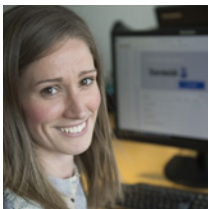




CSR Report 2017



13
Digital staff
development



15
Syrian refugees
enter Sanistål's
workforce as
trainees



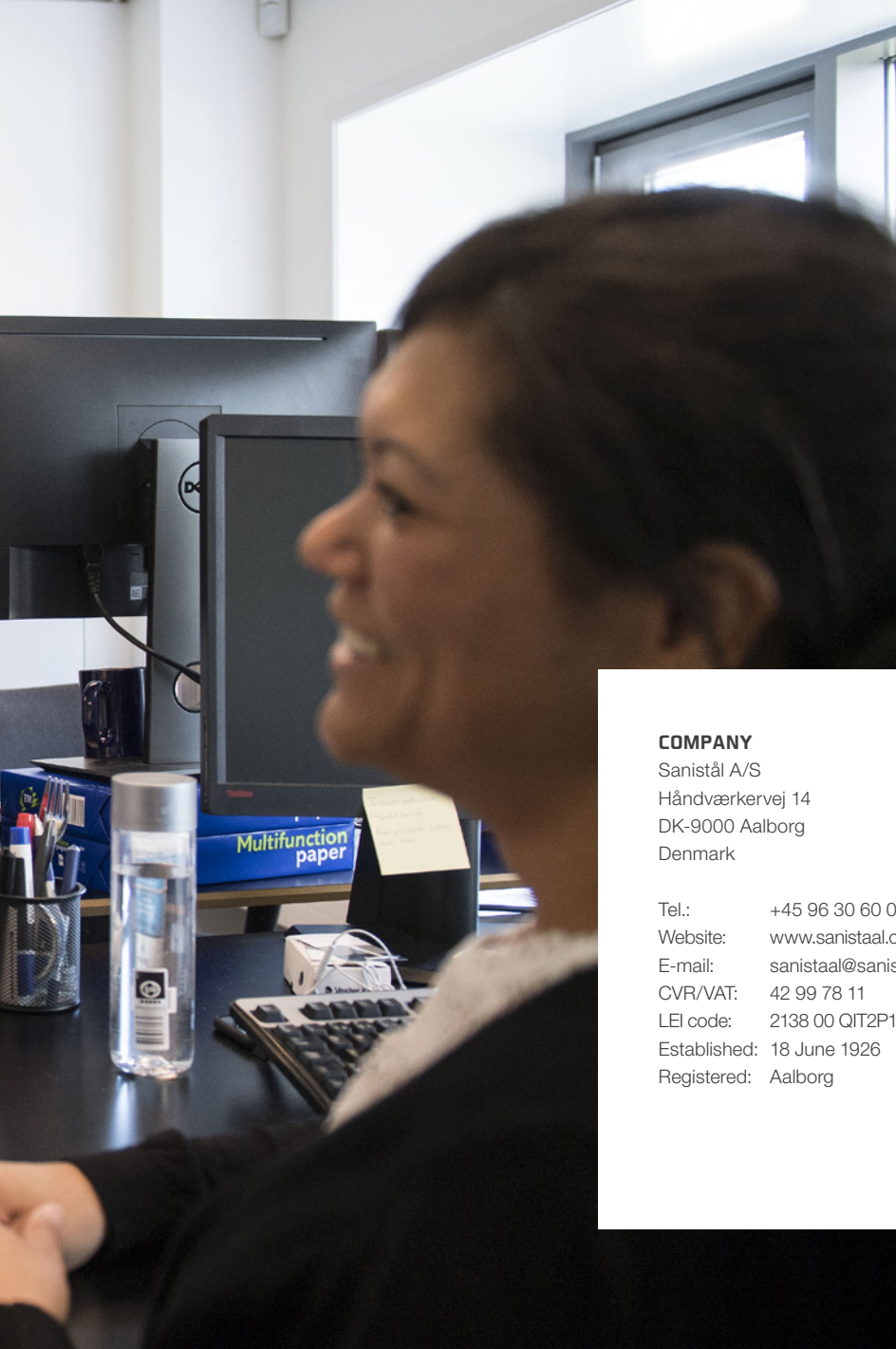
16
We receive the
social company
award from Billund
Municipality



17
We support the
UN's Sustainable
Development
Goals



20
Energy-optimised
buildings

**COMPANY**

Sanistål A/S
Håndværkervej 14
DK-9000 Aalborg
Denmark

Tel.: +45 96 30 60 00
Website: www.sanistaal.com
E-mail: sanistaal@sanistaal.dk
CVR/VAT: 42 99 78 11
LEI code: 2138 00 QIT2P16LWV9U 70
Established: 18 June 1926
Registered: Aalborg

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

Contents

- 4** Satisfied employees create positive CSR impressions
- 6** Business model
- 7** Vision
- 7** CSR focus areas
- 8** Events of the past year

- 10** Risks, objectives and action plans
- 12** Employees
- 18** Suppliers
- 21** Environment and Climate

Satisfied employees create positive CSR impressions

At Sanistål, CSR is an integral part of our business strategy and our DNA. We take our responsibility seriously and have a business-oriented approach to CSR so it creates value in the company and for our stakeholders. The three action areas we have identified to form our CSR profile are: Employees, Suppliers, and Environment & Climate.

High level of job satisfaction

2017 was an eventful year at Sanistål, including our current process of changing to a new IT system. We expect our upcoming ERP platform to provide us with many new competitive advantages; but we also know that it increases workloads in the organisation. Despite heavier workloads, the job satisfaction survey of 2017 shows that we managed to raise the level of satisfaction among virtually all main groups in the survey. In 2017, the highest-scoring main groups were again "Strategy" and "Working Environment".

Among other things, the positive responses reflect that employees are familiar with and agree on Sanistål's strategy and agree that Sanistål makes a big effort to create a healthy, safe working environment. Despite this big OHS effort, we unfortunately had 23 occupational accidents in 2017. Nevertheless, we are continuously working towards the business vision of being an attractive, responsible, stimulating and safe workplace with a target of zero occupational accidents.



The development and skills enhancement of employees is a crucial part of the foundation that ensures our future success, and in 2017 we had more than 3,000 training days registered through our internal training body, Sanistålskolen. As part of Sanistål's digitisation journey, we also began to digitise learning processes and implemented an e-learning platform. Among other things, this platform should support the acquisition of new skill-sets in the organisation to handle the new IT system and ensure that the zero-tolerance policy for corruption and bribery is easily available. The first e-learning module was made accessible to the organisation in the autumn of 2017, when all employees in Denmark had to complete an IT security course.

Training is not enough in itself; we also want to make sure that our sector has the employees of tomorrow. This is why, in 2017, we employed the largest number of trainees in many years. We are very satisfied with our trainees, who contribute with enthusiasm and innovation and who fortunately mostly remain at Sanistål after completing their studies. In addition, Sanistål was selected by the Case Commission of the Ministry of Education as a business case for basic courses at business colleges. This means that many young people will learn about Sanistål and the wholesale sector.

77 We take our responsibility seriously and are involved with business-oriented CSR every single day.

In 2017, Sanistål entered the partnership "Sammen om integration" (United for integration), where we initially entered an agreement to set up 12 trainee-placement processes for refugees at the Billund Central Warehouse. The initiative shoulders an important societal task and creates a new life for new colleagues at the same time. The aim is to permanently employ the refugees who have been trainees at our company. The Syrian refugees are received just as all other new Sanistål employees, the only difference being that they take Danish classes and, during their traineeship, are accompanied by a mentor who helps them with any practical details needed by a new employee at Sanistål and a new resident of Denmark.

At Sanistål, we want to be locally rooted and we consider ourselves a locally responsible undertaking. One recognition of this local involvement was when we received Billund Municipality's company award "Roots and Wings" at Billund Central Warehouse, acknowledging the big effort we make to bring the unemployed, disadvantaged individuals and refugees to the labour market. Another initiative that promotes local proximity was when we moved the defibrillators from indoors to outdoors, making them accessible to local residents in the evening and at night.

Good business practice

Suppliers are chosen based on the requirements imposed on us by our customers. More than 37,000 customers are interested in our wide product range comprising more than 130,000 item numbers, which we bring together from more than 3,000 suppliers. We have high expectations of our supplier partnerships, as we expect each supplier to comply with our Code of Conduct. Sanistål's Code of Conduct primarily focuses on the principles of the UN Global Compact and is concentrated in the areas of human rights, labour rights, the environment and anti-corruption.



The focus is on building up stable supplier relations characterised by mutual respect, a high level of involvement and an open, confidence-building dialogue where all parties actively work to increase common value creation and exercise good business practice. Our product range includes a complete range of equipment for safeguarding employees in a hazardous working environment, but as occupational health and safety comprises many factors, we also sell products like fall protection equipment and warning products to alert employees to potential hazards. We supplement our focus on occupational safety with a newly launched service concept "Safety Walks" where we, our customer and one of our professional suppliers of safety equipment evaluate the customer's manufacturing processes. In continuation of the evaluation, recommendations are drawn up for the right personal protective equipment for employees. Going forward, focus will be on getting suppliers to comply with the Code of Conduct and on rolling out the UN Guiding Principles in our value chain.

Respect for resources

At Sanistål we have made a persevering environmental effort for many years, and we have made big investments to achieve substantial energy reductions, most recently by launching the replacement of all light sources with LED fixtures at the Billund Central Warehouse. At the same time, we continuously work to replace our company vehicles with more eco-friendly models. In a

CSR perspective, we also focus on our value chain and follow up on carbon emissions from our external distribution providers. The aim of our multiple, diverse CSR environmental and climate-related actions is naturally to reduce our environmental and climate impact.

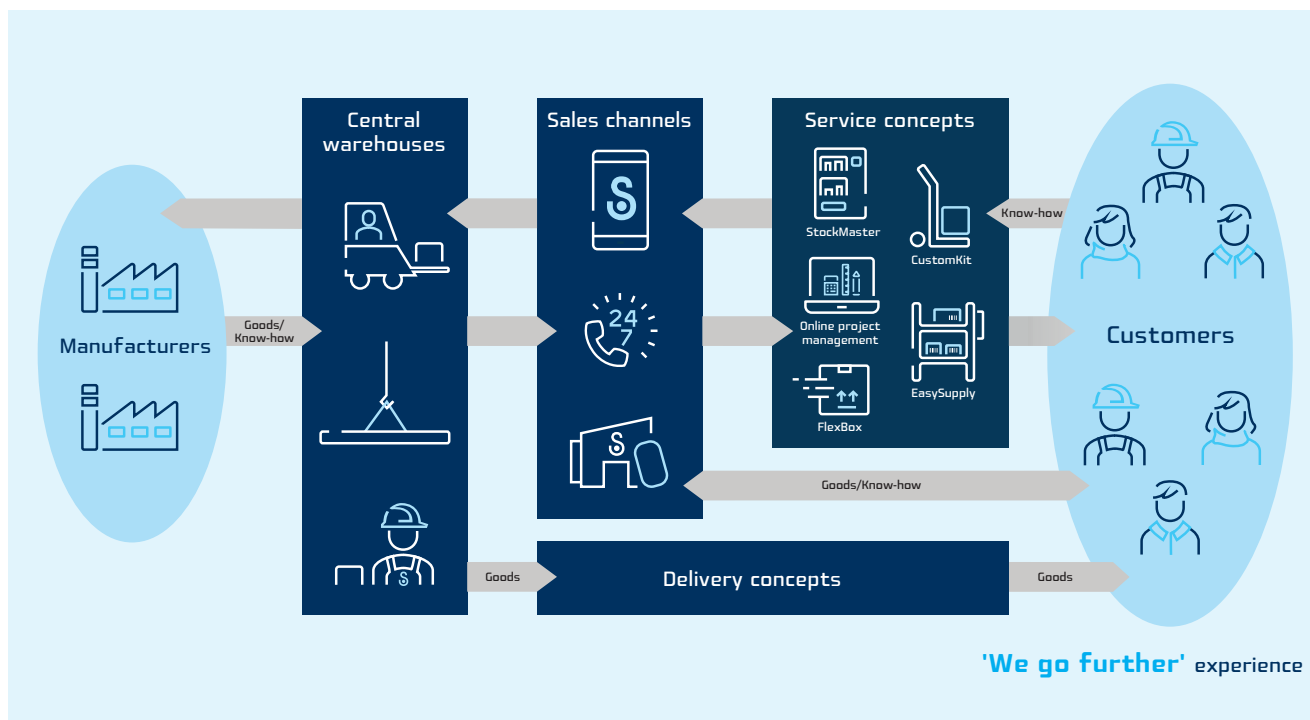
Together we make a difference

The framework for our responsible conduct embodies Sanistål's way of running a business, and we look forward to yet another year where we create change on the basis of our values, manifest our societal involvement and actively support our vision through our CSR efforts. Unless otherwise stated, the CSR report concerns Sanistål's Danish parent company and constitutes Sanistål's statutory social responsibility statement for the 2017 fiscal year, pursuant to Section 99(a) of the Danish Financial Statements Act.

I hope you enjoy reading the CSR report where we present the results achieved in 2017, as well as our action plans and KPIs for how Sanistål plans and organises the CSR efforts of the years ahead.


Christian E. Lund
CEO

Business model



Sanistål is a wholesale and service business that creates value between manufacturers and customers and helps intensify their competitiveness by providing specialist skills, digital concepts and product handling services.

At Sanistål, we always endeavour to give our customers a “We go further” experience in which we help them streamline their business. We have assembled a complete product range at our efficient central warehouses to ensure reliability of supply for our customers, and our wide range of dynamic digital services helps us enhance the flexibility of the value chain and develop our partners’ business.

Complete product range and efficient trading

Sanistål has a complete product range that we are continuously adapting to our various types of customers. We are accessible round the clock and ensure efficient transactions with our customers digitally, through direct interaction with our sales reps or in one of our 64 stores.

Optimisation via digital services

In addition, we have a wide range of online and supply services where we make it easy and effective for customers to do business with us. By providing services such as the barcode system, the Project Management System or Track&Trace, we make it easy for customers themselves to handle things online, and our product handling services, such as time deliveries, CustomKit and FlexBox,

ensure that customers receive their products exactly where they need them. We also contribute to an efficient control of the internal product flow at the companies for customers through advanced services such as the EasySupply storage management system, container solutions for the construction site and StockMaster vending machines.

Knowledge makes the difference

Sanistål has a strong team of employees with vast knowledge about customers, sectors and products. Insight into our customers’ business enables us to add value through guidance and mentoring, thereby contributing to the development of their business and competitiveness.

Financial value

Sanistål stocks goods for our customers and ensures that these are accessible at any time. This means that our customers are not bound to an inventory to the same degree, and often they are not to pay for the purchased product before they deliver it to the end customer.

Value-creating collaboration

Sanistål cooperates closely with manufacturers and suppliers by sharing knowledge and finding new solutions together. We create value for our suppliers when we market, promote and sell their products.

For further details about Sanistål and our products and services, please go to sanistaal.com.

Vision

We have a three-pronged vision at Sanistål

We want:

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

We regard our employees as the crucial difference in our efforts to be the preferred one-stop supplier of our customers. With the widest product range and the best concepts, we can help make our customer more efficient and improve their bottom line.



CSR focus areas



Employees



Suppliers



Environment
and Climate

Sanistål's CSR activities are divided into three significant CSR headings: Employees, Suppliers and Environment & Climate. Our values define the way we run a business but also how we interact with society as a whole.

Sanistål's management has the responsibility for the CSR strategy. A CSR steering committee, consisting of one member of the

management, two representatives of the management group and selected employees, meets several times a year to follow up on our CSR efforts and clarify complex issues. Overall, this year's CSR efforts involved strengthening and developing existing initiatives. We view our social responsibility as an ongoing process where Sanistål is constantly developing.

Events of the past year



January

Our skilled trainee from the Steel Division represents Sanistål at the Danish Skills Championships



March

Sanistål gets included in the curriculum as a business case



May

We support "Discard Clothing Denmark" by donating clothing discontinued in our product range

February

We support the Danish fundraising drive "No child may starve" with DKK 50,000



April

The "We go further" tour for all employees in Sanistål was a huge success



June

Sanistål permanently employs refugees at the Billund Warehouse after they complete their traineeship





August

Implementation of a new digital learning platform



August

19 new trainees start their career at Sanistål



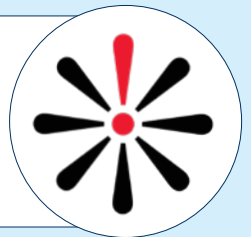
September

The annual job satisfaction survey shows that job satisfaction among employees has risen to 92%



October

We support the "Beat Cancer" campaign with DKK 50,000



November

New working environment campaign "Simmer Down, Don't Fall Down" is launched to minimise falling accidents



December

We receive the "Wings & Roots" award from Billund Municipality for our efforts in the diversity area



Risks, objectives and action plans

The CSR action areas are defined by a review of our business model and the societal impact we can make through our actions. We have grouped our CSR actions in three categories: Employees, Suppliers and Environment & Climate

First of all, Sanistål has more than 1,500 employees and, as an employer, we have a big responsibility for our workforce. As a wholesaler and service undertaking, the way in which we select and cooperate with suppliers enables us to stipulate requirements for how an undertaking should be run in terms of social responsibility. Similarly, as a wholesaler and service undertaking with big warehouses and the distribution of products to many customers, we chose to focus on carbon emissions from the 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 the business concept is to be a sales and knowledge organisation. Furthermore, the working conditions cannot be characterised as very 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 efforts.

The aim of the 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.



RISKS		POLICY AREAS
OHS and well-being <ul style="list-style-type: none"> Occupational accidents or injuries Psychological working environment (job dissatisfaction and stress) Organisational diversity <ul style="list-style-type: none"> Discrimination and rejection Observing human rights Corruption and bribery		Social relationships and staff conditions Anti-corruption and anti-bribery Respect human rights
OBJECTIVE	WHEN	ACTION PLAN/ACTION
Zero occupational accidents	Annually	The continuing of a dedicated effort by the OHS organisation and the implementation of the OHS strategy plan for 2018. Focus on reviewing our safety procedure for new employees
100% Green Smileys from the Danish Working Environment Authority at inspection visits	Annually	Regular visits by a representative of the OHS organisation to ensure that the departments qualify at all times for a Green Smiley at an inspection visit by the Danish Working Environment Authority
Retain Crowned Smileys at the central warehouses	Annually	Continue our dedicated focus on the working environment and processes at our central warehouses
Uphold employee job satisfaction	Annually	Focus on organisational well-being during the implementation of new IT system
Healthy mental working environment	Annually	Launch SaniCare and continue to measure the mental working environment
Sufficient and qualified workforce: at least 2.0% of Sanistål's employees are employed in a trainee programme	Annually	Through targeted recruitment and cooperation with educational institutions, we wish to attract prospective employees with the right profile and enter into traineeships with more trainees than previously
Organisational diversity: at least 3.0% of Sanistål's staff comprises employees with reduced working capacity	Annually	Retain employees with reduced working capacity and continue the targeted initiatives at our Billund Warehouse concerning the employment of employees with reduced working capacity
All employees observe Sanistål's anti-corruption and anti-bribery policy	Annually	Ensure knowledge and awareness of Sanistål's anti-corruption and anti-bribery policy among employees through e-learning modules and other venues.



RISKS		POLICY AREAS
Incidents in the chain of suppliers where Sanistål's Code of Conduct is not observed, including human rights, labour rights, environmental and anti-corruption provisions		Respect for human rights Anti-corruption and anti-bribery
OBJECTIVE	WHEN	ACTION PLAN/ACTION
Ensure that suppliers in "medium-risk" countries observe Sanistål's Code of Conduct	2018	The task of issuing self-assessment forms will continue in 2018, where we will identify suppliers assessed as being in the medium-risk category
Ensure that suppliers in "high-risk" countries observe Sanistål's Code of Conduct	2018	External partners in the Far East will be trained in our responsible supplier-management process
	2018	All suppliers who do business with us through our external partners have completed and returned a self-assessment form
	2019	Site visits and subsequent evaluations will be carried out for selected suppliers
Ensure the roll-out of the UN Guiding Principles in the value chain	2020	Spread compliance with human rights in the value chain by means of the UN Guiding Principles



RISKS		POLICY AREAS
Carbon emissions from company operations		Environmental and climate impact
OBJECTIVE	WHEN	ACTION PLAN/ACTION
Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5%	2020	Replace all lights to LED lighting at the Billund Central Warehouse
Reduce carbon emissions relating to energy consumption at Sanistål's five largest facilities by 10%	2021	Continuous improvement of energy-efficient solutions at the five largest facilities
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
Increase the percentage of waste that is sent to be recycled by 5%	2020	Focus throughout the organisation on correct waste sorting

Employees

Employees are Sanistål's most important asset, and Sanistål's targets would be impossible to achieve were it not for their enthusiasm and dedication

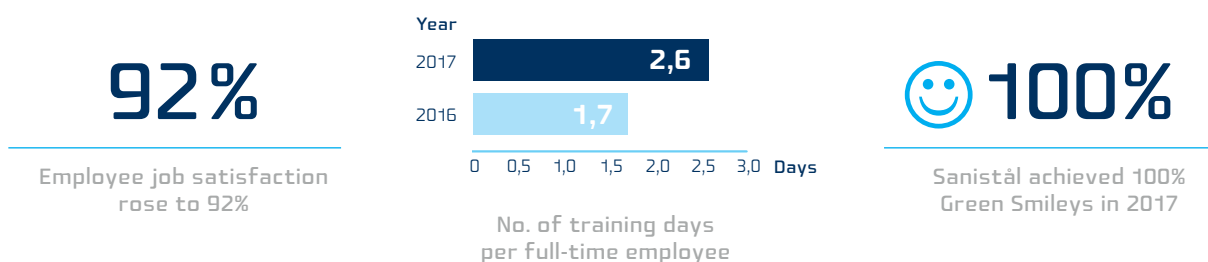
At Sanistål, we want to be a responsible, attractive workplace. Therefore, it is only natural for us to take responsibility for creating working conditions focused on the individual employee's safety, well-being and development.

Objectives & Action Plans

OHS & Employee Well-being

Having employees who feel happy and satisfied at work is a high priority at Sanistål. It is also a prerequisite for the quality of the effort that needs to be made for our stakeholders. This explains why we

by employee feedback in the annual job satisfaction survey where 98% of employees respond that they agree with the following statement: "Sanistål makes a big effort to prevent occupational accidents and, in so doing, enhances workplace safety." Even so, accidents do happen now and then. In 2017, we saw an increase in the total number of occupational accidents leading to absence: from 11 in 2016 to 23 in 2017. A preponderance of the occupational accidents involved low-seniority employees at one of our central warehouses. All employees tasked with jobs at the central warehouses spend their first workday reviewing the safety procedures. We are now intensifying this effort and supplementing it with a "Job and Body" campaign, where we will use a targeted campaign to collect employee input about specific initiatives we can launch to avoid occupational accidents. Naturally, Sanistål's goal is to avoid accidents entirely which is why a systematic effort is made by the OHS organisation involving analyses of both occupational injuries and accidents to ensure that a preventive effort is made throughout Sanistål. This, compared to a fully incorporated culture for the reporting of risks, means that we are still pursuing the ambitious target of zero occupational accidents.

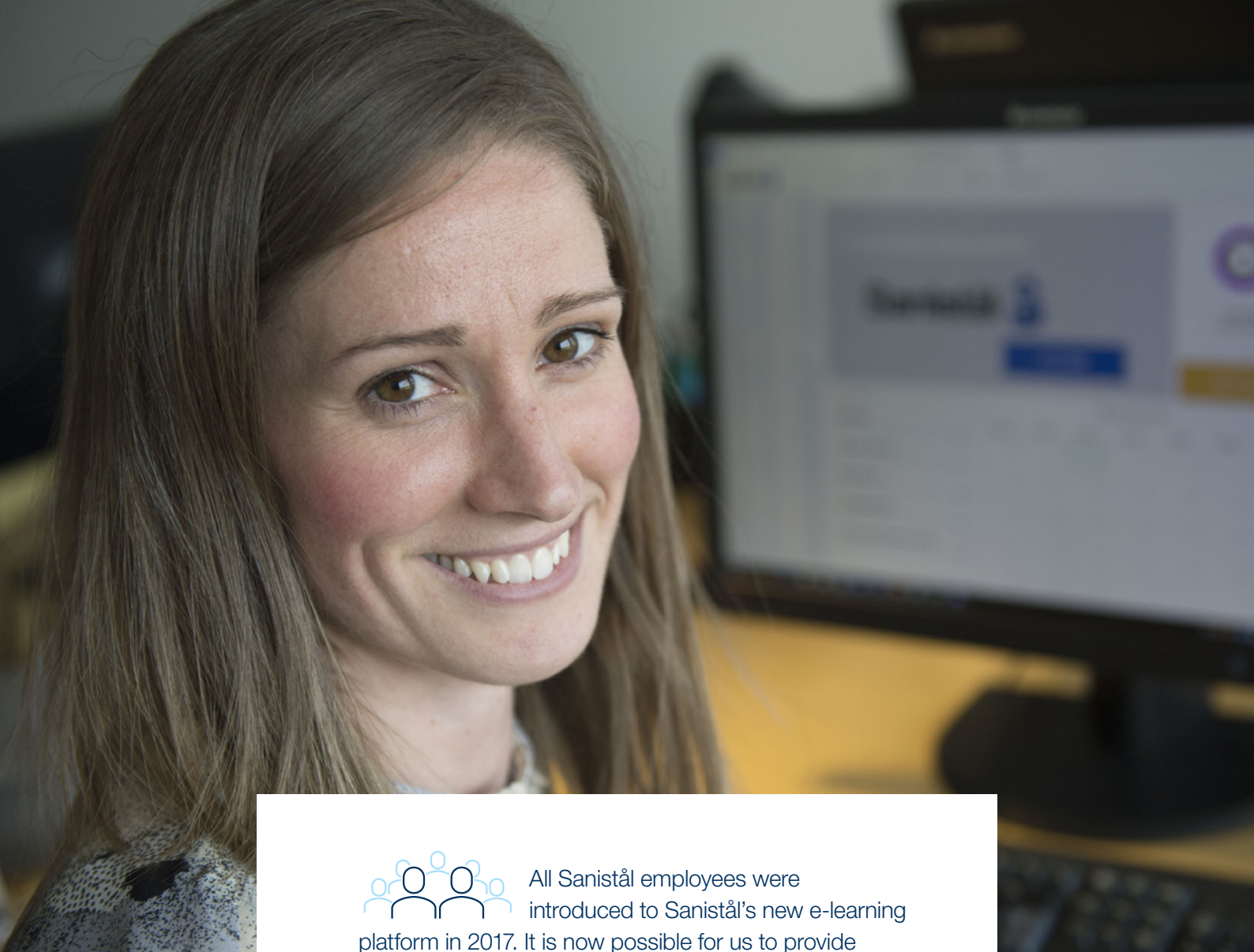


are keenly focused in our daily work on following up on well-being and satisfaction through day-to-day management and access to Sanistål's well-being hotline. Once a year, we supplement this with a nationwide employee satisfaction survey. The annual temperature-taking showed very positive responses with an average employee job satisfaction of 92%, which is even higher than last year's satisfaction level of 91%. No less than 90% of our employees completed and returned the questionnaire, which makes the survey results highly credible. The survey ends with 130 sub-reports covering every department of Sanistål with five or more respondents. All employees get to review the results with their day-to-day supervisor, ensuring focus on creating change locally. The high level of employee job satisfaction rubs off on our business partners. The measurements of customer satisfaction were also astoundingly high in 2017, with significantly more customers even stating that they are very satisfied. In 2017, we also charted employee job satisfaction at our Baltic companies. 83% of the employees responded to the questionnaire and the feedback was positive with a total employee job-satisfaction level of more than 85%. The top scorers for our Baltic companies were Working Environment and Immediate Superior. Naturally, the 2018 goal is to maintain this high level of employee job satisfaction.

Working Environment and the target of zero occupational accidents are deeply rooted throughout the organisation, which is also emphasised

However the physical working environment cannot stand alone, which is why we carried out a well-being survey of the mental working environment for the first time in 2017. Overall the results are very positive and the conclusion of the survey is that we don't have bullying or harassment problems among our employees or problems with the tone of communication in general, and the work-life balance is not challenging either. Even if the overall results are splendid, a closer look at the figures shows responses across the entire spectrum, which is why we actively intervene wherever there is room for improvement. In continuation of our keener focus on the mental working environment, in 2018 – under the heading "SaniCare" – we will train employees to become adept at spotting stress symptoms and helping out. We will also conduct a survey of the mental working environment in 2018. The goal is to maintain the high level of mental well-being.

Our dedicated OHS efforts are also reflected in inspection visits by the National Working Environment Authority, where our efforts were acknowledged in 2017 by the granting of Green Smileys at the announced inspection visits. In 2017, we retained our Crowned Smileys at the two central warehouses, which already had a Crowned Smiley to acknowledge the extraordinary company effort to ensure a high OHS standard. In 2018, we will continue our efforts to achieve 100% Green Smileys at inspection visits and to re-qualify for Crowned Smileys at the central warehouses.



All Sanistål employees were introduced to Sanistål's new e-learning platform in 2017. It is now possible for us to provide training, independent of time and place. The digital training can be carried out as short autonomous processes or it can be combined with longer processes that also include traditional classroom instruction.

Results in 2017

OBJECTIVE	RESULT
Zero occupational accidents	23 accidents reported to the Danish Working Environment Authority in 2017 ✗
Register more accidents without absence and near-miss accidents	There was a 16% increase in the number of registered accidents without absence and more than a 57% increase in the number of near-miss accidents registered in 2017, compared to 2016 ✓
100% Green Smileys from the Danish Working Environment Authority at inspection visits	The Danish Working Environment Authority has issued Green Smileys at both inspection visits ✓
Retain Crowned Smileys at the central warehouses	We retained our Crowned Smileys at our two central warehouses in 2017 ✓
Uphold employee job satisfaction	Employee job satisfaction increased to 92% ✓
Qualitative assessment of the psychological working environment	Psychosocial issues integrated into the year's job satisfaction survey ✓
Sufficient and qualified workforce: at least 2% of Sanistål's employees are employed in a traineeship	With a higher admission of trainees starting an education in 2017, we achieve our 2.0% objective ✓
At least 3% of Sanistål's staff have reduced working capacity	Persons with reduced working capacity constitute 3.7% of the Sanistål workforce ✓

In terms of general health, Sanistål has a number of supportive provisions for employees, including health insurance and early care provisions involving early intervention and proactive assistance for employees. Furthermore for a number of years we have been trying to support employees' focus on health through provisions of a health profile covering exercise, dietary and sleeping habits.

Unfortunately in 2017, we have experienced having a number of employees on extended sick leave. We support employees during their sick leave and we want to help create a foundation that enables them to once again cope with their job duties at Sanistål. The extended sick leave statistics adversely affect the registered sickness-related absence, which means that we cannot achieve the work-attendance target of 97%. We want to increase the average attendance percentage throughout Sanistål to 97% in 2018.

Diversity and Staff Development

Having many different types of employees is one of our strengths when it comes to finding creative solutions, working across departments and companies and meeting the needs of various customers. We support diversity, etc., by employing and retaining employees with reduced working capacity or who for various reasons are not fully able to work. In addition, we intensified diversity efforts in 2017 and took social responsibility by setting up traineeships for refugees. In 2017, employees with reduced working capacity comprised 3.7% of total staff, thus achieving the target of 3.0%. At Sanistål, it is natural to retain employees with reduced working capacity, which is also why we retain the target of having 3.0% of our staff made up of employees with reduced working capacity. The 2018 action plans also include bringing in more refugees as trainees. Sanistål supports the UN's Guiding Principles and does not wish to impinge on human rights in the way we run our business.

Sanistål is a continuously developing undertaking, which is why we continuously train and develop employees in their job functions. The training courses boost skill-sets and provide a common

All managerial staff in Sanistål affected by the new system took part in change-management workshops in 2017, which focused on actions targeting the individual departments and employees to help Sanistål get through the implementation of the new IT system with renewed strength.

In 2017, we supplemented Sanistålskolen's courses and training activities with an e-learning platform. The biggest difference of e-learning is that it enables us to meet increasing demands for training, while saving time and increase flexibility as colleagues can be trained when it suits them. In relation to the implementation of the new IT system, all employees affected by the system will be thoroughly trained in how to use the new systems. At Sanistål, we are always interested in developing the organisation and helping employees achieve new goals.

To ensure that we continue to have the best team of employees in the sector, we presented a target in 2016 of having at least 2.0% of our staff made up of trainees in a traineeship programme. We solidified this target by bringing in significantly more trainees in 2017 than in previous years, and we plan to increase this share further in 2018. Moreover, we are focused on promoting the pursuit of internal careers so that employees can test their ability to occupy positions at Sanistål that suit their personal and professional development. To support this, a structured process involving 15 employees from retail and internal sales was created in 2017. They are participating in a two-year traineeship aimed at giving them the right theoretical and practical skills and clout to switch to a career in external sales. Several of them have already started as external sales reps.

Anti-corruption

Our zero tolerance of corruption and bribery was highlighted in our anti-corruption and anti-bribery policy in late 2016. Sanistål is built on healthy values, and during 2017 we were not contacted by any employees or stakeholders concerning corruption and/or bribery. Thus, we know of no instances where this policy might have been violated. The goal for 2018 is to provide anti-corruption training via e-learning. We are convinced that our employees act in accordance with the guidelines and that they know the consequences of failing to comply with them.



In 2017, we intensified our diversity efforts by increasing the number of employees with reduced working capacity

platform on which to develop Sanistål in the right direction. The launched initiatives are wide ranging, from one or two days of training in things like forklift driving, communication, MS Office programs to business classes and bachelor programmes. Similarly, we prepared the organisation in 2017 for the changes arising from the implementation of a new IT system.



Sanistål has entered into an agreement with Billund Municipality to take in 12 Syrian refugees as trainees at Sanistål in 2017 and 2018. After completing the traineeship, the goal is employment at Sanistål, and the integration project has already succeeded by providing 10 permanent jobs.



Sanistål receives the social company award “Roots and Wings” from Billund Municipality. This acknowledges the big effort we make to bring the unemployed, disadvantaged individuals and refugees to the labour market.



UNITED NATIONS

Sustainable Development Goals



At Sanistål we support the UN's 17 Sustainable Development Goals.

In the above, we highlight the goals that, in our view, are natural for us to achieve through our activities and which will help us make a difference.

Suppliers

Our corporate social responsibility is an important part of the contractual basis for our business transactions with our many suppliers. In 2012, we implemented a “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 & Action Plans

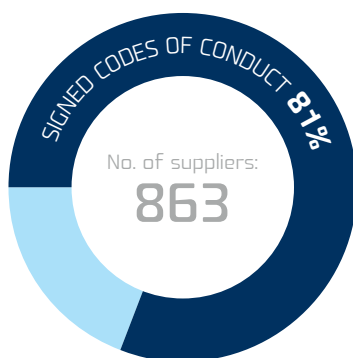
Supplier cooperation in a CSR perspective

At Sanistål, it is crucial that the product range comprises high-quality and highly functional products that can live up to customers' requirements and expectations. Therefore, we cooperate with the best suppliers in their respective fields. Most suppliers represent major, recognised global brands, headquartered in Europe.

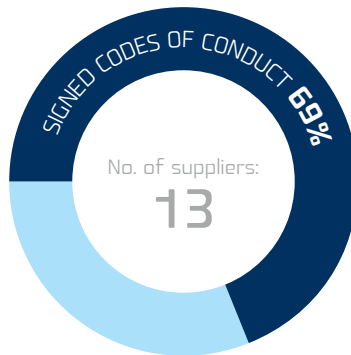
At Sanistål, respecting internationally adopted human rights comes naturally. We believe that once the UN Guiding Principles have been rolled out throughout the value chain, it will minimise the likelihood of human rights violations. The Code of Conduct is the cornerstone of these efforts and we maintain focus on this area vis-à-vis the suppliers.

Suppliers are classified according to a risk-based approach. We assess the suppliers according to, eg. the country they come from, international country indexes for corruption, human rights and environmental conditions and, at product-category level, according to the inherent risks in the manufacturing process. Suppliers are assessed as being low-risk, medium-risk or high-risk and will follow a certain process description for responsible supplier management.

In 2017, we sent self-assessment forms to selected suppliers who are representative for Sanistål's supplier portfolio. 75% of the forms have been returned and have been assessed at Sanistål. The task of issuing self-assessment forms will continue in 2018, where we will identify suppliers in the medium-risk category.



Low-risk countries



Medium-risk countries



High-risk countries

To ensure that our business partners adhere to good business practices, we continuously work to get suppliers to sign and comply with our Code of Conduct. By signing the Code of Conduct, suppliers guarantee that they will run their business in accordance with the principles in these four areas: human rights, labour rights, the environment and anti-corruption.

Therefore, in 2017 we continue to meet the target of at least 80% of Sanistål's primary suppliers having signed our Code of Conduct. This applies not only to suppliers of products to be resold, but also to suppliers of products and services for Sanistål's internal use. In this respect, requirements for environmental and social considerations are included in the tender documents, and a signed Code of Conduct must be enclosed with every new supplier agreement.

A high percentage of the suppliers classified as “high risk” have their production process in the Far East. For this reason, in 2017 we took a strategic approach to determine the future set-up, and we entered into cooperation with an external partner based in China. To ensure compliance with our Code of Conduct, in 2018 we will train our external partner in our procedures and documents which support the process for responsible supplier management. The goal in 2018 is for all suppliers in the Far East to complete and return our self-assessment form. At the same time, on-site visits at selected suppliers will be carried out for subsequent evaluation in 2019.

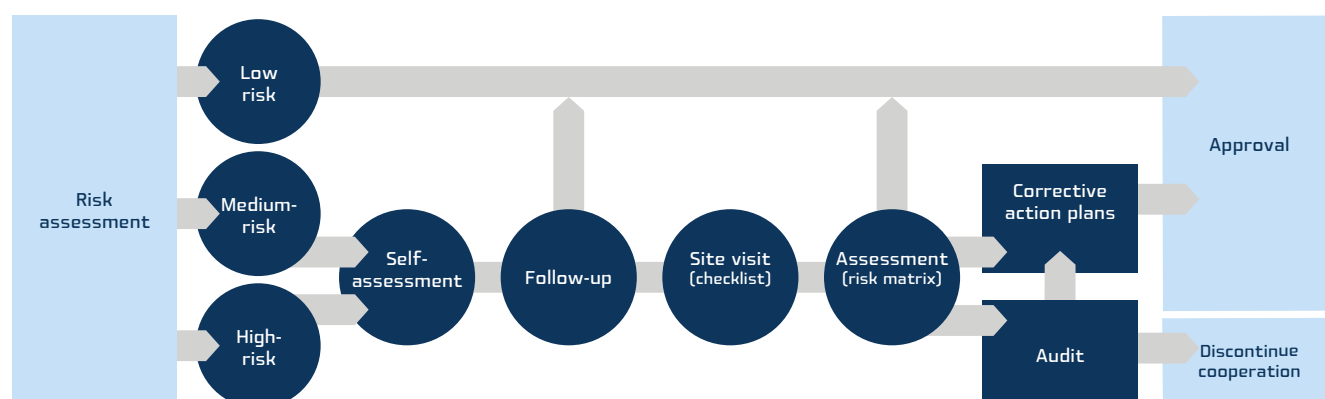


Sanistål has introduced a new concept called “Safety Walks”. This is done in cooperation with one of our professional suppliers of safety equipment. We make it possible for our customers to have their production facilities assessed, after which an analysis is drawn up with recommendations for the type of protective equipment that should be used to provide the safest possible working environment for their employees.

Results in 2017

OBJECTIVE	RESULT
All new suppliers of Sanistål must accede to our Code of Conduct	The process has been implemented in the organisation. New supplier agreements include Sanistål's Code of Conduct. ✓
Ensure that our suppliers in “medium-risk” countries observe Sanistål's Code of Conduct	We have issued a self-assessment form to selected suppliers, 75% of which have been returned and assessed ✓
Ensure that our suppliers in “high-risk” countries observe Sanistål's Code of Conduct	For some time, we have been working to find the right set-up for purchases from the Far East. This has meant that we were unable to achieve the target for 2017. We have redefined our activities and goals. See an overview of objectives and action plans on pp. 10–11. ✗

Responsible supplier management





Whenever we construct new facilities, we are keenly focused on both energy efficiency and indoor climate for the benefit of the environment, employees and customers. This is brilliantly exemplified by the elegant new premises in Hjørring.

Environment & Climate

At Sanistål, respect for the environment has been an important priority throughout the business for many years. We systematically monitor our consumption of energy and continuously seek to reduce our consumption of resources and environmental impact

We continuously work to achieve our goals of reducing carbon emissions from both energy consumption and carbon emitted during the distribution of goods to customers and by Sanistål's company vehicles. Because even though our business is not particularly carbon-intensive compared to other sectors, carbon emissions still account for one of the most significant environmental impacts.

Objectives & Action Plans

Energy Consumption

For 2017, total carbon emissions from Sanistål's central warehouses and offices ended at the same level as our carbon emissions in 2016. The statistics reflect both lower heat consumption at both central warehouses, as well as a slightly higher electricity consumption, which we attribute to a higher level of activity. We have drafted a 2020 plan for the warehouses, where we have already converted the heat supply at Billund Warehouse from natural gas to district heating in 2017. Going forward, we will continue to take a structured, focused approach to streamlining and reducing electricity consumption in particular, where we will complete the change to LED lighting in H1 2018 in more than 2,000 ceiling lamps at Billund Warehouse. In 2016, we presented a 2020 objective of reducing carbon emissions by 5% which we uphold and expect to achieve.

We are making a big effort at the five largest facilities to reduce our carbon emissions. We recently moved into new office buildings in Zealand, which were built with a focus on optimising the indoor climate and energy efficiency. Overall, we have succeeded in reducing carbon emissions from the largest facilities by 264 tonnes since 2013. This means that the target to reduce carbon emissions by 5% by the end of 2017 has been met with a reduction totaling 26%. We want to maintain this excellent trend at the largest

facilities, but we have already achieved such a large share of the potential that the objective up to 2021 is to reduce carbon emissions by 10%.

In addition to focusing on our consumption of heat and electricity, we are continuously working at Sanistål to minimise the consumption of resources. For instance, we are continuously monitoring the percentage of waste that is sent to be recycled. In addition, for years, Sanistål has cooperated with Grundfos to collect and reuse replaced circulation pumps, where 90% of the materials in the old pumps are reused.

Distribution and internal transport

As a nationwide wholesaler, distributing products to customers is one of the biggest sources of carbon emissions. Therefore, we require our three distribution partners to focus on minimising carbon emissions. In 2017, strategic efforts to increase our market share in Zealand and increase sales of Water and Drainage installations have succeeded. The efforts mean that more kilometres are driven as the central warehouses are centrally located in Jutland, and – all other factors being equal – that this involves higher-volume transports of bulk products. In addition, positive revenue growth and the product composition of customers' purchases affect carbon emissions from the distribution process. Our distribution-related carbon emissions were 3,786 tonnes in 2017 compared to 3,310 tonnes in 2016. 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. At the same time, we are continuously verifying product master data to ensure the most ideal product packaging, which makes it possible to maximise the cargo inclusion rate on goods lorries.

Through the vehicle policy, we work to reduce carbon emissions per kilometre driven. From 2016 to 2017, we reduced carbon emissions per kilometre driven by 1.3%, which means we are well on our way to achieving the target of a 4.0% reduction from 2016 to 2020.

Internally, we also make extensive use of the latest technological developments to limit transports, including in particular Skype and video meetings. In addition to reducing our carbon emissions, these solutions enable us to make more efficient use of our time and improve employee conditions by minimising the need for transportation time.

Results in 2017

OBJECTIVE	RESULT
Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5% by the end of 2020	Carbon emissions from warehouses are on a par with 2016 ✓
Reduce carbon emissions relating to energy consumption at Sanistål's office facilities by 5% before the end of 2017	Carbon emissions from office facilities have been reduced by 26% since 2013 ✓
Reduce by 4% the average number of grams of carbon emitted per km by Sanistål's company vehicles by the end of 2020	Carbon emissions per km from company vehicles have been reduced by 1.3% since 2016. ✓

