

# clas ohlson



## CSR Report 2012/13

Extract from Annual Report 2012/13

# Sustainable development

**Clas Ohlson is a dedicated retail company with 174 stores and e-commerce platforms in Sweden, Norway, Finland and the UK. We offer a range of 15,000 products in Hardware, Home, Multimedia, Electrical and Leisure. Our head office and distribution centre are located in Insjön, Dalarna and the company has some 4,300 employees. Clas Ohlson does not own any factories but cooperates with approximately 600 suppliers and 700 manufacturers in 30 countries. This Sustainability Report describes how we work with Corporate Social Responsibility (CSR). This work includes Clas Ohlson's social and environmental responsibilities, meaning our efforts to achieve sustainable development.**

## Contribution to sustainable development

Our business concept has remained relatively unchanged since 1918. Clas Ohlson wants to make it easy for people to solve their everyday practical problems. The company's founder, Clas Ohlson, wanted to promote the interests of employees, customers and the local community and laid the foundation for the company's strong corporate culture. The "Clas Ohlson spirit" underlies our willingness to take responsibility and adapt our operations, and contribute to sustainable social development.

We set high standards for our company, and for our suppliers and manufacturers, in terms of working conditions and human rights, workplace health and safety and environmental impact. With a long-term sustainable business concept and operation, Clas Ohlson aims to create value for its shareholders, customers, employees and society at large. Clas Ohlson will contribute to sustainable development and help improve the quality of life for current and future generations.

Contributions to sustainable social development are business-critical and one of the company's core strategies. While demands and expectations from customers, employees, shareholders and other stakeholders are growing, sustainability issues present new business opportunities for Clas Ohlson. All major investment decisions are to take financial, social and environmental implications into account.

## Our sustainable vision

We will commit the company's resources to economic, social and environmental development that generates value for our stakeholders and society at large, and contributes to sustainable living conditions for current and future generations.

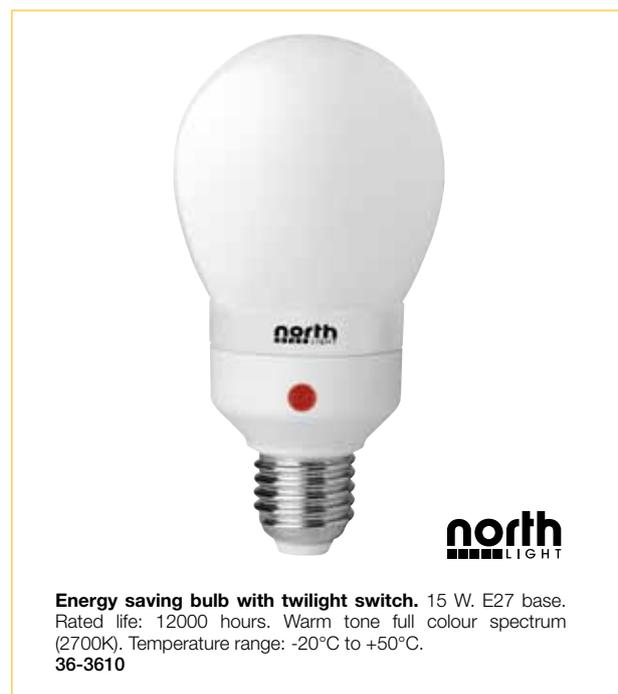
## CSR organisation and responsibilities

Clas Ohlson works according to the philosophy that sustainability issues require a holistic approach and that these issues must permeate the entire organisation and its various operations. This requires involving the entire organisation in

efforts to achieve a sustainable society and also engaging our customers and owners in this work.

Clas Ohlson's sustainability work is led and coordinated by a CSR forum comprising the CEO, Director of Information and IR, Director of Purchasing, Director of Supply Chain, Director of HR, Senior Legal Adviser, Environmental Coordinator, internal controller and Director of CSR and Code of Conduct.

The forum makes decisions concerning objectives, strategies and activities for the entire Group's sustainability efforts and ensures that the company works effectively toward achieving the set objectives. The CEO is ultimately responsible and the aim is that sustainability efforts will be an integral part of the organisational strategy.



## Policies and period for CSR reporting

This is Clas Ohlson's fifth sustainability report and is based on the most recent Global Report Initiative (GRI) Guidelines. Clas Ohlson has chosen to report against the criteria in Application Level C\* (not audited by an external party). A cross-reference table is presented on page 43 showing where the various GRI indicators can be found in Clas Ohlson's Annual Report, Sustainability Report or website.

The information and key ratios presented in the Sustainability Report have been selected on the basis of significance and relevance from a sustainability perspective for Clas Ohlson, and in accordance with stakeholder requests.

The Sustainability Report covers the 2012/13 financial year, which is the 1 May 2012 – 30 April 2013 period. Information, key ratios and diagrams for the 1 January 2012 – 31 December 2012 period are presented in some of the sections below.

## Clas Ohlson's stakeholders

Clas Ohlson's key stakeholders and target groups are customers, employees, shareholders, suppliers and manufacturers, non-profit organisations and the general public.

We have ongoing dialogue with our most important stakeholders and also perform internal and external measurements to capture any views and requests pertaining to the company's operations and development. Open dialogue generates greater knowledge and helps to determine any improvements that may be required in our sustainability efforts.

We hold meetings with various fund and asset management companies and their sustainability analysts to discuss various sustainability issues and the opportunities and challenges facing Clas Ohlson. During the financial year, Clas Ohlson also participated in seminars and forums arranged by various non-profit organisations to hear about their views, experience and work with human rights and the environment.

## Participation in international initiatives

Clas Ohlson has been a signatory to the UN petition to promote human rights, the UN Global Compact, since 2008. Clas Ohlson has also participated in the international Carbon Disclosure Project (CDP) since 2008 and during the financial year, the company reported both the direct and indirect greenhouse emissions generated by its operations during 2012.

## Employee surveys

Our work environment surveys show a high level of job satisfaction and a good working environment. During the financial year, a Group-wide employee survey was conducted – an Employee Satisfaction Index (ESI).

The survey provides valuable feedback from our employees about our workplaces, working conditions and satisfaction (read more on page 38).

## Customer survey

During the year, Clas Ohlson participated in the 2012 Sustainable Brands Image Survey. The survey measures Swedish attitudes and perceptions of corporate sustainable industry, 2012."

Our dialogue with customers around sustainability issues is important and will be further developed to include our customers in the development of Clas Ohlson's operations and offering.

## Our stores

In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and authorities. There is a shared interest in creating a viable local business community, particularly in the city locations that Clas Ohlson prioritises when establishing 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. Every year, Clas Ohlson opens a large number of new stores in our existing four markets, which creates many new job opportunities.

## Financial development generates value

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



## Significant events during the year

During the financial year, we continued to make progress with our sustainability efforts. Some of the activities that took place were:

- Purchasing processes and monitoring compliance with the Code of Conduct were integrated with joint organisation, tools and processes. During the financial year, 409 (617) factory audits of our manufacturers in Asia were conducted to identify any non-compliance that needed to be addressed.
- Emissions from transport (CO<sub>2</sub>/tonne/km) were reduced by raising the filling height for pallets used in distribution, increasing the proportion of rail freight and changing transport routes and procedures.
- Energy optimisation continued in a number of stores by introducing better lighting plans and new lighting technology. The new lighting is used in all new stores, and introduced into older stores when they are renovated.
- Clas Ohlson continued to contribute to the phase-out of conventional light bulbs and conversion to LED lighting through marketing campaigns and communication in our various sales channels.

- Clas Ohlson extended its partnership with Save the Children. The partnership includes training initiatives for migrant and young workers (16-20 years) in China, and campaigns in our sales channels to collect money for children in Nepal, one of the poorest countries in the world. The goal is that 8,000 children will be able to start school over a three-year period.
- In December 2012, Clas Ohlson was selected for inclusion in the NASDAQ OMX Sustainability Index, which serves as a guide for sustainable investments.



### \*GRI Application Levels

The GRI Guidelines have three Application Levels: A, B and C. The disclosure requirements for each level represent the degree of application or compliance with GRI's Framework. When an "+" is added to the Application Level, it shows that a report is externally assured.

## Clas Ohlson's overall sustainability strategies:

Strategy	Activities
CSR must be an integral part of our business and operations. We will contribute to sustainable development, capitalise on existing business opportunities and strengthen our long-term competitiveness.	<ul style="list-style-type: none"> <li>- Stakeholder feedback compiled from the Employee Satisfaction Index, customer surveys and participation in the Sustainable Brands Image Survey.</li> <li>- Internal training to raise Group-wide expertise and awareness of CSR issues.</li> </ul>
More extensive collaboration with suppliers and manufacturers to promote better working conditions.	<ul style="list-style-type: none"> <li>- Focus on reducing the number of suppliers and manufacturers.</li> <li>- Integrated organisation, processes and tools for purchasing and verifying compliance with our Code of Conduct.</li> <li>- Training programmes for both factory managements and factory workers.</li> <li>- Partnerships with other companies and organisations to improve CSR effectiveness.</li> </ul>
Open dialogue with our stakeholders and non-profit organisations about our CSR process.	<ul style="list-style-type: none"> <li>- Stakeholder feedback and dialogue, and results from the Employee Satisfaction Index and customer surveys. Participation in seminars, and sustainability dialogues with non-profit organisations, universities, forums and other parties.</li> <li>- External CSR reporting based on the Global Reporting Initiative (GRI) framework.</li> </ul>
Develop offering and communication to guide our customers to the right solution for various practical needs.	<ul style="list-style-type: none"> <li>- Develop the product range with new, smart solutions that help our customers minimise their environmental impact.</li> <li>- Guide our customers to the right quality according to need, spare parts, repairs and tips for more sustainable consumption.</li> <li>- Phase-out hazardous substances in products.</li> <li>- Smaller and better packaging and packaging material.</li> <li>- Communicate with customers about CSR through various sales and communication channels.</li> </ul>
Contribute to society by promoting the rights of children and young people	<ul style="list-style-type: none"> <li>- Long-term cooperation with Save the Children to promote better conditions for children.</li> <li>- Implementation of the new Children's Rights and Business Principles in Clas Ohlson's operations.</li> <li>- Community involvement by supporting cultural and sporting activities for young people in Insjön and the surrounding region.</li> </ul>
Efficient and long-term supply chain sustainability.	<ul style="list-style-type: none"> <li>- Increased use of rail for freight transport.</li> <li>- Higher fill rate.</li> <li>- More efficient transport routes and delivery schedules.</li> <li>- Transport partners with optimised environmental performance.</li> </ul>

# Our work to promote human rights

Taking responsibility for the individuals and environmental factors affected by our operations is important for Clas Ohlson. Responsibility in our supply chain entails making demands and verifying compliance, but also developing long-term relationships with our suppliers and supporting their sustainability efforts.

## Our supply chain

Clas Ohlson is a dedicated retailer. Clas Ohlson does not own any factories and the company's product range is purchased from about 600 suppliers and 700 manufacturers in some 30 countries. 37 per cent of our products are purchased directly from factories in Asia. This direct purchasing provides greater opportunities for us to influence, verify and support our manufacturers in their work to improve working conditions and workplace safety.

Our processes to verify and support our suppliers and manufacturers focus primarily on production in countries where the risk of non-compliance with our Code of Conduct is high.

## Long-term commitment and partnership

Our ambition is to contribute to a better workplace and improved working conditions for people involved in the pro-

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

## Integral part of the operations

In an effort to improve our supplier responsibility, the Purchasing and CSR departments work together to balance both financial and social aspects when selecting partners. Both departments use the same administrative purchasing systems and as part of their everyday procedures, can check and register information about our manufacturers' CSR status, audit reports and improvement processes to support their purchasing decisions. If manufacturers fail to address any issues of non-compliance, they are blocked in the purchasing system until the problems are rectified.

Our CSR department in China is responsible for verifying, assessing and monitoring compliance with Clas Ohlson's Code of Conduct, as well as training and providing information to our suppliers and manufacturers in Asia. This assignment includes performing CSR audits and supporting manufacturers in their improvement processes. At the end of the financial year, the department consisted of the CSR Manager Supply Chain, the CSR team leader, administrators and CSR auditors who perform manufacturing audits and provide information and training in factories.

## Challenges and opportunities

Clas Ohlson has a broad product range with about 15,000 products that are purchased from a large number manufacturers. For many of these manufacturers, Clas Ohlson is a small customer that accounts for less than 5 per cent of their annual sales.

Factories in Asia are often characterised by a range of challenges, such as excessive overtime, unsafe 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 third-party audit firms. Regular visits to the factories by our own personnel enable an overall assessment, including working conditions, when selecting manufacturers. Many factories have several international customers that demand compliance and perform regular factory audits, while others have limited experience since purchasers have rarely demanded compliance

### 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.
- 2012 Clas Ohlson conducts educational efforts for migrant workers and young workers together with Save the Children.



**PIR solar garden light.** Energy saving technology, energy-saving mode and full brightness when motion activated. Extra-bright light. Stainless steel. IP44.  
**36-5185**

and performed CSR audits in the past. Joint demands by purchasing companies to improve working and environmental conditions are a positive trend and can generate even better results by attempting 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 with other purchasers. We also cooperate with Save the Children's Centre for Children's Rights and Corporate Responsibility in China to help improve conditions for migrant and young workers (older than 16) (read more on page 32).

As part of this process, and in line with the UN Global Compact initiative to combat corruption, the company underwent advanced internal training in business ethics, free competition, bribery and corruption during the fiscal year.

### Business ethics

Clas Ohlson works to uphold high ethical standards in business practices, promotes free competition, does not accept offers of, or payment of, bribes or inappropriate benefits and is committed to compliance with applicable laws and ordinances. As a company and purchaser of goods and services, we are both able and obligated to demand high standards of business conduct, both our own and our subcontractors', and our business ethics guidelines are an integral part of Clas Ohlson's Code of Conduct.

Caring and showing respect for people and the environment, and upholding high ethical standards, integrity and honesty, are cornerstones of Clas Ohlson's corporate cul-

ture, core values and behaviour. During the financial year, training programmes were arranged for all Group functions and employees with purchasing responsibilities.

### Training

Training programmes to provide all employees with basic CSR knowledge continued during the year. Training provides a shared platform for the company, describes the various components of Clas Ohlson's CSR processes and how each individual can contribute to achieving the company's sustainability targets. Our Purchasing Department undergoes regular training in corporate and supply chain responsibility and the purchasers participate in audits every year, which provides greater knowledge and experience of the process and insight into how they, as purchasers, can make a contribution to improvements.

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

Each year, Clas Ohlson arranges training courses in Hong Kong, Taipei and Shanghai for our agents regarding our CSR programme and how we monitor the supply chain. Our agents, who assist with direct purchasing in Asia, also participate in audits to raise their knowledge and become involved in the process.

## Our tools and processes

### Code of Conduct

Clas Ohlson's Code of Conduct contains the standards we set for ourselves, and for our suppliers and manufacturers, regarding working conditions, workplace health and safety, anti-corruption and environmental impact. The Code refers to international conventions as well as national laws and regulations. The standards in 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. During the year, the UN principles were amended to include a more detailed description of the rights of the child in relation to the business sector, whereby each company is responsible for paying special attention to the rights and conditions for children in every part of its operations. Our Code includes the following:

- 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 workplaces, 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, including wages and working hours.

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

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

Manufacturers with a committed management and a robust business management system for monitoring, control and document management are generally successful in complying with our 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 is also required to sign our Code of Conduct.

To identify any non-compliance, we also work with self-assessments where the manufacturer completes a comprehensive questionnaire about factory conditions in terms of workplace health and safety, working conditions and the environment. The most extensive control is carried out during audits, when our own or third-party auditors inspect the manufacturing facility, interview the personnel and examine various documents. Clas Ohlson pays the costs incurred by manufacturing audits (for a description of how an audit is conducted, see page 35).

The standards in the Code are based on:

- The Universal Declaration of Human Rights.
- United Nations Convention on the Rights of the Child (1989).
- ILO Convention 138 – Concerning the minimum age for admission to employment (1973).
- ILO Convention 182 – Concerning the prohibition and immediate action for the elimination of the worst forms of child labour (1999).
- The ILO Declaration on Fundamental Principles and Rights at Work (1998).

Targets	What we achieved in 2012/13	What we want to achieve in 2013/14
<ul style="list-style-type: none"> <li>• Improve conditions for individuals and the environment at the sites of our suppliers and manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in the CSR Asia organisation, leading to cooperation with other retail companies in the region.</li> <li>• Developed organisation, processes and tools for monitoring compliance with our Code of Conduct and achieving better working conditions.</li> <li>• Higher proportion of external audits by third parties to supplement the audit process.</li> <li>• Closer collaboration with key manufacturers in order to reduce the number of manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased focus on environmental issues for our manufacturers by introducing training initiatives for factory managements and our own CSR auditors.</li> <li>• More intense cooperation with key manufacturers and suppliers to encourage and reward their CSR efforts.</li> <li>• More initiatives to support manufacturers' CSR processes in relation to their sub-contractors. Increased CSR audits of our suppliers' sub-contractors.</li> <li>• Improved "hotline" for reporting deviations at factories through new channels that reach more factory workers.</li> </ul>
<ul style="list-style-type: none"> <li>• Expand our work with information and training for manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Our auditors provided information and training for factory managements in health and safety, Human Resources and the environment.</li> <li>• Training initiatives for migrant and young workers through partnership with Save the Children's CSR centre in China.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued training initiatives for both new and existing manufacturers regarding our Code of Conduct and our standards.</li> <li>• Training for manufacturers in the new principles concerning the rights of the child and the business sector.</li> <li>• Increased training initiatives for migrant and young workers at factories in Asia.</li> <li>• To develop a new training program for factory workers and managements in health and safety and workplace dialogue.</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct regular training for our purchasing and CSR organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• During the year, our CSR auditors underwent training in ISO 14000, OHSAS 1800, Energy Saving and Job hazardous assessment.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous further training for our CSR auditors.</li> <li>• Strengthened environmental expertise.</li> </ul>
<ul style="list-style-type: none"> <li>• Cooperate with other companies and organisations in order to influence and continue improving.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in CSR Asia.</li> <li>• Cooperation with Save the Children in China (CCR CSR).</li> <li>• Participation in various research projects into CSR, including Lund University, Sweden.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the potential to cooperate with other companies and organisations when performing audits to acquire greater efficiency and opportunities to exercise influence.</li> <li>• Expanded dialogue with stakeholders in the countries where we operate.</li> <li>• Deeper, long-term cooperation with Save the Children.</li> </ul>
<ul style="list-style-type: none"> <li>• Improved communication, both internally and externally.</li> </ul>	<ul style="list-style-type: none"> <li>• More information about CSR on Clas Ohlson's website.</li> <li>• CSR training for all personnel (May/June 2012).</li> <li>• Participation in the Sustainable Brands Image Survey – rated "Best in the Industry" in 2012 and 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased customer communication about CSR via all channels: stores, e-commerce, catalogues, telephone and marketing.</li> <li>• Enhanced cooperation with Save the Children and campaigns to offer children in Nepal the opportunity to attend school.</li> <li>• Regular CSR information to our employees via our internal communication channels.</li> </ul>

## Preventive and training measures

Initially, some manufacturers may have very little knowledge of our demands and regulations or how they can achieve compliance. During the audits, our auditors inform the manufacturers of our requirements and the areas that must be improved. We have produced training material in health and safety, Human Resources and the environment to support manufacturers' efforts to improve their operations. During the year, we conducted 71 training programmes at manufacturing facilities in Asia.

Although Clas Ohlson is often a small customer for our suppliers, most of them react positively to being audited and are willing to work toward improving any deficiencies. However, we do encounter manufacturers that for various reasons are not prepared to permit access for audits or are not interested in working within the given timeframes for achieving the improvements that are required. 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, and these are revised at least every second year. During the financial year, we performed 409 audits, both initial and recurring. Our own auditors conducted 380 audits, and 29 external audits were performed by third-party audit firms specialised in social responsibility and human rights.

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

## Assessment of the CSR level

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

- Green Meets the requirements of our Code 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

## Non-compliance and improvements

In our audits, most non-compliance is identified in the areas of health and safety, such as deficiencies in the use of protective equipment, evacuation and fire protection, and in wages and working hours, such as excessive overtime or denial of social security rights. During the year, most improvements were noted in the health and safety area. General improvements in relation to wages and working hours take longer to achieve. These issues are complex and require a long-term process, in which both the purchasers and manufacturers of goods in Asia, in consultation with authorities and NGOs, must work together to find sustainable solutions. Since many manufacturers have "yellow" in terms of their CSR level (with some non-compliance), we plan to focus on raising the manufacturer's level toward green (no non-compliance) to enable goal-setting and to strengthen cooperation with strategically important manufacturers that can demonstrate a positive CSR result.



## GRI (Global Reporting Initiative)

In 2009, Clas Ohlson introduced GRI – the global standard for sustainability reporting – to benchmark our progress with sustainability. The introduction of GRI has also generated value for Clas Ohlson by providing a framework with well-defined performance indicators that can be used to set targets and monitor results in selected areas.

## Reporting non-compliance and implemented measures

Selected performance indicators in the area of human rights are presented in tables on page 34.

## HR4 Non-discrimination

Audits during the year identified zero cases of discrimination. In past years, identified cases of discrimination have included the absence of an anti-discrimination policy or specifying the desired age and/or gender of candidates in job advertisements. In these cases, Clas Ohlson has demanded the introduction of an anti-discrimination policy and reformulation of the advertisements.

## HR5 Freedom of association and the right to collective bargaining

We identified 15 cases of restricted freedom of association and the right to collective bargaining. We have demanded that these suppliers introduce systems to eliminate this restriction. In general, freedom of association is a major problem in Asia and represents a considerable and important area of development that requires collaboration between manufacturers, purchasing companies, NGOs and authorities.



**3M Half Mask Respirator.** 4 different filters in one mask. Protects against fine particles, water- and oil-based spray paints, solvents and organic gases. Fitted with 2 large carbon filters for low breathing resistance. 2 adjustable head straps. Type: FFA2P3 R D. Conforms to: EN 405:2001 + A1:2009.  
**40-8054**

### HR6K Child labour (under 16 years)

Our audits identified two cases of child labour during the year. In both of these cases, identified by audits in China, the children were 15 years of age (the minimum working age in China is 16). When we discover under-age workers, we try to find the best solution for the child by working together with the child, the parents and the factory.

In another 15 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 one case, the factory did not have a child labour policy. In these cases, Clas Ohlson demanded that the companies introduce a child labour policy and procedures for maintaining records of identification documents.

### HR7 Forced labour

During the financial year, we identified one case of forced labour. The incident was discovered at a factory that only paid wages to its workers three times per year. Clas Ohlson demanded that this serious case of non-compliance be immediately addressed and that the factory introduce a policy and procedures to prevent forced labour. All non-compliance has now been rectified and meets our standards.

### Status after completed CSR audits per financial year

Year	07/08	08/09	09/10	10/11	11/12	12/13
Green		14	11	4	11	8
Yellow	24	296	332	300	438	314
Orange			50	82	109	63
Red	14	49	51	40	59	24
<b>Total</b>	<b>38</b>	<b>359</b>	<b>444</b>	<b>426</b>	<b>617</b>	<b>409</b>

### Status per active manufacturer 30 April 2013

Status	Green	Yellow	Orange	Red
<b>Per cent proportion</b>	11%	88%	1%	0%

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

GRI indicators	2008/09	2009/10	2010/11	2011/12	2012/13	Total
HR4K Non-discrimination	16	15	20	6	0	57
HR5K Freedom of association and the right to collective bargaining	29	9	7	17	15	78
HR6K Child labour	1	1	6	12	2	23
HR7K Forced labour	5	2	0	0	1	8

### Glossary and definitions

#### CSR (Corporate Social Responsibility)

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

#### Code of Conduct

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

#### GRI (Global Reporting Initiative)

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

#### Suppliers

Companies with whom we place orders.

#### Manufacturers (factories)

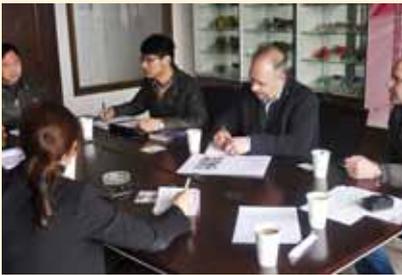
Companies that manufacture our products.

#### Agents

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

#### Read more

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



## The CSR audit process

At Clas Ohlson's CSR department in Shanghai and Shenzhen, six auditors are employed to check the conditions in factories. Clas Ohlson performs internal audits using its own auditors and external audits through third-party organisations.

An audit comprises the following components

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

Some of the items we check are:

- Health and safety
  - Fire safety (including fire equipment, escape routes, emergency exits, fire drills)
  - Protective equipment for workers, including protective gloves, ear-plugs
  - Ventilation, noise and light
  - Drinking water
  - Toilets
  - Canteen and kitchen (including hygiene and certificates).
  - First aid equipment.
  - Electric wires and cables.
  - Machinery equipped with safety devices.
- Documents for production and other properties
  - Certificates and permits
  - Policies
  - Attendance lists
  - The practice 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 (Material Safety Data Sheet)
  - Training and medical examinations for people who work with hazardous substances
  - Recycling management
  - Water purification, air purification
- 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 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.
- A follow-up 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.

# Our employees and core values

Committed and goal-oriented employees are the core of our brand and fundamental to the company's continued expansion and development.

Our core values – drive, commitment, innovation and warmth – form the basis for how we work and care about our customers, and how we strive to achieve our goals.

The key to our continued expansion in Europe is that we can retain, develop and attract skilled and committed employees to our various professional roles and markets.

We do this by being a modern, responsive and exciting employer, and by offering a gender-balanced and healthy workplace with challenging assignments, continuous skills development, good working conditions and international career opportunities.

## Exporting the Clas Ohlson spirit

One of our greatest challenges is to simplify and develop our core values. Spreading the Clas Ohlson spirit throughout our international operations. Understanding and capitalising on cultural differences, encouraging frequent interchange between countries and employees and setting clear measures and goals.

Our core values are the compass for all work conducted by the Group and the guiding principle for how we approach and communicate with our customers. In our current phase of growth, it is even more important that our core values remain clear, alive and present in our everyday work. We want to present the same image and Clas Ohlson experience to our employees and customers in Sweden, Norway, Finland, the UK and China.

Our core values rest on commercial awareness. We enjoy our business, and always have the customer's best interests at heart. Commercial awareness has four cornerstones:

## Drive

Drive is the desire, willingness and ability to generate results. To turn problems into solutions and words into action.

## Warmth

Warmth is the friendliness, care and service-mindedness that permeates all interaction with our customers, colleagues and suppliers.

## Commitment

Commitment means that every employee is given, and accepts, personal responsibility. Every employee, regardless of their role or area of responsibility, is important for achieving our goals.

## Innovation

Innovation means being creative, innovative and curious. Always seeking new opportunities, products and solutions is an important part of the Clas Ohlson spirit.

## Diversity and gender equality

All Clas Ohlson employees must have the same rights, opportunities and obligations. We consider diversity a natural reflection of the world we live in and vital for our continued growth. Our approach to diversity and gender equality will permeate all of our operations, and discrimination on the grounds of gender, age, religion, ethnic origin, disability or sexual orientation is not permitted. One of our goals is that neither gender will account for less than 40 per cent of each professional category, which is achieved through targeted skills development combined with the prioritisation of gender equality when recruiting.

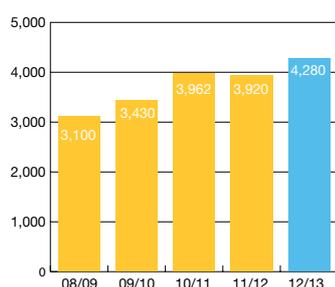
During the financial year, 43 per cent (42) of the company's employees were women. The proportion of women on the Board was 38 per cent (38) and in senior management, 20 per cent (20). Of national managers and senior executives, women accounted for 25 per cent (25). On 30 April 2013, 47 per cent of our personnel were younger than 30, while 10 per cent were older than 50.

## Skills development

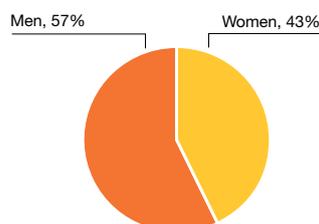
Business-orientated skills development is vital for our continued growth and to increase employees' commitment, motivation and job satisfaction.

New employees in the Group undergo "Insjön training," a basic course located in Insjön to learn about Clas Ohlson's corporate culture and core values. Continuous training takes place in all professional categories and levels. In the preceding year, our employees participated in a total of 10 hours training per person, including interactive training programmes via Clas Ohlson's digital learning portal.

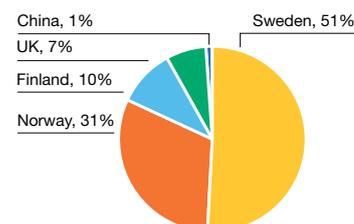
Total number of employees



Number of employees, men/women



Employees per country





## From Lund to London in less than two years

When Sophia Bonnevier Dudzik commenced Clas Ohlson's traineeship programme in Insjön in autumn 2010, she was already determined to work abroad. Just a few weeks after completing the programme, she landed at Heathrow, ready for her first project as a Business Developer at Clas Ohlson UK in Kingston-upon-Thames in South West London.

Sophia did not arrive in London by chance.

*"My supervisor and I maintained an open dialogue throughout the trainee period. We set up a long-term plan, where the organisational requirements and objectives were matched with my personal qualities and ambitions. Working abroad was one of the milestones."*

During her 18 months as a trainee, Sophia became familiar with many facets of the business, from working in stores and customer service to purchasing, sales and business development. *"Ever since I was 16, when I started working in a chocolate store in Lund, I have loved everything about interacting with customers – serving, selling and talking to people. Working at Clas Ohlson has strengthened that feeling, so helping to develop our sales and marketing communication feels very exciting."*

### Business development with variation

Sophia is involved in development projects in a range of areas in the UK market, including product ranges, store environments, sales and communication strategies.

*"We are ambitious, driven and goal-oriented. But we maintain a high level of flexibility. We spur and challenge each other, share our knowledge and experience, discuss ideas and enjoy working together. I love my job!"*

Day-to-day variation appeals to Sophia.

*"I am not a specialist, I have a broad range of interests. I prefer to know a little about lots of topics, see the entirety and broader context, which Clas Ohlson has seen, respected and leveraged. As a result, I am growing, feel confident and am working with something I love, which benefits the company in the end."*

### Work-life balance

Sophia often refers to Clas Ohlson's unique corporate culture and work environment.

*"I think the company's work climate and leadership are unusually flexible and open. They are based on a long-term strategy. Junior employees, like me, can also make a contribution. The company also respects that employees have a family and private life, which creates a healthy work-life balance and job security."*

Last but not least, Sophia describes how working at Clas Ohlson never feels monotonous or boring.

*"The combination of a modern, expansive Group and an almost century-old retailing tradition creates a wonderful dynamic and presents fantastic opportunities to contribute and make a difference."*

After completing the traineeship programme, Sophia has found the perfect environment and challenge as a Business Developer in the UK.

#### The Group:

	Store	Store manager	Salaried employees	Other managers	Ware-house	Women	Men	Total
Total number of training hours	27,292	6,553	4,059	2,200	1,225	17,720	23,609	41,329
Average per employee	9	38	9	22	3	9	10	10

Number of employees*	Sweden	Norway	Finland	UK	China	Total
Stores	1,302	1,224	344	266	-	3,136
Distribution centre	377	-	-	-	-	377
Salaried employees	500	116	63	34	54	767
<b>Total</b>	<b>2,179</b>	<b>1,340</b>	<b>407</b>	<b>300</b>	<b>54</b>	<b>4,280</b>
- of whom women, %	43	39	55	52	63	43
- of whom permanent employees, %	87	86	97	94	4	87
- of whom full-time, %	58	44	44	28	100	51

Average period of employment in the company, year*	Sweden	Norway	Finland	UK	China	Total
Salaried employees	7.6	8.6	5.0	3.0	4.0	7.1
Stores/Distribution centre	7.1	3.6	2.0	1.9	-	4.9

Average sickness absence, %	Sweden	Norway	Finland	UK	China	Total
Total sickness absence	5.9	6.0	4.2	2.0	0.6	5.4
- long term sick leave	2.5	2.7	0.3	0.4	0.2	2.2
- women	7.2	7.8	5.2	2.3	0.8	6.6
- men	4.9	4.8	3.4	1.7	0.2	4.5

\* April 30, 2013

## Health

Clas Ohlson offers a healthy work environment, where employees enjoy physical and mental well-being, and feel a sense of security and belonging. During the financial year, the employee turnover was 17.9 per cent (including part-time employees) compared with 18.4 per cent in 2011/12. Total sickness absence was 5.4 per cent, of which absence exceeding 14 days accounted for 2.2 percentage points. Clas Ohlson works proactively and preventively to improve the company's sickness absence figures, through initiatives such as training courses and preventive healthcare.

## Leadership

Managers at Clas Ohlson are expected to combine good employeeship with clear, goal-oriented and committed leadership based on the company's core values. Our managers play a key role in developing the business skills of each employee. To create a culture where we are always open to opportunities to develop the company based on our commercial awareness, customer focus and desire to generate results.

## Recruitment

All recruitment is aligned with our growth strategy and our objective to promote gender equality and diversity. Recruitment takes place both externally and internally, although we endeavour to recruit internally if the expertise already exists. Clas Ohlson encourages employees to take on new challenges within the Group.

Over the past the year, the number of employees increased by 360, of whom 276 are permanent employees.

## Salaries

Clas Ohlson offers competitive salaries, in line with our remuneration policy, local ordinances and currently applicable collective agreements and labour legislation. Salaries are based on an employee's professional role and responsibilities, performance, level of expertise and results. The fixed salary is adjusted annually in accordance with applicable collective agreements, in relation to the employee's personal development and the general market situation. Locally adapted benefits, such as physical wellness subsidies, personnel discounts and levelling out of salaries during parental leave, are also offered.

## Employee Satisfaction Index

On 30 April 2013, the number of employees in the Group totalled 4,280, of whom 3,716 (87 per cent) were permanent employees. Of these, 54 per cent were full-time employees. Some 85 per cent (84) of personnel responded to our annual employee survey in Sweden, Norway, Finland, the UK and China. The ESI (Employee Satisfaction Index) for the Group was 76 per cent (74), which compared favourably with other companies in an external comparison.

The survey shows that most of our employees feel proud of working at Clas Ohlson and that they can contribute to the decisions that are made. Confidence in managers and executive management is strong on average, while our efforts to promote diversity, equal treatment and gender equality are rated highly.

The employee survey provides an effective basis for how we can develop leadership within the Group and how we should be working to stimulate and motivate our employees.

## Activities and initiatives during the year

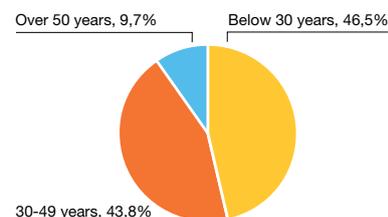
The following is a brief summary of significant events, initiatives and activities in the HR area during the 2012/13 financial year:

- Continued consolidation of our core values, with the objective that all employees throughout the entire organisation will understand our history and corporate culture and help to develop the Clas Ohlson spirit.
- Continued focus on skills development in the areas of commercial awareness and leadership.
- Implemented Group-wide leadership training for managers, other key individuals and employees with leadership talent.
- Completed the second round of our traineeship programme. New traineeship programme will start in autumn 2013.
- Continued development of our interactive learning portal (LMS), with a broader range of courses and training programmes.
- Follow-up of ESI 2012 (Employee Satisfaction Index), and establishment of action plans in each team.

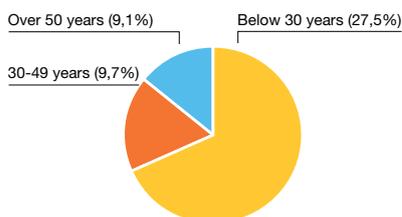
## A young organisation

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

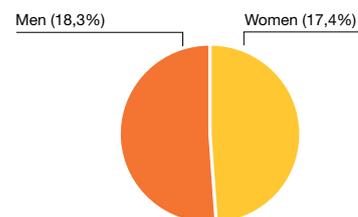
Age breakdown, Clas Ohlson Group



Employee turnover\*



Employee turnover, men/women\*



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



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

A key component of Clas Ohlson's service concept is our own workshop and vast range of spare parts – comprising more than 9,000 items – that can extend the service life of various products. Items range from clock parts to drive belts and coffee pots.

To date, only a small proportion of our customers have known that we offer both spare parts and our own workshop to which they can turn for help in repairing products.

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

A key aspect of Clas Ohlson's new e-commerce venture is being able to display the extensive range of spare parts that are also available for various products. Customers can also search for spare parts for products that are no longer included in the product range – a feature that is much appreciated, especially in the case of more expensive machinery and tools. And for support, Clas Ohlson can also offer considerable expertise, with 25 service engineers divided between the various speciality areas: electrical and clock parts, machinery and tools, multimedia, home and household, and leisure and toys.

Offering spare parts and workshop services is a key feature of our service, but also makes a significant contribution to sustainable development due to extended wear and less waste. Our aim is to always guide our customers to the right product with the right quality for solving their specific problem. A simpler, low-cost product can function perfectly for many years when used less often and for simpler tasks. However, a professional who uses a product for demanding tasks every day requires a more advanced and often more expensive product that can withstand sustained use.

# Responsibility for the environment

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

We work systematically to achieve our environmental objectives and continuously improve the company's environmental performance. Clas Ohlson's environmental policy states that the environmental perspective must be firmly integrated in our day-to-day activities and underpin all important decisions, in order to generate long-term value for our customers, employees, shareholders and society at large. This entails a lifecycle perspective that spans the entire chain, from the choice of products, suppliers, manufacturing methods and transport modes to a product's materials, usage, energy utilisation and waste management.

## Key events during the year

- Strengthened organisation for goods-flow management, including a new transport director with responsibility for developing Clas Ohlson's goods transport, enhancing efficiency and minimising the company's environmental impact.
- More efficient distribution. By raising the filling height for pallets, more goods and less air are transported,

which reduced the company's emissions and costs during the year.

- Energy efficiency in stores continues. A programme to develop the lighting systems of existing stores commenced during the year, and reduced energy consumption by 25 to 50 per cent.
- Clas Ohlson's model for the risk assessment of chemicals in goods was developed and is now more exact and effective. Our method has been acclaimed by authorities and industry colleagues.

## Environmental work in a wider context

Our greatest challenge, from a risk and cost perspective, is our dependence on fossil energy sources and their climate impact, particularly in terms of our freight. In addition to the threat of a future oil shortage, current climate policy could lead to higher tax and charges.

The climate impact of logistics 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 has issued directives aimed at improving the energy efficiency of products. Today, Clas Ohlson offers a broad range of energy-saving products. As part of the process to help our customers minimise their electricity consumption, Clas Ohlson's product range and product information is continuously developed, which is both environmentally and financially sound. One example is the phase-out of traditional light bulbs, whereby Clas Ohlson has invested in training and marketing to provide practical tips and advice to customers who seek alternative lighting solutions.

The EU REACH regulation drives efforts to phase-out hazardous chemicals from goods. We apply a risk assessment model that classifies our products on the basis of supplier category, brand, area of application and user group. We adapt our supplier and product requirements to the risk classification.

Environmental goals	Start 2007	Goal 2012	Outcome 2012	Comments
<b>Sea freight</b> -5% CO <sub>2</sub> /tkm	3.70	3.52	3.63 (Asia), 3.77 (incl. EU)	The performance indicator is dependent on the global economy, which affects the fill rate and our outcome.
<b>Road</b> -10% CO <sub>2</sub> /tkm	51.9	46.7	50.8	Since emission calculations are based on standards, improvements generated by higher fill rates, for example, are hidden.
<b>Train</b> +10% of the proportion of land transports	16.1	17.7	23.1	Increased rail use for the flow of goods between the Distribution Centre and stores.
<b>Air</b> -10% lower share	0.094	0.085	0.066	Development of internal procedures for ordering air freight.
<b>Business travel</b> -20% CO <sub>2</sub> /km	124.3	99.4	102.0	New company cars are increasingly fuel-efficient.
<b>Consumption of operating electricity at the DC in Insjön</b> -25 %kWh/pallet	23.8	17.1	17.6	Systematic efforts to improve energy efficiency

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

Explanation for the table: **CO<sub>2</sub>/tkm** = CO<sub>2</sub> emissions per tonne/kilometre. **DC** = Distribution Centre.

## Organisation and responsibility

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

## Freight and business travel

Our overall environmental objective is that fossil-fuel 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 2007. The reduction applies to the total performance indicators for current transport modes.

In 2012, about 85 per cent of the goods transported by sea from Asia to Gothenburg were transported by rail to the terminal in Insjön. From January 2013, the total flow of goods will be transported by rail. Goods from Swedish and European suppliers are coordinated in several locations for transport by road to Insjön.

Deliveries from the distribution centre to stores and customers mainly takes place by road but during the year, the proportion of rail and sea transport was 18 per cent, compared with 16 per cent in 2011.

The performance indicator for climate impact in conjunction with business travel by road, air and rail decreased 6 per cent, from 108 to 102 grams per CO<sub>2</sub>/kilometre. The underlying factor is a higher proportion of train travel, and a lower proportion of car and air travel.

## Results

Clas Ohlson's total carbon dioxide emissions generated by freight increased from 15,349 tonnes (2011) to 18,161 tonnes (2012). Emissions per tonne/kilometre are largely invariable, with a reduction from 6.0 grams per tonne/kilometre (2011) to 5.9 grams per tonne/kilometre (2012).

## Product responsibility

### Overall environmental objective

The products we sell must have properties that meet or exceed market expectations in regard to material characteristics, energy utilisation, safety and quality. The product range and information will be developed to help our customers minimise 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 suppliers in legislation and the chemical risk assessment of contents in products and packaging. In addition to partnerships with laboratories in Sweden and Asia, we have also acquired sources of expertise pertaining to the properties and risk substances in materials. This increases precision when goods are subjected to chemical analyses.

### Phase-out of risk substances

All materials and substances in products must meet the requirements of applicable legislation. We are phasing out risk substances on the REACH Candidate List by setting a maximum limit of 0.1 weight per cent. We have identified additional substances, beyond legal requirements, for textiles and leather products, which we are minimising. Our processes improved during the year and the number of substances we now test increased from 5 to 26. Clas Ohlson also applies more stringent requirements than the legally permitted levels for materials that come into contact with skin or that are used by children. The EU REACH regulation includes a requirement that consumers must be informed of the content of hazardous chemicals in goods within 45 days of a request.

We have chosen to provide information directly on both the product and our website if we consider that a product contains a hazardous chemical. However, our supplier requirements stipulate that no hazardous chemicals are permitted in any products.

## Energy consumption\*

	2012	2011	2010
Store premises, (kWh electricity/m <sup>2</sup> , year)*	135	141	147
Offices, (kWh/m <sup>2</sup> , year, total)	142	153	143
Distribution Centre, (kWh/m <sup>2</sup> , year, total)	92	88	99
Distribution Centre (kWh electricity/pallet)	19.5	20.2	22.6
Fuel oil Insjön, (m <sup>3</sup> )	2.2**	0.8	9.4

\* Excluding stores in the UK.

\*\* Own heat generation due to disrupted district heating services, 13–14 December.

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.

## Total electricity consumption (GWh)

	2012	2011	2010
Store premises*	36.1	34.0	30.9
Offices	1.5	1.5	1.6
Distribution Centre	4.7	4.6	5.1

## Fossil carbon dioxide (tonnes)

	2012	2011	2010
Freight	17,234	15,349	16,289
Travels	683	794	514
Heating***	15	11	186
Electricity	3,648	3,453	2,760

\*\*\*Carbon emissions originate from burning of fuel oil. During 2012, 1% of district heating at Insjön was based on fuel oil and 99% on biomass. Of the carbon emissions, 5.7 tonnes comes from own consumption and 9.2 tonnes from district heating production.

## Carbon dioxide emissions from transport and travel

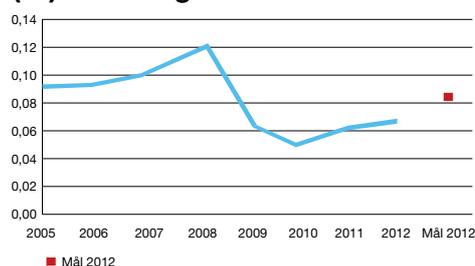
**Transport** gram CO<sub>2</sub> per tonne/kilometre

	2012	2011	2010
Outgoing freight	47.4	46.6	47.7
Incoming freight - Europe	21.1	17.1	22.5
Incoming freight - Asia	4.07	4.29	3.76

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

	2012	2011	2010
Mean value road, air, rail	102	108	100

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



## Energy efficiency

The Ecodesign Directive and Energy Labelling Directive are key instruments in the EU objective to reduce energy consumption by 20 per cent by 2020. The directives entail that certain product groups must provide certain energy and resource efficiency to qualify for use within the EU, and that the energy efficiency of products must be clear for consumers.

A considerable proportion of the products affected by the directives is included in Clas Ohlson's product range. Specific examples are demands for reduced "standby-losses", higher energy efficiency in transformers and more stringent requirements for light sources, in terms of both energy efficiency and energy labelling.

## Aftermarket service – wear but not waste

Repairing a product rather than throwing it away is a good example of sustainability. In addition to extending the life of a product, less waste generates environmental benefits. Clas Ohlson's product range includes more than 9,000 spare parts and our customer service employees can offer product knowledge that is highly appreciated by customers. Service engineers in our workshops carry out repairs at cost price. Now that our spare part inventory is available via our online store (e-commerce), sales of spare parts have increased significantly.

## Quality according to need

Another key feature for extending the service life of products is that our personnel can help customers choose the right quality according to their needs. A product designed for professional use has totally different demands on quality and function compared with ordinary and less frequent use in the home. This has been Clas Ohlson's basic philosophy since the company was founded in 1918.

## Energy consumption

### Overall environmental objective

All energy consumption in our own and leased premises and properties must be documented. Energy consumption in the distribution centre, head office and stores must move toward specific energy-saving targets. Energy from fossil sources will be phased out in our own operations.

### Distribution Centre

Despite an increase of 5 per cent in operational time, total energy consumption rose 3.7 per cent in the distribution centre. The marginal increase from 88.2 (2011/12) to 91.6 kWh/m<sup>2</sup> is a result of continued optimisation of ventilation, cooling equipment and automation equipment.

Other performance indicators reinforce the impression of a positive trend. Energy consumption per handled pallet continued to decline from 20.2 (2011/12) to 19.5 (2012/13) kWh/pallet.

### Head office

Clas Ohlson's head office in Insjön comprises two buildings totalling 20,000 square metres of floor space, which also house the Insjön store, customer service with workshops, the spare parts inventory and so forth. From December 2009, all sections of the buildings have been connected to bio-based district heating. The total consumption of electricity, district heating and oil continues to decline.

### Stores

Electricity and energy requirements vary substantially from store to store. For example, some stores have escalators

and additional electric signage, which increases their energy consumption.

Energy consumption in our stores shows the reversed trend in 2011/12 will continue in 2012/13. Electricity utilisation declined by slightly more than 4 per cent, from 141 kWh per square metre and year (2011/12) to 135 (2012/13), excluding stores in the UK. In our Nordic stores, cooling/heating is included in the leasing contract. However, in the UK, all property-related energy is billed separately, which means that electricity consumption in UK stores cannot be compared with that of stores in the Nordic region.

The lower electricity consumption is due to a greater internal focus on lighting issues, effective cooperation with suppliers and a higher proportion of energy-efficient light sources and fittings.

## Waste

The Waste Electrical and Electronic Equipment Directive (WEEE Directive) pertains to producer responsibility for the recycling and recovery of electrical and electronic products. The WEEE Directive applies in all countries where we operate and Clas Ohlson accepts producer responsibility through membership in national waste collection systems in our markets.

The distribution centre in Insjön has had efficient systems for waste separation at source and recycling for many years. Surplus packaging is pressed into large bales that are sold and become raw material for new products. The same applies to various fractions from plastic. Other waste is separated at source into about ten fractions.

## Packaging

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

During the year, REPA repeated its sampling measurements of Clas Ohlson's product packaging. The results show that the amount of paper and plastic has declined 51 and 42 per cent respectively in three years.

In 2012/13, the number of carrier bags sold in our stores will be 9.5 million, of which paper carriers account for about 9 per cent. Other carrier bags are made of polythene and come in two different versions: white = medium (6.7 million, with 60 per cent recycled materials), and black = large (1.9 million, with 85 per cent recycled materials). Sales of reusable carriers made of fibre-reinforced plastic amounted to almost 200,000.

Packaging sent to our mail order/Internet customers is sustainable due to recovered fibre and bio-based adhesives accounting for about 63 percent of the content. 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 objective

When choosing a communication channel, environmental impact will influence our decisions. We aim to increase the amount of our online customer and shareholder communication. Production of our printed matter is to take place with technology and materials that are well-documented and sustainable. It must be possible to recycle our printed matter as high-quality fibre raw material.

Clas Ohlson's catalogues are printed according to Nordic Ecolabel criteria, and mainly distributed in conjunction with goods deliveries to our stores. Our direct marketing and this annual report are also printed on Nordic Ecolabel-approved paper. The Clas Ohlson Annual Report is only distributed to shareholders who request printed information, which has reduced the number of issues printed by some 70 per cent and thus lowered our environmental impact.

## Legislation and guidelines

Clas Ohlson is mainly impacted by the following EU directives:

- Regulations on the use of substances with a toxic impact on human health and the environment in product (REACH, RoHS (directive on materials intended to come into contact with food and the Toy Safety Directive).
- The regulation of energy-related products (ErP).
- Producer responsibility for the recycling of electrical and electronic equipment (WEEE).

**Read more** For more information about our environmental and sustainability efforts, please visit our website <http://about.clasohlson.com>.

**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 manufac-

turers 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 (Global Reporting Initiative)

A complete version is available at <a href="http://om.clasohlson.com/en">http://om.clasohlson.com/en</a> Clas Ohlson reports at C level.		
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