

Sustainability Report 2008

ASSA ABLOY

The global leader in
door opening solutions



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Reader's guide

This report describes ASSA ABLOY's sustainability initiatives. ASSA ABLOY publishes a sustainability report each year. The sustainability report addresses the issues that ASSA ABLOY has identified as the most important to our stakeholders. It is aimed at experts with an interest in ASSA ABLOY's sustainability performance, including analysts, investors and non-

governmental organizations.

As ASSA ABLOY is a signatory to the UN Global Compact, this report will be submitted to the UN Global Compact as a Communication on Progress report. The sustainability report is aligned with the Global Reporting Initiative guidelines declaring level C (see page 30–31 for GRI content index). The data presented in this

report has been collected over the calendar year and includes all ASSA ABLOY operations as well as suppliers. For further information regarding the sustainability report and its reporting principles, see page 29.



About ASSA ABLOY

ASSA ABLOY in brief

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

ASSA ABLOY is represented in all major regions, on both mature and emerging markets, with leading positions in much of Europe and North America and in Australia. In the rapidly growing electromechanical security sector, the Group has a

leading position in fields such as access control, identification technology, automatic doors and hotel security.

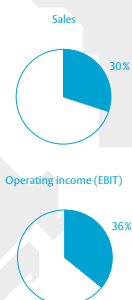
Since its founding in 1994, ASSA ABLOY has grown from a regional company to an international group with 32,700 employees and sales of about SEK 35 billion. As the world's leading lock group, ASSA ABLOY offers a more complete range of door opening solutions than any other company on the market.

ASSA ABLOY's divisions at year-end 2008

Americas

Share of Group total

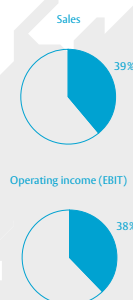
The division manufactures and sells locks, cylinders, electro-mechanical products, security doors and fittings in North and South America. Most sales take place in the United States, Canada and Mexico. South America is growing in significance, with Brazil as the most important market. Some of the division's leading brands are Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte. The division has 8,600 employees and divisional management is based in New Haven, Connecticut, USA.



EMEA

Share of Group total

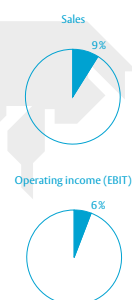
The division manufactures and sells locks, cylinders, electromechanical products, security doors and fittings in Europe, the Middle East and Africa (EMEA). Most sales take place in Western Europe, but growth markets in Eastern Europe and the Middle East are gaining in importance. Some of the division's leading brands are ABLOY, ASSA, IKON, TESA, Yale and Vachette. The division has 11,900 employees and divisional management is based in London, United Kingdom.



Asia Pacific

Share of Group total

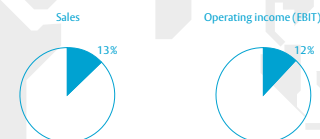
The division manufactures and sells locks, cylinders, electro-mechanical products, security doors and fittings in Asia and Oceania. Australia and New Zealand account for a large part of sales, but China and other Asian markets are rapidly gaining in importance. China is also an important country of production. Some of the division's leading brands are Lockwood, Guli, Wangli, Baodean, Tianming, Shenfei, Interlock and iRevo. The division has 7,100 employees and divisional management is based in Hong Kong, China.



Global Technologies

This global division manufactures and sells products for electronic access control, secure issuance of cards, identification technology and electronic lock products for hotels. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, which sell their products worldwide. Leading brands are HID, Fargo, Elsafe and VingCard. The division has 2,800 employees and divisional management is based in Stockholm, Sweden.

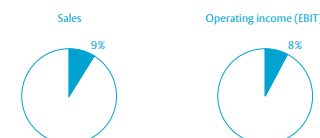
Share of Group total



Entrance Systems

Entrance Systems is a global division that manufactures and sells automatic door systems and service. The products are sold under the Besam brand. The division engages in sales and offers its own direct service network around the world, with production in Sweden, the UK, the USA and China. The division has 2,300 employees and divisional management is based in Landskrona, Sweden.

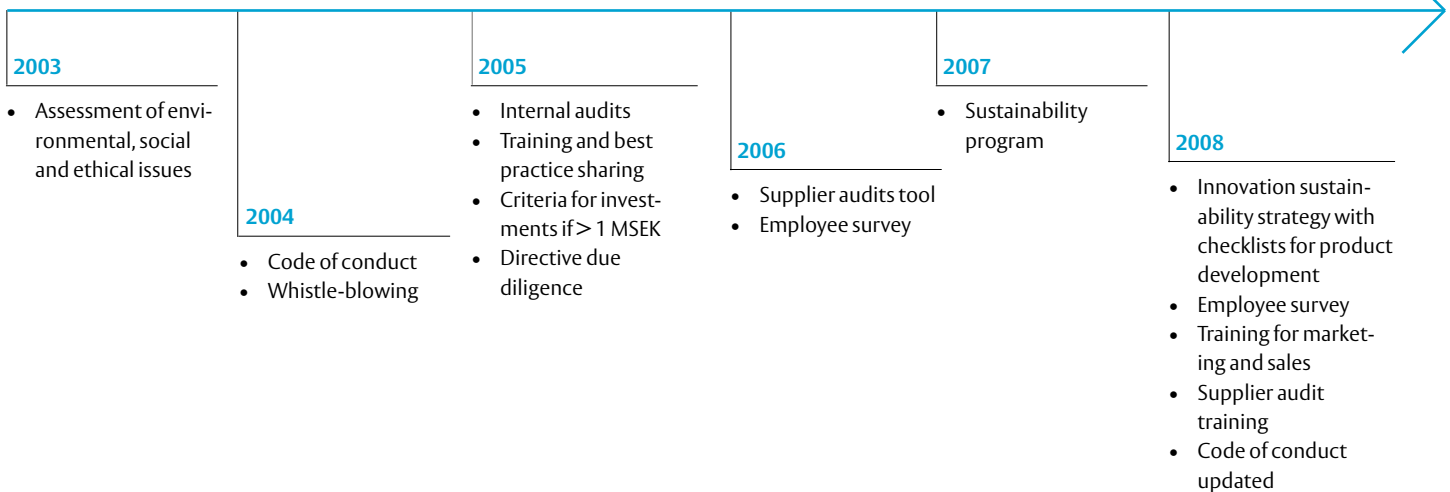
Share of Group total



Sustainability highlights in 2008

- Total energy consumption was reduced by 8 percent compared to 2007.
- CO₂ emissions were reduced by 10 percent compared to 2007.
- Consumption of organic solvents perchloroethylene and trichloroethylene was reduced by 55 percent compared to 2007.
- A global employee survey was carried out, with improved results in all areas compared with the results for 2006.
- Internal supplier sustainability audit training programs have been carried out.

Highlights from our work towards sustainability



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



Sustainability integrated in the business processes



ASSA ABLOY is convinced that the best way to achieve truly sustainable development in the company is to integrate sustainability with the main business processes, that is sales, logistics, manufacturing, product development and sourcing. Sustainability should never be a stand-alone process or something we simply add on top of what we do. The integrated approach will ensure that sustainability becomes a natural part of everyday work for all our employees.

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

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

The sustainability program established in 2007 is progressing well. The main priorities are energy efficiency, health and safety, supply chain integrity, substitution of chemicals, and increasing the numbers of female employees in managerial positions. Some of the highlights of 2008 were that relative energy consumption continued to decrease, as did the injury rate and the injury loss day rate. The use of identified non-desirable chemicals used for cleaning in the manufacturing process has also dropped, by 90 percent in two years, and there are now only two plants left to change.

In 2008 we held roundtable meetings with ethical investors and made factory visits. The activities were well received and we thank all investors and analysts for their interest and valuable input. I also want to thank our employees for their dedication and achievements during the year.

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



Johan Molin,
President and CEO

The way we work

ASSA ABLOY is organized around business processes such as sourcing, operations, sales and innovation, which form the backbone of the way we work. Our sustainability approach integrates programs, indicators and objectives directly into these processes. The processes also form the foundation when defining sustainability issues through risk assessment.

The business case for sustainability

In ASSA ABLOY, sustainability is integrated in our everyday operations. From a business perspective, there are many reasons for our commitment to sustainability. The sustainability approach creates market opportunities and we are convinced that good citizenship, efficient risk management and legal compliance will strengthen our brand value and our leadership in all areas where we operate.

Interacting with stakeholders

When it comes to sustainability, our stakeholders are shareholders, customers, suppliers, employees, local communities and organizations such as NGOs.

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



TESA goes green

Spanish TESA has pushed green issues to a new level with its 'Environmental Awareness' campaign. The plan is to further reduce the company's environmental impact and make respect for resources an integral part of the corporate culture.

During the campaign employees received a refrigerator magnet with their pay slips to remind them of the campaign. Green signs displaying advice on how to save water, paper and electricity were installed at all company sites. In addition a contest was held encouraging the 700 employees to submit

their own ideas, resulting in 102 submissions, 10 of which received a prize.

Management then worked to implement the most practical ideas at all sites. The Escoriaza facility has reduced consumption of water, gas and cardboard. In Irún, offices have cut their use of electricity and drinking water, and are now using paper towels made from recycled paper and commercial catalogues have gone from print to digital.

The campaign's encouraging results are proof of a real "green" collective spirit among the company's employees.

The complete corporate governance report covering information such as guidelines and policies, shareholders, board members, operational management and internal control, risk management, can be found in ASSA ABLOY's Annual Report 2008 or on www.assaabloy.com.

ASSA ABLOY is a Swedish public limited liability company with headquarters and registered office in Stockholm Sweden. ASSA ABLOY's corporate governance is based on its articles of association, the Swedish Companies Act and the rules and regulations of the NASDAQ OMX Stockholm (Stockholm Stock Exchange).

Corporate governance

ASSA ABLOY applies the Swedish Code of Corporate Governance, which forms part of the rules of the Stockholm Stock Exchange. This Code is based on the principle of 'comply or explain' and primarily deals with the organization and working methods of the Annual General Meeting, the Board of Directors and the management, as well as the interaction between these bodies.

Sustainability governance and organization

ASSA ABLOY believes in responsible social and ethical behavior. While the Board of Directors has the overall responsibility for risk management, the Executive Team is responsible for the sustainability risk management approach. The Executive Team also decides on sustainability policy, Code of Conduct and strategy.

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

Councils for Operations, Human Resources, Sourcing and Innovation, along with representatives from Corporate and all divisions, handle sustainability issues related to their business processes/functions.

The divisions and their companies are responsible for compliance with ASSA ABLOY policies and programs as well as for reporting back to Corporate.

A Code of Conduct compliance committee is chaired by the Corporate Senior VP Human Resources and includes two employee representatives. Among other things the committee handles whistle-blowing cases.

Besides sustainability information, ASSA ABLOY's Group intranet contains a site intended to support sustainability managers. It includes tools, best practice examples and access to the reporting database. It presents all sustainability indicators and allows follow-up reporting of the sustainability program. From the database, statistic reports and score cards can be extracted. This enables companies to compare their performance against other ASSA ABLOY companies and assessments to be made.

Management system

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

Locally, the international certifiable standard ISO 14001 is used for environmental management systems. In addition, the company has defined a set of requirements and more specific tools and programs aimed at addressing the targeted performance level, which is monitored by internal audits.

Sustainability organization



Our policy documents and our Code of Conduct documents are all available on www.assaabloy.com.

ISO 14001 program

ASSA ABLOY requires all Group companies with a significant environmental impact to have an environmental management system (EMS) certified according to ISO 14001. North American units implement documented management systems according to Americas' system (certifiable system).

By the end of 2008, 63 companies had implemented ISO 14001 or a certifiable system.

Number of ISO 14001 certificates and certifiable systems

	2005	2006	2007	2008 ¹
ISO 14001 certificates	20	29	39	37
Certifiable systems	6	25	29	26
Total	26	54	68	63

¹ The change is due in part to the closing of plants in the restructuring program and in part to a number of new plants with certificates.

ASSA ABLOY Code of Conduct

Our Code of Conduct was introduced in 2004. It is founded on ASSA ABLOY's values and policies and international conventions such as the United Nations Universal Declaration of Human Rights, the core conventions of the International Labor Organization, and the OECD guidelines for multinational companies. The Code of Conduct includes a mechanism for whistle-blowing, by which any stakeholder can report suspected violations.

The Code of Conduct was updated in 2008.

Whistle-blowing mechanism

It is ASSA ABLOY's policy that issues related to the Code of Conduct should be dealt with locally whenever possible. Our managers are expected to ensure compliance and create and maintain a work environment in which any problem can be discussed openly and without prejudice. Therefore whistle-blowing should only be used as the last resort.

During 2008 three cases were identified via the Whistle-blowing mechanism, which have been investigated and dealt with in accordance with the established procedure.

The code of conduct covers the following areas:

Business ethics

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

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

- Child labor.
- Forced or bonded labor.
- Freedom of association and collective bargaining.
- Worker's contracts, working hours and compensation.
- Diversity and gender balance.
- Discrimination, harassment and equal opportunities.
- Employee privacy.
- Alcohol and drug abuse.
- Human rights.
- Consumer interests.
- Community outreach.

Environment, health and safety issues

- Environment and sustainability.
- Health and safety.

Internal audits

The purpose of conducting internal audits is to ensure:

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

The same tools that are used internally are also used for supply chain sustainability auditing, except for the self assessment surveys, which are only for suppliers.

In 2008 ASSA ABLOY conducted internal audits mainly in China.

A control system that works

Existing and potential new suppliers to ASSA ABLOY shall follow the ASSA ABLOY Code of Conduct. Correct use of the internal control system for supplier auditing and the Code of Conduct recently prevented a company that was using prisoners as a workforce from becoming a supplier. The potential supplier was instead immediately put on ASSA ABLOY's blacklist and all discussions on cooperation were terminated.

ASSA ABLOY has identified and assessed a number of risks that are related specifically to sustainability issues. The major risks relate to production, social, ethical and regional issues and to climate change.

Value chain risks

The following major risks and impacts relate to ASSA ABLOY's production:

Environmental, health and safety issues

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

Ethical and social issues

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

For external parts of the value chain the following major risks could have an impact on ASSA ABLOY:

- Sourcing.
- Waste treatment.
- Social issues.
- Bribery and corruption.
- Raw materials extraction.

Regional risks

ASSA ABLOY has defined risk regions, which are given special attention. The risk regions are normally linked to production and sourcing in low-cost countries and cover most sustainability issues such as environment, health and safety, labor conditions, human rights and business ethics.

Climate change risks

Climate change risks for ASSA ABLOY are mainly related to energy consumption in manufacturing and transport. For further information on climate change see page 13.



Green and lean with a "mizusumashi"

A "green mizusumashi" is a person who works exclusively with sorting and waste collection. Since 2007, ASSA ABLOY France's Longué site has had a mizusumashi in place, dedicated to helping the entire company reduce the amount of waste despite ever increasing production.

The Japanese word mizusumashi, meaning "water strider" – an insect that walks on water – refers to the person in charge of supplying a work station and keeping production going without disruption. This allows colleagues to concentrate on the quality of their work.

Having a green mizusumashi means that waste can be taken on a regular basis from the various sectors to the waste collection center. The waste is then sorted into categories such as paper, cardboard, wood, metal, and special industrial waste. Spurred on by Longué's initiative, French Group company Fichet also employed a green mizusumashi in 2008.

Sustainability program

ASSA ABLOY's sustainability program was launched in 2007. The program runs until 2010 and defines issues and objectives in areas critical to ASSA ABLOY's operations. Its foundation is the Group's long-term sustainability strategy, which is designed to handle risks, improve sustainability performance and create market opportunities for the company.



Gender diversity



Energy conservation



Health and safety



Improved surface treatment process

ASSA ABLOY is organized around business processes, such as management, sourcing, innovation, operations and human resources. These processes form the backbone of our sustainability approach, which integrates Code of Conduct, tools, programs, indicators and objectives.

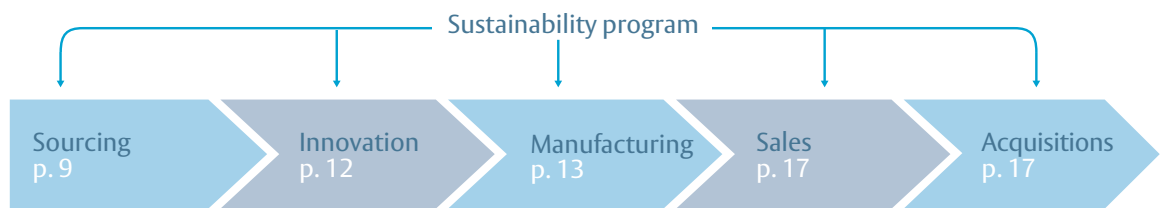
To effectively monitor the progress within the sustainability program and maintain a systematic approach, ASSA ABLOY has developed and implemented a reporting database where manufacturing entities report on sustainability indicators. Tools and examples of best practices are also included.

Any actions that were planned, finalized and taken to reach Group level sustainability targets are also entered into the database. To confirm and validate reported information the reporting process includes a validation step where the sustainability managers within each division validate their respective division's data. From the database, Group companies and divisions can extract score cards to monitor and compare their outcome, progress and trend with other ASSA ABLOY companies. 81 entities reported in 2008.

Sustainability program	Objective
Strategy	
Governance model	A well functioning governance and organization for sustainability in place.
Code of Conduct	All employees shall be aware of the contents of the code of conduct.
ISO 14001	Compliance at all factories with significant environmental impact.
Internal audits	All ASSA ABLOY companies use the same approach and tools.
Training opportunities and tools	Training modules for all important sustainability tools in place. Continuous awareness training.
Sourcing	
Sustainability assessments	Code of Conduct compliance by all suppliers.
Improved ethical practices	Sourcing process with procedures and tollgates according to ASSA ABLOY requirements in place.
Innovation	
Assessments	Environmental, health and safety assessments are compulsory in the Gateway process.
Design for Environment	A Design for Environment (DfE) checklist is part of the Product Innovation Process toolbox.
Measuring environmental impact	The environmental impact is measured for every major project.
Manufacturing	
Energy conservation	Energy savings within manufacturing – a 15 percent reduction by 2012 compared to the result in 2006, based on normalized values.
Transport and climate change	Reduced environmental impact.
Organic solvents	Phase out use of perchloroethylene and trichloroethylene by the end of 2009. ¹
Surface treatment	Improve environmental, health and safety aspects of the surface treatment processes.
Health and safety	Zero-vision and objectives to improve health and safety. Injury rate below 8.5 and injury lost day rate below 160 (per million working hours).
Benchmarking for health and safety improvement	All divisions benchmarked within the health and safety area with support from the Human Resources function.
Sales	
Sustainability into process	Sustainability communication is integrated in the sales process and training.
Process and ethics	Implement appropriate measures for ethics awareness and training.
Employees	
Gender diversity	Improve present levels of gender diversity at senior levels.
Drugs and alcohol prevention	All entities should be able to respond to problems and share best practice between entities.

¹ Facilities with completely enclosed organic solvent cleaning processes will be phased out when the equipment is due to be replaced. Read more about the revised objective on page 15.

Integrating sustainability in the *value chain*



ASSA ABLOY supply management practices

ASSA ABLOY has grown, through a combination of acquisitions and organic growth, from a handful of companies in 1994 to a global Group represented in more than 50 countries in 2008.

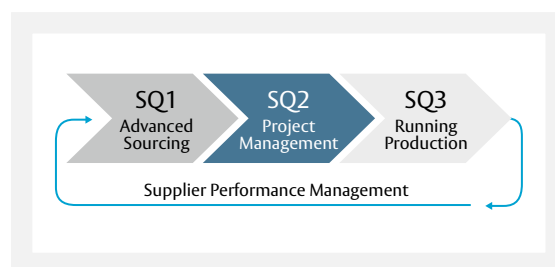
Coordinating our activities and acting as one company enable us to offer a more interesting scale of supply and be attractive to the best suppliers.

The excellence of our suppliers in terms of quality, delivery time and cost is important to ASSA ABLOY. Suppliers will be evaluated on how well they have managed to implement business practices that promote long-term excellence in environmental, social and ethical performance in parallel with quality and cost.

ASSA ABLOY supply management is operationally managed through our divisions. A global supply management steering committee secures global synergies and alignment with Group strategies and policies. Divisional councils, and category (raw material or product categories) management effectuates the operational part of the strategy. To get the full effect of using our common resources, sourcing offices in China and Eastern Europe serve the whole Group.

ASSA ABLOY's supplier quality process ensures that we select the right suppliers through standardized criteria and requirements. The first step is the Supplier Self Assessment, which is used early in the sourcing process to let the supplier assess his/her facility to ASSA ABLOY's standards. The second step is the on-site Audit Process, to see if a potential supplier meets our requirements. In addition there is an extended sustainability audit, which is a complement to the standard sustainability screening audit. During 2008 we added a fast screening to step 2 of the sustainability and quality audit, enabling all possible suppliers to be assessed up front and giving early feedback on improvements necessary before sourcing can start.

ASSA ABLOY Supplier
Quality Process drives
supplier performance.



Sourcing process and supply chain integrity

Program

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

ASSA ABLOY has been auditing suppliers in regard to sustainability since mid-2006 and has – since the start-up of the supplier quality process – been able to define objectives in this area.

Some of the objectives are:

- The same standard contract shall apply to all suppliers, including requirements regarding Code of Conduct compliance. During 2008 a global standard purchasing agreement was developed and implemented in most parts of ASSA ABLOY.
- All purchasers should be trained and use the same Group-wide assessment tools.
- Development of a supplier audit database – for both quality and sustainability – started in 2008 and will be finalized in 2009.
- Contracts with suppliers will be terminated in case of serious non-compliance problems that are not remediated within an acceptable and agreed timeframe.

Training and tools

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

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

Global audit database

All supplier audits – both for quality and sustainability – will be reported into the audit database, which was developed in 2008 and will be finalized in 2009.

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

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

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

After the first sustainability screening a supplier will normally receive green, yellow or red status. Yellow means that the supplier needs to improve within specific timeframes, red means that the supplier is not approved for sourcing. The red and yellow grade can be upgraded again through a documented improvement plan, well documented improvement progress and firm commitments from the supplier. If the supplier does not improve, then the supplier will automatically be graded red and only immediate actions can help the supplier from having all purchasing stopped. No purchasing from new suppliers should be approved before they have reached green status.

Results, challenges and targets

- The sustainability approach is integrated in the Global Supplier Quality Process. This will ensure that sustainability is a vital factor when it comes to the supplier selection process and also overall supply management.

Activities in 2008 include:

- In order to improve our supplier-base and also to allow better consolidation of purchased volumes we have identified approximately 200 suppliers as “Group-suppliers” in the China region. This will allow us to focus more on the future important suppliers when it comes to supplier development and sourcing. These suppliers will be developed within the area of quality and sustainability. We have so far audited 50 percent of these suppliers, and the remaining will be audited during 2009. Improvement plans and development programs for the audited group of suppliers have already started.
- 80 percent of the sourcing offices personnel have been trained in our sustainability audit process. These people can now lead and/or support during the actual supplier audits.
- 20 Calibration audits were completed by professional third-party auditors using the ASSA ABLOY sustainability audit process. All personnel from the sourcing offices participated in a minimum of two audits to increase their knowledge of how to perform a professional audit and also to be trained on how to judge the findings.
- More SQE resources have been added during 2008 to increase supplier development and audit capacity.
- New standard contracts have been developed; all sourcing-office and purchasing personnel have been trained. These contracts were introduced during 2008 on a small scale.
- Two employees from the sourcing offices have participated in a global conference about supply chain integrity together with other Swedish multinational corporations in China.

Challenges

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

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

Next step

The new audit database and the new supplier contract format will be rolled out during 2009.

For audits in China, the target is to conduct audits on 100 percent of the Group Suppliers and also on all new and/or potential suppliers.

The Supplier Quality Manager from the sourcing office will participate in the Sustainability Star program driven by ASSA ABLOY China; this will ensure that useful knowledge and lessons learned are transferred from the operations team into the sourcing area.

Mike Qian, sustainability director for greater China during the audit training in March 2008.



Living up to the code

As China is recognized by ASSA ABLOY as a potential high risk country in regards to supplier integrity, professional, structured audits of our Chinese suppliers is an important task.

To set the standard and educate the internal supplier auditors, Chinese Group company Guli hosted a training session in March 2008. The training covered local legislation and ASSA ABLOY's internal auditing tools, which are based on the ASSA ABLOY Code of conduct. The training was the starting point for a project to audit major suppliers. 100 supplier audits were performed in 2008 and the target is another 140 suppliers audits during 2009.

Each supplier audit follows a common Group checklist covering the areas of general information, environment, health and safety, worker's and human rights as well as non-discrimination and business ethics. The goals for each audit is to monitor and ensure compliance with our Code of Conduct; identify problem areas and demand an action plan; reduce risk on the supply chain; and ensure continuous sustainability improvement at our suppliers.

Reaching for the stars

The Star Award is an internal scoring program launched by ASSA ABLOY China in mid-2008 to categorize and track the sustainability performance of the Chinese manufacturing sites. The more stars obtained, the higher sustainability performance. Four stars are the highest possible score. The program complements the regular sustainability audit and serves as a motivational tool for the sites.

"This program covers all manufacturing sites in Greater China. Newly acquired companies that have been with the Group for as little as one year will also have the chance to be audited," says Mike Qian, sustainability director for Greater China. Just as in a regular sustainability audit, self assessment will be done first in accordance with the requirements of the audit protocol. A team of internal auditors will then track and rate the sustainability performance.

"We have adopted this scoring approach to better track our improvement progress. A roadmap and targets of improvement are set for each entity and are then closely monitored. The goal is to achieve progressive and continuous improvement," Qian says.

Since many of the items audited are set to a higher standard than the government or local regulations, a star is not easy to obtain. "ASSA ABLOY China is committed to attaining these higher standard levels since we are aware that our actions today will determine the world and environment we leave to our coming generations," says Allen Wong, market region manager for China.

In all, the Star award program covers 32 areas within the main segments of environmental protection, health and safety and social responsibility.



Participants in the training at Guli said:



Stella Jia, Shanghai Sourcing Office

"I have learned more about sustainability and how to audit this area. A sustainability audit is a useful tool to find room for improvement in our suppliers' environment, health, safety and labor conditions."



Roberto Luo, Guli

"Sustainability auditing is important for our company. This training has been a valuable way to improve our audit skills. It was very useful to have a professional company show us how to do an audit."



Simon Shen, Shanghai Sourcing Office

"I have learned more about sustainability and what key points we should look for in a sustainability audit, and also which tools we should use and how to do the audit professionally."



Employees in China about working for Guli:

Xia Yue Yong, mortise lock workshop

"I want a job that I like and find interesting, which I have found here. Guli also has a good benefit program and work environment, which is good for me."



Wang Xing, window hardware, APAC workshop

"Since Guli is part of an international company, the working conditions are good. I like that I get the weekends off."



Chen Hong Gui, window hardware, APAC workshop

"It is a good work environment and the leaders are nice to everyone. And I'm happy with the money I can make here at Guli."

Innovation

During 2008 we focused our efforts on the implementation of the new Product Innovation Process throughout ASSA ABLOY.

The Innovation Process has three major elements: Product Management, which addresses the strategic aspects of product development; Voice of the Customer, which ensures we develop what our customers want; and the Gateway development process, which ensures we carry out development projects in a structured and efficient way.

Listening more to our customers ensures that we consider their sustainability expectations when we develop new products both in the way we develop and manufacture them and how they perform during their life serving our customers.

The Gateway process then provides a mechanism to ensure that all relevant sustainability related issues, such

as environmental, health and safety, are addressed and documented.

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

Energy efficient products are popular in the market and in line with our sustainability ambitions. Two examples presented in this report are the Besam swing door SW100 on page 17 and CLIQ, which you can read about below.



CLIQ for resource efficiency

ASSA CLIQ Electronic Master Keying System was recognized for its resource efficiency in the 2008 edition of the British Construction Products Association's (CPA) publication 'Construction Products Innovation and Achievement', which is now in its fifth year. Each year the publication showcases the most innovative products and processes developed by the British construction products industry during the previous 12 months.

ASSA CLIQ is a range of programmable keys and cylinders that bring enormous benefits to the construction industry, and its clients. CLIQ provides the flexibility of combining electronic and mechanical keys and expands the life cycle of existing master key systems. It uses fewer materials in its build, which adds to ease of manufacture.

The CPA describes CLIQ as a truly flexible, cost-effective master keying system and recognizes the electronic intelligence of CLIQ, which is designed for superior performance and to cope with future development needs.

Climate change strategy

ASSA ABLOY is committed to meeting the climate change challenge by acting where the company has the greatest influence and impact. The ambition is to be aligned with globally agreed policies, frameworks and recommendations of internationally recognized experts.

The strategy is to reduce the company's carbon footprint step by step, beginning with manufacturing. The current objective is to reduce energy consumption within ASSA ABLOY manufacturing by 15 percent from 2006 to 2012, based on normalized values, i.e. energy intensity. The reduction focuses on energy efficiency measures.

Energy consumption

MWh	2005	2006	2007	2008
Direct energy				
– oil	59,000	45,000	35,000	9,000
– gas	173,000	194,000	190,000	191,000
– Total	232,000	239,000	225,000	200,000
Indirect energy				
– electricity	251,000	280,000	283,000	260,000
– district heat	37,000	22,000	28,000	22,000
– Total	288,000	302,000	311,000	282,000
TOTAL ENERGY USE	520,000	541,000	536,000	482,000

Energy consumption

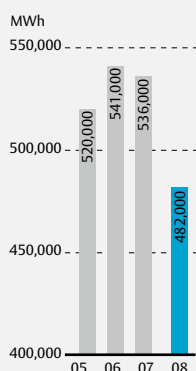
	2006		2007		2008		
	Results	Rel. index ¹	Results	Rel. index ¹	Results	Rel. index ¹	Trend
Total energy use (MWh)	541,000	1.00	536,000	0.99	482,000	0.89	■
KPI, Total energy/sales (MWh/SEK M)	17.4	1.00	16.0	0.92	13.8	0.81	■
Greenhouse gas emission CO ₂ total (tonne)	178,000	1.00	179,000	1.00	160,000	0.90	■
KPI, Greenhouse gas emission CO ₂ /sales (tonne/SEK M)	5.7	1.00	5.3	0.93	4.6	0.80	■

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

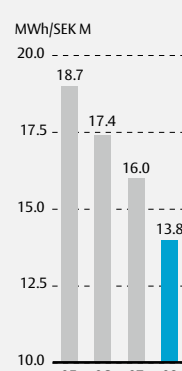
■ Deterioration ■ Constant ■ Improvement

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

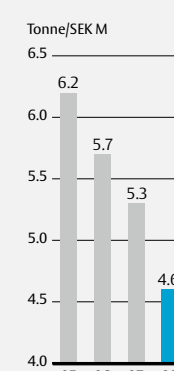
Total energy use (MWh)



KPI, Total energy/sales (MWh/SEK M)¹



KPI, Greenhouse gas emission CO₂/sales (tonne/SEK M)



¹ Sales in 2007 were 8 percent higher than in 2006. Sales in 2008 were 4 percent higher than in 2007.

INTERESTING FACTS

By converting to a less paper-based order entry process, ASSA ABLOY Door Group companies CURRIES and Graham now save 100,000 pieces of 8.5" x 11" paper per month. Per month this equates to: 11.52 fewer trees cut down; 4,900 fewer gallons of waste water produced; and a reduction of 1,100 pounds in CO₂ released into the atmosphere.

Transport and emissions

Objective
The ASSA ABLOY climate change strategy defines a number of activities concerning transport. The first overall roadmap includes:

- Increase the environmental awareness in all transport activities.
- Create a map of modes of transportation and regions where environmental impact can be measured in terms of emissions, and related costs.

Actions 2009
Investigate possibilities to decrease the environmental impact through increased coordination and choice of transportation, such as using rail instead of road, sending goods by sea instead of air, and by using renewable energy.

Water and waste

Water consumption

ASSA ABLOY's water consumption is to a high degree related to the plating processes. In 2008 the normalized water consumption was reduced by 17 percent compared with 2007.

Water	2005	2006	2007	2008
Total water consumption (1,000 m ³)	2,132	2,024	2,138	1,866
KPI water/sales (m ³ /SEK M)	77	65	64	53

Waste

ASSA ABLOY's hazardous waste includes metal sludge and oil for recycling. In 2008 ASSA ABLOY recycled 895 tonnes of metal sludge and 878 tonnes of oil.

Hazardous waste	2005	2006	2007	2008
Hazardous waste (tonne)	5,259	5,429	4,175	4,178
Hazardous waste/sales (tonne/SEK M)	189	174	124	120



Sargent reduces its carbon footprint

US based Sargent Manufacturing has implemented Combined Heat and Power (CHP) to simultaneously generate electricity and useful heat. CHP systems capture excess heat and approach efficiencies of 90 percent compared to 40 percent for a typical power plant. Therefore less fuel is required to produce the same amount of energy.

The Sargent CHP system utilizes a turbocharged, 800 horsepower, natural gas engine that drives a 535 kilowatt generator. It will supply 20 percent of the Sargent facility's electricity. The engine exhaust flows through a waste heat boiler which makes steam for processes, heating and cooling. Fuel for the existing boilers is thereby reduced. The engine jacket water cooling system flows through a heat exchanger to preheat the water supplied to the boilers. The engine oil cooling system then flows through a second heat exchanger to provide hot water to the finishing processes.

Annual savings are expected to be in the low six figures based on the current price of natural gas, oil and electricity and pay for itself within two years. Carbon dioxide emissions are reduced annually and the carbon footprint of the facility is lowered.

Manufacturing

Organic solvents and surface treatment

Organic solvents

ASSA ABLOY uses the chlorinated organic solvents perchloroethylene (PER) and trichloroethylene (TRI) mainly for degreasing, cleaning and pretreatment before plating and other surface treatments. Both compounds are toxic, for human beings and for the environment. In recent years many entities have tested and substituted alternative chemicals, mostly water-based.

Objective

The goal to phase out PER and TRI by the end of 2008 was not met. The phase-out will now be intensified to be completed by the end of 2009. Facilities with completely enclosed organic solvent cleaning processes will be phased out when the equipment is due to be replaced.

Results

In 2008 the consumption of PER and TRI was reduced by 55 percent compared to the consumption in 2007. 8 entities had not phased out completely by the end of 2008.

Actions 2009

The phase-out process will continue in 2009 with a further planned reduction of sites using PER and TRI.

Consumption of organic solvents

Tonne	2005	2006	2007	2008
PER	92	74	50	37
TRI	97	98	43	5
Total	189	172	93	42

Surface treatment

ASSA ABLOY products are to a large extent made of metallic materials. Components and products demand carefully designed surface treatments in order to achieve high corrosion resistance, quality and aesthetics. The surface treatment processes are highly complex and require a balance of inputs of energy, water and chemicals, as well as an automatic or semi-automatic control.

Objective

The goal is to have zero remaining processes under change by the end of 2011.

Results

In 2008 the number of remaining processes under change was reduced by 68 percent compared to 2007. However, there are technical challenges for a few companies. These are companies that deliver to markets where very high corrosion resistance or other specific qualities are required, thus complicating the search for improved practices.

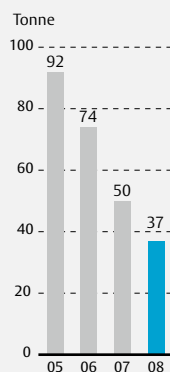
Actions 2009

The phase-out of processes under change will continue in 2009 with a further planned reduction of sites.

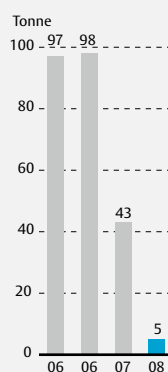
Processes under change

	2005	2006	2007	2008
Number of processes	47	40	38	12

PER consumption



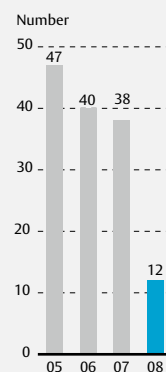
TRI consumption



PER and TRI total consumption



Surface treatment processes under review



Manufacturing

Health and safety

The ASSA ABLOY production process involves some health and safety risks, mainly related to the use of chemicals for degreasing, painting and surface treatment, but also to processes such as die-casting, stamping, drilling, cutting and polishing.

All ASSA ABLOY entities have programs for health and safety and the above risks are strictly controlled. Objectives are based on a zero-vision.

All entities are benchmarked against each other. Special attention is given to entities that have above-average injuries or injury lost day rates.

Each entity should make sure that an appropriate organization is in place, including a health and safety committee with union representation where applicable. Top management has an overall responsibility and delegates tasks and authorization. The goal is to create a culture where everybody feels responsible for health and safety issues. Health and safety audits are included in the internal audit, and risk assessment is a normal routine as are incident reporting and analysis in order to introduce preventive measures.

Injury rates and injury lost day rates

ASSA ABLOY has measured the injury rates and injury lost day rates since 2005.

Objective

2009: injury rate 8.5, injury lost day rate 160

Results

Both objectives for injury rate and for injury lost day rate were met in 2008. Results have been compared with statistics available at the US Department for Labor – Occupational Safety and Health Administration. In 2007 the comparable injury and illness rate for fabricated metal manufacturing was 1.8 cases with days away from work per 100 employees, i.e. 9 injuries per million hours worked. This puts ASSA ABLOY on the average level.

Actions 2009

All entities with an injury rate above 15 and an injury lost day rate above 200 should perform or update their existing risk assessments for each blue-collar job. Best-practice sharing will continue.

Injury rate and injury lost day rate

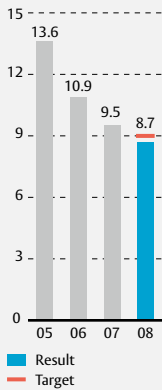
	2005	2006	2007	2008
Injury rate ¹	13.6	10.9	9.5	8.7
Injury lost day rate ¹	297	242	179	166

¹ Per million hours worked.

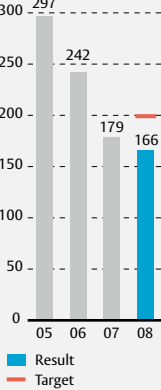
Reduced sick leave

In 2008 TrioVing in Norway implemented an IT-based system for follow up of absence due to illness. At the same time all managers and elected personnel representatives were educated on the system and its use. The system helps to make sure absence is followed up properly and on time. In addition, TrioVing started scheduled exercise breaks in which all employees are welcome to participate. Lessons on correct posture have been introduced to help people avoid neck and shoulder problems. As a result sick leave has been reduced by 1 percent, which amounts to a EUR 173,000 decrease in operation costs.

Injury rate¹



Injury lost day rate¹



Sustainability in sales

Sustainability is becoming increasingly important to end-users and sustainability has become a factor in quotations. This has led to increased awareness in our sales organization and supports the objective to integrate sustainability communication in the sales process and training.

A training program that covers the Code of Conduct is under development. The roll-out will be integrated into existing training programs for the sales team to ensure best use of resources. The purpose of the initiative is to build effective risk mitigation by increasing awareness among sales people about the ASSA ABLOY Code of Conduct.

Sustainability in acquisitions

A large part of the historical growth and current size of the ASSA ABLOY Group is a result of acquisitions. Against this background, ASSA ABLOY has found it useful to establish and follow a special Group-wide acquisition process, which sets out the steps for making acquisitions. This process is divided into four phases: strategy, assessment, implementation and integration, with each phase being made up of various predefined activities, decisions and documentation requirements. Sustainability is one of the areas that is covered by this process and is part of the due diligence that is carried out for potential acquisitions.



Making swing doors energy efficient

The Besam SW100 swing door operator is the first ASSA ABLOY Entrance Systems product to have environmental sustainability considerations drive every aspect of its design. The energy-efficient Besam SW100 uses just 25 Watts of electricity to complete its near-silent open and close cycle. The product's low-energy rating means it requires no additional equipment for safe operation, not only resulting in lower cost to the customer, but also less material and transport.

Like all Besam products, the SW100 ships in recyclable packaging that can be disposed of on-site at the time of installation instead of requiring a costly trip to a special facility. Once installed, the Besam SW100 helps end users reduce energy costs by insuring that the door is open only when in use, thus preventing heated or cooled air from escaping. Regular Besam service ensures long product life, which further lessens environmental impact.

People make it all happen



It is ASSA ABLOY's vision to offer an attractive company for its employees. This involves a conscious effort to develop and retain employees and to provide a safe and sound working environment.

Common knowledge base

A web-based interactive orientation program available in 15 languages, "Entrance to ASSA ABLOY", shall be completed by all employees. The purpose is to give an overview of ASSA ABLOY's history, products, strategy, Code of Conduct and how the employee's role relates to the overall operation. "Entrance to ASSA ABLOY" is accessed via the Group intranet. The intranet also contains two sustainability sites. One is open to all employees. The second is intended to support sustainability managers and includes tools, best practice examples and access to the reporting data base. (Read more about reporting on page 29).

Employee survey

A global employee survey was carried out for the first time in 2006 to find out the employees' opinion about their jobs, the workplace and the company and to get input for actions for improvement where needed. When the survey was repeated in 2008, it showed a moderate or significant improvement in all areas, which confirmed the effectiveness of the actions taken in response to the 2006 survey.

Development opportunities

Every year, ASSA ABLOY offers some 60 of its senior leaders the opportunity to participate in Group-wide development programs, ASSA ABLOY Management Training and the ASSA ABLOY-IMD Business Leadership Program.

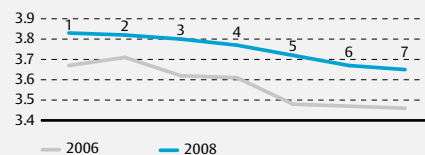
The Scholarship Program is open to all employees and provides the opportunity to work at another ASSA ABLOY company for a short period and thereby to share their own knowledge and experiences while learning about different cultures, methods and procedures.

Talent management

ASSA ABLOY's global annual Talent Management Process takes advantage of the entire Group's resources – the leaders and specialists of today and tomorrow – as well as offering career advancement opportunities outside the employee's own unit. The process involves a structured approach to succession planning as well as to the development of employees throughout the Group.

In order to facilitate career development opportunities all vacant positions are posted on ASSA ABLOY's Group intranet. ASSA ABLOY's recruitment policy is to give priority to internal applicants provided that their qualifications are equal to those of external candidates.

Employee survey results, 2006 and 2008



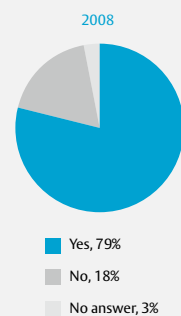
Scale: 1 means strongly disagree and 5 means strongly agree.

How well do the following statements correspond to your opinion?

1. My unit values diversity among its employees.
2. My unit is a good place to work at.
3. My unit shows environmental responsibility.
4. I am treated with fairness and respect at my unit.
5. My unit shows responsibility regarding the health, wellbeing and work environment of its employees.
6. I can openly and with respect express my views and opinions within my unit.
7. My unit has high ethical and moral standards.

Results of employee survey 2008

Have you been informed about ASSA ABLOY's Code of Conduct?



Gender diversity

The percentage of female employees within ASSA ABLOY as a whole is around 40 percent. However the proportion is lower for managerial positions. It is ASSA ABLOY's goal to, over time, achieve a better gender balance for managerial roles. Activities and actions, some of which are part of the sustainability program 2007–2010, are taking place with this goal in view.

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

- Each division is requested to undertake measures to achieve a better gender balance at senior levels. Follow up takes place in connection with the annual Talent Management Process reviews.
- Give priority to the underrepresented gender, given equal qualifications, in connection with recruitment and promotion. The goal is to have at least one representative of the underrepresented gender among the final candidates.
- Strive to increase the number of female participants in the development programs described on page 19.

Female managers at different levels

The percentage of female employees in 2006, 2007 and 2008 for levels 2–5 of the organization is shown in the table (level 2 are direct reports to the ASSA ABLOY CEO etc.). The numbers do not include ASSA ABLOY Head Office.

Gender diversity

Level	Results (%)		
	2006	2007	2008
2	0	0	0
3	9	14	11
4	10	19	17
5	¹	22	23
Females of total	41	39	40

¹ Not reported.



Lean created time for training

For HID Global's card facility in North Haven, working with Lean manufacturing methods not only increased efficiency, it also empowered the employees and created time for training. "We work much better now," says Emely Berrocales. "Small changes like how we stand on the line make work easier, and then there are some big changes, like finding ways to get products out faster rather than getting stuck in the process all the time."

By putting the time saved through an efficient work environment into training, a positive circle was created. "Now we know how to do other jobs on the line so we can step in if someone is sick, or just try something new. Altogether, we just feel better when we come to work. There is something new to do every day, some new challenge, and everyone gets along," says Berrocales.



A case in point

At ASSA ABLOY we believe that people make it all happen. Depending on ambition and initiative career development is achieved through challenging tasks, training, trust, feedback and teamwork. Several Group companies have implemented training programs.

When Matt Lewis started his apprenticeship with ASSA ABLOY Door Security Solutions in the US in 2004, he did not know that he would spark an entirely new program aimed specially at attracting new employees and training them as specification writers.

Though Lewis was first to complete an apprenticeship in specification consulting, he does not want to take any credit for the program's success. "It could not have been done without Scott Tobias, regional architectural manager at ASSA ABLOY Door Security Solutions, whose enthusiasm carried over to me and the great team I work with," Lewis says.

Specification consultants work closely with the Door Security Solutions sales team, contributing to its success rate.

On top of business English

ASSA ABLOY Business English is an interactive and web based tool designed to help employees who need to improve their English skills to become more efficient in their work. The program offers personalized study plans depending on individual needs and learning goals and includes local support.

Alex Li, Supplier and Value Analysis/Value Engineering Manager for UK products at Guli in China enjoyed the mix of grammar, reading, listening and practicing vocabulary and expressions. The part that he liked the most was sharing ideas, such as how to improve speaking ability. "It's very beneficial to be able to participate in an internal program on the internet to improve one's skills," Li says.

Rudolf Procházka, trade union chairman at FAB in the Czech Republic, also recommends the course to both beginners and the more advanced. He thinks enhancing the knowledge and skills of its employees will translate into increased opportunities for the company. "I am grateful for this opportunity to learn English," Procházka says.

The year with our *stakeholders*



ASSA ABLOY tries to develop a dialogue with stakeholders such as Non-Governmental Organizations (NGO) active in environmental areas and human rights. We listen to their views and when relevant make adjustments. This helps us improve our agenda for sustainability. We also support and follow several global initiatives in our global business, such as the Global Compact, Carbon Disclosure Project and Global Reporting Initiative.



ASSA ABLOY supports the UN Global Compact

ASSA ABLOY is a signatory to the United Nations Global Compact. The Global Compact is a tool for the United Nations (UN) and international participants to create a common platform for work with sustainability, based on 10 principles. Its two objectives are to incorporate these 10 principles in business activities around the world and to catalyze actions in support of broader UN goals. As a participant, ASSA ABLOY is committed to promote the 10 principles. To report on ASSA ABLOY's sustainability work, the Sustainability Report 2008 will be submitted to the UN Global Compact organization.

Moving from the West Bank

In October 2008 an external report pointed out that it was inappropriate that ASSA ABLOY'S subsidiary Mul-T-Lock had a production unit in Barkan, the West Bank. The unit has around 100 employees and has more or less been of the same size since the acquisition in 2000. Mul-T-Lock has operations in Israel and on the West Bank. The company was founded in 1973 and the operation on the West Bank started in 1984. After due consideration ASSA ABLOY decided to move the operation.

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project

ASSA ABLOY has participated in the Carbon Disclosure Project (CDP) for the second consecutive year receiving a score of 44/100 (41/100). As one of the companies in the carbon-intensive category in the Nordic Report ASSA ABLOY is ranked in a similar position to last year; 27 of 43 (27 of 37). A breakdown of ASSA ABLOY's overall score reveals that the company's disclosure of its emissions is good compared with other companies in the carbon-intensive category and the disclosure of risk and opportunities, performance and governance is average.

Community outreach

ASSA ABLOY acts as a good corporate citizen wherever it operates and whenever possible supports local, regional and global communities in appropriate ways. Below are a few examples of community outreach from 2008.

A better world, one child at a time

HID Global is partnering with the charity World Vision's Mission 500 project, a non-profit initiative focusing its efforts on the security industry and dedicated to serving the needs of children and communities in crisis.

The goal of Mission 500 is to sponsor 500 needy children through World Vision's child sponsorship program. It is a volunteer driven initiative, and all of the funds raised are channeled directly to World Vision. The globally renowned humanitarian organization provides food, clothing and education to those truly in need.

HID Global's Platinum Sponsorship status commits HID Global to sponsoring 30 children. This means that HID helps to feed, clothe, educate and tend to a child's health needs.

The first full year of sponsorship has been paid by HID Global. To also engage its employees, HID Global is encouraging them to take an interest in and correspond with a particular sponsored child. After the first year is completed, HID Global will co-fund the child along with the employees. HID will cover 50 percent of the ongoing monthly costs, while the employee will cover the other 50 percent.

Departments, sites and individuals have got involved in the sponsorships, by establishing communication with particular children, whose photographs and letters are displayed around the organization.



Trick or treat

Each year millions of children die of preventable causes. To help out, the "Trick Or Treat" for UNICEF program has become a Halloween tradition for HID Global employees and their families in North America. Naturally the program serves as an introduction to the realities countless children endure every day due to disease, disasters and other hardships. But it also introduced the HID families to the idea that they can make a difference to the children of the world by collecting and/or donating cash in the strategically placed collection boxes.



Everybody deserves security

Nothing gives a greater sense of security than a home. That's why since 2001, ASSA ABLOY Americas has supported Habitat for Humanity, providing Yale locks for all homes built by the charitable organization in the United States. Approximately 375,000 locks had been donated by the end of 2008.

Having a home provides the emotional security families need. By providing locks for those homes, ASSA ABLOY Group companies contribute to unlocking people's lives for further security. Over the years, our companies in the US, Mexico and Canada have provided labor hours working on local Habitat homes and Jimmy Carter Work Projects, financial donations and other gifts-in-kind services.

"When I lock my front door for the first time, then I'll know it's mine," said Lynette Davis who became the proud owner of a Bronx, New York home built through Habitat for Humanity. Like all Habitat homeowners, she also contributed 250 hours of sweat equity into her new home.

Habitat homes were built all over the world in 2008. The organization hit a milestone when it built its 300,000th house this past fall.



La Fonte's helping out

Each year Brazilian company Yale La Fonte contributes to a campaign to provide children and homeless people with clothes and blankets. The activity is carried out in the winter and reaches people in the poorer parts of the community.

In addition, a special effort is made by La Fonte employees to collect toys over Christmas. The toys are then distributed to children in poorer parts of the community, making the Christmas a little happier for these children.

Donation to Save the Children

Every day ASSA ABLOY door opening solutions help people around the world feel safe and secure. Recognizing that there are people who need more to feel safe, ASSA ABLOY maintained its holiday season tradition of donating to the international fund for Save the Children as the year ended.

Save the Children works in more than 120 countries around the world and is the largest independent organization dedicated to improving the lives of children and safeguarding their most basic rights. ASSA ABLOY is proud to play a part in this very worthy cause.

VingCard Elsafe helps "give kids the world"

Give Kids The World is a charitable foundation dedicated to providing memorable, magical, cost-free vacation experiences to children with life-threatening illnesses and their families. VingCard Elsafe began donating to the foundation nearly 15 years ago, and through its latest contribution the company supplied and installed electronic locks on 44 guestroom doors at the Give Kids The World Village in Kissimmee, Florida, USA.

"We are very proud to support The Give Kids The World Village. It's truly a place where children's dreams are fulfilled, and it's an honor to play even a small role in making that happen," says Rune Venas, president of ASSA ABLOY Hospitality Inc. in North America.

With the help of its supporters, Give Kids The World has welcomed more than 89,000 families from all 50 states and more than 65 countries since it opened in 1989.

"At Give Kids The World, it is our mission to never turn away a child whose single wish is to visit the attractions of Central Florida," said Neal McCord, general manager of Give Kids The World. "We are so grateful for supporters like VingCard Elsafe because we simply could not fulfill this mission without contributions like theirs."



Earthquake recovery effort

ASSA ABLOY Hospitality's Hong Kong office donated HKD 160,000 to the International Federation of Red Cross, Red Crescent Societies (IFRC) to aid victims of the Great Sichuan Earthquake in 2008 – the worst natural disaster to hit China in 30 years. In addition, many other employee of the ASSA ABLOY Group worldwide made contributions.

The earthquake, which claimed the lives of more than 69,000 people destroyed thousands buildings, roads, schools

and hospitals. "We are all very saddened by the terrible suffering caused and feel great sympathy for the survivors, said ASSA ABLOY Hospitality Worldwide President and CEO Tim Shea. "ASSA ABLOY Hospitality's Hong Kong office responded to this disaster by initiating a local donation program and implored the company to show its support by matching the donations they collected. We are pleased to report that ASSA ABLOY Hospitality gladly matched the contribution."

Shareholders

Ratings

Several rating agencies and NGOs based in Sweden and abroad establish ratings for ASSA ABLOY.



FTSE

ASSA ABLOY is included in the FTSE4Good Index. The company meets the stringent social, ethical, and environmental criteria of the global index company FTSE Group, and is positioned to capitalize on the benefits of responsible business practice.



Kempen

ASSA ABLOY continues to improve and holds its status in the Kempen SNS SRI Universe where companies qualify based on social and environmental performance as well as business ethics.



Folksam

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

Corporate Responsibility Index – The Corporate Responsibility Index 2008 analyzes the work of 261 Swedish listed companies within the areas of the environment and human rights. ASSA ABLOY has improved both its score and rating compared to last year's index. In human rights, ASSA ABLOY was rated number 34 (38) with a score of 3.43 (3.36) out of 7. In environment, ASSA ABLOY was rated number 46 (60) with a score of 3.69 (3.31) out of 7.

Gender Diversity Index – The Gender Diversity Index 2008 measures the percentage of women at different levels within a company. In 2008 ASSA ABLOY received a score of 1.64 (1.64) out of 5 and was placed number 18 out of the 24 Swedish listed companies included in the index.

Dialogue with investors and analysts

ASSA ABLOY meets regularly with investors and analysts to discuss sustainability. We have held roundtable discussions and separate meetings with a number of investors.

Requests from analysts have generally concerned more externally available information about low-cost regions, such as measures when establishing new operations, due diligence procedures, supplier networks, sourcing volumes, indicators for supplier audits, detailed reports about a specific outcome of a supplier audit, and information about rejected suppliers.

The meetings have been very appreciated and have resulted in a number of visits to production facilities in South America, Scandinavia, Eastern Europe and Asia.

ASSA ABLOY also carried out its first independent external social audit in early 2009.

Visits by ethical analysts to ASSA ABLOY factories

During 2008, ethical analysts from five fund management organizations in Sweden visited Group companies FAB, Facea, and one supplier in the Czech Republic. One of the organizations also visited a Romanian supplier.



Quotes from analysts

Banco, Helena Hagberg, Senior Analyst, Responsible Investments

2009 will be an important year for ASSA ABLOY from a sustainability perspective. To fully integrate responsibility in the organisation requires both hard work and commitment. We believe that the recipe for success is a clear direction set by the CEO, a strong commitment from the management, a powerful Sustainability Committee and resources in the organisation to understand and meet the challenges ahead for each department. Other important ingredients are of course transparency and continuous improvements.

During the last years ASSA ABLOY has improved transparency tremendously, implementing an annual sustainability report, conducting annual roundtables with shareholders and organised visits to ASSA ABLOY and suppliers globally. Regarding transparency, ASSA ABLOY shows leading practice. We also believe that ASSA ABLOY during the last two years has taken a big step forward with an enhanced focus on human and labour rights, not only in the business of ASSA ABLOY but also in relation to suppliers and the supply chain. ASSA ABLOY's supply chain programme is now up and running; we are looking forward to following the company on its interesting journey during the year to come.



Första AP-fonden, Nadine Viel Lamare, Head of Corporate Communications and SRI

Första AP-fonden, AP1, has been discussing issues related to social and environmental responsibility with ASSA ABLOY for many years. Parts of their operations are associated with processes having a considerable environmental impact, a high degree of manual labour and production globally and in low-cost countries in particular, therefore assessing and addressing these issues at group level is of utmost importance.

With this in consideration, we welcome ASSA ABLOY's systematic approach to CSR, including their efforts in being transparent and creating a constructive climate for discussions with investors on these topics. This work benefits us all; the company, its employees, the communities in which ASSA ABLOY is present, the environment and the total long-term return of the company.



Andra AP-fonden, Carl Rosén, Head of Corporate Governance and Communication

Second Swedish National Pension Fund (AP2) performs analysis of companies' work with environmental and social aspects from a value-creating perspective. This includes assessments of a company's: 1) awareness and governance of environmental, ethical and human rights issues; 2) product responsibility and communication; 3) potential to create products and/or services that can substantially reduce the use of resources and 4) vision regarding development of new markets and business models that includes sustainability.

In this regard, AP2 views ASSA ABLOY as a company that demonstrates a considerable commitment to sustainability. The strategy shift, from risk to opportunity, and identification of sustainable business opportunities is stimulating and well aligned with the thinking of AP2. To integrate sustainability issues in all local units, and with the company's suppliers, is an important and comprehensive undertaking. At the same time it is crucial that ASSA ABLOY maintains thorough knowledge of the issues on Group level. Looking ahead, AP2 would welcome more detailed descriptions of the processes involved in implementing and ensuring compliance with the Code of Conduct.



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

For several years we have followed the sustainability work of ASSA ABLOY. We appreciate the openness the company has shown in relations with investors on sustainability issues. During the years ASSA ABLOY has held round-table discussions to gather viewpoints and feedback from investors on their work.

Subjects for discussion during 2008 involved among other things the changes in how the company organizes the sustainability work internally. In our view, ASSA ABLOY for the past few years has had a systematic approach to the sustainability work, and established routines to address several of its most material issues. Therefore we stress the importance of continued focus on environmental and social issues in order to achieve continued progress and, and we are looking forward to learning more about the new organization during 2009.



Swedbank Robur, Anna Nilsson, Head of Sustainability Analysis

"We have seen ASSA ABLOY develop its sustainability approach from small scale commitment five-ten years ago to the more extensive and systematic approach that the company employs today. However, ASSA ABLOY has many challenges due to their presence in low cost/high risk countries and a high degree of manual labour and processes with environmental impact. Therefore, ASSA ABLOY's sustainability work in the supply chain, their own operations, and the activities created to raise awareness among their own personnel concerning the environment, labour rights and business ethics is crucial.

We take great interest in ASSA ABLOY's development of their supply chain audits and awareness-raising activities among the purchasing staff and auditing groups during 2009. We also encourage the planned independent social audits of their own operations in some countries. We also anticipate a thorough and transparent sustainability report for 2009. The company is at an important crossroads right now as the sustainability work needs to get more integrated into the organisation at the same time as the governance structure of the sustainability work is being re-organised."

Reporting our progress



Communication

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

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

We also frequently present our sustainability approach to external audiences.

Internal reporting management

In 2005 ASSA ABLOY implemented a formal internal reporting system. The system encompasses several quantitative and qualitative indicators, as described earlier in this report. The system covers the more significant operations from an environmental, health and safety perspective. During 2005 and 2006 a report module linked to the financial reporting system was used. In 2007 a separate reporting database was developed and the reporting scope expanded. The expansion is mainly related to the new sustainability program 2007–2010. The database is described in the section 'Training and tools', page 9.

All reports are checked and verified at local, divisional and HQ level. Any missing or unrealistic data is collected or revised. Any changes due to restatements are explicitly described wherever they occur. The Sustainability report 2008 was published in April 2009. ASSA ABLOY produces an annual sustainability report, as well as reporting on current issues on the website.

Reporting entities

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

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

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

Global Reporting Initiative (GRI)

This report covers the reporting year of 2008. All ASSA ABLOY operations as well as suppliers are included in the scope. For reporting of indicators the scope of 81 manufacturing entities has been defined. Joint ventures are included if ASSA ABLOY has a majority of the shares. Sustainability indicators are reported by companies that have been part of the Group the full reporting year. Companies acquired in 2008 will therefore not report sustainability indicators until 2009. Other examples of entities not included are offices not integrated with a factory site, or smaller assembly units.

The report has been developed with guidance from a number of standards and with substantial input from investors and available rating schemes, in particular the GRI Guidelines. ASSA ABLOY reports against level C of the GRI and this by self-declaration. A cross reference to the GRI is given on page 30-31.

GRI content index table



ASSA ABLOY's Sustainability Report 2008 follows the Global Reporting Initiative (GRI) guidelines, level C.

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

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

	Page reference	Degree		Page reference	Degree
Profile			Commitments to external initiatives		
1. Strategy & analysis			4.12 Association to external voluntary codes, principles or other initiatives	23	
1.1 CEO's comments	1		4.13 Membership in organizations	23	
1.2 Description of key impacts, risks and opportunities	5		Stakeholder engagement		
2. Organizational profile			4.14 List of stakeholder groups	2	
2.1 Name of the organization	Cover		4.15 Basis for identification and selection of important stakeholders	2	
2.2 Primary brands, products, and services	Inside cover, AR 12		4.16 Approach to stakeholder relations	2	
2.3 Operational structure of the org.	Inside cover		4.17 Key topics and concerns that have been raised through dialogues with stakeholders	26–27	
2.4 Location of organization's headquarters	Back cover		Indicators		
2.5 Countries where the organization operates	33		5. Economic indicators		
2.6 Nature of ownership and legal form	AR 95–96		Economic performance		
2.7 Markets	Inside cover		EC1 Direct economic value and distribution		■
2.8 Size of the organization	Inside cover		EC2 Risks and opportunities for the organization due to climate changes	5, 13	■
2.9 Significant changes during the reporting period	AR 76–77		EC3 Coverage of the organization's defined benefit plan obligations	AR 72–73	■
2.10 Awards received during the reporting period	N/A ¹		EC4 Financial assistance received from government		■
3. Report parameters			Market presence		
Report profile			EC5 Range of ratios for standard entry level wage compared to local minimum wage		■
3.1 Reporting period	Cover		EC6 Purchases from local suppliers		■
3.2 Date of most recent previous report	29		EC7 Local hiring and proportion of senior management hired from the local community		■
3.3 Reporting cycle (12 months, 24 months, etc.)	29		Indirect economic impact		
3.4 Contact details	33		EC8 Infrastructure investments and services provided for public purposes	25	■
Report scope & boundaries			EC9 Significant indirect economic impacts, including the extent of impacts		■
3.5 Process for defining report content	5–7, 29		6. Environmental performance indicators		
3.6 Boundary of the report	29		Materials		
3.7 Specific limitations on the scope or boundary of the report	29		EN1 Materials used by weight or volume		■
3.8 Basis for reporting on joint ventures, subsidiaries, etc	29		EN2 Recycled input materials		■
3.10 Comparability with previous reports	29		Energy		
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	29		EN3 Direct energy consumption	13	■
GRI content index			EN4 Indirect energy consumption	13	■
3.12 Table identifying the location of the Standard Disclosures in the report	30–31		EN5 Energy saved due to conservation and efficiency improvement	13	■
4. Governance, commitments & engagement			Water		
Governance			EN8 Total water withdrawal	14	■
4.1 Governance structure for the organization	3, AR 86		Biodiversity		
4.2 The Chairman of the Board role in the organization	AR 87		EN11 Location/scope of land owned near protected areas/ areas of biodiversity value		■
4.3 Independent and/or non-executive board members	AR 88–89		EN12 Factors that affect biodiversity		■
4.4 Methods for shareholders and employees to propose recommendations, etc. to the board	AR 87–88		Emissions, effluents & waste		
4.5 Remuneration to senior executives	AR 78–79		EN16 Direct and indirect greenhouse gas emissions	13	■
4.6 Processes for avoiding conflicts of interests in the board	AR 89		EN17 Other relevant indirect greenhouse gas emissions		■
4.7 Processes for determining the competence of board members	AR 87				
4.8 Mission, values, Code of Conduct, etc.	4				
4.9 The board's monitoring of the sustainability work	3				

¹ ASSA ABLOY does not report on awards at central level for the reporting period.

Fully reported ■
Partly reported ■
Not reported ■

	Page reference	Degree
EN18 Initiatives to reduce greenhouse gas emissions	13	■
EN19 Emissions of ozone-depleting compounds		■
EN20 NO, SO, and other significant air emissions		■
EN21 Emissions to water		■
EN22 Waste	14	■
EN23 Significant spills		■
Products & services		
EN26 Actions to reduce environmental impacts of products and services	12	■
EN27 Products sold and their packaging materials that are reused		■
Compliance		
EN28 Fines non-monetary sanctions for non-compliance with applicable laws		■
Transport		
EN29 Environmental impact from transport	14	■
7. Social performance indicators		
Employment/ Employees		
LA1 Total workforce by function, employment type and region	AR 79	■
LA2 Rate of employee turnover		■
LA3 Benefits provided to full-time employees		■
Labour/management relations		
LA4 Percentage of employees covered collective bargaining agreements		■
LA5 Minimum notice period(s) regarding operational changes		■
Health & safety		
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	16	■
LA8 Programs to assist workforce regarding serious diseases		■
LA9 Health and safety topics covered in formal agreements with trade unions		■
Training & education		
LA10 Average hours of training per year per employee		■
LA11 Programs for skills management and lifelong learning that support employees' career development	19	■
LA12 Employees receiving regular performance and career development reviews		■
Diversity & equal opportunity		
LA13 Composition of governance bodies and workforce	20, AR 79	■
LA14 Ratio of basic salary of men to women		■
Human rights		
Investment & procurement practices		
HR1 Consideration for human rights in regard to investments		■
HR2 Human rights in the supplier chain	9–10	■
HR3 Training and education in human rights	9–10	■

	Page reference	Degree
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		■
Child labour		
HR6 Operations where there is a risk for incidents of child labour and actions taken		■
Forced & compulsory labour		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	4	■
Indigenous rights		
HR9 Incidents of violations involving rights of indigenous people and actions taken		■
Society		
Community		
SO1 Programs for evaluating the operation's impacts on communities		■
Corruption		
SO2 Business units analyzed for risks related to corruption		■
SO3 Employees trained in the organization's anti-corruption policies and procedures		■
SO4 Actions taken in response to incidents of corruption		■
Public policy		
SO5 Participation in public policy development and lobbying		■
SO6 Financial and in-kind contributions to political parties, politicians and related institutions		■
Anti-competitive behaviour		
SO7 Legal actions for anti-competitive behaviour		■
Compliance		
SO8 Monetary value of fines for non-compliance with applicable laws		■
Product responsibility		
Customer health & safety		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	12	■
Product & service labelling		
PR3 Product labelling and information		■
Marketing communications		
PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications		■
Customer privacy		
PR8 Substantiated complaints regarding breaches of customer privacy		■
Compliance		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services		■

Glossary

Americas

North and South America.

Asia Pacific

Asia, Australia and New Zealand.

Carbon Disclosure Project, CDP

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

Carbon footprint

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

CO₂

Carbon dioxide.

CoC

Code of Conduct.

Direct energy

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

EH&S

Environment, health and safety.

EMEA

Europe, Middle East and Africa.

Energy conservation

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

EPD

Environmental Product Declaration.

EWC

European Works Council.

Global Compact

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

Global Reporting Initiative, GRI

Global guidelines for sustainability reporting.

Greenhouse Gas Emissions

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

Indirect energy

Electricity and heating.

IR

Injury rate, measured in injuries per million hours worked.

ILDR

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

ISO 14001

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

KPI

Key Performance Indicator.

NGO

Non-governmental organization.

Organic solvents

Perchloroethylene, trichloroethylene, etc.

PER

Perchloroethylene.

RoHS

European Union Restriction of Hazardous Substances Directive.

SRI

Socially Responsible Investment.

Sustainability

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

TRI

Trichloroethylene.

WEEE

European Union Waste Electrical and Electronic Equipment Directive.

The ASSA ABLOY Group has a worldwide presence, with companies in more than 50 countries and authorized distributors for the rest of the world. The Group's own manufacturing units, detailed in this report, are located in the countries listed below.

For a detailed list of all companies, see
ASSA ABLOY website
www.assaabloy.com.

Sweden	Belgium	Spain	USA
Finland	Netherlands	Czech Republic	Mexico
Norway	France	Romania	South America
Denmark	Germany	Israel	China
United Kingdom	Switzerland	South Africa	Australia
Ireland	Italy	Canada	New Zealand

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