

Sustainability and Corporate Social Responsibility

Assuming responsibility

As a company with a sustainable business practice, Sto recognises its responsibility to its social, economic and ecological environment (**Corporate Social Responsibility**). We operate on a global basis, which means that our actions have an influence on a large number of people, social areas and the environment. It is our objective to continuously improve the positive aspects of our activities in these three fields and to minimise unfavourable secondary effects.



Sto's responsible and sustainable approach finds expression in the **corporate guiding principles** "Building with conscience." This symbolically stands for our objective of maintaining the value of buildings in strict compliance with the needs of mankind and nature. At the same time, the Guiding Principles, together with the defined corporate vision of being the global technology leader in the sustainable design of living space tailored to human needs,

provide our employees and managers with terms of reference for corporate management as well as daily operations.

Sto | Building with conscience.

Furthermore, we observe recognised regulations such as the **German Corporate Governance Code** for responsible and transparent corporate government. Compliance with legal and ethical standards and a sound financial policy are as integral to our understanding of good corporate governance as a long-term strategy. All forms of bribery and corruption are unacceptable for us and will not be tolerated. Further details relating to corporate governance at Sto are to be found in the Corporate Governance report on pages 9 to 12.



Content-related guidelines for sustainable corporate management are also provided by the regulations of the **"Global Compact"**, a strategic initiative under the auspices of the United Nations. The "Global Compact" participants are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to supporting the corresponding objectives. Sto AG signed up to the initiative in 2009, in order to reinforce its commitment to sustainable development and to document it on an international level. This report represents the

annual Communication on Progress (COP) required by the “Global Compact”.

A value-based framework of actions

We specified the Guiding Principles, enshrined in the motto of “Building with conscience.”, in the “Principles for cooperation within and management of the Sto 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.

Controlling sustainability

In order to promote and control responsible procedures on all corporate levels, a Group-wide sustainability reporting system was implemented in 2010 in addition to the above-mentioned procedural guidelines. It is based on the “Global Compact” principles. The management personnel of all companies belonging to the Sto Group are responsible for ensuring compliance with the corresponding rules and for implementing appropriate measures. In 2011, we successfully completed the informational and educational campaign on our vision and mission as well as the “Principles for cooperation within and management of the Sto Group”. We hence

created the basis for a Group-wide values and objectives system which now ensures a uniform course of action within the Sto Group.

Introduction of the Suppliers Code of Conduct

In order to further develop our procurement processes to become more sustainable too, Sto introduced a Supplier Code of Conduct in 2011. It is based on the “Global Compact” principles as well, and was also aligned with the value concepts specified in the Guiding Principles. In the form of a questionnaire we will, in future, ask our suppliers to provide us with information on important social and ecological topics twice a year. These results and findings will be incorporated into the supplier’s evaluation and rating and are to be verified regularly through audits or during contract talks.

Environmental management system implemented in production

We attach great importance to sustainability within the production process and hence implemented a comprehensive environmental management system many years ago. This system ensures a systematic and verifiable approach in the production area. At the same time, it also provides the basis for ongoing improvement in the consumption of resources. To document the high standard of our environmental management system, we have the system certified in accordance with the international DIN EN ISO 14001 standard at our key locations. We will successively enlarge the circle of plants tested to this standard.

Comprehensive measures in the area of human resources

A crucial sustainability objective is to offer all employees a health-promoting working environment. This is why Sto launched a health management system in 2010, first at Sto AG and StoCretec GmbH. In the long run, the

Fit@Sto system is to be implemented throughout the entire Sto Group. In 2011, we continued to systematically build it up further. Among others, the task group in charge drew up the medium-term planning and organised the current activities, such as various health campaigns.



Numerous colleagues from Sto Corp. participate in the corporate run, the so-called "Kaiser Permanente Walk" every year.

Furthermore, a fundamental part of the personnel strategy is to cater for employees wishing to reconcile work and family life. In a first step we developed objectives and measures together with an external auditor in order to establish the necessary prerequisites at Sto. Further information on our personnel strategy can be found in the employees section on pages 27 to 30.

Further sustainability activities in 2011

Beyond the stated projects we were active in numerous other areas in 2011 in order to assume social responsibility. The following examples are presented according to the three sustainability dimensions of economy, ecology and social issues.

Economy

Long-term oriented actions

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. To do this we implemented the corresponding decision-making processes and corporate structures. These ensure forward-looking actions. At the same time it constitutes active risk management: by observing comprehensive indicators, which go beyond purely economic aspects; risks and opportunities arising through changing market, environmental and social conditions can be identified and suitable measures be taken in less time. This contributes to permanently adding value to, securing of existing and creation of new workplaces. It also ensures reliable support of social and ecological projects.

As a family-run public limited company we also attach importance to continuity in corporate management. The handover of management responsibilities to the next generation, which began in 2010, had been prepared in good time, so that further key positions were successfully filled in 2011.

Improving the efficiency of our corporate processes is also part of a sustainable strategy. In the past fiscal year we initiated the construction of an automated silo cleaning plant at the Weizen location, for example. This plant not only works in a more economic but also a more resource-conserving way as the need for fresh water is significantly reduced at the same time.

Ecology

Thermal insulation helps to protect the environment

Ecological and economic aspects blend seamlessly at Sto. Our core business is the production of facade systems. Thanks to their efficient insulation capacity they contribute to significant

savings in oil and gas as less heating energy is required. Hence, facade systems are not only an important growth driver for Sto, but also contribute noticeably to protecting the climate and the environment. The Sto systems which have been installed worldwide since 1965 resulted in savings in the order of approx. 64 billion litres of heating oil up until and including 2011, with last year accounting for around 5 billion litres of this figure alone. The resultant reduction in CO₂ emissions totalled 199 million tonnes, including around 14 million tonnes in 2011.

Promoting environment-friendly technologies

By actively supporting the widespread use of facade systems, we are promoting the development and spread of environment-friendly technologies – fully in keeping with the “Global Compact”. A key element of marketing operations is active PR work which we pursue in professional associations at a 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.

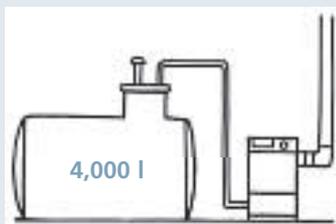
Environmental certification of Sto products

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 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 continuously promote the environmental certification of our product range. In 2011, we received EPDs for further external renders, organic adhesive and filler compounds as well as for primers and facade paints. Furthermore, we requested the declaration for six different external wall insulation systems last year. We expect to be receiving the so-called ESDs (Environmental System Declarations), which not only evaluate the single components, but the

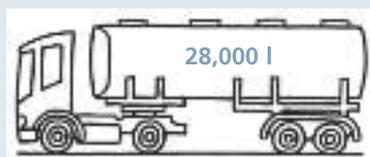
Thermal insulation helps to protect the environment

Energy savings from the use of Sto facade insulation systems correspond to around **64 billions litres of heating oil**

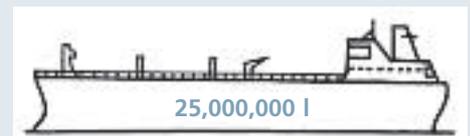


x 16 million oil tanks

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x 2.3 million tanker lorries

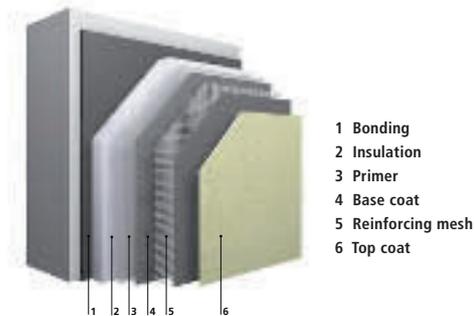


x 2,500 oil tankers

Between 1965 and 2011, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 64 billion litres of heating oil. This represents a notable contribution to global climate protection: the facade insulation systems from the Black Forest have cut CO₂ emissions by around 199 million tonnes. In 2011 alone, Sto products reduced emissions of this combustion gas by around 14 million tonnes.

aspects of a system in its entirety, in the first half-year of 2012.

Our StoTherm In Comfort internal insulation system received the "Natureplus" seal in 2011. The certificate, awarded by the recognised eco-institute of the same name, confirms the insulation system's environmental compatibility and harmlessness in terms of health aspects.



Distinctions for Sto

Sto AG is regularly awarded distinctions for its ecological commitment and dedication. In 2011, the French subsidiary, Beissier S.A.S., received the "Environmental Reward SMO" in accordance with ISO 14001-2004. Sto Isoned B.V., Netherlands, was awarded the "Passive House Award" for the "De Kroeven, Roosendaal" project.

Medium-term goal:

Balance in terms of CO₂ emissions

Another medium-term goal of Sto is the promotion and support of an extensive environmental protection project in addition to its worldwide social commitment. For this reasons, a study is currently being evaluated which deals with the support of a large-scale forest protection project in South-East Asia. Further examinations of other suitable concepts are to follow. With the intended environmental protection measure, Sto AG aims to balance out its carbon footprint, which it leaves through its business activities.

Social issues

Sto Foundation – Responsibility for the next generations

Commitment to social issues forms part of a long-standing tradition at Sto. The most important cornerstone is the non-profit **Sto Foundation** which we established to mark our company's fiftieth birthday in 2005, providing it with funding to the tune of EUR 1 million. Funding was significantly increased on the occasion of the foundation's five-year anniversary: since 2011, and until and including 2015, it will have EUR 350,000 available per year. 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 focus is on further training activities for these two groups. The fourth area deals with project sponsorship. 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 the trade area, the sponsoring and training of the newly formed National Team of Plasterers was the main focus in 2011, as the "World Skills", the world championship of trade professions, will take place in the autumn of 2012 in the Belgian city of Spa. The venue in July 2013 will be Leipzig, where the world's best young tradesmen will be elected in Germany again for the first time in more than 40 years. The team, supported by Sto, will participate in the title race and, at the same time, function as an ambassador for an attractive profession, which links innovation, a broad sphere of activity and traditional craftsmanship.



The members of the German National Team of Plasterers at Sto.



University students from Berlin developed an alternative construction concept in Port-au-Prince, Haiti, which had been destroyed by the earthquake.

A highlight in the funding area of architecture in 2011 was the support of an exemplary project by the Planning, Building, Environment Faculty at the Technische Universität Berlin: the faculty chair initiated a German-Haitian workshop following the earthquake that hit Haiti in 2010. The project "Experiencing life cycle in

buildings" has been designed to help reconstruct destroyed buildings in Port-au-Prince and preserve Haitian heritage at the same time. Taking regional conditions into consideration, the participants will design and build a house made of recycled materials.

Social responsibility

Sto is involved in the social area even beyond the Foundation's activities. With our social responsibility in mind and on the occasion of us clearly exceeding the one billion mark in turnover, we initiated the establishment of

an aid fund at the end of 2011 for Sto Group employees in need. We will allocate it a one-off amount of EUR 1 million which is to help employees whose existence has been plunged into crisis through no fault of their own.

Another important measure was the funding of a nursery school project in Namibia. It is the goal of the "Bright Hill Pre-School", located in the slums of Windhoek, to contribute to improving the disastrous local conditions in the area of social and educational affairs. Around 100 students divided into four class levels currently attend the facility. In addition to the education they receive they are also given breakfast and lunch. The project is mainly financed through sponsorships and donations. Sto helps provide the project with a sound financial basis for the coming years.

The company was also active in Great Britain last year and, for the first time, participated in the traditional dragon boat race which forms part of a fund-raising event. The "Dragon Boat Challenge" takes place once a year and raises money for homeless persons in the United Kingdom. Although our dedicated employees did not win the actual race, they still won the "Charity Champions" prize, which is awarded for the highest donation.

Founder and Manager of the nursery school, Franz-Josef Müller, with his pupils.

