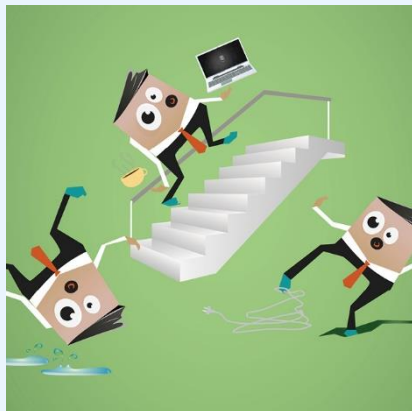


CSR report

2018



6
 2018 saw the number of occupational accidents splendidly cut in half



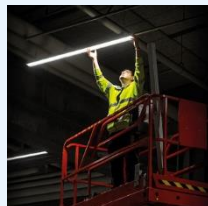
15
 The year's job satisfaction survey shows that well-being at Sanistål is excellent



18
 We were represented at the Danish Skills championships



6
 Our warehouse has achieved great savings by changing over to LED lighting



18
 Sanistål also delivers products to foreign projects focused on energy optimisation



18
 Recycling waste is one of our key areas of focus

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At Sanistål, we take responsibility

In 2018, Sanistål made fine progress with its CSR targets. Fewer occupational accidents, focus on business practice and a significant reduction in carbon emissions bring us closer to a more sustainable future.

CSR has become increasingly important in recent years. We experience increasing interest in how we operate our business, and non-financial information is increasingly in demand. Our CSR actions and many of the non-financial KPIs naturally support our vision and action plans, but the issue of responsibility is first and foremost in our efforts aimed at business-oriented CSR.

In recent years, the UN Sustainable Development Goals have become integral to our CSR approach, and the UN Sustainable Development Goals are naturally related to and manifested in Sanistål's CSR efforts. At Sanistål, CSR is not a matter of doing something that looks good on paper. We focus on acting responsibly in our daily work, and this involves people and ethics.

We take responsibility for the safety and development of our employees

Sanistål considers a healthy, safe working environment to be one of the prerequisites for running a business and a natural element of our vision: "Employees must view Sanistål as an attractive, responsible, stimulating and safe workplace." We proactively work to prevent working-

environment problems, such as by focusing on correct lifting techniques for our warehouse employees or the use of resistance-band exercises to prevent discomfort in neck, shoulders and head and to avoid chronic pain. The psychological working environment is also on the agenda whereby employees can make use of our well-being hotline and, in future, our SaniCare team as well. This team will support managers and employees in working on well-being, job satisfaction and stress prevention.

In 2018, we achieved splendid results on our way to achieving our ambitious aim of zero occupational accidents. The number of occupational accidents declined to 10 in 2018 compared to 23 in 2017. We are proud of the decline in occupational accidents, which confirms that the dedicated effort we make together to improve workplace safety yields visible results.

Several of the sectors Sanistål cooperates with are experiencing a shortage of labour, a problem that will not decline in the years ahead. As a company, we have a social responsibility to help train and educate the young people who will shape the world in the future. This is why Sanistål focuses on ensuring the workforce of the future for our sector by, among other things, increasing the number of trainees, where we vastly exceed the targets for apprenticeships set by the Government, management and labour. Similarly, we were represented with a stand at Denmark's biggest education event – the Danish Skills championships – so we can support and provide





information about the possibilities of choosing a career that starts at and with vocational training programmes. We need the new ideas and questions asked by young people enrolled in a study programme, so we as a business can widen our horizons. This is also why we have launched a project in which bachelor students of business are associated with Sanistål during their next to last year of study. This cooperation creates value for both Sanistål and the students alike.

One way our diversity efforts paid off in 2018 was by increasing the number of employees with reduced working capacity who are retained in the labour market. To further strengthen this effort, we have entered into agreements to accept individuals who have been outside the labour market for a prolonged period of time in our traineeships.

To be the value-creating, digital business partner for our customers and suppliers, we need to constantly develop and renew ourselves. Rapid

developments, not least technological possibilities, set a new agenda for all of society. We are living in exciting times where there is time to do away with old habits and make an effort to try something new. This is why we make a targeted effort to ensure that all employees get the opportunity to develop their potential. In 2018, skills upgrades focused on digitisation with a general enhancement of the IT skill-sets of all employees at Sanistål. These training activities will continue into 2019 where the digitisation journey will take off in earnest with a new IT platform at Sanistål. This will require a big effort, but it will be necessary in order to become even more productive, further develop our service concepts and ensure technological progress.

The year's job satisfaction survey showed that despite the high pressure of work throughout the organisation, the level of satisfaction declined only slightly, which means we retain a splendid high level of satisfaction for all main groups in the survey.

We require responsibility

Sanistål's supplier portfolio comprises local and global undertakings alike. Working in an area where a wide variety of cultures and societal conditions converge imposes high demands on our efforts targeting good business practice. Our Code of Conduct, which places obligations on our suppliers, emphasises that corruption and bribery are completely incompatible with Sanistål's business practice, and the code supports our internal guidelines specifying zero tolerance of corruption and bribery.

Above all, this concerns taking responsibility when working on business-oriented CSR.

At Sanistål, we support the UN Global Compact and human rights, and we want to actively work to disseminate these principles. This decision was taken to emphasise that focusing on human rights is important all over the world and to acknowledge that observing them requires an active effort and is not a matter of course. Sanistål's Code of Conduct is the cornerstone of these efforts and we constantly maintain unwavering focus on this area in our relationships with suppliers and partners.

We reduce our environmental impact

At Sanistål, environmental and climate considerations go hand in hand with running a financially profitable business. We are focused on reducing our environmental and climate footprint. In 2013, we presented for the first time our objectives to reduce our carbon emissions from operations, and we have continuously raised our level of ambition to work on new initiatives which can help

make us more sustainable and climate-friendly. Most recently in 2018, we launched additional initiatives to increase the volume of recyclable waste, and we are continuously carrying out optimisation calculations of product packaging for distribution from our own warehouses to minimise the volume of waste for our customers.

These internal efforts do not stand alone. We also want to make it easy for our customers to make sustainable choices. This is why we have the Sanistål Energy and Climate Team, which helps customers choose eco-friendly, energy-efficient products and solutions for sustainable construction. The Energy and Climate Team is continuously being trained in new products, and they also have a good grip on legislation and regulations to assist these eco-friendly and climate-friendly initiatives.

We have ambitious goals

Our CSR Report shows how we at Sanistål take responsibility for our society: our targets, action plans and results, as well as a description of CSR efforts going forward. The report shows what we are doing well and where we can improve. Unless otherwise stated, the CSR Report concerns Sanistål's Danish parent company and constitutes Sanistål's statutory social responsibility statement for the 2018 fiscal year, pursuant to Section 99(a) of the Danish Financial Statements Act. The accounting firm EY has ensured conformity in relation to this.

I hope you enjoy reading the CSR Report.

Christian B. Lund
CEO

Business model

Sanistål is an innovative whole-sale and service partner for industry and construction which creates value between manufacturers and customers and helps hone their competitiveness by providing specialist skills, digital concepts and product-management services.

Customised value propositions

Sanistål appeals to many different types of customers in the industry and construction sectors and is keenly and strategically focused on supporting our customers' business and providing differentiated value creation to these various types of customers. We always strive to give our customers a "We go further" experience by providing them with a complete product range and an efficient, reliable supply chain with a wide selection of delivery services. Our local presence and specialist skill-sets combined with our many powerful digital service concepts enhance the flexibility of the value chain and help 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 58 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 means of the bar code system, Online Project Management or Track & Trace, we make it easy for our customers to manage their procurements and products online. Our product management services, exemplified by scheduled deliveries, CustomKit and FlexBox ensure that customers get their products exactly where they need them.

In addition we contribute to an efficient control of the internal product flow at our customers'

business through advanced services such as the EasySupply storage management system, container solutions for construction sites and StockMaster vending machines.

Knowledge makes the difference

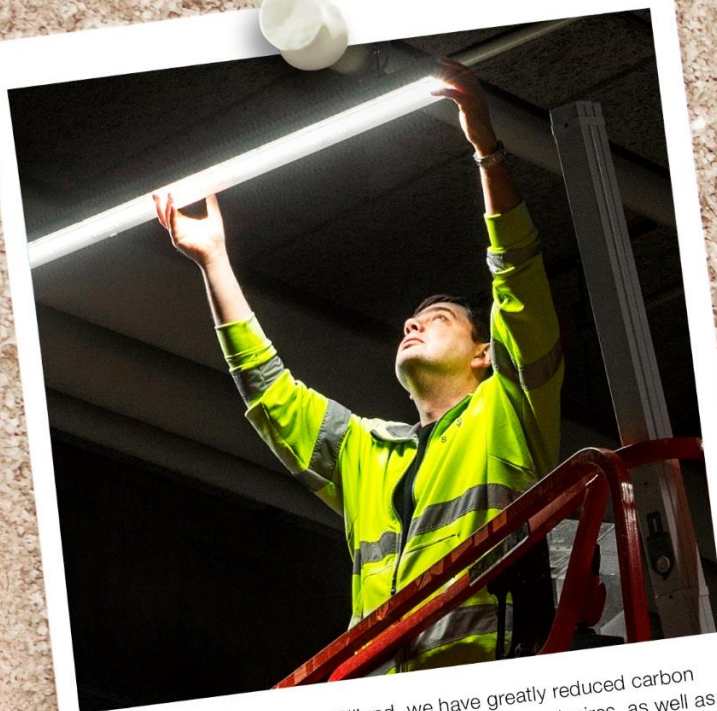
Sanistål has a strong team of employees with vast knowledge of customers, sectors and products. Insight into our customers' business enables us to add value through guidance and mentoring, thereby helping them develop their business and competitiveness.

Financial value

Sanistål ensures high product accessibility. This means that our customers are less tied to an inventory, and they often don't have time 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 our products and services, please go to sanistaal.com.



At the central warehouse in Billund, we have greatly reduced carbon emissions after a large-scale changeover to LED luminaires, as well as transition to district heating.



The prevention of occupational accidents and a focus on on-the-job safety have been integrated into our working day. In 2018, we are proud to report that the number of occupational accidents have been reduced to more than the half. We are pleased that these dedicated efforts both improve the working environment and create on-the-job safety.

At Sanistål, we want to contribute to organisations and campaigns with humanitarian and other socially beneficial purposes. Each year, we consider which efforts we wish to support. In 2018, we support both the 'Beat Cancer' campaign and the national Danish fundraising supporting the world's homeless children. We donated DKK 50,000 to each of these good causes. In addition, we donated our residual stocks of work clothes to the Discard Clothing Campaign.



SMID TØJET
FOR EN GOD SAG



Risks, objectives and action plans

The CSR action areas are defined by a review of our business model and the societal impact we can influence. CSR activities are gathered under three significant headings: Employees, Suppliers and Environment & Climate

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. 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 engender focus on respecting human rights and where corruption is minimal.

Sanistål takes a business-oriented approach to CSR so it creates value in the company and for our stakeholders – including customers,

suppliers, employees, shareholders and society as a whole. This is also why Sanistål's executive management has overarching responsibility for the CSR strategy. A CSR steering committee, comprising 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 prioritise the actions.

In recent years, we have worked on seven of the UN Sustainable Development Goals. The Sustainable Development Goals are worded so they mutually support one another, and we have narrowed our focus to the four Sustainable Development Goals most naturally related to our business model and where we can have the greatest impact. These goals are:

- > 3: Good health and well-being
- > 4: Quality education
- > 8: Decent work and economic growth
- > 12: Responsible consumption and production

These four Sustainable Development Goals are closely related to our CSR efforts and are described on page 11.

The Sanistål Group has more than 1,500 employees, for whom the Group takes a heavy responsibility upon itself. 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 and the recycling of waste generated by our business activities.

The common feature of all our action areas is that, after identifying 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 CSR actions in 2018 focused on and revolved around strengthening and developing our existing initiatives. In 2019, the divestment of our steel activities will provide grounds to reassess our CSR objectives. We view our social responsibility as a dynamic process where Sanistål is constantly developing.





Employees

RISKS

Occupational Health and Safety (OHS) and well-being

- > Occupational accidents or injuries
- > Psychological working environment (job dissatisfaction and stress)

Organisational diversity

- > Discrimination

Observing human rights

Corruption and bribery

POLICY AREAS

Social relationships and staff conditions

Anti-corruption and anti-bribery

Respect human rights

OBJECTIVE	TIME	ACTION PLAN/ACTION
Zero occupational accidents	Each year	The continuation of a dedicated effort by the OHS organisation and the implementation of the OHS strategy plan for 2019 focusing on, among other things, the "Job and body" campaign, and making it easy and simple to report near miss accidents so we can prevent accidents
100% Green Smileys from the Danish Working Environment Authority at inspection visits	Each year	Regular inspection 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	Each year	Continue our dedicated focus on the working environment and processes at our central warehouses. After the divestment of our steel activities, the objective will involve the central warehouse in Billund
Uphold employee job satisfaction	Each year	Ensure the organisation's well-being relating to the implementation of a new IT system and the divestment of steel activities. These efforts have focused not least on change management and preparing the organisation for the major changes that we know are coming in 2019
Healthy psychological working environment	Each year	Follow-up efforts in the departments/teams where the responses to psychosocial questions indicated job dissatisfaction. In addition, we are working on a psychological preparedness and the creation of SaniCare Team. The measurement of the psychological working environment will continue in 2019.
Sufficient and qualified workforce: at least 2.0% of Sanistål's employees are employed in a traineeship	Each year	Through a targeted trainee programme, we want to train the best trainees in the sector. By visiting educational institutions and having direct contact with the trainees, we wish to attract prospective employees with the right profile and enter into traineeships with more trainees than previously. The traineeships created will be geographically dispersed throughout Denmark and within several different sectors.
Organisational diversity: at least 3.0% of Sanistål's staff comprises employees with reduced working capacity	Each year	In cooperation with the individual employee, we seek to retain his/her affiliation with the workplace when an employee loses some of his/her capacity for work. In addition, we are part of a targeted initiative at the warehouse in Billund concerning the creation of traineeships for individuals who have been outside the labour market for a prolonged period of time.
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 channels.



Suppliers

RISKS

Incidents in the chain of suppliers that are incompatible with the UN Global Compact, including human rights, labour rights, environmental and anti-corruption provisions

POLICY AREAS

Respect human rights
Anti-corruption and anti-bribery

OBJECTIVE

TIME

ACTION PLAN/ACTION

Ensure that our suppliers in the “medium-risk” category observe Sanistål's Code of Conduct

Each year

We continue our assessment of suppliers in the “medium-risk” category and send out self-assessment forms as required

Ensure that our suppliers in the “high-risk” category observe Sanistål's Code of Conduct

2019
2020

75% of our suppliers have filled in and returned a self-assessment form

During 2020, site visits will be made with the subsequent evaluation of selected suppliers

Ensure the roll-out of the UN Guiding Principles in the value chain

2020

Dissemination of respect for human rights in the value chain by means of the UN Guiding Principles, including via our Supplier Code of Conduct



Environment & Climate

RISKS

Carbon emissions from company operations
Unsustainable use of natural resources

POLICY AREAS

Environmental and climate impact

OBJECTIVE

TIME

ACTION PLAN/ACTION

Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5%

2020

Meeting expectations of already launched initiatives, including the changing over of light sources and focusing on a greater number of small, energy-efficient solutions and optimisations. After the divestment of our steel activities, the objective will only involve the central warehouse in Billund

Reduce carbon emissions relating to energy consumption at Sanistål's five largest facilities by 10%

2021

Ongoing implementation of energy-efficient solutions, modernisation and optimisation of space utilization

Reduce by 4% the average number of grams of carbon emitted per km by Sanistål's company vehicles

2020

Ongoing dialogue with leasing companies on switching to more eco-friendly vehicles

Increase the percentage of waste that is sent to be recycled by 5%

2020

Focus throughout the organisation on correct waste sorting Initiatives aimed at sorting solutions in the individual stores are launched

Focus on UN Sustainable Development Goals

The UN Sustainable Development Goals comprise 17 goals on the eradication of poverty and hunger in the world, the reduction of inequality, ensuring good education and better health for everyone, decent jobs and more sustainable economic growth.

We have chosen to focus on four of the goals:



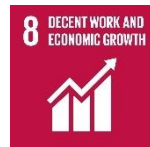
Good health and well-being

A basic value at Sanistål is to take care of the people who work for us. We invest in the working environment and work towards the goal: "Zero occupational accidents". We have received Crowned Smileys from the Danish Working Environment Authority at our warehouses. Through our Supplier Code of Conduct, we implement our set of values in the supply chain.



Quality education

At Sanistål, we pursue educational targets through our internal training body: Sanistål-skolen. We organise the training processes to boost all parts of the organisation and all professional and trade groups. Education is many things, not just advanced studies. It also involves making sure everyone is included, and in recent years we have worked on everything from reading and writing difficulties to master's programmes.



Decent work and economic growth

In our Supplier Code of Conduct, we address the fact that wage-earner rights are protected and that a safe, stable working environment is promoted. Furthermore, suppliers are under an obligation to provide decent employment conditions, meaning, among other things, that they do not use forced labour, modern slavery or child labour. Our OHS strategy gathers these internal actions under four main areas: working environment, employee well-being, diversity and staff development. Job satisfaction and well-being lay a sound foundation for innovation and technological enhancement, including digitisation, and they are all parameters which contribute to economic growth.



Responsible consumption and production

Economic growth and sustainable development require us to reduce our environmental footprint. Our product range includes eco-friendly, energy efficient products and solutions for sustainable construction. Internally, we are focused on maximising the amount of recyclable waste – thereby contributing to the sustainable use of our natural resources – as well as on measurements of carbon emissions from our business activities.



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.

OHS and employee job satisfaction objectives and action plans

Employees are essential to Sanistål's success. We deeply depend on the well-being of all our skilled, expert employees and that they feel both committed and motivated. This is why, together with HR and the executive management of Sanistål, the OHS organisation lays down targets and action areas for occupational health and safety and employee well-being every year. One of the key objectives is our ambition to completely eliminate occupational accidents. In 2018, we achieved splendid results and cut the number of occupational accidents by more than half, from 23 in 2017 to 10 in 2018. We are pleased that these dedicated efforts improve the working environment and create on-the-job safety.

At the same time, the responses from the employee job satisfaction survey underpin that the working environment is good. The two questions in the survey that most employees agree with are that Sanistål makes a big effort to prevent occupational accidents and, in so doing, enhances workplace safety and that our employees feel

that they make a difference at the workplace. 98% responded that they agree with these two statements.

Our day-to-day efforts to achieve a good working environment are also recognised during visits by the Danish Working Environment Authority where we, as in the four previous years, have met our target of 100% Green Smileys and retained our Crowned Smileys at our warehouses. The Crowned Smiley shows that we as a company have made an extraordinary effort to maintain high OHS standards.

With higher revenue, the implementation of a new IT platform and preparations for the divestment of our steel activities, 2018 was a very busy year that saw many changes at Sanistål. Nevertheless, employee satisfaction remained high in 2018 – at 91% – which borders on last year's level of satisfaction of 92%. The results of the 2018 survey show that we succeeded in maintaining the high level of job satisfaction among employees, and that our employees are still loyal and motivated. The fact that 89% of employees took part in the employee survey supports the positive survey results.

As always, we take a systematic approach to following up on the survey results to identify and implement the required improving actions – both on the individual teams and in the workplace as a whole – to ensure that we have satisfied, dedicated employees in the future as well. In our day-to-day work, we work to support job satisfaction and well-



functioning teamwork across the organisation. We give priority to ensuring close dialogue between management and employees. For 2019, the objective is naturally to uphold the level of employee job satisfaction.

In 2017, we introduced the psychological working environment as a working-environment action area, as we believe that a healthy psychological working environment promotes satisfaction with one's work and is a source of energy and joy, also outside the time spent at the workplace. Employee feedback in the annual satisfaction survey in 2018 also showed a healthy

psychological working environment with an overall good work-life balance, good interpersonal interaction in the workplace and a general absence of bullying and harassment.

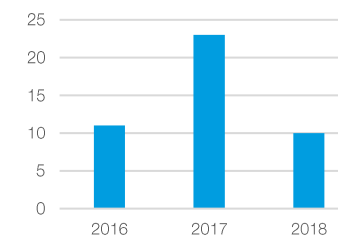
Even if employees' feedback is positive, we also experience at Sanistål that employees are affected by stress. We delayed our "SaniCare" initiative in 2018, but in early 2019 we are working to launch a more comprehensive "SaniCare" aimed at promoting well-being and job satisfaction and preventing stress.

Diversity and staff development objectives and action plans

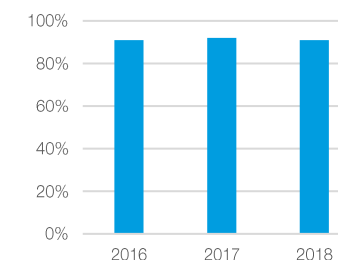
At Sanistål, we have a comprehensive training and development programme comprising internal and external processes for our different staff groups. This is because we believe that targeted skills enhancement for individual employees is important in order to be able to communicate



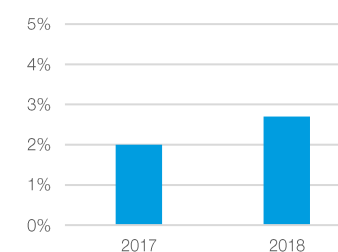
Occupational accidents number



Employee satisfaction



Trainees





knowledge in new contexts so we can help develop not only Sanistål, but society in general.

The training processes in 2018 primarily focused on digitisation and preparing the organisation for the changes resulting from the implementation of a new IT system. The individual training initiatives give priority to management development because good management is crucial for retaining and developing our expert employees. At the same time, the weightiest aspect of planning the training initiatives is aimed at the end users. By enhancing their skill-sets, employees gain new IT skills and a new digital standpoint.

Each day, we work to create a secure, inclusive working environment where diversity can flourish.

Utilising the benefits of diversity has great potential. At the end of 2018, we entered into an agreement to create traineeships for individuals who have been away from the labour market for a prolonged period of time. The aim is permanent employment after the end of the traineeship. In 2018, with a final result of 4.1%, we once again achieved our target of having at least 3.0% of our staff comprise persons with impaired working capacity.

By employing people with impaired working capacity, and creating trainee-ships for vulnerable individuals, we make a difference for each individual and address an important societal task, which is why we are continuing this objective in 2019.

Anti-corruption

Anti-corruption is a natural part of the foundation on which Sanistål's values are based. We have a zero-tolerance policy and we do not accept any type of bribery or corruption. The policy applies to all Sanistål companies, including our subsidiaries. All employees are provided with information about our policies and guidelines, and 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 2019, all employees will complete an e-learning module, aimed at ensuring familiarity with and raising awareness of corruption and bribery.

Results in 2018

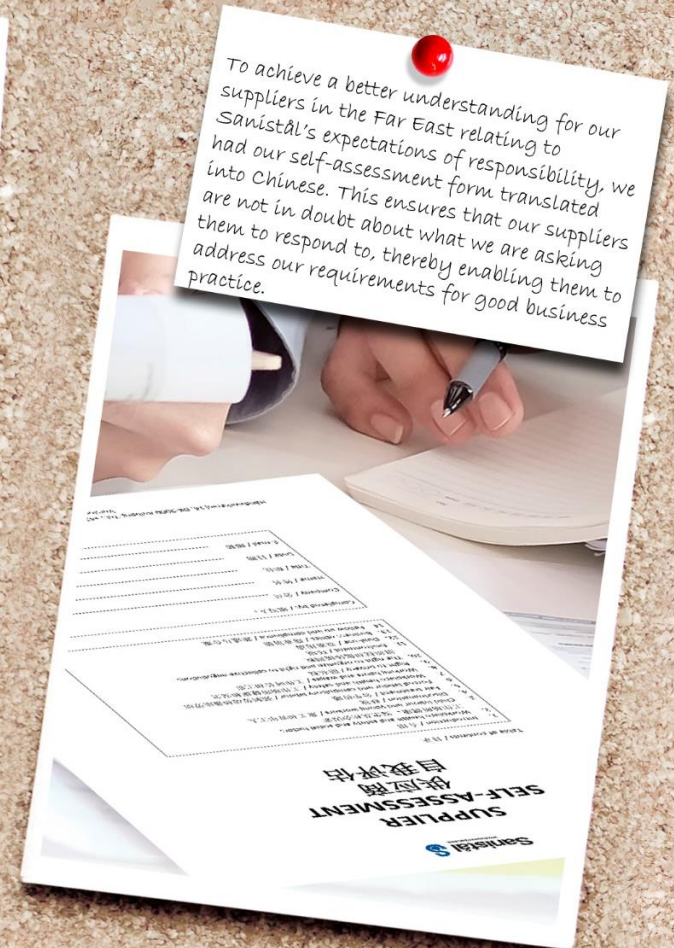
OBJECTIVE	RESULT
Zero occupational accidents	✗ 10 occupational accidents in 2018
100% Green Smileys from the Danish Working Environment Authority at inspection visits	✓ The Danish Working Environment Authority has issued Green Smileys at both inspection visits
Retain Crowned Smileys at the central warehouses	✓ We retained our Crowned Smileys at our two central warehouses in 2018
Uphold employee job satisfaction	✗ Employee job satisfaction fell by one percentage point to 91%
Healthy psychological working environment	✓ Good feedback to psychosocial questions in the annual employee satisfaction survey. We have made targeted efforts in the few departments from where negative responses originated
Sufficient and qualified workforce: at least 2.0% of Sanistål's employees are employed in a traineeship	✓ With a higher admission of trainees starting an education in 2018, we achieve our target of having 2.7% of staff employed in a traineeship
At least 3.0% of Sanistål's staff have reduced working capacity	✓ Persons with reduced working capacity constitute 4.1% of the Sanistål workforce
All employees observe Sanistål's anti-corruption and anti-bribery policy	✓ We are convinced that there have been no violations of our zero-tolerance policy aimed at corruption and bribery



Our Energy and Climate Team specialises in energy efficiency and advises customers to choose the right eco-friendly, energy-efficient products and solutions for the benefit of our common environment.



The year's employee job satisfaction survey shows that well-being is excellent. The results show that we have succeeded in maintaining the high level of job satisfaction, and that our employees still have a high level of team spirit. We believe that job satisfaction and well-being constitute a sound foundation for creating dedicated, innovative employees who can support the massive technological upgrade and digital journey we are undertaking at Sanistål and in society in general.



To achieve a better understanding for our suppliers in the Far East relating to Sanistål's expectations of responsibility, we had our self-assessment form translated into Chinese. This ensures that our suppliers are not in doubt about what we are asking them to respond to, thereby enabling them to address our requirements for good business practice.

Suppliers

With more than 3,000 suppliers, Sanistål has a wide surface of contact and exerts great influence on the supplier segment. We take this responsibility seriously, and we make a targeted effort to ensure good business practice.

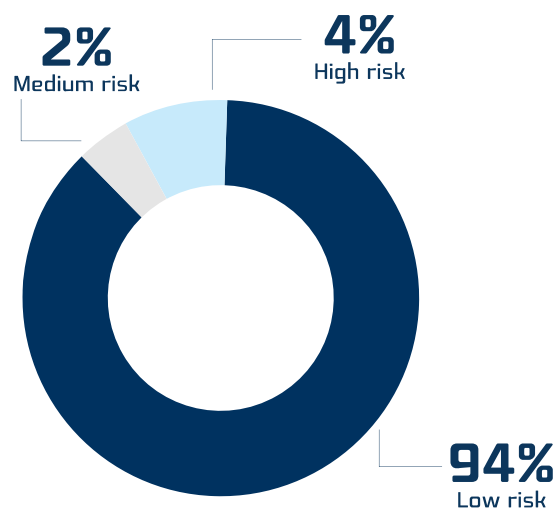
Objectives and action plans for supplier cooperation in a CSR perspective

Being a one-stop supplier for Industry and Construction imposes high demands on the depth and breadth of our product range, and it is

crucial that our products are high quality with excellent functionality. With more than 130,000 accessible item numbers, Sanistål has a large, international portfolio of suppliers. The efforts targeting many product and country areas constitute a risk of incidents taking place in the supplier chain that are incompatible with our business practice.

In recent years, our customers are increasingly interested in knowing where we source our products and the conditions under which they are manufactured. Obviously, this increases our need to be able to document how the products

Suppliers broken down by risk



Number of primary suppliers who have received the Code of Conduct: 845

86% have signed the Code of Conduct.

The supplier breakdown is assessed on the basis of geographical location.



were manufactured and that this complies with the requirements of both Sanistål and our customers.

At Sanistål, we want to exclusively enter into agreements with suppliers who base their work on the same ethical guidelines as we do. This is why we base our work on a Code of Conduct. The Code of Conduct emphasises the expectations we have of our suppliers. It is based on the ten principles of the UN Global Compact and contains guidelines within the following areas:

- > Human rights
- > Workers' rights
- > Environment and climate
- > Anti-corruption

Today, the Code of Conduct is a fully integrated, natural part of our business transactions. At the

time of entering into an agreement, new suppliers must sign our Code of Conduct. Only if they meet the guidelines are they allowed to enter into cooperation with us. If a supplier of Sanistål has its own code of conduct which at a minimum corresponds to Sanistål's Code of Conduct, this may be used instead. We continue to meet our overarching target of having at least 80% of our primary suppliers sign our Code of Conduct.

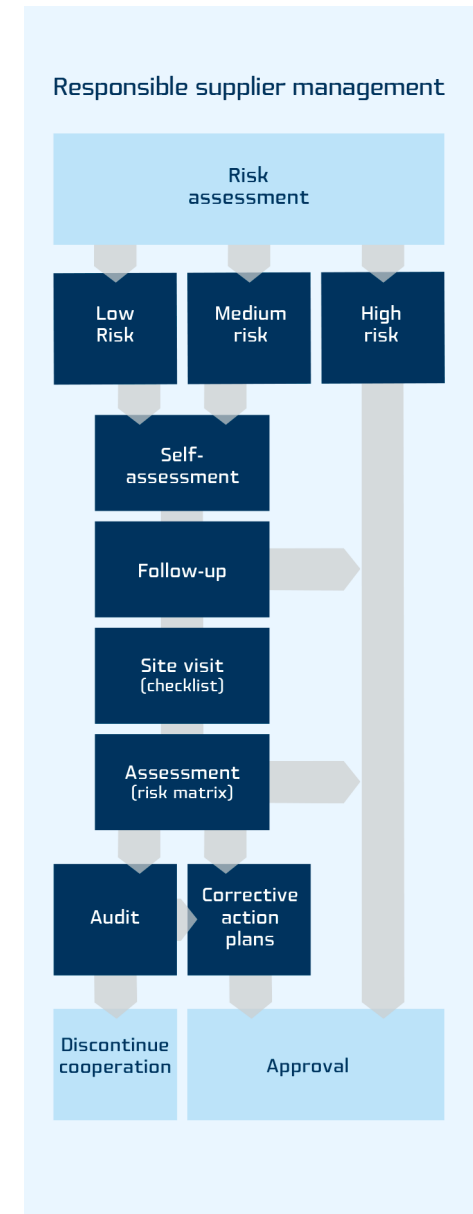
At Sanistål, respecting internationally adopted human rights comes naturally. We believe that once the UN Guiding Principles (i.e. the UN guidelines for companies working with human rights) have been rolled out throughout the value chain, this will minimise the likelihood of human rights violations.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

We carry out an ongoing risk-based assessment of our suppliers. We assess the suppliers according to factors such as their country of origin based on international country indexes for corruption, human rights and environmental conditions and, at product-category level, according to the inherent risks in manufacturing processes. Suppliers are classified as low-risk, medium-risk or high-risk, and they will follow the process description shown in the figure for responsible supplier management. 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 of Sanistål expect our suppliers to also be actively involved in their respective supply chains.

This year, our CSR focus and actions have primarily focused on our direct suppliers in the Far East. This is where we have the largest percentage of suppliers classified as "high risk". Accordingly, we have entered into close collaboration with an external partner based in China. In 2018, we introduced our partner to our procedures and documents which support the process of responsible supplier management. Our self-assessment form has been translated into Chinese. In so doing, we achieve a better understanding and commitment from the supplier. The self-assessment form has been well-received by the selected suppliers and has provided an opportunity for rewarding dialogue concerning future developments. The aim is that 75% of all of Sanistål suppliers in the Far East have filled in and returned a self-assessment form in 2019. In 2020, we will supplement our efforts with site visits to selected suppliers in the "high-risk" category.

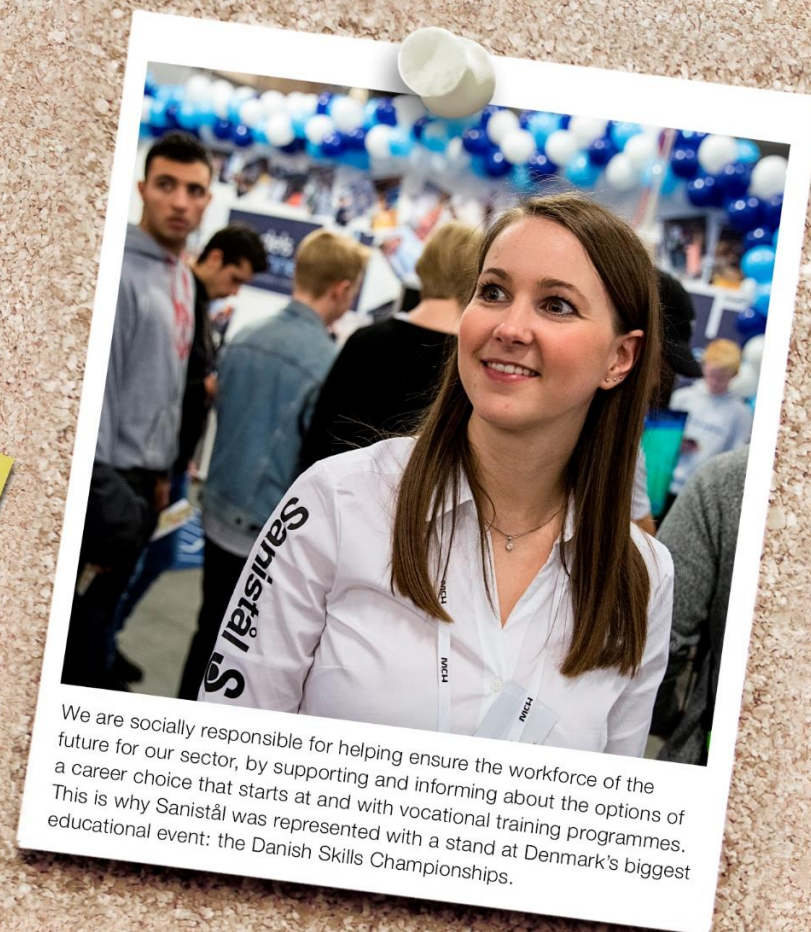
Results in 2018

OBJECTIVE	RESULT
Ensure that our suppliers in the "medium-risk" category observe Sanistål's Code of Conduct	<p>✓ We have sent out a self-assessment form with particular focus on suppliers of steel, which do business with steel works in "high-risk" countries.</p>
	<p>✓ An external partner in China has been introduced to and trained in "Sanistål's process for responsible supplier management".</p>
	<p>✗ To ensure that all our suppliers can understand and act correctly in relation to our self-assessment form, it has been necessary to have the form translated into Chinese. This delayed our 2018 ambition on the issuance of self-assessment forms to suppliers in the "high-risk" category.</p>
Ensure that our suppliers in the "high-risk" category observe Sanistål's Code of Conduct	<p>✗ As the self-assessment task has still not been completed, we have yet to make site visits to suppliers in the "high-risk" category. See an overview of objectives and action plans on p. 9.</p>





At Sanistål, we are focused on maximising the amount of recyclable waste, which enables us to contribute to the sustainable use of our common natural resources. Up to 72% of our waste is recycled, and we make a targeted effort to increase this percentage.



Environment & Climate

In Sanistål, the environment and climate are on the agenda throughout the organisation. As a result, we have taken many initiatives to reduce environmental impacts in all areas of our business.

Through targeted efforts and by setting environmental and climate objectives, we work to prevent and reduce environmental and climate impacts caused by our operations. The natural focal point of our environmental and climate actions is carbon emissions from our consumption of energy, but it also extends beyond our own activities and follows carbon emissions relating to the distribution of goods from our warehouse to customers carried out by our external distributors. Although our business is not particularly carbon-intensive compared to other sectors, carbon emissions still account for one of our most significant environmental impacts. At the same time, we are continuously working to increase the amount of waste sent to be recycled.

Objectives and action plans for energy consumption

In early 2018, we completed a comprehensive conversion of all luminaires in more than 2,000 ceiling lamps to LED at the Central Warehouse in Billund. The replacement process was a natural continuation of the major initiatives that have been carried out in recent years, including the changeover to LED lighting in more than 600 ceiling lamps in the steel hall in Taulov. A 2020 Plan for our warehouses was drawn up in 2016. The actions have focused on reducing electricity

consumption, but efforts have also targeted the use of heating where the heating supply at the warehouse facilities in Billund was changed over from natural gas to district heating. Therefore, we succeeded in reducing our carbon emissions from our warehouses by 230 tonnes from 2017 to 2018. This means that we have already achieved the target of reducing carbon emissions from our warehouses by 5%.

The relocation of several office locations will result in changes in the results for carbon emissions from our biggest facilities in 2018. In 2018, we moved office and store facilities in Holstebro from a space with many out-of-date square metres to a new building that is constructed with a focus on achieving an ideal indoor climate and minimising energy consumption. Along with the relocation of office facilities from Glostrup to Vallensbæk last year, this means that we have reduced our total emissions from Sanistål's biggest facilities by 58 tonnes, from 624 to 566.

The objectives of reducing carbon emissions from the office facilities by 10% up to 2021 are upheld and do not stand alone. We focus on implementing energy-efficient initiatives in our leased store premises in cooperation with the individual property owners. This means that we continuously work to optimise energy efficiency and improve the working environment at the individual stores. Among other initiatives, we replace roughly 10% of the luminaires in our stores with LED lighting every year. At the same time, the changeover to LED lighting provides a better, more





natural workplace lighting, thereby improving the working environment. We have also changed to district heating wherever necessary and possible in terms of infrastructure.

Objectives and action plans for distribution and internal transport

In Sanistål, the distribution of goods to our customers has been outsourced to external distributors. In a CSR perspective, it is still important to us to monitor carbon emissions, even if this part of our value chain is not handled by us. Therefore, we receive monthly carbon-emission specifications from our three external distribution partners. Carbon emissions have sharply declined in 2018 by 21% to 2,975 tonnes. The trend is attributable to a

decline in the weight of the goods and the number of drops. In 2018, we introduced an energy surcharge aimed at heightening our customers' awareness of the environmental impact, and it is one of the business initiatives which makes it attractive for customers to combine and plan their deliveries and in turn enables us to optimise the distribution process. At the same time, the environmental invariables and higher utilisation ratios have also contributed to the positive trend in carbon emissions.

Back in 2016, we presented a target of reducing the carbon emissions from Sanistål's company vehicles by 4.0% before the end of 2020. The 2018 trend was unfortunately negative, which is why the accumulated decline amounts to 0.6%.

The lack of decline is attributable to the types of vehicles made available by the leasing company to our users, for instance. We are engaged in ongoing dialogue with the leasing company regarding vehicle types, where reluctance related to pending political decisions impacts the vehicle portfolio made available by the leasing company.

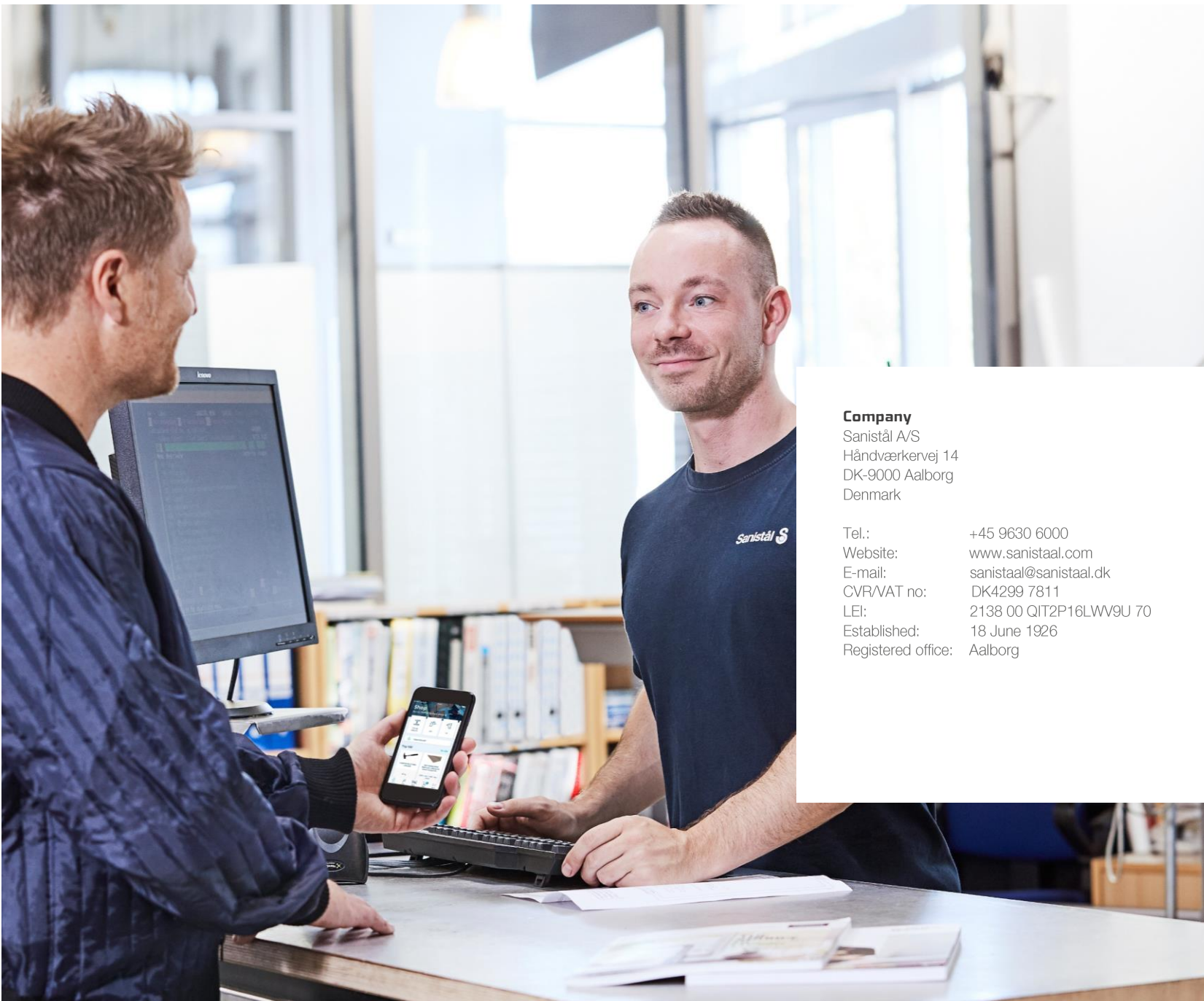
Value from waste

The volume of waste sent to be recycled increased in 2018 by two percentage points, from 70% to 72%. It is primarily a persistent, untiring effort to correctly sort waste at the warehouse in Billund which contributes to these fine results, but the stores are also doing their share. New guidelines for the waste solutions that must be in the stores for sorting waste were issued in late 2018. We also expect that the volume of waste sent to be recycled will increase in 2019, and we upheld the target of increasing the percentage of waste sent to be recycled by 5% in the period

2017–2020. In continuation of efforts aimed at correctly sorting waste, we and our partners from the waste-management and resource industry have examined the specific types of waste that have previously been sent for disposal. Concurrent with modernised waste management and recovery, it has been possible to completely abstain from sending waste to be disposed of in the last eleven months of the year.

Results in 2018

OBJECTIVE	RESULT
Reduce carbon emissions relating to energy consumption at Sanistål's central warehouses by 5% in the period 2017–2020	✓ Carbon emissions from warehouses have been reduced by 19% from 2017 to 2018
Reduce carbon emissions relating to energy consumption at Sanistål's five largest facilities by 10% in the period 2018–2021	✓ Carbon emissions from Sanistål's five biggest facilities were reduced by 9%, measured against 2017, when the target was set
Reduce by 4.0% the average number of grams of carbon emitted per km by Sanistål's company vehicles in the period 2017–2020	✓ We have achieved a total decline in these emissions of 0.6% since 2016
Increase the percentage of waste that is sent to be recycled by 5% in the period 2018–2020	✓ The percentage of waste sent to be recycled has increased by two percentage points, from 70% in 2017 to 72% in 2018



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