

Sustainability and Corporate Social Responsibility

Taking responsibility

Adopting a sustainable approach to business activities is one of the keys to achieving long-term success. For this reason, we treat sustainability as a holistic concept that will guide us into the future, and keep both financial and ecological considerations in mind during our planning processes. By taking a consistent approach to implementing this integrated concept, we are not only shaping the foundations for continued growth, but also recognising our responsibility to society, to our employees and other stakeholders and shareholders, as well as to nature (**Corporate Social Responsibility**). As a rule, our activities also go beyond simply meeting the minimum requirements prescribed by law.



And the significance we place on sustainability is expressed in our **Guiding Principles** as well: "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. 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 when making strategic decisions and carrying out day-to-day operational activities.

Sto | Building with conscience.

Compliance with national and international regulations

We also bring our sustainable approach to corporate management into line with recognised external regulations such as those provided by 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".



The **German Corporate Governance Code** represents an important set of national regulations for responsible and transparent company management. 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.¹ Further details relating to corporate governance at Sto are to be found in the Corporate Governance Report on pages 11 to 14.

Internal corporate regulations

We supplement these specifications from external sources with internal corporate regulations, which are designed to accommodate Sto's specific corporate environment. Among these, "Principles of Cooperation and Management within the Sto Group" represents the most important document, and one which we use to translate the general ideas outlined in our Guiding Principles into concrete actions. 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.² The Sto managers on site are responsible for implementing this.

The principles also enshrine the unrestricted right of employees to organise themselves into unions or other employee representative associations.³ We prohibit forced labour, child labour, and any kind of discrimination.⁴ Additionally, we insist that the remuneration our employees receive in all companies of the Sto Group remains above minimum wage at all times. 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

Because of the importance of sustainability at Sto on both a national and international level, and our desire to promote our sense of responsibility at all company levels, in 2012 we set up a department dedicated to this in our "Technology" executive area. In future, this department

is to provide a strategic focus for our Group-wide sustainability activities, coordinate them on a central level, and steer them. On the basis of extensive analyses, we have worked closely with the Management Board to review existing measures and set new activities in motion. One example of a key project we are engaged in is the targeted development of our sustainability reporting, based on the ten principles of the "Global Compact". This involves recording key figures relating to environmental protection, health protection, occupational safety, and equal treatment of men and women. The managers in the respective Sto companies are responsible for implementing the measures derived from this reporting.

Furthermore, the previous fiscal year saw us launch training sessions on Sto's vision and mission, as well as on internal corporate principles. These were given as part of introductory seminars for new employees. Through this, we are shaping and consolidating the foundations that will enable all Sto employees across the globe to work with the same aims in mind and follow the same procedures.

Code for suppliers receives positive feedback

Sto's sustainability activities go beyond the Group itself, however: our responsibilities also cover areas such as logistics and the supply chain. At all times, we want to ensure we are moving forward in every area. A key initial step towards achieving this was made in 2011 when we launched a code for suppliers with the aim of making procurement processes more sustainable. This code is based on the "Global Compact" principles, as well as on the concepts set out in the Sto Guiding Principles. Since 2012, we have been asking our suppliers to provide us with information on key ecological, financial, and social indicators. The results and findings are incorporated into the bi-annual supplier evaluation and rating, and the intention is for

¹ UN Global Compact principle 10.

² UN Global Compact principles 1 and 2.

³ UN Global Compact principle 3.

⁴ UN Global Compact principles 4, 5 and 6.

them to be verified regularly through audits or during contract negotiations.



A truck driver for a raw material supplier removes a material sample for the Sto laboratory from a road tanker.

Feedback on the supplier’s code has been extremely positive, with many business partners saluting the initiative we have taken in launching it and assuring us of their intention to play an active role in ensuring continued improvement. Against this backdrop, the response rate for our 2012 survey was also pleasingly high at around 80 %.

Further sustainability activities in 2012

Beyond the stated measures we were active in numerous other areas in 2012 in order to assume social responsibility. The examples below are categorised according to the sustainability dimensions of ecology & economy as well as social issues.

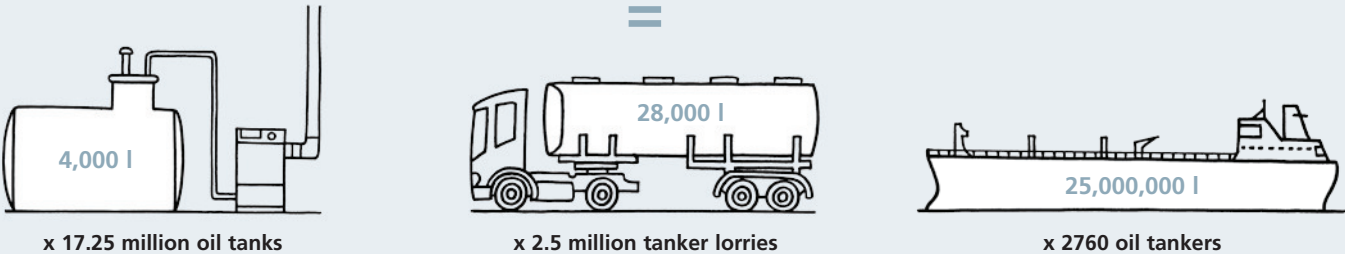
Ecology & economy

Thermal insulation helps to protect the environment

For Sto, ecological and economic considerations represent two sides of the same coin. 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 of around 69 billion litres of heating oil up to and including 2012, with last year accounting for around 5 billion litres of this figure alone. The

Thermal insulation helps to protect the environment

Energy savings from the use of Sto facade insulation systems correspond to around **69 billion litres of heating oil**



Between 1965 and 2012, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 69 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 214 million tonnes. In 2012 alone, Sto products reduced emissions of this combustion gas by around 15 million tonnes.

resulting reduction in CO₂ emissions totalled 214 million tonnes, including around 15 million tonnes in 2012.

Promoting the spread of insulation technologies

By actively promoting sales of facade systems, we are encouraging the development and spreading of environmentally friendly technology – something that is entirely in the spirit of the “Global Compact”.⁵ To raise awareness of the economic and ecological benefits of facade systems even further and create new horizons for applications, we are committed to participating in both national and international trade associations. We are a member of the European Association for External thermal insulation composite systems (EAE) and the German Sustainable Building Council (DGNB), for example.

Furthermore, we play an active role in the “Sustainability” working group established in 2012 by the Verband der deutschen Lack- und Druckfarbenindustrie (German Paint and Printing Ink Industry Association). Its aim is to define and operationalise sustainability criteria, and to develop and promote corresponding standards, guidelines and tools on a joint level.

Environmental certification of Sto products

By participating in the “Task Force Sustainability” of the European Council of the Paint, Printing Ink and Artists’ Colour Industry (CEPE), we are also supporting a project that aims to develop a set of uniform principles governing environmental product declarations for paint. These EPD standards (EPD = Environmental Product Declarations), which will be harmonised on an international level, will make product information more transparent and provide evidence for environmental effects in the form of relevant data.

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 guidelines of the DGNB, LEED (Leadership in Energy and Environmental Design) or BREEAM (Building Research Establishment Environmental Assessment Method). With the aim of promoting sustainable building even more and making product selection a more transparent process, in 2012 we registered selected Sto products in the “DGNB Navigator”. This is a database maintained by the German Sustainable Building Council (DGNB) and which anyone who is interested in its contents is free to access. The “DGNB Navigator Label” is applied exclusively to building products with verified environmental product declarations. For example, Sto receives certifications for some of its mineral adhesive and render, and publishes information such as environmental performance evaluations as part of its environmental product declarations.

We continuously promote the ratings our product range has achieved in relation to environmental aspects. 2012 also saw a significant step forward when, for the first time, we gained certifications for our complete external wall insulation systems, in the form of so-called Environmental System Declarations (ESDs). These certifications evaluate not only individual components, but also the aspects of sustainability that a complete system demonstrates.

Improved efficiency

In 2012, we once again pushed forward with steps to improve the efficiency of our corporate processes, and implemented appropriate measures for cutting down on the use of resources in all areas. As part of this we relied on strategies such as monitoring systems, which make it possible to record and analyse power consumption and heating energy on a continuous basis. The figures prove just how successful these measures have been: between 2005 and 2011, we were able to maintain electricity and heating energy consumption (and, therefore, our emissions



Environmental System Declaration (ESD) for StoTherm Mineral L

⁵ UN Global Compact principle 9.

volume in Germany) at a constant level despite a significant rise in production of 31 %. In fact, absolute water consumption even fell slightly.



New silo cleaning system

Another of 2012's strategies for improving efficiency involved the preliminary work on commissioning the new automatic silo cleaning system at the Weizen site. This offers a more economical and environmentally friendly alternative to the previous system, as it is partly operated with recycled water. Additionally, at the Weizen site we continued to use 100 % certified green electricity and operated our own small-scale hydroelectric power plant.

Environmental management system used in production

We are pursuing our cross-process approach towards sustainability in the area of production too, and have already had a comprehensive environmental management system in place for a number of years now. To document the high standard of this system, we have had it certified in accordance with the international EN ISO 14001 standard at our key European locations.

The environmental management system ensures that methodical, verifiable procedures are carried out on a cross-company basis, something that is essential for steering production processes as effectively as possible.⁶ We plan to introduce the environmental management systems gradually to other plants over the coming years.

Distinctions for sustainability

Sto AG is regularly awarded distinctions for its commitment to sustainability. As an example, in 2012 our Austrian subsidiary Sto Ges.m.b.H. took part in the renowned competition "Austria's Leading Companies" and achieved third place in the "Big Player" category for the state of Kärnten. Sto Ltd. (United Kingdom) received the INCA Award from the Insulated Render and Cladding Association in recognition of a centre for young people with health problems and learning difficulties. The innovative building was awarded the "Excellent" certification in accordance with the BREEAM standards. Shanghai Sto Ltd. received the Award for Best Creative Product from the Shanghai Building Energy-Saving Materials Industry Association, and was selected for inclusion in the "Top 30 Shanghai Construction Materials Competitive Enterprises and Recommended Brands by Architects of Shanghai Construction Engineering Materials Industry" by both the Shanghai Enterprise Competitiveness Research Center and the Shanghai Green Building Council. Meanwhile, Hemm Stone GmbH was awarded the distinguished architecture prize "best architects Award 13" for a residential building in the Swiss municipality of Küsnacht.

Social issues

Putting people first

Another crucial sustainability objective is to offer all employees a working environment that

⁶ UN Global Compact principles 7 and 8.

promotes good health. This is why in 2010 we started the gradual process of implementing a Group-wide health management concept, initially at Sto AG and StoCretec GmbH. In 2012, we launched additional measures as part of this project and, among other activities, set out our medium-term plans more concretely.



Austria's Sto Ges.m.b.H. has trained five employees as health representatives; now, they are the points of contact for all issues concerning health for the entire business.

Furthermore, a fundamental part of the personnel strategy is to cater for employees wishing to reconcile work and family life. Over the past year, we have taken the first concrete steps in a strategy developed from the results of a survey carried out in 2011. As part of this, we are working with an external consulting firm that specialises in family-related issues. Further information on our personnel strategy can be found in the employees section on pages 30 to 32.

Sto-Stiftung (Sto Foundation)

Commitment to social issues forms part of a long-standing tradition at Sto. The cornerstone of this 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 its five-year

anniversary: it has had EUR 350 K available per year since 2011 and will continue to do so up to 2015. These funds originate from returns on the Foundation's capital and from donations 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 main focus in this area is on further training activities for these two groups, and the fourth is support for projects. A special aspect of the Sto Foundation is the consideration of social components in the area of funding for young craftsmen and students. Socially disadvantaged young people beginning apprenticeships under difficult conditions qualify for support in this context.

In **the area of trade**, the Sto Foundation expanded its support activities for trainee painters and lacquerers in 2012. This included a long-term project that was designed around highly talented trainees and had the motto "Du hast es drauf – zeig's uns!", which, roughly translated, encourages participants to "Show us what you can do!". The aim was to provide support for trainees who showed a real gift for their work, but were in a less favourable position financially, through a series of modules. German vocational schools had the opportunity to nominate their top apprentices for the programme. The first stage in the project involved distributing 100 cases, kitted out with top-of-the-range painting tools, to recipients around Germany. And even now that the participants have passed their final exams, the Sto Foundation continues to provide them with support on



the next steps in their careers, such as attaining a master craftsman's certificate or going on to study.

The **area of architecture** also received support in 2012, with the focus on a project carried out in South America by the Sto Foundation's summer school competition (see image on the right). Students from Stuttgart joined forces with their peers in Peru to develop solutions to the complex water supply problems in the country's capital, Lima. As one of the driest metropolitan areas in the world, Lima is a challenging venue for a task like this. Additionally, it has inefficient systems in place for supplying the little water that is available. One area that is particularly affected is the region around the Chillón river, which is under significant pressure from increasing urbanisation. Residents have no link to the grid for drinking water or waste water, instead relying on trucks to supply them with water at irregular intervals. The problems are compounded by the region's conditions fluctuating with different times of the year: while the Chillón might threaten to burst its banks during the rainy season, no water flows through it at all during dry spells. Initially, the students spent two weeks studying user behaviour and explored potential areas for optimising this. Following this, they worked together with residents to build structures such as a low-tech system made from recycled plastic bottles,

which filters domestic waste water so that it can be used to provide trees with water.

Aid fund for employees in need

Sto emphasises its social commitment beyond the Foundation's activities as well. On the occasion of clearly exceeding the one billion mark in turnover, for example, we established an aid fund at the end of 2011 for Sto Group employees in need. We provided the fund with a one-off contribution of EUR 1 million. This enables the fund to assist employees of the Sto Group whose existence has been plunged into crisis through no fault of their own.

Other activities

Furthermore, the various companies in the Sto Group continued to show their commitment to a wide range of social causes in 2012 and made donations in the form of both money and items. This included lending their support at care facilities for the elderly, training institutes, homeless centres, sports clubs, and nature conservation projects.

