



CSR Report 2016



Sanistål's employees took part in an in-house health campaign and have raised a total of DKK 24,346 via various exercise campaigns. The funds were donated to the children and director at the Christmas Seal Institution in Hobro



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GROUP

Sanistål A/S
Aalborg, Denmark

Max Schön GmbH
Lübeck, Germany

Sanistal SIA
Riga, Latvia

UAB Sanistal
Kaunas, Lithuania

Sanistal Spolka z.o.o.
Szczecin, Poland

Serman & Tipsmark A/S
Brønderslev, Denmark





Sanistål collects discontinued and discarded work clothes and shoes from its stores and the Billund central warehouse. The clothing collection supports the Danish Red Cross' relief aid campaign: "Discard Clothing Denmark 2016"

CSR overview



97% of Sanistål's employees feel that they make a difference at their workplace



A seven-month in-house process enhances the already prevailing "We go further" culture



Implementation of an anti-corruption and anti-bribery policy in the company



Sanistål's Danish stores were again awarded green smileys at all inspections in 2016



Sanistål contributes to a development project initiated by the Danish Working Environment Authority and the Ministry of Employment for strategic focus on occupational health and safety



More than 80% of our primary suppliers have signed Sanistål's Code of Conduct



Selected suppliers and steel-works in "medium-risk" countries were visited to ensure compliance with the Code of Conduct



Carbon emissions from Sanistål's central warehouses have been reduced by 44% since 2013



A number of energy-efficiency improvements are being initiated, as well as the reduction of carbon emissions from Sanistål's offices and stores

Dedicated efforts create splendid results

At Sanistål, we integrate societal and environmental considerations into our business activities. We give high priority to staff conditions, and our respect for human rights is a matter of course. At the same time, we safeguard our environment and climate and continuously launch initiatives to reduce our environmental and climate impact. Our business model is naturally based on orderliness, i.e. we do not tolerate corruption or bribery.

A DEVELOPING ORGANISATION

2016 was a good year for Sanistål as our strategy was successful and we generated growth. We base our daily work on our conviction that the human factor is what makes the difference. The response to our 2016 employee survey shows that Sanistål is a good place to work and that our employees feel that they make difference. This positive attitude to their workplace clearly rubs off on our customers and enhances their satisfaction, as we also received very positive responses to our customer satisfaction survey.

Achieving Sanistål's objectives requires us to constantly train and develop ourselves. As part of our development and digitisation, we are currently replacing our IT systems, among other efforts. We have taken the first steps on this journey by commissioning the following systems: WMS (Warehouse Management System), BI (Business Intelligence) and CRM (Customer Relationship Management), where employees respond positively to their systems training programme and involvement in the process.

The implementation of a new IT system will make big demands on our organisation, but also provide us with great opportunities to develop our staff and upgrade their skills during the process. The training of managers and staff and practical instruction in the use of our new IT system are therefore naturally included in our training calendar. In 2016, we have made a concentrated effort to develop our sales talents. Besides our traineeship programme, we started a team of 17 sales trainees who are preparing for an interesting new future with Sanistål by completing a two-year training process. In addition, we increased the number of training days per employee from 1.5 (2015) to 1.7 (2016), equivalent to more than 1,800 training days at Sanistål.

Providing a safe workplace is a fundamental parameter of our daily work and working life at Sanistål. We take good care of one another in our daily work and are keenly focused on our occupational health and safety through our management and OHS organisation. In 2016, we achieved splendid results on our way to achieving our ambitious aim of zero occupational accidents. The number of occupational accidents declined from 19 in 2015 to 11 in 2016. Obviously, we are proud of this downward trend, which is the result of our joint dedicated effort to improve workplace safety. These efforts have also led to our being selected as a participant in a development project under the Danish Working Environment Authority and the Ministry of Employment. The project aims to provide a qualitative survey of how the

Danish Working Environment Authority can support and motivate executive managements to give higher priority to occupational health and safety and incorporate OHS principles into the corporate strategy.

One of Sanistål's principal cultural elements is "We go further", which is our in-house motto. We know that job satisfaction and well-being must be nurtured. Therefore, in the latter half of 2016, we focused on seven steps towards job satisfaction that are aimed at retaining and developing our powerful "We go further" culture. Each of the seven steps has a theme dealing with everything from surprising one's colleagues to praising people more. Our "We go further" culture received an additional boost when colleagues from all over Denmark met for our ninth Sanistål Get-together. As usual, the Sanistål Get-together was held over a weekend in June, attended by no less than 570 employees, participating in the wide variety of sports disciplines and the celebration of Sanistål's 90th birthday.

SUPPLIER COOPERATION IN A CSR PERSPECTIVE

We conducted a risk assessment of our suppliers in 2015, which prompted us to focus on suppliers in "medium-risk" countries in 2016. In the autumn of 2016, we visited selected steelworks in eastern Europe. The visits provided an excellent impression of the steelworks' implementation of the CSR processes which support and comply with our Code of Conduct. In our view, the suppliers we visited are actively working on CSR and have



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A high level of safety and job satisfaction is essential to making a dedicated effort, which our employees do every day, both in terms of one another and our customers.

Christian B. Lund
CEO

prioritised areas that create value for them. For instance, they focus on safety through cooperating throughout the organisation, reducing their environmental impact and cooperating with the local community. The visits were very rewarding for us and we are continuing the constructive dialogue and monitoring developments at the individual steelworks.

We worked at strategic level in 2016 concerning suppliers in countries categorised as “high-risk”. These suppliers are typically based in Asia, and we have yet to carry out the planned site visits. As a result, we are initiating a self-assessment process which we will follow up on by making site visits in Asia during 2017.

REDUCING OUR ENVIRONMENTAL AND CLIMATE IMPACT

We subjected Sanistål to the mandatory Energy Inspection in 2016. The energy inspection notably showed that the action plans we have already drawn up to reduce our environmental and climate impact are appropriate and that they target the areas where we can make the biggest difference.

Since 2013, we have reduced carbon emissions from our warehouse facilities by 44%, which more than meets our 5% reduction target. This is a splendid result, achieved in part by means of a targeted effort to implement energy-efficient solutions at our warehouses as well as a positive externally-imposed effect in the form of a significant improvement of the CO₂ emission factor. We are still involved in many minor initiatives to reduce carbon emissions from our offices to

achieve our 5% reduction target in the period 2013–2017.

At the same time our efforts to switch over to more eco-friendly vehicles have borne fruit. We reduced the average number of grams of carbon emitted per km for Sanistål's company vehicles by 14%, thereby achieving our ambitious objective of a 10% reduction in the period 2013–2016.

CSR IN THE SANISTÅL GROUP

Concurrent with the increasingly integrated and closer business cooperation with our subsidiaries, we are also laying the groundwork for integrating our CSR activities into Sanistål's subsidiaries. Unless otherwise stated, this CSR report of results, objectives and action plans covers the parent company in Denmark.

At Sanistål, we are continuing our dedicated and value-creating involvement in our CSR efforts. We are setting clear targets and, as with the company's other KPIs, we systematically follow up on target achievement, action plans and time schedules.


Christian B. Lund
CEO



Sanistål's employees have completed more than 1,800 training days

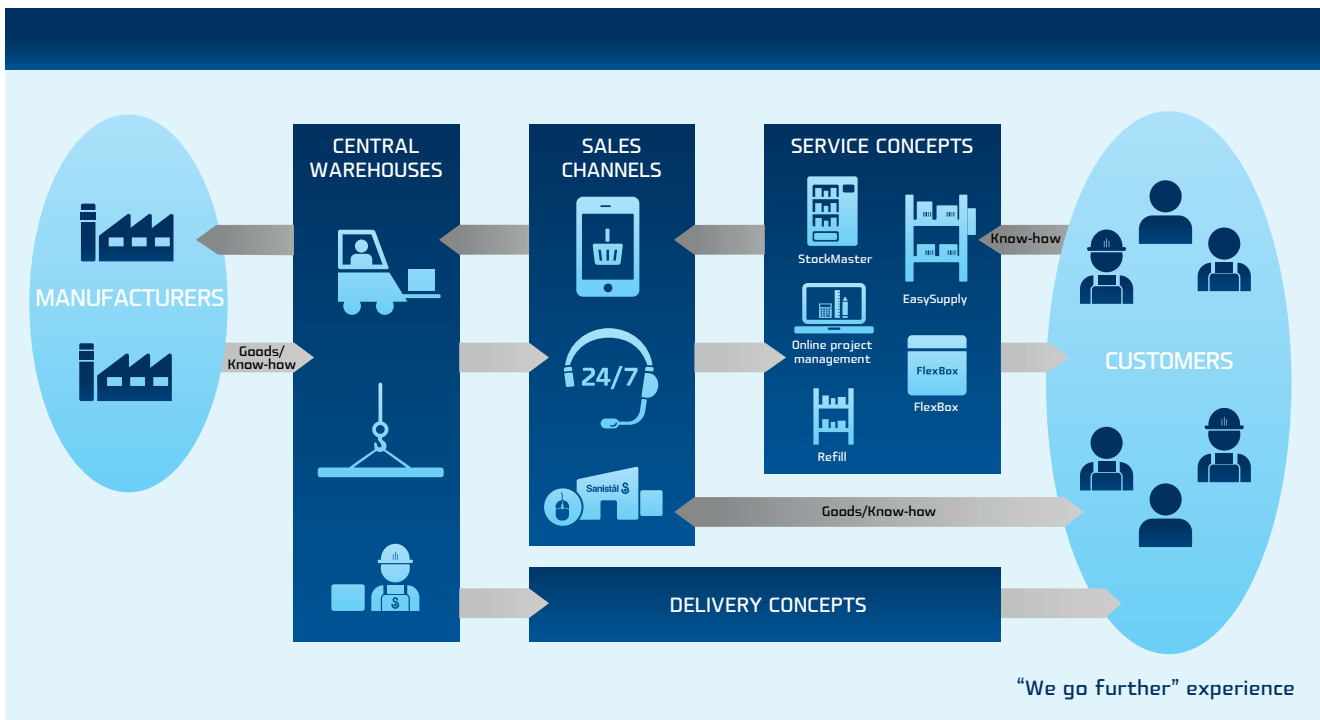


All new suppliers of Sanistål must accede to our Code of Conduct

14%

The avg. number of grams of carbon emitted per km driven in a company vehicle has been reduced by 14%

Business model



Sanistål is a wholesaler and service business which creates added value for its customers and enhances their competitiveness.

Sanistål works on the B2B market and, through strong service concepts, serves as the value-creating link between manufacturers and our customers. With a host of strong service concepts and a broad international product range, we provide our customers with one-stop shopping: at Sanistål.

SERVICE CONCEPTS

Our numerous service concepts help streamline our customers' business. Sanistål makes it possible for our customers to focus on their core areas of expertise, while we make sure that the products are available at all times. Digitisation is becoming increasingly important in our daily routines, and the constant development of our digital

platforms ensures our attractiveness as a business partner. Sanistål provides many flexible solutions, high reliability of delivery and the market's widest selection of services to meet our customers' needs.

MARKETING CHANNELS

Sanistål wants to be available round the clock and provide the best service to our customers.

The use of e-business is becoming increasingly widespread, making the Sanistål app and our web-shop important marketing channels to ensure efficient business transactions with our customers. Personal advice, accessibility and local presence create close relations with our customers and also mean that our internal sales representatives and plumbing supply stores are important sales channels.

CENTRAL WAREHOUSES

We have a complete range of more than 130,000 products at our two large, efficient central warehouses – in Billund and

Taulov (Denmark) respectively, the latter of which (Taulov steel warehouse) is one of the most modern in northern Europe. The central warehouses ensure reliability of supply to our customers – either directly, via our marketing channels or via our service concepts.

We always seek to give our customers a "We go further" experience. For further details about Sanistål and our many service concepts, please go to sanistaal.com.

Vision

In Sanistål, we have a three-pronged vision.

We wish to:

- be a value-creating business partner for customers and suppliers
- have our employees perceive Sanistål as an attractive, responsible, stimulating and safe workplace
- Sanistål must outperform its competitors and create value for its shareholders

We regard our employees as the crucial difference in our efforts to be our customers' preferred one-stop supplier. With the widest range of products and best concepts, we can help increase our customers' efficiency and improve their bottom line.



More than 500 Sanistål employees met at the recurring Sanistål Get-together for a weekend brimming with sports disciplines, health check-ups, social activities and a celebration of Sanistål's 90th birthday

Events of the past year



All employees are offered a health profile



Sanistål donates DKK 50,000 to the Danish Fundraising Campaign



Hotline established to PFA's health line

JANUARY

FEBRUARY

MARCH



Energy inspection of the entire company



Sanistål supports the Danish Red Cross and its "Discard Clothing Denmark" campaign to help people in need



Sanistål contributes to the Danish Working Environment Authority's development project concerning strategic OHS focus



All Sanistål employees record videos showing their version of the "We go further" culture

APRIL

APRIL

MARCH

MARCH



"We go further" tour 2016 for all Sanistål employees



Sanistål launches a seven-month in-house job-satisfaction process



Union representatives at Billund Central Warehouse nominated for the 2016 Community Award by HK Southern Jutland



Sanistål employees raise DKK 24,346 for the Christmas Seal institutions via an exercise campaign

APRIL

MAY

MAY

MAY



Sanistål Get-together:
90th birthday and
sporting event for all
employees



Sanistål celebrates the
completion of training
by 11 trainees



Sanistål hires 14 new
trainees

JUNE

JUNE

AUGUST



Sanistål donates
DKK 50,000 to the
Beat Cancer campaign



Employee job-satisfaction
survey shows a continued
excellent level of employee
job satisfaction



New CCMC system at
Aalborg headquarters
ensures more efficient
use of ventilation, heat
and energy

OCTOBER

SEPTEMBER

AUGUST



17 new sales trainees
begin their two-year
training programme



Safety kits prepared
for all travelling sales
representatives



The Sanistål school
sets a record in 2016
with 1,800 days of
completed staff
training

OCTOBER

DECEMBER

DECEMBER

Risks, objectives and action plans

Our CSR action areas are defined by reviewing our business model and the societal impact we can directly influence through our actions. We have grouped our CSR efforts in three categories: Employees, Suppliers, and Environment and Climate

First of all, Sanistål has more than 1,500 employees and, as an employer, the company has a big responsibility for its workforce. As a wholesaler and service undertaking, the way in which we select and cooperate with our suppliers makes it possible for us to stipulate requirements for

how we think an undertaking should be run in terms of social responsibility. Similarly, as a wholesaler and service undertaking with large warehouses and the distribution of products to many customers, we have chosen to focus on the carbon emissions of our business activities.

In general, our company is characterised by a low degree of societal risk. As a wholesaler and service undertaking, the pollution we generate is minor, and our consumption of natural resources is minimal as our business concept is to be a sales and knowledge organisation. Furthermore, our working conditions cannot be categorised as particularly hazardous. Geographically, we operate in northern Europe, characterised by a high

level of prosperity and welfare, where cultural and social norms focus on respecting human rights and minimal corruption.

The common feature of all our action areas is that, after identifying our risks, we have launched and implemented several different initiatives. For each initiative we either expect to achieve or have already achieved results from our work.

The aim of our CSR actions is to create the greatest possible shared value for our stakeholders – i.e. customers, suppliers, employees, shareholders and society as a whole. Our aim is also to identify and prevent any adverse societal impacts.

17 New objectives from 2017

EMPLOYEES			
Risks		Policy Areas	
OHS and well-being > Occupational accidents or injuries > Psychological working environment (job dissatisfaction and stress) Organisational diversity > Discrimination and rejection Observing human rights Corruption and bribery		> Social relationships and staff conditions > Anti-corruption and anti-bribery > Respecting human rights	
Objectives	Time frame	Action plan/effort	
> Zero occupational accidents	Each year	> The continuing of a dedicated effort by the OHS organisation and the implementation of OHS strategy plans for 2017	
> Register more risk factors, near-miss accidents and accidents without absence	Each year	> Keener focus on heightening awareness of risk factors and near-miss accidents in the organisation, as well as easily accessible registration of accidents without absence, near-miss accidents and risk factors	
> 100% green smileys from the Danish Working Environment Authority at inspection visits	Each year	> Regular visits by a representative of the OHS organisation to ensure that our branches at all times qualify for a green smiley at an inspection visit by the Danish Working Environment Authority	
> Retain Crowned Smileys at the central warehouses	Each year	> Re-qualify for a Crowned Smiley at the Taulov warehouse and re-certification of the Crowned Smiley at the Billund warehouse	
> Uphold employee job satisfaction	Each year	> Focus on change management and organisational well-being during the implementation of new IT system	
17 > Qualitative assessment of the psychological working environment	2017	> Define measurement points for the psychological working environment and carry out job-satisfaction survey	
17 > Sufficient and qualified workforce: at least 2.0% of Sanistål's employees are employed in a trainee programme	Each year	> Drafting of a targeted trainee campaign and close cooperation with educational institutions so we get the right candidates for our traineeships	
> Organisational diversity: at least 3.0% of Sanistål's staff comprises employees with reduced working capacity	Each year	> Continue our targeted initiative at the Billund warehouse to employ persons with reduced working capacity and to retain employees impacted by reduced working capacity	
17 > All employees observe Sanistål's anti-corruption and anti-bribery policy	Each year	> Ensure knowledge and awareness of Sanistål's anti-corruption and anti-bribery policy among employees through e-learning modules and other venues	
17 > Focus on human rights	Each year	> Draft any policies needed for the observance of human rights	



SUPPLIERS

Risks

- › Incidents in the chain of suppliers where Sanistål's Code of Conduct is not observed, including human rights, environmental and anti-corruption provisions

Policy Areas

- › Respecting human rights
- › Anti-corruption and anti-bribery

Objectives

Time frame

Action plan/effort

'17	› All new suppliers of Sanistål must accede to our Code of Conduct	2017	› Ensure that the process implemented in the market departments for supplier accession to the Code of Conduct is upheld
	› Ensure that suppliers in medium-risk countries observe Sanistål's Code of Conduct	2017	› Site visits to all suppliers based in countries deemed "high risk"
	› Ensure that our suppliers in high-risk countries observe Sanistål's Code of Conduct	2017	› Self assessments issued › Completion of site visits



ENVIRONMENT AND CLIMATE

Risks

- › Carbon emissions from company operations

Policy Areas

- › Environmental and climate impact

Objectives

Time frame

Action plan/effort

'17	› Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5%	2020	› Continuous improvement of energy-efficient solutions at our warehouses
	› Reduce carbon emissions relating to energy consumption at Sanistål's offices by 5%	2017	› Continuous improvement of energy-efficient solutions at our offices
'17	› Reduce by 4% the average number of grams of carbon emitted per km by Sanistål's company vehicles	2020	› Switch to more eco-friendly vehicles on an ongoing basis
	› Reduce the volume of "empty" packaging sent out to Sanistål's customers	2017	› Achieve the expected effect of the commissioned lidding machine at the Billund central warehouse

Employees

One of the three elements of Sanistål's business vision states that: "Employees perceive Sanistål as an attractive, responsible, stimulating and safe workplace."

When acting out this vision in our daily work, we do so on the basis of a managerial focus on employee satisfaction and motivated employees, at the same time that we wish to develop and retain our employees. Everyone at Sanistål bases their work on a clear principle: "Safety before earnings".

OBJECTIVES & ACTION PLANS

OHS & Employee Well-being

Being a responsible and safe workplace means that we look out for one another during our busy everyday work. We have a dedicated focus on our working environment and we work hard to achieve our target of zero occupational accidents. In 2016, our efforts bore fruit and we saw a striking decline in the number of accidents: from 19 in 2015 to 11 in 2016. Our OHS initiatives extend throughout the organisation and we have achieved an excellent working environment by implementing targeted action plans and by the focused daily efforts of our OHS organisation and others. This is also supported by employee feedback in our job satisfaction survey where 98% replied that they agree with the following statement: "Sanistål makes a big effort to prevent occupational accidents and, in so doing,

enhance workplace safety." In 2016, the focus was primarily on accident prevention. In 2015, we successfully achieved a well-established systematic approach to the reporting of near-miss accidents, learning lessons from them and launching preventive initiatives. We went one step further in 2016 and systematised our approach to risk factors, which generated more than 150 reports. Our accident prevention efforts are multifarious, from marking out height differences on floor surfaces, capping hook ends in our stores and covering glass sections with coloured film, to providing safety kits to our travelling sales representatives.


In the years ahead we will continue our OHS efforts and keep working to achieve our zero-accidents target, as well as systematically registering accidents without absence, near-miss accidents and risk factors. In recent years, our initiatives have primarily concentrated on the psychological working environment where we have incorporated good routines throughout the organisation. We are now taking a more systematic approach to our efforts involving the psychological working environment, first by carrying out job-satisfaction surveys and subsequently through specific action plans prompted by the survey results.

The fact that occupational health and safety is a natural element of our daily work and incorporated throughout the organisation is also apparent after visits by the Danish Working Environment Authority: all Sanistål stores received green smileys after each inspection

visit. In late 2016, we unfortunately had an occupational accident at our Taulov warehouse, which caused us to lose our Crowned Smiley. In 2017, we will continue our efforts to achieve green smileys throughout the organisation at all inspection visits and to re-qualify for a Crowned Smiley in Taulov and retain our Crowned Smiley at our Billund warehouse.

Once again in 2016, our annual employee job satisfaction survey showed brilliant results. No less than 91% of all employees filled in a questionnaire that assesses the current situation within the organisation. The combined feedback shows a job-satisfaction rate of 91%, which is on a par with last year's results. Our employee satisfaction survey results in a number of subsidiary reports. These reports identify areas of potential improvement which our managers and staff then work together to deal with. We are working every day to make Sanistål a good place to work which must also be reflected in our level of employee job satisfaction. In keeping with our OHS strategy, our initiatives in 2017 will be to get our employees' assessment of the psychological working environment at Sanistål, which in turn will help us to prevent dissatisfaction and stress. Naturally, our objective is to uphold the level of employee job satisfaction.

A safe working environment and satisfied employees has a positive impact on the work-attendance rate. In 2016 the sickness-and-injury-related absence rate was 3.0%, so it was a year where we once again achieved a work-attendance rate

 RESULTS IN 2016	
OBJECTIVE	RESULTS
> Zero occupational accidents	> 11 accidents reported to the Danish Working Environment Authority in 2016 ✖
> Register more accidents without absence and near-miss accidents	> There was a 35% increase in the number of registered accidents without absence and no less than a 300% increase in the number of near-miss accidents registered in 2016, compared to 2015 ✔
> 100% green smileys from the Danish Working Environment Authority at inspection visits	> The Danish Working Environment Authority has issued green smileys at all six inspection visits ✔
> Retain Crowned Smileys at the central warehouses	> An occupational accident caused us to lose our Crowned Smiley at the Taulov warehouse. We retained our Crowned Smiley at the Billund warehouse in 2016 ✖
> Uphold the level of employee job satisfaction	> The level of employee job satisfaction is upheld at 91%, equivalent to the 2015 level ✔
> At least 3% of Sanistål's staff have reduced working capacity	> Persons with reduced working capacity constitute 3.6% of the Sanistål workforce ✔

of 97%. Through our ambitious goals for OHS and employee well-being, we wish to achieve an average work-attendance rate of 97% at Sanistål in 2017 as well.

DIVERSITY AND STAFF DEVELOPMENT

At Sanistål, we wish to promote diversity in consideration of filling vacant positions in our organisation with properly qualified individuals. Discrimination and rejection due to gender, age or ethnicity are incompatible with our set of ethical values. At the same, we of Sanistål wish to support diversity by employing and retaining employees with reduced working capacity, or who for various reasons are not fully fit for work, through a targeted effort at our Billund warehouse and other measures. In 2016, employees with reduced working capacity comprised 3.6% of total staff, thus enabling us to achieve our target of 3.0%. We regard it as a natural element of our social responsibility to continue retaining employees with reduced working capacity and carrying on our target of having a least 3.0% of our workforce made up of employees with reduced working capacity. Furthermore, we support the Guiding Principles of the UN and do not wish to impinge on human rights in the way we run our business.

At Sanistål, we work to develop our employees so they are motivated to carry out their duties competently, safely and responsibly. Staff development is done through continuous technical updates, our constant technological development, as well as targeted training. Our training

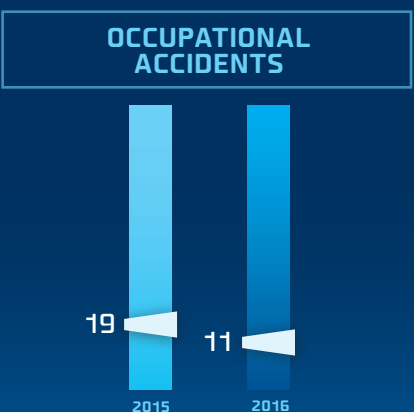
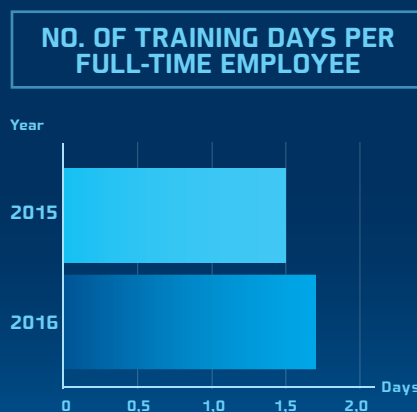
initiatives have been running at full throttle in 2016 and, with 1.7 days of training per full-time position, we carried out more days of training per employee than in 2015. For the second consecutive year, our employee job satisfaction survey also showed widespread satisfaction with the statements "possibility of further education" and "possibility of personal development". Our 2017 training calendar will also be designed to boost the level of personal and technical development of our employees. At the same time, we are focused on promoting in-house career development with training initiatives aimed at retaining and developing our talented employees so we continue to have the best team of employees in the sector.

Our efforts to ensure the right and cleverest employees begin as early as our traineeships for specific technical areas. Therefore, our target for 2017 is for trainees to comprise 2.0% of the Sanistål workforce.

ANTI-CORRUPTION

In 2016, we took the initiative to implement an anti-corruption and anti-bribery policy. Our business model is based on healthy values and we see no indications that our employees base their actions on a different assumption. The anti-corruption and anti-bribery policy was prepared and approved by the Sanistål management at the end of 2016, and in early 2017 it was disseminated throughout the organisation via the intranet and our staff handbook. To further ensure that our employees are knowledgeable and aware of Sanistål's

zero tolerance of corruption and bribery, we will develop e-learning modules about the policy in 2017. Concurrent with the implementation at the parent company in Denmark, the policy will be translated for our subsidiaries and rolled out via the respective country managements. If we have any employees who experience cases of corruption and/or bribery, they are urged to contact the Sanistål management. During the period in which the policy has been implemented, we have not been contacted by employees about corruption and/or bribery and we are not aware of any violations of the policy.



Suppliers

Our corporate social responsibility is an important part of the contractual basis for our business transactions with our 3,000 suppliers.

In 2012, we implemented the "Code of Conduct for Suppliers to Sanistål A/S". The Code of Conduct contains guidelines in areas such as OHS, social conditions, the environment and business ethics, and it is based on the ten principles of the UN Global Compact.

OBJECTIVES AND ACTION PLANS

The Code of Conduct is our primary tool for ensuring that suppliers observe the business ethics embodied by Sanistål. More than 80% of our primary suppliers have acceded to our Code of Conduct. Sanistål's global portfolio of suppliers is made up of suppliers from a wide variety of cultural and societal conditions. We do not want the lowest common denominator to be the basis of our CSR efforts relating to suppliers, but we work to improve social and environmental conditions based on the reality in which our suppliers work. Improving social and environmental conditions is a process that takes time, and we believe that involvement and cooperation with our suppliers is the way forward. Under no circumstances will we compromise the observance of human rights, and in the past decade we have imposed specific requirements on our suppliers stipulating that they must respect and observe human rights based on the ten principles of the UN Global Compact.

The assessment of Sanistål's suppliers is based on our direct suppliers. It can be challenging to ensure that suppliers who are several links away from us in the supply chain live up to the same expectations that we have of our direct suppliers, but we at Sanistål trust that our suppliers are also involved with their respective supply chains. In order to systematise our CSR efforts aimed at suppliers, we carried out risk assessments of our strategic and primary suppliers in terms of violations of human rights, working conditions, the environment and corruption. Initially, the assessments were geographically categorised, and suppliers are classified according to whether they are based in low-risk, medium-risk or high-risk countries. For the group of suppliers from "low-risk" countries, our efforts focused on getting suppliers to accede to and sign our Code of Conduct, which is why, going forward, we will also ensure that new suppliers accede to our Code of Conduct.

For suppliers classified as coming from "medium-risk" countries, we carried out site visits in 2016, primarily visiting steelworks, to ensure observance of our Code of Conduct.

The visits provided good and positive impressions in terms of the CSR processes implemented by the steelworks in their organisations, and we are continuing this rewarding dialogue and monitoring developments at the suppliers visited. We will make more visits in 2017 to assess whether we need to ensure compliance with the Sanistål Code of Conduct.

For suppliers classified as coming from "high-risk" countries, we did not meet our 2016 objective of having suppliers in Asia visited by a Sanistål employee to review the processes which ensure compliance with our Code of Conduct. Therefore, in 2017, we will focus on carrying out



RESULTS IN 2016

OBJECTIVE	RESULTS
<ul style="list-style-type: none"> Ensure that our suppliers in high-risk countries observe Sanistål's Code of Conduct 	<ul style="list-style-type: none"> We reassessed our organisational set-up in China in 2016, but our efforts is postponed to 2017 ✗
<ul style="list-style-type: none"> Ensure that our suppliers in medium-risk countries observe Sanistål's Code of Conduct 	<ul style="list-style-type: none"> Spot-check visits to selected steelworks in eastern Europe ✓

company visits to review the processes required to ensure compliance with our Code of Conduct. We require all suppliers in Asia to have filled in our self-assessment form before the visit.

At the same time, in 2017 we will be adding another dimension to our risk assessment by making a qualitative survey of suppliers with particularly hazardous, problematic or risky manufacturing processes. For suppliers falling within one of the above-mentioned groups, we will initiate a self-assessment process as another way to ensure that our range of products come from responsible production processes.

Suppliers of Sanistål classified as high risk and medium risk will follow the process description for responsible supplier management, for which Sanistål has drawn up the following documents:

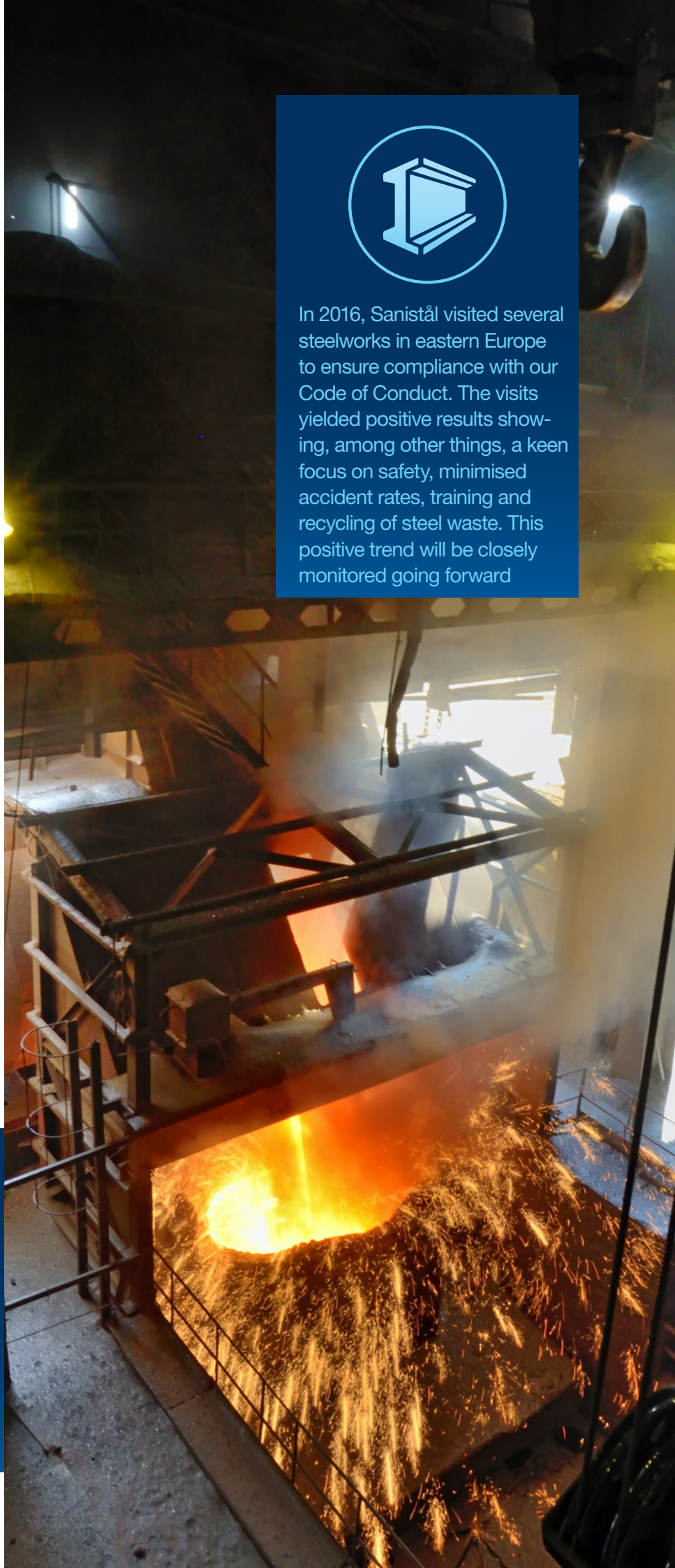
- Self assessment
- Site-visit checklist
- Risk matrix
- Action plans

Thus, in 2017, we will systematically incorporate routines into our efforts involving responsible supplier management based on the dimension of particularly hazardous, problematic or risky manufacturing processes.

Sanistål expects to have implemented its new IT systems by 2018 and expects to obtain even better supplier management tools in the process. Our new IT systems will improve our ability to collect supplier data, thereby enabling us to create a sound basis and overview of our supplier portfolio for use in our CSR efforts.



In 2016, Sanistål visited several steelworks in eastern Europe to ensure compliance with our Code of Conduct. The visits yielded positive results showing, among other things, a keen focus on safety, minimised accident rates, training and recycling of steel waste. This positive trend will be closely monitored going forward



Environment and Climate

At Sanistål we take responsibility for our shared environment and climate, and we are constantly working to minimise our environmental and climate impact.

In terms of our business model as wholesaler and service undertaking, we focused our environmental and climate efforts on reducing carbon emissions, which in our view constitute the greatest risk in terms of our company's operations. Sanistål's carbon emissions are primarily generated by the use of energy in our buildings and the carbon emissions generated by the distribution of products to our customers and trips made in company cars.

OBJECTIVES AND ACTION PLANS

Energy Consumption

We subjected Sanistål to the mandatory Energy Inspection in 2016. The inspection results showed, in keeping with our ongoing CSR efforts, that two-thirds of our in-house energy consumption is attributable to our Taulov and Billund warehouses, our offices and our company vehicles. In addition, one-third of our total energy consumption is attributable to our 47 plumbing supply stores. In our CSR efforts involving the environment and climate, our actions primarily focused on the energy consumption attributable to our central warehouses and offices, as well as company vehicles. Through our building maintenance department, we focused on implementing energy-efficient initiatives in

our leased store premises in cooperation with the individual tenants.

Overall, we reduced carbon emissions from our warehouse facilities by 1,000 tonnes, equivalent to an improvement of 44% compared to 2013. To get a true picture of our carbon emissions, we adjusted our data sources (in terms of degree-day calculations and CO₂ emissions factor) and our 2013 baseline. The reduction primarily involved our consumption of electricity. Two factors have influenced this result. First and foremost, switching over to LED lighting in our more than 600 ceiling lamps in the steel hall in Taulov led to a reduction of no less than 1,000 MWh annually. In addition, a 46% improvement of the CO₂ emission factor from 2013 to 2016 had a positive impact on our carbon emissions relating to electricity consumption. We have prepared a 2020 plan for our warehouses in which we outline the actions required to achieve a 5% reduction (compared to 2016) of carbon emissions from energy consumption. The actions will continue to concentrate on reducing our consumption of electricity.

The carbon emissions of our five biggest office buildings in Denmark totalled 589 tonnes, which is a 316-tonne improvement compared to 2013. The reduction of our carbon emissions is largely attributable to the improved CO₂ emission factor for the carbon emissions from electricity consumption. The energy inspection prompted us to initiate various minor initiatives which are generally expected to result in a minor

reduction of our carbon emissions. At our headquarters in Aalborg, we installed and commissioned an energy control system during 2016 where, after completing the running-in period, we expect to save 500 MWh annually. At the same time we are working on a number of initiatives primarily targeting our indoor climate to improve working conditions for our employees. For office facilities we are working to achieve our target of reducing carbon emissions by 5% by the end of 2017. In addition we are continuously working to implement energy-efficiency improvements in our stores in cooperation with the individual tenants.

Distribution and Internal Transport

Carbon emissions relating to distribution are specified according to our three external distribution partners. In 2016, our carbon emissions were 3,310 tonnes, compared to 2,940 in 2015, a trend attributable to Sanistål's higher level of business activity. All of our distribution partners are involved with initiatives supporting the idea of "Thoughtful Haulage" (Fragt med omtanke), aimed at reducing the average number of grams of carbon emitted per km driven. We are working in-house at Sanistål on various business initiatives to make it attractive for customers to combine and plan their deliveries, thus enabling us to optimise distribution.

In 2016, we had brilliant success in achieving the objective of reducing the average number of grams of carbon emitted per km by Sanistål's company vehicles. We reduced the average number of grams of



RESULTS IN 2016

OBJECTIVE	RESULTS
➤ Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5% by the end of 2016	➤ Carbon emissions from Sanistål's central warehouses have been reduced by 44% since 2013 ✓
➤ Reduce carbon emissions relating to energy consumption at Sanistål's office facilities by 5% before the end of 2017	➤ Carbon emissions from Sanistål's office facilities have been reduced by 35% since 2013 ✓
➤ Reduce by 10% the average number of grams of carbon emitted per km by Sanistål's company vehicles by the end of 2016	➤ Carbon emissions per km from company vehicles have been reduced by 14% since 2013 ✓
➤ Reduce the volume of "empty" packaging sent out to Sanistål's customers	➤ Due to challenges relating to the type of cardboard used for the lidding machine in Billund, we have not fully achieved our objective to reduce the volume of "empty" packaging delivered to our customers in 2016. A new agreement concerning cardboard quality has been entered into with a packaging supplier ✗

carbon from 132 km in 2013 to the current 114 per km in 2016, equivalent to a reduction of no less than 14%. With more than 15 sales representatives on the road and at more than 50 locations throughout Denmark, driving to and from customer visits and meetings is unavoidable, but we are continuously working to renew our fleet of leased vehicles to minimise our environmental impact. Therefore we are continuing to replace our current vehicles with more eco-friendly ones and, by 2020, we wish to reduce the volume of carbon emitted per km by 4%.

PACKAGING

In 2015, we purchased and commissioned a lidding machine at our central warehouse in Billund. The intention was to optimise box sizes, increase our fill ratio and reduce the volume of filler used in boxes at the same time.

The machine has met our expectations of better ergonomics. Unfortunately, however, we have encountered machine-operating difficulties related to the type of cardboard we have used. Therefore, we did not fully achieve our objective for the project in 2016. We are continuing our efforts in 2017 to optimise the machine's operation at the same time that we still wish to use the most eco-friendly cardboard as packaging for our shipments. Furthermore, Sanistål is continuously endeavouring to ensure that a high percentage of our waste is recycled.



A new central condition monitoring and control (CCMC) system has been installed at the headquarters in Aalborg. The purpose of the system is to ensure better utilisation of ventilation and heat, as well as improve the indoor climate

