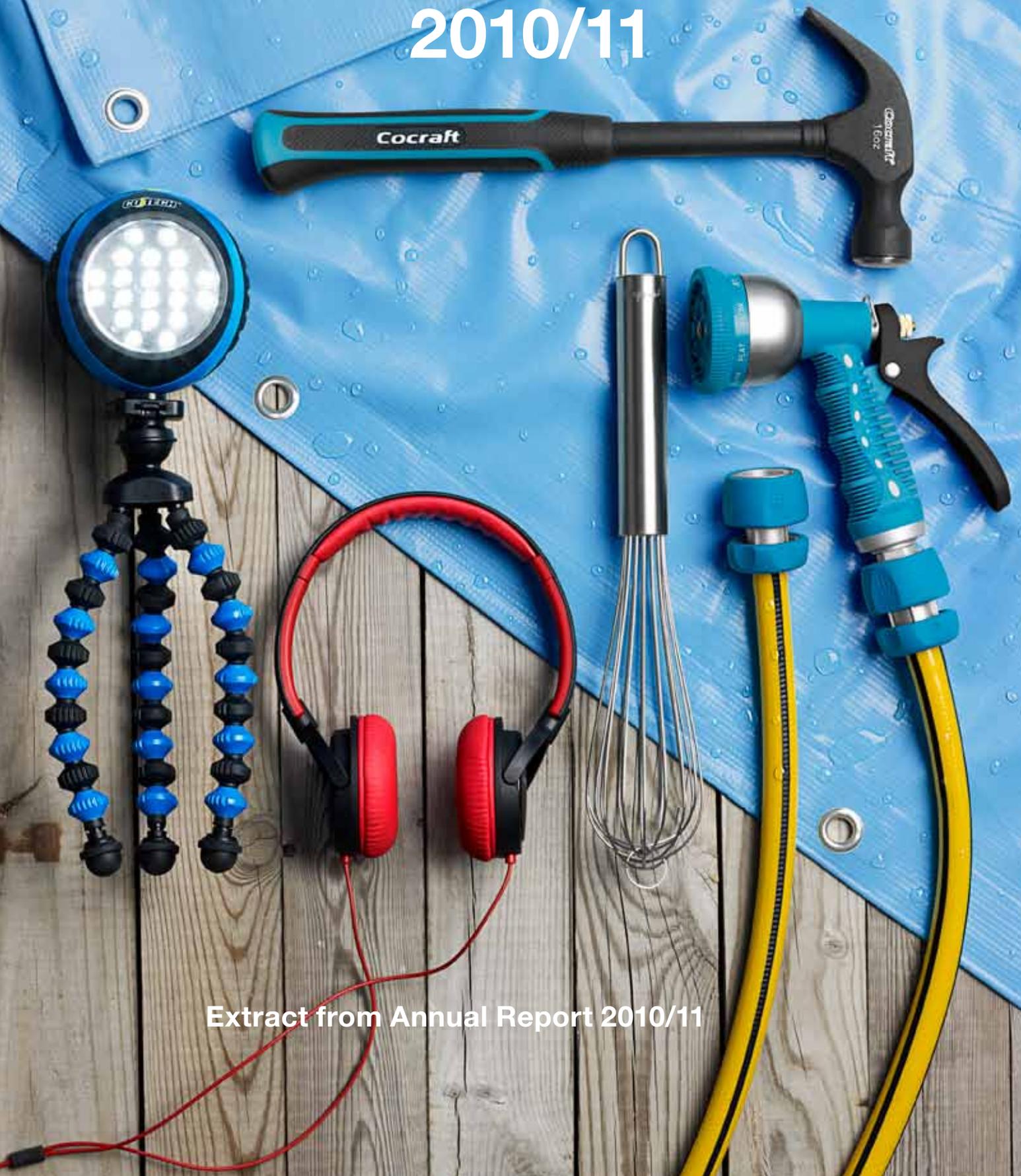


# clas ohlson

## CSR Report 2010/11



Extract from Annual Report 2010/11

# Sustainable development

Clas Ohlson is a dedicated retail company with 139 stores in Sweden, Norway, Finland and the UK. To date, mail order/Internet sales have only been offered in Sweden and Norway, but will also be launched in Finland and the UK during the 2011/12 financial year.

We offer a range of 15,000 products in Hardware, Home, Multimedia, Electrical and Leisure. Our head office and distribution centre are located in Insjön, Dalarna, and we have approximately 4,000 employees. The company does not own any factories but cooperates with approximately 600 suppliers and 750 manufacturers in 30 countries. This sustainability report describes how we work with Corporate Social Responsibility (CSR). These efforts comprise Clas Ohlson's social and environmental responsibility, meaning how it is working for sustainable development.

## Basis for Clas Ohlson's CSR work

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

Clas Ohlson aims to contribute to sustainable development and protect living conditions for current and future generations.

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

Our corporate culture is distinguished by the unique Clas Ohlson spirit, which is characterised by responsibility, team spirit, mutual respect and an open exchange of thoughts and ideas. Clas Ohlson's culture and tradition also include caring about customers, employees and the community as a whole.

## Our sustainable vision

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

## Clas Ohlson's CSR organisation and responsibility

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

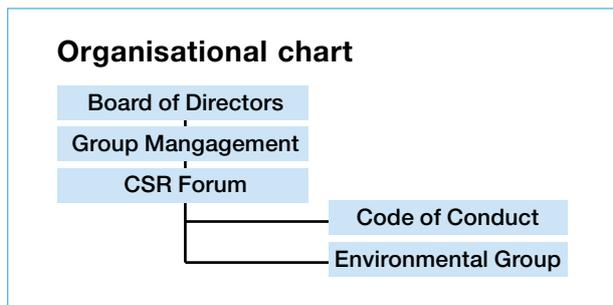
Manager (Code of Conduct).

The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's CSR programmes and monitors whether the company is working effectively toward its set goals.

The CEO has overall responsibility and the CSR programmes are to be integrated into and encompass the entire organisation.

Clas Ohlson works according to the philosophy that sustainability issues require an overall approach and that these issues must permeate the entire organisation and its various operations. This requires the involvement of the entire organisation, down to each individual employee, in efforts to achieve a sustainable society.





## Policies and reporting period for Clas Ohlson's Sustainability Report

This is the third sustainability report prepared by Clas Ohlson, based on the latest guidelines issued by the Global Reporting Initiative (GRI). Clas Ohlson has chosen to apply C-level\* disclosure (not reviewed by an external party). A cross-reference table is presented on page 45 detailing where the various GRI indicators can be identified in Clas Ohlson's Annual Report, Sustainability Report and on the website.

The information and performance indicators provided in the Sustainability Report are selected on the basis of significance and relevance from a sustainability perspective for Clas Ohlson and according to requests from our stakeholders.

The Sustainability Report pertains to the 2010/11 financial year, meaning the 1 May 2010 – 30 April 2011 period. Some sections contain information, performance indicators and diagrams for the 1 January 2010 – 31 December 2010 period.

## Restrictions

The Sustainability Report pertains to Clas Ohlson's own operations, meaning our direct impact on people and the environment, but also the impact of our suppliers' and manufacturers' operations on people and the environment. The terms "sustainability" and "Corporate Social Responsibility" (or "CSR") are used interchangeably in the report and entail Clas Ohlson's overall social and environmental responsibility. The term "CSR" is also used in the section that specifically addresses the company's Code of Conduct and our efforts to minimise the risk of non-compliance with the code. In that specific section, CSR is also used as a synonym for our work with the Code of Conduct.

We consider the entire lifecycle of the product, meaning how it is manufactured and used, and its impact on the environment at the end of its operational life.

Our responsibilities in relation to suppliers and manufacturers include making demands, developing long-term relationships and supporting them in their work with human rights, working conditions, the work environment and environmental impact. We also carry out regular verifications and audits, and terminate contracts with manufacturers that are unable or unwilling to live up to our demands.

## Clas Ohlson's stakeholders and target groups

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

We engage in a continuous dialogue with key stakeholders

and also conduct internal and external surveys to ensure that we keep abreast of opinions and requests concerning the company's operations and development.

The expectations and demands placed on Clas Ohlson by stakeholders differ. An open dialogue generates increased knowledge and assists in determining the aspects of our sustainability efforts that need improvement.

We engage in meetings with a number of funds and asset management companies and their sustainability analysts concerning various CSR issues and the opportunities and challenges facing Clas Ohlson. Several of these analysts have also been on factory visits to monitor the methods we use to inspect and verify our manufacturers in Asia. During the financial year, Clas Ohlson also held meetings with Amnesty International, Swedwatch and Save the Children in an effort to learn from their experiences, know-how and work in respect of human rights.

## Participation in international sustainability initiative

Clas Ohlson is a signatory to the UN petition to promote work in the area of human rights, the UN Global Compact.

During the year, we introduced a policy against corruption and bribes that applies to employees, suppliers and manufacturers.

In addition, for the second consecutive year, we contributed to the international climate initiative, the Carbon Disclosure Project (CDP). This requires that we report both direct and indirect emissions of greenhouse gases from our operations that occurred in 2009.

## Employee surveys

Our work environment survey reveals a high level of job satisfaction and an excellent working environment. During the financial year, an employee survey encompassing the entire Group was implemented – the Employee Satisfaction Index (ESI). (Read more on pages 38-40).

## Customer survey

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

This year's survey shows that customers believe that our social work is most important, followed by a good personnel policy, our environmental programmes and finally our other community involvement. Our dialogue with customers on sustainability issues is important and will be further developed in an effort to involve them in the development of our business and the products we offer.

## Our stores

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

## Financial development that creates value

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

## Significant events in 2010/11

The CSR perspective plays a central role in our business strategy and is an integral part of our operations, governance, monitoring and decision-making processes. The CSR perspective was integrated into Clas Ohlson's strategy and business planning during the financial year and is now included in the processes, tools and plans that are used.

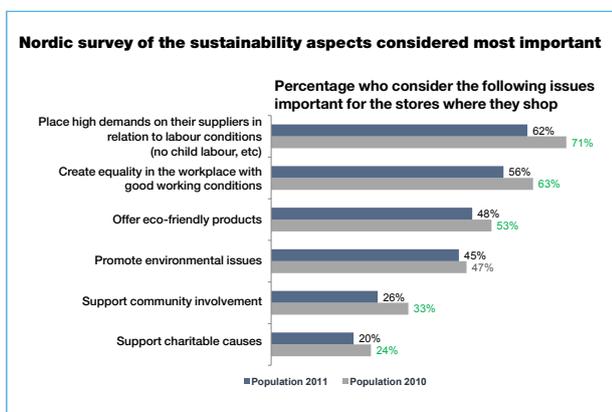
In the 2010/11 financial year, we continued to develop our long-term efforts to monitor our Code of Conduct. Some 426 manufacturers in Asia were audited during the year, compared with 444 in the preceding year. An increased proportion of return visits were made with the purpose of monitoring the action plans that were agreed upon with various manufacturers.

In cooperation with Dalakraft, Clas Ohlson has reduced its annual CO<sub>2</sub> emissions by 1,000 tonnes by introducing district heating in the distribution centre and head office in Insjön, compared with previously when heating was based on oil.

Clas Ohlson has continued to promote the phase-out of conventional light bulbs through various marketing campaigns. Customers are offered assistance by knowledgeable personnel to find the right alternative and there is instructional information in our stores.

A strategy for cooperation with NGOs has been established, which has led to a joint venture with Save the Children concerning cooperation in Sweden, Norway and China with an ambition for future cooperation with Finland and the UK.

Clas Ohlson has also collaborated with Cancerfonden during the financial year and participated in two campaigns – against breast cancer och prostate cancer.



### \*GRI application levels

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

## The strategies are as follows:

Strategy	Activity
Open dialogue with our stakeholders and opinion-builders concerning our CSR work	<ul style="list-style-type: none"> <li>- Feedback from our stakeholders via Employee Satisfaction Index, customer surveys and participation in Sustainable Brands Image Survey.</li> <li>- Participation and dialogue with NGOs, universities, forums and other parties in relation to CSR issues.</li> </ul>
In-depth cooperation with stakeholders and manufacturers to create continuous social and environmental improvements.	<ul style="list-style-type: none"> <li>- Further developed forms for monitoring, controlling and supporting manufacturers in Asia in respect of working conditions and environmental work.</li> <li>- Increased proportion of monitoring factory audits in order to verify agreed action plans for identified deficiencies.</li> </ul>
The CSR perspective is to be an integral part of our business. We must capitalise on the business opportunities that exist in the area of sustainable development and strengthen our long-term competitiveness.	<ul style="list-style-type: none"> <li>- Integration of CSR issues into Clas Ohlson's strategy and business planning.</li> <li>- Development of system support for CSR reporting (Code of Conduct).</li> <li>- Internal training to raise expertise and awareness of CSR issues throughout the entire organisation.</li> </ul>
Develop the product range and communication, thus helping our customers in their selection of products that contribute to sustainable development.	<ul style="list-style-type: none"> <li>- Range enhancements with new products that help our customers reduce their electricity consumption and environmental impact.</li> <li>- Improved customer communication in relation to CSR issues in our stores and through other sales and communication channels.</li> </ul>
We shall make a difference in society by supporting selected charitable causes in countries where we conduct operations.	<ul style="list-style-type: none"> <li>- Cooperation with Cancerfonden (Sweden) and Kreftforeningen (Norway) to help fight cancer.</li> <li>- New long-term cooperation with Save the Children to help improve conditions for children.</li> <li>- Community involvement entailing support for cultural and sporting activities, especially for young people living in and around Insjön.</li> </ul>

# Our work to promote human rights and better working conditions

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

## Our supply chain

Clas Ohlson is a dedicated retailer. The company does not own any factories, and purchases its entire range from suppliers and manufacturers in 30 countries.

Some 38 per cent of our range is purchased directly from factories in Asia. Direct purchasing gives us greater opportunities for influencing, verifying and supporting our manufacturers in their efforts to improve working conditions and their work environment.

The work involved in verifying and supporting our suppliers and manufacturers primarily focuses on the production taking place in countries with a high risk of non-compliance with our Code of Conduct. The high risk in these countries may be due to a lack of national legislation, neglected monitoring of existing laws and regulations or corruption.

We strive for long-term relationships with our suppliers and manufacturers, and believe in cooperation and active dialogue.

The Code of Conduct is developed and updated as required, based on our experiences and cooperation with suppliers and manufacturers.

## Long-term commitment and cooperation

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

## Integral part of the operations

CSR work is an integral part of Clas Ohlson's operations. Targets are set, planned and monitored by Clas Ohlson's CSR forum (read more on page 29).

In our work on social responsibility in the supply chain, close and effective cooperation between the purchasing office and the CSR department is essential.

Both entities actively ensure that Clas Ohlson's suppliers and manufacturers sign and comply with the requirements of our Code of Conduct and that any deficiencies are addressed. The entities work closely with each other and jointly plan and monitor targets and activities (read more on page 35).

The purchasing office and CSR department have integrated data systems and share information about suppliers and manufacturers. For example, the purchasing office can access information about our manufacturers' CSR status, audit reports and improvement work to support decisions concerning purchases of various products or the selection of a supplier or manufacturer. If suppliers or manufacturers have a serious non-compliance that is not addressed, they are blocked in the system until the problems are rectified.

Clas Ohlson works continuously to improve and develop the company's tools, methods and systems in an effort to enhance and facilitate daily cooperation. During the financial year, new IT support was developed to create more efficient management of all audit reports and other CSR data that CSR work generates.

## CSR department in Shanghai

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

### History of Clas Ohlson's CSR work

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

**LED-bulb**

Stepless dimming (can be used in applications with incandescent dimmer). Rated life up to 20,000 hours. Temperature range -20 °C to +40 °C. Power: 7 W (equivalent to 40 W). Lumens: 470. Base: E27. Size (mm): 106x60.

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The department reports to Clas Ohlson's CEO and, at the end of the financial year, consisted of:

- One CSR Manager, Supply Chain
- One CSR team leader
- Two administrators
- Four CSR auditors who perform audits of manufacturers and provide training and information to the factories.

## Challenges and opportunities

Clas Ohlson has a broad range of about 15,000 products. The company does not have its own factories, but purchases its products from a large number of manufacturers. For many manufacturers, Clas Ohlson is a small customer that accounts for less than 5 per cent of their annual sales. Through our CSR department in China, we have extended our auditing capacity to include verifying compliance with our Code of Conduct.

The factories in Asia represent various types of challenges, such as excessive overtime, poor working conditions, inadequate protective equipment, no or weak unions and manipulated time sheets. Corruption, bribery and other problems can also compound verification processes. We make both announced and unannounced visits to our manufacturers.

All companies operating either directly or indirectly in Asia encounter these challenges and can contribute to improvements in several ways. Clas Ohlson's strategy is to use a combination of its own CSR auditors and external audit firms. Close cooperation between our CSR department in China and our purchasing office in Insjön is also essential for achieving results.

Clas Ohlson works to prevent corruption and bribery. As a company and purchaser of goods and services, we can and must make demands on business ethics, both our own and our sub-contractors'. The Clas Ohlson spirit, our corporate culture, is based on basic values and a strong corporate culture which forms the basis for professional

and ethical conduct in our daily business. We introduced an anti-corruption policy during the financial year and added it to our Code of Conduct, to clarify our position on corruption and bribery in our own operations and those of our suppliers.

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

Joint demands by purchasing companies for better conditions for people and the environment represent a positive trend and can generate even greater effects by means of endeavours to harmonise the various tools and methods that are used. Clas Ohlson is a member of CSR Asia, an organisation that presents opportunities for us to share experiences and contribute to better conditions for workers in Asia. We also cooperate with Save the Children's Centre for Children's Rights and Corporate Responsibility in China to help improve conditions for young workers (read more on page 34).

## Training

When trying to promote sustainability efforts throughout the entire organisation – from the Board and management to all of our employees – training courses and information are probably the most significant factors for success in our CSR work.

New Clas Ohlson employees undergo CSR training in conjunction with their introduction programme in Insjön. Employees can receive training in Clas Ohlson's social responsibility on our intranet.

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

Our auditors underwent external environmental training during the year, designed in cooperation with an external audit firm, which dealt with CO<sub>2</sub> emissions, environmental management systems and ecology. Training also took place in factories to raise knowledge of various production processes.

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

## External information

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

CDP (Carbon Disclosure Project). We have also produced a simple brochure on sustainability issues with a brief summary of Clas Ohlson's sustainability work.

### Cooperation with other companies and organisations

To increase our opportunities to promote change and influence manufacturers, we endeavour to cooperate with other companies and organisations. Through a strategic partnership with CSR Asia, we gain access to their expertise and network, and an opportunity to take part in forums, seminars and training.

Clas Ohlson has participated in the UN Global Compact (an initiative with ten principles in the areas of human rights, labour standards, the environment and anti-corruption) since 2009.

We have begun cooperating with Save the Children's Centre for Children's Rights and Corporate Responsibility (CCR-CSR) in China in order to – in collaboration with them and other companies – promote children's rights in China. CSR has formed a working group where a number of large multinational companies will work together to protect minors (under 16) who are identified working in factories and to give support to young workers (over 16) in an effort to create a good work environment that meets the needs and requirements of young workers.

During the year, Clas Ohlson participated in seminars arranged by CSR Asia and the Swedish Trade Council. We engage in dialogue with ethics analysts and other representatives for ethical funds that monitor Clas Ohlson and take part in various research projects in the CSR area.

## Our tools and processes

### The Code of Conduct

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

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

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

Our demands in the Code include:

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

Targets	What we wanted to achieve 2010/11	What we achieved 2010/11	What we want to achieve 2011/12
<ul style="list-style-type: none"> <li>• Efforts involved in assessing, verifying and working to improve conditions for people and the environment, at our suppliers and manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with our assessments and audits of manufacturers</li> <li>• Systematic efforts to verify manufacturers' improvement work</li> <li>• Measure the environmental impact of factories, and work to reduce their "footprint" in cooperation with a number of manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• We conducted 426 audits, both initial and recurring</li> <li>• Continuously monitoring of our active manufacturers' improvement work</li> <li>• Completion of a project, Think Green Initiative, where the environmental profile of a number of factories was evaluated</li> </ul>	<ul style="list-style-type: none"> <li>• Active work to increase cooperation with other organisations and companies in relation to harmonised tools and methods for monitoring the Code of Conduct</li> <li>• Increase the number of external audits to make more verifications in addition to our own</li> <li>• Increase proportion of unannounced (window) audits to acquire some idea of normal conditions for our manufacturers</li> <li>• Deeper audits in the manufacturing area where the risk for deviations are assessed greatest</li> </ul>
<ul style="list-style-type: none"> <li>• Expand our work with information and training at our manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Continue and expand our efforts to inform and train manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Our auditors have presented information to factory managements in the areas of health and safety, Human Resources and the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of training sessions for factories</li> <li>• Advanced training for our largest and the most important manufacturers</li> </ul>
<ul style="list-style-type: none"> <li>• Continuous training of our CSR auditors</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous training</li> </ul>	<ul style="list-style-type: none"> <li>• Production-process training at factories</li> <li>• External environmental training, comprehensive training in relation to CO<sub>2</sub> emissions, environmental management systems, ecology</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous further training of our CSR auditors</li> </ul>
<ul style="list-style-type: none"> <li>• Cooperation with other companies and organisations in order to influence and continue improving</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperate with more companies and organisations.</li> <li>• Investigate initiatives that help harmonise companies' CSR work</li> </ul>	<ul style="list-style-type: none"> <li>• Commenced cooperation with CCR CSR (Save the Children in China)</li> <li>• Participation in CSR research as case studies in relation to our CSR efforts</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing participation in CSR Asia and CCR CSR</li> <li>• Continuing participation in various research projects in the CSR area</li> <li>• Extended stakeholder dialogue in countries where we operate</li> </ul>
<ul style="list-style-type: none"> <li>• Improved communication both internally and externally</li> </ul>	<ul style="list-style-type: none"> <li>• Increased internal and external communication</li> <li>• Further develop our dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• More information on Clas Ohlson's website</li> <li>• Participation in Sustainable Brands Image Survey</li> </ul>	<ul style="list-style-type: none"> <li>• New interactive CSR training for all personnel</li> <li>• Increased communication with our customers in relation to CSR issues</li> </ul>

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

### **Demands on suppliers and manufacturers**

All of our suppliers and manufacturers must sign our Code of Conduct. The suppliers, in turn, are responsible for ensuring that their sub-contractors and manufacturers comply with our Code. Suppliers and manufacturers that are unable or unwilling to sign our Code or comply with our demands are not permitted to cooperate with Clas Ohlson.

Since the introduction of our Code of Conduct, a number of suppliers have chosen not to sign the Code or not qualified to be one of our partners for a range of reasons. If our partners do not give us access to audits or are unwilling to work with improvements, despite discussions and attempts, we terminate our partnership with them (read more on pages 36-37).

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

### **Assessment and control of new factories**

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

To identify any deficiencies, we also work with self-assessments where the manufacturer completes a comprehensive questionnaire about conditions in the factory in regard to the work environment, working conditions and the environment (based on the requirements of our Code of Conduct). The most comprehensive control is carried out during audits, when our own or external auditors inspect the manufacturing facility, interview the employees and verify various documents. Clas Ohlson bears the costs of these audits (an audit is described on page 37).

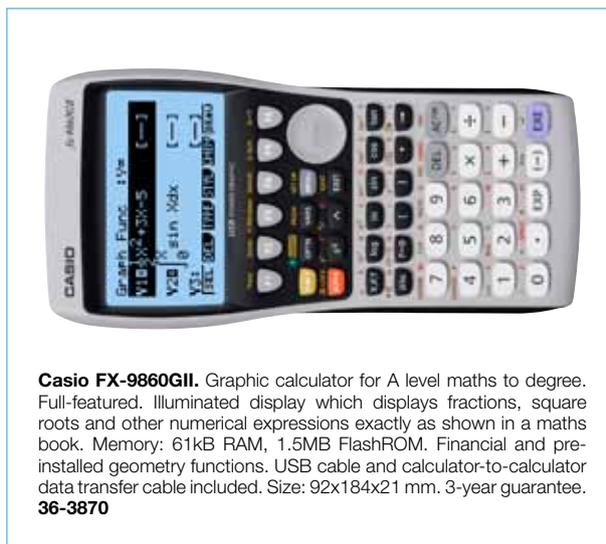
The demands in the Code are based on:

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

### **Preventive work**

Much of our work in relation to the Code of Conduct in the supply chain is focused on manufacturers in Asia from whom we purchase directly via our purchasing office in China or through local agents. This work is based on a shared ambition to gradually improve any deficiencies.

Some manufacturers have very little initial knowledge about our demands and regulations or how they can proceed. During the audits, our auditors inform manufacturers of our requirements and the areas that must be improved. Last year, we produced training materials in the areas of health and safety, human resources and the environment to support manufacturers in their endeavours.



**Casio FX-9860GII.** Graphic calculator for A level maths to degree. Full-featured. Illuminated display which displays fractions, square roots and other numerical expressions exactly as shown in a maths book. Memory: 61KB RAM, 1.5MB FlashROM. Financial and pre-installed geometry functions. USB cable and calculator-to-calculator data transfer cable included. Size: 92x184x21 mm. 3-year guarantee. **36-3870**

In the coming financial year, we will increase the number of information and training sessions for manufacturers.

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

### **Recurring audits**

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

We conducted 426 audits during the financial year, both initial and recurring. Our own auditors conducted 406 audits, while 20 external audits were carried out by independent audit firms specialised in social responsibility and human rights.

An audit normally takes 1-2 days, depending on the size of the factory and the number of employees. The auditors inspect the factory's premises, interview employees and verify documents. The audit is documented in a report. If we discover non-compliance with our Code, an action plan is prepared with information about actions that must be taken by the factory within a given timeframe (read more under "The CSR audit process" on page 37).

### **Minimum requirements**

Clas Ohlson sets minimum requirements that must be met before we purchase products from manufacturers. Some of our main requirements are:

- Clas Ohlson does not tolerate child labour
- Clas Ohlson does not tolerate forced labour
- There must be a satisfactory level of fire safety at the factory
- The factory must sign our Code of Conduct and be prepared to work with improvements if non-compliance is discovered
- The factory must provide us with access for our audits

If a serious deficiency is identified, it must be rectified immediately before the manufacturer may commence or continue delivering to Clas Ohlson.

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

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

### Remarks and improvements

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

During the year, most improvements took place in health and safety. General improvements in relation to wages and working hours take longer to achieve. This issue is complex and requires a long-term process in which both the purchasers and the manufacturers of goods in Asia, in consultation with authorities and NGOs, have to work together to find sustainable solutions. The challenge lies in ensuring a "living wage", meaning a minimum wage that enables employees to live on their wages rather than the situation that exists today, where the minimum wage meets regulatory requirements but does not always permit a decent standard of living.

### GRI (Global Reporting Initiative)

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

#### Status after completed CSR audits per financial year

Year	06/07	07/08	08/09	09/10	10/11
Green			14	11	4
Yellow	4	24	296	332	300
Orange				50	82
Red		14	49	51	40
<b>Total</b>	4	38	359	444	426

#### Non-compliance based on GRI indicators after completed audits:

GRI indicators	2007/08	2008/09	2009/10	2010/11	Total
HR4K Non-discrimination		16	15	20	51
HR5K Freedom of association and the right to collective bargaining	1	29	9	7	46
HR6K Child labour	1	1	1	6	9
HR7K Forced labour		5	2	0	7

### Reporting deviations and actions taken

A number of selected performance indicators in the human rights area are presented below.

#### Non-discrimination

We identified 20 cases of discrimination in this year's audits. These were related to the lack of a non-discrimination policy, or discrimination against age and/or gender in job advertisements. Clas Ohlson has demanded the introduction of a non-discrimination policy and that the advertisements be changed.

#### Freedom of association and collective bargaining

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

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

#### Child labour

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

In a further 27 cases, factories did not have satisfactory ID documentation to verify the age of employees (with no suspicion of child labour at the time of the audit) and in four cases, factories did not have a child labour policy. In these cases, Clas Ohlson demanded that the companies introduce child labour policies and procedures to maintain records of identification documents.

#### Forced labour

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

#### Status per active manufacturers 30 April 2011

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



## The CSR audit process

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

An audit comprises the following components

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



### - Health and safety

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

### - If the factory provides housing for the workers

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

### - Documents for production and other properties

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

### - Child labour

- Pay attention to and check for young workers

### - The environment

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

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

## Glossary and definitions

### **CSR (Corporate Social Responsibility)**

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

### **Code of Conduct**

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

### **GRI (Global Reporting Initiative)**

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

### **Suppliers**

Companies with whom we place orders.

### **Manufacturers (factories)**

Companies that manufacture our products.

### **Agents**

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

### **Read more**

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

# Clas Ohlson's values and employees

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

Clas Ohlson is continuing to expand at a rapid pace. The company currently has more employees than ever and has stores and offices in Sweden, Norway, Finland, the UK and China. This imposes exacting demands on Clas Ohlson as a responsible employer.

With the purpose of safeguarding expertise for future growth and expansion, we place great importance on attracting and retaining the industry's best employees. Key success criteria in this work include providing access to internal career opportunities, continuous skills development, market-based salaries, and health and diversity programmes.

## An eventful year

The following events, measures and activities provide a brief summary of our HR and training work during the 2010/11 financial year.

- A focus on skills development in entrepreneurship is a key priority when creating conditions for increased sales in our stores.
- A review of our variable salaries and continuing efforts to develop the organisation and optimise staffing with a focus on giving the best possible service.
- Our first trainee programme at Clas Ohlson commenced in the autumn of 2010 and a new programme is planned for autumn 2011.

- Implementation of the annual employee survey ESI 2011 (Employee Satisfaction Index).
- Implementation of core value projects with the aim that all employees, regardless of responsibility or market, understand the significance of our origins and our corporate culture.

## Proud employees

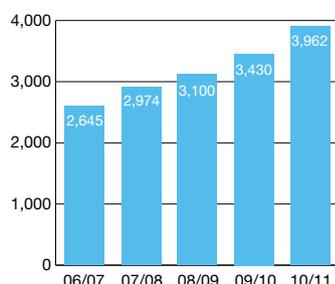
On 30 April 2011, the number of employees in the Group was 3,962. Of these, 53 per cent were full-time employees. During the financial year, 505 new employees were recruited, of whom 190 in Norway, 93 in Sweden, 197 in the UK, 15 in Finland and 10 in China.

During the year, 20 stores, entailing about 260 people, underwent our training programme in Insjön. For our employees from the UK, this was an exciting adventure to say the least.

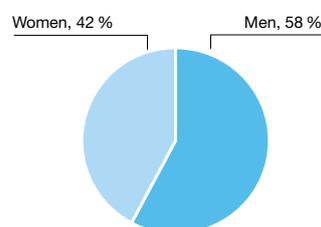
Our Group-wide employee survey was conducted for the second time. A response was received from 84 per cent (82 per cent) of our employees, which is high. The survey was conducted in Sweden, Norway, Finland and China. The total outcome for the Group was an ESI (Employee Satisfaction Index) of 74 per cent (72 per cent), which according to an external comparison stands up well against other companies. The employee survey provides a good basis for developing our way of attracting, rewarding and motivating our employees and how to develop leadership in the company.

The survey shows that most employees feel proud to work at Clas Ohlson and feel involved in the decisions that are made. Confidence in leadership and the management is strong, and our efforts to promote diversity, equality and gender equality are rated highly. Our challenges are linked to growth, which requires continuing care and development in regard to our position as an attractive employer with a focus on core values, leadership and clear feedback on the employee's performance and salary.

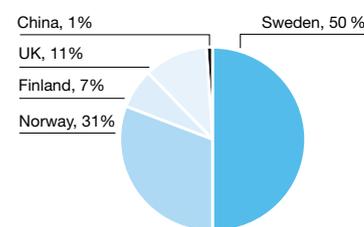
Total number of employees



Number of employees, men/women



Employees per country



Total	Store employees	Supervisors	Store managers	Other managers	Warehouse employees	Total
Total number of training hours	44,773	4,422	2,238	292	2,100	53,825
Average per employee	15	32	6	3	6,3	14



## Clas Ohlson's values - a compass for the entire company

Clas Ohlson has a strong corporate culture, whereby caring for employees and customers has always been a natural feature. In the past year, these core values – or the company's heart and soul – have been clarified and adapted to work in all countries where Clas Ohlson currently operates.

Clas Ohlson's core values revolve around an old-fashioned concept, business acumen, which is synonymous with business intuition and always keeping the customer in mind.

To establish and maintain good business acumen, we have chosen to work with four guiding principles: drive, warmth, commitment and innovation.

### Drive

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

### Warmth

Warmth, for Clas Ohlson, is the friendliness, care and service-mindedness we show when we meet each other in the company, in each customer contact and in our relationships with suppliers.

### Commitment

Commitment, for Clas Ohlson, means that every individual takes personal responsibility. Regardless of our role or area of responsibility, everyone is equally important for reaching our common goals.

### Innovation

Innovation, for Clas Ohlson, is being creative, innovative and curious. We are always looking for new opportunities, products and solutions, while feeling proud of our history.

### Why are the core values so valuable?

Core values are the heart of the Clas Ohlson brand. They provide a compass for the entire Group and are the guiding principles for how we communicate with our customers.

"As the Group grows, it is important that our core values remain clear and vital. We want to present the same image and perception of Clas Ohlson to employees and customers in Sweden, Norway, Finland and the UK," says President and CEO, Klas Balkow.

"Distinct core values provide a common platform and compass for our managers as they lead employees towards set targets," says HR Director Susanne Löfås-Hällman.

"Our core values are one of the reasons why so many people want to work for Clas Ohlson, thus making recruitment easier," says Jessica Head, HR Coordinator in the UK.

"The core values help us explain to new employees what the company stands for, while employees who have worked here for a long time are reminded of our origins and what we represent today," says Ingrida Holst, HR Coordinator in Norway.

### Basic training for every employee

Thomas Marcusson and Marita Billström are responsible for training at the Clas Ohlson Academy in Insjön. They have also been involved in formulating the core values.

"This has been an exciting journey, even though it has essentially focused on clarifying and strengthening what we already represent. Our main task now is to translate and spread our core values to all countries, and to all levels of the company. It is something we are really looking forward to," say Thomas and Marita.



**Key Finder.** Helps you keep track of your keys and similar items. Consists of a receiver in keychain format that is affixed to your keys, for example, and a transmitter in credit card format that is kept in your wallet. Pressing the transmitter's search button activates an audio signal in the receiver that helps you locate your keys. Range up to 40 m.  
36-4497



## Diversity enriches

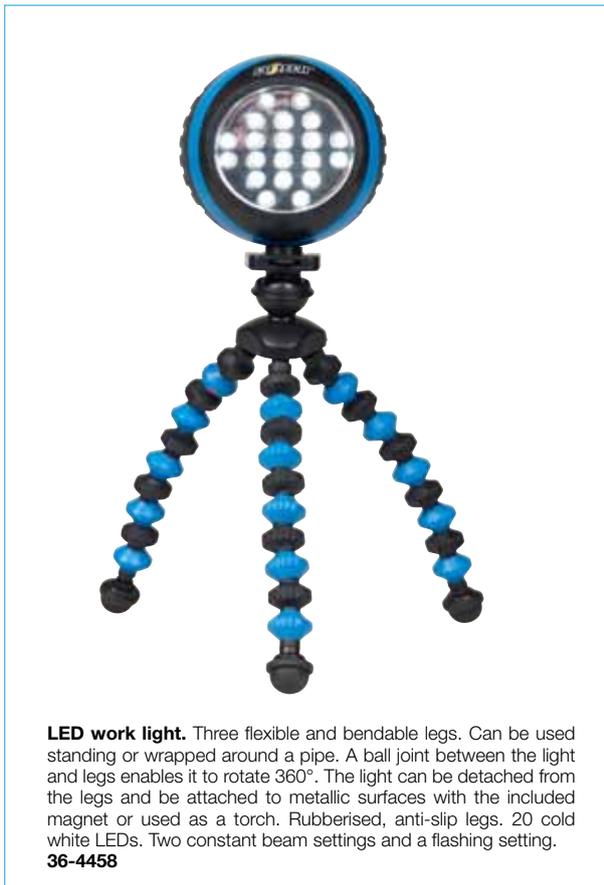
We firmly believe that good results, satisfaction, commitment and teamwork are attained through diversity. Consequently, we strive to achieve an even distribution of staff with varied experiences and backgrounds. No one is to be discriminated against on the grounds of gender, age, religion or belief, sexual preference or ethnic and national background. Results from the employee survey show positive results in this area.

The Group's gender equality policy underlies our diversity programmes. The objective is that neither gender

will account for less than 40 per cent in any professional category. This is achieved through strategic competence development combined with the prioritisation of an even gender distribution in connection with recruitment.

During the 2010/11 financial year, 42 per cent of the company's employees were women (41 per cent in 2009/10). The proportion of women in senior management was 13 per cent (13 per cent in 2009/10) and in May 2011, when a reorganisation was conducted, this figure was 20 per cent.

A large number of our store employees are younger than 30 years, which is natural since many of them are students who work part-time in the store during evenings and weekends.



## Continuous skills development

Motivated and competent employees are the basis for our continued expansion and success. Ahead of each financial year, we conduct a review of the Group's collective training requirements, which are subsequently compared with the prevailing business targets.

The Clas Ohlson Academy in Insjön is responsible for all training in the Group. This includes mandatory and voluntary training, in all countries and for all professional categories.

The aim is to safeguard employees' skills and career development as well as re-growth and growth within the company. Another important task is to manage, develop and firmly establish the Clas Ohlson spirit.

Some 2,000 employees underwent some form of training during the 2010/11 financial year. Training is provided in both classroom format and via video conferencing. A project will commence during autumn 2011 that simplifies and streamlines our interactive training. This project is in line with both our environmental goals and the creation of a cost-effective administration.

Last but not least, monitoring the project will ensure that our employees have the right skills for their tasks and can give our customers the best possible service.

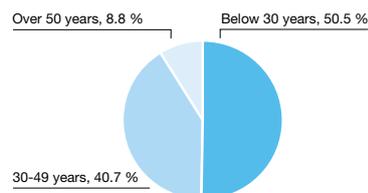
## Competitive salaries

Clas Ohlson endeavours to offer a competitive total remuneration. The aim is to offer fixed salary in line with the

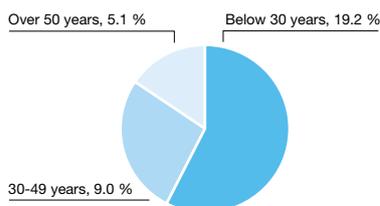
## A young organisation

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

### Age breakdown, Clas Ohlson Group

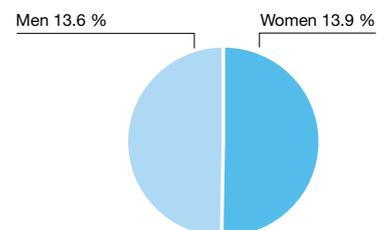


### Employee turnover\*

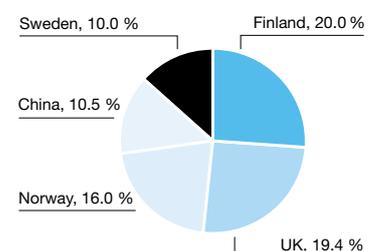


\* Current statistics (according to GRI) also include part-time employees.

### Employee turnover, men/women\*



### Employee turnover, per country\*





**We attach great importance to giving new employees** a solid introduction, "Insjön Training", with knowledge of our products, service, corporate culture and history. Our entry into the UK means that the Clas Ohlson spirit has been exported to another country!

comparable market median and total remuneration, when Clas Ohlson reaches or exceeds its targets, which is in the market's upper quartile. In addition to a fixed salary, all employees – regardless of their professional role – receive some form of performance-based variable salary as well as a keep-fit allowance and staff discounts.

### Preventive healthcare programmes

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

Health considerations underlie all of our work on health and safety issues.

Our annual employee survey shows that the work environment is good and that job satisfaction high, which, in turn, is reflected in low employee turnover in relation to the industry, a total of 13.8 per cent (including part-time employees), and low sickness absence figures.

During the 2010/11 financial year, the total sickness absence amounted to 3.9 per cent. Of the total sickness absence, 1.6 percentage points of absence exceeded 14 days.

Number of employees*	Sweden	Norway	Finland	UK	China	Total
Stores	1,198	1,095	243	421	-	2,957
Distribution centre	344	-	-	-	-	344
Store managers	450	98	43	32	38	661
Total	1,992	1,193	286	453	38	3,962
– of whom women, %	42	38	40	51	66	42
– of whom permanent employees, %	88	89	98	100	100	91
– of whom full-time, %	57	40	50	28	100	48

Average period of employment in the company, years*	Sweden	Norway	Finland	UK	China	Total
Salaried employees	7	7	4	1	1	6.5
Stores/distribution centre	7	3	2	1	-	4.5

Average sickness absence, %	Sweden	Norway	Finland	UK	China	Total
Total sickness absence	3.1	7.4	4.9	2.1	0.0	3.9
– long-term sick leave	1.1	4.3	0.6	0.1	0.0	1.6
– women	3.8	9.8	6.8	2.6	0.0	4.8
– men	2,6	6.0	3.6	1.7	0.0	3.2

\* April 30 2011

# Our responsibility for the environment

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

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

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

## Key events during the year

- New design of store lighting system (lighting plan) has been introduced. This creates potential for reducing the installed power from 35-40 W/m<sup>2</sup> to less than 25 W/m<sup>2</sup> entailing a significant energy saving.
- Increased resources for operational monitoring in the form of new positions and IT support were introduced during the financial year. This provides greater

opportunities for monitoring the consumption of heating, electricity and water in Insjön, and electricity in stores.

- During the autumn of 2010, information was published concerning health risks when handling cash receipts that contain Bisphenol A. Clas Ohlson uses paper that is free from both Bisphenol A and Bisphenol S.

## Environmental work in a wider context

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

The global production of oil is considered to have passed production peak and is now declining. In addition to the threat of a shortage in the longer term, current climate-policy efforts at government level could result in higher taxes and charges.

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

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

Clas Ohlson currently offers a broad range of energy-saving alternatives for most types of light sources. As a step in this transition process, our product range and product information is continuously developed to help our customers reduce their own electricity consumption, thus benefiting both the environment and the economy.

The EU's REACH regulation has led to a greater focus on the chemical substances that products could possibly contain. For our part, this entails clearer and more efficient procedures for specifying requirements and communicating with our suppliers. We use a riskassessment model for

Environmental goals	Outcome 2010	Analysis	Goal 2012	Activities
<b>Sea freight</b> -5% CO <sub>2</sub> /tkm (vs. 2007)	-1.4 % (3.65 vs. 3.70)	Increased sea freight to stores in the UK using vessels with lower environmental performance than vessels between Asia - Europe counters a continued reduction in this performance indicator	3.52	
<b>Road</b> -10% CO <sub>2</sub> /tkm (vs. 2007)	-6% (48.6 jmf 51.9)	Optimisation of flows results in lower performance indicator.	46.7	Higher utilisation rate. Mixing biofuel into diesel.
<b>Rail</b> +10% of the proportion of land transport (vs. 2007)	11% (17.8 jmf 16.1)	Intermodal transport to stores in the UK results in a higher proportion. The goal for 2012 has been achieved.	17.7	
<b>Air</b> -10% lower proportion (vs. 2007)	-48% (0.049 vs. 0.094)	The proportion of air freight continues to decline, whereby we are surpassing the goal for 2012.	0.085	
<b>Business travel</b> -20% CO <sub>2</sub> /km (vs. 2007)	-19.7% (99.8 vs. 124.3)	The proportion of road travel decreased (-13%), while train travel increased (47%). Very close to the goal for 2012.	99.4	Revised travel policy. Max 150 gm CO <sub>2</sub> /km for new company cars
<b>Consumption of operating electricity at the DC in Insjön</b> -25% kWh/pallet (vs. 2007).	-5% (22.6 vs. 23.8)	Increased content per pallet results in relatively fewer pallets, thus countering a continued decrease in the performance indicator.	17.1	Surplus industrial trucks removed from operation. Optimisation of flows, operating times.

**Explanation for the table:** CO<sub>2</sub>/tkm = CO<sub>2</sub> emissions per tonne/kilometre. **Intermodality** means that a freight unit, such as a container, is freighted with several different modes of transport, such as train, boat or truck. **DC** = Distribution Centre.

this work, which basically means that we classify products according to supplier category, brand, area of application and user group. We then adapt our demands on suppliers and products according to the risk classification.

## Organisation and responsibility

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

Read more about Clas Ohlson's CSR forum on page 29.

## Freight and business travel

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

Of the major flow of goods arriving in Gothenburg by sea, about 85 per cent are transported by rail to the terminal at Insjön in Dalarna. Goods from Swedish and European suppliers are coordinated and loaded in several locations for onward transport by road to Insjön.

Transport from the distribution centre to stores and customers mainly goes by road, but the proportion of the flow of goods that is transported by rail and sea increased from 1.9 in 2009 to 16.4 per cent in 2010.

The climate impact of business travel is falling. The performance indicator for travel by road, air and rail is now under 100 gm CO<sub>2</sub>/km, which is very close to the target for 2012.

## Results

Clas Ohlson's total CO<sub>2</sub> emissions for freight increased from 11,800 tonnes in 2009 to 16,289 tonnes in 2010 due to a greater number of stores, increased sales, a higher propor-

tion of imports from Asia and accordingly, a greater need for transport.

However, emissions per tonne/kilometre declined, and the overall performance indicator was reduced from 6.2 in 2009 to 5.5 grams per tonne/kilometre in 2010. This was mainly due to a lower proportion of air freight and a higher proportion of sea and rail transport.

## Product responsibility

### Overall environmental goals

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

### Chemical risk substances

The number of chemical substances covered by the EU REACH regulation is rapidly increasing. Clas Ohlson has worked extensively to train prioritised suppliers in terms of legal requirements, how to remain updated and the substances that could be present in various products and packaging. The suppliers have been given access to substance guides and quick links to current legislation.

### Phase-out of risk substances

All materials and substances in products with known risks must at least meet the requirements of applicable laws. Clas Ohlson is phasing out the substances considered risk substances in the REACH regulation by setting a maximum limit of 0.1 weight per cent. We have identified additional substances for textiles and leather products, beyond legal requirements, which we minimise in our products. These include nonylphenol, formaldehyde and allergenic disperse dyes. We also apply more stringent requirements for identified risk substances in materials that come into contact with skin or food, and for toys, cosmetics and pesticides.

## Energy consumption\*

	2010	2009	2008
Store premises, kWh electricity**	150	139	136
Offices, kWh total	157	205	233
Distribution centre, kWh	100	83	98
Distribution centre, kWh/pallet	22.6	24.2	24.1
Fuel oil Insjön, m <sup>3</sup>	9.4	19.8	91.0

\* Per square metre and year.

\*\* Excluding stores in the UK.

## Total electricity consumption GWh

	2010	2009	2008
Store premises**	30.9	23.4	19.2
Offices	1.6	2.2	2.5
Distribution centre	5.1	4.4	3.7

\*\* Excluding stores in the UK.

## Fossil carbon dioxide tonnes

	2010	2009	2008
Freight	16,289	11,800	9,499
Travel	514	530	420
Heating	186*	286	233
Electricity	2,760	1,079	507

\* During 2010, 17% of district heating at Insjön was based on fuel oil and 83% on biomass. This figure also includes 24.4 tonnes of CO<sub>2</sub> from in-house use of fuel oil.

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

## Carbon dioxide emissions from transport and travel

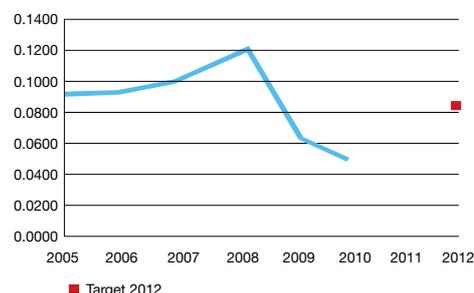
### Transport gram CO<sub>2</sub> per tonne/kilometre

	2010	2009	2008
Outgoing freight	47.7	50.1	50.6
Incoming freight - Europe	22.5	24.1	24.1
Incoming freight - Asia	3.76	4.19	4.55

### Business travel gram CO<sub>2</sub> per person/kilometre

	2010	2009	2008
Mean value road, air, rail	99.8	112.6	112.8

## Proportion of air freight (%) of total goods flow



## Energy efficiency

The EuP (Energy-using Products) Directive for electrical and electronic products was introduced in the EU in the autumn of 2007. In November 2009, the name was changed to ErP (Energy-related Products), and the directive was expanded to include products that affect energy needs. The Directive requires that manufacturing companies integrate environmental considerations early in the design phase – so-called eco-design – in order to improve the products' total environmental impact and energy efficiency. To date, the Directive covers approximately 20 product groups, of which a substantial portion is included in Clas Ohlson's range. Concrete examples are requirements for reduced stand-by losses from transformers and the ongoing phase-out of incandescent bulbs.

## Sustainability and quality – after-market service

Clas Ohlson offers a range of more than 9,000 spare parts for products sold in Sweden, Norway, Finland and the UK. This is a major environmental benefit, since the lifecycle of products is extended by repairing rather than discarding. Our after-market service, our extensive range of spare parts and employees' product knowledge is highly appreciated by our customers. Customer satisfaction has also been confirmed by Market magazine, which has rated our Customer Service the best in Sweden for the third year in a row.

## Energy consumption

### Overall environmental objectives

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

### Distribution centre

The performance indicator for our combined energy consumption in the distribution centre increased and is now at the same level as in 2007, entailing around 100 kWh/m<sup>2</sup> per year. This is due to increased production in response to increased sales. The other performance indicators in combination provide a positive view of the trend. Electricity consumption, kWh/pallet, decreased from 24.2 in 2009 to 22.6 in 2010. During the same period, the number of rows picked increased 17 per cent and the number of outgoing pallets increased 13 per cent. The conclusion is that production increased, energy efficiency improved and pallets contained more and, as such, became relatively fewer.

### Head office

Clas Ohlson's head office at Insjön, including the Group-wide functions of management, accounting, purchasing, marketing and HR, comprises two buildings totalling 20,000 square metres of floor space. These buildings also house the Insjön store and customer service, with workshops, spare parts store and so forth. Since December 2009, all sections of the buildings have been connected to bio-based district heating. The performance indicator for the total consumption of electricity, district heating and oil continues to fall and over the past three years, 2008 – 2010, has fallen by 42 per cent from 233 to 134 kWh/m<sup>2</sup> per year.

## Stores

Clas Ohlson owns no store premises, with the exception of Insjön. Electricity and energy consumption varies significantly between stores. For example, some stores have their own escalators and additional electric signs, which entails higher electricity consumption.

The performance indicator for electricity consumption in all of our stores continues to increase – from 139 kWh per square metre per year in 2009, to 150 in 2010, excluding stores in the UK. In the Nordic region, cooling/heating is included in the leasing contract. In the UK, all property energy is billed separately, which means that electricity consumption in British stores cannot be compared with that of stores in the Nordic region.

We have good hopes of increasing our energy-efficiency and reversing this trend, primarily by introducing three changes.

1. During the year, we created a new position, an operations and maintenance coordinator, with a focus on monitoring performance.
2. IT support for operational monitoring, which provides good opportunities for monitoring the development and effect of implemented measures.
3. The new lighting planning project in Norway is now finished and the results show significant savings potential.

## Waste

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

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

## Packaging

In cooperation with our suppliers, we aim to reduce the proportion of environmentally damaging product packaging. This will be accomplished by avoiding the use of plastic packaging or by replacing PVC with PE or PET plastics.

In 2010, sales of carrier bags in our stores amounted to 8.4 million. About 17 per cent are paper bags, mainly made of polythene (PE). Sales of the new sustainable reusable bags of reinforced PP plastic amounted to 80,000. Packaging that is sent to our mail order customers is environmentally friendly due to their content of around 50 per cent recycled fibre and bio-based adhesives.

Clas Ohlson accepts its producer responsibility for packaging through membership in national collection and recycling systems in Sweden, Norway, Finland and the UK.

## Printed matter

### Overall environmental objectives

When choosing communication channels, the environmental impact will influence our decisions. We strive to increase the proportion of online customer and shareholder communications. The production of our printed matter is to take place with technology and materials that are well-documented and have a low environmental impact.

Our printed matter must be recyclable as high-quality fibre.

Clas Ohlson has issued a catalogue annually since 1918. The catalogue is printed in accordance with the Nordic Ecolabel criteria and distributed mainly together with supplies to our stores. Since the 2008/2009 financial year, the catalogue has been published twice annually to facilitate more product-range and price flexibility.

In addition to the catalogue, we issue regular direct mail marketing printed on Ecolabelled paper. The Clas Ohlson Annual Report is also printed on Nordic Ecolabelled paper and is only distributed to the shareholders who have requested printed information from the company. This has led to a 70%-reduction in the number of issues printed and

fewer mailings, thus reducing our environmental impact.

## Legislation and guidelines

Clas Ohlson is mainly impacted by the following EU directives:

- Regulations on the use of substances hazardous to the environment and health in products (RoHS, REACH).
- Regulations on the products' energy efficiency (ErP).
- Producer responsibility for waste electrical and electronic equipment (WEEE).

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

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

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

In Sweden, the Swedish Chemicals Agency is the regulatory body.

**Reach:** 1907/2006/EC Registration, Evaluation, Authorisation and Restriction of Chemicals.

The Directive came into effect throughout the EU on 1 June 2007 and REACH regulations will be introduced gradually through 2018. REACH is based on the principle that it is the party that manufactures or introduces a chemical into the market who is responsible for determining the risks associated with the chemical before it is put into use.

Chemical manufacturers and users shall prepare data on the chemicals'

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

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

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

In Sweden, the Swedish Environmental Protection Agency is the regulatory body.

## Clas Ohlson's GRI profile

A complete version is available at <a href="http://about.clasohlson.com/en">http://about.clasohlson.com/en</a> Clas Ohlson reports at C level.		
	Performance indicators	Page
	<b>Financial impact</b>	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	60-63
	<b>Environmental impact</b>	
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EN4	Indirect energy consumption by primary energy source.	43
EN16	Total direct and indirect greenhouse gas emissions by weight.	43
EN17	Other relevant indirect greenhouse gas emissions by weight.	43
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved.	31, 42, 43, 44
	<b>Social impact</b>	
LA1	Total workforce by employment type, employment terms and region.	41, 75 not 31
LA2	Employee turnover.	40
LA10	Average number training hours per employee and year per employee category.	38
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators.	40, 78, 79
	<b>Human rights</b>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights, and actions taken.	7, 35
HR4	Number of cases of discrimination and actions taken.	36
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	36
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	36
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	36
	<b>Product responsibility</b>	
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	43, 44

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