

ASSA ABLOY

Sustainability Report 2005–2006



Vision, Realism, Ethics and Courage



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The CEO's foreword

I am pleased to present the first ASSA ABLOY Sustainability Report. In just a few years, we have built a framework for the sustainability management of a global business with over 30,000 employees, 100 production facilities and sales of over SEK 31 billion annually.

ASSA ABLOY, the industry leader, is growing both organically and through acquisitions. We will intensify our efforts to implement procedures to handle sustainability issues, fully integrated with core business processes.

The ASSA ABLOY strategy of continuous growth, coupled with a need for restructuring and a commitment to more cost-efficient sourcing, exposes ASSA ABLOY to risks in the sustainability area. The streamlining of production and sourcing procedures, coupled with systematic work on sustainability, will enable us to reduce risks and create opportunities.

Since its foundation in 1994, ASSA ABLOY has come a long way in a short time; a long way in relation to how ASSA ABLOY sales and production units have grown the business.

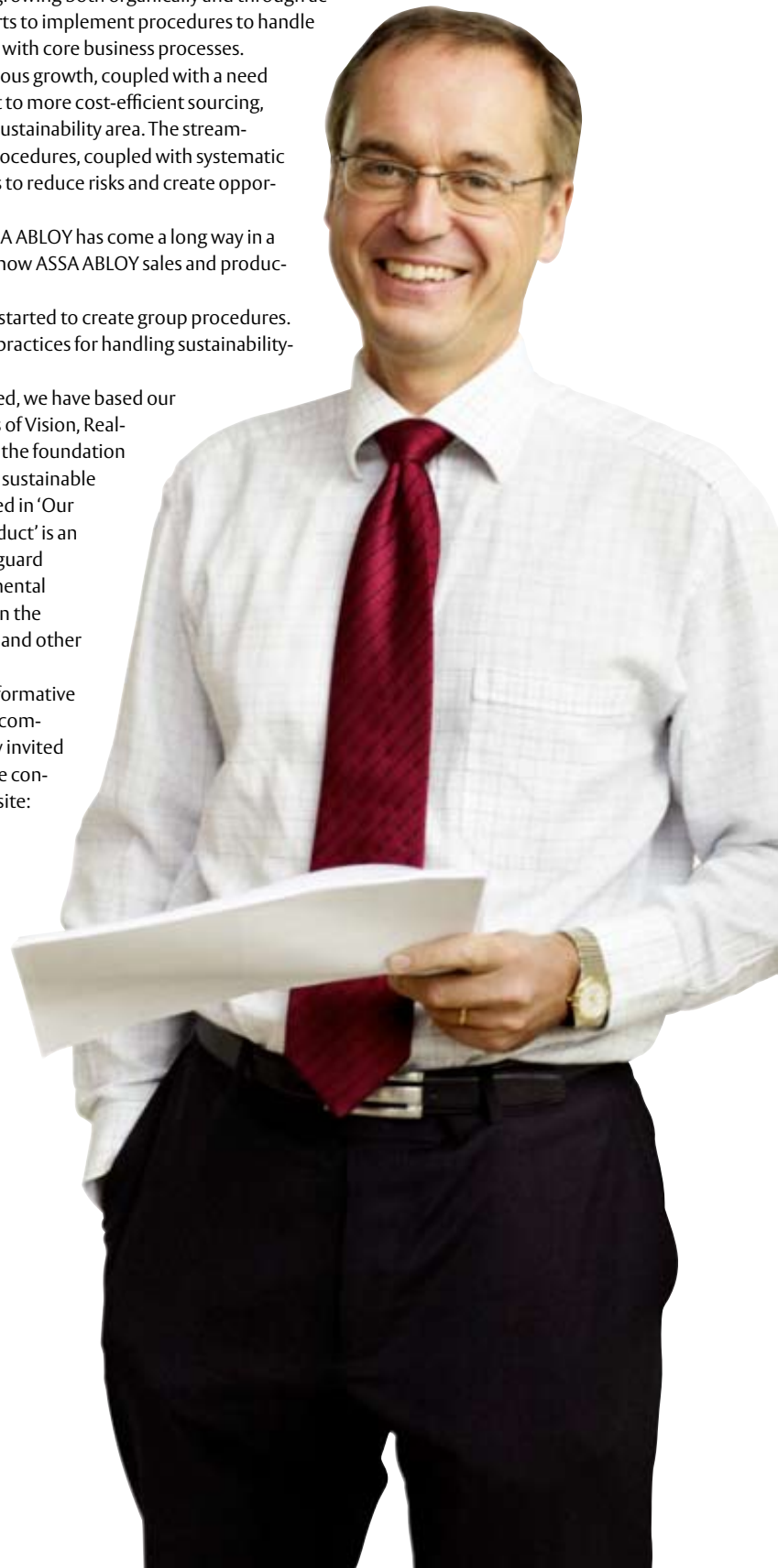
Over the past five years, we have started to create group procedures. One of these includes all important practices for handling sustainability-related issues.

Since ASSA ABLOY was established, we have based our operations on the four cornerstones of Vision, Realism, Ethics and Courage. These form the foundation for the Group's endeavours towards sustainable development, which are documented in 'Our Code of Conduct'. 'Our Code of Conduct' is an excellent vehicle in the work to safeguard human rights, labor rights, environmental quality, ethical values and behavior in the interest of employees, shareholders and other stakeholders.

I hope you will find this report informative and useful and look forward to your comments and input. You are specifically invited to communicate any feedback via the contact details on the ASSA ABLOY website: www.assaabloy.com.



Johan Molin
President and CEO



Introduction – the first ASSA ABLOY Sustainability Report



Introduction

The first comprehensive ASSA ABLOY Sustainability Report was produced with the ambition of reaching all our stakeholders and informing them about the ASSA ABLOY sustainability management framework from analysis through implementation to follow-up.

The report will hopefully also promote engagement and learning. The principles applied throughout this report are engagement, accountability, transparency and materiality.

ASSA ABLOY has a risk management approach to sustainability, a systematic way of creating procedures for handling sustainability – risks and opportunities – in the core business processes. We have taken the first steps, but there still remains a lot to do. A strategy and a plan are in place and it is intended to use the feedback received on this report to further develop the approach.

This report covers all ASSA ABLOY operations and also includes its suppliers through sustainability audit procedures. It has been produced with guidance from externally available guidelines, but is not intended to comply fully with these.

In May 2004, ASSA ABLOY took a strategic decision to work systematically on sustainability issues, such as environmental, health, safety, ethical and social issues, including human rights.

The ASSA ABLOY values embedded in the Group's cornerstones – Vision, Realism, Ethics and Courage – are the main foundation for working towards sustainability. The main reason for the work on sustainability is to be in line and consistent with these values, showing good citizenship and

leadership. Other reasons and driving forces include:

- Globalization and the impact of globalization.
- Risk management:
 - To ensure that practices such as production, sourcing and outsourcing are performed within a sustainability responsible framework.
 - To identify, develop and grow opportunities arising out of the business strategy.
- Legal compliance.
- Increasing shareholder value and stakeholder engagement.

ASSA ABLOY contributes to a safer and more secure world through its solutions in the locking and security area and intends to continue ensuring responsible practices through comprehensive work on sustainability.

The table below shows the progress made towards the systematic management of sustainability issues for each sustainability dimension – economic, environmental and social. It also shows how ASSA ABLOY – taking a group-wide strategy for all sustainability issues – has prioritized the work. For internal business processes we started with ensuring a minimum environmental, health and safety level, including the establishment of a program and indicators. In sequence after this, we have focus on ethical and social issues. Meanwhile procedures for externally related business processes, involving direct interaction with the external part of the value chain, were defined and implementation was begun.

PHASE/ Issues/ Practices	ANALYSIS		IMPLEMENTATION			FOLLOW-UP	
	Assessment	Survey at company level	Policy	Strategy	Program	Indicators	Objectives
Economic – sustainability dimension	Evaluate 2008	Evaluate 2008	Evaluate 2008	Evaluate 2008	Evaluate 2009	Evaluate 2009	Evaluate 2009
Environment, health & safety	2003	2004	2004	2004	2004	2005	In progress
Ethical & social issues	2003	2006	2004	2004	2006	2006	In progress



ASSA ABLOY organization and business processes

ASSA ABLOY in brief

ASSA ABLOY is the world's leading manufacturer and supplier of door opening solutions, meeting tough end-user demands for safety, security and convenience. With over 150 companies operating in more than 40 countries and over 10 percent of the world market, the Group is the strongest global player in the lock industry.

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

Since ASSA ABLOY was founded in 1994, the Group has grown from a regional company to an international group

with over 30,000 employees and sales of over SEK 31 billion.

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

ASSA ABLOY is organized into five divisions: three geographical divisions – EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia Pacific (Asia, Australia and New Zealand) – and two product divisions – Global Technologies and Entrance Systems – both of which serve a global market.

The map below shows the global presence of the Group.

ASSA ABLOY is currently focusing on organic and acquired growth, but also on exploiting production synergies between Group companies. Production should be concentrated in fewer facilities.



ASSA ABLOY's products

ASSA ABLOY's range of electronic security products includes electronic cylinders, automatic doors and products for access control. In addition to locks, the main mechani-

cal security products are handles, door closers, evacuation products, and door and window fittings. The images below show some of the products in the ASSA ABLOY portfolio.



Risk assessment



Introduction

In 2003, the Group completed an assessment of risks and opportunities in relation to sustainability issues, as shown below.

PHASE, Issues/ Practices	ANALYSIS	
	Supply chain, processes	Stakeholders
	Raw materials, production, etc.	Employees, others
Environment, health & safety	Risk assessment – 2003	Survey – EH & S managers – 2004
Ethical & social issues		Survey – HR managers – 2006

The assessment covered such wide-ranging sustainability issues as the environment, business ethics and social issues (the assessment itself covered all issues in greater detail):

Environment:

- Local and global standards.
- Focus on processes.
- Focus on products and their environmental impact.
- Environmental accounting.

Business ethics:

- Leadership and governance.

Social aspects:

- Working conditions.
- Gender balance and diversity.
- Human rights.
- Consumer interests.

The assessment included all segments of the value chain:

- Raw materials extraction.
- External components production.
- Internal production.
- Internal and external assembly.
- Sales, distribution and transport.
- Use of products and end-of-life processing/recycling.

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



Results – Risks and impacts

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

Environmental, health and safety issues:

- Local versus global standards.
- Hazards related to chemicals and technical risks.
- Energy consumption and greenhouse gas emissions.
- New units.

Ethical and social issues:

- Workplace conditions.
- Gender balance and diversity.
- Bribery and corruption.
- Human rights.
- New units.

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

- Sourcing in general.
- Waste treatment technology and control systems.
- Social issues, such as bribery and corruption, in sales operations.
- All issues in the raw materials extraction segment, but the influence ASSA ABLOY has on this segment of the value chain is relatively small.

Opportunities lie in reducing the risks associated with the above issues and in other business areas. Enhancing our brand value and reputation, the recruitment and retention of employees and operational efficiency are areas where positive outcomes are expected.

Policy and Strategy



Introduction

Following the risk assessment, a Sustainability Strategy was developed and endorsed in 2004, along with supporting policy documents, by ASSA ABLOY Group management. The ASSA ABLOY business strategy of organic and acquired

growth, concentrating the production footprint and leveraging opportunities presented by cost-efficiency can only be implemented with the support of a solid and proactive corporate culture and a strong commitment to sustainability.



Policy and Code of Conduct

Our policy documents, global environmental policy and stakeholder integrity policy, address all the sustainability issues. A code of conduct entitled simply 'Our Code of Conduct' was introduced in 2004. It is based on a combination of our policies and international conventions such as the United Nations Universal Declaration of Human Rights and the core conventions of the International Labor Organization. Our policy documents and Our Code of Conduct doc-

uments (short version available in 14 languages) are all available on the ASSA ABLOY website, www.assaabloy.com.

Our Code of Conduct declares to all stakeholders that 'doing the right thing' is the overriding principle we follow when conducting business. The code is organized around specific subject areas and topics, and is carefully worded to ensure it is easily understood by all ASSA ABLOY's diverse staff.

'Our Code of Conduct is an integral part of our cultural fabric that is embedded in our organization; something that we continually foster as we lead by example.'



Thanasis Molokotos, Executive Vice President, Head of Americas division; Jack Dwyer, Vice President of Human Resources and Administration, Americas division; Jeff Merschuk, Vice President and CFO Americas division.

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

Business ethics

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

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

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

Environment, health & safety issues

- Environment.
- Health & safety.

Our Code of Conduct is closely aligned with the ASSA ABLOY culture, which in turn is based on the four cornerstones of Vision, Realism, Ethics and Courage adopted in 1995.

ASSA ABLOY's **vision** is:

- To be the true world leader, most successful and innovative provider of door opening solutions.
- To lead in innovation and provide well-designed, convenient, safe and secure solutions that give true added value to our customers.
- To offer an attractive company to our employees.

Realism means everyone must excel at his or her job. We must fully understand our business, market, products and competition, as well as our own organization and business processes. Management must have a broad perspective, while remaining aware of detail, and must strive to maximize cost efficiency, customer relevance and innovation in each project.

Ethics are central. To trust and respect people and their ability to grow is the basis for ethical standards that attract good people and motivate them to be their best.

Courage is about spearheading change. This means leading via creative innovation based on customer relevance and cost efficiency.



Strategy

The strategy will lead to a management system for sustainability issues, covering ASSA ABLOY's core business processes. We started with our internal operations and

continued with the creation of tools for other business processes, such as acquisitions and sourcing.

Management



Organization

ASSA ABLOY has appointed an executive at head office with primary responsibility for sustainable development and at least one person has similar responsibility in each division. At the operating unit level, the managing director

and/or the human resources director is responsible for ethical and social issues and the environment director is responsible for environmental issues.

Tools and projects

The illustration below shows the different tools, projects and procedures that have been developed or are under development, for core business processes and stakeholders.

The following sections will describe most of these procedures in more detail.

PHASE, Issues/Procedures	IMPLEMENTATION						
	Processes and procedures					Stakeholders and procedures	
	Management	Sourcing	Production	Investments	Acquisitions	Employees	Other stakeholders
Environment, health & safety	Policy – 2004, Code of Conduct (CoC) – 2004, business strategy	Supplier audits tools – 2006, CoC – 2004	ISO 14001, floor requirements – 2004, internal audit – 2005, CoC – 2004	Ad-hoc criteria if > SEK 1 M – 2005	Directive Due Diligence – 2005, studies, training	Whistle-blowing – 2004, Stakeholder strategy to be defined – 2008	Strategy to be defined – 2008
Ethical & social issues			CoC – 2004, training – 2006, best practice sharing – 2007, internal audit – 2006				

The whistle-blowing mechanism was introduced into the Code of Conduct to provide an opportunity, in exceptional situations, for bypassing the normal reporting procedure to draw attention to suspected wrongful behavior in the interest of the company, its employees and other stakeholders.'



Krister Eriksson, Senior Vice President Human Resources

Training

- All ASSA ABLOY employees have been informed about Our Code of Conduct and most employees have received the code in their native language. In addition, all current employees to-date and all new employees are required to conduct the Orientation Program, which includes a section about our cornerstones and Our Code of Conduct.
- All sustainability issues, tools and projects are described in detail on the ASSA ABLOY intranet.
- Before, during and after internal and supplier audits, seminars and training are conducted with managers from ASSA ABLOY operations and environment, health and safety (EH&S) managers.
- The EH&S managers in EMEA market regions, a group of 10 experts, meet several times a year.

Code of Conduct whistle-blowing mechanism

Our Code of Conduct was first published in October 2004. We firmly believe that any problems or suspected violations should be handled by local managers. Our managers are expected to ensure compliance with Our Code of Conduct and create and maintain a work environment in which any problems can be discussed openly, without prejudice.

Whistle-blowing should be used only as a very last resort. A team at head office is responsible for handling all such communications.

Up to the end of 2006 the team had received around 10 communications about Code of Conduct complaints.

Code of Conduct – a complaint and how it was handled

In connection with the ethical and social survey conducted at all Group companies in 2006, an ASSA ABLOY union representative was sent to a Group company to conduct the survey in cooperation with local management. When preparing for the survey, local management discovered that their sourcing practices were not diligent. It was revealed that a manager with buying authority had, for some time, been sourcing from companies owned by members of his family.

Following discussion between management and the employee representative it was decided to fire the person responsible immediately.

Sourcing procedures were then reinforced to prevent such a problem recurring. This is a clear example of an unacceptable practice under Our Code of Conduct provisions relating to 'conflicts of interest.'

Internal audits

The purpose of conducting internal audits is to ensure:

- Compliance with Our Code of Conduct.
- That ASSA ABLOY companies have a common understanding of which practices are acceptable and which are not acceptable.
- The support of continuous improvement programs and knowledge sharing.
- That the ASSA ABLOY growth and internal consolidation strategy is supported by effective requirements and tools for sustainability practices.

Audit criteria are drawn from the issues outlined in and governed by our guidelines within the area of sustainability and all issues covered in Our Code of Conduct. Our tools for internal auditing include, among others, checklists, non-conformity forms and reports. An improvement plan is developed based on the results of each audit.

Further information about the content of the audit can be found in the two sections 'Survey and program in the environmental, health and safety area' and 'Survey and program in the ethical and social area'.

Audits of suppliers

ASSA ABLOY has implemented a system for Sustainable Supplier Management as one means of reducing risks in the supply chain. This program includes conducting audits of existing and potential suppliers in Tier 1¹.

The main objectives of sustainability audits of suppliers are to:

- monitor and ensure compliance with Our Code of Conduct;
- identify problem areas and their solutions;
- promote continuous improvement.

Tools used in the audit and the audit criteria are very similar to those outlined previously for internal auditing.

Some of the critical issues in many countries are:

- Working hours and overtime.
- Employee contracts and salary, including overtime pay.
- Issues related to the right to organize.
- Environmental, health & safety issues.

ASSA ABLOY has adopted a risk-based approach which focuses on at-risk suppliers (based on region, production processes, size and importance for ASSA ABLOY).

At the end of 2005, several pilot audits were performed at suppliers' facilities in China. Consequently, a final set of tools was identified, which was implemented at the beginning of 2006 and used in audits of 40 suppliers in China that year. The sustainability function at head office is responsible for the concept and roll-out as well as for guidelines for ASSA ABLOY employees who serve as local auditors.

¹ Tier 1 is the first 'chain' of suppliers, directly contracted by an organization. Where the risk extends to 2nd tier suppliers then the 2nd tier supplier may also be audited.

² New Group companies are required to commit to an ISO 14001 deadline, generally within two years of acquisition. A few companies have been granted an extra year for implementation.

Acquisitions and investments

Mergers and acquisitions are completed in compliance with due diligence procedures, which cover all sustainability issues. Larger investments are evaluated from a sustainability perspective, depending on the type of investment.

Restructuring

ASSA ABLOY has acquired a large number of companies resulting in some overlap with regard to production processes and products. Consequently, ASSA ABLOY is now in the process of streamlining its production necessitating, on occasion, the closure of a site or plant. Whenever a closure is an option, negotiations are held with the relevant authorities and employee representatives to ensure the best possible outcome.

Survey and program in the environmental, health and safety area

In 2004 an environmental, health and safety survey was conducted at all ASSA ABLOY production facilities to map practices throughout the Group. The survey covered:

- Production-related topics, such as product categories and technical processes.
- Management systems and organizational responsibilities.
- Technical risks, including fire, PCB hazards, asbestos hazards.
- Organic solvents.
- Heavy metals in surface treatment processes.
- Handling of chemicals.
- Emissions and their treatment.
- Health and safety.

As a result of the survey, a program covering the following areas was developed:

- Development of a set of detailed floor environmental, health and safety requirements describing our ambition regarding conditions at our production plants, such as risk assessment for risk processes, e.g. surface treatment, standards for chemicals handling.
- Establishing an internal audit program.
- Implementation of environmental management systems to ISO 14001 or similar standards in all plants with a significant environmental impact by 2006².
- Review of the use of organic solvents including identifying viable alternatives.
- Review of the use of hexavalent chromium including identifying viable alternatives. Implementation of the European Union's directive on the Restriction of Hazardous Substances (RoHS), which bans the use of hexavalent chromium for pre-treating certain electronic and electromechanical products.
- Development and roll out of a set of performance indicators.



Survey and program in the ethical and social area

A survey of all ethical and social issues included in Our Code of Conduct was conducted in 2005/2006. The purpose was to:

- increase awareness of the areas covered by Our Code of Conduct and ensure compliance;
- map the status at ASSA ABLOY companies concerning all ethical and social issues covered by Our Code of Conduct;
- identify and share best practice between units.

The survey covered all ethical and social issues – business ethics, workers’ rights, human rights, consumer interests and community outreach. About 70 percent of all ASSA ABLOY companies were represented in the survey.

Results – Code of Conduct in general

All companies have informed their employees of the code and its importance and there is a good knowledge across the Group of the content of the code and related legal provisions. There was nothing in the survey results to indicate that there are any critical ethical or social issues requiring immediate corrective action.

Results – Regional differences

Several of the issues covered by the code are regulated according to local law, and therefore vary widely. Some ethical and social issues, such as child labor, forced or bonded labor, wages and corruption, are more critical in low-cost countries. Child labor and forced or bonded labor are strictly forbidden at any Group company.

As a result of the 2005/2006 survey, an ethical and social program was developed, covering:

- Best-practice sharing in the areas of business ethics, gender diversity, drugs and alcohol as well as community outreach.
- Defining and rolling out a set of indicators.
- Internal and supplier auditing, including ethical and social issues.

Stakeholder engagement

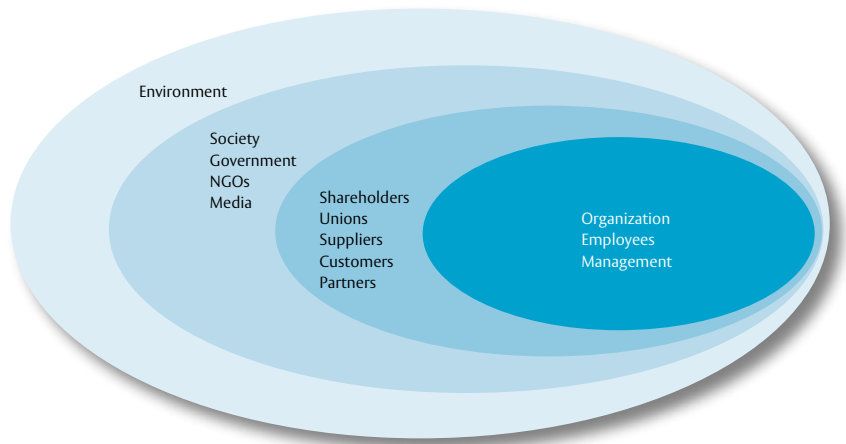
ASSA ABLOY stakeholders

ASSA ABLOY stakeholders are represented in the illustration below.

Dialogue

We work with stakeholder groups on both an ad-hoc and systematic basis. A dialogue is being held with some stakeholder groups, such as investors, rating agencies, the European Works Council, environmental organizations and unions.

ASSA ABLOY will adapt its approach to stakeholders over time. Various surveys is one means of engaging with stakeholders, while the publication of this report is another important step. The report, published on the ASSA ABLOY website, forms a platform for direct engagement and all our stakeholders are invited to contact the Group’s sustainability function with feedback, comments, criticism or a request for a meeting.



Results and plans



A preliminary set of measures and indicators has been established based on the risk assessment, the policy, strategy and management approach. Further results in the environmental, health, safety, ethical and social areas are described

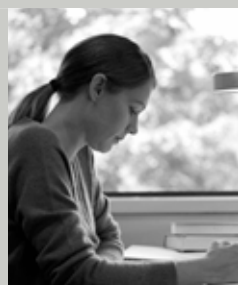
in later subsections. The table below illustrates the follow-up practices that have been implemented or are evaluated for some core business processes and for stakeholders.

PHASE, Issues/ Practices	FOLLOW-UP				
	Processes/Indicators/Form			Stakeholders	
	Production	Sourcing	Investments, acquisitions	Employees	All
Environment, health & safety	Indicators – 2005	Audited suppliers – 2006	Follow-up report directive – 2007	HR employee survey – 2006	Stakeholder engagement – 2007
Ethical & social issues	Gender diversity				

Employee survey 2006

About 14,000 employees took part in an employee survey conducted across the ASSA ABLOY Group in 2006. The results for the questions relating to Our Code of Conduct

are shown below. Responses were on a scale of 1–5 and the average is shown here.



My unit values diversity (culture, race, sex, etc.) among its employees	3.67
My unit shows responsibility towards nature and the environment	3.62
I am treated with fairness and respect at my unit	3.61
My unit shows responsibility regarding the health, wellbeing and working conditions of its' employees	3.48
My unit has high ethical and moral standards	3.46

This was the first survey of this type, and the results were considered favourable. Regular surveys will be conducted in the future.

Indicators

In 2005, ASSA ABLOY for the first time required all Group companies to report on a set of environmental, health and safety indicators. In 2006, these indicators were complemented by various indicators in the ethical and social area.

The indicators facilitate follow-up of the management tools implemented, measuring progress and defining quantitative objectives. This report covers these first two reporting years, but most objectives have yet to be defined

in this short period. Where relevant, the indicator section below contains a subheading 'Programs in progress', which describes the status of such objectives.

The results include companies that existed through 2005 and 2006. Acquired units will be included after one full year in the Group. The number of reporting, manufacturing entities from each division included in the summary for 2005 and 2006 was as follows:

Division	Number of reporting entities 2005	Number of reporting entities 2006
EMEA	35	35
Americas	21	21
Asia Pacific	4	6
Global Technologies	6	6
Entrance Systems	New division on January 1, 2006	5
Total	66	73



ISO 14001 certification

Results

2005			2006		
ISO 14001 certificates	Certifiable systems	Sum certificates + certifiable systems	ISO 14001 certificates	Certifiable systems	Sum certificates + certifiable systems
20	9	29	29	25	54

Programs in progress

All companies with a significant environmental impact should have implemented and certified an environmental management system (EMS), to ISO 14001, by the end of 2006. North American units have been asked to implement documented management systems according to the Americas' system description (certifiable system). Central and South American units that have not yet done so have been granted an extra year for the implementation of ISO 14001.

Organic solvents

Results

The table below shows the consumption of perchloroethylene (PER), trichloroethylene (TRI), as well as the sum of both (PER and TRI), for 2005 and 2006.

2005			2006		
PER (tonne)	TRI (tonne)	PER and TRI (tonne)	PER (tonne)	TRI (tonne)	PER and TRI (tonne)
92	96	188	74	99	173

Programs in progress

Development of a program for the substitution of both the organic solvents PER and TRI is under way and will be rolled out during 2007.

Hexavalent chromium

Results

The table below shows the number of entities using hexavalent chromium¹, chromium VI, for any surface treatment; such as plating, passivation or pre-treatment.

2005	2006
Hexavalent chromium in use	Hexavalent chromium in use
37	32

¹ Hexavalent chromium is more toxic than trivalent chromium, another form of chromium.

Programs in progress

RoHS – this European Union directive requires the phase-out of chromium VI for passivation and pre-treatment purposes for the product groups in the categories affected. An evaluation is under way regarding its substitution for specific processes and some applications.

Energy consumption and greenhouse gas emissions

Results

Year-selection/Indicators	2005 – all	2006 – selection as per 2005 ²	2006 – all ³
Total energy use direct + indirect (MWh)	520,000	523,000	527,000
KPI Total energy/sales ⁴ (MWh/SEK m)	18.7	16.8	16.9
Greenhouse gas emission CO ₂ -total (tonne)	168,000	174,000	175,000
KPI Greenhouse gas emission CO ₂ /sales (tonne/SEK m)	6.0	5.6	5.6

² These entities – selection 2006 – are identical with the entities that reported for 2005.

³ These entities include all 2006 reporting entities, e.g. 73 units.

⁴ Sales in 2006 was 12 percent higher than in 2005.

Programs in progress

The feasibility of launching an energy-saving program will be investigated in 2007.



Water consumption

2005	2006
Total water consumption (1,000 m ³)	Total water consumption (1,000 m ³)
2,100	2,000

Waste

2005	2006
Toxic waste (tonne)	Toxic waste (tonne)
5,300	5,400

Toxic waste is mainly in the form of filter sludge produced in wastewater treatment, and spent oil and solvents.

Injury rates

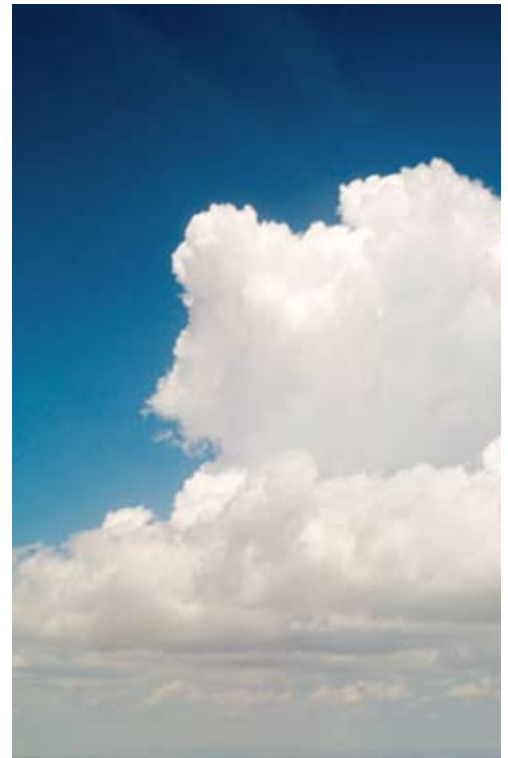
2005	2006
Injury rate (no / hours worked, mill.)	Injury rate (no / hours worked, mill.)
15	11

Gender diversity

The percentage of women at levels 1–4 in the workforce during 2006 was:

Level	Percentage of women
1	0
2	0
3	9
4	10
Total workforce	41

The levels correspond to the hierarchies within ASSA ABLOY.



Sustainability ratings and evaluation of sustainability performance



ASSA ABLOY has been included in the FTSE4Good Index Series since March 2004. The FTSE4Good Index Series was developed to identify companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. ASSA ABLOY's work on sustainability is also evaluated by several funds, fund managers and rating institutes in Sweden and abroad.

Some of the difficulties identified in the work on sustainability are:

- Weak legislation in some countries, coupled with weak implementation and enforcement, and limited infrastructure.

- The fact that ASSA ABLOY is a young group and in recent years has acquired more than 100 companies.

Consolidation takes time in every area of management and the Group still has a long way to go. Some of the programs and tools require improved implementation and there is a need for training in most areas of sustainability. On the whole, ASSA ABLOY knows what to do. What remains now is to complete implementation and achieve further results – qualitative and quantitative – while contributing to society.

Plans for 2007

The major activities for 2007 are:

- Continuous stakeholder engagement.
- External report – PDF on the web – inclusion of stakeholders in connection with release of report.
- Internal audits.
- Supplier audits.

- Evaluation of phase-out options for chlorinated organic solvents (PER, TRI).
- Evaluation of phase-out options for hexavalent chromium.
- Indicators for sustainability – further evaluation and conclusions.



Sustainability case studies

Introduction

ASSA ABLOY has production facilities all over the world. Minimum sustainability requirements, practices and tools remain the same wherever the Group operates and have been continuously communicated and implemented.

The following sections present sustainability case studies from Guli in China, ASSA ABLOY Romania and TESA in Mexico.

Guli, China

Guli Security Products Ltd has been a wholly-owned subsidiary of ASSA ABLOY since 2001. Guli employs around 2,500 people and is located in the province of Guangdong.

Guli is certified to both ISO 9001 and ISO 14001 and was the first Chinese lock manufacturer (there are around 2,000 lock manufacturers in China) to achieve ISO 14001 in 2004.

Guli stopped using the piece-rate system in 2006. No workers in the 'young workers' category (age 16–18) are employed. Deposit systems are not in use. Employees who want it are provided with dormitory accommodation through an external party. Guli pays part of the dormitory costs for these employees.

All critical production processes have been assessed for health and safety risks and an improvement plan is being

implemented. Guli has a doctor on site during working hours. Health and safety training is being conducted regularly and all necessary protective gear is available.

There has been union representation at Guli since May 2006. Employees also have access to the following alternative communication channels: speaking directly to managers, opinion box, monthly team meetings and regular staff meetings with management.

Guli was the first lock manufacturing company in China to use trivalent chromium instead of hexavalent chromium for plating, the latter being more toxic. Water based solvents are used for degreasing of components instead of organic solvents such as PER and TRI.



'To us, sustainability means integrating environmental, economic and social considerations into decision making for the benefit of our business, customers and the wider community. As China continues to grow successfully,

Allen Wong, Market Region Manager China.

sustainability management is becoming more important. That is why we are continuously investing in sustainability systems and resources in our operation in China.'



ASSA ABLOY Romania

ASSA ABLOY Romania was acquired by ASSA ABLOY in 1998. Today, the company has 900 employees, around the same number as in 1998.

ASSA ABLOY Romania has implemented a quality management system to ISO 9001 and an environmental management system to ISO 14001 (certification for ISO 14001 was achieved on February 15, 2007).

ASSA ABLOY pays salaries according to market and legal requirements. In addition to the mandatory legal requirements, ASSA ABLOY provides the following benefits:

- Overtime paid at 200 percent per hour, meal and transport tickets, and professional training programs and language training programs.

No workers in the 'young workers' category (age 16–18) are employed. ASSA ABLOY Romania has a continuous program to improve the health and safety area. A doctor is on site around five hours a day and employees are given annual health check-ups. Employees in certain departments are given further examinations relevant to the hazards present in their department. Extensive work on raising awareness and assessing hazards is an ongoing process and all employees are obliged to use the necessary protective equipment, after the risks have been reduced through preventative measures.

There are representatives of two unions at ASSA ABLOY Romania and they participate at regular meetings with the management of the company and at ASSA ABLOY European Works Council meetings.



'In every country in which ASSA ABLOY operates, especially in low-cost countries, it is very important to respect the rules in Our Code of Conduct. In some of these countries, a weakness regarding the provisions of the code may be suspected to some extent. Support and control are the keywords for improvement in this case. For example, Swedish

unions, the Group, the EWC and the Romanian company and unions cooperate to help and support the Romanians to work towards the spirit of the code. Through united efforts between employees, companies and unions, the code is a tool for achieving good sustainability management within ASSA ABLOY.'

Mats Persson, Employee representative on the ASSA ABLOY board;

Rune Hjälm, Employee representative on the ASSA ABLOY board, President of European Works Council, ASSA ABLOY.



TESA, Mexico

A two-year project to build a new plating plant in Mexico has had tremendous results: reduced costs, improved quality and consistency of finish, reduced production time and more opportunities for innovation – all leading to better customer relationships and business opportunities. But just as important is the impact on the environment.

‘We used to subcontract plating services to a competitor, which was high cost and high risk, so we really needed to in-source this process,’ says Jorge Hernández, Managing Director of TESA Mexico. ‘At the same time, we wanted to make sure we were as environmentally responsible as we could be.’ The new plant has better gas emission control and wastewater treatment, is more energy efficient, uses

less water and keeps chemical waste under tight control. Such impressive results have required a lot of hard work, not to mention patience and perseverance as production was transferred to the new facility.

Success undoubtedly resulted from the strong research carried out in the initial phase, including consultation with Group companies and their experts.

‘We have had very positive feedback from everyone, both staff and customers,’ says Jorge.

‘It is a project everyone can be proud of, and one that has had the added benefit of improving teamwork, both within TESA and with our Group companies.’



Community outreach

ASSA ABLOY companies worldwide are engaged in different projects in their community or in their own company. One of the major projects ASSA ABLOY has sponsored over the years is Habitat for Humanity, where employees have spent many hours on construction projects, and where products and money have also been donated.

An internal project in ASSA ABLOY South Africa is raising awareness of HIV/AIDS and offering a testing program in order to combat the disease.

Vincent Molekoa (in red) surrounded by HIV/AIDS committee members (from left) Nomalanga Matabane, Lucky Nkatlo, Evans Mpanza, Hifiza Hassan, Winfred Deane and Shaun Adams.



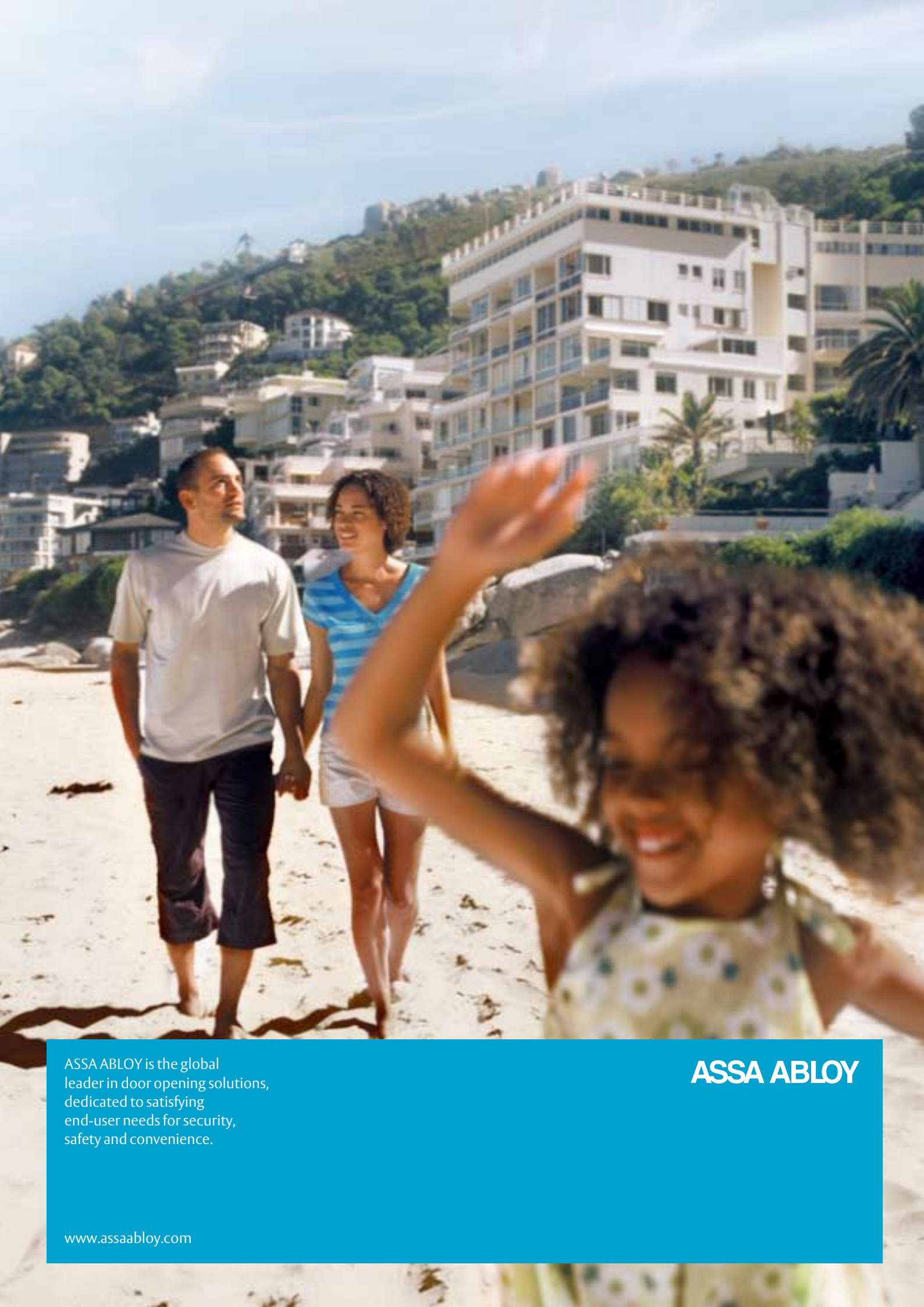
Combating HIV/AIDS

In 2005, managers and employees of ASSA ABLOY in South Africa, together with local healthcare professionals, rolled out the HIV Workplace Program. The program, which is sponsored by the Swedish Workplace HIV/AIDS Program (SWHAP), offers education and testing for ASSA ABLOY employees in South Africa.

Vincent Molekoa, chairperson of the HIV/AIDS Committee at ASSA ABLOY in South Africa, says the first step in raising HIV awareness is voluntary coun-

seling and testing. 'The most crucial step is to get staff to test for HIV so that they can, if necessary, focus on lifestyle changes,' says Molekoa. 'The next step is to encourage those employees infected to seek the necessary support and register for anti-retroviral (ARV) treatments.'

In August 2006, the HIV Workplace Program also offered training on how to deal with the growing challenge of HIV/AIDS stigma.



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

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