

clas ohlson

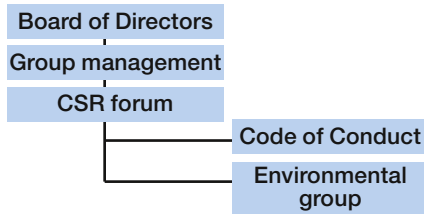
Sustainability report

Pages 33 – 48 from The Annual Report 2008/09



Important steps for long-term sustainable operations

Organisational outline



The establishment of a purchasing office in Shanghai is a vital step in Clas Ohlson's efforts to achieve sustainable development. For the 2008/2009 financial year, we are conducting sustainability reporting according to the Global Reporting Initiative for the first time.

Clas Ohlson is a pure retailer that offers a broad range of construction, home, multimedia, electrical and leisure products. We have 106 stores in Sweden, Norway, Finland and the UK. In Sweden and Norway, we also sell through mail order/Internet.

Our head office and distribution centre is in Insjön, Dalarna, and we have a total of approximately 3,000 employees. We have 15,000 different articles in our range but own no factories. Instead we cooperate with 600 suppliers and 750 manufacturers in 30 countries. The impact of our operations on people and the environment is described in this report, as is our work on sustainability issues.

Basis for Clas Ohlson's CSR work

Our business concept is to make it easy for people to solve the little practical problems in everyday life. Our own operations and those of our suppliers and manufacturers are subjected 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 the community as a whole.

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

Work to contribute to sustainable community development is of critical importance to our business operations; in part due to increasing demands from customers, employees and other stakeholders and in part due to the new business opportunities that sustainability issues generate for Clas Ohlson. All major investment decisions shall also take human rights into account.

Our corporate culture is distinguished by the specific 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.

Goals for Clas Ohlson's CSR work

Clas Ohlson shall be viewed as a responsible retailer whose environmental impact and control of human rights and the work environment are considered acceptable.

Clas Ohlson's CSR organisation and responsibility

Clas Ohlson's CSR forum comprises the CEO, Director of Information, Purchasing Manager, Head of the Distribution Centre, HR Manager, Environmental Coordinator, Internal Controller and the Code of Conduct Manager.

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

The CEO has overall responsibility, and the CSR work is integrated into and encompasses the entire organisation.

The following strategies are used to achieve the targets:

Strategy	Activity
The CSR perspective shall be an integral part of Clas Ohlson's processes, such as purchasing, logistics, sales and communication, and HR.	<ul style="list-style-type: none"> - Training of managers and employees - CSR forum including representatives of Clas Ohlson's Group management.
Establishment of operations in Asia to develop cooperation with our suppliers and manufacturers.	<ul style="list-style-type: none"> - Formation of a CSR organisation in China
The CSR perspective shall be a commercial force and we shall rapidly act and react to relevant trends and opportunities in the business community and our market.	<ul style="list-style-type: none"> - Proactive search for strong trends that generate business opportunities involving: <ul style="list-style-type: none"> • Logistics and purchasing • New products featuring smart solutions that contribute to improving conditions for people and the environment
Cooperation with other organisations to develop our CSR work and our ability to report the improvements achieved.	<ul style="list-style-type: none"> - Comply with leading standards that are accepted among our stakeholders and opinion-builders. - GRI reporting. - Participation in the UN initiative for human rights, UN Global Compact.
Open dialogue with our stakeholders and opinion-builders pertaining to our CSR work.	<ul style="list-style-type: none"> - Identify and develop relationships with individuals and organisations in the CSR area. - Improved CSR communication both internally and externally.

Clas Ohlson works according to the philosophy that sustainability issues require an overall approach and that these issues must permeate the entire organisation and the various operations. This entails involving 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 first sustainability report that Clas Ohlson has prepared, and it is based on recent guidelines from the Global Reporting Initiative (GRI). Clas Ohlson has chosen to report at C level.* A cross-reference table illustrating where in Clas Ohlson's Annual Report, sustainability report and website the various GRI indicators are found is presented on page 48.

The information and key figures provided in the sustainability report are selected based on significance and relevance from Clas Ohlson's sustainability perspective and according to requests from our stakeholders.

The sustainability report pertains to the 2008/2009 financial year, meaning the 1 May 2008 – 30 April 2009 period. In some sections, information, key figures and diagrams for the 1 January 2008 – 31 December 2008 period are presented.

Restrictions

The sustainability report encompasses 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.

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

In terms of suppliers and manufacturers, we are responsible for placing demands, developing long-term relations and supporting these stakeholders in their efforts to achieve improvements concerning human rights, working conditions, the work environment and environmental impact. We also conduct continuous checks and audits and terminate cooperation with manufacturers that will not or cannot 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 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.

Our stakeholders' expectations and demands concerning Clas Ohlson differ. An open dialogue will generate increased knowledge and assist in establishing the aspects of our sustainability efforts that need improvement.

We engage in regular 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 how we inspect and check our manufacturers in Asia.

Employee surveys

Our work environment survey shows a high level of job satisfaction and an excellent working environment. In the coming financial year, an employee survey that encompasses the entire Group will be developed.

Local commitment

Clas Ohlson has a long tradition of supporting various local projects and organisations in Dalarna, where Clas Ohlson was founded and where the head office and distribution centre are located. Our major commitments include sponsoring the Leksands IF ice hockey team and the Olympic rower Lassi Karonen. Clas Ohlson also supports Dalhalla, outside Rättvik, one of Sweden's largest music stages. During the financial year, we also opened a Clas Ohlson museum where customers, employees and the public can learn more about the company's 90-year history.

For the 2008/2009 financial year, Clas Ohlson introduced sustainability reporting according to the international auditing standard Global Reporting Initiative (GRI).

Our stores


In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and government authorities. The stores share a common interest in creating a vibrant local business community, particularly in the city locations where Clas Ohlson primarily establishes stores. Central locations mean that people are able to shop where they spend their workdays, thus reducing the need for car journeys to shopping centres outside the city centre.

Significant events during 2008/2009

During the financial year, considerable energy was devoted to establishing our purchasing office in Shanghai, where we now also have a CSR division for monitoring suppliers and manufacturers. During the financial year, 357 factory visits were conducted in Asia, compared with 40 in the preceding year.

Clas Ohlson is participating in the Carbon Disclosure Project, an international climate initiative. During the financial year, Clas Ohlson's report was ranked among the top ten in the CDP Nordic Report 2008.

We signed an agreement with Dalakraft pertaining to renewable electricity for the distribution centre and offices at Insjön, as well as some 25 stores in Sweden. In addition, bio-based district heating is being introduced in our properties at Insjön. These changes imply a significant reduction in CO₂ emissions.

A decision was made to join the UN Global Compact and that Clas Ohlson will report its sustainability work in accordance with GRI. 

***GRI application levels**

The guidelines have three different application levels: C, B and A. The reporting criteria at each level reflect a measure of the extent of application or coverage of the GRI Reporting Framework. At each level, a "plus" (+) may be added, meaning that the item in the report has been verified externally.

Our employees and the Clas Ohlson spirit

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

Clas Ohlson aims to be a responsible employer that can attract and retain the best employees in the industry. To attain this goal, we place great emphasis on recruitment, continuous development of skills and a corporate culture based on shared values.

The Clas Ohlson spirit

Our corporate culture is characterised by founder Clas Ohlson's strong entrepreneurship and personal concern for both customers and staff. The special Clas Ohlson spirit developed over the years is characterised by excellent ethics, mutual respect, cooperation and an open exchange of thoughts and ideas. All contacts between staff and customers should be characterised by respect, warmth and service-mindedness. The aim is that the customer shall always be satisfied with his/her visit to our stores.

Preserving and developing the corporate culture is one of our major challenges and the responsibility of each employee. Our managers have a specific responsibility to be role models, and great emphasis is placed on their ability to communicate, delegate and develop the employees in their teams. Our rapid rate of expansion – with 20 new stores and more than 700 new members of staff during the financial year – makes this all the more important.

Rules and guidelines

Naturally, Clas Ohlson always complies with applicable agreements and legislation concerning the line of business pursued in each country. With regard to work environment issues, we comply with EU legislation. To facilitate HR work and ensure that Clas Ohlson acts in the same manner in all markets, policies have been established by the Board of Directors that pertain to the entire Group

The key policies in the HR area are:

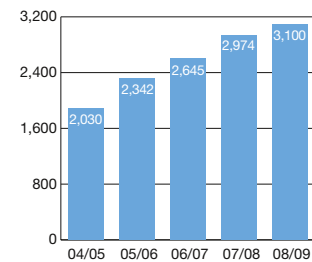
- Staff policy
- Work environment policy
- Gender equality policy

All new employees receive a personal copy of the staff manual, which contains policies and regulations as well as a detailed description of work assignments for various positions so that everyone is aware of what can be expected from the company and what the company expects of the employee.

Organisation and responsibility

On 30 April 2009, the number of employees totalled 3,100. Of these, 1,754 were full-time employees and 1,346 part-time employees. During the financial year, 700 new store employees were recruited. Of these, 40 per cent were employed in Norway, 21 per cent in Sweden, 16 per cent in the UK and 14 per cent in Finland.

Total number of employees



Successful HR work is crucial to the success of our expansion. In 2008, an HR manager, who is also a member of Group management, was appointed for the entire Group. We also have a Competency Development Manager and a Training Manager in each country.

Diversity enriches

We firmly believe that an inspiring work environment and good results are achieved through an even distribution of staff with different experiences and background. No one shall be discriminated against due to gender, age, belief, sexual preference

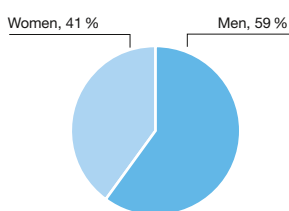
Total	Store employees	Supervisors	Store managers	Salaried workers	Other managers	Stockroom workers	Supervisors, Distribution centre	Total
Total number of training hours	46,310	3,137	4,537	763	149	1,143	84	56,123
Average per employee	22.1	14.2	42.8	3.0	4.6	2.8	4.9	30.0



or ethnic and national background. The Group's gender equality policy underlies our gender equality plan, which is regularly updated. The aim in recent years has been to attain more even gender distribution in each department, primarily through strategic skills development and secondarily by assigning priority to even gender distribution when filling new vacancies.

The objective is that neither gender should account for less than 40 per cent in the occupational category concerned.

Number of employees, men/women



During the financial year, women accounted for 41 per cent of Group employees, which is unchanged compared with the preceding year. The portion of women among senior management in the Group totalled 22 per cent, also unchanged compared with the preceding year. In Sweden, women accounted for 39 per cent of store managers, down 6 per cent, which also corresponds to the decrease at Group level.

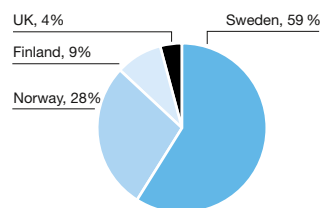
Many want to work at Clas Ohlson

Clas Ohlson is regarded as an attractive employer, and interest in working for us is

keen. This is particularly evident from the number of applications to work in our new stores. To make the recruitment process more efficient and to ensure quality, IT support has been developed. This enables us to improve quality in the selection process and ensure that we cover the skills required to deal with customers in the best possible way.

During the recruitment process, we also take into account the individual's potential to develop in the company, thus securing Clas Ohlson's future requirement of good leaders.

Employees per country



Expansion generates exciting career opportunities

Clas Ohlson's rapid expansion implies, and creates the right conditions for ensuring that, our employees develop within the company. A high proportion of internal recruitment also facilitates the continuity and tradition we aim for. Of the 50 new managers appointed in the financial year, 50 per cent were recruited within the company.

We regard internal recruitment as vital

to the development of the individual and the company. Vacancies are always advertised on our intranet to give all employees the opportunity to apply. Work is in progress to clarify internal career routes and incorporate career planning and career advancement in employee-development talks as part of managerial responsibility.

In connection with the establishment of new stores, project teams are appointed in which staff from head office, the distribution centre and various stores participate in the preparations required to open a new store. We have high mobility between our stores, and interest in working in other countries is increasing.

A solid introduction

At Clas Ohlson, considerable emphasis and care is devoted to introductory training courses to integrate new staff into our corporate culture. The training covers Clas Ohlson's history and values, customer relations, customer service policy, product knowledge, work procedures and information about Clas Ohlson's social responsibility. The training courses are mainly held on site at Insjön, in Dalarna.

During the financial year, we customised new training courses for the newly started operations in the UK, and slightly more than 30 individuals from these operations participated in training courses at Insjön. Other employees received the training on location in the UK.

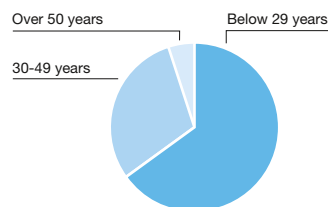
Continuous skills development

The Clas Ohlson Academy, our internal →

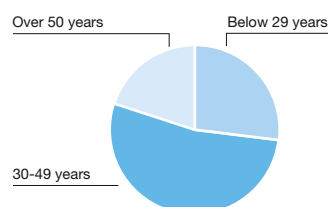
A young organisation

Employees younger than 29 account for a large proportion of our staff, which is natural as many of the employees in our stores work part-time. It is common for students to work in one of the Clas Ohlson stores at weekends and evenings.

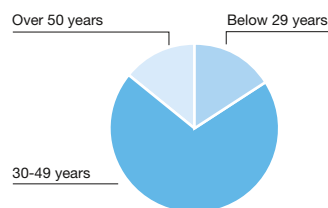
Age breakdown – Stores



Age breakdown – Distribution centre



Age distribution – Salaried employees



development centre, combines our development and training operations. The purpose of the Clas Ohlson Academy is to ensure that the company has the skills required for the future and to create the necessary conditions for internal career paths. Another important task is to nurture, develop and disseminate the Clas Ohlson spirit.

A survey of the total training requirement for the Group is conducted annually, and the range of courses includes both mandatory and voluntary training programmes.

Through video conferences and interactive product training courses, we rapidly and easily reach all employees in an environmentally and cost-effective manner and make sure that our employees are well prepared to provide advice and guidance on our products.

The mandatory managerial courses include training in employee-development talks, labour law, the work environment and rehabilitation. In autumn 2009, a trainee programme for young employees who want to grow with the company will be introduced.

Competitive salaries

Clas Ohlson's annual work environment survey includes all markets and all employees. It is also evident that Clas Ohlson is characterised by a high level of job satisfaction and an excellent work environment, which is also apparent in low staff turnover and low sickness figures in relation to the industry.

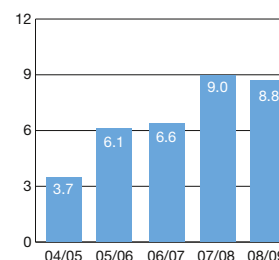
According to Clas Ohlson's salary policy, salaries shall be based on competency and performance, be competitive and match or surpass those of other companies in the industry, when the company achieves its goals. All employees have some form of profit-based salary, in addition to their fixed salary, regardless of whether they work in stores, at the distribution centre or at head office.

Our employees also receive such benefits as healthcare contributions and staff discounts.

Staff turnover

Staff turnover among full-time employees in the Group averaged 8.8 per cent (preceding year: 9.0 per cent). Turnover is higher among part-time employees (45.8), which is natural as we have large numbers of students working part-time during their studies. Staff turnover among our employees at Insjön, at the head office and in the distribution centre over the same period was 3.2 per cent (preceding year: 1.9 per cent).

Staff turnover



Preventive healthcare

The overall aim of our health and fitness efforts is that Clas Ohlson shall offer a good work environment where our employees can have a sense of security, job satisfaction and community. Our health strategy is based on creating the necessary conditions for both physical and mental well-being at the workplace. The health perspective forms a natural part of our systematic work environment activities. In order to keep this alive, we regularly provide information to our trade union safety representatives and health promoters, who pass the information on to their colleagues.

Total sickness absence in 2008/09 was 3.6 per cent, down by 0.3 percentage points on 2007/08 (3.9 per cent). The proportion of total sickness absence accounted for by staff on long-term sick leave during the same period decreased from 31 per cent to 27 per cent.

Number of employees*	Sweden	Norway	Finland	UK	Total
Stores	1,170	796	270	108	2,344
Distribution centre	324	0	0	0	324
Salaried employees	332	78	16	6	432
Total	1,826	874	286	114	3,100
– of whom women, %	41	38	45	41	41

Average period of employment in the company is*	Sweden	Norway	Finland	UK	Total
Salaried employees	7	6	4	0.5	6
Stores/Distribution centre	6	2	2	0.5	4

Average absence due to sickness, %	Sweden	Norway	Finland	UK	Total
Total absence due to sickness	3.5	5.4	4.4	1.8	3.6
– of which, long-term sick leave	28	41	8	0	27
– of whom, men	2.7	3.8	4.0	1.9	2.8
– of whom women, %	4.7	8.0	4.7	1.6	4.8
– of whom, employees aged below 29	2.7	4.3	3.9	1.9	2.9
– of whom, employees aged 30–49	4.0	6.8	5.0	1.7	4.1
– of whom, employees aged over 50	4.4	7.1	0.0	0.2	4.5

* 30 April 2009



Our social responsibility and human rights efforts

Clas Ohlson aims to contribute to promoting human rights in countries where it operates. With our own employees on location in China, we are able to influence and strive to improve conditions for the people who are involved in the production of the products that we purchase for our range.

Clas Ohlson is a pure retailing company and purchases approximately 15,000 different articles from more than 750 manufacturers worldwide, which we sell through our store network and mail order/Internet.

We want to contribute to an improved work environment and working conditions for the staff of the manufacturers with whom we cooperate and to ensure that the environmental impact of the products is as low as possible throughout their entire life-cycle. These are long-term and complicated efforts that require commitment and input from the entire organisation and from the suppliers, manufacturers and other organisations with which we cooperate.

Challenges included in supplier-control efforts

Of the products we sell, slightly more than half are manufactured in Asia and one third of these are imported directly from various suppliers and manufacturers. We have a particular responsibility and major opportunities to exert a positive influence on these purchases by checking and supporting the suppliers in their efforts to improve conditions for their employees and for the environment.

Challenges faced by Clas Ohlson when working with suppliers in Asia include:

- overtime work
- no or weak trade unions
- low level of knowledge among employees about their rights
- deficient work environment and inadequate protective equipment
- corruption, for example falsified time reports, bribes and other practices that make it more difficult to conduct checks.

All companies that directly or indirectly operate in Asia face these challenges and can, in various ways, contribute to improving the conditions. Clas Ohlson's strategy is to use a combination of in-house CSR auditors and external audit firms. Our new purchasing office in Shanghai, with five CSR auditors on site, has increased our capacity to ensure compliance with the Code of Conduct.

For many manufacturers, Clas Ohlson is a small customer. To increase our opportunities to influence and change, we will look for ways to cooperate with other companies and organisations to jointly influence various manufacturers.

During the 357 audits conducted in the financial year, 16 observations were made concerning discrimination, primarily in the form of specific age and gender requirements being stated in vacancy advertisements. In these cases, Clas Ohlson demanded that the advertisements be changed and that the company adopt a policy against discrimination.

During the audits, 29 observations were made concerning restrictions on freedom of association. Clas Ohlson has demanded that these suppliers introduce a system that will remove this obstacle.

During the financial year, Clas Ohlson made an observation at a manufacturer regarding a case of suspected child labour, meaning a worker under the age of 16 years. In 23 additional cases, various factories did not have satisfactory documentation in the form of ID documents to establish the age of employees. In these cases, Clas Ohlson demanded that the companies introduce a policy against child labour and procedures to maintain a register of ID documents.

During the financial year, five observations were made pertaining to the risk of forced labour. This involved requesting a salary deposit in order to work at the factory, the inability to guarantee that overtime work was voluntary or the absence of a policy for preventing forced labour. In these cases, Clas Ohlson demanded that these activities cease and that the factory introduce policies or procedures to prevent forced labour.

We shall contribute to promoting human rights

Clas Ohlson shall contribute to promoting human rights in the countries in which it operates. We have a responsibility not just for our own employees but also for those

The Code refers to:

- UN Convention on Human Rights
- UN Convention on the 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)

Our Code of Conduct is currently available in Swedish, Norwegian, Finnish, English and Chinese.

History

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



who work for our suppliers.

Our responsibility includes exerting demands and developing long-term relationships and supporting our suppliers and manufacturers in their efforts to achieve sustainable improvements in working conditions, the work environment and the general environment.

Our Code of Conduct

The Clas Ohlson Code of Conduct refers to international conventions and national legislation and regulations. It supports the UN Global Compact and the OECD guidelines for multinational companies. The Code of Conduct includes the demands concerning working conditions, the work environment and environmental impact that we place on our own operations and those of our suppliers and manufacturers.

The Code of Conduct includes

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

We aim for long-term relations with our suppliers and manufacturers and place our

trust in an active dialogue and cooperation. As we work with the Code and learn from our experiences in its implementation, it will be gradually adapted and developed.

Goals

Clas Ohlson aims to be a responsible company with acceptable influence and control of human rights and the work environment for its own employees as well as those of its suppliers and manufacturers.

During the financial year, Clas Ohlson formed a control organisation in China with the capacity to implement up to 400 factory visits per year. With this control organisation on site, we can conduct regular inspections (at least every other year) at our manufacturers, check that our Code of Conduct is followed and influence long-term conditions for people and the environment.

Organisation

Our CSR work shall be an integral part of Clas Ohlson. Certain divisions work more on our internal CSR responsibility, for example our HR division and the distribution centre, while others work more on our external CSR responsibility, primarily our purchasing division and the CSR division in Shanghai.

The work is targeted, planned and monitored by Clas Ohlson's CSR forum (read more on page 34).

Our CSR division in Shanghai comprises a CSR Manager, Supply Chain, a CSR coordinator and five CSR auditors to conduct audits on manufacturers throughout China. Our CSR division is responsible for assessing, checking, monitoring and training/

Clas Ohlson has established an office in Shanghai, China with purchasers and auditors who visit our suppliers and manufacturers to check compliance with our Code of Conduct.

informing suppliers and manufacturers.

Clas Ohlson's purchasing division and the CSR organisation are jointly responsible for ensuring that suppliers and manufacturers sign and comply with our Code of Conduct requirements. A major portion of the assignment involves supporting our suppliers in their efforts to implement continuous improvements in their operations.

Our tools and processes

Our Code of Conduct is the principal tool in our efforts to improve working conditions and the work environment. All suppliers, large and small, must sign the Code. The vast majority of them are willing to sign the Code and to work, through dialogue with us, toward improving any aspects that are not satisfactory at the outset. If a supplier is not willing to comply with the Code, cooperation is terminated.

Manufacturers must also sign the Code, and all new factories will receive an initial visit from us or one of our purchasing agents before they may supply products. We also work with self-assessments, whereby the manufacturer completes a comprehensive questionnaire to identify possible deficiencies.

The most extensive check is conducted during audits, when our own or external auditors review the manufacturing facility, interview the staff and study various documents. An audit normally takes one to two days, depending on the size of the →

factory and the number of employees. The visit is documented in a report that includes an action plan and measures that must be taken in cases where the manufacturer has not complied with the various criteria of the Code.

Our aim is to continue cooperating and supporting manufacturers in their work to improve the situation, providing that certain minimum criteria are met.

If a serious deviation is identified, it must be rectified immediately for the manufacturer to be allowed to continue to act as a supplier to Clas Ohlson. Otherwise the cooperation is terminated.

Evaluations and audits

At the end of the financial year, more than 97 per cent of our suppliers and manufacturers had read and signed the Clas Ohlson Code of Conduct.

Of the manufacturers with whom we cooperate, 90 per cent had conducted self-assessments that they reported to us.

During the financial year, we conducted 332 audits using our own auditors, and 25 external audits, through an independent audit firm specialised in social responsibility and human rights. During the preceding year, 40 audits were conducted, primarily through independent audit firms.

At the end of the financial year, 56 per cent of our manufacturers in Asia had undergone an internal or external audit. During the financial year, cooperation was terminated with 20 manufacturers due to unwillingness or inability to comply with our demands.

Training courses and information – a key part of improvement work
Training courses and information are probably the principal success factors in the CSR work. During the financial year, we developed a video training course about Clas Ohlson's social responsibility. When recruiting CSR auditors, we only employ experienced auditors. During the financial year, they primarily underwent internal training, but during 2009 they will undergo environmental training developed in cooperation with an external audit firm specialising in social responsibility, human rights and the environment.

Our purchasing and CSR divisions are working closely with these issues. Our purchasers have undergone a course in human rights organised by Amnesty, and we have held internal courses with employees from the purchasing division.

Our CSR division in Shanghai works as a control and support organisation that pays regular visits to suppliers and manufacturers to check compliance with the Code and assist them in their work to improve the social and environmental aspects of their manufacturing through information and training courses.

Continued development areas during 2009/2010

Clas Ohlson will:

- Continue efforts to assess, check and work to improve conditions for people and the environment at our suppliers and manufacturers
- Expand our work involving information and training courses at our manufacturers
- Continuously train our CSR auditors
- Strive to cooperate with other companies and organisations to be able to influence and make further improvements
- Strive for improved communication, internally and externally. 

CSR (Corporate Social Responsibility)

CSR means that companies, on their own initiative, demonstrate active commitment and responsibility in terms of social development.

Code of Conduct

A Code of Conduct encompasses 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 can also pertain to suppliers and manufacturers production of products. Assisted by the Code of Conduct, the company will ensure that products are manufactured under satisfactory working conditions.

Read more

The complete Code of Conduct is available on our website at www.clasohlson.se. More information about Clas Ohlson's human rights work is also available there.

ILO – International Labour Organisation
<http://www.ilo.org/global/lang--en/index.htm>

UN – United Nations <http://www.un.org/en>

How a CSR audit is carried out

At Clas Ohlson's office in Shanghai, a number of auditors are employed to check conditions in factories.

An audit normally takes one to two days, depending on the size of the factory and the number of employees working there.

Clas Ohlson carries out both internal audits using its own auditors and external audits through independent organisations.

An audit comprises the following steps:

- Opening meeting
- Review of current premises
- Checking documents
- Interviews
- Concluding meeting



A factory visit begins with a meeting with the manufacturer's management team where the various elements of the audit are reviewed.

One of Clas Ohlson's auditors at the office in Shanghai is Alina. She shares a responsibility-intensive assignment with several other auditors whose task is to do everything possible to ensure compliance with Clas Ohlson's Code of Conduct. Her day involves a considerable amount of travel in China, where she conducts checks on Clas Ohlson's various suppliers.

"I visit factories several days a week. We auditors start with an opening meeting where we normally meet the owner or a senior executive. At that meeting, we inform them about what will occur during the audit. The factory also receives a list of the documents that will be reviewed during the audit."



A visual inspection of the factory premises is conducted to inspect such items as safety and protective equipment.

After the opening meeting, a visual inspection of the factory and all its premises is conducted, including lunch rooms and residences. The auditors take photographs to document everything they see.

Items that are checked include:

- Are the fire extinguishers easily accessible and labelled?
- Are the exits and evacuation routes clear?
- Do workers have sufficient protective equipment?
- Do they use hearing protection?
- Are the chemicals labelled?
- Are the machines protected?
- Is there first-aid equipment?



Various documents are checked and employees are interviewed, both individually and in groups. The visit concludes with a review of any deficiencies, and a plan is prepared that specifies when the deficiencies must be rectified.

The next phase is to review such documents as salary lists, timesheets, ID cards, employment contracts and various types of certificates and licenses needed by the factory. This is followed by interviews with employees at the factory. Primarily, these occur individually, but sometimes they may also occur in groups. All interviews are voluntary and it is vital to protect the individual employee. All interviews are confidential.


"Finally, we have a concluding meeting at the factory where the auditors provide information about became evident during the audit," says Alina. "If there are deviations, Clas Ohlson's auditors and the factory representatives discuss the improvements that must be implemented, and they also decide on a schedule for implementation."

"Later, a follow-up is conducted to ensure that the factory implemented the improvements requested by Clas Ohlson's auditors. This follow-up can be carried out by Clas Ohlson, our representatives or an independent organisation."

Liselott Holmgren is CSR Manager (Supply Chain) at the office in Shanghai.

"We reserve the right to conduct both announced and unannounced audits of our suppliers. Clas Ohlson pays for these audits."

Liselott believes that the CSR efforts are challenging and involves several aspects of development.

"Clas Ohlson shall sell good products, and price, quality, service and the CSR efforts are linked. We have long-term agreements with many of the suppliers in China with whom we cooperate, which is a clear advantage. Through our long-term relationships, we have greater opportunities to achieve favourable results in our CSR efforts." 

Our responsibility for the environment

Transport and travel

Outgoing freight

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	50.6	51.7
Nitrogen oxides, grams	0.52	0.61
Hydrocarbons, grams	0.023	0.020
Total energy consumption, kWh	0.19	0.20

Incoming freight – Europe

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	24.1	28.8
Nitrogen oxides, grams	0.23	0.28
Hydrocarbons, gram	0.016	0.022
Total energy consumption, kWh	0.19	0.23

Incoming freight – Asia

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	4.55	4.17
Nitrogen oxides, grams	0.111	0.104
Hydrocarbons, grams	0.004	0.004
Total energy consumption, kWh	0.060	0.058
Total carbon dioxide, tonnes	9,498	10,483

Corporate travel

Environmental impact per person-kilometre	2008	2007
Carbon dioxide, grams	108	119
Nitrogen oxides, grams	0.221	0.191
Hydrocarbons, grams	0.052	0.070
Total energy consumption, kWh	0.423	0.466
Total carbon dioxide, tonnes	385	389

Clas Ohlson purchases products from approximately 600 suppliers in 30 countries. The products are transported by boat, aircraft, truck and rail to the distribution centre in Insjön, Dalarna, where they are stored, sorted and distributed by truck to Clas Ohlson's stores in Sweden, Norway, Finland and the UK. Mail order/Internet sales account for 2 per cent of sales, which are also distributed by truck

Our environmental impact

Clas Ohlson impacts the environment in many ways, primarily through:

- transportation of products, from manufacturers via the distribution centre and stores to the customer
- products containing environmentally harmful substances
- printing and distribution of catalogues and brochures
- use of packaging
- energy consumption in stores, the distribution centre and offices
- travel

Clas Ohlson's long-term environmental work places specific emphasis on logistics and products, which are the areas with the largest environmental impact.

Active environmental efforts

Clas Ohlson regards it as essential to minimise the company's environmental impact, and we work actively to achieve our environmental goals. Respect and responsibility are part of our common core values.

Clas Ohlson's environmental policy establishes that, in addition to complying with applicable laws and other environmental requirements, we shall include the environmental perspective in all key decisions to create long-term value for Clas Ohlson's customers, employees, shareholders and for society in general. This means a lifecycle perspective that includes the entire chain from manufacturing, transport and use to waste management.

Organisation and responsibility

Environmental efforts are part of Clas Ohlson's sustainability initiatives and are coordinated in a CSR forum that formulates goals and strategies, and plans and follows up the sustainability initiatives. Read more about Clas Ohlson's CSR forum on page 34.

From objectives to action

To facilitate our environmental efforts, we have broken down our overall environmental objectives into detailed targets with clearly distributed responsibility within the organisation.

Transport

Our overall environmental goals for goods transport entail that emissions of fossil carbon dioxide per tonne/kilometre shall decrease by 30 per cent by 2020, compared with 2007.

Detailed environmental goals commencing in 2007

Boat: Reduction of fossil carbon dioxide by 5 per cent by 2012. From 3.7 g/tonne-km to 3.5 g/tonne-km.

Vehicle: Reduction of fossil carbon dioxide by 10 per cent by 2012. From 50.8 g/tonne-km to 45.7 g/tonne-km.

Train: Increase the portion of land transport by 10 per cent by 2012. From 17 per cent to 19 per cent.

Air: Decrease the proportion of total goods transport by 10 per cent by 2012. From 0.094 per cent to 0.085 per cent.

Of the major flow of goods arriving by boat in Gothenburg, more than 80 per cent is transported by rail to the terminal in Insjön, Dalarna. Goods from Swedish and European suppliers are collected for consolidated loading in several districts for further transport by truck to Insjön.

Roads are currently used for outgoing freight to stores. In cooperation with hired haulage contractors, we have increased the capacity level through extensive coordination. The objective is to transfer this transport to rail in the long term, and simulation models show that this would reduce both emissions and costs. A transition to inter-modal traffic, meaning cooperation among various types of transport, is conditional upon an expansion of the railway terminal in Insjön. In conjunction with SSAB and Kvarnsveden Mill, Clas Ohlson is also working to improve the rail capacity and quality of Dalabanan.

Results

Clas Ohlson's total carbon dioxide emissions from goods transport amounted to 9,498 tonnes in 2008, compared with 10,483 tonnes in 2007. This entails 6.4 grams/tonne-km compared with 5.8 grams/tonne-



Good Environmental Choice

In 2008, Clas Ohlson was one of the companies that fulfilled the criteria for Good Environmental Choice according to the transportation company Green Cargo.

km in 2007. The increase in key figures was attributable to lower capacity levels on freight vessels as a result of the prevailing economic decline.

Otherwise, our emissions per tonne-kilometre generally continued to decrease in 2008, both in terms of incoming freight and outgoing freight. With regard to incoming freight, the decrease was primarily attributable to the increased proportion of rail transport. The decrease in outgoing freight was primarily attributable to the demands we placed on our haulage contractors to use vehicles with engines that comply with at least EURO3 (an EU standard). This results primarily in lower emissions of nitrogen oxides and hydrocarbons.

Travel

Detailed environmental goals

The average value for air/vehicle/rail declined by 20 per cent fossil carbon dioxide from 2007 to 2012, from 119 g/pkm to 95 g/pkm (person-kilometre).

Clas Ohlson has suppliers and manufacturers in 30 countries and more than 100 stores in four countries. This entails numerous business trips. Our travel policy shall ensure that business trips take into account costs, time and environmental aspects.

All stores and conference premises within Clas Ohlson have video conference equipment. This is an appreciated and resource-efficient meeting alternative, and in 2008, Clas Ohlson was named the video conferencing equipment user of the year (Tandberg 2008).

Products

Overall environmental goals

We develop both our product range and product information to assist our customers to reduce their own environmental impact through smart choices. The products we sell shall at least correspond to our customers' expectations pertaining to material, energy consumption, quality and safety.

Quality assurance for products

With regard to demands on suppliers and manufacturers, we work continuously with our risk assessment model. In brief, this means that we classify products based on supplier category, brand, areas of use and user groups. This classification is then used as the basis for tough demands placed on documentation and checks of the product.



Substances that are environmentally harmful or hazardous to health

We exceed the legal requirements for phasing out plasticisers and polycyclic aromatic hydrocarbons (PAHs), in surfaces that come in contact with the skin. We also limit the amount of polyvinyl chlorides (PVCs) in our products, with the aim of also removing harmful additives, and have established an internal guideline stating that our products shall contain less than 5 per cent PVCs. The remaining amount consists of PVCs that are difficult to replace with other materials, for example in electrical cables. During a three-year period, we documented and limited PVCs in products and packaging, and at the end of the 2008/2009 financial year, 98 per cent of our product range met the PVC target. In 2007/2008, the proportion was 95 per cent. All our products are free from harmful heavy metals and selected

Most of the transports to the distribution centre in Insjön, Dalarna occur by rail.

plasticisers in surfaces that come in contact with the skin.

Similarly, we have reviewed and ensured that our products are free from PAHs, which may be found in plasticised plastics and rubber products, on surfaces that come in contact with the skin.

During the 2008/2009 financial year, we also increased our resources in the chemical area by adding a new position and increased our checks for hazardous additives including heavy metals in our products, using an XRF instrument that comprises proprietary testing equipment.

This entails that we have expanded our requirements to include more types of materials and hazardous substances →

Energy consumption

Per square metre and year	2008	2007
Store premises, kWh	136	128
Offices, kWh	138	171
Offices, litres of oil	0.86	0.12
Distribution centre, kWh	98	100
Distribution centre, litres of oil	1.75	1.70
Distribution centre, kWh/pallet	19.6	22.8

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

Total electricity consumption,

GWh	2008	2007
Store premises	19.2	15.5
Offices	2.5	2.5
Distribution centre	3.7	4.8
Total fuel oil, m ³	91.0	76.7

Fossil carbon dioxide, tonnes	2008	2007
Goods transport	9 499	10 484
Travel	385	389
Heating	233	196
Electricity	507	455

in accordance with the guidelines in the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) ordinance; refer to page 46.

Energy efficiency

Much of the product range comprises electrical and electronic products. A review of the legislation pertaining to the energy efficiency of these products is in progress, including requirements for a decrease in electricity consumption in the standby and off positions. For Clas Ohlson, this entails adapting our product range. In this respect, we also have proprietary testing equipment to ensure that we can meet the new requirements as early as possible.

The phasing out of traditional light bulbs will commence early, in September 2009, and Clas Ohlson already offers a broad range of energy-saving alternatives for most types of light sources. As a phase in this change, we are continuously developing the range and product information to assist our customers.

Sustainability and quality

– After-sales service

Clas Ohlson has a large range of spare parts, with more than 9,000 different items for products that are sold in all of the company's markets. This is highly beneficial, since products can then be repaired, meaning that the lifecycle of the products is extended rather than discarding them. This service is appreciated by customers and results in environmental and other savings. Because of our employees' knowledge and high level of service as well as our spare parts inventory, Clas Ohlson was recognised for having Sweden's best customer service in 2008.

Laws and guidelines

Our operations and the products we sell shall at least fulfil the requirements of applicable laws and other environmental requirements. Environmental legislation has become more extensive and detailed, and this trend is expected to continue. A harmonisation of EU legislation pertaining to substances that are environmentally harmful or hazardous to health will benefit Clas Ohlson, which has operations in several different countries.

WEEE

Through the EU directive WEEE (Waste Electrical and Electronic Equipment), which came into force in August 2005, producer responsibility was tightened, and

since it includes responsibility for waste collection systems for electrical waste, it encompasses the entire lifecycle of the product.

RoHS

Clas Ohlson also complies with the RoHS (Restriction of Certain Hazardous Substances) Directive issued in August 2006, which aims to reduce the amount of environmentally hazardous waste and set tougher limit values for the use of mercury, cadmium, lead and chromium as well as two types of brominated flame retardants in new electrical and electronic articles.

REACH

The EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) chemicals legislation came into force in June 2007 and largely replaces national laws pertaining to chemicals. The regulations will come into effect in stages, and their application will be expanded during the next few years. The basic principle is that manufacturers and importers are responsible for ensuring that the substances they manufacture or sell have no harmful impact on health or the environment.

Energy efficiency

The EuP directive (Energy-Using Products) regarding eco-design, which came into force in August 2007, is a framework directive aimed at improving products' energy efficiency by integrating environmental aspects early in the design phase. To date, the energy consumption of 20 different product groups is included. Examples of product groups for which decisions have been made and requirements have been established, which will affect our product range in the coming financial year, are:

- home lighting
- standby and off-mode losses for energy-consuming products
- external power supply
- simple digital boxes

Packaging

In cooperation with our suppliers, we shall reduce the proportion of environmentally harmful product packaging. Efforts to limit PVCs continue, and at the end of the 2008/2009 financial year, 98 per cent of our packaging met our PVC target.

Our stores sell 7.5 million carrier bags and 9 million bags annually. The majority of these are manufactured from polyethyl-

enes (PE), but Clas Ohlson also has paper bags. The packaging used for items purchased through Clas Ohlson's mail order/Internet sales has been environmentally adapted and comprises 38 per cent recycled fibre raw material as well as water- and bio-based adhesives. Clas Ohlson fulfils producer responsibility for packaging through its membership in Reparegistrert AB (REPA, the Swedish register for producer responsibility), which finances and manages recycling stations throughout Sweden.

Printed matter

Overall environmental goal

Environmental impact shall be part of the basis for decisions in the choice of communication channels. We strive to increase the proportion of customer and shareholder communication issued on the Internet. The production of our printed matter shall take place using technology and materials that have a well-documented low environmental impact. Printed matter shall be recoverable as high-quality fibre raw material.

Clas Ohlson has issued a catalogue annually since 1918. The catalogue is printed in accordance with the Nordic Swan eco-label criteria and distributed mainly with deliveries of products to our stores. From the 2008/2009 financial year, the catalogue will be published twice annually to increase flexibility in product range and prices. Clas Ohlson also has a specific catalogue for multimedia products.

In addition to the catalogue, we send out regular direct-mail advertising printed on Swan-labelled paper.

The Clas Ohlson Annual Report is printed on Nordic Swan eco-labelled paper. It is only distributed to shareholders who have requested printed information from the company. This has led to a substantial reduction in printing, fewer dispatches and a consequent reduction in environmental impact.

Energy consumption

Overall environmental goals

Energy use in our own and leased premises and properties will be documented. Efforts will be directed toward specified savings targets for the distribution centre, head office and stores. Energy from fossil sources will be discontinued in our own operations.

Detailed environmental goals

- the distribution centre and head office at Insjön will be heated using renewable energy.



- Electricity for the distribution centre, head office and stores in Sweden shall come from renewable sources..
- Operational electricity consumption at the distribution centre shall decrease by 25 per cent, from 22.8 kWh/pallet (2007) to 17.1 kWh/pallet (2010).

Distribution centre

During the year, the heating system was changed from electricity and oil to biofuel-based district heating. The change entails a significant reduction in climate impact.

Offices

Clas Ohlson's head office in Insjön, with Group-wide functions including management, finance, purchasing, marketing and HR, comprises two buildings totalling 20,000 square metres. From October 2008, only renewable electricity is used and the new office portion has bio-based district heating.

Stores

Clas Ohlson owns no store premises, with the exception of Insjön. The prerequisites for electricity and energy requirements vary strongly among various stores. Some stores have internal escalators, additional electric signs, etc., which entail increased electric-

ity consumption. Since October 2008, Clas Ohlson has purchased renewable electricity for 20 to 25 stores in Sweden. As electricity agreements for the company's other Swedish stores expire, they will be replaced with agreements for renewable electricity.

The annual increase in the key figure from 128 kWh/m² to 136 kWh/m² will be followed up with measures to turn the trend.

Waste

The WEEE directive is applicable to all our markets, and Clas Ohlson assumes its producer responsibility through membership in the national waste collection systems El-Kretsen in Sweden, Elretur in Norway, Serty in Finland and Valpak in the UK.

For many years, the distribution centre in Insjön has had efficient systems for sorting at source and recycling. Surplus packaging is pressed into large bales that are sold and become raw material for new products. This also pertains to various fractions of plastics. Other waste is sorted at source into approximately ten fractions. ♻️

Read more

For more detailed information about our environmental work, please visit our website at www.clasohlson.se.

Clas Ohlson's GRI profile

A complete version is available at www.clasohlson.se . Clas Ohlson reports at C level.			
Performance indicators		Page*	Extent
Economic impact			
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.	56	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	37	●
Environmental impact			
EN3	Direct energy consumption by primary energy source.	46	●
EN4	Indirect energy consumption by primary energy source.	46	●
EN16	Total direct and indirect greenhouse gas emissions by weight.	46	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	46	
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved.	35, 47	■
Social impact			
LA1	Total workforce by employment type, employment contract and region.	63, not 31	●
LA10	Average hours of training per year per employee per employee category.	36	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators.	37	●
Human rights			
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights, and actions taken.	42	●
HR4	Total number of incidents of discrimination, and actions taken.	40	●
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.	40	●
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	40	●
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.	40	●
Product responsibility			
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.	45	●

Symbol explanations: ● Reported, ■ Partly reported.

* The page number refers to The Annual Report 2008/09. See link: <http://www.clasohlson.co.uk/Financial/Report.aspx>