

clas ohlson



CSR Report 2011/12

Extract from Annual Report 2011/12

Sustainable development

Clas Ohlson is a dedicated retail company with 157 stores and e-commerce in Sweden, Norway, Finland and the UK.

We offer a range of 15,000 products in Hardware, Home, Multimedia, Electrical and Leisure. Our head office and distribution centre are located in Insjön, Dalarna, and we have approximately 4,000 employees. The company does not own any factories but cooperates with approximately 600 suppliers and 750 manufacturers in 30 countries. This sustainability report describes how we work with Corporate Social Responsibility (CSR).

Basis for Clas Ohlson's CSR work

Our business concept is to make it easy for people to solve their everyday practical problems in life. Our own operations and those of our suppliers and manufacturers are subject to demands concerning working conditions and other human rights, work environment and environmental impact. Through a sustainable business concept and operations, Clas Ohlson aims to create value for our shareholders, customers and employees, as well as for society as a whole. Clas Ohlson aims to contribute to sustainable development and protect living conditions for current and future generations.

Efforts to contribute to sustainable social development are of critical importance to our business operations; partly due to increasing demands from customers, employees and other stakeholders, but also because sustainability generates new business opportunities for Clas Ohlson. All major investment decisions must take economic, social and environmental implications into account.

Our sustainable vision

We shall commit the company's resources to economic, social and environmental development that contributes to sustainable living conditions for current and future generations.

Clas Ohlson's CSR organisation and responsibility

Clas Ohlson's sustainability programmes are led by the CSR forum comprising the CEO, Director of Information, Director of Purchasing, Director of Supply Chain, Director of HR, environmental Coordinator, Internal Controller and CSR and Code of Conduct Manager.

The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's CSR programmes and monitors whether the company is working effectively toward its set goals. The CEO has overall responsibility and the CSR programmes are to be integrated into and encompass the entire organisation.

Clas Ohlson works according to the philosophy that sustainability issues require an overall approach and that these issues must permeate the entire organisation and its various operations. This requires the involvement of the entire organisation in the efforts to achieve a sustainable society and also engage our customers and owners in this work.

Policies and reporting period for Clas Ohlson's Sustainability Report

This is the fourth sustainability report prepared by Clas Ohlson, based on the latest guidelines issued by the Global



Dimmable LED Bulb. W (equivalent to 40 W). Rated life: 20,000 hours. Temperature range: -20 till +40 °C. E 27 socket. 36-4643

Reporting Initiative (GRI). Clas Ohlson has chosen to apply C-level* disclosure (not reviewed by an external party). A cross-reference table is presented on page 43 detailing where the various GRI indicators can be identified in Clas Ohlson's Annual Report, Sustainability Report and on the website.

The information and performance indicators provided in the Sustainability Report are selected on the basis of significance and relevance from a sustainability perspective for Clas Ohlson and according to requests from our stakeholders. The Sustainability Report pertains to the 2011/12 financial year, meaning the 1 May 2011 – 30 April 2012 period. Some sections contain information, performance indicators and diagrams for the 1 January 2011 – 31 December 2011 period.

Clas Ohlson's stakeholders and target groups

Clas Ohlson's key stakeholders and target groups are customers, employees, shareholders, suppliers and manufacturers, as well as the general public.

We engage in a continuous dialogue with key stakeholders and also conduct internal and external surveys to ensure that we keep abreast of opinions and requests concerning the company's operations and development. The expectations and demands placed on Clas Ohlson by stakeholders differ. An open dialogue generates increased knowledge and assists in determining the aspects of our sustainability efforts that need improvement.

We engage in meetings with a number of funds and asset management companies and their sustainability analysts concerning various CSR issues and the opportunities and challenges facing Clas Ohlson.

The Sustainable Value Creation Initiative also contributes to providing valuable feedback from the capital market in terms of key CSR issues. During the financial year, Clas Ohlson conducted meetings with various non-profit organisations to gain familiarity with their viewpoints, experience and work with human rights and the environment. A follow-up review by the organisation Swedwatch was conducted during spring 2012 in which Clas Ohlson and other companies in the industry participated. The analysis, which was published in June 2012, was based on interviews with buyers and suppliers, and is available for reading on Swedwatch's website (www.swedwatch.org). We also participated in a number of research projects, including one at Lund University, as part of efforts to contribute to empirical research in the CSR area.

Participation in international sustainability initiative

Since 2008, Clas Ohlson has been a signatory to the UN petition to promote work in the area of human rights, the UN Global Compact. Since 2008, we have also contributed to the international climate initiative, the Carbon Disclosure Project (CDP). This requires that we report both direct and indirect emissions of greenhouse gases from our operations that occurred in 2010.

Employee surveys

Our work environment survey reveals a high level of job satisfaction and an excellent working environment. During the financial year, a Group-wide employee survey – Employee Satisfaction Index (ESI) – was conducted. The survey provides valuable feedback from our employees

in respect of workplaces, working conditions and work satisfaction (read more on pages 36-39).

Customer survey

Each year, Clas Ohlson conducts an extensive customer survey encompassing Sweden, Norway and Finland. The customer survey for the financial year under review included questions relating to customers' views of sustainability and the areas that they considered most important with respect to the environment, ethics and social responsibility (see the diagram on the next page).

This year's survey shows that customers believe that our social work is most important, followed by a good personnel policy, our environmental programmes and finally our other community involvement. For the second consecutive year, Clas Ohlson participated in the Sustainable Brands Image Survey 2012. The survey gauges the Swedish population's attitude to and perception of corporate sustainability programmes, and Clas Ohlson was awarded the distinction of "Best in the Industry 2012".

The customer dialogue on sustainability issues is important and will be further developed to include customers in the development of Clas Ohlson's operations and the products we offer.

Our stores

In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and government authorities. There is a shared interest in creating a viable local industry, particularly in the city locations where Clas Ohlson primarily establishes its stores. Central locations mean that people can shop where they live and work, reducing the need for driving to business centres outside city centres. Clas Ohlson opens a large number of new stores in our current four markets every year, thus creating many new job opportunities.

Financial development that creates value

Clas Ohlson has reported a profit every year since its inception in 1918. Healthy profitability and sound finances are essential for conducting long-term sustainable operations and creating value for shareholders, employees, suppliers and society at large. As the business grows and expands, new job opportunities are created and, through the taxes paid in our various markets, Clas Ohlson contributes to public finances and the financing of society's joint commitments.

Significant events during 2011/12

During the financial year, we continued to make progress in our long-term programme aimed at monitoring compliance with our Code of Conduct. Over the course of the year, 617 audits were conducted of manufacturers in Asia compared with 426 in the preceding year. A programme designed to intensify cooperation with strategically significant manufacturers commenced with the objective of raising the CSR standard to the second highest or absolute highest level.

In-store energy consumption was reduced by about 50 per cent in a number of stores as a result of superior lighting plans and new lighting technology. The new lighting is used in all recently opened stores, while the system will be introduced in older stores in conjunction with their renovation.

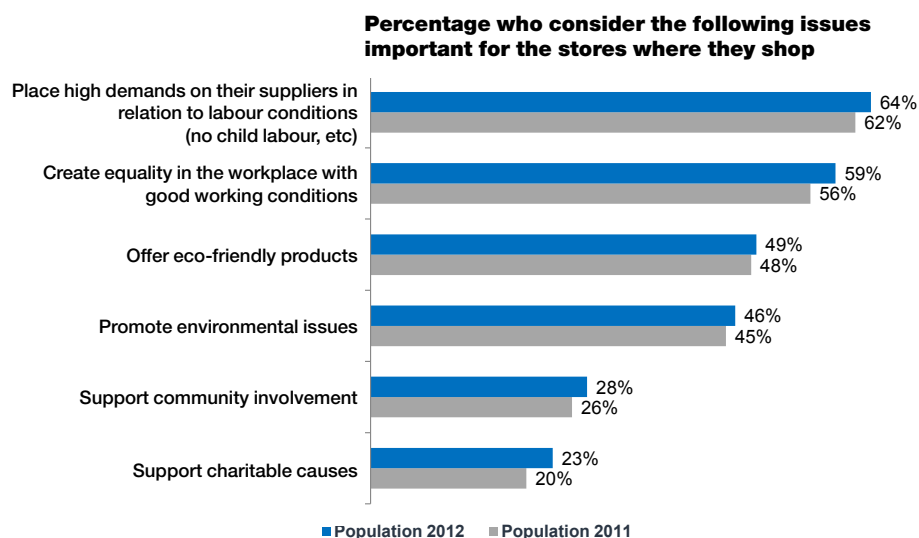
Emissions from transport have been reduced by raising the filling height for pallets used in transporting goods from the distribution centre to stores. More goods and less air in the trucks permit a reduction in carbon dioxide emissions and costs. Clas Ohlson continued the phase-out of conventional light bulbs by means of various marketing campaigns. Thanks to our competent personnel and in-store information, customers receive assistance in selecting appropriate alternatives. Clas Ohlson cooperates with Save the Children. This involves educational efforts on behalf of young workers in China in terms of meeting their special

requirements and conditions, in addition to in-store fund-raising campaigns on behalf of children in Nepal. The objective over a three-year period is to provide some 7,000 children the opportunity to attend school.

*GRI application levels

The guidelines have three different application levels: A, B and C. The reporting criteria at each level reflect an increased application or coverage of the GRI Reporting Framework. A "plus" (+) can be added at each level to indicate that the item in the report has been externally verified.

Nordic survey of the sustainability aspects considered most important



The strategies are as follows:

Strategy	Activity
Open dialogue with our stakeholders and opinion-builders concerning our CSR work.	<ul style="list-style-type: none"> - Feedback from our stakeholders via Employee Satisfaction Index, customer surveys and participation in Sustainable Brands Image Survey. - Participation and dialogue with NGOs, universities, forums and other parties in relation to CSR issues.
More intensive cooperation with suppliers and manufacturers to achieve gradual social and environmental improvements	<ul style="list-style-type: none"> - Further developed processes to monitor, follow up and support manufacturers in Asia as regards working conditions, environmental programmes and other aspects. - Programmes aimed at reducing the number of suppliers and manufacturers. - Cooperation with other organisations to raise the efficiency and effectiveness of monitoring and development programmes.
The CSR perspective shall be an integral part of our business and operations. We shall contribute to sustainable development, capitalise on existing business opportunities and strengthen our long-term competitiveness.	<ul style="list-style-type: none"> - Integration of CSR issues in Clas Ohlson's strategy and business planning. - Development of the organisation, processes and system support for CSR programmes. - Internal training to raise expertise and awareness of CSR issues throughout the organisation.
Develop the product range and communication, thus helping our customers in their selection of products that contribute to sustainable development.	<ul style="list-style-type: none"> - Range enhancements with new products that help our customers reduce their electricity consumption and environmental impact. - Improved customer communication in relation to CSR issues in our stores and through other sales and communication channels.
We shall make a difference in society by supporting selected non-profit organisations in countries in which we are active.	<ul style="list-style-type: none"> - Long-term cooperation with, for example, Save the Children to help improve conditions for children, in the form of educational programmes in China, as well as offering children in Nepal the opportunity to attend school. - Community involvement for cultural and sporting activities, especially for young people living in and around Insjön.

Our work to promote human rights and better working conditions

Taking responsibility for the environment and the people who are affected by our operations is important for Clas Ohlson. Responsibility in our supply chain involves making demands and verifying compliance, but also developing long-term relationships with our suppliers and supporting their efforts to achieve sustainable improvements.

Our supply chain

Clas Ohlson is a dedicated retailer. The company does not own any factories, and purchases its entire range from suppliers and manufacturers in 30 countries. Some 38 per cent of our range is purchased directly from factories in Asia. Direct purchasing gives us greater opportunities for influencing, verifying and supporting our manufacturers in their efforts to improve working conditions and their work environment.

The work involved in verifying and supporting our suppliers and manufacturers primarily focuses on the production taking place in countries with a high risk of non-compliance with our Code of Conduct.

Long-term commitment and cooperation

Our ambition is to contribute to a better work environment and working conditions in our own operations and for the people involved in the production of products that we

purchase from various suppliers and manufacturers. We are also responsible for ensuring that our products generate the least amount of environmental impact possible during their lifecycle. Verifying and working for improvements in our supply chain is a long-term and complex process. It requires commitment and effort from the entire organisation as well as our suppliers and manufacturers. Since the introduction of our Code of Conduct in 2005 and the establishment of our purchasing office and CSR department in Shanghai in 2008 and in Shenzhen in 2010, we have come closer to manufacturers and taken several significant steps forward in our efforts to influence, verify and improve conditions in our supply chain.

Integral part of the operations

CSR work is an integral part of Clas Ohlson's operations. Targets are set, planned and monitored by Clas Ohlson's CSR forum (read more on page 27).

In our work on social responsibility in the supply chain, close and effective cooperation between the purchasing office and the CSR department is essential. Both entities actively ensure that Clas Ohlson's suppliers and manufacturers sign and comply with the requirements of our Code of Conduct and that any deficiencies are addressed. In its daily work, the purchasing office can access information about our manufacturers' CSR status, audit reports and improvement work to support decisions concerning purchases of various products or the selection of a supplier or manufacturer. If suppliers or manufacturers have a serious non-compliance that is not addressed, they are blocked in the system until the problems are rectified.

The CSR departments in Shanghai and Shenzhen

Our CSR department in China is responsible for verifying, assessing and monitoring compliance with Clas Ohlson's Code of Conduct, and for training and communication with our suppliers and manufacturers in Asia. This assignment includes CSR audits of manufacturers and supporting their efforts to improve.

Organisationally, the department reports to Clas Ohlson's CEO and, at the end of the financial year, consisted of the CSR Manager Supply Chain, the CSR team leader, administrators, and CSR auditors, who audit manufacturers and provide information and training in factories.

Challenges and opportunities

Clas Ohlson has a broad range of about 15,000 products. The company does not have its own factories, but purchases its products from a large number of manufacturers. For many manufacturers, Clas Ohlson is a small customer that accounts for less than 5 per cent of their annual sales.

The factories in Asia represent various types of challenges, such as excessive overtime, poor working

History of Clas Ohlson's CSR work

- 1998 Policy concerning child labour introduced.
- 2001 Environmental policy introduced.
- 2004 Launched process to develop and introduce Code of Conduct.
- 2005 Clas Ohlson's Code of Conduct for suppliers adopted by Board and published.
- 2006 Working basis for the company's systematic CSR work is prepared, approved and tested.
- 2007 First external CSR audits carried out.
- 2008 Establishment of a special Corporate Social Responsibility organisation in Shanghai.
- 2009 Expansion of the number of audits and deepening of cooperation with suppliers in regard to our Code of Conduct.
- 2010 Anti-corruption section added to our Code of Conduct.
- 2011 Purchasing office in southern China with CSR auditors.



conditions, inadequate protective equipment, no or weak unions and manipulated time sheets. Corruption, bribery and other problems can also compound verification processes. We make both announced and unannounced visits to our manufacturers. All companies operating either directly or indirectly in Asia encounter these challenges and can contribute to improvements in several ways. Clas Ohlson's strategy is to use a combination of its own CSR auditors and external audit firms. Close cooperation between our CSR department in China and our purchasing office in Insjön is also essential for achieving results.

Clas Ohlson works to prevent corruption and bribery. As a company and purchaser of goods and services, we can and must make demands on business ethics, both our own and our sub-contractors'.

The manufacturers with whom we cooperate have various skills and experience of CSR requirements and audits. Many factories have several international customers that impose demands and make recurring visits to the factory, while others have more limited experience since clear requirements and CSR audits by purchasers were previously rare. We have noticed a difference during recent years, and an increased number of purchasers now make demands and verify factories, which is the key to achieving lasting and sustainable improvement.

Joint demands by purchasing companies for better conditions for people and the environment represent a positive trend and can generate even greater effects by means of endeavours to harmonise the various tools and methods that are used. Clas Ohlson is a member of CSR Asia, an organisation that presents opportunities for us to share experiences. To enhance efficiency of follow-up and change work, we evaluate any cooperation with global organisations, such as SEDEX (SMETA), BSCI or GSCP, which have common codes of conduct, tools and processes. We also cooperate with Save the Children's Centre for Children's Rights and Corporate Responsibility in

China to help improve conditions for young workers (older than 16) (read more on page 32).

As part of this work, and in line with the UN Global Compact to combat corruption, we undertook advance training on corruption and bribery in the company during the fiscal year.

Training

More intensive training programmes were conducted to provide basic CSR training for all company employees. Training creates a shared platform in the company, describes the various components that make up Clas Ohlson's work, and how each individual can attain the company's sustainability goals.

Our purchasing office undergoes regular training in CSR and our work in the supply chain, and purchasers participate in audits every year, thus enhancing their knowledge and experience of the process and insight into how they as purchasers can contribute to improvements.

During the year, Clas Ohlson's auditors underwent external environmental training, an introductory course on the CSR SA8000 standard, along with seminars and labour legislation. Training programmes were also conducted in factories to raise insight into various production processes, carbon emissions and greater awareness of special requirements and conditions for young workers (older than 16).

Each year, we arrange training courses in Hong Kong, Taipei and Shanghai for agents relating to our CSR programmes and monitoring of the supplier chain. Our agents, who assist with direct purchasing in Asia, also participate in audits to acquire more knowledge about the work involved in monitoring, verifying and supporting manufacturers.

External information

Clas Ohlson's sustainability report, which is part of the annual report, is the basis of our external CSR reporting and is prepared in accordance with the Global Reporting Initiative (GRI), which makes it easier for others to monitor our work. Clas Ohlson's stakeholders can receive more information on our website, where we have also published a number of case studies with examples of our work on social, environmental and other sustainability issues. We report our CSR efforts to the UN Global Compact and CDP (Carbon Disclosure Project).

Our tools and processes

The Code of Conduct

The basis for our work on monitoring and improving work in our supply chain is our Code of Conduct. Clas Ohlson's Code of Conduct contains the demands we make on ourselves, and on our suppliers and manufacturers in relation to working conditions, the work environment, ethics and environmental impact.

We refer to international conventions and national laws and regulations. The requirements of the Code are based on the UN Declaration on Human Rights and Rights of the Child, and the ILO core conventions.

The Code is based on the OECD guidelines for multinational companies and also complies with the ten principles in the UN Global Compact in the areas of human rights, labour standards, the environment and anti-corruption.

Our demands in the Code include:

- We do not tolerate child labour or forced labour.
- Employees must not be discriminated against on the grounds of personal characteristics or beliefs.
- Workers' health and safety must be prioritised in the workplace, for example that proper protection is used, and equipment and buildings are safe.
- Hazardous substances and waste must be handled safely.
- Employees must have acceptable working conditions, particularly in regard to wages and working hours.

The Code is available in Swedish, Norwegian, Finnish, English, Mandarin, Vietnamese, Korean and Japanese and has been published in its entirety on Clas Ohlson's website (<http://about.clasohlson.com/en>).

Demands on suppliers and manufacturers

All of our suppliers and manufacturers must sign our Code of Conduct. The suppliers, in turn, are responsible for ensuring that their sub-contractors and manufacturers comply with our Code. Suppliers and manufacturers that are unable or unwilling to sign our Code or comply with our

demands are not permitted to cooperate with Clas Ohlson.

Since the introduction of our Code of Conduct, a number of suppliers have chosen not to sign the Code or not qualified to be one of our partners for a range of reasons. If our partners do not give us access to audits or are unwilling to work with improvements, despite discussions and attempts, we terminate our partnership with them (read more on pages 33-34).

Manufacturers with a committed management and effective management system for monitoring, control and document management are in general best at meeting the demands of the Code of Conduct.

Assessment and control of new factories

Before Clas Ohlson purchases products directly from a new supplier or manufacturer in Asia, a representative from the company visits the factory to make an initial assessment of various CSR aspects based on our requirements. The factory must also sign our Code of Conduct.

To identify any deficiencies, we also work with self-assessments where the manufacturer completes a comprehensive questionnaire about conditions in the factory

Targets	What we wanted to achieve 2011/12	What we achieved 2011/12	What we want to achieve 2012/13
<ul style="list-style-type: none"> • Intensify our efforts in assessing, controlling and working to improve conditions for people and the environment, among our suppliers and manufacturers. 	<ul style="list-style-type: none"> • Active work to increase cooperation with other organisations and companies in relation to harmonised tools and methods for monitoring the Code of Conduct. • Increase the number of external audits to make more verifications in addition to our own. • Increase proportion of unannounced (window) audits to acquire some idea of normal conditions for our manufacturers. • Deeper audits in the manufacturing area where the risk for deviations are assessed greatest. 	<ul style="list-style-type: none"> • Participation in the CSR Asia organisation, leading to cooperation with other retail companies active in the region. • We increased the number of auditors, both initially and subsequently, and raised the proportion of external auditors to control the quality of our own work. • We increased the proportion of unannounced (window) audits as an effective supplement in auditing activities. • Advanced cooperation with key manufacturers and aimed at reducing the number of manufacturers. 	<ul style="list-style-type: none"> • Greater focus on environmental issues in CSR programmes. • Deeper cooperation with key manufacturers and suppliers at the "Excellent Yellow" level to raise and reward manufacturers for their CSR work. • Increased efforts to support manufacturers' CSR programmes vis-à-vis sub-suppliers.
<ul style="list-style-type: none"> • Expand our work with information and training at our manufacturers. 	<ul style="list-style-type: none"> • Increase the number of training sessions for factories. • Advanced training for our largest and the most important manufacturers. 	<ul style="list-style-type: none"> • Our auditors supplied information for factory managers in the areas of health and safety, human resources and environment. 	<ul style="list-style-type: none"> • Continuing training programmes for new and existing manufacturers.
<ul style="list-style-type: none"> • Continuous training of our CSR auditors. 	<ul style="list-style-type: none"> • Continuous training. 	<ul style="list-style-type: none"> • Production process training in factories. • External environmental training, covering such areas as training in respect of current emissions of carbon dioxide, environmental management systems, and chemicals. • Introduction to SA8000 and "Young workers' special needs and rights". 	<ul style="list-style-type: none"> • Continual further training for our CSR auditors. • Enhanced competence in the environmental area.
<ul style="list-style-type: none"> • Cooperation with other companies and organizations in order to influence and continue improving. 	<ul style="list-style-type: none"> • Cooperate with more companies and organisations. • Study various initiatives aimed at harmonising the company's CSR programmes. 	<ul style="list-style-type: none"> • Participation in CSR Asia. • Cooperation with Save the Children in China (CCR CSR). • Participation in various research studies in the CSR area at Lund University, for example. 	<ul style="list-style-type: none"> • Assess the potential to cooperate with other companies and organisations in respect of audits to gain greater effect and increased potential to exert influence. • Greater dialogue with stakeholders in the countries in which we are active. • Deeper, long-term cooperation with Save the Children.
<ul style="list-style-type: none"> • Improved communication both internally and externally. 	<ul style="list-style-type: none"> • Increased internal and external communications. • Further development of our dialogue with stakeholders. 	<ul style="list-style-type: none"> • Increased CSR information on Clas Ohlson's website. • CSR training for all personnel (May/June 2012). • Participation in the Sustainable Brands Image Survey – awarded the "Best in the Industry, 2012" distinction. 	<ul style="list-style-type: none"> • Increased communication about CSR via all channels; stores, e-commerce, catalogue, telephone and marketing. • Enhanced cooperation with Save the Children and campaigns to offer children in Nepal the opportunity to attend school. • Continual CSR information to our employees via our internal information channels.

in regard to the work environment, working conditions and the environment (based on the requirements of our Code of Conduct). The most comprehensive control is carried out during audits, when our own or external auditors inspect the manufacturing facility, interview the employees and verify various documents. Clas Ohlson bears the costs of these audits (an audit is described on page 35).

The demands in the Code are based on:

- UN Convention on Human Rights.
- UN Convention on Rights of the Child (1989).
- ILO Convention on the Minimum Age for Employment (no. 138, 1973).
- ILO Convention concerning the prohibition and immediate action for the elimination of the worst forms of child labour (no. 182, 1999).
- ILO Declaration on Fundamental Principles and Rights at Work (1998).

Preventive work

Some manufacturers have very little initial knowledge about our demands and regulations or how they can proceed. During the audits, our auditors inform manufacturers of our requirements and the areas that must be improved. We produced training materials in the areas of health and safety, human resources, and the environment to support manufacturers in their efforts to improve operations. We conducted training programmes at 120 factories during the year.

Although Clas Ohlson is often a small customer for our suppliers, most of them react positively to being audited and are prepared to improve any deficiencies. However, we do meet manufacturers that for various reasons are not prepared to provide us with access for our audits or are not interested in working with the improvements that are required within the given timeframes. If we cannot convince them to change their position, despite attempts and discussions, we terminate our partnership with them.

Recurring audits

We conduct recurring audits of our active manufacturers, who are reviewed at least every second year.

We conducted 617 audits during the financial year, both initial and recurring. Our own auditors conducted 591 audits, while 26 external audits were carried out by independent audit firms specialised in social responsibility and human rights.

An audit normally takes 1-2 days, depending on the size of the factory and the number of employees. The auditors inspect the factory's premises, interview employees and verify documents. The audit is documented in a report. If we discover non-compliance with our Code, an action plan is prepared with information about actions that must be taken by the factory within a given timeframe (read more under "The CSR audit process" on page 35).

Assessment of the CSR level

Our manufacturers' CSR levels are assessed according to a range of colours:

- Green** – Meets the requirements of our Code of Conduct
- Yellow** – Identified non-compliance with the Code
- Orange** – Identified high-risk non-compliance with the Code
- Red** – Identified zero-tolerance non-compliance with the Code



Remarks and improvements

In our audits, most remarks are made regarding health and safety, such as deficiencies in the use of protective equipment, evacuation and fire protection, and wages and working hours, such as excessive overtime or lack of access to social insurance.

During the year, most improvements took place in health and safety. General improvements in relation to wages and working hours take longer to achieve. This issue is complex and requires a long-term process in which both the purchasers and the manufacturers of goods in Asia, in consultation with authorities and NGOs, have to work together to find sustainable solutions.

Since many manufacturers have a colour code yellow in terms of the CSR level, with various deviations, in the future we plan to work to raise the manufacturer's level towards green, that is, without any deviations, in order to target and deepen cooperation with strategically important manufacturers who report a positive development of their CSR programmes.

GRI (Global Reporting Initiative)

In 2009, Clas Ohlson introduced GRI – the global reporting standard for sustainability activities – which made it easier for people to monitor our sustainability efforts. The introduction of GRI has also created value for Clas Ohlson by providing a framework with well-defined performance indicators, which can be used to set targets and monitor results in selected areas.

Reporting deviations and actions taken

A number of selected performance indicators in the human rights area can be found in the tables on page 34.

Non-discrimination

Audits conducted during the year identified one case of discrimination and noted five remarks regarding the absence of policies against discrimination. The most common form of discrimination is that recruitment



Radio ear defenders. Listen to music while you work.
40-8308

advertisements impose demands in terms of age and/or gender regarding candidates. Clas Ohlson has demanded the introduction of a non-discrimination policy and that the advertisements be changed.

Freedom of association and collective bargaining

We identified 17 cases of restricted freedom of association and the right to collective bargaining. We have demanded that suppliers introduce systems that eliminate these obstacles.

In general, freedom of association is a major problem in Asia and represents a large and important area of development that requires collaboration between manufacturers, purchasing companies, NGOs and government agencies.

Child labour (under 16 years)

We identified twelve cases of child labour in our audits during the year. In each case discovered in our audits in China, the workers were 15 years old (workers must be at least 16 years to start working in China). When we discover under-age workers, we work together with the child/parents and the factory to try and find the best solution for the child.

In a further 36 cases, factories did not have satisfactory ID documentation to verify the age of employees (with no suspicion of child labour at the time of the audit) and in 5 cases, factories did not have a child labour policy. In these cases, Clas Ohlson demanded that the companies introduce child labour policies and procedures to maintain records of identification documents.

Forced labour

We did not identify any cases of risk of forced labour during the financial year. Previously identified cases in this area have pertained to wages or to workers' identification documents being confiscated by the manufacturer. Clas Ohlson demanded that these activities cease immediately and that the factory concerned introduce policies and procedures to prevent forced labour.

Status per active manufacturers 30 April 2012

Status	Green	Yellow	Orange	Red
Per cent proportion	7%	90%	3%	0%

Status after completed CSR audits per financial year

Year	06/07	07/08	08/09	09/10	10/11	11/12
Green			14	11	4	11
Yellow	4	24	296	332	300	438
Orange				50	82	109
Red		14	49	51	40	59
Total	4	38	359	444	426	617

Non-compliance based on GRI indicators after completed audits:

GRI indicators	2007/08	2008/09	2009/10	2010/11	2011/12	Total
HR4K Non-discrimination		16	15	20	6	57
HR5K Freedom of association and the right to collective bargaining	1	29	9	7	17	63
HR6K Child labour	1	1	1	6	12	21
HR7K Forced labour		5	2	0	0	7

Glossary and definitions

CSR (Corporate Social Responsibility)

CSR entails that companies, on their own initiative, demonstrate active commitment and responsibility in terms of social development. The term encompasses companies' social responsibility, environmental responsibility and HR policies.

Code of Conduct

A Code of Conduct includes guidelines that describe how a company should conduct operations, ethically, socially and environmentally. It is often based on various international agreements, such as UN and ILO conventions, national legislation and regulations. Requirements may also pertain to the production carried out by suppliers and manufacturers. By applying a Code of Conduct, companies aim to ensure that products are manufactured under satisfactory working conditions.

GRI (Global Reporting Initiative)

Global reporting standard for sustainability programmes. Introduced in 2009 at Clas Ohlson.

Suppliers

Companies with whom we place orders.

Manufacturers (factories)

Companies that manufacture our products.

Agents

Suppliers in Asia with whom we have a long-standing relationship and who purchase products from other suppliers and manufacturers in Asia.

Read more: The complete Code of Conduct and further information about Clas Ohlson's efforts to promote human rights is also available on the website at <http://about.clasohlson.com/en>.



The CSR audit process

At Clas Ohlson's office in Shanghai and Shenzhen, six auditors are employed to check conditions in factories. Clas Ohlson performs internal audits using its own auditors and external audits through independent organisations.

An audit comprises the following components

- An audit is initiated when our auditors convene an opening meeting with the owner of the factory or a senior official. During this meeting, we provide information about Clas Ohlson, describe the audit process and the agenda for the day, the auditor collects information about the factory and reviews the documents that the factory must produce for review.
- This is followed by a visual inspection of the factory and its premises, including canteens and any housing.

Some of the items we check are:

- Health and safety

- Fire safety (including fire equipment, escape routes, emergency exits, fire drills)
- Protective equipment for workers, including protective gloves, ear-plugs
- Ventilation, noise and light
- Drinking water
- Toilets
- Canteen and kitchen (including hygiene and certificates)
- First aid equipment
- Electric wires and cables
- Machinery equipped with safety devices

- If the factory provides housing for the workers

- Number of people per room
- Personal space
- Toilets
- Gender-separated rooms
- Fire safety (including fire equipment, escape routes, emergency exits)
- Ventilation and light
- Hygiene and safety

- Documents for production and other properties

- Certificates and permits
- Policies
- Attendance lists
- The practise of fines or other disciplinary actions

- Child labour

- Pay attention to and check for young workers

- The environment

- Report the factory's environmental impact and risks
- Relevant documents and certificates
- Hazardous substances and waste are marked and handled safely
- Access to MSDS (Materials Safety Data Sheet)
- Training and medical examinations for people who work with hazardous substances
- Recycling management
- Water purification, air purification

- Documents are verified in the next phase, including payrolls, time sheets, ID documents, employment contracts and various types of certificates and permits.
- Employees at the factory are then interviewed. The interviews are voluntary and confidential, as protection of individual workers is important.
- The visit is concluded with a closing meeting where the factory management is informed of the audit findings. If non-compliances have appeared, we discuss the improvements that must be made and the timeframe for their implementation.
- Another inspection is carried out later to ensure that the factory complies with the audit's improvement requirements. This inspection is conducted by either Clas Ohlson's own representatives or an independent organisation. We also reserve the right to make both announced and unannounced audits of our manufacturers. Clas Ohlson bears the costs of the audits.

Clas Ohlson's values and employees

Clas Ohlson's employees are the core of the Clas Ohlson brand. A comment we frequently hear from our customers is that we provide good service and have pleasant and knowledgeable staff, whereby they expect a little more of Clas Ohlson.

Clas Ohlson is continuing to expand at a rapid pace. The number of employees in our markets is steadily increasing.

With the purpose of safeguarding expertise for future growth and expansion, we place great importance on attracting and retaining the industry's best employees.

Key success criteria in this work include providing access to internal career opportunities, continuous skills development, market-based salaries, and health and diversity programmes.

An eventful year

The following events, measures, and activities provide a brief summary of our HR and training programmes during the 2011/12 financial year.

- Continuing focus on skills development in entrepreneurship.
- Launch of our new leadership-training programme for executives, other key personnel and potential managers.
- Continuing organisational development and manning optimisation to provide quality customer service, combined with high efficiency.
- Our first group of trainees completed the programme and took up positions in goods supply, purchasing and operational development. Three of the new trainees

were recruited in autumn 2011, and a new trainee program commenced in autumn 2012.

- Follow up of the results and action plans on the basis of the Employee Satisfaction Index, (ESI) 2011.
- Continuing anchoring of our value base, with the objective that all employees are familiar with our corporate history and culture and contribute to fostering and developing the Clas Ohlson spirit.

Proud employees

On 30 April 2012, the number of employees in the Group was 3,920. Of these, 52 per cent were full-time employees. The effect of our manning optimisation policy is that we had fewer employees in the past year compared with the preceding year. One positive effect of this strategic planning is that we can offer part-time employees a higher level of employment, which is also aimed at ensuring competence and service for our customers.

Over the course of the year, more than a thousand employees participated in some form of training programme in Insjön.

Our second Group-wide employee survey was finalised when the UK completed its survey during autumn 2011. The survey was conducted earlier during the year in Sweden, Norway, Finland and China. Overall, 85 per cent (84 per cent 2010/11) of our workforce responded to the questionnaire, which is a high participation rate.

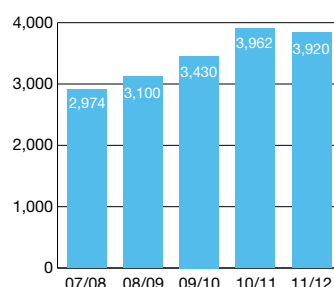
The ESI (Employee Satisfaction Index) for the Group was 74 per cent (unchanged from 2010/11), which, by external comparison, rates well vis-à-vis against other companies.

Considerable confidence

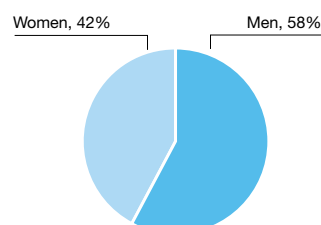
The employee survey offers an excellent basis for our efforts to attract, satisfy, stimulate and motivate employees as well as to how we can develop leadership in the company.

Among other points, the survey indicated that most

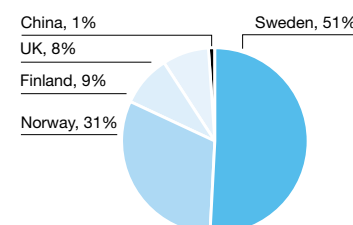
Total number of employees



Number of employees, men/women



Employees per country



Total	Store	Store managers	Salaried employees	Other managers	Ware-house	Women	Men	Total
Total number of training hours	43,541	6,484	4,221	5,900	2,557	26,723	35,980	62,703
Average per employee	15	32	6	3	6	16	16	16



Focus on spare parts – Clas Ohlson likes wear but not waste!

A well-kept secret is that Clas Ohlson has a vast range of spare parts – comprising more than 9,000 articles – that can extend the service life of various products. The stock ranges from clock parts to drive belts and coffee pots.

To date, only a minor share of our customers have been aware that we offer spare parts and our own workshop to which they can turn for help in repairing products.

"Many customers are positively surprised when they hear that we offer spare parts and workshop services and can extend the life of a favourite product – ranging from machinery, tools and electronics to household products, multimedia and leisure products. This is an issue of service and sustainability, or, in other words, economising with resources and not dumping things unnecessarily," says Sven-Åke Östberg, Customer Service Manager at Clas Ohlson.

A key aspect of Clas Ohlson's new e-commerce venture is the potential to display the extensive range of spare parts accompanying the various products. Using this channel, customers can also search for spare parts for products that are no longer included in the product range – a feature that is much appreciated, especially in the case of more costly machinery and tools. And in terms of support, there is considerable expertise available at Clas Ohlson, with 25 service engineers active in various specialist areas, namely, electrical and clock parts, machinery and tools, multimedia, home and household, as well as leisure and toys.

Being able to offer spare parts and workshop services is a key feature of our service, but is also crucial in being able to contribute to sustainable development in the form of more wear and less waste.

Our aim is to always guide our customers to the right product with the right quality ambition to solve the particular task. A more basic, low-cost product can function perfectly for many years when used for simple tasks, though not too often. However, in the case of professional users who use a product every day for difficult tasks, a more advanced and frequently more costly product is required that can cope with more demanding use.

employees are proud to work at Clas Ohlson and feel involved in the decisions made. Confidence in managers and executive management is strong, and our efforts to promote diversity, equal treatment and equality are rated highly. Our challenges are linked with our growth, which requires continuing care and development in regard to our status as an attractive employer with a focus on core values, leadership, and clear feedback on employee performance and salary.

During the year, measures based on the results of previous employee surveys were introduced. Employee participation in action programme planning provides clearer target formulation and superior precision, as well as greater involvement in the implementation phase.

Diversity enriches

We firmly believe that good results, satisfaction, commitment and teamwork are attained through diversity. Consequently, we strive to achieve an even distribution of staff with varied experiences and backgrounds.

The Group's gender equality policy underlies our diversity programmes. The objective is that neither gender will account for less than 40 per cent in any professional category. This is achieved through strategic competence development combined with the prioritisation of an even gender distribution in connection with recruitment.

During the 2011/12 financial year 42 per cent of the company's employees were women (41 per cent 2010/11). The proportion of women in senior management was 20 per cent as of May 2011 (13 per cent in 2010/11). Twenty-five per cent of our management team, including country managers and senior executives, are women (18 per cent in 2010/11). A large number of our store employees are younger than 30 years, which is natural since many of them are students who work part-time in the store during evenings and weekends.

Skills development with a business focus

The Clas Ohlson Academy in Insjön is responsible for Group-wide training, including obligatory and voluntary training courses, covering all countries and all occupational categories. The objective is to assure the company's regeneration and growth by ensuring that employees have

the appropriate skills for their working tasks and that the organisation can give its customers an optimal product offering and service. During the year, 2,500 employees received some training in a classroom format or via video conferencing and e-learning.

In autumn 2011, a new learning portal was opened on Clas Ohlson's intranet. Via the portal, employees can conduct occupationally tailored interactive training courses in a simple and cost-effective manner, with minimal environmental impact and administration. The training assessments conducted to date have been positive.

Competitive salaries

Clas Ohlson's pay policy is to offer a competitive total remuneration package. The fixed salary shall constitute the basis for total remuneration. The salary must be comparable to the relevant market and reflect the scope of responsibility that the work entails. The fixed salary shall be reviewed annually to ensure a market-based and competitive fixed salary.

In addition to a fixed salary, all employees – regardless of their professional role – receive some form of performance-based variable salary as well as a keep-fit allowance and staff discounts.

Preventive healthcare programmes

Clas Ohlson offers a good work environment, where employees are satisfied, enjoy a sense of security and belonging, and physical and mental well-being at work.

Our annual employee survey shows that the work environment is good and that job satisfaction high, which, in turn, is reflected in low employee turnover in relation to the industry, a total of 18.4 per cent (including part-time employees), and low sickness absence figures. During the 2011/12 financial year, the total sickness absence amounted to 5.0 per cent. Of the total sickness absence, 2.1 percentage points of absence exceeded 14 days.

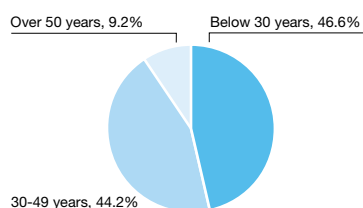
Our shared core values

Clas Ohlson has a resilient corporate culture, a special corporate spirit and core values in which caring for employees and customers has always been a natural feature.

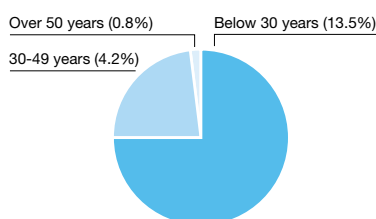
A young organisation

A large proportion of our employees are younger than 30 years, which is natural since many of our store employees work part time. Students often work evenings and weekends in one of Clas Ohlson's stores.

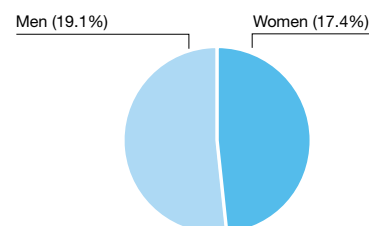
Age breakdown, Clas Ohlson Group



Employee turnover*



Employee turnover, men/women*



* Current statistics (according to GRI) also include part-time employees



New learning portal offers inspiration and know-how

Kim Andersson at Clas Ohlson's Triangle store in Malmö completed the "Advanced personal sales" course using the new learning portal.

"The course was excellent. It provided numerous suggestions as to how deal with customers in various situations," Kim comments enthusiastically.

The interactive training course, which is done from home, is based on animated customer situations that store personnel may encounter.

"This creates a link to reality, which makes it easier to remember compared with a lot of text and theory. I've already experienced lots of situations in the store that I have been able to handle thanks to the course."

The course extends over a total of 1.5 hours, and is split up into lesson sessions of 10 – 15 minutes. Participants can decide whether to do it all in one go or on several occasions.

"It's great being able to study at home in peace and quiet, instead of having to go to a store or a course centre. In my case, it worked best doing the entire course over a single evening but everybody has different times and possibilities," Kim concludes.

Salesmanship is at the centre of our core values. This means that we always seek to pursue business and always conduct it with the customer in mind. Our core values are also marked by drive, warmth, commitment and innovation.

Drive

For Clas Ohlson, drive is the enjoyment, willingness and ability to make things happen. We find solutions to everyday problems, no matter how large or small, and turn words into action.

Warmth

For Clas Ohlson, warmth is the friendliness, care and service-mindedness we display in all customer interaction, in meetings with each other within the company, and in our relationships with suppliers.

Commitment

For Clas Ohlson, commitment means that each individual takes personal responsibility. Regardless of our role or area

of responsibility, everyone is equally important in attaining our common goals.

Innovation

For Clas Ohlson, innovation means being creative, innovative and curious. We are always seeking new opportunities, products and solutions, while also feeling proud of our history.

Core values are at the heart of the Clas Ohlson brand. They provide a compass for the efforts of the entire Group and are the guiding principles for how we communicate with our customers. As the Group grows, it is important to remain clear and forceful. Core value programmes are essential in giving employees and customers in Sweden, Norway, Finland, UK and China a shared image and perception of Clas Ohlson.

Number of employees*	Sweden	Norway	Finland	UK	China	Total
Stores	1,199	1,134	278	267	-	2,878
Distribution centre	333	-	-	-	-	333
Salaried employees	472	107	49	34	47	709
Total	2,004	1,241	327	301	47	3,920
– of whom women, %	42	38	41	54	60	42
– of whom permanent employees, %	90	86	97	88	4	88
– of whom full-time, %	60	44	47	34	100	52

Average period of employment in the company, year*	Sweden	Norway	Finland	UK	China	Total
Salaried employees	6.7	7.7	5.0	1.8	3.5	6.5
Stores/distribution centre	7.1	4.0	2.0	1.6	-	5.0

Average sickness absence, %	Sweden	Norway	Finland	UK	China	Total
Total sickness absence	4.9	6.8	3.1	1.7	0.0	5.0
– long-term sick leave	1.9	3.5	0.4	0.3	0.0	2.1
– women	6.0	9.2	3.9	2.3	0.0	6.3
– men	4.0	5.3	2.5	1.1	0.0	4.0

*April 30 2012

Our responsibility for the environment

Clas Ohlson purchases products from approximately 600 suppliers in 30 countries. The products are transported by sea, air, road and rail to the distribution centre in Insjön in Dalarna, where they are stored and sorted for onward distribution to our stores in Sweden, Norway, Finland and the UK, and to mail order/Internet customers. The goods are mainly transported by road, but transport by sea and rail is increasing by the year.

We work actively to achieve our environmental objectives, and continuously improving the company's environmental performance is a priority. Clas Ohlson's environmental policy states that the environmental perspective must underpin all important decisions, in order to create long-term value for our customers, employees, shareholders and society at large.

This entails a lifecycle perspective that spans the entire chain, from choice of suppliers, manufacturing methods and transport modes to product materials, use, energy consumption and waste management

Key events during the year

- The development of our in-store lighting system continues. New lighting sources mean that the installed electricity output has fallen from 35 to 15 W/m²,

representing an efficiency enhancement of 57 per cent compared with the older lighting system.

- Increased height on goods pallets from the Distribution Centre to the stores. Following an ergonomic risk analysis, the filling height pallet was raised by 20 cm. This permitted pallets to carry more goods, thereby reducing greenhouse gas emissions and transport costs.
- New model for the assessment of chemical risks in goods. Since spring 2011, Clas Ohlson has applied a new method to steer requirements, sampling and the monitoring of requirements in purchasing operations.

Environmental work in a wider context

Our greatest challenge, from a risk and cost perspective, is our dependence on fossil fuels and their climate impact, particularly in regard to freight.

In addition to the threat of a shortage of oil in the longer term, current climate-policy efforts at government level could result in higher taxes and charges.

The impact of logistics on the climate is one of two prioritised areas in our environmental work. In partnership with the transport companies we engage, we are seeking solutions to reduce our carbon dioxide emissions.

Climate change also shifts the focus to energy consumption in society. The EU issues directives (such as ErP) in order to promote the design and development of products with higher energy efficiency.

As a step in this transition process, our product range and product information is continuously developed to help our customers reduce their own electricity consumption, thus benefiting both the environment and the economy.

Environmental goals	Outcome 2011	Analysis	Goal 2012	Activities
Sea freight -5% CO ₂ /tkm (vs. 2007)	+8.6% (4.02 vs. 3.70)	Lower loading factor for container.	3.52	
Road -10% CO ₂ /tkm (vs. 2007)	-2.9% (50.4 vs. 51.9)	Higher loading factor does not impact the measuring method.	46.7	Increased height for pallet loads forwarded from Distribution Centre.
Train +10% of the proportion of land transport (vs. 2007)	+20.5% (19.4 vs. 16.1)	Intermodal transport to stores in the UK results in a higher proportion. The goal for 2012 has been achieved.	17.7	
Air -10% lower share (vs. 2007)	-35% (0.0615 vs. 0.094)	The proportion of airfreight is at a reasonable level. The goal for 2012 was attained.	0.085	
Business travel -20% CO ₂ /km (vs. 2007)	-13% (108.1 vs. 124.3)	Compared with 2010, the proportion of rail, air and road increased.	99.4	Max. 150 g CO ₂ /km for new company.
Consumption of operating electricity at the DC in Insjön -25% kWh/pallet (vs. 2007)	-15% (20.2 vs. 23.8)	Continuing decline, despite the fact that higher loads on pallets have the opposite effect.	17.1	Optimisation of operating periods, goods flows, cooling and ventilation.

The Energy-related Products Directive (ErP 2009/125/EC). The Ecodesign Directive means that the product must offer a certain energy efficiency and resource efficiency in order to be used in the EU. The ecodesign regulation takes the form of EU stipulations with specifications for various product groups. The regulations apply in all EU countries and the requirements apply from the date stated in the document.

Explanation for the table: **CO₂/tkm** = CO₂ emissions per tonne/kilometre. **Intermodality**, means that a freight unit, such as a container, is freighted with several different modes of transport, such as train, boat or truck. **DC** = Distribution Centre.

The EU's REACH regulation has led to a greater focus on the chemical substances that products could possibly contain. For our part, this entails clearer and more efficient procedures for specifying requirements and communicating with our suppliers. We use a risk assessment model for this work, which basically means that we classify products according to supplier category, brand, area of application and user group. We then adapt our demands on suppliers and products according to the risk classification.

Organisation and responsibility

Environmental efforts are a feature of Clas Ohlson's sustainability work and are coordinated in a CSR forum. The forum formulates targets and strategies, and plans and monitors sustainability efforts. Each function manager is then responsible for measures relative to the environmental impact of his/her own activity. Read more about Clas Ohlson's CSR forum on page 27.

Freight and business travel

Our overall environmental objectives entail that carbon dioxide emissions per tonne/kilometre for freight and person/kilometre for business travel must be reduced by 30 per cent by 2020, compared with the base year of 2007. The reduction applies to the total performance indicators for current transport modes.

About 85 per cent of goods arriving from Asia to Gothenburg by sea are transported by rail to the terminal at Insjön. The Purchasing Department adapts orders to fully fill entire containers, which provides the optimal load factor. Goods from Swedish and European suppliers are coordinated in several locations for onward transport by road.

Transport from the distribution centre to stores and customers mainly goes by road, but the proportion of the flow of goods that is transported by rail and sea increased from 16.4 per cent (2010/11) to 18.3 per cent (2011/12). Since July 2011, the height of pallets dispatched from the distribution centre has been increased by 20 cm, which

results in reduced costs and reduced environmental impact. The performance indicator for climate impact in conjunction with business travel by road, air and rail increased by 8 per cent, from 100 till 108 g CO₂/ km. The underlying factor is a decrease in rail travel and higher road and air travel.

Results

Clas Ohlson's total carbon dioxide emissions for goods transport decreased from 16,289 tonnes (2010/11) till 15,349 tonnes (2011/12). A higher level of sea and rail transport is the primary factor. Emissions per tonne/kilometre increased – from 5.5 (2010/11) to 6.0 grams per tonne/kilometre (2011/12), primarily due to the loading factor for sea transport from Asia.

Product responsibility

Overall environmental goals

The products we sell must have properties that meet or exceed market expectations in regard to material characteristics, energy consumption, safety and quality. Product ranges and information is to be developed to help our customers reduce their own environmental impact.

Chemical risk substances

The number of chemical substances covered by the EU REACH regulation is rapidly increasing. Clas Ohlson has worked extensively in training suppliers as regards legislation and risk assessment of the chemical content of products and packaging. The company has also drawn up a contract with an accredited laboratory in China, through which suppliers can test their products.

Phase-out of risk substances

All materials and substances in products with known risks must at least meet the requirements of applicable legislation. Clas Ohlson is phasing out risk substances subject to the REACH regulation by setting a maximum

Energy consumption*

	2011	2010	2009
Store premises, kWh electricity/m ² , year)*	139	150	139
Offices, kWh/m ² , year, total	142	157	205
Distribution centre, kWh/m ² , year, total	89	100	83
Distribution centre, kWh/pallet, electricity	20.2	22.6	24.2
Fuel oil Insjön, m ³	0.8	9.4	19.8

*Excluding stores in the UK.

Total electricity consumption (GWh)

	2011	2010	2009
Store premises*	34.0	30.9	24.2
Offices	1.2	1.6	2.2
Distribution centre	4.6	5.1	4.4

Fossil carbon dioxide (tonnes)

	2011	2010	2009
Freight	15,349	16,289	11,800
Travels	794	514	530
Heating**	11	186	286
Electricity	3,453	2,760	1,079

**Carbon emissions originate from burning of fuel oil. During 2011, 1% of district heating at Insjön was based on fuel oil and 99% on biomass. Of the carbon emissions, 2.0 tonnes comes from own consumption and 9.1 tonnes from district heating production.

The performance indicators show energy consumption in four different areas: electricity consumption in stores, electricity consumption, district heating and oil consumption at the head office and distribution centre, and electricity consumption per delivered pallet.

Carbon dioxide emissions from transport and travel

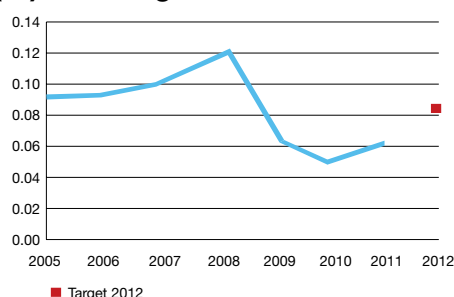
Transport gram CO₂ per tonne/kilometre

	2011	2010	2009
Outgoing freight	46.6	47.7	50.1
Incoming freight - Europe	17.1	22.5	18.9
Incoming freight - Asia	4.29	3.76	4.19

Business travel gram CO₂ per person/kilometre

	2011	2010	2009
Mean value road, air, rail	108	100	108

Proportion of air freight (%) of total goods flow



limit of 0.1 weight per cent. We have identified additional substances for textiles and leather products beyond legal requirements, which we minimise in our products. Clas Ohlson also has more stringent requirements than the legal limit values for materials that come in contact with skin and those used by children. The REACH regulation includes a requirement that consumers must be informed of the content of hazardous chemicals in goods within 45 days of a request. We have elected to provide information that accompanies the product when we feel that a particular product may contain a hazardous chemical. However, the requirement that we set for suppliers is that products must not include any hazardous chemicals.

Energy efficiency

The Ecodesign Directive and Energy Labelling Directive are key tools in the EU's efforts to attain a 20 per cent reduction in energy consumption by 2020. The directives entail that certain product groups must provide certain energy and resource efficiency if they are to be used within the EU and also that it must be clear for the consumer how energy-efficient the product is.

A substantial share of the products affected by the directives is included in Clas Ohlson's product range. Concrete examples are requirements in terms of reduced standby losses, increased energy efficiency in transformers and the ongoing phase-out of conventional light bulbs.

Aftermarket service - wear, not waste

Repairing a product rather than dumping it away is a concrete example of sustainability. In addition to the extension of the service life of the product, an environmental benefit is achieved through a reduction in waste. Clas Ohlson has a product range accompanied by thousands of spare parts and its own workshop with service engineers. Our employees' product expertise is appreciated by customers, who are also offered repairs at cost price.

Energy consumption

Overall environmental objectives

All energy consumption in our own and leased premises and properties must be documented. Efforts are to be directed toward specified savings targets for the distribution centre, head office and stores. The use of energy from fossil sources in our own operations must be discontinued.

Distribution Centre

The overall energy consumption at the Distribution Centre declined by some 11 per cent, returning to the 2009 level: 89 kWh per square metre per year. The favourable outcome is the result of the systematic optimisation of ventilation, cooling equipment and automated equipment.

Other performance indicators reinforce the impression of a positive trend. Energy consumption per pallet declined from 22.6 (2010/11) to 20.2 (2011/12) kWh/pallet, despite the higher load per pallet. The number of picking rows increased by 15 per cent, with an unchanged number of outgoing pallets – a definite efficiency enhancement that provides lower emissions and reduced costs.

Head office

Clas Ohlson's head office at Insjön comprises two buildings totalling 20,000 square metres of floor space. These buildings also house the Insjön store and customer service,

with workshops, spare parts store and so forth. Since December 2009, all sections of the buildings have been connected to bio-based district heating. The performance indicator for the total consumption of electricity, district heating and oil continues to fall.

Stores

Electricity and energy consumption varies significantly among the different stores. For example, certain stores have escalators and additional electric signage, resulting in higher electricity consumption.

Electricity consumption in our stores points to a welcome trend reversal, with a reduction of 7 per cent, from 150 kWh per square metre per year (2010/11) to 139 (2011/12), excluding the stores in the UK. In the Nordic region, cooling/heating is included in the leasing contract. However, in the UK, all property-related energy is billed separately, which means that electricity consumption in UK stores cannot be compared with that of stores in the Nordic region.

The reduction in electricity consumption results from a keener focus on lighting issues, good cooperation with suppliers and a greater portion of energy-efficient light sources and fittings.

Waste

The WEEE Directive (Waste Electrical and Electronic Equipment) applies in all countries where we operate and Clas Ohlson accepts producer responsibility through its membership in national waste collection systems in all markets.

For many years, the distribution centre at Insjön has employed efficient systems for sorting waste at source and recycling. Surplus packaging is pressed into large bales that are sold and become raw material for new products. The same applies to various fractions of plastics. Other waste is separated into approximately ten fractions.

Packaging

In cooperation with our suppliers, we aim to reduce the proportion of environmentally damaging product packaging. This will be accomplished by avoiding the use of plastic packaging or by replacing PVC with PE or PET plastics. As far as possible, packaging size is adapted to match the content in an effort to minimise the amount of packaging materials and reduce our transport volume and, thus, our environmental footprint.

Sales of carrier bags in our stores amount to 8.8 million (2011/12), of which about 13 per cent are paper bags. Other bags are made of polythene (PE). The introduction of sustainable re-usable bags of reinforced PP plastic proved successful, with sales rising sharply from about 80,000 (2010/11) to 198,000 bags (2011/12).

Packaging that is sent to our mail order customers is environmentally friendly due to their content of around 57 per cent recycled fibre and bio-based adhesives. Clas Ohlson accepts its producer responsibility for packaging through membership in national collection and recycling systems in Sweden, Norway, Finland and the UK.

Printed matter

Overall environmental objectives

When choosing communication channels, the environmental impact will influence our decisions. We

strive to increase the proportion of online customer and shareholder communications. The production of our printed matter is to take place with technology and materials that are well-documented. Our printed matter must be recyclable as high-quality fibre.

Also, all our direct mail advertising and this annual report are printed on Nordic Ecolabelled paper. The Clas Ohlson Annual Report is distributed only to shareholders who request printed information from the company, leading to a decrease in the number of issues printed by some 70 per cent, thus reducing our environmental impact.

Legislation and guidelines

Clas Ohlson is mainly impacted by the following EU directives:

- Regulations on the use of substances hazardous to the environment and health in products (REACH, RoHS, legislation applying to materials that come into contact with food products and the Toy Safety Directive).
- Regulations on the products' energy efficiency (ErP).
- Producer responsibility for waste electrical and electronic equipment (WEEE).

Read more

For further information on our environmental and sustainability programmes, visit our website <http://about.clasohlson.com/en>.

RoHS: 2002/95/EC on the Restriction of the Use of certain Hazardous Substances in Electrical and Electronic Equipment.

The RoHS Directive forbids the use of mercury, cadmium, lead, hexavalent chromium and the flame-retardant substances PBB and PBDE in new electrical and electronic products released into the market as of 1 July 2006. The quantity limit is 0.1 per cent by weight (0.01 per cent cadmium by weight) of homogeneous material. RoHS covers the product categories included in WEEE. In Sweden, the Swedish Chemicals Agency is the regulatory body.

Reach: 1907/2006/EC Registration, Evaluation, Authorisation and Restriction of Chemicals - The Directive came into effect throughout the EU on 1 June 2007 and REACH regulations will be introduced gradually through 2018. REACH is based on the principle that it is the party that manufactures or introduces a chemical into the market who is responsible for determining the risks associated with the chemical before it is put into use. Chemical manufacturers and users shall prepare data on the

chemicals' properties and assess the risks. A new authorisation procedure will be introduced for chemicals with properties that are seriously hazardous to the environment and health. Particularly hazardous substances are entered in a so-called candidate list.

All manufacturers, importers or sellers of goods on the candidate list containing more than 0.1 per cent by weight of a substance must present this information to their customers to ensure that the product can be handled safely.

WEEE: 2002/96/EC on Waste Electrical and Electronic Equipment. The aim is to design and produce electrical and electronic products in a manner that prevents waste. When waste anyway occurs, it is to be collected and reused or recycled in an environmentally sound manner. Manufacturers and importers are to pay for future recycling of products and ensure that collection and environmentally sound recycling is performed. In Sweden, the Swedish Environmental Protection Agency is the regulatory body.

Clas Ohlson's GRI profile

A complete version is available at http://about.clasohlson.com/en Clas Ohlson reports at C level.		
	Performance indicators	Page
	Financial impact	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	58-61
	Environmental impact	
EN3	Direct energy consumption by primary energy source.	41
EN4	Indirect energy consumption by primary energy source.	41
EN16	Total direct and indirect greenhouse gas emissions by weight.	41
EN17	Other relevant indirect greenhouse gas emissions by weight.	41
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved.	28, 40, 41, 42
	Social impact	
LA1	Total workforce by employment type, employment terms and region.	39, 73 not 31
LA2	Employee turnover.	38
LA10	Average number training hours per employee and year per employee category.	36
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators.	38, 76-79
	Human rights	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights, and actions taken.	7, 33
HR4	Number of cases of discrimination and actions taken.	34
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	34
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	34
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	34
	Product responsibility	
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	41, 42

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