

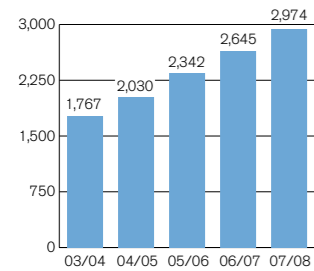


# Committed and knowledgeable staff - the core of the Clas Ohlson brand

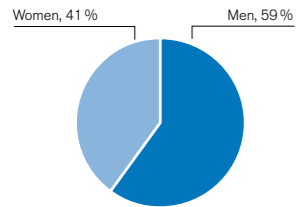
## A more even gender distribution

The goal for the year in the gender equality plan is to attain more even gender distribution in each department. Our goal is for no occupational group to consist of less than 40 per cent of either men or women.

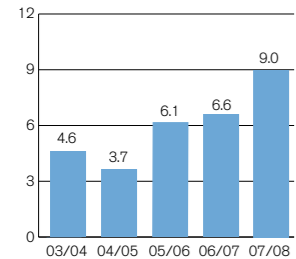
Total number of employees



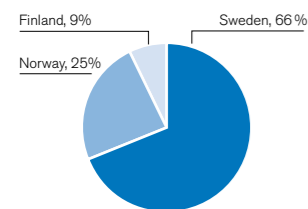
Number of employees, men/women



Staff turnover



Employees per country



Clas Ohlson's staff are the core of the Clas Ohlson brand and the trust our customers place in us. A comment we frequently hear from our customers is that they expect a little bit extra from Clas Ohlson, that we provide good service and that we have pleasant and knowledgeable staff. We aim to be an appealing employer that can attract and retain the best staff in the industry. To attain this goal we put great emphasis on recruitment, continuous development of skills and a corporate culture based on shared values.

## The Clas Ohlson spirit

A distinctive feature of a corporate culture is the company's strong entrepreneurship and personal concern for both customers and staff. The special Clas Ohlson spirit developed over the years is characterised by a positive attitude, commitment, loyalty, service-mindedness, a familiar team spirit and innovative thinking. All contacts between staff and customers should be characterised by accessibility, warmth and service-mindedness. With the focus on customers, we work together, regardless of position, towards our established goals.

It is the responsibility of every member of staff to nurture and develop the corporate culture. Our rapid rate of expansion – with 15 new stores and more than 300 new members of staff during the financial year – makes this all the more important.

## Interesting career opportunities

Clas Ohlson's rapid expansion creates the right conditions for our staff to develop and build a career in the company. We have high mobility between our stores, and interest in working in other countries is increasing. In connection with the establishment of new stores, project teams are appointed in which staff from head office, the distribution centre and various stores take part in the preparations required to open a new store. The forthcoming expansion in the United Kingdom provides new opportunities to work abroad for shorter or longer periods of time.

A high proportion of internal recruitment also ensures the continuity and tradi-

tion we aim for. Of 24 new managers in the financial year, nine come from within the company.

## Clas Ohlson Academy

The Clas Ohlson Academy, our internal development centre, is a new initiative to bring together our development and training activity in a coherent unit. The Clas Ohlson Academy is intended to ensure that the organisation has the skills required for the future and to create the necessary conditions for internal career paths. Another important task is to nurture, develop and spread the Clas Ohlson spirit.

Activity during the financial year was principally focused on training courses targeted at managers and supervisors who wish to develop in terms of their leadership, but also on other staff who wish to develop their managerial qualities in a longer-term perspective.

The Clas Ohlson Academy is responsible for our in-store staff acquiring the skills required to provide our customers with good service. We put great effort and care into introductory training courses so that new staff are integrated into our corporate culture. Theory and practice are blended with other activities with the aim of strengthening team spirit in the working group responsible for a store or some other operation within the Group. The training covers Clas Ohlson's history and values, customer relations, customer service policy, product knowledge and work routines.

The training courses take place mainly on site in Insjön, but also interactively through our intranet and videoconferencing facility. The interactive product training courses have undergone further development and have become a popular way of quickly and simply acquiring new information. Our sales training courses are filmed and distributed through the Group's network of videoconferencing facilities. Through this channel we reach all staff, and knowledge of the product range and other relevant matters is raised in our stores. In that way we make sure that our staff are well prepared to deal with

customers and provide them with advice and guidance on our products and the everyday problems they need help with.

## A popular employer

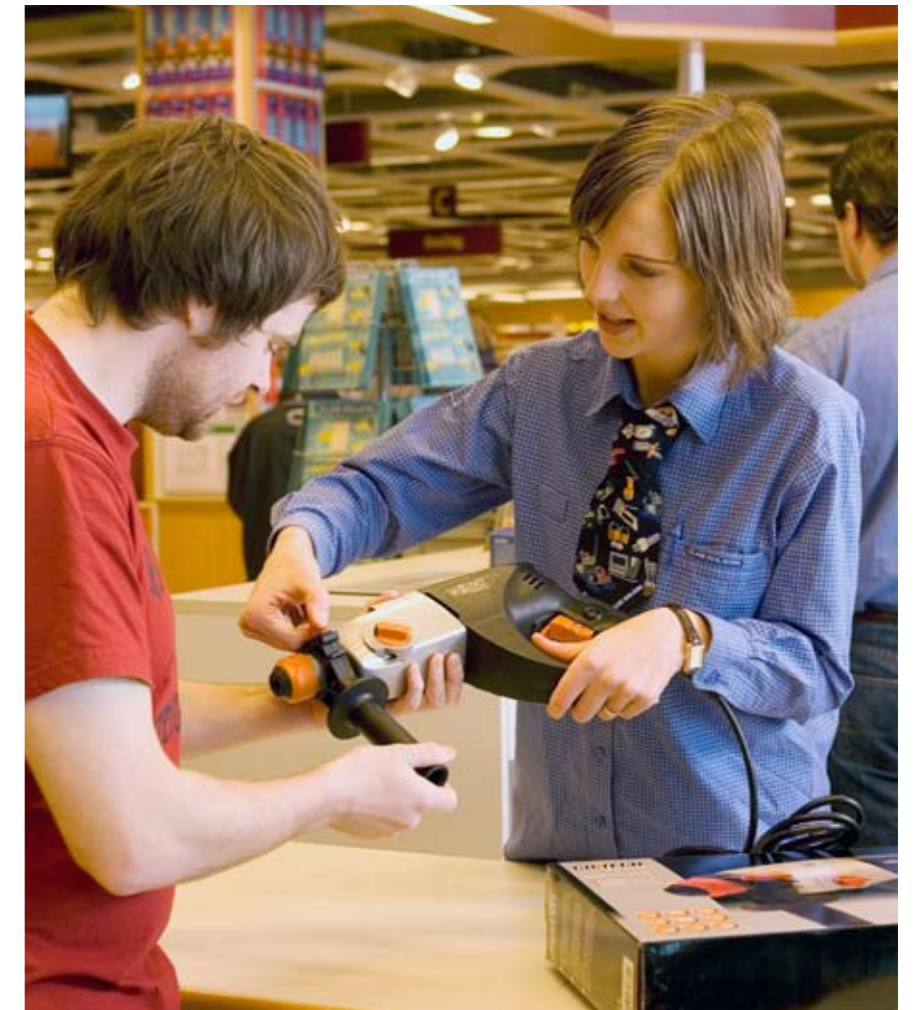
Clas Ohlson is regarded as an attractive employer, and there is great interest in working for us. This is particularly evident from the number of applications for jobs in our new stores. In Sweden we receive an average of 1,000 applications for each 20 vacancies, and from these we select 200 (or around 20 per cent) for interviews.

To make the recruitment process more effective and to assure its quality we have developed IT support which enables us to achieve greater quality in selection and ensure that we cover the skills required to deal with customers in the best possible way.

Clas Ohlson has a high level of job satisfaction and a good working environment, which is reflected in particular in a low rate of staff turnover compared with the industry average and low sick-leave rates. We have a generous personnel policy with competitive levels of pay and other benefits based on skills and performance.

## Pay and benefits

Clas Ohlson's pay policy is that pay will be competitive and on a par with or better than that of other companies in the industry. All staff have some form of performance-based pay, in addition to their fixed pay, regardless of whether they work in-store, at the distribution centre or at head office. Part of the monthly pay of in-store sales staff is based on sales and profits in the country, region or store concerned. An equivalent arrangement applies to our warehouse staff, with the difference that pay is based on sales by the entire Group. Salaried employees have a profit-sharing system based on Group profits. Part of the pay received by senior executives in managerial or key positions is variable and linked to the Group's profits and fulfilment of targets by their own function. A long-term share-related incentive scheme has also been introduced for senior executives and others judged to be well placed to shape the long-term development of the Group. See also page 44.



Clas Ohlson's training courses

Managers and Supervisors		
Leadership from a health perspective, labour law, staff interviews etc.		
Specialist Training Courses		
Area managers of stores, product training courses etc.		
Broad-based Skills		
Sales-based customer relations, lectures on health and fitness, induction of new employees, fire safety, interactive product training etc.		
Training, internal time	Number of hours	Proportion %
Managers and Supervisors	10,805	15
Specialist Training Courses	8,120	12
Broad-based Skills	50,705	73
<b>Total</b>	<b>69,630</b>	<b>100</b>

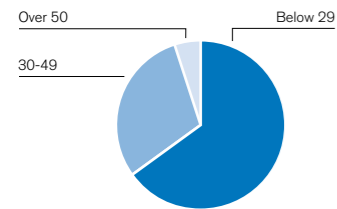
We divide our training courses into three segments, Managers and Supervisors, Specialist Training Courses and Broad-based Skills. We devoted a total of 69,630 hours to training during the financial year.



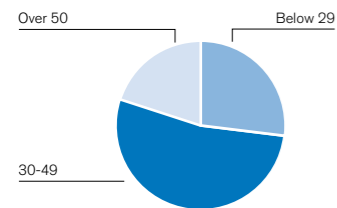
### A young organisation

A large proportion of our staff are below the age of 29. This is natural as many of the staff in our stores work part-time. It is common for students to work in one of the Clas Ohlson stores during weekends and evenings.

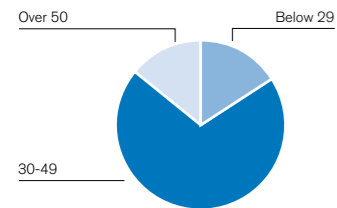
#### Age breakdown – Stores



#### Age breakdown – Distribution centre



#### Age distribution – Salaried employees



Examples of other benefits are topping-up of pay for those on parental leave, health and fitness subsidies, free access to fruit and coffee at work and staff discounts.

#### Staff turnover

Staff turnover among full-time employees in the Group averaged 9.0 per cent (previous year 6.6 per cent). The increase was principally due to a generally good labour market and consequently increased mobility. Turnover is higher among part-time employees, which is natural as we have large numbers of students working part-time during their studies. Staff turnover among our employees in Insjön, at the head office and in the distribution centre over the same period was 1.9 per cent (previous year 1.0 per cent).

#### Diversity enriches

We firmly believe that an inspiring working environment and good results are achieved through an even distribution of

staff with different experiences, gender, age and background.

The Group's gender equality policy underlies our gender equality plan, which is regularly updated. The aim in recent years has been to attain more even distribution of men and women in each department, firstly through strategic skills development and secondly by giving priority to even gender distribution in filling new vacancies. The objective is that no occupational category should have a breakdown of less than 40-60, that is to say that neither gender should have a lower proportion than 40 per cent in the occupational category concerned. Forty-one per cent of the Group's staff in the financial year were women, which is an increase of one percentage point in comparison with the previous year. Our efforts to raise the proportion of women in management positions have also produced results, and the proportion of female store managers has risen to 29 per cent. The equivalent proportion in Sweden was 36

per cent. The proportion of women among senior executives in the Group increased from 11 per cent to 22 per cent.

#### Health and fitness

The overall aim of our health and fitness efforts is to create a good working environment where our employees can have a sense of security, job satisfaction and community.

Total absence due to sickness in 2007/08 was 3.9 per cent, which is down 0.2 percentage points on 2006/07 (4.1 per cent). The proportion of total absenteeism accounted for by staff on long-term sick leave out fell over the same period from 37 per cent to 31 per cent.

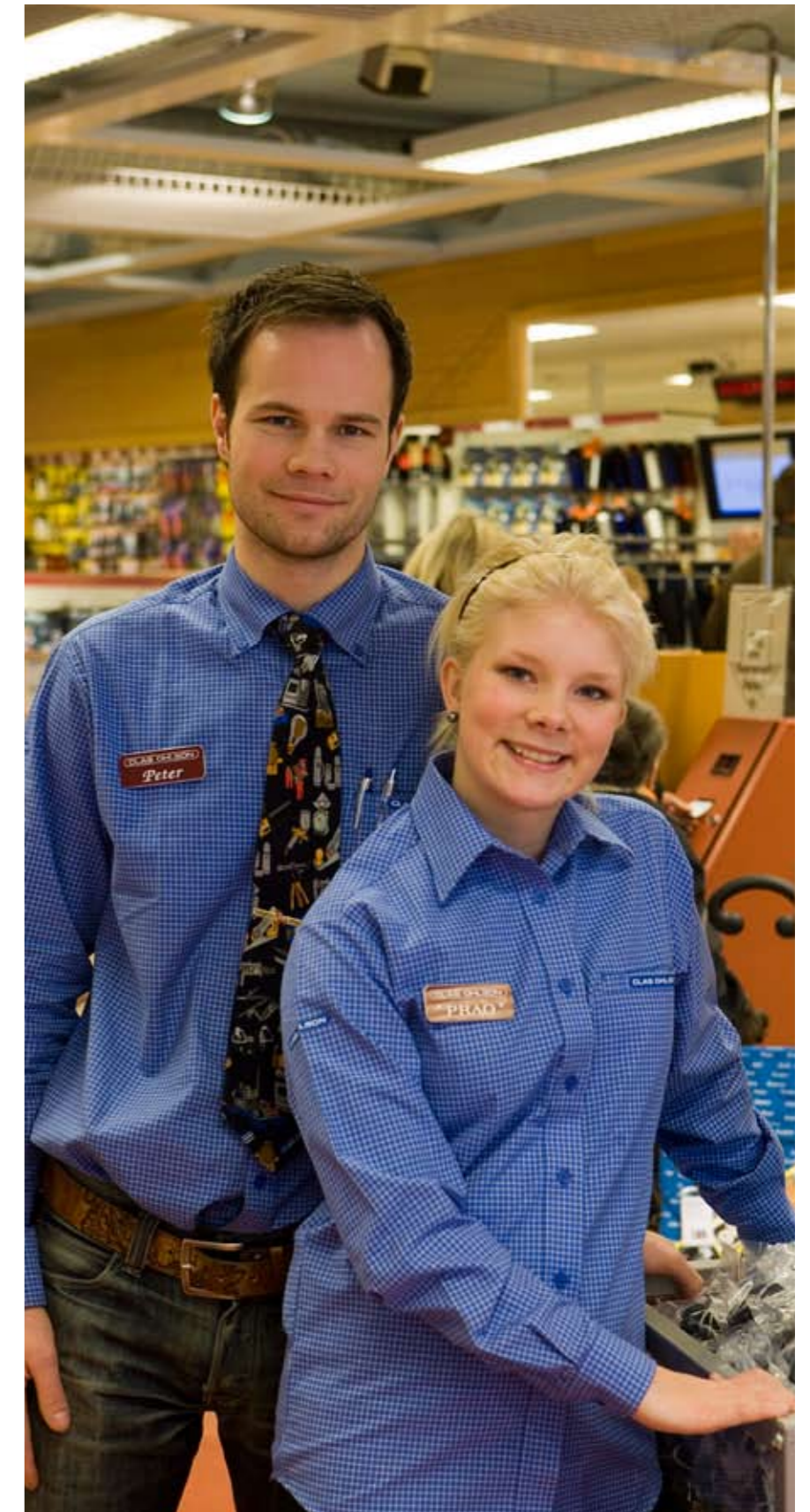
Our health strategy is based on creating the necessary conditions for both physical and mental well-being at the workplace. The health perspective forms a natural part of our systematic working environment activities. In order to keep this alive we regularly inform our union safety representatives and health promoters, who pass knowledge on to their colleagues.

Number of employees*	Sweden	Norway	Finland	Total
Stores	1,289	692	232	2,213
Distribution centre	355	0	0	355
Salaried employees	318	63	25	406
Total	1,962	755	257	2,974
– of whom women, %	41	37	48	41

Average period of employment in the company is*	Sweden	Norway	Finland	Total
Salaried employees	7	6	3	6
Stores/Distribution centre	7	2	1	5

Average absence due to sickness, %	Sweden	Norway	Finland	Total
Total absence due to sickness	3.9	6.0	3.7	3.9
– of which, long-term sick leave	3.1	5.4	1.7	3.1
– of which, men	3.0	4.8	2.4	3.0
– of which, women	5.3	8.1	5.3	5.4
– of which, employees aged less than 29	3.0	5.1	3.9	3.2
– of which, employees aged 30–49	4.5	7.3	3.2	4.4
– of which, employees aged over 50	4.9	6.6	5.6	4.9

\* 30 April 2008



#### Training in Insjön

We organise a training course in Insjön in Sweden for all staff recruited to work in new stores. Theory and practice are blended with activities with the aim of boosting team spirit in the Group.



# Our social responsibility and human rights efforts

## Our Code of Conduct

1. Statutory requirements
2. Working environment
  - Health and safety
  - Housing
3. Working conditions
  - Discrimination
  - Forced labour
  - Disciplinary measures
  - Child labour
  - Pay and working hours
  - Freedom of association and the right to collective pay bargaining
  - Alcohol and drugs
4. Environment
5. Application and follow-up

## The Code of Conduct in brief

The Clas Ohlson Code of Conduct is intended to assist our suppliers in their efforts to improve the working environment and working conditions and reduce their environmental impact. It supports the UN Global Compact and the OECD guidelines for multinational companies. It is our purchasing organisation, in cooperation with our CSR organisation, that is responsible for informing suppliers, as well as supporting the work and monitoring compliance with the Code.

The full Code of Conduct can be found on our website, [www.clasohlson.se](http://www.clasohlson.se).

Clas Ohlson will contribute to promoting human rights in countries where we operate. We have responsibility not just for our own personnel but also for those who work for companies that manufacture the products we sell.

Our responsibility includes laying down requirements and supporting our suppliers and manufacturers in improving their operations in terms of human rights and environmental impact.

Clas Ohlson is becoming an ever larger purchaser of both goods and services in various countries, which increases our opportunities to contribute to an improved working environment and working conditions as well as the smallest environmental impact possible in the parts of the world where we operate. This is long-term and complex work that demands both commitment and effort from the whole of our organisation and the suppliers, manufacturers and other organisations with which we cooperate.

## Our responsibility

Our responsibility is to maintain and develop a financially sound and successful company with a long-term sustainable operation that takes responsibility for people and the environment. From our founder Clas Ohlson there is a tradition of a sense of family and taking responsibility. The company has a strong internal culture, the Clas Ohlson spirit, which is based on a number of values and approaches. We take these core values with us into new countries through our store openings and in our approach to our partners. For further information on corporate culture, see the section on staff on page 14.

Clas Ohlson does not have its own manufacturing and does not own any factories. We are a pure retailing company that procures products from a large number of different

suppliers, agents and manufacturers around the world and sells them through our network of stores and by home shopping. Our CSR (Corporate Social Responsibility) work is focused on our own operations, that is our direct impact on the people and the environment, and how the operations of our suppliers affect people and the environment. We must take account of the whole of the product's life cycle, meaning how it is used and its impact on the environment at the end of its life.

## Our aspiration

We shall offer our customers good-quality and affordable products while contributing to sustainable development for people and the environment. This is a long-term endeavour where we work on constant improvements. Our aspiration is to stay and exert influence in those countries where conditions for people and the environment have not progressed as far as they have in Sweden, for example.

## Our Code of Conduct

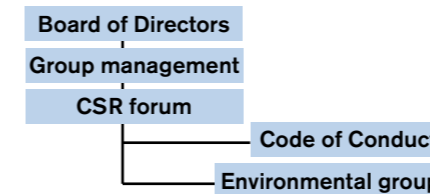
The Code of Conduct contains the demands we make on ourselves and our suppliers with regard to the working environment, working conditions and environmental impact in connection with manufacturing of the products and services we buy. More than half the products we sell have been manufactured in Asia. We procure a third of our range ourselves, through purchasing agents in Asia, directly from various suppliers and manufacturers. We have particularly great responsibility and opportunities to exert a positive influence on these purchases by checking and supporting the suppliers in their efforts to improve conditions for their employees and for the environment. At present Clas Ohlson depends on close cooperation with our purchasing agents whose task, together with our buyers and CSR auditors, is to conduct a dialogue with the suppliers.

## Goals and strategies

Clas Ohlson aims to contribute to improving human rights in countries where we operate. The CSR perspective will feature in all major business decisions and be an integral part of our various processes. We will exploit the business opportunities that exist by looking for new answers to the challenges we and the world around us face in terms of social

responsibility and environmental impact.

During the financial year we created a new CSR Forum comprising the CEO and other members of Group management, who are responsible for the company's purchasing, logistics, working environment and other personnel-related issues and information. The Forum's task is to set goals, strategies and activities for the next few years and to monitor that the company is working towards the established goals in an effective manner. The Forum also includes Clas Ohlson's internal controller, Code of Conduct manager and environmental manager who coordinate operational activity in their particular areas.



Some of the measures we are taking include:

- Reduced number of manufacturers
- Greater control and proximity through a new purchasing office in China
- Cooperating with industry-wide organisations
- Expanded control organisation with recruitment of internal auditors focusing on sustainable development
- Continued training initiatives both internally and externally
- Expanded number of evaluations of suppliers and remedying of non-conformities

During the financial year we began setting up an office in Shanghai in order to come closer to our suppliers and build up a control and support organisation that can visit various suppliers and manufacturers regularly, check that the Code is being followed and help our suppliers in their efforts to improve the social and environmental aspects of their manufacturing by providing them with information and training.

## Many challenges to be faced in checks on suppliers

Our range comprises 15,000 different articles, and we have more than 800 suppliers.

Due to the large number of suppliers and manufacturers ensuring that all items in the Code of Conduct are implemented is an extensive and challenging task. Information and training are of key significance in these efforts as it is necessary, together with the suppliers, to create a process that is based on constant improvements. The challenges we face in several countries in Asia include overtime work, no or weak trade unions, low level of knowledge among employees about their rights, defective working environment and inadequate protective equipment. Corruption also occurs, for example with falsified time reports, bribes and other practices that make it more difficult to conduct checks. All companies that directly or indirectly operate in Asia face these challenges and can, in various ways, contribute to an improvement in conditions. Clas Ohlson's strategy is to use a combination of its own CSR auditors and external audit firms to minimise the risk of checks being defective or inadequate.

## Our tools and processes

The process begins when our Code of Conduct is sent to our suppliers and manufacturers. The vast majority of them are willing to sign the Code and to work, in interaction with us, towards improving any aspects that are not satisfactory at the outset. If a supplier is not willing to comply with the Code, cooperation is terminated.

During the 2007/08 financial year more than 97 per cent of our suppliers read and signed the Clas Ohlson Code of Conduct. Cooperation has been terminated with 13 manufacturers because of an unwillingness or inability to comply with our requirements. All new manufacturers have to be visited by us or one of our agents before being allowed to supply goods.

The various ways of assessing suppliers and manufacturers include audits. We also use self-assessments where the supplier can identify any deficiencies with regard to the requirements we specify. Around 300 of our suppliers have to date made a self-assessment that they have notified to us. Our own buyers make what is known as a quick assessment in connection with supplier visits. Twenty-six quick assessments were made during the financial year.

The most extensive check is made in a supplier audit.

When an audit is conducted at a manufacturer we examine the manufacturing facility and study various documents that show scheduling and other aspects. The visit is documented in a report that includes an action plan and measures that must be taken in cases where the manufacturer has not complied with the various criteria of the Code. If a serious non-conformity has been identified the fault must be rectified immediately for the manufacturer to be allowed to continue to act as a supplier to Clas Ohlson.

## Separate control organisation built up in Shanghai

After the initial visit to a manufacturing facility, repeat visits take place, both pre-announced and unannounced. We conducted 40 audits during the financial year, the majority through an external audit company specialising in social responsibility and human rights. To be able to check that our suppliers are complying with the Code, and to help them with information and training, we will be recruiting five to ten CSR auditors, some of whom will be working on administration and system support to deal with the large volume of documents that arise in control activities. In June 2008 four people had been recruited for the CSR office in Shanghai. It takes two days to carry out a company visit, which means that one auditor can carry out around 75-80 visits a year. In addition, we will continue to conduct supplementary audits with the assistance of external audit firms.

As Clas Ohlson buys less than one per cent of its total production at some factories, it is highly advantageous to cooperate with other customer companies to assist the manufacturer in improving its operations towards established requirements and goals. The larger the customer or group of customers stipulating requirements, the greater the chances of making a breakthrough.

We aim for long-term relations with our suppliers and put our trust in an active dialogue and cooperation. As we work with the code and learn from our experience in its implementation, it will be gradually adapted and developed.

## History

- 1998 Policy concerning child labour
- 2001 Environmental policy
- 2004 Commenced process of developing and introducing a code of conduct
- 2005 Adoption of the Clas Ohlson code of conduct for suppliers by the Board and publication
- 2006 Adoption and testing of material for our systematic Corporate Social Responsibility work
- 2007 First external Corporate Responsibility audits carried out
- 2008 Establishment of a Corporate Social Responsibility organisation in Shanghai

# We take responsibility for the environment

Clas Ohlson regards it as essential to minimise the company's environmental impact and ensure sustainable operations. We continued working actively on the basis of our environmental objectives and action plans during the financial year.

## Our environmental impact

Clas Ohlson sells products through its own stores and by home shopping. We mainly have an impact on the environment through

- transportation of products, from manufacturers via the distribution centre and stores to the customer
- environmentally harmful substances contained in the products
- printing and distribution of catalogues and brochures
- use of packaging
- use of energy in our operations

## Our environmental policy

We aim to promote sustainable development of society for future generations through active environmental efforts.

We will do what we can to make sure that our direct and indirect environmental impact is reduced. Environmental efforts are an integral part of all Clas Ohlson operations. The environmental perspective will be considered in all important decisions with the focus on creating long-term value for Clas Ohlson's customers, staff and shareholders and for society at large. We will obviously also comply with applicable laws and other environmental requirements.

Our environmental efforts are based on a life-cycle perspective. We will therefore work towards

- continuous dialogue on environmental issues with our suppliers and manufacturers to set relevant requirements and attain set targets
- increasing the knowledge of our staff on environmental issues and encouraging participation in environmental efforts
- increasing the proportion of products with improved environmental performance in relation to materials, energy and quality

- improving the environmentally related information provided to customers
- measures to prevent environmentally harmful substances from arising and being dispersed (for example flame retardants)

## Environmental objectives

Clas Ohlson's environmental efforts are focused on five different areas.

### Transportation

In line with the development of society and technology, we will reduce the energy consumption of our transportation and emissions of pollutants per tonne-kilometre in the areas of outgoing freight, incoming freight Europe and incoming freight Asia.

### Products

As far as possible, we will choose products with a known and low environmental impact.

### Packaging

In cooperation with our suppliers, we will reduce the proportion of environmentally harmful product packaging.

### Printed matter

In the production of our printed matter we will choose technology and materials that have a low and well-documented environmental impact.

### Energy use

Energy use in our own and leased premises and properties will be documented. Efforts will be directed towards specified savings targets in kWh per square metre and year for the distribution centre, head office and our stores.

## From objectives to action

To facilitate our environmental efforts, we have broken the general environmental objectives down into detailed targets with clear ownership within the organisation. For more detailed information on our environmental efforts, visit our website [www.clasohlson.se](http://www.clasohlson.se).

### Total carbon dioxide emissions

Clas Ohlson's total carbon dioxide emissions from transportation and travel were 9.9 ktonnes in 2007, compared with 8.3 tonnes

in 2006. For transportation this signifies 5.4 grams/tonne-km compared with 5.5 grams/tonne-km in 2006.

### Transportation

With regard to our greatest environmental impact, transportation, it is encouraging to note that this is continuing to decrease somewhat. Our emissions per tonne-kilometre continued to decrease in 2007 in comparison with 2006 with regard to both outgoing and incoming freight. With regard to outgoing freight, the decrease was due among other factors to contracted haulage firms, at our request, using vehicles that produce lower emissions per tonne-kilometre by having more modern engines. With regard to incoming freight, the reduction was due to a decline in the proportion of transportation by air, in favour of rail and sea transport.

### Products and packaging

We have started measuring the presence of PVC in our products and packaging. To date we have identified 301 products and 78 packaging items that contain more than 5% PVC. Our aim is to reduce the number of products and packaging items containing PVC year by year.

We also aim to reduce the presence of plasticisers in plastics. This applies in particular to products that entail skin contact. We also apply the rules regarding plasticisers in plastic toys to other product categories.

### Printed matter

Clas Ohlson has issued a catalogue annually since 1918. The catalogue is printed in accordance with Nordic Swan ecolabel criteria and distributed principally with deliveries of products to our stores.

In addition to the catalogue we send out regular mailshots printed on Nordic Swan ecolabelled paper.

The Clas Ohlson annual report is only distributed to those shareholders who have requested to receive printed information from the company. This leads to a substantially reduced print run and therefore reduced environmental impact. We endeavour instead to bring about a situation in which everyone who can do so will read our

financial information on the Internet. The annual report is printed on Nordic Swan ecolabelled paper.

### Energy use

Energy use has been divided into three different areas: electricity consumption by the stores, consumption of electricity and oil at head office and consumption of electricity and oil at the distribution centre. Consumption is measured per year and per square metre of floor space. The key indicators are subjected to normal-year correction, meaning that they are adjusted to take account of any deviations in average temperatures. The key indicators have improved, particularly with regard to oil consumption, due to our using an electric boiler in Insjön to a greater extent than in the previous year. Another step will be taken during the 2008/09 financial year when parts of the facility will be heated by a biofuel-based district heating system.

In-store energy use varies sharply between different stores. Individual targets are set for each store together with an action plan and timetable. The improvements are achieved through a combination of training of staff, consistent use of low-energy lamps and other technical aids.

## Laws and guidelines

Clas Ohlson is a member of Elkretsen, the electrical industry's jointly-owned company for the management of waste electrical and electronic products. As we sell many such electrical and electronic products, we have a responsibility to dispose of the waste under an ordinance relating to producer responsibility, which came into effect on 1 July 2001.

This responsibility has been further tightened by the EU WEEE Directive (Waste Electrical and Electronic Equipment), which came into force in 2005. Clas Ohlson also complies with the RoHS (Restriction of certain Hazardous Substances) Directive, which aims to reduce the presence of four heavy metals and two types of brominated flame retardants. The EU's chemicals legislation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force in June 2007 and



**Good environmental choice**  
In 2007, Clas Ohlson was one of the companies that met the criteria for Good Environmental Choice according to the freight company Green Cargo. This transportation and logistics company, which accounts for nearly 80 per cent of Swedish freight transport by rail, issues Good Environmental Choice certificates every year to those companies that fulfil the criteria. We regard the certificate as recognition of our increased commitment to the transportation of goods by rail.

largely replaces national laws in the areas of chemicals management. The rules come into effect in stages and their application will be expanded over the next few years. Clas Ohlson is adapting its organisation so that it can also comply with future legislation.

## Stores in central locations

Clas Ohlson's strategy involves primarily establishing stores in town and city centres, meaning places people frequent in their everyday lives. In most cases, this makes it possible for customers to easily reach the store without driving. We feel that this is preferable both for our customers and for the environment.

TRANSPORTATION			
Environmental impact per tonne-kilometre			
	2007	2006	
<b>Outgoing freight</b>			
Carbon dioxide, grams	49.60	51.60	
Nitrogen oxides, grams	0.373	0.372	
Hydrocarbons, grams	0.018	0.019	
Total energy consumption, kWh	0.189	0.193	
<b>Incoming freight – Europe</b>			
Carbon dioxide, grams	31.00	32.70	
Nitrogen oxides, grams	0.300	0.299	
Hydrocarbons, grams	0.024	0.023	
Total energy consumption, kWh	0.129	0.144	
<b>Incoming freight – Asia</b>			
Carbon dioxide, grams	3.71	3.68	
Nitrogen oxides, grams	0.094	0.094	
Hydrocarbons, grams	0.003	0.003	
Total energy consumption, kWh	0.014	0.014	

ENERGY USE			
per square km and year			
	2007	2006	
Store premises, kWh	128	126	
Head office, kWh	171	142	
Head office, litres of oil	0.1	3.9	
Distribution centre, kWh	100	95	
Distribution centre, litres of oil	1.5	1.8	

Energy use has been divided into three different areas: electricity consumption of stores and electricity consumption and oil consumption of head office and distribution centre. The goal is to improve the key indicators every year.

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**CLAS OHLSON**