

CSR 2013

COMPANY

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Established: 18 June 1926
Registered office: Aalborg

GROUP

- > **Sanistål A/S**
Aalborg, Denmark
- > **Serman & Tipsmark A/S**
Brønderslev, Denmark
- > **Max Schön AG**
Lübeck, Germany
- > **Sanistal Spolka z.o.o.**
Szczecin, Poland
- > **UAB Sanistal**
Kaunas, Lithuania
- > **Sanistal SIA**
Riga, Latvia
- > **Sanistal OÜ**
Tallinn, Estonia

We are Sanistål

Sanistål creates **value** for the construction and manufacturing industries and facilitates the everyday work of its customers to make their businesses more **competitive**.

We are our customers' closest **business partners** and we continuously work to make it a plus to do business with Sanistål.

We provide our customers with a **complete range** of high-quality products, **expert advice** and efficient services.

It is easy and efficient to use one of our **targeted sales channels**:

- > our many centres of expertise
- > a wide-ranging network of outlets
- > online commerce via online shop/apps
- > ERP integration
- > fully-automated storage and order-picking solutions

Orders are filled at our efficient central storage facilities in Taulov, Billund, Riga and Rostock, explaining why Sanistål has **the sector's highest delivery quality**.

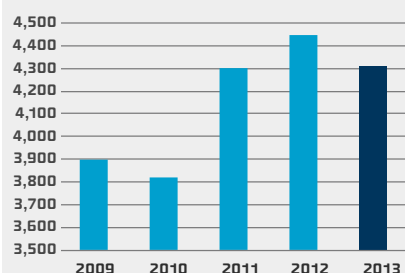
Our wide range of **flexible, efficient distribution concepts** are fully and electronically supported and adapted to the individual needs of each customer.

Sanistål is an **attractive, responsible and stimulating workplace** that gives each employee a high degree of decision-making authority. The human factor makes the difference.

Further details about Sanistål are available on sanistaal.com.

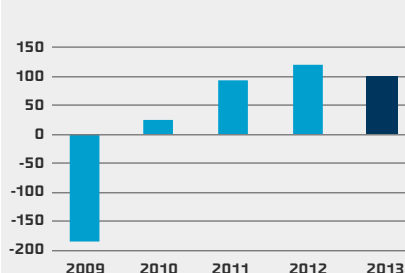
NET REVENUE

DKK million



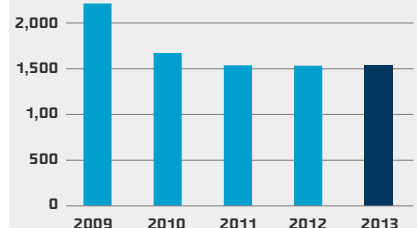
EBIT (not including profit from sale of property and write-downs)

DKK million



NUMBER OF EMPLOYEES

2,500



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CEO intro

Sanistål published its first independent CSR report in 2012, and it was well received. This confirms that our customers and other stakeholders appreciate our targeted CSR efforts.

Our CSR efforts are based on our value chain and continue to concentrate on four significant areas:

- > Employees
- > Product Purchases
- > Storage Facilities and Buildings
- > Sales & Distribution

RESULTS IN 2013

We give top priority to the occupational safety of our employees. Therefore, we are proud and pleased to announce that our Billund Central Warehouse has qualified for OSH certification.

We are also proud that this year's employee job-satisfaction survey at Sanistål had the best results ever. The positive trend in employee job satisfaction helped to keep sickness absence at only 2.9% in 2013.

Our primary suppliers received and addressed our Code of Conduct in 2013.

By signing our Code of Conduct, the supplier confirms that it will conform to the standard we expect. At the end of 2013, 69 % of the Code of Conducts issued had been signed and returned. Although we did not achieve the target of 98%, we are engaged in positive dialogue with the suppliers who did not sign.

With a view to maintaining focus on our

suppliers' standards, we established our own purchasing office in Shanghai, China. Having an active on-site presence enables us to inspect products and ensure that our Chinese suppliers comply with the requirements stipulated in the Code of Conduct.

In 2013, we also took the first important step in the "Storage Facilities and Buildings" area. We analysed our energy consumption at the two biggest locations: our central warehouses in Billund and Taulov.

OBJECTIVES & ACTION PLANS

After last year's analysis of existing efforts and results, we are drawing up CSR objectives going forward and launching action plans to underpin our objectives.

In 2014, we will maintain focus on sickness absence, which must not exceed 3.0%. We intend to keep sickness absence at this low level by continuing to focus on employee safety and wellbeing.

Sanistål takes its corporate social responsibility seriously and therefore wishes to increase the number of employees with reduced working capacity. Our target is for this employee category to constitute at least 3.0% of the total workforce in 2014. The Billund Central Warehouse will help to achieve this by taking part in an employment project focused on providing jobs

notably for this social group.

In our supplier management efforts, we want the percentage of suppliers who have signed our Code of Conduct to be a minimum of 80% in 2014.

Although we already consider our central warehouses to be energy efficient, we plan to reduce the energy consumption at these two locations by 5% before the end of 2016.

2013 Results and Objectives & Action Plans are still prepared with the parent company as the point of departure. We have begun the process of involving our subsidiaries in our CSR efforts. As the first step in this process, we carried out group-wide employee job-satisfaction surveys in 2013. In addition, the purchasing office in China is also working together with our east European subsidiaries to introduce the Code of Conduct to cover deliveries to subsidiaries.

In the years ahead, we will continue to work to prepare our subsidiaries to approximate a group-wide level of CSR.



Christian B. Lund
CEO

2013 RESULTS

- > Awarding of a crowned smiley in Billund
- > Rise in employee job satisfaction
- > Establishment of purchasing office in China
- > Our primary suppliers have addressed our Code of Conduct
- > The analysis of energy consumption at our two central warehouses

OBJECTIVES & ACTION PLANS

- > Sickness absence will be kept at a maximum of 3.0% in 2014
- > Employees with reduced working capacity should constitute at least 3.0% of the workforce in 2014
- > The percentage of primary suppliers who sign our Code of Conduct should constitute 80% in 2014
- > Energy consumption at TCW and BCW must be reduced by 5% before the end of 2016

Employees

Sanistål regards its employees as the company's most vital resource and wishes to be an attractive, responsible and stimulating workplace.

Sanistål's focused HR efforts can be divided into two areas in terms of CSR:

- > OSH and employee job satisfaction
- > Diversity and staff development

RESULTS IN 2013

OSH and employee job satisfaction

Sanistål's OSH organisation is sound and focuses on initiatives aimed at optimising both physical and mental health at work. Our 2013 efforts were aimed at reducing the number of occupational accidents in the workplace and increasing the level of employee job satisfaction. In Sanistål's view, both areas of focus will help to reduce sickness absence, which is also considered a key area of focus.

In 2013, 24 occupational accidents led to absence, which is 8 more than last year. Naturally this is unacceptable and prompted us to intensify our focus on occupational accidents at Sanistål. The already pronounced effort to reduce the number of occupational accidents is apparent in the trends for accidents that did not lead to absence and for near-miss accidents, both of which declined from 2012 to 2013.

The annual employee job-satisfaction survey in 2013 showed the best results ever.

The validity of the results is underpinned by a response percentage of 92%. The positive trend in employee job satisfaction helps to explain the 2.9% sickness-absence rate in 2013, which is lower than the nationwide 2012 average (3.1%, according to the absenteeism statistics published by the Confederation of Danish Industries).

In spite of a keenly focused effort to prevent occupational accidents, a severe occupational accident unfortunately occurred at Taulov Central Warehouse in April 2013, resulting in the tragic death of an employee.

After an effective and targeted effort by management, staff and the OSH organisation, the warehouse achieved OSH certification again in October 2013 after this had been suspended earlier in 2013.

Also, efforts to qualify for OSH certification of our Billund Central Warehouse succeeded in 2013. This was the result of an extraordinary effort by all employees in Billund to ensure the best possible working environment by recording all types of risk factors that can affect the working environment. This same proactive effort to record risk factors exemplifies our ambition to create a working culture in which employees lead the way in developmental and improvement measures which can contribute to Sanistål's CSR

developments. Therefore, Sanistål is proud to display a crowned smiley at both central warehouses, a distinction achieved by only 3.7% of all smiley-evaluated businesses.

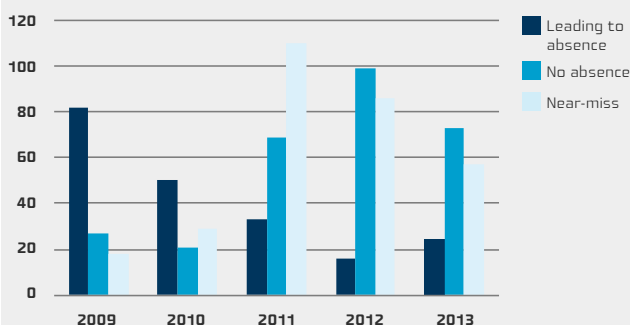
Diversity and staff development

Sanistål's aims to be an accommodating workplace by, among other things, establishing sensible workplaces and taking special account of employees with a disability or reduced working capacity.

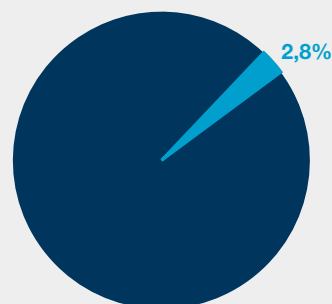
Sanistål has already shouldered this corporate social responsibility by increasing the number of employees with reduced working capacity. This employee category comprised 2.8% of the total workforce in 2013. In 2013, the Billund Central Warehouse joined forces with a municipal job project concerning job placement of unemployed individuals with a disability or unemployed individuals screened for flexi-jobs.

A group of employees with various levels of physical challenges and problems took part in a targeted training course in 2013, for the daily training of sight, balance and coordination at the company during working hours. An impact measurement of these employees showed an efficiency improvement of almost 11%, in addition to strikingly improving their level of job satisfaction after the course.

OCCUPATIONAL ACCIDENTS, TOTAL



DIVERSITY



Employees with reduced working capacity comprised 2.8% of the total workforce in 2013.

OBJECTIVES & ACTION PLANS

OSH and employee job satisfaction

The effort to prevent occupational accidents will be further bolstered in 2014. Sanistål clearly seeks to avoid occupational accidents but also maintains keen focus on the prevention occupational accidents. To emphasise the importance of employee safety, all Sanistål employees will be offered a first-aid course in 2014, and the courses will be held in-house at the company.

The 2014 objective is to keep the level of total sickness absence among employees at a maximum of 3.0% through a targeted effort aimed at employee job satisfaction and health. All Sanistål employees are covered by health insurance which provides a wide variety of treatment options. To further support the promotion of health at the company, all Sanistål employees are offered the option of having a health profile worked up in 2014.

Based on the 2013 employee job-satisfaction survey, Sanistål's objective for 2014 is to maintain and, if possible, improve on the splendid results in 2013.

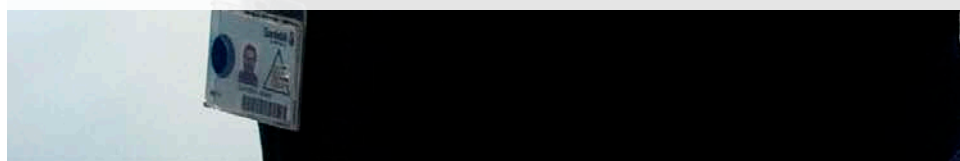
Diversity and staff development

The company maintains unwavering focus on including and retaining employees with a disability or reduced working capacity. As a result, the company has high hopes for the new initiatives at the Billund Central Warehouse and its collaboration with the municipality. The percentage of this staff category is expected to constitute a minimum of 3.0% of the total workforce in 2014.



"My job will be to put occupational health and safety on the agenda throughout Sanistål. I intend to ensure that occupational safety and health become a natural part of everyone's daily work."

– Clifton Augustine Deane, OSH Coordinator (from 1 January 2014)





Product Purchases

As a wholesaler, we give priority to mitigating customers' risks arising from whom they choose as their supplier. We note an increasing demand to know where we buy our products, the conditions under which they are manufactured, etc.

At Sanistål, we purchase goods from all over the world, i.e. we also buy goods from countries where there is a higher risk of international social and environmental guidelines being violated. Obviously, this increases our need to be able to document how a product was manufactured and that this complies with the requirements of both Sanistål and our customers.

CODE OF CONDUCT

At Sanistål, we make a targeted effort to prioritise partnering with suppliers who observe international principles and guidelines in areas such as human rights, labour rights and the environment. We have a "Code of Conduct for Suppliers of Sanistål A/S", with which we expect our suppliers to comply and, if relevant, communicate to their external suppliers. The Code of Conduct contains guidelines in areas such as OSH and social conditions, the environment, dual use of products, as well as ethical business practices, and is based on the principles of the UN Global Compact.

"The Code of Conduct for Suppliers of Sanistål A/S" is available on Sanistål's website: sanistaal.com/da/investor/csr/code-of-conduct

RESULTS IN 2013

In 2013, these efforts continued with the sending of the Code of Conduct to our product suppliers according to a risk-based

"Our Asian suppliers are constantly developing their businesses and improving their OSH"

– Anders Illemann Larsen, Global Sourcing Manager

approach, in relation to the supplier's importance to Sanistål.

At the end of 2013, the Code of Conduct had been sent to a total of 815 external suppliers. Out of Sanistål's total product purchases, 88% were made from these 815 suppliers in 2013. By signing and returning the code of conduct to Sanistål, the supplier confirms that it will observe the principles and that it is also responsible for forwarding the principles to its external suppliers, if relevant.

At the end of 2013, 69% of the Code of Conducts issued had been signed and returned, or the supplier had sent its own code of conduct for approval by Sanistål. Although we did not achieve the target of 98%, it is positive to note that the 69% who did sign or were approved accounted for 77% of Sanistål's total product purchases in 2013. In addition, Sanistål is engaged in positive dialogue with suppliers who have not yet signed the document.

Code of Conduct, number

Approved	561	68.8%
Issued	815	100.0%

Code of Conduct, percentage of purchase

Approved	76.8%
Issued	88.0%

As Sanistål gives high priority to the Code of Conduct, the signing of the Code of Conduct has been fully integrated into the business relationship, which is why all new supplier agreements must include a signed Code of Conduct. As an alternative, the supplier can refer to its own code of conduct which must at least be on a par with Sanistål's and be approved by Sanistål.

Purchasing office in China

Sanistål established its own purchasing office in Shanghai, China in 2013. The establishment is based on Sanistål's strategic

foundation for building up an attractive product range, proactively increasing its market share and adding value in the supply chain. In addition to these commercial advantages, the office enables Sanistål to maintain focus on all facets of purchasing, including CSR.

The office attends to all spheres of responsibility encompassing supplier-related tasks for Sanistål in Denmark and Eastern Europe. This includes both contacting prospective new product suppliers and maintaining relations with existing suppliers with whom Sanistål does business directly. It is crucial for Sanistål to obtain products from suppliers which are capable of supplying products that meet the standard applicable in local markets and who can conform to the requirements stipulated in our Code of Conduct, etc.

In addition, quality control is a crucial focal point throughout the process and Sanistål allocates substantial resources for this procedure. Focusing on on-site quality control makes it possible for Sanistål to inspect suppliers at frequent intervals in the course of the year.

We are in constant dialogue with suppliers regarding improvements big and small, including those related to occupational safety and health. Concurrent with intensified collaboration and stronger bonds, the challenges will also be dealt with, and we gradually see improvements whereby increasing numbers of Chinese suppliers are increasing their level of modernisation and automation to be on a par with European companies in terms of manufacturing conditions and OSH.

OBJECTIVES & ACTION PLANS

In 2014, we will carry out a risk assessment of all suppliers who have received our Code of Conduct and send a (self-assessment) questionnaire to any suppliers classified as a high or medium risk regarding their compliance with the Code of Conduct principles. The questionnaire must be filled in and

returned to Sanistål. Sanistål will take part in developing action plans to boost suppliers to a satisfactory level of compliance with these international principles. Sanistål can decide to stop working with a supplier if the supplier fails to comply with our Code of Conduct or with action plans aimed at improvement.

**80% of
the Code of
Conducts issued
must be signed
in 2014**

Based on lessons learnt in conjunction with the issuance and collection of signed Codes of Conduct, we revised our target to having 80% of the Code of Conducts issued be signed in 2014.

Concurrent with the process established for our product suppliers, we will bring focus to bear on Sanistål's service providers in 2014. This will be based on our existing supplier portfolio, and we will start by sending our service providers a Code of Conduct. Sanistål's procurement managers will be involved in this process and be trained in Sanistål's guidelines for dialogue with suppliers going forward. As a natural aspect of CSR efforts involving the supplier chain, Sanistål's Code of Conduct has been incorporated into tender documents issued by Sanistål.

The workflow involving service providers will resemble the process previously described for product suppliers.

As a wholesaler business, Sanistål's environmental impact is limited, but in 2014, we wish to identify our consumption of packaging materials and the volume of waste this generates.

Storage Facilities and Buildings

Sanistål's storage and logistics functions are crucial for the company's competitiveness. In addition, Sanistål's two central warehouses in Taulov and Billund constitute the company's biggest environmental challenge due to their dimensions and function. With a ceiling height of 12–14 metres, the Taulov Central Warehouse requires lots of ceiling lighting to illuminate the 42,000 m² warehouse and this requires a substantial electricity consumption. By contrast, the warehouse's heating needs are limited as steel is the only product stored at the warehouse, and the luminaires emit heat as well.

RESULTS IN 2013

In 2013 we mapped out the energy consumption, adjusted for degree days, of the two central warehouses:

Energy consumption 2013	Electricity (kWh)	Natural gas (m ³)
Taulov Central Warehouse	2,522,338	29,566
Billund Central Warehouse	1,638,386	261,967

* Water is not included due to the warehouses' limited consumption of this.

Converting into carbon emissions, the energy consumption equals the emission of 2,069 tonnes of carbon from the two central warehouses in 2013.

For years, the warehouses have focused on energy-efficient solutions, meaning that consumption has already been reduced since the centralisation of the warehouses in 2008 in new energy-efficient buildings in Taulov and in the existing buildings in Billund. In 2011, Taulov's lighting system became automated so the luminaires automatically adapt to the level of sunlight, which has subsequently led to a striking reduction in the consumption of electricity. In Billund, an external consultant was brought in to help to reduce the consumption of heating and electricity by 37% and 47% respectively since 2008.

OBJECTIVES AND ACTION PLANS

Despite the fact that the warehouses have already been making an ambitious effort to reduce energy consumption, Sanistål deems it to be natural to set a goal of further reducing energy consumption and, thus, the indirect carbon emissions. Based on specific action plans, the two central warehouses

undertake to reduce their overall energy consumption, and thus total carbon emissions, by 5% before the end of 2016. This means that the energy consumed at the two central warehouses, when converted, may at most constitute 1,966 tonnes of carbon emissions in 2016.

In 2014, there are plans to analyse energy consumption in Sanistål's office buildings with a view to setting out targets for the level of energy consumption in these buildings as well.

OBJECTIVE:
Reduce the warehouses' total carbon emissions by 5% before the end of 2016

Sales and Distribution

Sanistål's products are distributed to customers externally through Danske Fragtmænd and Post Danmark. To minimise the environmental impact of our product distribution process, Sanistål imposes tough requirements on these undertakings on behalf of our customers.

RESULTS IN 2013

Sanistål entered into a new contract with Danske Fragtmænd in 2013. The contract requires Danske Fragtmænd to replace old vehicles with new vehicles which meet the highest euro-norm standard. In addition to external distribution through Danske Fragtmænd, the carbon emissions emitted

by the driving of Sanistål's company cars also contribute to the company's total carbon emissions. This was calculated for the first time (per kilometre) in 2013: 132.3 grams of carbon per kilometre on average.

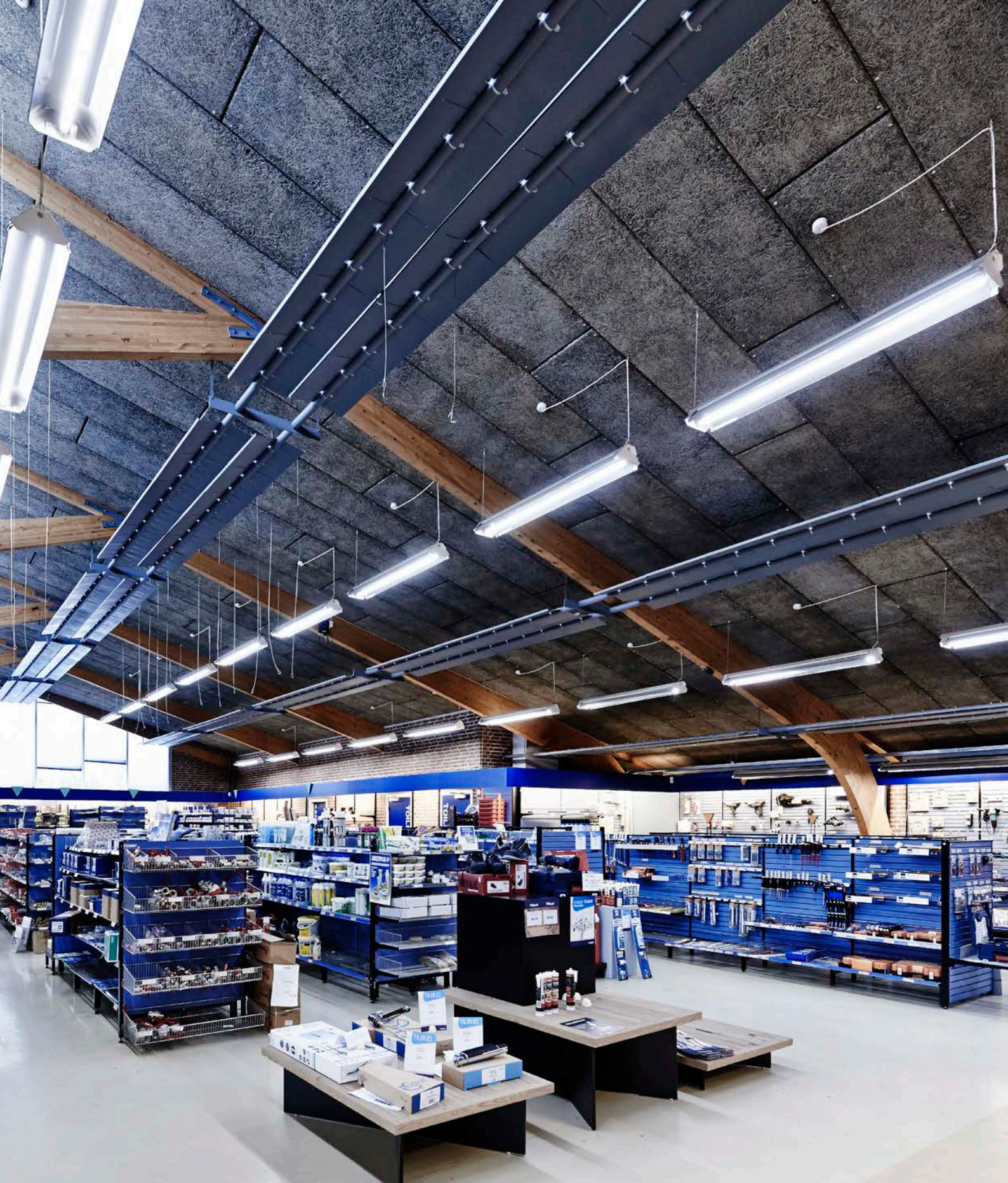
OBJECTIVES AND ACTION PLANS

Intense efforts are being made to analyse the carbon emissions generated by our share of Danske Fragtmænd's consignments, because Sanistål regards this as a decisive step towards minimising the Sanistål's environmental impact. This report is expected to be available during 2014.

Internally, Sanistål has adapted a vehicle policy to ensure that all cars leased from the

beginning of 2014 onwards must be energy class A or above. Based on this policy, Sanistål has set a target stipulating that the average number of grams of carbon emissions per km must be reduced by 10% before the end of 2016.

OBJECTIVE:
Reduce the average number of grams of carbon emissions per km by 10% before the end of 2016



In 2013, a pilot project was launched in Sanistål's outlets in Aars and Aalborg as these outlets' working environment was affected by excessive heat in the outlets during the summer. All luminaires were replaced by energy-efficient LED lamps and the roofs of the outlets were painted with a special reflective paint.

CSR 2013

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