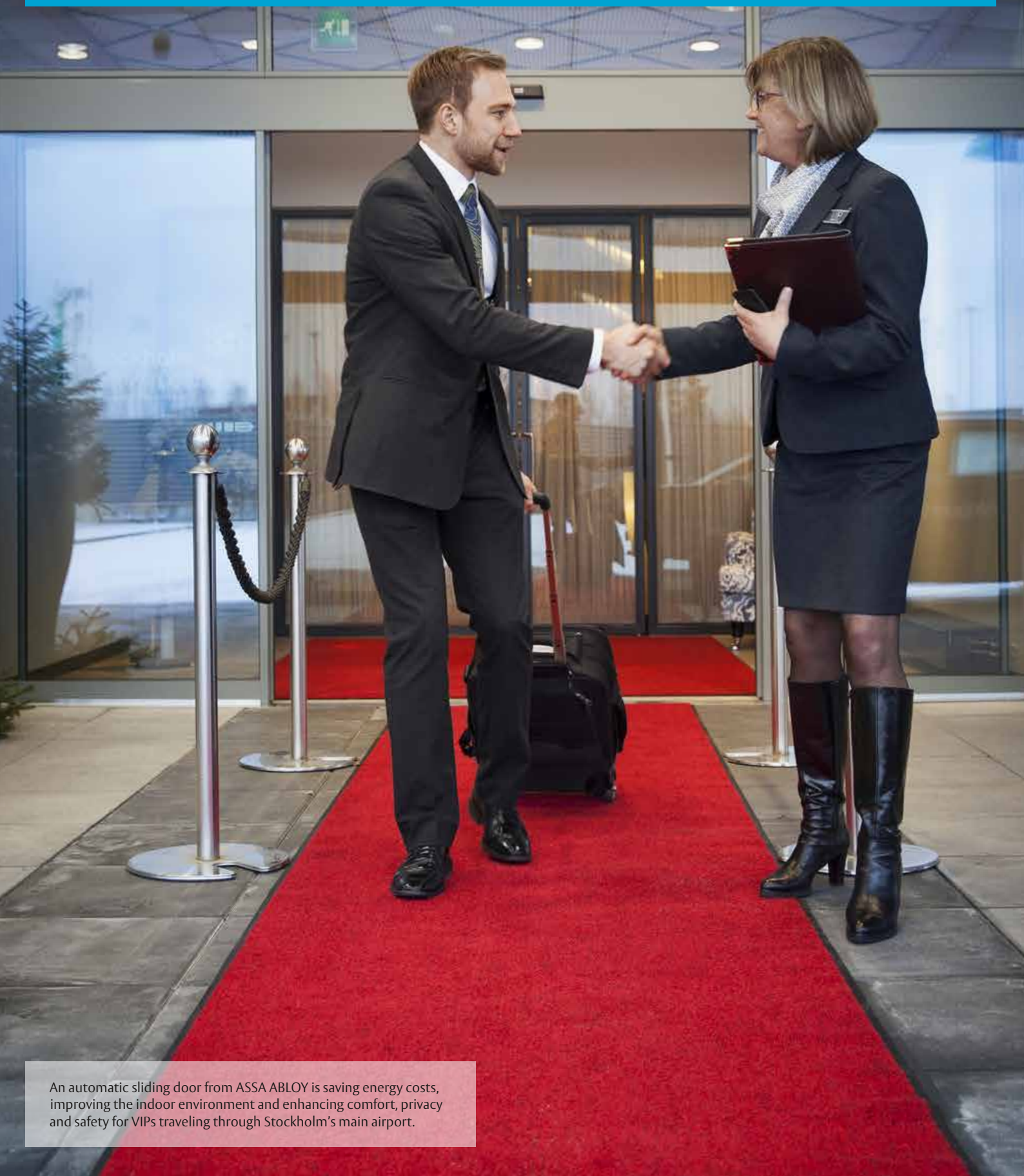


Sustainability Report 2014

ASSA ABLOY

The global leader in
door opening solutions



An automatic sliding door from ASSA ABLOY is saving energy costs, improving the indoor environment and enhancing comfort, privacy and safety for VIPs traveling through Stockholm's main airport.

ASSA ABLOY is the innovative global leader in door opening solutions

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

ASSA ABLOY offers a complete range of door opening solutions.

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international Group with around 44,000 employees and sales of close to SEK 57 billion.

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

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



Share of Group sales by region 2014

EUROPE	41%
AFRICA	1%
NORTH AMERICA	36%
SOUTH AMERICA	2%
ASIA	16%
OCEANIA	4%



Highlights

- Environmental Product Declarations for all strategic product groups were developed during the year.
- A number of energy-saving products were launched.
- 812 sustainability audits were performed in low-cost countries; at the year-end 1,053 active suppliers had satisfied the minimum sustainability and quality requirements and were classified reliable.
- Independent social compliance audits were performed in China and Romania.
- In general the Group had positive development in the majority of the reporting areas.
- Number of reporting units increased to 331 (327).

Reader's guide

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

As signatory to the UN Global Compact, ASSA ABLOY will submit this report to the UN Global Compact as its Communication on Progress report 2014. The sustainability report is aligned with the Global Reporting Initiative guidelines. ASSA ABLOY declares reporting in accordance with level B, version 3.0 (see pages 26–27 for GRI content table). The data presented in this report has been collected over the calendar year and includes all ASSA ABLOY operations. For further information regarding the sustainability report and its reporting principles, see page 25.

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About this report

This report, along with additional information available online, explains the Group's sustainability performance in 2014. Unless otherwise stated, all information refers to activities undertaken between January 1, 2014 and December 31, 2014. The 2014 data is based on 331 entities, compared with 327 entities in 2013.

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This icon means more information at
assaabloy.com/sustainability

Sustainability makes ASSA ABLOY a better business

2014 was another record year for ASSA ABLOY's growth and earnings. It was also a year where we rapidly increased the sales of sustainable products. Our customers are quickly turning towards sustainable solutions, particularly in terms of energy savings. The door opening, our specialty, plays an important role here in making buildings more energy efficient.



Sustainability is a win-win situation. The drivers of resource efficiency and taking responsibility are a fully integrated part of ASSA ABLOY's processes and make us a better and more profitable business. We create more customer value at lower costs on the basis of our three fundamental strategies: increased market presence, product leadership and cost-efficiency.

The strength of our market presence is governed by how well we can satisfy customer needs for secure, safe and resource-efficient door opening solutions. We are seeing a global trend towards an increasing number of environmentally rated buildings. In the USA alone, half of all public buildings will be environmentally rated this year, 2015. Today ASSA ABLOY's range of total door opening solutions has complete energy-saving systems, enabling customers to select optimal products based on their environmental rating. We now have a large, growing number of Environmental Product Declarations for our products. We have also created calculation tools for customers, enabling them to select and estimate energy consumption and environmental impact in their selection of door opening solutions.

Sustainability aspects have become increasingly important in our acquisition strategy. Over the past two years we have further developed our audit processes and invested more resources in training, exchange of experience and improved reporting within the framework of the new Group-wide global reporting system for sustainability launched during the year.

Product leadership is the key to market presence and the driving force of our organic growth. Sustainability is fundamental in the innovation process, with life

cycle assessments and a constant hunt for energy and materials efficiency. Our investments in new products and solutions in recent years have focused on wireless products, lighter and less environmentally impacting materials, and energy savings. For some product lines, we are achieving reductions in electricity consumption of over 90 percent. New products that are launched will continue on this course.

Cost-efficiency initiatives are largely about resource efficiency in the physical environment in and around our factories, sourcing and subcontractors, consumption of materials, water and energy, emissions, and employee health and safety. This is a significant part of our sustainability program, which included a considerable tightening of subcontractor responsibility during the year. We certify our production units to ISO 14001 to ensure robust processes. I am pleased to say that we are making progress in our prioritized areas in accordance with the sustainability program targets for 2015. I therefore wish to thank all our employees whose daily responsibility for sustainability makes ASSA ABLOY a constantly better business.

Stockholm, 12 March 2015

A handwritten signature in blue ink, appearing to read 'Johan Molin'.

Johan Molin
President and CEO



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

Strategic direction

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

Sustainability priorities

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

Increasing efficiency in production as well as elevating innovation in products and processes are essential to the Group's ability to grow and be profitable. The Group's sustainability agenda running 2010–2015 supports the above. The management of prioritized aspects improved in 2014, in part as a result of successful implementation across the Group, in part as a result of improved sustainability reporting and follow-up systems. The sustainability agenda emphasizes on the following:

Priorities to reduce impact:

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

Priorities to manage opportunities:

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

In 2013, ASSA ABLOY performed a materiality analysis. It gave a common and enhanced understanding of which aspects are most important to the business and the Group's stakeholders. The analysis confirmed the areas included in ASSA ABLOY's sustainability agenda in several respects. The further refinement of identified aspects will be done during 2015 and will form the input for ASSA ABLOY's next sustainability agenda and new target setting. The outcome from the analysis was also a first step towards future reporting in accordance with GRI G4.

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

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



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



Turning vision into operation

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

ASSA ABLOY is a world leader in door opening solutions and a premium brand. The Group has achieved this by utilizing the strengths of the portfolio, by increasing growth in core business and by successful expansion into new markets and segments. Sustainability parameters are increasingly part of identifying and managing business opportunities and fully exploiting the brand portfolio across diverse segments. ASSA ABLOY's expansion is facilitated by a strong brand and a good reputation, which is supported by acting in a responsible way. Each division has identified its greatest environmental impact and presented an action plan. With this input, targets have been set on Group level, running until end of 2015. Monitoring impact and ensuring adequate management is an everyday responsibility. ASSA ABLOY's sustainability management has a set of priorities until the end of 2015:

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

The procedures put in place to maintain quality and manage environmental impact have been successful. Sustainability targets and policies have been implemented throughout the Group.

ASSA ABLOY's value chain

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

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

SUSTAINABILITY IN OUR VALUE CHAIN



Performance in 2014

Almost all of the sustainability KPIs improved in 2014, for the Group as well as for the divisions. Several entities were certified for ISO14001 for the first time during the year. There were strong improvements to the injury rate and injury lost day rate, as well as for water and energy efficiency.

The target scheme that the Group is reporting on today was set in 2010 and runs until the end of 2015. The Group reports its sustainability performance (certain KPIs) every six months. With 331 (327) reporting units, it is important to ensure a high level of awareness of the Group's sustainability priorities in all parts of the organization and to share information and best prac-

tices between entities. The ASSA ABLOY sustainability database and analysis tool are key elements for tracking performance and identifying areas where improvements can be made. The Group had a new sustainability reporting system since 2013. It has provided increased quality of data as well as enabled a smoother integration of new units.

Material KPI							Improvement	Target
Area	2010	2011	2012	2013	2014 ¹	2010–2014	2015 ¹	2015 ¹
Environmental KPI								
Number of entities covered by ISO 14001 certificates and other certifiable management systems	69	75	100	101	108 ²	+39 ³		115
KPI, greenhouse gas emission related to energy consumption CO ₂ /value added (tons/SEK M) ⁷	15.4	14.8	12.9	11.9	10.6	–21.3		–10%
KPI, energy consumption/value added (MWh/SEK M) ⁷	39.3	36.9	36.3	33.8	30.1	–23.4		–15%
KPI, water/value added (m ³ /SEK M) ⁷	148.8	138.8	148.5	129.6	117.1	–21.3		–15%
KPI, hazardous waste/value added (kg/SEK M)	293.8	186.0	181.4	130.9	129.9	–55.8		–15%
Consumption of chlorinated organic solvents (PER and TRI) (tons)	32.3	21.6	20.1	14.4	1.7	–94.7		–75%
Social KPI								
Injury rate ⁷	7.6	9.2	9.1	7.2	6.6	–13.4		–15%
Injury lost day rate ⁷	157.3	182.4	187.4	163.8	141.8	–9.9		–15%
KPI, percentage of spend in low-cost countries represented by sustainability audited suppliers	80% ⁴	90% ⁵	90% ⁵	89% ⁶	90% ⁶			>90% ⁶
Sustainability audits of suppliers in low-cost countries	376 ⁵	493 ⁵	795 ⁵	885 ⁶	812 ⁶			
Gender equality⁸								
Improve current levels of gender equality at senior levels.	Level 2: 0% Level 3: 16% Level 4: 18% Level 5: 24%	Level 2: 0% Level 3: 15% Level 4: 19% Level 5: 26%	Level 2: 18% Level 3: 16% Level 4: 18% Level 5: 23%	Level 2: 27% Level 3: 12% Level 4: 19% Level 5: 24%	Level 2: 27% Level 3: 16% Level 4: 17% Level 5: 24%			

¹ For comparable units.

² For comparable units. Number of entities covered by certificates and corresponding certifiable systems for North American units amounted to 111.

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

⁴ Countries covered: China, Macau, Hong Kong and Taiwan.

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

⁶ Countries covered: All low-cost countries.

⁷ The historical numbers have been adjusted with proforma data.

⁸ The definition of management positions have been revised during 2014. 2012 and 2013 have been restated to be comparable with 2014.

ASSA ABLOY SUSTAINABILITY CASE

Continuous improvement by adapting technology



■ **CHALLENGE:** At ASSA ABLOY Romania, continuous improvement using kaizen methods is the key to the design and manufacture of sustainable products. The first step is to ensure that products are manufactured with the least amount of energy consumed as possible.

■ **SOLUTION:** To reduce energy consumption it was necessary to identify the areas in the production process that use the most energy.

Equipment was analyzed using energy meters, which revealed that one of the biggest consumers is plating. It became clear that energy was consumed unnecessarily by excessive maintenance time and the subsequent startup of equipment at the beginning of each month. The solution consisted of automating the process.

Further energy-saving measures included transformers to allow automatic shutdown of machinery consuming over

60kW. Replacing old 250W lightbulbs with modern 65W bulbs for general lighting inside and outside the factory, while utilizing natural light where possible, has significantly reduced our energy consumption used in lighting. Additionally, production equipment was redesigned to increase the number of pieces being painted or galvanized at the same time.

■ **RESULT:** These actions resulted in significant benefits that have seen increased productivity with decreased energy consumption. The company saved 309MWh in Q3, 2014 compared with Q3, 2013, while at the same time increasing production output by 7 percent.



Read more sustainable cases at
assaabloy.com/sustainability

Innovation for sustainable solutions

Getting it right from the beginning is better than having to improve an already existing product. Hence, ASSA ABLOY's motto is to design a sustainable product from the start. It is a commitment that demands new ways of thinking, creativity and a systematic approach.

Urbanization continues and the built environment is expanding. The need for sustainable and energy-efficient solutions and buildings is clear. ASSA ABLOY is committed to playing a role in creating sustainable urban environments.

The part that ASSA ABLOY can play has not always been obvious. But today, different certification schemes and the application of Environmental Product Declarations (EPDs) facilitate the Group's ability to present the sustainability performance in our products. ASSA ABLOY supports its customers in producing more sustainable buildings by increasing the transparency of its own products' sustainability performance through increasing the number of EPD declared products. At the end of 2014 ASSA ABLOY had developed EPDs for all strategic product groups and more than 100 products will have

achieved certification by the beginning of 2015. The Group has a clear ambition to increase the number of certified products.

Energy efficiency and energy-saving qualities are at the core when developing new products and solutions. The aim is to develop new concepts that are innovative in the way they solve a certain problem and create customer value, while being based on more sustainable solutions and processes. Increasingly, customers demand products with minimal environmental impact, before, during and after use. ASSA ABLOY is committed to meeting that challenge.

ASSA ABLOY considers the entire life cycle of a product when evaluating its sustainability performance. The focus is to find ways to apply engineering expertise in areas where the greatest improvements can be achieved. Often it demands creativity and changing the ways of doing things. It is important that ASSA ABLOY understands the overall context of each application, as a product's environmental impact and benefit can vary greatly given the type of application that it is used in.

The Group's commitment to elevate the sustainability performance in processes and products reduces costs and creates value for its customers, as more sustainable products and processes are typically more resource efficient.

ASSA ABLOY SUSTAINABILITY CASE

Driving sustainable innovation to help meet customer requirements

■ **CHALLENGE:** Customers are increasingly requesting Environmental Product Declarations (EPDs) for ASSA ABLOY's products. They need this information to attain environmental certifications for green buildings.

■ **SOLUTION:** The first step in calculating an EPD is to conduct baseline sustainable engineering on an existing product. ASSA ABLOY's engineering team in the Netherlands undertook a pilot project to redesign a door-locking mechanism. The team needed an engineering tool to assess and compare the environmental impacts of existing and modified designs. They chose SolidWorks Sustainability software.

Using SolidWorks Sustainability environmental impact assessment and design analysis software, ASSA ABLOY engineers redesigned the door-locking mechanism.

■ **RESULT:** ASSA ABLOY made the mechanism's design more sustainable and reduced material costs.

The team not only lessened the product's environmental impact, they also reduced manufacturing costs by 15 percent. They cut the number of materials used and replaced custom nickel- and chrome-plated materials with stainless steel. SolidWorks Simulation analysis indicated that the design was overly strong, so they also reduced material weight and thickness.

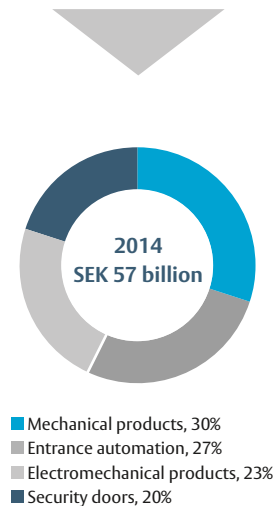
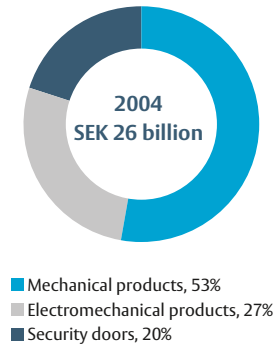
ASSA ABLOY plans to incorporate SolidWorks Sustainability for new product development and modification of existing products. The Group is working with sustainability software and consulting company PE International to develop a web-based EPD generator that builds on SolidWorks Sustainability's environmental assessments.



Read more sustainable cases at
assaabloy.com/sustainability

Making sustainability an integral part of product innovation

CHANGE IN PRODUCT MIX



Since 2004 electro-mechanical products, including entrance automation, have increased from 27 percent to 50 percent of Group sales.

Insights about current and future customer needs are the foundation in the development of relevant, value-creating offerings.

ASSA ABLOY works to create products that satisfy the customer, are upgradable and exchangeable. This commitment demands an understanding of long-term trends and customer needs, and a dedication to optimizing resource efficiency.

Based on lean innovation principles, the ASSA ABLOY Product Management system consists of several modules, including product management, customer insight, and efficient execution of innovation projects. Long-term trends, generation planning and technologies are addressed through product management.

Customer needs come first

Improving products' sustainability performance is a crucial part of developing the customer offering. ASSA ABLOY must always understand the customer's needs so that the Group's offer is relevant and creates customer value.

The customer insight process is a systematic way for ASSA ABLOY to collect, analyze and translate customer input into useful understanding on everything from long-term customer needs and trends, to highly detailed decisions related to specific products or components.

Look ahead to stay ahead

When developing new products, ASSA ABLOY considers factors such as long-term social, political, economic, technological and customer trends, as well as developments in market standards and regulations. Generation plans are designed for new products and new technologies with the goal to develop environmentally and financially sustainable products and solutions.

ASSA ABLOY's long-term planning is influenced by the same reduce-reuse-recycle principle that is the foundation of the product innovation management system in general.

Enhancing efficiency and cutting waste

The reduce-reuse-recycle principle guides how innovation projects are managed within ASSA ABLOY. The lean innovation principles and a gateway process aim to ensure that each stage of the project is completed satisfactorily.

A 'front-loading' approach to problem-solving is applied. This means that actions are taken to identify potential issues as early in the project as possible, as it will be more costly to solve these later on. Concepts are evaluated against customer needs and sustainabil-

ity requirements before moving into the engineering design phase.

Once a concept has been validated and approved, it is further developed in the specification and design phases. The gateway process requires all projects to apply an environmental checklist before they are given the go-ahead to proceed beyond the process and design phases. This systematic approach ensures that sustainability aspects are taken into proper account in the product innovation and manufacturing processes.

The Global sustainable product council

The Group has a Global sustainable product council, representing functions within product management, innovation and design, from all divisions. The council leads and coordinates activities in all divisions with the purpose of enhancing the sustainability performance of new products. It works with target setting and develops policies for sustainable product development. The council is a forum for Group-wide development and sharing of best practices and technologies sharing, as well as giving a second opinion and reviews on tools and methods of working.

Looking at 2014

During the year, the Global innovation council decided to update the innovation process to increase emphasis on sustainability. To enhance the visibility of the sustainability related design criteria, the council decided to implement a 'sustainability compass' as a compulsory part of the 'project one pager'¹ during 2015.

The sustainability compass communicates the sustainability vision for each project. In addition, the Global innovation council decided to exchange the sustainability checklist required in the project development process for a new set of guidelines covering each phase of the development process. The objective is to get a more proactive sustainability approach in new product innovation.

Looking ahead

ASSA ABLOY has initiated a review of materials used in Group products, with the objective to create an internal list of non-desirable materials in new product designs. The list will be elaborated during 2015 along with an implementation and application strategy, mode of operation, criteria, etc.

In order for sustainability to become a part of the DNA throughout the ASSA ABLOY Group, the Global sustainable product council is currently leading the design of an internal awareness program, targeting engineers, marketing sales and other groups. The program will be launched during 2015.

¹ The one pager is a template on which each innovation project is presented throughout the gateway process.

Securing supply chain integrity

Supply chain integrity and satisfactory sustainability performance throughout the value chain are essential to ASSA ABLOY's overall performance. Hence, the Group works systematically together with suppliers to elevate their sustainability performance. In 2014, the work developed further to include more suppliers from a greater geographical scope and support from external auditors.

The objective of ASSA ABLOY's supply chain management is to reduce risks, contribute to supply chain integrity and elevate sustainability performance throughout the value chain.

Looking at the findings, the most common challenges regard governance and systematic work on health and safety and workers' rights. Also, environmental management has been found to be halting. Some suppliers have underestimated the importance of these issues regarding their overall performance and their customers' overall performance. Experience tells us that sustainability audits contribute to emphasizing the importance of these issues and strengthening the suppliers' performance.

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

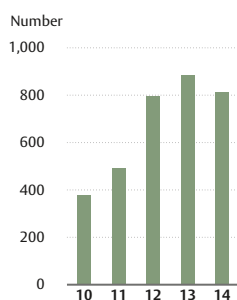
Priorities in 2014

In 2014, ASSA ABLOY's sourcing organization continued to focus on suppliers' compliance with the ASSA ABLOY Code of Conduct.

Some major developments in 2014 are:

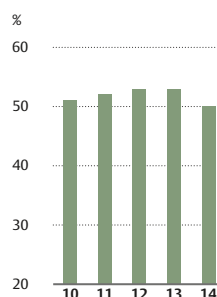
- Growing the sustainability audit program to include new regions. During the year, the rollout in South and Latin America progressed in accordance to plan.
- The Group started to employ external auditors in non-Asian low-cost countries.
- A new audit system has been developed and evaluated.
- The refined color code system implemented in 2013, with five classes, has improved the Group's ability to distinguish suppliers' performance: those that will be phased out and those with the potential to be approved.

SUSTAINABILITY AUDITS OF SUPPLIERS IN LOW-COST COUNTRIES



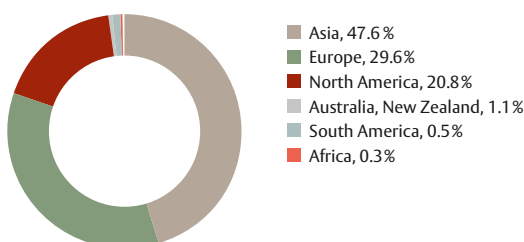
In 2014 ASSA ABLOY conducted 812 (885) sustainability audits.

SHARE OF PURCHASES IN LOW-COST COUNTRIES



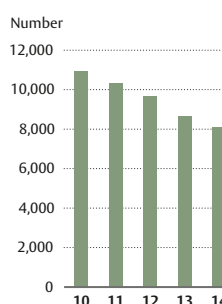
The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries is 50 percent.

DISTRIBUTION OF SUPPLIER SPEND



Read more about the supply chain at assaabloy.com/sustainability

NUMBER OF SUPPLIERS



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



See list of low-cost countries on assaabloy.com/sustainability

The supplier sustainability audit program

The supplier sustainability audit program includes suppliers in South and Central America, Eastern Europe, Africa and Asia. In total, the Group has about 2,300 direct material suppliers based in low-cost countries. All direct material suppliers in low-cost countries outside Asia were included in 2014.

Audit findings in 2014

During the year, 812 (885) sustainability audits were completed, including follow-up audits. At year-end, 1,053 (994) active suppliers had satisfied the minimum sustainability and quality requirements and were classified as reliable.

These correspond to an audited spend in excess of 95 percent in Asian low-cost countries. At the end of 2014, 43 (31) suppliers were blacklisted and 5 (8) put on new-business hold by the Group, meaning they were not eligible for new business from any ASSA ABLOY entity.

Example of non-conformities identified in the audits for 2014 were poor overtime management, poor health management for workers in risk environments, inadequate waste and chemicals management and excessive resource consumption.

Building capacity

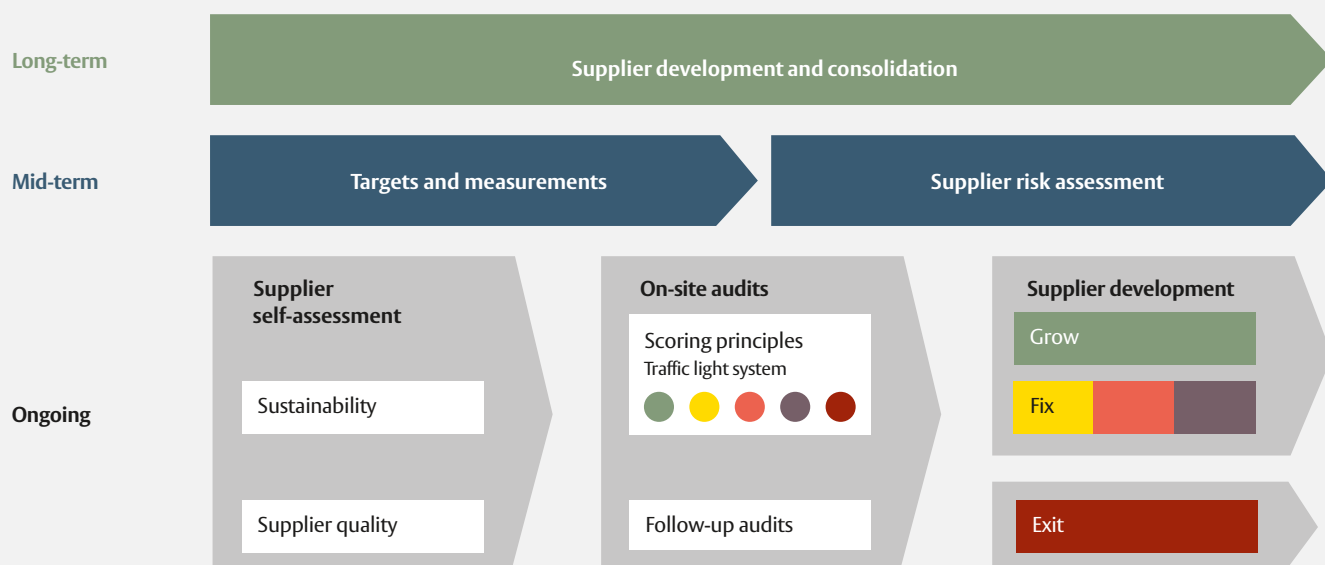
Audit training is a crucial component in ensuring proper capacity within the Group. Every year new auditors are educated and calibration audits are performed. The latter is an audit including in-house auditors from different regions and aims to establish a common audit approach. In 2014, 26 (72) internal auditors underwent training in the ASSA ABLOY audit method and scoring principles. Part of the training process involved performing actual audits in order to harmonize the scoring of individual areas of the ASSA ABLOY standard review list.

Eight auditors from the Americas participated in calibration audit training in San Diego, California, which included a sustainability audit of a Mexican supplier.

Each audit involved senior ASSA ABLOY auditors from various divisions and managers from Group Supply Management. The teams audited suppliers during a week-long process and compared approaches and scores and by end of 2014, the Group has over 80 internal auditors trained for sustainability audits. The need for calibration audits will increase along with the numbers of audits, internal auditors and regions.

A majority of the audit leaders in Asia participated in so-called shadow audits performed by three different third-party audit companies. They included three

AUDIT PROCESS AND TRAFFIC LIGHT SYSTEM



Scoring principles – the five-color traffic light system

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

The supplier database

ASSA ABLOY's suppliers in selected low-cost countries are listed, graded and tracked in a supplier database. This ensures transparency and access to consistent information on the suppliers' performance. The supplier database is available on the Group intranet for access by selected purchasers. Confidentiality is ensured by assigning user rights and limiting updating rights to accredited and trained administrators. The database enables several key performance indicators to be followed up and is an important means of identifying and developing preferred suppliers.

suppliers, in the Shanghai region, China. A shadow audit is an audit in which internal auditors join external auditors during an audit observe in the background (shadowing them). It is a method of elevating skills and bringing an external perspective into the internal processes.

Organization for sustainable supply management

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

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

Important areas looking ahead

To speed up the process to make suppliers fulfill ASSA ABLOY's requirements is a priority. Part of that work will include phasing out companies that do not improve. Given ASSA ABLOY's pace of acquisitions, integrating acquired companies' supplier base is always in focus.

As the Group expands into new markets and grows its supplier base in low-cost countries, it becomes increasingly important to ensure a consistent approach to supply chain management. ASSA ABLOY will examine suppliers' environmental management systems and request Environmental Product Declarations, so that ASSA ABLOY can provide these to customers. Further, as ASSA ABLOY phases out hazardous substances, the Group will also demand to be informed of the chemical content in suppliers' products and processes. ASSA ABLOY will increase the use of third-party auditors to complement internal auditors. Finally, the Group will continue to implement the new sustainability audit system.

ASSA ABLOY SUSTAINABILITY CASE

Electric charge at Sargent

■ **CHALLENGE:** Sargent is committed to the environment and has taken a holistic approach to greening its manufacturing space in New Haven. But even with all the developments internally, most workers still commute in gas-fueled cars. The ASSA ABLOY Group company was looking for a way to entice both employees and visitors to make more sustainable choices. While electric vehicles are a viable option, it can be challenging to find a place to charge them.

■ **SOLUTION:** Facilities manager Gary Gionet was tasked with researching and installing the stations to encourage others to consider the convenience and sustainability of electric cars. Now employees and visitors are able to charge up at any of the four stations at any time.

■ **RESULT:** The charging stations are a visible validation of Sargent's commitment to the environment. And Gionet himself became an early convert to the benefits of electric cars, charging his at the station daily and spreading the word of the multiple benefits of electric vehicles.



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Enhancing our environmental performance in operations

ASSA ABLOY's environmental performance improved in several respects in 2014. There is a clear ambition to continuously reduce the environmental impact and enhance performance while expanding the Group.

Energy consumption, carbon emissions and water consumption are the most significant contributors to ASSA ABLOY's environmental impact. Several initiatives have been taken across the Group to address these issues.

The commercial importance of sustainability performance has increased during recent years. Because ASSA ABLOY works to offer products and solutions that help the customer enhance its sustainability performance, it is important that the Group improves the environmental performance across the value chain. This includes the phases before the product is used by the customer: innovation, supply chain, production and logistics. ASSA ABLOY has been successful in excluding certain hazardous substances, replacing energy-intensive materials, increasing resource efficiency and improving waste management. These factors all add value to the Group's premium offer.

ASSA ABLOY faces challenges when growing its operations and doing so in regions with more fossil intensive energy mixes as well as water scarcity. Also, when expanding geographically, the transportation footprint must be managed carefully.

ASSA ABLOY has a set of environmental priorities running until the end of 2015. These include:

- Coordinated implementation of environmental management systems

- Increased capabilities for data analysis and benchmarking
- Increased efforts in water and waste management
- Efforts to reduce energy consumption.

These areas have been in focus since 2010. They are all interlinked and closely connected to production and resource efficiency. Notable progress has been made within all areas. In 2014 there was a significant increase in the number of units covered by certified management systems (ISO 14001). In 2013, a new sustainability reporting system was implemented. During 2014 the system has enabled ASSA ABLOY to collect more data of higher quality and more frequently. This in turn has improved the tracking and analysis of performance. As the Group is decentralized – with strategic and operational responsibility at divisional level – a systematic approach and the ability to allocate and oversee performance are important components in driving progress at Group level. The new system also provides better tools to visualize and benchmark the development of individual entities and divisions. The belief at ASSA ABLOY is that benchmarking and best practice sharing within the Group drives progress.

Environmental performance within the supply chain is of high relevance to ASSA ABLOY's overall performance. As of 2013, the Group has an improved platform to monitor individual suppliers' risks, risk management and performance.

In 2014 many ASSA ABLOY units introduced a 'dumpster dive' – a concept that involves sifting through and analyzing waste materials to increase recycling and cut waste. The Group has a positive trend regarding waste reduction in general and hazardous waste reduction in particular. Today, waste to landfill is an area of priority.

Energy consumption and carbon emissions

Reducing energy consumption is important to ASSA ABLOY. The company has reduced its total energy consumption by, for instance, implementing improved control systems or technologies for heating, ventilation and pressure systems. This is not a revolution but rather continuous, often minor improvements of the everyday operations that bring progress. Most of the improvements can generate significant energy savings, normally without any major investments.

Performance in 2014

The Group's total energy consumption decreased by 5.7 (0.1) percent in 2014 as a result of improvement activities, organic growth and entities acquired during the year. Improved energy efficiency has reduced energy intensity by 6.2 (3.5) percent for comparable units in 2014. The target for next year is to reduce energy intensity by 15 percent, compared with 2010. The accumulated improvement of energy intensity since 2010 is

¹ The emissions factors were updated in 2012:

- Electricity emission factors are based on data on electricity production for 2010, as published by the International Energy Agency (IEA, 2012).
- For district heat the emissions factors are calculated as a weighted average of energy sources for heat production per country, based on data from 2009 as published by the International Energy Agency (IEA, 2013).
- Emission factors for oil, coal and gas are based on data published by the United Nations Intergovernmental Panel on Climate Change (IPCC, 2006).

23 percent. (10.8) percent¹. In 2014, 7.8 (6.9) percent of the energy used came from renewable sources.

The Group's total carbon emissions increased by 1.0 (–3.6) percent for comparable units. The CO₂ emissions related to energy consumption decreased by 6.3 percent. This reduction was offset by the increased consumption of chemicals with high global-warming potential (GWP). New technologies to replace chemicals with high GWP have been tested with promising results and a gradual phase out will start in 2015. The total carbon emission intensity increased by 0.5 (–4.6) percent for comparable units in 2014. The target is to reduce the CO₂ emission intensity related to energy consumption by 10 percent compared with 2010.

Phasing out substances that impact global warming

There are two units in particular that use substances with significant global warming impact. Efforts to substitute these substances are ongoing and new technologies to substitute chemicals with high GWP have been tested with promising results. In 2015 the first conversion of a production line will be performed. ASSA ABLOY complies with the Montreal Protocol and with country-specific legislation on ozone-depleting substances (ODSs). The use of ODSs is/has been related to door producing entities in China, acquired in 2011. Work to substitute the ODSs with environmental-adapted alternatives is ongoing.

Cutting energy consumption at production units

As much as about 50 percent of the energy consumption in large manufacturing units is related to factors independent of production volume; for example, heating, ventilation and lighting. ASSA ABLOY takes steps to streamline and specialize production of certain products with the purpose to increase efficiency in terms of utilization of machines, equipment and floor space, as well as allocation of competence. This will allow ASSA ABLOY's production facilities to work at full capacity while supporting efficient working practices and high standards of quality.

As of 2014 several units have targets on energy consumption based on detailed mapping of historic consumption and drivers of consumption. In addition to close monitoring per unit, the new sustainability reporting system enables more frequent reporting to Group level, where analysis is performed. Performance metrics and targets are prominently displayed, and open sourcing to collect ideas on how to further improve efficiency is applied. An increasing number of entities have adopted equipment for more sophisticated energy-consumption control.

Intelligent logistics

ASSA ABLOY has been able to reduce the environmental impact from transportation while the Group expands. Locating assembly close to the customer has enabled a more flexible and efficient supply of goods.

The Group has a database on geographical locations of all suppliers of direct materials, as well as all ASSA ABLOY factories and sales companies. The database is connected to ASSA ABLOY's central purchasing database, which enables transportation impact estimations based on purchased value, weight of purchased goods and mode of transportation. The system can also be used for optimization and coordination of transportation within the Group, as well as from suppliers in different geographical regions.

Greenhouse gas emission related to

substances in industrial processes	2012	2013	2014
Calculated CO ₂ -emissions ¹ (tons)	192,000	184,106	202,587 ²

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

² For comparable units. Total calculated CO₂-emissions amounted to 210,609 tons, including units acquired during the year and increased reporting.

Ozone-depleting substances	2012	2013	2014
Ozone-depleting substances in tons of R11 equivalent ¹ (tons)	27.3	27.7	30.3 ²

¹ R11 equivalence measures ozone-depleting potential.

² For comparable units. Total amount of ozone depleting substances amounted to 30.3 tons, including units acquired during the year and increased reporting.

¹ For comparable units. Total energy consumption amounted to 734,205 MWh, including units acquired during the year and increased reporting.

² The historical numbers have been adjusted with proforma data.

³ For comparable units. Total energy use/value added amounted to 31.7 MWh/SEK M including units acquired during the year and increased reporting.

⁴ For comparable units. Total greenhouse gas emission related to energy consumption amounted to 237,069 tons including units acquired during the year and increased reporting.

⁵ For comparable units. Total greenhouse gas emission related to energy consumption/valued added amounted to 10.3 tons/SEK M including units acquired during the year and increased reporting.

Energy consumption and related CO ₂ emissions	2010	2011	2012	2013	2014 ¹
Direct energy					
– oil (MWh)	33,658	30,324	34,942	31,179	29,231
– gas (MWh)	178,561	178,069	192,733	200,393	204,056
– coal (MWh)	63,726	75,756	96,533	86,493	77,695
– biofuel/biomass (MWh)				3,480	2,201
– Total	275,945	284,149	324,208	321,545	313,183
Indirect energy					
– electricity (MWh)	291,357	313,966	334,331	321,824	308,406
– district heat (MWh)	35,678	29,138	32,935	47,493	30,006
– Total	327,035	343,104	367,266	369,317	338,412
TOTAL ENERGY USE²	602,981	627,254	691,475	690,862	651,595
KPI, Total energy use/value added (MWh/SEK M)	39.3	36.9	36.3	33.8	30.1 ³
Greenhouse gas emission related to energy consumption CO ₂ (tons)	257,236	274,134	245,136	242,873	228,794 ⁴
KPI, Greenhouse gas emission related to energy consumption CO ₂ /value added (tons/SEK M)	15.4	14.8	12.9	11.9	10.6 ⁵

Water and waste management

Efforts to reduce water consumption and improve waste management have increased in ASSA ABLOY. They are key parts of reducing environmental impact, increasing efficiency and cutting costs. To meet the increased importance, ASSA ABLOY has improved tracking and management of both water and waste.

Water management

The Group's water consumption primarily relates to painting, plating and cleaning processes. Twenty such entities, located mainly in the US and China, account for more than 70 percent of the Group's total water consumption. Efforts to replace water in some of these processes is underway. Emissions to water are monitored in accordance with local regulations. The ASSA ABLOY units that manage chemicals are properly licensed and registered with the local authorities.

The Group's efforts to increase water efficiency have provided deeper understanding of the factors that drive water consumption and how efficiency can be improved. Performance has improved over the past few years; water recirculation in wastewater treatment plants is an important tool for overall improved water efficiency. This technology is likely to be further deployed.

<i>Water performance</i>	2010	2011	2012	2013	2014
Purchased water (1,000 m ³)	1,823	1,777	1,756	1,575	1,587
Water from on-site wells (1,000 m ³)	463	526	1,070	1,063	939
Rainwater (1,000 m ³)	NA	NA	NA	4	0
Surface water (1,000 m ³)	NA	NA	NA	10	6
Total water consumption (1,000 m³)³	2,286	2,303	2,827	2,652	2,532¹
KPI, Water/ Value added (m³/SEK M)³	149	139	149	130	117²

¹ For comparable units. Total water consumption was 2,546 (1,000 m³) including units acquired during the year and increased reporting.

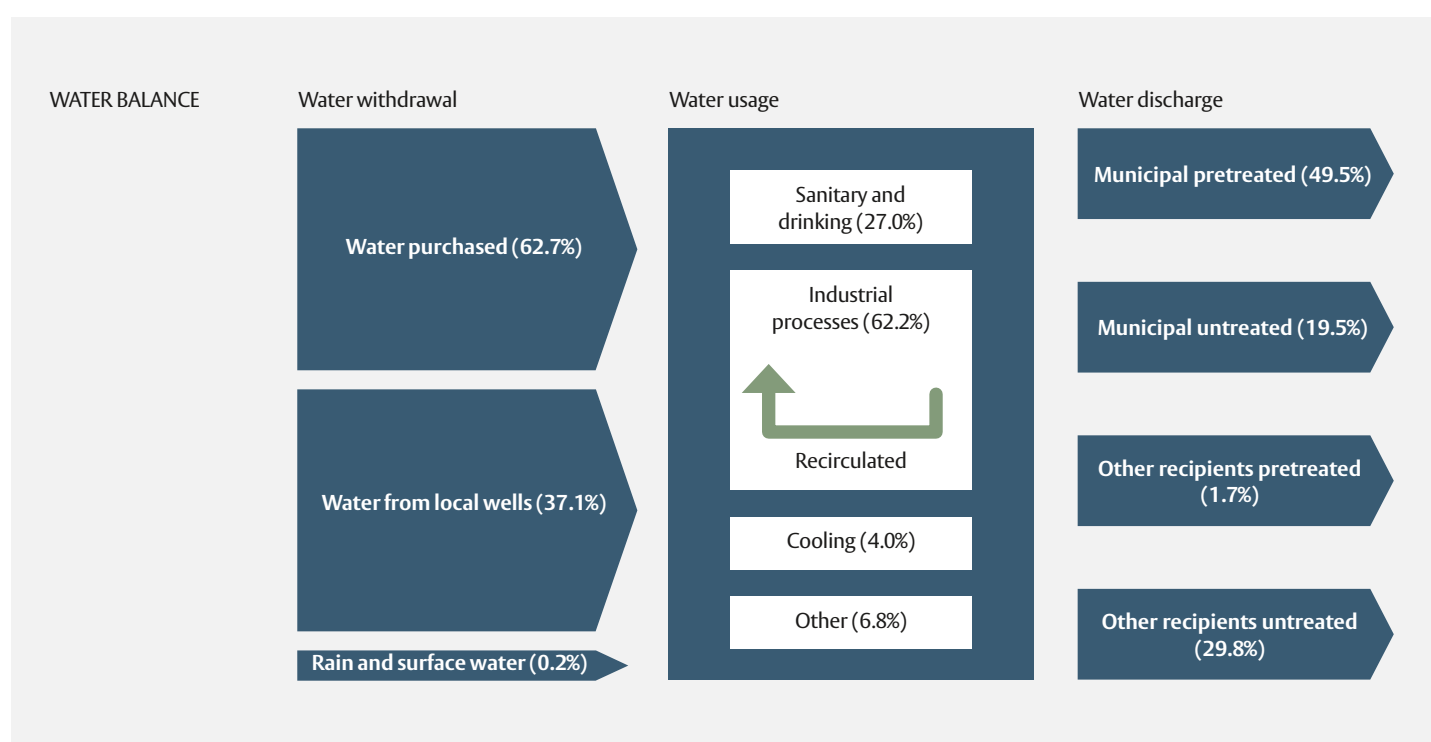
² For comparable units. Total water intensity amounted to 110 m³/SEK M including units acquired during the year and increased reporting.

³ The historical numbers have been adjusted with proforma data.

Waste management

ASSA ABLOY works to minimize waste from its manufacturing processes as well as waste related to packing. In 2013 the Group generated less waste, including hazardous waste. In 2014, due to improved reporting with a greater scope and tracking, the amounts of non-hazardous waste increased. Several companies within the Group generate revenue from selling paper, cardboard and plastic for recycling rather than having to pay for disposal of those materials.

In 2014, the total amount of waste in the manufacturing companies was 79,780 (68,320) tons. The intensity value for hazardous waste increased by 4.4 (-23) percent for comparable units. Since 2010 the amount of



hazardous waste has decreased by 55 percent. Several companies have reduced the use of packaging materials, switched to less harmful packaging materials and introduced reusable/recyclable containers. By using electronic orders and integrating information flows across systems, the number of printed documents has been reduced. Various metals are sorted by type to assist in the recycling of their content. Cutting oil is extensively filtered and cleaned so that it can be reused in manufacturing. Certified companies appropriately dispose of any hazardous waste that cannot be reused.

The ASSA ABLOY sustainability database and analysis tool enables best practice sharing and highlight areas for improvements.

Six incidents of spills were reported in 2014. None of these cases caused ASSA ABLOY to exceed permitted levels. All cases were managed in accordance with national legislation and ASSA ABLOY has improved its relevant internal processes to avoid future incidents.

Recycled metal

Tons	2010	2011	2012	2013	2014 ¹
Waste metal for recycling (tons)	39,027	42,710	45,972	49,000	46,328

¹ For comparable units. Total amount of waste metal for recycling amounted to 54,025 tons, including units acquired during the year and increased reporting.

Hazardous waste	2010	2011	2012	2013	2014
Metal sludge (tons)	729	661	650	537	558
Oil for recycling (tons)	564	490	579	295	362
Other types of toxic waste (tons)	3,219	1,934	2,225	1,846	1,890
Total hazardous waste (tons)	4,512	3,085	3,454	2,678	2,810¹
KPI, Hazardous waste/Value added (kg/SEK M)	294	186	181	131	130²

¹ For comparable units. Total amount of hazardous waste was 2,891 (tons) including units acquired during the year and increased reporting.

² For comparable units. Total amount of hazardous waste/value added amounted to 126 kg/SEK M, including units acquired during the year and increased reporting.

Non-hazardous waste	2010	2011	2012	2013	2014
Household incinerated/recycled (tons)	1,520	1,975	2,442	1,938	1,940
Household deposited (tons)	5,586	6,364	6,049	7,308	6,946
Paper and cardboard for recycling (tons)	NA	2,621	3,766	3,833	4,096
Plastic waste for recycling (tons)	NA	382	584	550	779
Wood waste (tons)					3,922
Other types of waste (tons)	4,634	2,811	3,758	3,013	1,508
Total (tons)	11,740	14,153	16,599	16,642	19,191¹
KPI, Non-hazardous waste/Value added (kg/SEK M)²	764	853	872	814	887

¹ For comparable units. Total amount of non-hazardous waste was 22,851 (tons) including units acquired during the year and increased reporting.

² For comparable units. Total amount of non-hazardous waste/value added amounted to 989 kg/SEK M, including units acquired during the year and increased reporting.

ASSA ABLOY SUSTAINABILITY CASE

Efforts to reduce water consumption pay off



Shandong Guoqiang Hardware has taken measures to significantly reduce water consumption in its factory.

■ **CHALLENGE:** In Shandong Guoqiang Hardware's factory in China, the electroplating process requires a large amount of water. Although the water within the plating line is recycled a few times until it is no longer usable, the recycling was not effective enough and a lot of water was still wasted.

In addition, even though the water supplied to the powder coating line and the plating line underwent a purification process, a large amount was still found to be 'hard water', which contains salt and other impurities and was discharged without being utilized.

■ **SOLUTION:** To better control the water consumption in plating lines, water quality inspections are carried out more frequently to ensure the water always has a low level of salt and metals. Thus, less purified water is needed for dilution. Furthermore, the efficiency of the water recycling system in the plating line is optimized. This was achieved by closely monitoring the water entering the recycling system to make sure it is clear enough after sedimentation.

To reuse hard water coming from the water purifying equipment of the powder coating line and the plating line, pipes have been installed to transfer hard water to the grinding room. The hard water is then used during grinding. Also, instead of using well water, hard water is used for washing racks, and this water can be recycled after removing impurities inside. Some hard water is collected for other non-core production processes instead of being discharged.

■ **RESULT:** The total water consumption in Q3, 2014 was reduced by almost 25 percent compared with Q3, 2013. This is mainly because of an increase in the water recycling rate from 65 percent to 85 percent. Part of the reduction comes from the reuse of hard water, which has contributed to annual water savings of 6,000m³.



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Organic solvents and surface treatment

ASSA ABLOY has reduced the consumption of chlorinated organic solvents through investments in new cleaning technologies. A gradual phase out of those chemicals is in place.

ASSA ABLOY uses chlorinated organic solvents such as perchloroethylene (PER) and trichloroethylene (TRI) for surface treatment of metals, including degreasing, cleaning and pretreatment before plating. Surface treatment is needed to meet high standards of durability, corrosion resistance, quality and finishing. The Group works systematically towards eliminating the use of PER and TRI. Most entities have already replaced PER and TRI with

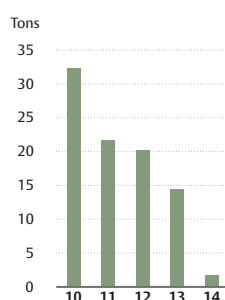
less harmful alternatives like ultrasonic cleaning and water- or steam-based processes.

The total consumption of chlorinated organic solvents was reduced by 88 (28) percent compared with 2013, resulting from significant investments made in 2013.

Improved reporting practices have disclosed more types of organic solvents within the Group, primarily in recently-acquired entities. In 2014, the total consumption of other types of organic solvents amounted to 986 (949) tons for comparable units. These solvents will also be phased out.

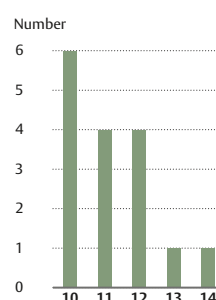
Consumption of chlorinated organic solvents

PER AND TRI TOTAL CONSUMPTION



Surface treatment processes under change

PROCESSES UNDER CHANGE



ASSA ABLOY SUSTAINABILITY CASE

Energy-efficient doors for Australian cold store

■ **CUSTOMER:** Oxford Cold Storage provides temperature-controlled warehouse facilities for food manufacturers and importers. The company occupies a 450m x 510m site in Laverton North, Australia. The facility handles and stores frozen and chilled products at temperatures ranging from -27°C to 18°C.

■ **CHALLENGE:** With a sharp increase in electricity costs due to the introduction of carbon tax, Oxford was challenged to design and construct a facility that would increase capacity but at the same time minimize increases in power consumption – therefore meeting the targets set for an efficient and sustainable facility.

The main challenge in a cold store is to prevent the infiltration of warm and humid outside air and the leakage of refrigerated air. The facility has more than 800 truck movements daily. The trucks are loaded and unloaded through 90 dock levelers leading into refrigerated loading docks.

■ **SOLUTION:** ASSA ABLOY Entrance Systems worked closely with Oxford to identify the best door solutions to meet the



performance and sustainability needs of the new cold store extension.

The cold store extension has Albany RR300 Clean doors to all freezer openings, meeting the needs for a one-door solution in an extreme environment. Crawford sectional doors were used on all dock entries along with stepdocks, meeting the requirement for a well-sealed and insulated loading/unloading station.



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People make it all happen

ASSA ABLOY holds the belief that “people make it all happen” and to be successful, it is essential to have the right people in the right roles.

The Group’s 44,000 employees, in over 70 countries, work to earn ASSA ABLOY the position as a true world leader in door opening solutions. While being global, the Group nurtures a culture dominated by local ownership and decentralized decision making.

ASSA ABLOY’s vision is to offer itself as an attractive company for its employees. The employees are the Group’s most valuable resource and the foundation for future success. The individual responsibility to manage one’s career is explicit, and each and every employee is expected to be proactive; actively seeking out opportunities, speaking up when called for and learning from mistakes. It is the Group’s responsibility to create the structure and present the right tools for the employees to fulfill their potential. ASSA ABLOY facilitates mobility within the Group and regards internal management recruitment as a way to make ASSA ABLOY an attractive company to work for. The Group-wide portal for job postings is one important platform to keep employees informed about career opportunities across the Group.

The Group-wide talent management structure is important to maintain an internal skill pool and to ensure resource availability to meet present and future needs. The talent management process includes a structured approach to succession planning and career development.

Voice of the employees

During 2014, ASSA ABLOY’s fifth employee survey was conducted with a participation rate of 89 percent. It is available in 23 languages, ensuring that all employees can fully participate. The survey is an important tool for collecting information on and understanding how employees feel about their workplace, career development and the Group’s management of matters such as diversity and equality, career performance reviews and communication on strategy and direction to ensure that employees are informed.

The results are analyzed at Group, divisional and unit levels. Each unit has the responsibility to address the result, and set appropriate objectives and action plans. The units go over the results together, using the survey as a tool for dialogue and employee involvement.

Being the world leader in door opening solutions with a global presence, ASSA ABLOY must manage social and ethical issues and observe a high standard of integrity and fair practices. ASSA ABLOY’s Group-wide Code of Conduct is available in 22 languages, and it is mandatory for all employees to take part in the Code of Conduct training within their first three months and every three years thereafter. The Code of Conduct and ASSA ABLOY’s way of doing business are key components in the Entrance to ASSA ABLOY introduction program.

Grow with ASSA ABLOY

ASSA ABLOY prioritizes employees’ professional development to attract and retain the people and competencies needed for continued success. The Group is dominated by an atmosphere where each employee can make a difference, for themselves and for the company. Each employee should feel and “live” that. Employees have the freedom to act and to be accountable for their actions. ASSA ABLOY provides the opportunities but it is upon each employee to take responsibility for their professional development.

Training and development

ASSA ABLOY runs two global development programs each year for selected senior managers. In 2014, 91 (60) ASSA ABLOY leaders participated in one of these programs.

- The Management Training Program (MMT) specifically addresses strategy, business and operations. It creates a network of colleagues across nations and businesses to drive best practice sharing and create new opportunities. It is an important integration tool, which is of particular importance to ASSA ABLOY given the frequency of acquisitions.

- The ASSA ABLOY IMD Boosting Market Leadership Program supports the implementation of the Group’s strategy.

ASSA ABLOY will launch two new development initiatives in 2015. The first initiative is to shadow a peer during a short period of time, to get new ideas and input. In the other initiative, Live my Life Day, an employee gets the chance to work in another part of the company for one day. Both programs target all employees.

The Group will also continue to support short-term assignments and projects where an exchange competence opportunity exists. In addition to the Group-wide programs, the divisions offer several talent management programs based on need.

Job postings

Job openings are posted on the Group intranet for employees to apply for. Internal candidates are given priority, provided that they have comparable qualifications to those of external candidates. ASSA ABLOY truly appreciates internal mobility and stimulates employees to take charge of their professional career.

A safe place to work

ASSA ABLOY must offer a safe and sound workplace – it is a basic requirement for any employee and business. It is a joint concern and demands that each individual takes it upon themselves to contribute to a safe and healthy workplace.

monitoring procedures introduced in 2013, along with stricter safety routines. Over the past couple of years the units have developed their health and safety monitoring and reporting systems to increase the level of detail.

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

Operational risks

Environments where employees work on their own is where most accidents occur. It is an environment where the person does not always have full control; for example, it may be difficult to seal off the area where they are carrying out a task. This makes the person vulnerable. Solitary work is quite common for maintenance and service personnel. This particular group also faces heavy lifting and traffic risks. Cutting and crushing injuries and production-related noise are typical risks in ASSA ABLOY's own production. Risk management is part of the everyday health and safety work at all units.

Learning from each other

ASSA ABLOY strives to utilize the skills and expertise that exists within the Group. Functional cross-national councils are important forums for systematic best practice sharing. Also, the semi-annual sustainability reporting system is made available to the entire Group on the basis that transparency drives improvement.

A joint responsibility

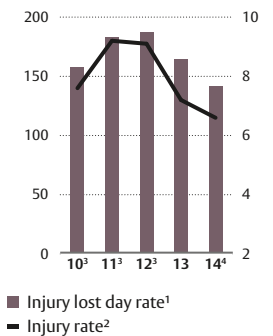
Creating a safe workplace is a shared responsibility between ASSA ABLOY and the individual to jointly take action on health and safety. The individual responsibility supported by the proper structure from ASSA ABLOY is the foundation of the Group's approach to health and safety management.

Each manager is responsible for identifying risks, taking proactive actions and encouraging the right behavior among colleagues. This includes facility reviews, monitoring the use of safety equipment and ensuring that employees have adequate training. All production units have their own health and safety committee with union representatives where applicable. These committees report on health and safety performance and take the lead on actions for improvement. They also follow up on the execution of adequate training.

Performance

In 2014, the Group's health and safety performance improved in comparison with 2013. During the year, all units maintained the improved health and safety

INJURIES



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

² Injury rate in injuries per million hours worked.

³ The historical numbers have been adjusted with proforma data.

⁴ For comparable units. The total injury lost day rate was 138 including units acquired during the year and increased reporting. From 2012 the reporting of injuries and days lost due to injuries includes data from ASSA ABLOY entities performing service or installation.

ASSA ABLOY SUSTAINABILITY CASE

Working towards zero injuries

■ **CHALLENGE:** Health and safety (H&S) has always been a priority at ASSA ABLOY's Albany manufacturing site, including numerous H&S initiatives. Although the number of injuries resulting in lost time was decreasing, the site wanted to challenge itself to take the next step and become injury free: a "zero harm" site.

■ **SOLUTION:** To ensure that the site was finding out about hazards before they caused accidents, a campaign was introduced to promote the reporting of hazards and near misses. Initially this meant that incident stats had a spike but it enabled the underlying causes to be addressed. Job breakdown guides were revised to have H&S in the first section and some forms were revised to ensure they were user-friendly for all staff – some of whom have English as a second language.

A notice board is updated daily with notifications of hazards, incidents, near misses and time since the last injury resulting in lost time.

The site now works closely with ACC (Accident Compensation Corp), the government agency that assists with accident rehabilitation, to enable an appropriate plan for any injured employee.

■ **RESULT:** The days lost through injury dropped 90 percent by the end of Q3, 2014 – from 31 days in 2012 to 3 days in 2014 – since the start of the zero harm campaign. The site now has an engaged H&S committee, called the Work Safe committee.



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Jennelyn Dawinan, a member of the Work Safe committee, in front of the Work Safe board at ASSA ABLOY New Zealand's factory.

Gender balance and diversity

Diversity is a strength, especially in an organization working around the world and across cultures. ASSA ABLOY strives to achieve higher levels of diversity at all levels of the organization, to capture the skills and dynamics of individuals that bring different perspectives to the table. ASSA ABLOY works to increase the number of women holding senior positions. The Group's target is that 30 percent of managers will be female by 2020.

The goal of gender diversity is Group-wide and the actions to achieve that goal are decided upon and performed at the divisions. ASSA ABLOY tracks progress every six months. The recruitment process is an important element in achieving a better gender balance. Consequently, if permitted under applicable law ASSA ABLOY gives priority to the underrepresented gender provided they have equal qualifications. It is also the ambition to have one candidate from the underrepresented gender on the shortlist in each recruitment situation. Gender

balance is also regarded when selecting candidates for the Group's talent management programs. The frequency of acquisitions challenges the gender balance goal, as women are in a clear minority in several of the companies that the Group acquires.

Diversity of nationalities and cultures

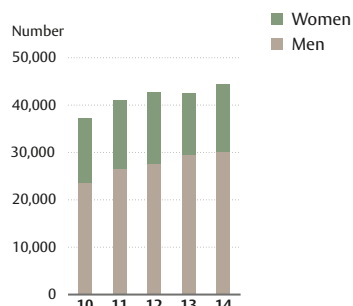
More than 90 percent of managers in the local ASSA ABLOY entities are recruited from the local community. Local market understanding is a key success factor for ASSA ABLOY, which is characterized by its geographical expansion and new market development.

Women at different levels of the organization

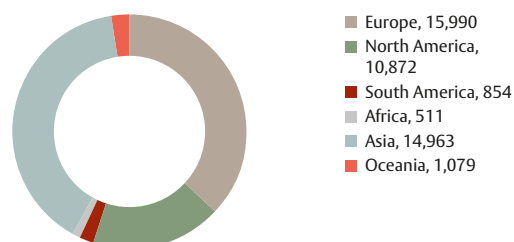
Level	Percentage of women				
	2010	2011	2012 ¹	2013 ¹	2014
2 – reports to CEO	0	0	18	27	27
3 – reports to level 2	16	15	16	12	16
4 – reports to level 3	18	19	18	19	17
5 – reports to level 4	24	26	23	24	24
Level 2–5	–	24	22	22	22
All employees	37	35	35	31	31

¹ The definition of management positions has been revised during 2014. 2012 and 2013 have been restated to be comparable with 2014.

AVERAGE NUMBER OF EMPLOYEES



NUMBER OF EMPLOYEES BY REGION



ASSA ABLOY SUSTAINABILITY CASE

Romanian site looks to develop local skills

■ **CHALLENGE:** As a major employer in the area, ASSA ABLOY Entrance Systems in Hunedoara, Romania, is looking for ways to be a responsible and approachable member of the community by recruiting employees from the locality.

■ **SOLUTION:** Recruiting talented young people from the local community is being facilitated thanks to an apprentice program.

Fifteen teenagers from a local high school have begun apprenticeships as welders at the Hunedoara manufacturing plant. The three-year program teaches students a marketable trade that will make them highly employable in a variety of

manufacturing environments when they complete the program.

■ **RESULT:** Firstly, students received a guided tour of the factory and an explanation of how products are manufactured, as well as information on workplace health and safety rules that must be followed when they are on site each week. Upon completion of their apprenticeships in three years' time, the local students will be certified welders with experience of working in a multi-national company and the potential to be hired as employees of ASSA ABLOY Entrance Systems in Hunedoara.



Read more sustainable cases at assaabloy.com/sustainability

Engaging with stakeholders

ASSA ABLOY engages with various stakeholders to understand their expectations and how well the Group meets these expectations. Also, the stakeholder dialogue offers a forum to promote ASSA ABLOY's offer. Over the years, stakeholders have provided valuable input to the Group's overall sustainability agenda and management of specific issues.

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

The nature of the relationships differs, and this is reflected in the engagement approach. For example, customers are involved in the product development process through Voice of the Customer; suppliers are engaged through the sustainability audit program; employees through the daily work as well as training, the employee survey and the work council; and the investment community through targeted sustainability dialogues together with traditional investor relations activities.

In 2014, ASSA ABLOY hosted the annual roundtable discussions and multiple one-on-one meetings with investors interested in the Group's sustainability performance.

Aspects highlighted by investors participating in the roundtable meetings have been quite consistent over time. These aspects include: Anti-corruption; risks and risk management in sourcing; sustainability considerations in acquisitions and entering new markets; implementation and follow-up of Code of Conduct compliance; more detailed information about internal and supplier audits; human rights management; and resource efficiency. The investors are increasingly interested in the market demand for and customer value of more sustainable products and solutions – and how ASSA ABLOY manages these factors.

ASSA ABLOY's operations in 2014 per stakeholder category, based on the Group income statement

		SEK m
Customers	Mechanical locks, lock systems and fittings, electromechanical and electronic locks, entrance automation, security doors and hardware	56,843
Suppliers	Purchases of products and services, along with depreciation, etc.	-31,792
Employees	Wages, salaries and social security costs	-16,026
Lenders	Interest	-587
State	Taxes	-2,261
Shareholders	Net profit	6,436
	Board's dividend proposal	-2,407

External recognition



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

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

ASSA ABLOY has participated in the Carbon Disclosure Project (CDP) for eight years. In the Nordic CDP report for 2014, ASSA ABLOY received a score of 81/100

(69/100). The CDP is an independent not-for-profit organization working to drive greenhouse gas emissions reductions and sustainable water use by businesses and cities. CDP now holds the largest collection globally of primary climate change data. Based on voluntary annual reporting to the CDP, companies are assessed on risks and opportunity management related to climate change as well as on how they perform.



Read more about ratings and indices at assaabloy.com/sustainability

Dialogue with Socially Responsible Investment (SRI) community and analysts



Emilie Westholm
Deputy Head of
Corporate Governance
at Folksam

“Several aspects of ASSA ABLOY’s sustainability commitment and performance are developing positively. It is encouraging that the company regards water as a material issue and can showcase efforts within its operations that have resulted in significant improvements. Still, there are essential sustainability areas where we see that ASSA ABLOY can improve. Regarding its own operations, health and safety as well as diversity are two such areas. Supply chain management and sustainability governance in the acquisition process are always critical issues to ASSA ABLOY. In the roundtable meeting in 2014, ASSA ABLOY presented improvements regarding

sustainability considerations in the pre-acquisition due diligence. We look forward to learn more about the implementation and associated actions. Information on anti-corruption and human rights risks management continue to be a bit scarce. We would appreciate more details on context, awareness and readiness. The life cycle approach and systematic efforts to substitute and create upgradable products and solutions are very much in line with a global demands for resource efficiency. Looking forward, ASSA ABLOY can most likely do even more to grow its offer and make it more attractive to customers that value sustainability performance.”



Helena Larson
SRI analyst
at Swedbank Robur

“The company’s approach has become more systematic and comprehensive. ASSA ABLOY is sensitive to external expectations while staying true to its strategies and vision. It manages several of the hygiene aspects well. I hope that the application of Environmental Product Declarations and the sustainability compass continue and expand in the innovation process as well as the efforts for innovation and efficiency in the production. The sustainability audit program will need to grow in scope along with the Group’s expansion. Looking forward, the company will most likely have to increase transparency

in the later stage of the value chain; the customers and sales in complex markets. The elevation of sustainability management in the pre-acquisition due diligence process is positive. ASSA ABLOY’s risk management in emerging markets is a critical issue. I look forward to receiving more detailed information on human rights risk awareness and readiness. I believe that the accentuated business case has facilitated a top management commitment to sustainability – which is essential for ASSA ABLOY’s sustainability and business performance.”



Nadine Viel Lamare
Senior ESG analyst at Första
AP-fonden (AP-fund 1)

“ASSA ABLOY is an attractive company from several perspectives. It is a well-managed company, and it is expanding organically and through acquisitions across the globe. To AP1, it is essential that ASSA ABLOY shows that it has systems in place to (pro) actively manage risks in its value chain. ASSA ABLOY’s strategy is evaluated on how well it meets the world’s ever-changing context, i.e. climate change, resource scarcity, new markets and urbanization. Today, some of ASSA ABLOY’s material issues in the due diligence process that proceeds acquisition concern sustainability parameters in general and human rights issues in particular. Given the high

frequency of acquisitions and their importance to the Group’s market position, understanding and mitigating sustainability risks, including corruption, are imperative to its business. The business opportunities connected to sustainability performance can be highlighted even more. The integration of relevant sustainability aspects in the innovation process is very positive. Going forward, I expect ASSA ABLOY to become more transparent on human rights management. Also, for the objective of 30 percent women by 2020 to be trustworthy, ASSA ABLOY would benefit from disclosing more information on connected activities.”

Sustainability governance

ASSA ABLOY AB is listed on the Nasdaq Stockholm, Large Cap. The Group applies the Swedish Code of Corporate Governance. Together with the ASSA ABLOY Code of Conduct, it forms the basis for the Group's actions, behavior and external communication.

Frameworks and responsibilities

ASSA ABLOY has been a signatory to the UN Global Compact since 2008. The affiliation with the UN Global Compact means that the Group supports and commits to actively promoting and respecting the 10 principles on human rights, labor standards, environment and anti-corruption in the Group's operations and in dealings with external stakeholders. As a signatory, ASSA ABLOY is obligated to issue a Communication on Progress Report annually to the UN Global Compact. We fulfill this obligation by issuing an annual Sustainability Report, which is communicated to the UN Global Compact.

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

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

	2010	2011	2012 ¹	2013	2014
ISO 14001	47	55	71	75	84
Certifiable systems	22	20	29	26	24
Total	69	75	100	101	108²

¹ From 2012 sales companies are included in the reporting of environmental management systems. A part of the change is related to the increased number of certified entities as well as closing of units in the restructuring program.

² The total number of entities covered by ISO 14001 and other certifiable management systems amounted to 111, including units acquired during the year and increased reporting.

Code of Conduct in 22 languages

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

The Code of Conduct sets forth principles that apply globally to employees, suppliers and other stakeholders such as a third party acting on behalf of ASSA ABLOY. The Code of Conduct is based on the United Nations Universal Declaration of Human Rights and associated UN Conventions, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the ISO 14001 environmental management standard.

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

The full version of the Code of Conduct is given to all managers, employees with exposed positions and union representatives. A short version is communicated and made available to all employees. New employees are required to read the Code of Conduct and agree to abide by it and any related policies within three months of joining the Group.

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

	Environmental	Social & Ethical	R&D
ASSA ABLOY Group	Stefan Tisell, Head of Environmental Sustainability	Maria Ewerth, Head of HR	Åsa Christiander, Director Product Innovation Process
EMEA	Mario Felice, Head of Operations	Bill Harding, Head of HR	Charles Robinson, Operations & Sustainability Analyst - EMEA
Americas	Eric Sejourne, Head of Architectural Accessories and Door Control Group and Environmental Sustainability	Jack Dwyer, Head of HR	Aaron Smith, Director, Sustainable Building Solutions
Asia Pacific	Lars-Gunnar Edh, Head of Operations	Iker Zubia, Head of HR	Mark Solari, Packaging Manager
Entrance Systems	Tobias Svensson, Responsible Process Excellence	Jessica Jonasson, Head of HR	Mats Nordén, CTO ASSA ABLOY Entrance Systems
HID Global	Rodney Glass, Head of Quality and Operations	Michele DeWitt, Head of HR	Ian Croston, VP Global Manufacturing Engineering
Hospitality	Dolores Shore, Head of HR	Dolores Shore, Head of HR	Kristian Holmen, VP Engineering

The compliance committee

ASSA ABLOY has a Code of Conduct compliance committee, which is chaired by the Group Senior Vice President of Human Resources. Its members include the Group Head of Environmental Sustainability and two employee representatives who are also members of the ASSA ABLOY Board of Directors. Among other things, the committee receives information from whistle-blowers and ensures that such matters are handled in an appropriate way and come to a conclusion. The committee meets twice a year.

Growing with care

ASSA ABLOY grows organically and through acquisitions. Relocation of production is part of creating a more efficient manufacturing structure. Growing the business in new regions, often in emerging markets, will remain an important part of the strategy for the foreseeable future. It is important to understand the new context when moving into new regions and integrating new units. At the same time, the Group works to ensure that the busi-

ness is run in line with ASSA ABLOY's Code of Conduct and values. The ability to grow in a responsible way impacts on ASSA ABLOY's performance.

The Code of Conduct includes a mechanism for whistle-blowing. In 2014, the Group handled 24 (11) cases reported through the whistle-blowing function. The Group's Code of Conduct compliance committee receives cases not resolved by unit or divisional management.

ASSA ABLOY complements the internal Code of Conduct compliance reviews with third-party audits. These audits focus on working and social conditions, such as human rights, working conditions, labor rights, health and safety and compliance. In 2014, external audits were performed in China and Romania. Based on the audit results, the units will take specific actions for improvement.



Read more about the Code of Conduct at assaabloy.com/code

Anti-corruption initiatives

Corruption increases inequality, reduces efficiency and increases the cost of doing business. ASSA ABLOY does not tolerate, and works actively to prevent, corruption in its business.

ASSA ABLOY conducts business worldwide and consequently operates in many countries where corruption risks are high, according to the corruption perceptions index published by Transparency International. A large part of ASSA ABLOY's sales are made through third-party distributors, and a great part of the Group's anti-corruption efforts are directed to ensure that distributors who represent ASSA ABLOY comply with ASSA ABLOY's standards. The Group has an Anti-Corruption Compliance Program in place and works continuously to build awareness.

Prioritized areas in 2014

In 2014, the emphasis has been on implementing a third party due diligence process within each division, focusing on distributors in markets where the corruption risk is perceived to be higher. The process is to be used to evaluate whether to engage distributors to act on ASSA ABLOY's behalf or not. Further, as described under the Acquisitions section on page 23, focus in 2014 has also been on implementing the mergers and acquisitions compliance process, including the area of anti-corruption. The aim of this process is to get potential issues on the agenda at the outset of the acquisition, to be able to determine the level of risk at an early stage.

ASSA ABLOY's Anti-Corruption Compliance Program

ASSA ABLOY launched its Anti-Corruption Compliance Program in 2011. As part of the program, the Board of

Directors adopted an Anti-Corruption Policy, which supplements and expands on the Code of Conduct in respect of anti-corruption. The Anti-Corruption Compliance Program is designated to the strictest international standards with the aim to prevent, detect and respond to potential corruption. Risk assessments, employee training, third-party compliance and reporting are essential components of the Anti-Corruption Compliance Program. These are activities that are ongoing.

The implementation and development of the Anti-Corruption Compliance Program is a continuous process. The Group provides supporting tools, while each division is responsible for implementing the program. Each division has a compliance officer responsible for overseeing the implementation of the program. Suspected incidents can be reported to the nearest manager, the divisional compliance officer, Group Legal, or through the Code of Conduct whistle-blowing function.

The implementation of the Anti-Corruption Compliance Program is reviewed through the Group's established process for internal control, including self-assessment in all operating companies and internal audits. Further, specific anti-corruption compliance testing has been conducted at four operating companies (in Eastern Europe and China) during 2014. The results of the compliance testing are submitted to the Audit Committee and the auditors.

Continuous training

ASSA ABLOY's training guidelines stipulate that all relevant new employees should receive anti-corruption training within three months, and receive further training every three years thereafter. Relevant employees include such personnel as managers, sales, purchase and sourcing. Training is conducted either through an e-learning program or face-to-face.

Acquisitions – to capture opportunities

Acquisitions are important to ASSA ABLOY's growth strategy. They strengthen the Group's offer, accelerate innovation and take the Group to new geographic markets – enabling ASSA ABLOY to meet customer demands more rapidly.

With more than 120 acquisitions since 2006, ASSA ABLOY has established an efficient process for bringing new companies into the Group. This includes reviewing sustainability-related issues and taking steps to help newly acquired companies raise their standards where necessary. The successful integration of acquired companies is an important part of reducing risks.

ASSA ABLOY prefers to acquire sound companies that share the Group's values and business practices. Ensuring that acquired companies are smoothly integrated into the Group helps to reduce risk and contributes to development. Before an acquisition is completed, ASSA ABLOY shares its way of doing business with the new company, including introducing the Group's Code of Conduct, among other things. Both parties benefit from knowing as much as possible about each other at an early stage.

The acquisition processes: before and after

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

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

Potential issues that are identified in the pre-acquisition due diligence include among others, the use of chemicals, applications for permissions and compliance. ASSA ABLOY brings in external advisors when called for.

Aspects that are covered by the legal due-diligence phase include, among others, employment contracts, payment processes and wages, insurance and taxes.

The supplier base is of relevance in connection to an acquisition and ASSA ABLOY performs a desktop analysis of the target company's supplier base before the acquisition is completed. Two supplier categories are mapped,

large suppliers and critical components. This mapping involves the ASSA ABLOY Group Supply Management and aims to identify risks and potential synergies.

Post-acquisition, associated suppliers are automatically included in the Group's supplier database, which is continuously assessed and audited on sustainability parameters.

Typical risks

ASSA ABLOY has identified the main areas of potential risks related to acquisitions. All of these are covered by the operational and legal due diligence. ASSA ABLOY's Group-wide sustainability management program – including targets, semi-annual reporting, Group-wide policies including training, and supply chain management – captures the areas listed below and mitigates identified risks. In addition, dedicated action plans are set up when called for.

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

Compliance in the merger and acquisition processes

There is increased importance and thereby focus on compliance issues in connection with acquisitions. This is in part due to increased mergers and acquisitions (M&A) activity in emerging markets. For this reason, ASSA ABLOY has implemented additional M&A compliance guidelines as part of the acquisition process.

The M&A compliance process has been designed to give an overall background and guidance, as well as being a practical toolkit for the persons involved in the actual acquisition. It covers the five areas of:

- Anti-corruption
- Anti-trust
- Export control
- EHS (environmental health and safety)
- Tax

The process aims to supplement the due diligence already performed and to expand and include additional areas. The main objective is to get all potential issues on the agenda at the outset of the acquisition to enable a correct risk appreciation at an early stage. With this support, the due diligence process can be even more focused and tailored to specific areas of concern.

Post-completion, a thorough program for addressing any identified compliance issues is to be put in place and implemented. The post-completion review is especially important if not enough information has been obtained during the acquisition phase. The M&A compliance guidelines offer guidance on this process as well.

Organizational responsibility

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

Managing the sustainability agenda

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

The councils for Innovation, Sourcing, Operations and Human Resources, whose members include representatives from the Group and all divisions, manage sustainability issues related to their areas.

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

Responsibilities

Each division has the responsibility for managing the Group's sustainability agenda, identifying and addressing risks and opportunities in their context, as well as governing the Code of Conduct and related policies.

The divisional work and progress is overseen by the Executive Team. Each factory or business unit then has the operational responsibility within each division. The Group's sustainability work and responsibility includes suppliers. Each division is further responsible for ensuring that current and new suppliers understand and comply with ASSA ABLOY's requirements.

At Group level, performance is monitored via the sustainability reporting process, which includes each

company's reporting of material environmental risks and actions to mitigate the same. Divisional board meetings address risks, compliance, performance and other sustainability matters.

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

ASSA ABLOY's sustainability council

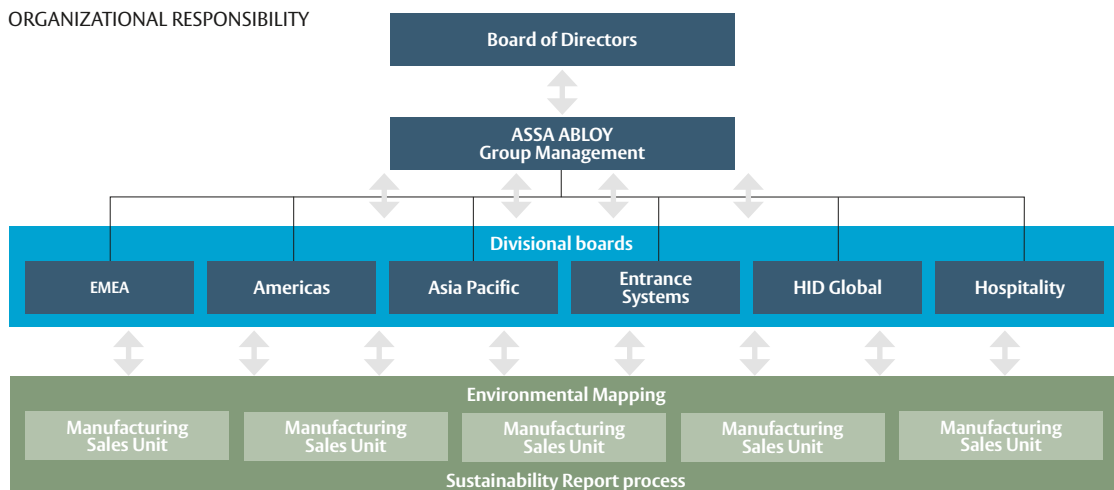
The Group sustainability council has representatives from Finance and Operations (environment) from all divisions. The council meets three to four times per year to discuss various aspects of sustainability related to innovation and production, to define action plans and set targets. Each participant in the council is responsible for reporting back to their organization and for driving implementation. The council reports on performance every six months.

Monitoring progress

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

ASSA ABLOY has a Group-wide sustainability database for sustainability indicator reporting. As of the end of 2013, a new reporting system is in place, enabling improved quality and analysis of data. The database includes best practices and tools as well as details of measures taken by the various companies to reach the Group's sustainability targets. All companies and divisions in the Group can access information from the database to compare progress and trends. In 2014, 331 (327) factories, sales units and offices reported.

ORGANIZATIONAL RESPONSIBILITY



Reporting principles

In retrospect

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

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

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

Between 2009 and 2010, the number of reporting units increased from 181 to 204, and in 2011 the number of reporting units increased to 256.

Between 2011 and 2012, the number of entities reporting on sustainability increased from 256 to 293. Since 2012, the sustainability reporting includes water consumption, greenhouse gases and ozone-depleting substances. Also, all sales companies and offices use applicable parts of the "factory" reporting form. It has brought improved coverage regarding e.g. waste generation, water usage and injuries. In 2013 a new sustainability reporting system was introduced. The number of reporting units increased from 293 to 327. During 2014 the number of reporting units increased to 331.

ASSA ABLOY continually works to improve the sustainability communication in terms of transparency, scope, quality and the frequency of information. This is the Group's ninth Sustainability Report. ASSA ABLOY reports in accordance with the GRI guidelines, 3.0 application level B.

Communication

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

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

Changes in reporting management

ASSA ABLOY introduced a new sustainability reporting system in 2013. It has facilitated the collection of data as well as the quality of data. The reporting system has made the sustainability reporting structure more aligned with the Group financial reporting. It supports sustainability management in all areas of operations.

As part of continued efforts to improve the quality of internal sustainability reporting, an analysis of certain units' reporting in 2014 has resulted in restatements of previously reported data. It concerns reporting of water consumption, energy consumption and carbon emissions.

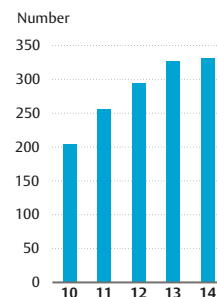
Compared with 2013, the number of entities reporting on sustainability in 2014 has increased from 327 to 331. The reporting units include sales units and offices. The number of reporting units are affected by a reduction in the number of factories through efforts for synergies and increased outsourcing as well as acquisitions.

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

Changes in calculation principles

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

NUMBER OF REPORTING UNITS



The number of reporting units in the Group has increased to 331 (327).

As of 2010, ASSA ABLOY uses the same principle for calculating carbon emissions as in the annual Carbon Disclosure Project-report. The selected method gives a more relevant calculation on the actual carbon emissions since it takes into account how electricity is generated in different countries. In 2012 the CO₂ emission factors were updated with respect to international standards.

Global Reporting Initiative (GRI), 3.0

This report covers the 2014 reporting year. For the reporting of indicators, the scope of 331 (327) units has been defined. Joint ventures are included if ASSA ABLOY holds a majority of the shares. Sustainability indicators are reported by companies that have been part of the Group since at least the end of the first quarter of 2014. Units with fewer than 10 employees do not report on sustainability indicators.

The report has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Guidelines. ASSA ABLOY reports on level B of the GRI by self-declaration. (See cross-reference to the GRI on pages 26–27).

ASSA ABLOY reports its sustainability performance annually. This is the ninth Sustainability Report. The most recent Sustainability Report, for 2013, was issued in April 2014.

GRI audit

ASSA ABLOY has not submitted the Sustainability Report for 2014 to a third-party audit. KPMG Sweden has performed an application check and confirms that ASSA ABLOY reports on GRI level B.

GRI content index table

ASSA ABLOY's Sustainability Report 2014 applies the Global Reporting Initiative (GRI) guidelines 3.0, application level B. The table below indicates where information can be found; Sustainability Report (if nothing else is stated) or Annual Report (AR) or at the Company's website (www). The table covers all core indicators as well as additional indicators that are applicable to ASSA ABLOY's operations. The colors of the symbols indicate if the respective indicators are fully, partially or not reported on.

PROFILE	Page reference	Degree	PROFILE	Page reference	Degree
1. Strategy & analysis			4.6 Processes for avoiding conflicts of interests in the board		
1.1 CEO statement	2	■	4.7 Processes for determining the qualifications of board members	AR 70	■
1.2 Description of key impacts, risks and opportunities	2–10, 23 AR 65–67	■	4.8 Mission, values, Code of Conduct, etc.	AR 69–70	■
2. Organizational profile			4.9 The board's monitoring of the sustainability work	3–4, 21–23, AR 8–9	■
2.1 Name of the organization	21	■	4.10 Processes for evaluating the board's own performance	21, 24	■
2.2 Primary brands, products, and services	Front cover inside, 7, AR 19	■	Commitments to external initiatives		
2.3 Operational structure of the organization	21–22, 24, AR 40–41	■	4.11 Explanation of whether and how the precautionary principle is applied	AR 69–70	■
2.4 Location of organization's headquarters	Back cover	■	4.12 Endorsement of external voluntary codes, principles or other initiatives	21	■
2.5 Countries where the organization operates	Front cover inside, 8–9, 18 AR 2–4	■	4.13 Memberships in associations	2, 22	■
2.6 Nature of ownership and legal form	21, AR 68, 123	■	4.14 List of stakeholder engagement	www	■
2.7 Markets	Front cover inside, 8–9 AR 2–4, 42–50, 52–53	■	Stakeholder engagement		
2.8 Scale of the organization	Front cover inside, AR 24–29, 81	■	4.15 List of stakeholder groups	19	■
2.9 Significant changes during the reporting period	AR 63–64, 106	■	4.16 Basis for identification and selection of stakeholders with whom to engage	19	■
2.10 Awards received during the reporting period	19	■	4.17 Stakeholder engagement	3, 8, 16, 19–20	■
3. Report parameters			4.18 Key topics and concerns that have been raised through stakeholder engagement	3, 8–9, 19–20	■
Report profile			5. Economic indicators		
3.1 Reporting period	1	■	DMA Economic performance; risk management, targets, policies etc.	2–4 AR 1–9	■
3.2 Date of most recent previous report	25	■	Economic performance		
3.3 Reporting cycle	25	■	EC1 Direct economic value generated and distributed	19 AR 79, 83	■
3.4 Contact point for questions regarding the report	1	■	EC2 Risks and opportunities for the organization due to climate changes	2–4, 6–7, 11–14, 20	■
Report scope and boundary			EC3 Coverage of the organization's defined benefit plan obligations	AR 66, 103–104, 108–109	■
3.5 Process for defining report content	3, 20, 25	■	EC4 Financial assistance received from government		■
3.6 Boundary of the report	25	■	Market presence		
3.7 Specific limitations on the scope or boundary of the report	25	■	EC5 Range of ratios of standard entry level wage compared to local minimum wage		■
3.8 Basis for reporting on joint ventures, subsidiaries, etc	25	■	EC6 Policy, practices, and proportion of spending on locally-based suppliers		■
3.9 Data measurement techniques and calculation principles	25	■	EC7 Local hiring and proportion of senior management hired from the local community	16, 18	■
3.10 Explanation of the effect of any restatements of information provided in earlier reports	Disclosed in footnotes on respective page, 25	■	Indirect economic impact		
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	25	■	EC8 Infrastructure investments and services provided for public purposes	www	■
GRI content index			EC9 Significant indirect economic impacts, including the extent of impacts		■
3.12 Table identifying the location of the Standard Disclosures in the report	26–27	■	6. Environmental performance indicators		
3.13 Policy and current practice with regard to seeking external assurance for the report	25	■	DMA Environmental performance; risk management, targets, policies etc.	2–7, 11–15, 21, 24, AR 64, 67	■
4. Governance, commitments & engagement			Materials		
Governance			EN1 Materials used by weight or volume	12–15	■
4.1 Governance structure of the organization	21–22, 24, AR 68–75	■	EN2 Percentage of recycled input materials		■
4.2 The Chairman of the Board's role in the organization	AR 69, 71	■	Energy		
4.3 Independent and/or non-executive board members	AR 70–71	■	EN3 Direct energy consumption by primary source	11–12	■
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	16, 19, 20–22, AR 68–69	■	EN4 Indirect energy consumption by primary source	11–12	■
4.5 Principles for compensation to senior executives	AR 70, 77, 108–109	■	EN5 Energy saved due to conservation and efficiency improvement	11–12	■
			EN6 Initiatives to provide energy-efficient or renewable energy based products/services	6–7, 11–12	■
			EN7 Initiatives to reduce indirect energy consumption and results	6–7, 11–12	■

Fully reported ■

Partly reported ■

Not reported ■

AR = Annual Report 2014

www = ASSAABLOY.com/sustainability

PROFILE	Page reference	Degree
Water		
EN8 Total water withdrawal by source	13	■
Biodiversity		
EN11 Location/scope of land owned near protected areas/areas of biodiversity value		■
EN12 Impacts of products or operations on biodiversity		■
Emissions, effluents & waste		
EN16 Direct and indirect greenhouse gas emissions	11–12	■
EN17 Other relevant indirect greenhouse gas emissions		■
EN18 Initiatives to reduce greenhouse gas emissions	6–8, 11–12	■
EN19 Emissions of ozone-depleting substances	12	■
EN20 NO _x , SO _x , and other significant air emissions		■
EN21 Total water discharge	13	■
EN22 Waste by type and disposal method	13–14	■
EN23 Number and volume of significant spills	14	■
Products & services		
EN26 Initiatives to mitigate environmental impacts of products and services	3–15, 21, 23–24	■
EN27 Products sold and their packaging materials that are reclaimed		■
Compliance		
Transport		
EN29 Environmental impact of transports	12	■
7. Social performance indicators		
DMA Social performance; risk management, targets, policies etc.	3–5, 16–24	■
Employment		
Employees		
LA1 Total workforce by employment type, contract and region	16, 18 AR 109	■
LA2 Rate of employee turnover by age group, gender and region		■
LA3 Benefits provided to full-time employees	AR 94	■
Labour/management relations		
LA4 Percentage of employees covered collective bargaining agreements		■
LA5 Minimum notice period(s) regarding operational changes		■
Health & safety		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees	17	■
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	17–18	■
LA8 Education, training, prevention and risk-control programs in place		■
Training & education		
LA10 Average hours of training per year per employee		■
LA11 Programs for skills management and lifelong learning that support employees' career development	16, 18	■
LA12 Employees receiving regular performance and career development reviews	16	■
Diversity & equal opportunity		
LA13 Composition of governance bodies and employees according to diversity indicators	18 AR 72–74, 109	■
LA14 Ratio of basic salary of men to women		■

PROFILE	Page reference	Degree
Human rights		
Investment & procurement practices		
HR1 Investment agreements that include human rights clauses	23	■
HR2 Suppliers that have undergone screening on human rights, and actions taken	1, 8–9	■
HR3 Training and education of employees in human rights		■
Non-discrimination		
HR4 Total number of incidents of discrimination and actions taken		■
Freedom of association & collective bargaining		
HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	8–10, 22–23	■
Child labour		
HR6 Operations identified as having significant risk for incidents of child labour and actions taken	8–10, 22–23	■
Forced & compulsory labour		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	8–10, 22–23	■
Society		
Community		
SO1 Programs for evaluating the operation's impacts on communities		■
Corruption		
SO2 Business units analyzed for risks related to corruption	22–23	■
SO3 Employees trained in the organization's anti-corruption policies and procedures	22–23	■
SO4 Actions taken in response to incidents of corruption		■
Public policy		
SO5 Participation in public policy development and lobbying	ASSA ABLOY does not participate in lobbying.	■
SO6 Financial and in-kind contributions to political parties, politicians and related institutions	ASSA ABLOY does not give financial support to any political parties or representatives.	■
Anti-competitive behaviour		
SO7 Legal actions for anti-competitive behaviour	No such cases in 2014.	■
Compliance		
SO8 Monetary value of fines for non-compliance with applicable laws	No such cases in 2014.	■
Product responsibility		
Customer health & safety		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	6–7	■
Product & service labelling		
PR3 Type of products and service information required by procedures, and percentage of products subject to such information requirements	6–7, 10	■
PR5 Results related to customer satisfaction, including results of surveys	7, 19	■
Marketing communications		
PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications		■
Compliance		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	No such cases in 2014.	■

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

CO₂

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.

Environmental Product Declaration (EPD)

is a verified and registered document that communicates transparent and comparable information about the life-cycle environmental impact of products.

Gateway process

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

Global Compact

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

Global Reporting Initiative, GRI

Global guidelines for sustainability reporting, version 3.0.

Global-warming potential (GWP)

is a relative measure of how much heat a greenhouse gas traps in the atmosphere.

Greenhouse gas emissions

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

Indirect energy

Electricity and heating.

Injury rate

Measure of injuries per million hours worked.

Injury lost day rate

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

ISO 14001

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

KPI

Key Performance Indicator.

Lean

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

LEED

Leadership in Energy and Environmental Design.

NGO

Non-governmental organization.

Organic solvents

Perchloroethylene and trichloroethylene.

PER

Perchloroethylene.

RoHS

European Union Restriction of Hazardous Substances Directive.

SRI

Socially Responsible Investment.

TRI

Trichloroethylene.

Value added

EBIT plus total cost for personnel.

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

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Reduced energy losses and improved privacy and security at Stockholm Arlanda Airport

An automatic sliding door from ASSA ABLOY is saving energy costs, improving the indoor environment and enhancing comfort, privacy and safety for VIPs traveling through Stockholm's main airport.

CHALLENGE: The VIP entrance to Stockholm's Arlanda Airport provides direct access to security screening for government officials, heads-of-state and other high-profile visitors traveling from Sweden's capital city. It requires a secure, well-insulated automatic entrance that opens and closes quickly and seals completely to preserve both the privacy and comfort of VIP travelers as they go through the security screening process. The secure nature of the access point to the airport further dictates that this door must be fully operational 100 percent of the time.

SOLUTION: ASSA ABLOY supplied a Besam Slim Thermo sliding door with insulated glass and TightSeal features to limit both cold and warm air infiltration. The automatic door is equipped with an intelligent ASSA ABLOY ECO radar that senses which direction pedestrians are moving and consequently only activates the door when someone is entering the building and not just passing by. The directional sensor also closes the door quickly once the traveler is safely inside. ASSA ABLOY Entrance Systems is providing regular maintenance to ensure that the Besam Slim Thermo operates reliably and efficiently around-the-clock.

RESULT: According to ASSA ABLOY Entrance Systems' energy savings calculation tool for pedestrian doors, Stockholm Arlanda Airport will see a 40 percent reduction in average energy costs from the combination of insulated glass and TightSeal features in the Besam Slim Thermo. Further savings can be anticipated from the ASSA ABLOY ECO radar, which closes the door 30 percent earlier than traditional radar, thus reducing heating and cooling losses when the door is open.

An additional benefit is that, on average, ASSA ABLOY ECO radar cuts the number of door openings in half compared with conventional bi-directional radar, which can produce "phantom openings" when someone passing by the entrance accidentally enters the activation field.

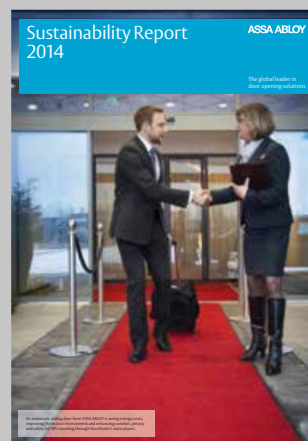


Photo: Peter Hoelstad