY is a partner in the future”.

Ulf Södergren, Chief Technology Officer (CTO)

### Reduce-reuse-recycle

ASSA ABLOY applies the principles of reduce-reuse-recycle in its product innovation.

In implementing its sustainability strategy, the Group intends to reduce its use of chemicals, energy and materials needed to fulfill security, safety and convenience requirements. The ultimate aim is to reduce the negative impact of our products and processes.

The reuse aspect is addressed through an increased focus on modularity. All major platform development should be modular so as to maximize the variance for the customer while minimizing the complexity of customization. As a result, components can be produced in an efficient way and product obsolescence is avoided.

The recycle principle is addressed by the environmental check list, which ensures that all environmental aspects of product development and production are considered. The Product Innovation Process requires that suppliers participate in a Supplier Quality Assurance audit to ensure that ASSA ABLOY's high standards are met.

The Group has reused and recycled products, components and materials for many years already and intends to continue to improve in this area.

The Group's ambition is to optimize product construction so that raw materials will be utilized in the most efficient way resulting in as little spill and scrap as possible.

The Group continuously aims to separate waste in different fractions for more efficient reuse and recycling.

### Recycled metal

Tonne	2006	2007	2008	2009	2010
Waste metal for recycling	45,700	59,300	38,700	35,800	36,200 <sup>1</sup>

<sup>1</sup>For comparable units. Total amount of waste metal for recycling amounted to 39,000 tonne, including units acquired during the year and increased reporting.

## Besam solves Ostankino Tower's draught problems

The tallest free-standing structure in Europe, Russia's 540-meter Ostankino Tower, broadcasts television and radio transmissions from more than 30 stations. It also features conference facilities, several observation decks and a well-known restaurant, making it a popular destination for tourists.

Because of its great height, the building is subject to powerful internal draughts in its elevator shafts. These conditions not only impact the comfort of staff and visitors, but also the fire resistance of the building.

Besam, an ASSA ABLOY Group company, installed two large, three-wing revolving doors in the tower entrances to completely separate the indoor and outdoor environments while still allowing the building's large number of visitors convenient access.

Besam also provided 14 fire-rated automatic sliding doors in the entrances to the elevator halls, resulting in a draught-free environment and enhanced fire-resistance. The contract includes Besam service for all 16 installations.



## Saving time and reducing costs while improving product performance

Careful analysis has improved production of the Besam automatic sliding-door package for North America, saving time, money and raw materials while still improving product quality.

The panels for the sliding door, which also have to swing in case of emergency, are built using aluminum extrusion. After a thorough VA/VE (value analysis-value engineering) process, ASSA ABLOY company Besam was able to realize cost savings by reducing the amount of aluminum in selected profiles, while improving the design of the swing-away latch, making it easier to manufacture and adjust in the field.

VA/VE analysis allows Besam to not only reduce costs but to also invest in product improvements to aid in manufacturing and installation.





## Energy savings and better business

Dutch shops have traditionally kept their front doors open at all times, the theory being that it makes them more inviting and attracts more customers. But it is a costly practice, particularly in winter, which can drive up heating costs.

Besam contributed a 'Smart Door' solution to an independent study conducted by the Dutch Ministry of Economic Affairs on the correlation between energy savings and automatic doors. The solution featured a UniSlide Telescopic sliding door used together with an air curtain which could be activated when the door was open and shut off as soon as it was fully closed.

The study, which measured both energy use and visitor traffic in an Amsterdam branch of DA Drugstore and Perfumery, found that the automatic entrance not only produced significant energy savings – up to 43 percent – but also helped keep the shop floor clean, noise-free and comfortable for customers.

A video on the Besam website, with subtitles in English, shows how retailers can reduce their energy consumption and welcome in their customers at the same time.

## Strong, energy-efficient doors

With energy prices continually increasing and non-residential buildings consuming almost 40 percent of energy used in North America, Ceco Door remains committed to providing maximum thermal-resistant solutions.

According to data from the Spray Polyurethane Foam Alliance, doors are responsible for 11 percent of the overall leakage in a building. The new Trio-E door is steel-stiffened for strength, but has achieved an operable U factor of 0.29 (ASTM C1363), over 50 percent better than other steel-stiffened doors currently available for commercial applications.

Many building owners can spend millions of dollars on energy bills annually. The Trio-E represents a chance for them to realize significant savings on new or retrofit projects.

When the Trio-E is combined with thermally broken frames, Pemko thresholds and the Norton Trinity closer, it becomes a sustainable building solution that can eliminate infiltration and exfiltration in the door opening and guarantee that the building envelope is tightly sealed, even in the harshest environment.



## Eco-friendly printing solution improves security

HID Global, an ASSA ABLOY Group company, has partnered with leading multifunction printer manufacturers and their application solution providers to create an eco-friendly print-management solution.

The solution will enable companies to not only reduce their carbon footprint, but also to increase security and save money.

The company's "secure print authentication" document printing solution extends an organization's existing security investment by combining a secure document print-release system with the same industry-standard HID Global readers and HID Prox and/or iCLASS cards that are used for building access at Fortune 1,000 corporations worldwide.

A recent study found that the average employee prints 10,000 pages per year, of which 17 percent is not actually needed. In addition, the study found that the paper printed each year by a single employee produced greenhouse gases equivalent to one week of car exhaust.

HID Global's solution helps eliminate these issues and is ideal for companies trying to reduce their carbon footprint by reducing waste associated with printing and electricity consumption. It eliminates paper waste by deleting print jobs not released in pre-set timeframes; reduces the use of toner and wear on the device by printing fewer documents; and allows a device to function in a low-power mode until a card is swiped to start a printing job, saving electricity.

The reduced waste and electricity consumption also translates to cost savings for organizations, where the print-management solution annually saves organizations up to USD 220 for each employee.

It also solves security concerns posed by all-in-one multifunction printer devices that allow organizations to easily scan, print and copy sensitive data.

# Manufacturing

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

ASSA ABLOY has developed different tools and a database to facilitate and increase control of consumption and emissions. The database further enables best practice sharing within the Group.

ASSA ABLOY has been conducting assessments of its products and production processes for several years. The results show that it is energy consumption in the production phase that has the most significant impact on the environment.

ASSA ABLOY works with sales as a reference for its energy efficiency analysis and how it affects energy consumption. The aim is to identify ways to better assess how changes in operations affect energy consumption.

### Three-step approach

The three-step approach that was launched in 2009 was continued and further developed during 2010. Among other activities, a database on relevant KPIs was established. ASSA ABLOY continued to focus its efforts on the aspects

of production that had the greatest environmental impact, caused by energy consumption. The aim was to further reduce CO<sub>2</sub> emissions through energy optimization. The three-step approach continued to be an important strategy and it included:

Further streamlining of manufacturing processes to enable the concentration of production to fewer production sites. It is important to underline that the streamlining still enables full capacity, efficient working practices and high standards of quality at the remaining sites.

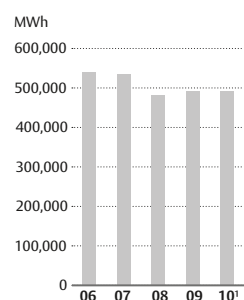
Further application of energy saving solutions. A few examples are low-energy lamps and lights, sensors in heating and cooling systems and timers.

### Energy consumption

MWh	2006	2007	2008	2009	2010
Direct energy					
– oil	45,000	35,000	9,000	23,000	32,000
– gas	194,000	190,000	191,000	174,000	171,000
– Total	239,000	225,000	200,000	197,000	202,000
Indirect energy					
– electricity	280,000	283,000	260,000	261,000	255,000
– district heat	22,000	28,000	22,000	33,000	36,000
– Total	302,000	311,000	282,000	294,000	290,000
<b>TOTAL ENERGY USE</b>	<b>541,000</b>	<b>536,000</b>	<b>482,000</b>	<b>491,000</b>	<b>493,000<sup>1</sup></b>

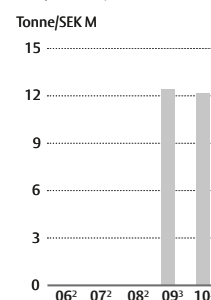
<sup>1</sup>For comparable units. Total energy consumption amounted to 539,000 MWh, including units acquired during the year and increased reporting.

### TOTAL ENERGY USE (MWH)



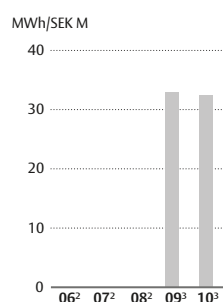
<sup>1</sup>For comparable units. Total energy consumption amounted to 539,000 MWh, including units acquired during the year and increased reporting.

### KPI, GREENHOUSE GAS EMISSION CO<sub>2</sub>/VALUE ADDED (Tonne/SEK M)



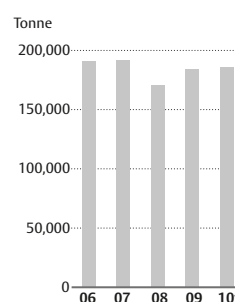
<sup>2</sup>Due to implemented changes in reporting and calculation principles (see page 41), KPI-reference values are not available for 2006 to 2008.  
<sup>3</sup>For comparable units.

### KPI, TOTAL ENERGY/VALUE ADDED (MWH/SEK M)



<sup>2</sup>Due to implemented changes in reporting and calculation principles (see page 41), KPI-reference values are not available for 2006 to 2008.  
<sup>3</sup>For comparable units.

### GREENHOUSE GAS EMISSION CO<sub>2</sub> TOTAL (TONNE)



<sup>4</sup>For comparable units. Total greenhouse gas emissions amounted to 212,000 tonne, including units acquired during the year and increased reporting.

Alternative energy sources that together with innovative product design can create energy efficiencies in the production and the using phase were further explored.

#### **Transport**

Efforts to reduce the CO<sub>2</sub> footprint continued in 2010, including the improved monitoring of transportation of goods and employees. In 2010 ASSA ABLOY increased the demand for information from its travel agents on business travel. The information provides ASSA ABLOY with the possibility to understand the current traveling behavior and to promote a different behavior. On divisional level, there are guidelines for business travel and routines for approval.

#### **Environmental impact**

ASSA ABLOY is dependent on energy in its productions process and the company is vulnerable to the effects from energy retrieved from exhaustible resources. Examples of such effects are an increase in price and reduction in supply of certain energy sources. Further, the company affects the

environment in the consumption of energy and fossil fuels and through emissions to air. There are trends towards taxes on CO<sub>2</sub> emissions, increase in price of oil emphasizing the interdependence between ASSA ABLOY's conditions to run business in an effective, environmentally sensible way and the supply and cost of resources.

#### **Performance**

The total energy consumption for comparable units was increased by 2,000 MWh. An increase of 0.4 percent compared to 2009. The normalized result, i.e. energy intensity, was improved by 1.7 percent in 2010. The objective to reduce the normalized energy consumption by 15 percent from 2006 to 2012 has been passed. The target for 2015 is to achieve a reduction of the energy intensity by 15 percent compared to 2010, see page 10.

CO<sub>2</sub> emissions intensity was improved by 1.5 percent compared to 2009. In 2010, 12.5 percent of the total energy consumption came from renewable energy sources.



## Canadian eco-power makes it easier to be green

ASSA ABLOY's adoption of 100 percent low-impact renewable energy for its Canadian corporate headquarters is helping the company reduce its greenhouse gas emissions even further.

In September 2010, ASSA ABLOY Canada announced that it had selected Bullfrog Power to provide energy for its Corporate Head Office in Vaughan, Ontario. In Ontario, Bullfrog Power's electricity comes exclusively from local wind and hydro facilities certified as low impact by Environment Canada. Under the agreement, Bullfrog's Ontario generators inject 387 MWh of

renewable electricity into the regional grid to match the amount of power ASSA ABLOY's headquarters use.

Shane Magee, President and Country Manager, ASSA ABLOY Canada, says the agreement is a perfect fit with the company's push for sustainability. "We have been committed to energy efficiency in our manufacturing plants for years and our move to Bullfrog Power for our Canadian corporate headquarters is in keeping with this commitment. It is a natural progression."



# Manufacturing Water and waste

A further developed process for waste management and water consumption are important factors in ASSA ABLOY's efforts to reduce its environmental impact as well as to cut costs.

## Water

Steps to improve water efficiency have focused on the plating operation as this consumes the most water of all the manufacturing processes. The aim is to reduce operating costs and environmental impact.

Technology innovation in the circulation and reuse of water resulted during 2010 in a decrease in water discharge compared to 2009 (for comparable units). The lower consumption reduces the energy needed to heat water, which in turn decreases energy consumption.

### Water

	2006	2007	2008	2009	2010
Purchased water (1,000 m <sup>3</sup> )	1,878	1,997	1,763	1,765	1,604
Water from on site wells (1,000 m <sup>3</sup> )	146	141	104	91	69
<b>Total water consumption (1,000 m<sup>3</sup>)</b>	<b>2,024</b>	<b>2,138</b>	<b>1,866</b>	<b>1,856<sup>1</sup></b>	<b>1,674<sup>1</sup></b>
KPI, Water/ Value added (m <sup>3</sup> /SEK M)	NA <sup>2</sup>	NA <sup>2</sup>	NA <sup>2</sup>	124.6 <sup>3</sup>	110.0 <sup>3</sup>

<sup>1</sup> For comparable units. Total water consumption was 2,075 (1,000 m<sup>3</sup>) including units acquired during the year and increased reporting.

<sup>2</sup> Intensity values are calculated for comparable units between 2009 and 2010, (see page 39), reference values are not available for 2006 to 2008.

## Waste

ASSA ABLOY works towards minimizing the waste created by its manufacturing processes. Increase of other types of toxic waste is temporary. It is caused by installation of new production equipment and the fact that proper cleaning facilities were installed with a short delay. ASSA ABLOY expects a 10 percent reduction of other types of toxic waste during 2011.

Various metals are now sorted to assist in the recycling of their content. Oil is now extensively filtered so that it can be reused in manufacturing.

Certified companies appropriately dispose of any hazardous waste that cannot be reused.

### Hazardous waste

	2006	2007	2008	2009	2010
Metal sludge (tonnes)	1,898	1,443	895	751	726
Oil for recycling (tonnes)	1,451	741	878	769	551
Other types of toxic waste (tonnes)	2,080	1,991	2,688	2,694	3,197
<b>Total hazardous waste (tonnes)</b>	<b>5,429</b>	<b>4,175</b>	<b>4,460</b>	<b>4,214</b>	<b>3,931<sup>4</sup></b>
KPI, Hazardous waste/ Value added (kg/SEK M)	NA <sup>2</sup>	NA <sup>2</sup>	NA <sup>2</sup>	283 <sup>3</sup>	259 <sup>3</sup>

<sup>3</sup> For comparable units.

<sup>4</sup> For comparable units. Total amount of hazardous waste was 4,502 (tonne) including units acquired during the year and increased reporting.



## Good things come in smaller packages

Improvements in packaging can bring big environmental benefits. A study of packaging sustainability for ASSA ABLOY China in early 2010 identified several improvements, which are already paying off.

The study showed that excess packaging was being used for all Chinese product lines. In consultation with customers, an improvement program came into effect in May 2010, and was almost completed by the end of the year.

By reducing the amount of packaging, maximizing reuse of cartons and reducing the number of cartons, the improvement program has cut staff hours for packaging by up to 15 percent. Reduced consumption of energy and raw materials means packaging has a much smaller environmental footprint.

## Suzhou's packaging is now greener and cheaper

ASSA ABLOY Entrance Systems (Suzhou) launched an initiative to make its packaging practices more sustainable.

A sustainability review was conducted during the first two quarters of the year. The conclusion was that in some cases the packaging used was overly protective and not environmentally friendly. A list of planned improvements was completed at the end of the second quarter.

Previously, wooden crates used for packaging were labeled manually using screen printing. The process was time consuming, used acetone, produced waste water and noxious fumes, and stained the floor.

Under the new system, the previously large amount of wooden crates has been replaced with a smaller number of boxes. Whenever possible, boxes are reused and protective packaging has been minimized. In addition, boxes are now labeled with adhesive stickers – eliminating the need for acetone.

As a result, the total annual cost of packaging has been reduced by more than RMB 20,000 (USD 3,000). Time devoted to packaging has also decreased by 10 percent to 15 percent.



# Manufacturing

## Organic solvents and surface treatment

ASSA ABLOY is continuously working to reduce hazardous substances in its production processes and find replacements. Most production units have phased out chlorinated solvents altogether.

### Organic solvents

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

ASSA ABLOY does measure other organic solvents than the ones reported on in the sustainability report. Perchloroethylene (PER) and trichloroethylene (TRI) are reported as they are the two most environmentally hazardous organic solvents. ASSA ABLOY has been working systematically for many years to reduce and, in the long run, completely eliminate the use of the two solvents from its productions process.

These solvents are hazardous, and ASSA ABLOY has been testing alternatives. Most of the Group's entities are already using alternatives, such as ultrasonic cleaning processes and water-based chemicals.

### Performance

During 2010 the phase-out process of TRI was completed, and the use of TRI was eliminated. TRI has been substituted with less environmentally hazardous solvents within the entire ASSA ABLOY Group. The phase-out of PER within the Group continued and a reduction of the number of sites using PER was achieved. The total consumption of chlorinated organic solvents was reduced by 27 percent compared to the 2009 figures.

Commitment to reducing the use of chlorinated organic solvents will continue and it is ASSA ABLOY's aim for all of its facilities to cease using them.

### Surface treatment

Metal is a frequently used material in ASSA ABLOY's products. Products and their components need surface treatments to meet high standards of quality, including corrosion resistance and finishing.

The surface treatment processes are highly complex and require a balance between energy, water and chemicals, as well as automatic or semi-automatic controls. ASSA ABLOY has a long-established level of expertise in the surface treatment field, including with processes such as passivation, anodization and plating.

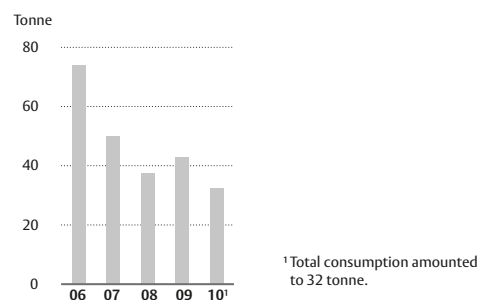
### Performance

ASSA ABLOY is working towards changing its surface treatment processes in order to have most of the remaining processes converted by the end of 2011.

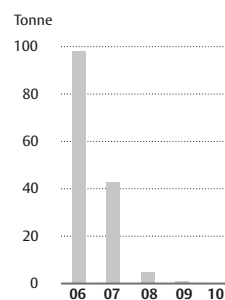
Acquired companies added to the number of processes in 2010, the number of processes decreased by three.

### Consumption of organic solvents

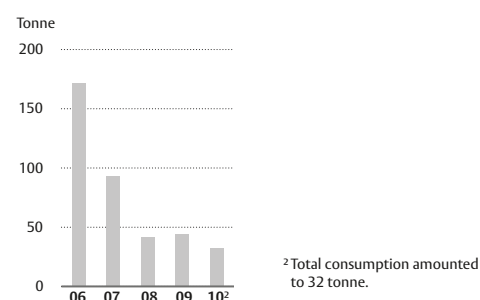
#### PER CONSUMPTION



#### TRI CONSUMPTION

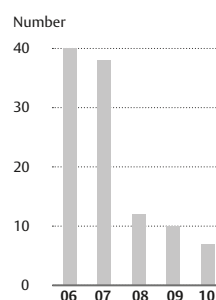


#### PER AND TRI TOTAL CONSUMPTION



### Surface treatment processes under change

#### PROCESSES UNDER CHANGE



# Sales and customers

The demand for products that have a green or sustainable profile is increasing and the expectations on ASSA ABLOY to provide those products in a responsible way are increasing as well. In order for ASSA ABLOY to continue to attract customers, we must meet and exceed these expectations.

## Managing business opportunities

To ASSA ABLOY's customers, buying a sustainable or green product is not only about knowing that it has been sourced and manufactured in good way. It is also about the design being sustainable and the using phase and the post using phase being less environmentally damaging. All these factors enable ASSA ABLOY's customers to reduce their environmental impact and to feel that through ASSA ABLOY, they can make an active choice.

There is large potential in the green building industry, and ASSA ABLOY will be an active partner in this segment.

ASSA ABLOY's sales force is the face of the company towards our customers. In order for ASSA ABLOY to be perceived as a responsible company, it is vital that the sales force truly can communicate the work that is performed

within the Group with regard to sustainability. More importantly, every customer must feel and trust that ASSA ABLOY can deliver high quality products that meet or exceed his or her expectations, and that these products are sourced and manufactured in a responsible way.

## Creating awareness

Keeping up to date with sustainability development throughout the ASSA ABLOY value chain is important in order to create and maintain awareness. We do that by training programs that covers governance, innovation, sourcing, manufacturing and sales etc. The Group intranet and the staff magazine are other important channels to engage with the employees on this matter.

## RFID solution improves cost-effectiveness of waste disposal

While most consumers and businesses don't think about what becomes of waste after they dispose of it, those responsible for waste handling do. HID Global, an ASSA ABLOY Group company, is making it easier to collect and manage that information.

Radio-frequency identification (RFID) technology is a powerful tool for waste collection, disposal and management, delivering compelling benefits to city governments, waste-removal contractors and their residential and commercial customers, by making it easier to identify and track waste streams.

Colin Thorne, Sales Director EMEA for Industry & Logistics from HID Global, says: "Local governments, businesses and individuals all have an interest in making waste collection and disposal as cost-effective as possible. RFID technology provides significant cost benefits by automating various aspects of the operation, including verification of container pick-up, tracking customer usage and measuring route efficiency."

HID Global offers a range of transponders using RFID technology suitable for waste-management operations – including residential and commercial bins, medical waste containers, skips and bottle banks — along with reader cores and support services. HID's products are compliant with all relevant standards and are fully interoperable with other standardized components and systems.



## The Cooper Union equipped with ASSA ABLOY products

The Cooper Union for the Advancement of Science and Art's newly constructed academic facility at 41 Cooper Square in New York, attained LEED Platinum certification. In keeping with the school's goal to create a high performance building, openings throughout 41 Cooper Square are constructed with door and hardware products from ASSA ABLOY Group brands.

A blend of doorway security, life-safety, aesthetics and sustainability is achieved with Curries hollow metal 707 doors and McKinney three-knuckle hinges along with 8200 Series mortise locks, 80 Series exit devices and 351 Series door closers from SARGENT.

The doorways feature a mix of mechanical and electromechanical locks that provide balanced security throughout the building, enabling facility personnel to set access privileges according to their needs. Each opening is also carefully tailored to fit the design motif set forth by project architect Thom Mayne of Morphosis.

From a sustainability perspective, all of the doorway products are constructed with percentages of recycled material that exceed LEED materials and resources guidelines, and when used together as a complete assembly, the openings can help improve building envelope thermal performance.



## ASSA ABLOY joins US Regenerative Network

ASSA ABLOY is proud to have become the 25th member of the US Regenerative Network, the business consortium of leading global and venture-backed green building product manufacturers and service providers.

By joining the network, ASSA ABLOY has sent a message that it is committed to sustainability.

"Environmental ethics and social responsibility are an integrated part of ASSA ABLOY's commitment to providing products and services that are environmentally sound throughout the entire production process and the product life-cycle," says David Gottfried, US Regenerative Network CEO and founder. "ASSA ABLOY's presence greatly enhances our dynamic roster of companies that seek the highest pinnacle of sustainability."

"The environment, business ethics and social responsibility are critical issues that corporations must address to be integral members of society," said Aaron Smith, Director of Sustainable Building Solutions at ASSA ABLOY. "Our unconditional aim is to make sustainability a central part of our business philosophy, culture and strategy. Our membership in the US Regenerative Network will help ASSA ABLOY realize these objectives and enhance our position as a socially responsible market leader."



## New luxury hotel first to use Graham Sketch Door

Widespread use of sustainable construction practices and building products made with recycled content and other green materials enabled the Fairmont Hotel and Resort in Pittsburgh, Pennsylvania to achieve LEED Gold certification. Included in this hotel are numerous products from ASSA ABLOY.

More than 500 of the roughly 800 openings are equipped with the Graham eco-friendly wood Sketch Doors made with Agrifiber cores. Other ASSA ABLOY brands installed are Adams Rite, Ceco Door, HES, McKinney, Norton, Pemko, Rixson, Rockwood and SARGENT.

The Graham Sketch Door constructed with an Agrifiber core addresses green building challenges while still offering the same aesthetic and durability properties as wood fiber doors. By mixing and matching different wood species and grain directions, Sketch Doors provide high-end visual appeal at a more economical price compared to traditional stile and rail doors. The architects of the Fairmont Pittsburgh chose a Rift Oak custom design featuring a Walnut inlay and a dark custom color finish for openings throughout the hotel.

In addition to answering security and life-safety needs, the locks and hardware used in the hotel are also constructed with large percentages of recycled material that exceed the minimum requirements in the LEED materials and resources guidelines.

## Smart system cuts hotel energy use and costs

With energy one of the highest costs for hotel properties, the Orion energy management solution from VingCard Elsafe helps reduce energy cost, while ensuring guest comfort and improving hotel environmental initiatives.

The award-winning intelligent solution automatically controls temperature settings when guests leave their rooms, reducing energy costs while ensuring guest comfort.

The Orion system can also be fully integrated with VingCard Elsafe VISIONLINE wireless online locks, safes, and other networked subsystems like in-room lighting, providing even greater control for the hotelier.

The Orion system received the prestigious Editor's Choice Award at the 2010 International Hotel, Motel Restaurant Show (IHMRs) in New York as best green technology and has already proved recouping the cost of capital investment in two years or less.



People -  
the most  
important  
aspect of  
ASSA ABLOY's  
business.



# People make it all happen

It is ASSA ABLOY's vision to be an attractive company to work for. To achieve this, a lot of effort is put into offering opportunities for interesting career development, challenging tasks and a positive and safe working environment.

## Know your company

Employees learn about ASSA ABLOY's history, products, strategy, Code of Conduct and get a better understanding of how their jobs contribute to the company's overall goals through the web-based interactive training program, Entrance to ASSA ABLOY. The program is available in 15 languages on the Group intranet. The program is a mandatory part of employee introduction across the Group. In the 2010 employee survey the question "I am clear about my role and how it contributes to my unit's objectives" got the second highest score out of 36 questions.

An updated version of the program will be launched in 2011.

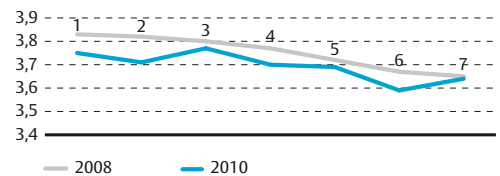
## Sustainability on the intranet

The Group intranet contains two sustainability sites. One is open to all employees and one is intended to support sustainability managers and includes tools, best practices and access to the reporting data base.

## Employee survey

An employee survey is carried out globally every 18–24 months to give employees the opportunity to express their views about their jobs, their workplace and the company. The third survey took place in April 2010, in which more than 18,000 employees participated. The results were benchmarked against and compared to previous surveys, showing the effects of actions taken and providing useful input for the identification and initiation of activities in areas with room for improvement. The results are broken down for more than 170 units to allow for targeted actions and communication to all employees.

EMPLOYEE SURVEY RESULTS FROM 2010  
RELATED TO SUSTAINABILITY



1: strongly disagree, 5: strongly agree.

## How well do the following statements correspond to your opinion?

1. My unit values diversity among its employees – 3.75, 9th highest score among 36 questions.
2. My unit is a good place to work – 3.71.
3. My unit shows environmental responsibility – 3.77, 6th highest.
4. I am treated with fairness and respect at my unit – 3.70, 11th highest.
5. My unit shows responsibility regarding the health, well-being and work environment of its employees – 3.69.
6. I can openly and with respect express my views and opinions within my unit – 3.59.
7. My unit has high ethical and moral standards – 3.64.

The scores on the questions are very much in line with those from the 2008 survey.

## Motivated people mean better customer value

Continuous improvement is important for business. It is also important when taking care of people, as ASSA ABLOY Romania can testify.

After a bumpy few years of economic downturn and major restructuring, the company recently embarked on a major transformation, both in terms of business and as a workplace.

With HR playing a strategic role, the company, working with local unions, created and implemented a transparent and coherent salary system, called Motivating People, backed by a detailed performance evaluation system. Feedback from employees shows the system makes them feel more respected, important and appreciated, and they have seen major improvements in their working conditions.

Implementing a clear and visible three-year strategy, and communicating the message to all employees, is paying off: Romania had the highest improvement level of all units in the 2010 employee survey.

ASSA ABLOY Romania has chosen Lean as the main vehicle to achieve Business Excellence. The main aim is to create value for customers, deliver high-quality products and great service, while also minimizing costs and lead time.





# Career at ASSA ABLOY

ASSA ABLOY believes that people make it all happen. Depending on the employee's ambition and initiative, career development is achieved through challenging tasks, learning, feedback and teamwork.

## Training and development

Two Group-wide development programs, ASSA ABLOY Management Training and the ASSA ABLOY-IMD Business Leadership Program, are offered to a number of senior managers each year. In 2010, 53 managers participated in both programs.

In the ASSA ABLOY Management Training program, participants learn about all aspects of ASSA ABLOY's business and operations, network with colleagues from different locations and business areas, share best practices and identify new business opportunities. Since the launch of the program, 360 managers from 35 countries have participated.

The ASSA ABLOY Scholarship Program provides the opportunity for employees to work at a Group company other than their own for a period of time. The purpose is to share knowledge and experiences, and learn about other cultures and ways of working. All employees can apply for the program.

## Talent Management Process

ASSA ABLOY's Group-wide Talent Management Process aims to support career development. The process involves all levels of the organization and includes a structured approach to succession planning as well as to the development of employees in general.

## Job posting and recruitment

ASSA ABLOY employees are expected to take responsibility for their professional careers. Consequently, all vacant positions are posted on the Group intranet, giving employees information about job openings and the opportunity to apply. When recruiting, priority is given to internal applicants – provided their qualifications match those of external candidates.

The job posting policy is now well-known and institutionalized within the Group.

## Building team spirit through training

Some 30 managers in recently acquired companies and managers who have been appointed to new positions in more established Group companies are selected to participate in ASSA ABLOY's Management Training Program every year. Introduced in 1996, the program encourages networking and sharing information and best practices.

"The aim is to integrate acquired companies by building a network of key managers and sharing information and best practices," says Bill Harding, VP Human Resources in division EMEA. "The participants learn more about the Group so that they can take advantage of our size and available resources. And this is a priceless way to build the important ASSA ABLOY culture and team spirit."

Each program includes three modules and group work throughout the year.



“ASSA ABLOY’s policy is to post job vacancies internally to encourage career advancement for qualified internal candidates. It is an important aspect of our talent management process that can help facilitate internal mobility in order to retain top talent in the long run.”

Margaret Wirtes, Director of Strategic Human Resources Initiatives and Internal Communications, ASSA ABLOY Americas division.

## Scholarship gives employees a chance to grow

The ASSA ABLOY Scholarship is designed to provide employees with the opportunity to further develop their professional knowledge and skills, as well as to create a deeper understanding of ASSA ABLOY.

Candidates for the scholarship should have an excellent record and, for practical purposes, be able to communicate in English.



**Anna Pojen**, an Online Corporate Communicator from ASSA ABLOY Head Office in Sweden spent one month at HID Global in Irvine, California.

“It was incredibly fun to be able to take on a role where I could share the best of my 13 years of communication experience,” Anna says. “I strengthened my knowledge about search engine optimization, my English improved, and I learned a lot about the identification and access control industry, where HID operates.”



One of last year’s participants, **Aaron Buxton-Rella** from ASSA ABLOY Australia, spent two months at the EMEA IT Shared Service Center in Landskrona, Sweden.

“It was a fairly intensive induction program,” Aaron says. “It was a great way of developing stronger working relationships.”



**Ivy Glezos**, IP Services Manager from HID Global in Irvine, California spent one month at ASSA ABLOY Head Office in Sweden. “My experience was very enriching both professionally and personally. It was a great opportunity to share my professional knowledge and expertise in IP portfolio management and to showcase HID’s best practices and implementation of scalable automation. It was my privilege and pleasure to meet and work with the nicest group of professionals across the Atlantic. My time in Stockholm is one that I will look back on with fond memories.

# Health and safety

A workplace culture where everyone takes responsibility is the basis of ASSA ABLOY's health and safety strategy.

ASSA ABLOY is committed to providing a safe working environment where risks that can cause accidents or impair the health and well-being of its employees are eliminated.

Managers are ultimately responsible for implementing and maintaining compliance with ASSA ABLOY health and safety procedures and regulatory requirements in their work areas.

Health and safety committees have been established in the production units, with union representation where applicable. The committees receive reports of incidents, monitor performance and discuss opportunities for improvements. In addition, the committees initiate training to address specific risks.

## Learning from each other

All entities are benchmarked against each other. This allows for comparisons and the sharing of best practices, thereby helping the Group to attain higher standards.

## Performance

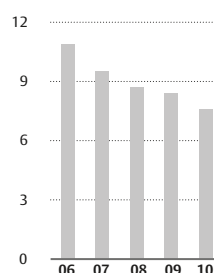
ASSA ABLOY's workplace health and safety performance continues to improve. During 2010, the injury rate decreased by more than 9 percent. The injury lost day rate, or number of days lost due to injuries in relation to number of worked hours, decreased by 5 percent.

Division	Injury rate	Injury lost day rate
Americas	11.1	214
Asia Pacific	5.1	60
EMEA	10.5	115
ESD	14.2	216
Global Technologies	3.3	27
<b>Group</b>	<b>7.6</b>	<b>142</b>

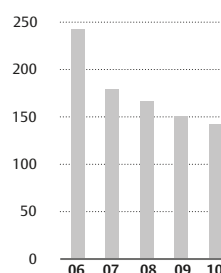
## Recognized risks

ASSA ABLOY's health and safety risks are mainly related to the use of chemicals for degreasing, painting and surface treatment, and to production processes such as die-casting, stamping, drilling, cutting and polishing.

INJURY RATE, TOTAL



INJURY LOST DAY RATE, TOTAL



## Health-management program boosts productivity

In January 2010, HID Global launched ACCESS health, a comprehensive health-management program that provides free and confidential support to enrolled employees to achieve their health goals and manage health conditions.

The program was designed to help employees identify personal health risks, encourage personal responsibility for health and wellness, help members make healthy choices, control health-care costs through proactive behavior change and improve overall morale and well-being.

ACCESS health services engage employees in biometric health screening, health-risk assessment, medical and prescription claims analysis, interactive online tools, disease management and lifestyle health coaching. Healthy Motivations, a company certified in privacy standards, facilitates the program and ensures employees' absolute confidentiality. Employees are not charged for the program and receive a substantial discount on their health-insurance premiums.

Improved employee health will result in fewer missed work days and increased productivity.



## Raising HIV/Aids awareness

In Africa, a continent that has been heavily affected by HIV/Aids, ASSA ABLOY is raising awareness of the disease in both the workplace and the community.

ASSA ABLOY South Africa is looking at HIV/Aids holistically, and incorporating it into a wider wellness program.

Lyna May, Human Resources Manager, says the company provides voluntary counseling and training to employees.

"We intend to train employees who are traditional healers to become peer educators as well," May says. "They can then raise awareness in the community.

"We are also doing advanced training with our peer educators, sponsored by SWHAP (the Swedish HIV/Aids Workplace Program)."

ASSA ABLOY Kenya, meanwhile, received an award from SWHAP for its workplace program on HIV and AIDS, in the category of Most Innovative Intervention.

The prize recognizes programs that are not only original and innovative, but also inspire others to follow suit.

ASSA ABLOY Kenya's "intervention" was a health-check session to raise awareness of HIV and AIDS among the company's retail distribution network.



# A responsible employer

Ethics are central to ASSA ABLOY's way of conducting business. Social compliance auditing is a way of measuring and reporting on social and ethical performance, contributing to transparency and accountability.

Factory Compliance Audits covering areas such as labor standards, human rights, human resources, work environment, workplace culture and skills development are conducted on a regular basis. The audits are conducted in line with internationally accepted and applied procedures

by external auditors to obtain an independent view of the current situation in the factory.

The audits are followed by improvement activities where needed. In 2010 ASSA ABLOY's Guli factory in China and the factory in Malaysia were audited.



## Employee voice heard through the EWC

The European Works Council (EWC) is a forum where 24 employee representatives are not only informed about what's going on within ASSA ABLOY, but also have the chance to ask Group management questions.

"EWC is the only transnational forum within ASSA ABLOY where employees get information and can discuss important transnational issues with Group management," says the council's president, Rune Hjältn.

In the end of November 2010 the EWC meeting were held in Sweden where Johan Molin, ASSA ABLOY's President and CEO, and Tzachi Wiesenfeld, the Executive Vice President and Head of EMEA division, talked about the Group's economic and financial situation and expected trends in business, production and sales.

Other topics covered were for example competence development, equal opportunities, the Code of Conduct and the manufacturing footprint program.

"Since the results of our Hifab audit were highly positive, we've taken the opportunity to showcase the things that the Malaysia facility is doing well, and the best practices we've learned about from Hifab and their local partners. This has become a powerful internal message and a way of setting the bar for all of our manufacturing sites."

Michele DeWitt, HR Director, HID Global.

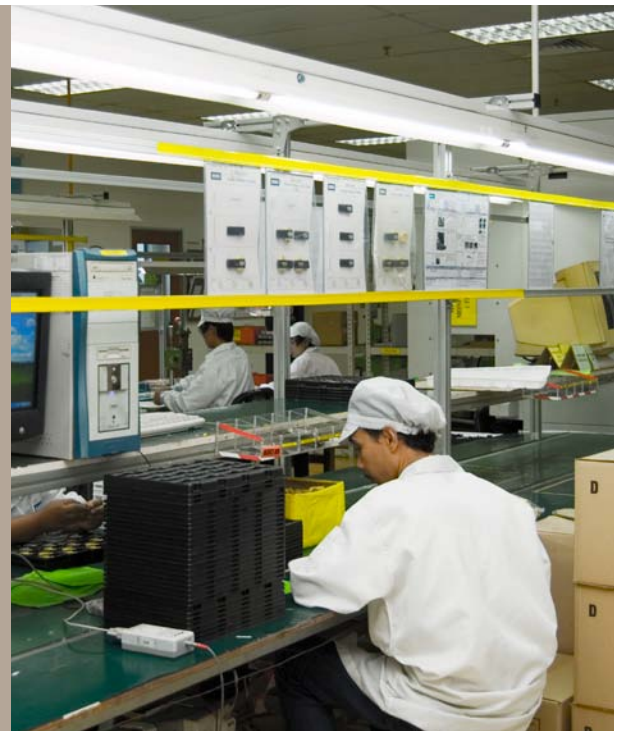
## Factories in China and Malaysia complete independent audits

In 2010 ASSA ABLOY continued to gauge the performance of its factories in various social and ethical dimensions. Project management company Hifab and local partners audited the factories in Xiaolan, China, and Johor Bahru, Malaysia, to assess their development in terms of work environment and social responsibility.

The audits were conducted in line with internationally accepted procedures, and included an opening meeting with management and key staff, a factory inspection, management interviews, documentation reviews, interviews with selected workers at the factory and a closing meeting with management.

The audit team at ASSA ABLOY in China stated that: "The employees are content and appreciate their management team's efforts. A complete EHS (Environmental Health and Safety) management system is in place and the factory is clean. There is room for improvement, which will be facilitated by the factory's well-developed communication culture."

The audit team at ASSA ABLOY in Malaysia said that: "The factory in Malaysia may very well function as a role model for other factories in terms of its approach to social aspects. The easily accessible Employee Handbook covers policies and the Code of Conduct. Meanwhile, a 'Job Rotation Matrix' enables the employees to gradually improve their overall competence in the factory's different work stations."





# Gender diversity

ASSA ABLOY values and promotes diversity. This includes the ambition to achieve a better gender balance at all levels of the organization over time.

About 40 percent of Group employees are women, while the percentage of women in managerial roles is significantly lower. Activities and results are followed up in connection with the Talent Management Process.

In the recruitment and promotion process, the under-represented gender is given priority, provided that applicants' qualifications are equal. The goal is also to have at least one candidate from the underrepresented gender among the final candidates.

## *Female managers at different levels in the organization<sup>1</sup>*

Level	Percentage of females				
	2006	2007	2008	2009	2010
2 – reports to CEO	0	0	0	0	0
3 – reports to level 2	9	14	11	15	16
4 – reports to level 3	10	19	17	18	18
5 – reports to level 4	*	22	23	20	24
<b>All employees</b>	<b>41</b>	<b>39</b>	<b>40</b>	<b>39</b>	<b>37</b>

\* Not reported.

<sup>1</sup> ASSA ABLOY AB head office is not included.



## Gender diversity policy

In order to emphasize the importance and support the ambition to have a larger proportion of female employees in senior roles a global gender diversity policy has been established in 2010.

ASSA ABLOY's  
stakeholders  
expect  
transparency.

# Engaging with stakeholders

ASSA ABLOY stakeholders are those who have a direct relationship with, or who are affected by, the Group's business. In the area of sustainability, they include shareholders, investors, customers, suppliers, employees, local communities, non-governmental organizations and the media. An open-door policy helps ASSA ABLOY listen to our stakeholders and use their input to drive and deliver change within the organization.

In 2008, ASSA ABLOY decided to relocate the Mul-T-Lock factory from Barkan in the West Bank to Modiin in Israel. The decision was formed due to criticism aimed at ASSA ABLOY for its factory on occupied land. When relocating the factory, it was important that the 100 employees had the possibility to continue their employment. The new location was within commuting distance.

In 2008 ASSA ABLOY formed a strategy on how to organize its future business in Israel. The initial intention was to set up a new factory in Modiin, an industrial park with capacity to also host Mul-T-Lock's manufacturing in Yavne. As time

passed and the factory in Yavne developed its work with Lean and streamlined its processes, it became clear that it would be more efficient to keep the facility in Yavne and integrate the Barkan factory into Yavne. The move will be completed by the end of 2011 and means that the original work force from Barkan can continue their employment.

Short facts on this subject: Mul-T-Lock was founded in 1973, it has had operation on the West Bank since 1984. In 2000 ASSA ABLOY acquired the business and continued to run the factory on the West Bank. In 2008 ASSA ABLOY decided to move the factory from the West Bank to Israel.

## Memberships

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



CARBON DISCLOSURE PROJECT

### ASSA ABLOY and the UN Global Compact

ASSA ABLOY has been a signatory to the UN Global Compact since 2008. Our participation in the UN Global Compact means that we support and commit ourselves to actively promote and respect the 10 principles on human rights, labor standards, environment and business ethics in our operations and in relation to the different ASSA ABLOY stakeholders.

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

# Engaging with stakeholders

## External recognition

ASSA ABLOY regards an open dialog with our stakeholders as an important factor for developing and improving our business. We highly appreciate feedback and input on our performance. We are very happy and proud to have received global recognition by governments, non-governmental organizations and investors for our social and environmental performance over the years. Below are some examples of how we performed in 2010.



FTSE4Good

### FTSE4Good Index

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



### Kempen

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



### Folksam

The Swedish insurance company Folksam conducts annual studies of how companies carry out their social and environmental responsibilities. Folksam issues different reports and indexes on corporate social responsibility among Swedish companies listed on NASDAQ OMX Small, Mid and Large Cap.

### Gender Diversity Index

The annual Gender Diversity Index measures the percentage of women at different levels within companies on NASDAQ OMX. In 2010 ASSA ABLOY strengthened its score compared to 2009. ASSA ABLOY received a score of 3 (2.07), the average score for its sector was 2.6.

### Carbon Disclosure Project

ASSA ABLOY participated in the Carbon Disclosure Project (CDP) for the fourth consecutive year. The CDP is an international initiative to assess companies' preparedness in regards to risks and opportunities related to climate change. It is backed by 534 investors with assets of USD 64 trillion. In the Nordic report for 2010, ASSA ABLOY receives a score of 36/100 (42/100).

Dialog with ethical investors and analysts



# Engaging with stakeholders

## Dialog with ethical investors and analysts

ASSA ABLOY benefits from regular and open dialog on sustainability with investors and analysts.

A dialog with investors and analysts is a very effective and valuable tool to further develop the ASSA ABLOY business and to communicate our way of working. Owner representatives are an important stakeholder group that can offer knowledge, best practice and risk management input to us. During 2010 ASSA ABLOY conducted round table discussions and one on one meetings. The input will be taken into consideration in our future strategies and work as well as in our communication. Example of issues that were raised by the investors and analysts in 2010 are; Risks in sourcing and

how ASSA ABLOY manages those. Information on systematic approaches and evaluations processes were requested, especially for sourcing in low cost regions. Energy efficiency and how ASSA ABLOY works to reduce its environmental impact are other important matters raised in the dialog. Also the opportunity side is of importance to the owner representatives, they want information on business opportunities related to sustainability. Our aim is to continuously improve our communication and reporting to better meet the needs of our stakeholders.

Folksam:  
**Carina Lundberg Markow,**  
Head of Corporate  
Governance

"ASSA ABLOY has been persistent in its sustainability work this year. There are still areas to be improved, but I think ASSA ABLOY has proven to the market that it is serious about sustainability. We are very pleased with the GRI audit of the report this year and that the company has focused on China. However, it would be good if ASSA ABLOY could provide more information regarding the results of the audits in China, and the outcome of this work regarding financial or quality improvements. Also, it would be interesting if ASSA ABLOY could build a business case around sustain-

ability to show that it can be profitable in two ways – for the company's bottom line and for the environment. The company could also be even clearer in identifying sustainability standards in their products. Lastly, we are pleased with the gender work ASSA ABLOY has been doing. We appreciate that ASSA ABLOY takes a very serious approach to diversity and gender. However, a bit more focus on diversity at the top levels of the company would be appreciated from our side."

Swedbank Robur:  
**Anna Nilsson,**  
Head of Responsible  
Investments

"ASSA ABLOY has evolved its sustainability work from the small-scale commitment it was 10 years ago to the extensive, systematic and transparent approach that is taken today. There are still many challenges due to ASSA ABLOY's presence in low-cost/high-risk countries and the high degree of manual labor and processes that have an environmental impact throughout the value chain. As even more of ASSA ABLOY's value chain moves to low-cost countries (mainly China), sustainability risks within the company's own operations and its supply chain increase rapidly. This

represents a major challenge in regards to ensuring compliance to its Code of Conduct. The development of a control system for the supplier base is therefore crucial. Most of ASSA ABLOY products do not have any large environmental impact during use, so the company should focus on environmental measures during production and after-use recycling. Some products can help customers become more energy efficient and we look very positively on ASSA ABLOY's efforts within this area."

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

"ASSA ABLOY is taking a systematic approach to sustainability. The company is good at listening to stakeholders, especially when it comes to disclosing information. ASSA ABLOY is decreasing the number of suppliers which is good from a risk perspective. But there are still a lot of suppliers that the company makes very small purchases from, and they don't audit them for compliance with the Code of Conduct – this is a big challenge for the company. The company also needs to train its purchasers even more, at the lead level, so that they can identify risks, particularly

when working with suppliers in China and other emerging markets. ASSA ABLOY could add some more information about sales of their energy saving door solutions. It would be interesting for financial analysts to understand that they can make money doing this and that there is a connection between sales of sustainable products and profit."

Fourth Swedish National  
Pension Fund (AP4):  
**Arne Lööv, Senior Manager**  
Corporate Governance

"It's often challenging for a company to define exactly who is responsible for what when it comes to sustainability, but ASSA ABLOY is trying to make those definitions as clear as possible. Another challenge concerns the high rate of acquisitions the company makes. It would be interesting to see how those companies are integrated into the ASSA ABLOY culture post acquisition. China is a very important area, so it is good that the company is focusing the report on its work there. Third-party audits and spontaneous evaluations are of utmost importance, but I think the company is

getting better at identifying the risks. There are some really good opportunities for ASSA ABLOY to save energy for consumers. The increased use of wireless technology and the reuse of products after renovation are also areas that can increase the opportunities in this area. It could also be good if ASSA ABLOY was involved early in the building process to show how energy could be saved with the right products and solutions."



# Engaging with stakeholders

## Community outreach

ASSA ABLOY has the opportunity to contribute and give back to the local communities in which we operate. It is an opportunity that brings meaning and joy to a great number of people, organizations and communities.

ASSA ABLOY considers community outreach to be an important part of building trust in our organization, making our employees feel proud to represent ASSA ABLOY. It is also part of being a good corporate citizen. The need for community outreach varies in the different regions where the Group operates. An example of contributions has been

donating solutions to non-governmental organizations; donating funds to provide safety to children and communities living in crisis; and arranging employee campaigns to support disadvantaged people. Some of the initiatives carried out during 2010 are outlined below.

## Yale and ASSA ABLOY donate 500,000th lock to Habitat for Humanity

Affordable housing is not a new problem in the world, nor is securing your family and your home. Ten years ago, the ASSA ABLOY Group made a pledge through its Yale brand to work with Habitat for Humanity International to alleviate these problems by providing security to all Habitat for Humanity homes in the United States. And on December 18, the 500,000th lock was installed in partnership with Loudon County Habitat for Humanity and a Knoxville-area Habitat homeowner.

"Yale is very proud to be partners with Habitat for Humanity to secure families in their new homes," said Dick Krajewski, General Manager for Yale Locks & Hardware. "We hope each family feels a sense of pride and accomplishment the first time they unlock the door to their new home and a new beginning."

The ASSA ABLOY Group and Yale Locks & Hardware joined Habitat's affordable housing work in 2001 with a commitment of USD 5 million in interior and exterior locksets and complimentary technical advice to Habitat affiliates regarding use and installation. Yale renewed this commitment in 2006, exceeding its second USD 5 million pledge by nearly USD 1 million.

The company also supports Habitat house construction through employee volunteerism on build sites near Group locations in, Mason City, Iowa, New Haven, Connecticut, Charlotte, North Carolina, Roanoke, Virginia and New York City to a name a few. Additional product support to local build projects has been provided by the brands from ASSA ABLOY Mexico and ASSA ABLOY Asia Pacific.

"Yale's support of Habitat quite literally provides the keys to success and a sense of security, which all people want for themselves and their families," said Jonathan Reckford, CEO of Habitat for Humanity International. "Yale's gift in turn allows Habitat affiliates to direct more resources to other construction expenses. We are delighted to celebrate this tremendous milestone, and we are grateful to have Yale as such a faithful and committed partner."





## Think globally, act locally

World Environment Day is really all about thinking local. And the people at ASSA ABLOY Mexico used the UN-backed annual event on June 5 to highlight what people can do at a local level.

Staff at the Pelicano site formed an “ecological brigade” to promote green activities within the company and the community. Their first job was tidying up the area outside the facility, installing trash cans, tending to trees, sprucing up sidewalks and painting crosswalks for pedestrians.

Employees and their children took part in a competition creating items from recycled materials. Entries included wallets, handbags, flowers and other handcrafted items.

The day wound up with a recycling event, with employees given a sapling and a certificate for every ten used batteries or plastic bottles they brought in for recycling.

World Environment Day provided a great opportunity for ASSA ABLOY Mexico to create a sustained effort to protect the environment every day of the year.

## Yale raises awareness about diabetes

Yale Locks & Hardware, an ASSA ABLOY Group company, was well represented by a team of just over 100 people – composed of 43 employees and their family members – at the American Diabetes Association’s annual Step Out Walk on October 16, 2010.

Not only did Yale have the largest company team at the event, but it also amassed the largest employee-driven contribution towards the fight against diabetes. In the space of just six weeks, the team raised just under USD10,000 through a variety of fundraising events.

There was a friendly competition between the company’s profit centers and office to see which would have the largest percentage of walkers at the Step Out Walk. The Cylindrical Profit Center won, and enjoyed a pizza party as a result.

Paul Boyles, Human Resources Manager, applauded Brenda Gossage, Industrial Nurse, for her hard work in spearheading the campaign, and also thanked the team captains for their efforts. “They worked so hard and their commitment and dedication were unmatched,” Boyles said.



## Snowdon charity walk success

ASSA ABLOY UK employees participated in a charity walk up Snowdon, the highest mountain in Wales, to raise money for the Birmingham Children’s Hospital.

In unusually good weather – they were able to wear T-shirts commemorating the event – the team took about three hours to make their way up the Pyg Track. It was by no means a walk for the complete amateur.

True team spirit took over and though participants – ages ranging from nine to 50-something – walked at different speeds, they never walked alone.

The team enjoyed breathtaking views on their way to the summit, which they reached shortly before 1pm. There they enjoyed a well-earned lunch break, followed by a short but steep descent down the Miners’ Track to Llyn Llydaw lake. Finally, a walk of about an hour took them back to the Pen-y-Pass car park.



Reporting  
ASSA ABLOY's  
progress.  
Reporting  
principles.



# Reporting the Group's progress

## Reporting principles

ASSA ABLOY is dedicated to improving its communication on sustainability in terms of transparency, scope, quality and the frequency of information. The company's Sustainability Report 2010 was published in April 2011.

### In retrospect

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

In 2005, ASSA ABLOY implemented its first formal internal reporting system.

The system encompassed several quantitative and qualitative indicators and covered the more significant operations from an environmental/health and safety perspective.

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

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

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

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

### Communication

Internally, the Group intranet and sustainability reporting database are important tools for communication. Externally, the Group web site [www.assaabloy.com](http://www.assaabloy.com) and the annual Sustainability Report communicate to a wider public.

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

### Changes in reporting management

In 2009, the Group moved from a reporting structure that focused on geographical sites to one based on operational units – also called base units. This means that the reporting structure and data are similar to those used for Group-level financial reporting and therefore support the integration of sustainability into all areas of operations.

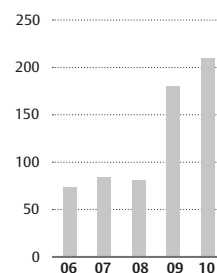
Compared to 2009, the number of entities reporting on sustainability in 2010 has increased from 181 to 204 due to acquisitions. The reporting units include sales units and offices. The number of reporting units has also been affected by the reduction in the number of factories and increased outsourcing.

### Changes in calculation principles

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

From 2010 ASSA ABLOY uses the same principle for calculating CO<sub>2</sub> emissions as in the annual Carbon Disclosure Project-report. Previous reporting has been based on the same CO<sub>2</sub> factor for all countries in the Group. The selected method gives a more relevant calculation on the actual CO<sub>2</sub> emissions since it takes into account how electricity is generated in different countries.

NUMBER OF REPORTING UNITS



### Global Reporting Initiative (GRI)

This report covers the 2010 reporting year. It covers all ASSA ABLOY operations, as well as those of our suppliers. For the reporting of indicators, the scope of 204 units has been defined. Joint ventures are included if ASSA ABLOY holds a majority of the shares. Sustainability indicators are reported by companies that have been part of the Group since at least the end of the first quarter of 2010. Units with less than 10 employees do not report on sustainability indicators.

The report has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Guidelines. ASSA ABLOY reports against level C of the GRI by self-declaration. (See cross reference to the GRI on pages 42–43).

ASSA ABLOY reports its sustainability performance annually. This is the fifth Sustainability Report. The previous Sustainability Report, for 2009, was issued in April 2010.

### GRI audit

To improve the validation of data and the reporting of GRI, an independent review of ASSA ABLOY's GRI application level has been performed by Deloitte AB, Sweden.



# GRI content index table

ASSA ABLOY's Sustainability Report 2010 follows the Global Reporting Initiative (GRI) guidelines, level C.

The table below indicate where information can be found; Sustainability Report (if nothing else is stated) or Annual Report (AR). The table covers all core indicators as well as

additional indicators that are applicable to ASSA ABLOY's operations. Symbols show if the respective indicators are partly or fully reported on.

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Fully reported ■  
Partly reported ■  
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	Page reference	Degree
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<b>Compliance</b>		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services		■

# Glossary

**5S principles**

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

**Carbon Disclosure Project (CDP)**

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

**Carbon footprint**

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

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

Carbon dioxide.

**Direct energy**

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

**EBIT**

Earnings before income and tax.

**Energy conservation**

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

**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 missions**

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

**Indirect energy**

Electricity and heating.

**Injury rate**

Measure injuries per million hours worked.

**Injury lost day rate**

Measure 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.

**KPI**

Key Performance Indicator.

**LEED**

Leadership in Energy and Environmental Design.

**NGO**

Non-governmental organization.

**Organic solvents**

Perchloroethylene and trichloroethylene.

**PER**

Perchloroethylene.

**RoHS**

European Union Restriction of Hazardous Substances Directive.

**SRI**

Socially Responsible Investment.

**TRI**

Trichloroethylene.

**Value added**

EBIT plus total cost for personnel.

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dedicated to satisfying  
end-user needs for  
security, safety and  
convenience

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