Sustainability and Corporate Social Responsibility

Steering a sustainable course
The world is currently caught in a quandary between an exponential increase in the consumption of raw materials and the essential limitations applying to the availability of natural resources. Urgent questions regarding our obligations towards future generations and the unchecked process of climate change also remain as yet unanswered. Sustainable business practice and the assumption of social responsibility may play a key role in helping to resolve these issues. This calls for new approaches and innovative solutions, however. Great opportunities beckon for those who are able to successfully address these challenges.

Insulating a building's envelope represents an economical and sustainable investment which will help to save heating energy on a long-term basis while reducing the effects of rising energy costs on the building's owner.

Sto – a company that faces up to its responsibilities
Sto AG has long been concerned with these sustainability issues. Our initial measures in this area date back to the beginning of the 1980s, when we expanded our range of facade insulation systems and environment-friendly coating materials as well as introducing a process to continuously improve efficiency, for example. By the end of the 1980s, we had already enshrined issues of social responsibility and sustainability in our guiding principles encapsulated in the mission statement "Building with conscience." This defined maintaining the value of buildings in strict compliance with the needs of mankind and nature as terms of reference for all our employees. As such, we were one of the first companies in our industry to incorporate social and ecological criteria into our management system.

Sto's guiding principles underwent a thorough revision in 2009. The newly defined values envisioning our aim to become the technology leader in the sustainable design of living space tailored to human needs provide a binding framework for the coming years and offer the rejuvenated management team guidelines

THE GLOBAL COMPACT
WE SUPPORT

for sustainable, responsible and economically successful business practice.

We also signed up to the United Nations' "Global Compact" in 2009, in order to demonstrate our commitment to sustainable development at international level, too. This report represents the annual Communication on Progress (COP) required by the "Global Compact".

2010: guidelines on responsible practice in the Sto Group
The corporate vision defined in the revised "Building with conscience." Guiding Principles provides the general terms of reference. On the basis of these principles, we evolved concrete procedural guidelines in 2010 and enshrined these in the "Principles for cooperation within and management of the Sto Group", which apply throughout the Group. In addition to rules on internal cooperation at Sto, these

principles also stipulate a binding commitment to respect human rights and to promote such rights within the company's sphere of influence. Sto management personnel are to ensure that these principles are observed in their respective areas of responsibility.

The principles additionally affirm the employees' unqualified right to membership of trade unions or other organisations representing employees. Forced labour, child labour and all forms of discrimination are proscribed. We also attach importance to the payment for our employees in all companies of the Sto Group being above the prevailing minimum wage in all instances.

Beyond these basic rights, we aim to create a work environment for all our employees which ensures freedom from physical and mental harm and is conducive to good health and realisation of the individual's capabilities. To this end, we introduced a health management system at Sto AG in 2010. We intend to implement this system successively throughout the entire Group in the course of this decade. We also offer part-time and tele-working as well as job sharing models at virtually all Group companies, in order to enable our employees to better reconcile work and private life. Further information on our personnel strategy is to be found in the section on employees in the Management Report.

Good corporate governance

Sto AG is committed to responsible, transparent corporate government pursuing a long-term perspective. Compliance with legal and ethical standards, a sound financial policy and a strategy geared to sustainability are integral to our understanding of good corporate governance. In this context, the newly formulated guidelines also explicitly stipulate that bribery and corruption are unacceptable forms of behaviour and will not be tolerated. Further details relating to corporate governance at Sto are to be found in the Corporate Governance report on pages 8 to 10.

On signing up to the "Global Compact" we implemented a Group-wide reporting system geared to the ten principles of the initiative in the areas of human rights, labour rights, the environment and anti-corruption. The management personnel of all companies belonging to the Sto Group are responsible for ensuring compliance with the corresponding requirements and for implementing appropriate measures. In this way we were able to ensure that virtually all of the Group's management staff and employees received information and training regarding the new Guiding Principles and the "Principles for cooperation within and management of the Sto Group" in 2010.

Other activities in 2010

Beyond the stated projects we undertook additional measures in 2010 in order to lend increased weight to the concept of sustainability and to assume social responsibility. The activities cited here by way of example are presented according to the three sustainability dimensions of economy, ecology and social issues.

Economy

Sustainable growth strategy

Sto AG pursues a long-term corporate strategy. We aim to maintain an earnings-oriented growth strategy with due regard to social and ecological criteria. This provides the essential basis on which to safeguard jobs over the long term and to create new jobs. Adequate profitability is crucial to Sto establishing itself as a reliable partner for employees, customers, suppliers, other stakeholders and our shareholders. As a family-run public limited company we also attach importance to continuity in the corporate management. The impending handover of management responsibilities to the next generation was prepared in good time, enabling a successful transition in key functions in 2010.

Thermal insulation helps to protect the environment

The energy savings from the use of Sto facade insulation systems correspond to around

60 billion litres of heating oil

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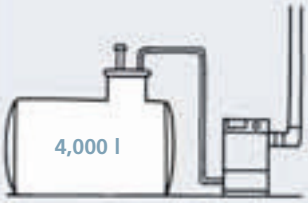
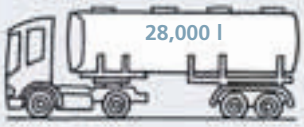


x 15 million oil tanks



x 2.1 million oil tanker lorries

x 2400 oil tankers

Between 1965 and 2010, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 60 billion litres of heating oil. This represents a notable contribution to global climate protection: the facade systems from the Black Forest have cut CO_2 emissions by around 184 million tonnes. In 2010 alone, Sto products reduced emissions of this combustion gas by around 14.1 million tonnes.

Another aspect of our sustainable growth strategy is the ongoing improvement of our production and logistics processes. We are also engaged in continuous efforts to reduce the Sto fleet's CO_2 emissions by switching to diesel vehicles with lower fuel consumption and emission levels.

Ecology

Applying environmental and climate protection in practice

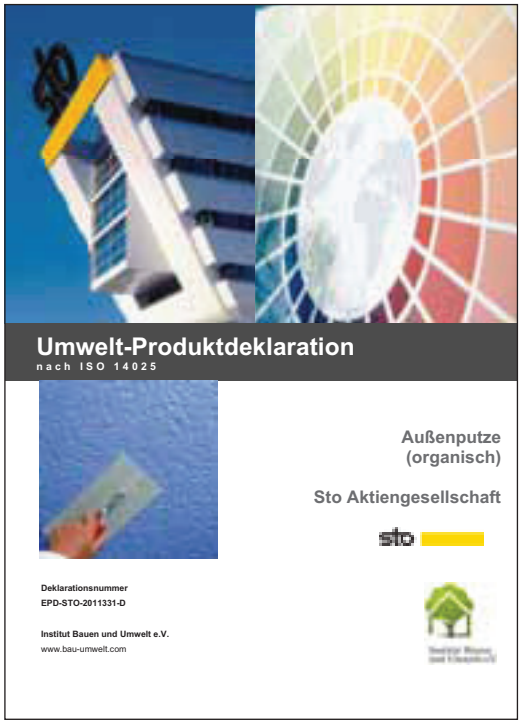
At Sto, ecological and economic aspects are intertwined not only in the area of process improvements. Sto's core area of business centres on the manufacture of facade insulation systems, which substantially reduce the quantities of oil and gas employed for heating purposes and the attendant released pollutants. Apart from being a key driver of growth at our company, these systems thus also make a substantial contribution towards protecting the climate and the environment. The Sto systems which have been installed since 1965 resulted in savings in the order of 60 billion litres of heating oil up until and including 2010, with last year accounting for 5 billion litres of this figure alone. The resultant reduction in CO_2 emissions totalled 184 million tonnes, including 14.1 million tonnes in 2010.

Promoting environment-friendly technologies

By actively supporting the widespread use of facade insulation systems, we are promoting the socially desirable development and spread of environment-friendly technologies – fully in keeping with the "Global Compact". A key element of marketing operations is the active PR work which we pursue in professional EWIS associations at national and international level. We are a member of the European Association for External thermal insulation composite systems (EAE) and the German Sustainable Building Council (DGNB), for example.

Certification in accordance with ecological standards

Sto AG was one of the first suppliers of building materials to receive Environmental Product Declarations (EPD) for a selection of its mineral adhesives and renders in 2009. Relevant environmental data, such as eco-friendly properties, are determined, examined and published for such certified products. Environmental declarations are an important tool for architects and planners who are involved in ecological building and who, in turn, seek certification for buildings in accordance with the DGNB guidelines, for example. We established the essential basis for further environmental product declarations in 2010. The main focus of our efforts here was on organic finishing renders and base coat renders as well as paints and primers. We will be receiving certification in the first half of 2011.



Sto Environmental Product Declaration (EPD) for organic exterior renders

We also went one step further in 2010, preparing the ground for so-called Environmental System Declarations (ESD). The process involved here entails an evaluation of the complete facade insulation system with regard to ecological, economical and social aspects. We expect to receive our initial system certificates in the second half of 2011.

Sto regularly receives awards for its range of products and services geared to sustainability criteria. In 2010, we once again claimed the "Top Builder" award for our innovative Sto Lotusan products, for example, while in the USA we received the "Sharp Award for Safety". The Chinese subsidiary in Shanghai claimed two awards – the "Quality Assured Best Company of Shanghai Constructive Paint Industry" and the "Top 10 Best Paint Brand of 2009".

Recycling instead of oil consumption

Sto also places great emphasis on the recycling of raw materials. By way of example, we have our striking yellow pails processed into granular material together with other plastic waste in special processing plants. This then serves as a basic material for new products, such as sheeting and piping. Large quantities of this recoverable material are produced at Sto in Germany alone. At the plant in Stühlingen, for example, we use more than 7 million plastic pails per year. Transport and sales packaging are also collected together with various fractions of paper, film waste and plastic or metal containers in the recycling bins at the more than 90 sales centres, and are subsequently recycled. Through this recycling system we are able to conserve natural raw materials.

Social issues

Similarly to Sto's commitment to ecological concerns, a commitment to social issues also forms part of a long-standing tradition at the company. The non-profit-making **Sto Foundation** (Sto-Stiftung) has evolved into a key element of our efforts in this field. We established the Sto Foundation to mark our company's fiftieth birthday in 2005, providing it with funding to the tune of EUR 1 million. In this way we have since been able to invest around TEUR 190 annually in projects which would not otherwise have been possible.

Waste containers are collected and shredded into plastic granular material, which is subsequently used to produce bags and sheeting.

Sto Stiftung

On the occasion of the Foundation's five-year anniversary in 2010 we announced our intention to increase its funding substantially. TEUR 350 will be available annually up to 2015. These funds originate from returns on the Foundation's capital and from grants which are contributed on a regular basis by Sto AG and its ordinary shareholders.

The primary aim of the Sto Foundation is to support young people who are serving an apprenticeship in the painting, decorating and plastering trades or studying construction

engineering or architecture at university. The third area of support focuses on further training activities for these two groups. Fourthly, the Foundation undertakes project sponsorship. A six-member Foundation Council decides on the allocation of funding, ensuring that the manual and academic areas receive equal treatment.

A special aspect of the Sto Foundation is the consideration of social components in the area of funding for young craftsmen. Socially disadvantaged young people beginning apprenticeships under difficult conditions qualify for support in this context.

In keeping with its international orientation, in the year under review, the Sto Foundation staged a competition to establish the best cross-border "summer schools" in the field of sustainable building. The colleges in Braunschweig, Erfurt and Munich received awards for their innovative concepts.

The two-day educational congress for plasterers in Berlin was attended by more than 150 specialists. The Centre of Excellence for Interior Finishing and Facades in Baden-Württemberg and the Sto Foundation played a key role in organising the event.

A highlight in the area of manual trades in 2010 was the first nationwide educational congress for plasterers. The aim of this event was to examine the successful practice whereby apprenticeships are allocated mentors and to apply this model beyond the plasterer's trade in other manual trades. More than 150 scientists, teachers and trainers discussed this promising educational topic over two days.

One of the award winners in the summer school competition was the Institut für Gebäude- und Solartechnik directed by Prof. Norbert M. Fisch at the Technical University of Braunschweig. Together with two Chinese universities, the students developed sustainable "Settlement structures and building concepts for Shanghai and Lanzhou", which also went on show at the German pavilion at EXPO 2010.

The University of Tübingen's traditional series of lectures entitled "Architektur Heute" ("Architecture Today") also received funding. Under the motto "Museums for the 21st century", six renowned national and international speakers presented the tasks, roles and expectations for museums today.

The private museum of industrialist Herbert W. Liaunig in South Carinthia houses a significant collection of modern art. The museum was designed and built by the Vienna-based Querkraft firm in 2008. Architect Gerd Erhartt presented the spectacular building in the course of the "Architektur Heute" series of lectures in Tübingen. The series was sponsored by the Sto Foundation.

The Sto factory fire brigade received a new fire engine in 2010. "Chief of operations", Gerd Stotmeister, Technical Officer of Sto AG (centre), handed over the symbolic key to commander Günther Dunklau (left) and his deputy, Bruno Müller.

Beyond the Foundation's activities, Sto AG is also involved in social issues at local level, sponsoring associations, educational establishments and social facilities. In 2010, we handed over an older vehicle from Sto's factory fire brigade to Stühlingen's municipal fire brigade free of charge, for example.

The "Sto Weiher" (Sto Pond) project which was carried out last year by apprentices from Sto AG was an expression of both social and ecological involvement. In the course of this project an overgrown biotope close to the company's headquarters was rendered accessible once again with the support of an expert from the German "BUND", environmental and nature conservation organisation.

Those participating in the project learnt a great deal not only about biodiversity, flora and fauna, but also about how to work in a well-structured and well-aimed manner, how to organise oneself and how to clearly define tasks and areas of responsibility. A gratifying side-effect was the creation of a valuable recreation area for staff, customers and guests of Sto AG.

The members of the "Sto Weiher" (Sto Pond) project team received generous praise for their ecological commitment at the official opening of the reclaimed site.