

**WE HAVE
THE POWER
TO MAKE
A DIFFERENCE,
ALSO IN AREAS
THAT ARE NOT
DIRECTLY
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AS A
COMPANY.**

SOLAR CSR REPORT 2012

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OUR MISSION STRONGER TOGETHER

We understand our customers' needs and provide value-adding services and products. We call it stronger together.

WORD FROM THE MANAGEMENT

WE TAKE OUR RESPONSIBILITIES TO PEOPLE AND OUR ENVIRONMENT SERIOUSLY

Solar has a strong business interest in energy-efficient solutions and see growing potential within this area. Our solutions bring major savings, both on energy and CO₂ emissions.

In Solar, we do not plant trees and we are not biodynamic environmentalists. But we make a business out of selling and delivering solutions that help our customers' clients lower their CO₂ emissions and save energy as well as money. Blue Energy is our concept for a profitable and energy-efficient future.

Our employees' intelligent integration of solar cells and energy-efficient lighting is the way of the future. We think holistically and use our knowledge of valves and heating devices – as well as of ventilation, automation and sanitation products – to create value.

We work intensively with Lean throughout the organisation in order to remove waste in all parts of the value chain.

On many occasions, Solar has proven to be a company where the employees truly understand the meaning of being stronger together. As 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.

In 2009, we signed up for the United Nations' Global Compact Programme, which formalises our obligation to communicate



Flemming H. Tomdrup
Group CEO



Michael H. Jeppesen
Group CFO

our progress within Corporate Social Responsibility to the world around us. When reading this report, you will find an introduction to the CSR activities that take place within Solar's framework. Some of these activities are the results of large projects, while others are small everyday actions which, nevertheless, are equally important when defining Solar as a company.

Solar takes its responsibilities with regard to people and the environment seriously. We wish to send out a clear message that we are committed to the Global Compact 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 retaining 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.

We invite you to explore how we ingrate our social responsibility into our strategy and our day-to-day operations, both here and on our website www.solar.eu.

Flemming H. Tomdrup
Group CEO

Michael H. Jeppesen
Group CFO

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

We deliver products, knowledge 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 3,600 employees. Solar has companies in Denmark, Norway, Sweden, the Netherlands, Germany, Poland, the Faroe Islands, Belgium and Austria. Aurora Group is represented in Denmark, Norway, Sweden and Finland.

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

Stronger Together

We function as the professional link between supplier and customer. A range of approximately 215,000 articles in stock allows us to tailor those solutions that will help our customers the most.

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 focus fully 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 that optimises our customers' workflow and makes 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 CO₂ emissions.

Global Compact

Solar is a member of the UN's Global Compact, which contains 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. We report on our CO₂ consumption and our 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.

SOLAR AT A GLANCE

A 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.

OUR PRIMARY CSR STAKEHOLDERS

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

At Solar, we embrace 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 to society and the environment which surrounds us.

For this report, we have defined our 5 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 with only one thing in mind – our customers.

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

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 this 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 resources. 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, and our goal is that these cover a minimum of 75% 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 impact on our environment – this is true for practically any kind of business. Therefore, we constantly strive to find 'greener' ways to conduct our business.

SOCIETY



At Solar, we have a responsibility to use our knowledge and competences in a way that benefits society at large. Solar has subsidiaries in various countries and we like to support good causes – both globally and locally.

STAKEHOLDERS**CUSTOMERS**

Being a technical 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, resulting in more efficient workflows.

We are always looking for new business areas and in 2011 we added consultancy to our business. Solar Consulting is an advisory function that works with energy optimisation. As part of the programme we screen buildings to find energy savings potential.

Competence and experience are vital for our ability to not only boost our customers' market share, but also to minimise costs and our carbon footprint.

So, knowledge about energy optimisation, including the technical fittings which are necessary to cash in on the savings, places high demands on the competences of everyone involved.

Significant business potential

From an energy perspective, Solar Consulting was launched to increase focus on the significant business potential within energy optimisation of technical fittings in existing commercial buildings.

In the technical fittings, 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 the technical solutions is much better than investments made solely in energy efficient windows and insulation (building envelopes) which typically have payback times of 10 years or more. However, it is necessary to invest in both the technical fittings and the building envelope to take full advantage of the energy optimisation potential.

We help our customers optimise their business processes. We understand our customers' needs and provide value-adding services and products. Energy optimisation is a growing business area and results are convincing when it comes to the reduction of energy consumption and CO₂ emissions.



Customer contact
24/7

99.8%
Flawless deliveries

We think and act stronger together with our customers.

Successful project

One of the successful projects in Solar Consulting was related to the Danish school, Søndre Skole, in the city of Køge.

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

The project focused on energy optimisation of a number of technical fittings at the school, i.e. heating and ventilation control in the class rooms.

The solutions implemented reduced energy consumption with the added benefit that the students experienced healthier indoor climate which actually improves their learning environment.

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

These energy initiatives were also a good investment. Project costs totalled some one million Danish kroner and this will be paid back in approximately four years.

When the school's energy initiatives are fully implemented, its energy key figures will be below the national average when it comes to both electricity use and heat consumption.

STAKEHOLDERS**EMPLOYEES**

Solar focuses on ethics and people development. Our Code of Conduct leads the way for employees across the group. And with our own Solar Business Academy, we prioritise people development.

Continuous development

We are continuously improving the way we do business. We are growing at a pace where innovation and optimisation of our processes, our standards and our practices are just as important as on-time delivery.

Therefore, we work strategically with competency development through employee performance appraisals. Solar Business Academy, Group Leadership Programme and our new project management education further strengthen our development. So far, feedback from training has been very positive. For instance, the overall rating of our Project Management training was 4.8 on a scale of 5. The way we are organised also requires our employees to have knowledge about distance and virtual leadership as well as an understanding of cultural differences. Therefore, we have introduced these two disciplines in our Solar Business Academy.

Our Solar Business Academy is not only about leadership development. The academy also provides a strategic lift when it comes to skills relating to Lean, talent development and a range of business competencies.

Group Leadership Programme

As a company, Solar makes ever increasing demands on our managers because good leadership motivates and develops employees, and because our business depends on good leadership.

The aim is to develop our managers' skills, making them ready to drive the group's current five-year strategy plan. Managers will gain a shared understanding of their local leadership roles as well as their co-responsibility in developing the business as a whole.

A total of 250 managers across group functions and subsidiaries participate in the Group Leadership Programme which is

Recent measurements
Value creation index

715 > 680

Strategic targets 2010-2012
Value creation index

Recent measurements
Leadership index

72 > 67

Strategic targets 2010-2012
Leadership index

We will continue
to keep up this
high level.

part of our academy. We will measure the effect of this leadership programme in relation to the employees.

Career paths and recruitment

We want to secure career development at Solar in general. We will heighten internal recruitment levels by making different career paths in Solar visible and by showing specialists that we also have career paths for them.

As demographic developments in the workforce will give employers challenges for employers in the future, we are launching an Employer Branding concept to promote Solar as an employer, attract potential employees and increase pride among our current employees.

Solar Navigator

Every 18 months Solar conducts an employee survey, Solar Navigator. The recent survey was conducted in the first half of 2012.

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.

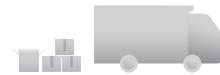
As part of the strategy "#1 in Technical Wholesale", Solar has launched a range of strategic targets which must be met, and the latest results are in line with the targets:

	Recent measurements	Strategic targets 2010-2012	Strategic targets 2013-2015
Value creation index	715	> 680	> 720
Leadership index	72	> 67	> 73

We will continue to work to keep up this high level.

STAKEHOLDERS

EMPLOYEES

STAKEHOLDERS

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 cooperation 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 collaborating with a limited group of responsible strategic suppliers (leading regional, European or worldwide branded suppliers). Our goal is that these cover a minimum of 75% of our purchasing volume in all of our markets.

Each and every one of these suppliers is 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.

75%

Our goal is that at least 75% of our purchasing volume is covered by our responsible strategic suppliers.

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 has been signed by all employees and is accessible through leaflets in all languages used within the Solar Group. The ethical standards will be an integral part of all new employees' introduction programmes going forward.

Working environment

We are constantly working to improve our working environment. An example is Solar Danmark A/S' central warehouse, which was given a green smiley by the Danish Working Environment Service for the great 5S lean work done by the employees who have created a nice and clean work place. The green smiley is valid for 5 years, under the condition that they keep up the good work.

Whistleblower scheme

An external whistle blower scheme was launched in 2012. This is an information system that provides employees with an opportunity to report breaches of our Code of Conduct or suspicions thereof confidentially. In 2013, suppliers, customers and others will have access to the system too.

STAKEHOLDERS

ENVIRONMENT

Carbon Disclosure Project

Solar has established a reporting system for the company's CO₂ consumption. The system has been rolled out in all the group's subsidiaries and the first CO₂ emission measurements have been completed. One of the first areas being measured is CO₂ emissions generated from the direct burning of fossil fuels, i.e. fuel consumption relating to company cars, lorries, etc. Another area that is measured is CO₂ emissions from purchased electricity. Also, CO₂ 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 initiated:

- Solar has opened a green data centre in Vejen, Denmark. The centre consists of an energy-efficient server room of 245 m².
- 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 CO₂ 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.

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, Brøndby and Svenstrup in Denmark.

66%

Total percentage
of energy
consumption
savings.

Office building,
Vejen

39T

Annual CO₂
emission
reduction.

Office building,
Brøndby and
Svenstrup

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

Solar Blue Energy 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.

Energy optimisation of our own buildings

We truly believe in energy-efficient solutions and not least energy optimisation of existing buildings. Therefore we have energy optimised our own facilities in Vejen, Brøndby and Svenstrup in Denmark and we can prove that it works.

In the 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.

In our office building in Vejen we now save 66% of our total energy consumption with a payback time for the investment of 5.7 years.

And in our office building in Brøndby we save 20% of our total energy consumption with a payback time for the investment of 5.4 years. At the same time, we reduce our annual CO₂ emissions by 39 tonnes.

Finally, in our office building in Svenstrup we save 31% of our total energy consumption with a payback time for the investment of 7 years. Here we also reduce our annual CO₂ emissions by 39 tonnes.

STAKEHOLDERS**SOCIETY****Solar cares about society.**

Solar has subsidiaries in various countries and we like to support good causes – both globally and locally.

Improved lighting

Being a technical wholesaler, Solar has competences and knowledge within lighting. These have come to good use at the castle of Koldinghus in Kolding, the city where Solar's headquarters are also located. In 2012, Solar supported upgrading of the lighting of the knights' hall at Koldinghus.

Nordhøj

For many years now, Solar has supported Nordhøj in Kolding, Denmark, which is an institution for mentally challenged individuals. The people at the institution do a great job helping us by repackaging small articles. Solar pays for this service and thereby supports the institution. We consider this a natural social gesture.

Run for a good cause

In our various subsidiaries there are several local initiatives supporting both local and global projects. For instance in the Netherlands, there is a group of runners called The Running Friends. The Running Friends are a group of Solar employees running for a good cause: The Hunger Project – a global movement with a vision and commitment to end hunger.

The Fund of 20th December

Solar's majority shareholder, The Fund of 20th December, continuously provides support to a number of projects in the Kolding area, where Solar was originally founded. As an example of this, the fund this year paid financial aid to a day care centre in Kolding.

OUR VALUES

SMARTFUN

GLOW

COURAGE

Our values – what we stand for and what shape
our culture SmartFun – Glow – Courage.



CORPORATE GOVERNANCE

SOLAR AIMS AT TRANSPARENCY

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

Solar views 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 wants 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, Solar lists the managerial duties, including board memberships, that the Executive Board and individual board members have undertaken. The annual report also holds information on the number of options held by members of the Executive Board and any changes hereto. Moreover, the annual report 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 includes more information about corporate governance.

OUR STANDARDS

WE DEVELOPED STANDARDS AND POLICIES

Solar A/S employs about 3,600 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 of 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 when it comes to attracting and retaining 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 will 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.



CDP

Environment	Unit	2010	2011
Total emissions of greenhouse gasses	Tonnes CO ₂ e*	22,055	25,811
... of which company cars account for (Scope 1)	Tonnes CO ₂ e	3,529	3,970
Gasoline cars	MWh	9,065	10,770
Diesel cars	MWh	785	1,062
Ethanol cars	MWh	62	14
... of which energy use accounts for (Scope 2)	Tonnes CO ₂ e	6,112	7,462
Electricity	MWh	12,261	16,973
Heat (district heating, heating oil and gas)	MWh	12,711	12,588
... of which transport of goods by lorries accounts for (Scope 3)	Tonnes CO ₂ e	12,414	14,379
Per full-time employee (Scope 1 & 2)	Tonnes CO ₂ e	3.35	3.57
Per € 1 million of revenue (Scope 1 & 2)	Tonnes CO ₂ e	7.14	7.46

All data is a result of Solar's reporting to the Carbon Disclosure Project, www.cdproject.net. For a thorough look see the Solar investor CDP 2012 report, a report publicly available online.

* The greenhouse gas emissions is given in CO₂ equivalents (CO₂e). The equivalents allow to compare the impact from many different emitted gasses, as all emissions are converted via gas-specific impact potentials. For a complete overview of applied impact potentials, see Solars reporting to the investor CDP 2012.

KEY FIGURES - LABOUR PRACTICES

	2009	2010	2011	2012
Total number of employees				
Total	3,175	2,955	3,585*	3,564**
Managers & White collars	80%	81%	84%	85%
Blue Collars	20%	19%	16%	15%
Age distribution	2009	2010	2011	2012
Average age	43	42	42	43
Seniority	2009	2010	2011	2012
< 2 years	18%	16%	15%	20.7%
2-5 years	28%	31%	18%	20.5%
5-10 years	19%	18%	39%	22.5%
> 10 years	35%	35%	28%	36.3%
Employee Satisfaction Survey	2009	2010		2012
Value Creation Index	690	707		715
Leadership index	65	70		72

* Total number of employees 20.11.2011

** Total number of employees 26.11.2012

KEY FIGURES

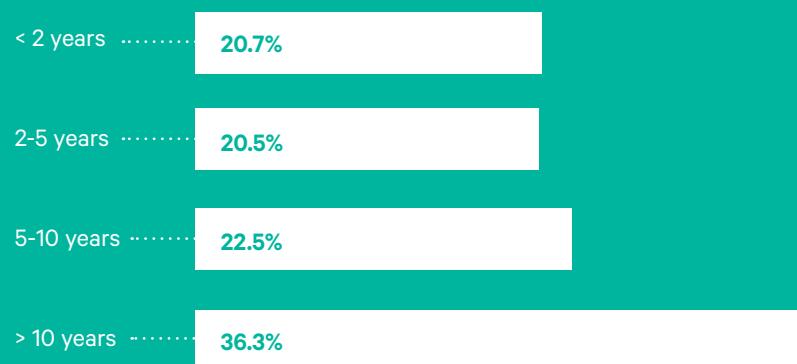
3,564

Total number of employees, 26 November 2012

43

Average age, 2012

Seniority (2012)



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stronger together