

# Corporate Social Responsibility Report

January 2012



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Flemming H. Tomdrup - Group CEO  
Michael H. Jeppesen - Group CFO

## Word from management

### We take our responsibilities to people and the environment seriously

Solar has a strong business interest in energy efficient solutions and see a growing potential within this area. With our solutions we help to create big savings both on energy and CO2 emissions.

2011 with its financial slowdown was a challenge to everyone, including Solar. Market conditions toughened, thereby increasing the need for us to continuously become stronger, more efficient and focused. Does this mean that we have slowed down our focus on our corporate social responsibility? Not at all! To Solar, the sense of social responsibility is a central element, also when times are tough.

On many occasions, Solar has proven to be a company where the employees truly understand the meaning of being Stronger Together. Being a large company, we have a responsibility to the outside world also – and we have the power to make a difference, also in areas that are not directly linked to us as a company.

This Corporate Social Responsibility report marks a new step for Solar. When reading the report, you will find an introduction to the CSR activities that take place within Solar's framework. Some of these activities are the result of large projects – like our Code of Conduct or our

reporting to the Carbon Disclosure Project – while others are little everyday actions which nevertheless are equally important when defining Solar as a company. You can read much more about these activities in the report.

Solar takes its responsibilities with regard to people and the environment seriously. We have signed up for the United Nations' Global Compact Programme and wish to send a clear message that we are committed to the programme. We see our involvement in the programme as an asset in relation to customers and suppliers and a clear advantage when it comes to attracting and maintaining employees. In addition, we wish to be seen as a company in which both Danish and foreign investors can safely invest – also from an ethical standpoint.

This report is also our Communication on Progress (CoP), honouring our obligation to report to the UN Global Compact.

## Solar at a glance

### We will be our customers' preferred business companion

Solar should be known as the empathic company and the challenger within our industry. We will be our customers' preferred business companion, their expert in logistics and their guarantee for safety of delivery.

The Solar Group is an international technical wholesaler within electrical, heating, plumbing and ventilation components. Through the subsidiary Aurora Group A/S, Solar also sells accessories for consumer electronics.

We deliver products and solutions to customers within residential and commercial buildings, industry, marine and offshore, utility and infrastructure, and to the public sector.

The group has approximately 3,500 employees. Solar has enterprises in Denmark, Norway, Sweden, the Netherlands, Germany, Poland, the Faroes, Belgium and Austria. Aurora is represented in Denmark, Norway, Sweden and Finland.

Solar is a listed company. B shares are listed on NASDAQ OMX Copenhagen and form part of the MidCap index and MidCap on NASDAQ OMX Nordic.

#### **Stronger Together**

We respect the fact that a good wholesaler must deliver more than goods. At Solar, we learn from our customers. We watch them work, we listen to them and get to know their workflow. In many ways, we cross the conventional line of cooperation – and by doing so, we develop logistics solutions that optimise our customers' workflow. We are “stronger together”.

With our Blue Energy concept, we have full focus on energy efficient products and solutions. The Blue Energy concept enables our customers to

meet demands for energy efficient solutions.

Solar's e-business concept is a tool for optimising our customers' workflow and for making customer service more efficient. With the e-business concept we interact with our customers 24/7. E-business provides faster lead times, less administration and increased precision. And most importantly in this perspective, our e-business tools make it possible for our customers to order goods without placing any CO2 strain on the environment because it does not require additional driving. We continuously work to increase our e-business share, thereby significantly reducing the emission of CO2.

#### **Global Compact**

Solar is a member of the UN's Global Compact, which comprises ten principles, including human rights, working environment/ labour, the environment and anti-corruption. As a result of its membership, Solar is obliged to report on the activities in which we are involved within the Global Compact. Beginning 2011, Solar reports on our CO2 consumption and compliance with ethical standards.

#### **Executive Management**

The chairman of the Solar Group Supervisory Board is associate professor, lic. scient. Jens Borum. The Executive Board of the company is in the hands of Group CEO Flemming H. Tomdrup and Group CFO Michael H. Jeppesen.

## Our primary CSR stakeholders

### Customers, employees, suppliers and the environment are key stakeholders

At Solar, we acknowledge the fact that we are Stronger Together – and that our success is dependent on an interaction between us, our customers, our employees and our suppliers, with due respect paid to the environment around us.

For this report, we have defined our 4 primary stakeholder groups, simply to illustrate how we interpret our corporate social responsibility in relation to these.

You can read more about the individual stakeholder groups later in this report.

#### **Customers**

Solar has created its warehouse and distribution system taking only one thing into consideration: our customers.

Solar's customers want quick, secure, precise and flexible delivery of the articles they need. So, we have organised our logistics system with this in mind.

That is why Solar's customers can order articles and get in touch with us 24 hours a day, 7 days a week. That is why we distribute at night. And that is why we promise to deliver before 07:00 am if you order before 6:00 pm the previous day wherever it is geographically possible. And for the same reason, 99.8% of our deliveries are flawless.

#### **Employees**

At Solar we consider our employees our most important resource. They allow us to reach our

goals and expand our business so that we can continue to set new standards on the market and for our customers in future.

At Solar we look for people who have the energy to move us forward with entrepreneurship, who set ambitious targets and deliver on promises. We offer challenging jobs, exciting career opportunities and individual development.

#### **Suppliers**

The collaboration with our suppliers is a very important asset to Solar. We have decided to enter into partnerships with a small group of strategic, responsible suppliers who cover 80% of the purchasing volume in our markets.

We set the standards high for these suppliers – just like we do for ourselves.

#### **Environment**

Being a socially responsible company, we cannot ignore the fact that some of our activities can have a negative effect on our environment - this is true for practically any kind of business. Therefore, we constantly strive to find 'greener' ways to conduct our business.

## Our mission

At Solar, we understand our customer's needs and provide integrated solutions



## Customers

### We help our customers to optimise their business processes

At Solar, we understand our customers' needs and provide integrated solutions. Energy optimisation is a growing business area and results are convincing when it comes to reductions within energy consumption and CO2 emissions.

We think and act stronger together with our customers.

Being an integrated workflow wholesaler is all about challenging the conventional concept of a wholesaler. Solar's close cooperation with our customers goes far beyond the traditional wholesaler-customer relationship, and the result is more efficient workflows.

We established Solar Consulting as a new business area with effect from 2011. Among other things, this advisory function helps contractors to optimise their business processes with the lean approach. Energy optimisation and general business development are also part of the programme.

Seen from an energy perspective, Solar Consulting was established to increase focus on the significant business potential which lies within energy optimisation of technical installations in existing commercial buildings.

In such technical installations, i.e. within lighting, heating and ventilation, you will typically find a savings potential of 20-30% and a payback time for the investment of 3-6 years. Therefore, an investment in energy optimisation of technical solutions is much better than investments made solely in energy efficient windows and insulation (building envelopes) which typically offer payback times of 10 years or more. However, it is necessary to invest in both the technical installations and the building envelope to utilise the full energy optimisation potential.

The need for knowledge about energy optimisation, including technical installations

which are necessary to cash in on the savings, puts high demands on the competences of everyone involved. Therefore, development of competences, both technically and commercially, will be a focus area in 2012.

#### Successful project

One of the first successful projects in Solar Consulting is the Danish school, Søndre Skole, in the city of Køge.

The Danish subsidiary, Solar Danmark, is involved in this project together with the contractor YIT and the Køge local authority.

The project's focus is energy optimisation of a number of technical installations at the school, i.e. heating and ventilation control in the class rooms.

This will reduce energy consumption and students will experience a healthier indoor climate which will ultimately improve the learning setting.

All in all, these initiatives will reduce energy consumption at the school by 38% and the annual CO2 emissions by more than 82 tonnes.

Also financially, these energy initiatives are a good investment. The approximately one million Danish kroner put into the project will be paid back in approximately four years.

When these energy initiatives are fully implemented, the energy key figures of the school will be below the national average on both electricity and heat consumption.



## **Solar values**

Our values – what we stand for  
and what shape our culture

**SmartFun – Glow – Courage**

## Employees

### Solar focuses on ethics and staff development

Our Code of Conduct leads the way for the employees across the group. And with our own Solar Business Academy, we prioritise staff development.

#### Code of Conduct

Solar is known for our high ethical standards, and in 2010 we implemented a code of conduct across the group. Under the code, Solar is committed to comply with current legislation and regulations and to act in an ethical, sustainable and socially responsible way in all our business activities. The code is accessible to all employees in leaflets prepared in all languages used within the Solar Group. The ethical standards will be an integral part of all new employees' introduction programmes going forward.

#### Solar Business Academy

With the establishment of Solar Business Academy, Solar has undertaken our largest ever investment in the training and development of leaders. A total of 250 managers across group functions and subsidiaries participate in the Group Leadership Programme which is part of the academy.

As a company, Solar imposes ever-increasing demands on our managers because good leadership motivates and develops employees, and because our business is dependent on good leadership. The aim is to develop our leaders' skills so they are ready to drive the group's current five-year strategy plan. They will gain a common understanding of their local leadership roles as well as their co-responsibility for developing the business as a whole.

The Group Leadership Programme is based on lean principles and change management. And managers are trained in Solar's five leadership skills:

- Communicator: our leaders are in front
- Developer: our leaders live in change
- Driver: our leaders walk the distance
- Involver: our leaders are team builders
- Partner: our leaders meet you with respect

We will measure the effect of this leadership programme on the employees.

The Solar Business Academy is not only about leadership development. Over the years to come, the academy will also provide a strategic lift of skills relating to project management, lean, talent development and a range of business competencies.

#### Solar Navigator

Every 18 months Solar conducts an employee survey, Solar Navigator.

One of the results of the survey is the so-called value creation index which shows our ability to create value for customers.

Another result is our leadership index which demonstrates our ability to lead. >70 is considered excellent.

As part of the strategy “#1 in Technical Wholesale”, Solar has launched a range of strategic targets which must be met, and the latest results are in line with these targets:

	Recent measurement	Strategic targets 2010-2012	Strategic targets 2013-2015
Value creation index	707	>680	>700
Leadership index	70	>67	>70

Work to sustain the high level continues.



## **Strategic partnerships with responsible suppliers**

We have taken an active stand on our cooperation with our partners



## Suppliers

### We base our business on strategic partnerships with responsible suppliers

As a condition for entering into strategic partnerships with suppliers, Solar requires that such suppliers observe the Global Compact principles.

As a business, we primarily work with important suppliers of branded products, several of whom have signed up to the Global Compact themselves.

Solar also has a clear supplier strategy that means that we can stand by the products from our strategic suppliers at any given time.

We have taken an active stand on our co-operation with our partners, requiring that they observe a number of principles within e.g. environment, work environment and social responsibility. To make this possible, we have

decided to focus our efforts on collaboration with a limited group of responsible strategic suppliers (leading regional, European or worldwide branded suppliers), which cover approx 80% of our purchasing volume in all of our markets.

Each and every one of these suppliers are required to observe the principles stated in the UN Global Compact. Taking this one step further, we also demand that they require the same thing from their sub-suppliers.

## **Environment**

We care about the environment and see potential in energy efficiency



## Environment

### Solar cares about the environment and sees potential in energy efficiency

We believe in energy efficient solutions and we have energy optimised our own facilities in Vejen and Brøndby in Denmark.

#### Carbon Disclosure Project

Solar has established a reporting system for the company's CO<sub>2</sub> consumption. The system has been rolled out in all the group's subsidiaries and the first CO<sub>2</sub> emission measurements have been completed. One of the first areas being measured is CO<sub>2</sub> emissions generated from the direct burning of fossil fuels, i.e. fuel consumption relating to company cars, lorries, etc. Another area measured is CO<sub>2</sub> emissions from purchased electricity. Also CO<sub>2</sub> emissions in relation to goods distribution are measured. All these measurements are reported to the Carbon Disclosure Project.

#### Initiatives

Solar subsidiaries have obtained a number of ISO certifications within environmental and quality management. With the Carbon Disclosure Project, Solar is now firmly focused on the environment.

Several initiatives have already been launched:

- Solar has opened a green data centre in Vejen, Denmark. The centre consists of an energy-efficient server room of 245 m<sup>2</sup>.
- The group has installed a so-called TelePresence system that offers the opportunity for video conferencing. This makes it both easier and cheaper to communicate between the group's headquarters and the subsidiaries, and between the subsidiaries themselves. As the system cuts down on travel between countries, we can reduce travel costs as well as our CO<sub>2</sub> emissions.

#### Renewable energy

Solar sees considerable potential in energy efficiency both now and in the future. As an example of this, we have recently seen increased sales of solar cells and heat pumps.

Also, the interest in exploring energy efficient solutions at our knowledge centre, Solar Explorium, is significant among contractors, architects, consulting engineers and builders.

Solar Explorium, which is based on renewable energy sources, is categorised as an energy class 1 building and, therefore, complies with the new legal requirements that come into force in 2015.

## Corporate Governance

As a listed company we wish for as much openness and transparency for all our stakeholders as possible



## Corporate governance

### Solar aims at transparency

As a listed company, Solar A/S wishes for as much openness and transparency for all our stakeholders as possible.

Solar sees the recommendations of the committee on Corporate Governance in Denmark as a valuable tool for ensuring sound management, good transparency for shareholders and other stakeholders and for efficient risk management. Solar, therefore, basically follows the recommendations relevant to the company.

Solar wishes to maintain an ongoing dialogue with the company's shareholders and other stakeholders and to provide as timely and detailed information about the company's development as possible, balanced with the necessary consideration for the company's competitive situation.

Solar regards shareholders, employees, customers, suppliers, lenders and society in general as important stakeholders. We believe that, in the long-term, there are common interests between the company's stakeholders. As a result, we wish to focus on these long-term interests that influence the company's ethics, policies and information practices.

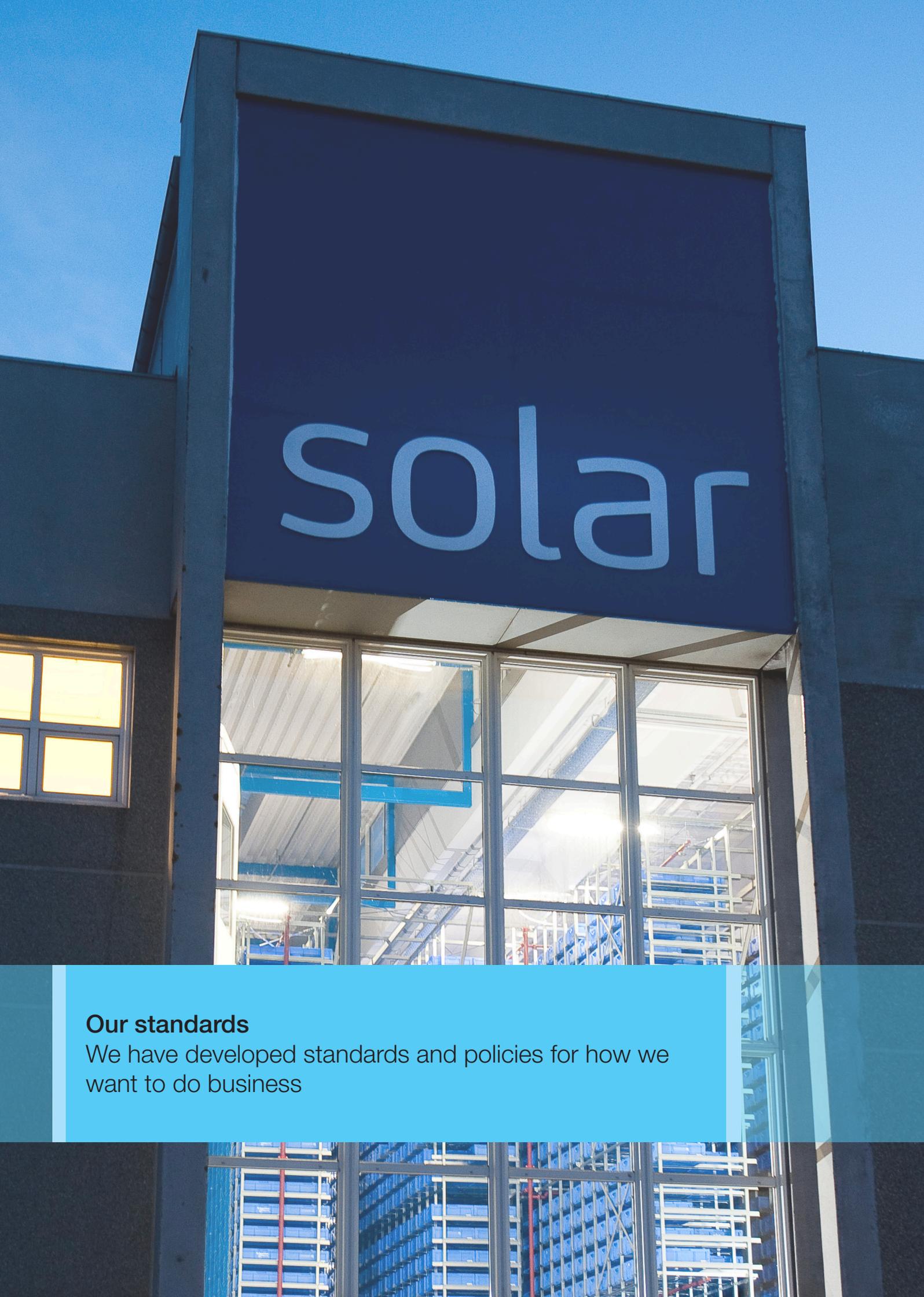
Solar wishes for as much openness and transparency for all stakeholders as possible with due consideration for our competitiveness. The intention is to provide a timely, true and fair view of the company's position, financial position

and development potential and to make this information available to all stakeholders at the same time.

Solar's Supervisory Board see it as their responsibility to ensure a competent management, a clear-cut organisation, effective control and risk management tools and to lay down and follow up on strategic targets with due regard for financial opportunities and the company's management resources.

In our annual report and on our website [www.solar.eu](http://www.solar.eu), Solar lists the managerial duties, including board memberships, the Executive Board and individual board members have undertaken. The annual report also contains information on the number of options held by members of the Executive Board and any changes hereto. Moreover, the annual report also states whether any members of the Supervisory Board and Executive Board own shares in the company. Any changes in these shareholdings are published on an ongoing basis.

Our website [www.solar.eu](http://www.solar.eu) includes more information about corporate governance.



# solar

## **Our standards**

We have developed standards and policies for how we want to do business

## Our standards

### We have developed standards and policies for how we want to do business

Solar A/S employs about 3,500 people in ten countries, primarily in the Northern part of Europe. To act as one company, we need clear standards. Since legal requirements and work cultures differ from country to country, we have developed standards and policies for how we want to do business.

#### **UN Global Compact**

Solar has been an active signatory to the UN Global Compact since 2009. This means that Solar has established a reporting system for activities covered by Global Compact's 10 principles, which encompass human rights, working environment/labour, environment and anti-corruption. By signing up for Global Compact, Solar meets the reporting requirements of the Danish authorities applicable as from 2009.

Solar wants to make it clear that we are committed to the UN's Global Compact Programme. We see our involvement in the programme as an asset in relation to customers and suppliers and a clear advantage in respect of attracting and maintaining employees. In addition, there is the need for and a desire to be seen as a company in which both Danish and foreign investors can safely invest – also from an ethical standpoint.

In 2010 Solar implemented a Code of Conduct across the group. Under the code, Solar is committed to comply with current legislation and regulations and to act in an ethical, sustainable and socially responsible way in all its business activities. The ethical standards shall be an integral part of all new employees' introduction programmes.

#### **Carbon Disclosure Project (CDP)**

The Carbon Disclosure Project was launched to accelerate solutions to climate change and water management by putting relevant information at the heart of business, policy and investment decisions. In 2010, Solar disclosed our greenhouse gas emissions, water management and climate change strategies for the first time in response to CDP's information requests.

## Data summary table

Environment	Unit	2010
<b>Total emission of greenhouse gasses</b>	Tonnes CO2e*	22,055
<b>... of which company cars account for (Scope 1)</b>	Tonnes CO2e	3,529
Gasoline cars	MWh	9,065
Diesel cars	MWh	785
Ethanol cars	MWh	62
<b>... of which energy use accounts for (Scope 2)</b>	Tonnes CO2e	6,112
Electricity	MWh	12,261
Heat (district heating, heating oil and gas)	MWh	12,711
<b>... of which transport of goods by lorries accounts for (Scope 3)</b>	Tonnes CO2e	12,414
<b>Per full-time employee (Scope 1 &amp; 2)**</b>	Tonnes CO2e	3.35
<b>Per € 1 million of revenue (Scope 1 &amp; 2)</b>	Tonnes CO2e	7.14

\* All data is a result of Solar's first reporting to the Carbon Disclosure Project, [www.cdproject.net](http://www.cdproject.net). For a thorough look, see the Solar investor CDP 2011 report, which is publicly available online.

\*\* The 2010 greenhouse gas emissions are presented in CO2 equivalents (CO2e). This allows for comparisons between the impact of many different emitted gasses, as all emissions are converted via gas-specific impact potentials. For a complete overview of applied impact potentials, see the Solar investor CDP 2011 report.

\*\*\* As the data calculated for scope 3 emissions are only part of the total scope 3 emissions (e.g air travel not included), these figures are presented on the basis of scope 1 & 2 only.

### Key figures - Labour practices

Total number of employees	2009	2010	2011
<b>Total</b>	3,175	2,955	3,585*
Managers & White collars	80%	81%	84%
Blue Collars	20%	19%	16%
<b>Age distribution</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Average age	43	42	42
<b>Seniority</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
< 2 years	18%	16%	15%
2-5 years	28%	31%	18%
5-10 years	19%	18%	39%
> 10 years	35%	35%	28%
<b>Employee Satisfaction Survey</b>	<b>2009</b>	<b>2010</b>	
Value Creation Index	690	707	
<b>Leadership index</b>	<b>65</b>	<b>70</b>	

\* Total number of employees 20.11.11



**Solar A/S**

Haderslevvej 25  
DK-6000 Kolding  
Tel. +45 79 30 00 00  
CVR no. 15908416

[www.solar.eu](http://www.solar.eu)



*stronger together*