

Solar A/S CSR Report 2014



solar

stronger together

Contents

Word from the management	2
Solar at a glance	3
Our primary CSR stakeholders	4
1 Customers	6
2 Employees	7
3 Suppliers	8
4 Environment	9
5 Society	10
Corporate Governance	11
Our standards	12
Data Summary Table	13

Word from management

Profitable growth through ethical business. It's as simple as that.

As an international sourcing and services company with involvement in 8 countries, we respect our responsibility to observe human rights. In honour of our responsibility, we are committed to upholding social and environmental standards in our operations. We have expressed our commitment by signing up to the United Nation's Global Compact

Our responsibility

Seen in a global perspective, our society faces challenges, both socially, politically and economically. In Solar, we acknowledge our responsibility to be a positive driver, also when it comes to managing the impact our business has on our society.

It must make sense

In a highly competitive market, our primary aim is to create profitable growth for our business. And we are determined to achieve our goal through responsible behaviour. We implement socially responsible activities where it makes sense and where we see that we can create value. 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 socially responsible company.

Supporting the Global Compact

Solar joined the United Nations' Global Compact 5 years ago to be part of the global initiative to promote ethical business. We are pleased to confirm our continued support of the ten principles of the Global Compact Programme. We see our involvement in the programme as an asset in our cooperation with customers and suppliers, and as a clear advantage when it comes to attracting and retaining employees.

In addition to demonstrating some of the CSR activities that take place within Solar's framework, this CSR report also serves as our Communication on Progress (CoP) in honour of our obligation to report to the UN Global Compact.

Stronger together

Thank you for your interest in Solar. We invite you to explore how we integrate our social responsibility into our business activities, in this report and at www.solar.eu.



Anders Wilhjelm
CEO



Michael H. Jeppesen
Group CFO

Solar at a glance

In Solar, we bundle the spend of our customers to improve their sourcing. We work with our customers to create the best offer and to proactively develop alternatives. We work with our customers to optimise their productivity, to optimise transportation cost, and to minimise required inventory. And we work with our customers to improve their employees' skills and efficiency. All in all, we call it 'stronger together'.

The Solar Group is a proud and ambitious sourcing and services company. We offer a wide range of products and services, mainly within electrical, heating, plumbing and ventilation technologies.

We have made it our business to create value for our customers. We deliver solutions that help our customers optimise their processes, grow their businesses, deliver better projects – and generate greater earnings while saving energy and lowering CO₂ emissions.

We acknowledge the fact that we owe our success to service-minded employees who love to turn opportunities into results. We want our employees to have fun while working hard on smart solutions, and who glow with pride in our shared achievements.

We have approximately 3,000 employees. Solar has subsidiaries in Denmark, Norway, Sweden, the Netherlands, Germany, Poland, Belgium and Austria.

Together, we're one of Northern Europe's leading sourcing and services companies.

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

Blue Energy

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. You can read more about our Blue Energy concept and our new Blue Energy app on page 9.

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.

Global Compact

Solar is committed to the UN's Global Compact, which contains ten principles, including human rights, working environment/labour, the environment and anti-corruption. In our Code of Conduct, we have explicitly expressed our obligation to respect the human rights. You can read more about this on page 8.

As a result of its membership, Solar is obliged to report on the activities in which we are involved within the Global Compact. Not only do we report on our CO₂ consumption and our compliance with ethical standards. We have taken it one step further and have established our own reporting system for our CO₂ consumption. You can read more about our Carbon Disclosure Project on page 9.

Executive Management

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



Our primary CSR stakeholders

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

We know 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.

To illustrate how we translate our corporate social responsibility into actions, we have defined 5 primary stakeholder groups. You can read more about the individual stakeholder groups later in this report.

1

Customers

We have created our 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. 99.8% of all incoming orders are delivered without execution and distribution errors.

The increased productivity of our customers is also reflected in Solar's logistics solutions. One example is Fastbox in Denmark, which has turned out to be an absolute success. The contractors experience the benefit of having the products delivered within the hour if they are missing materials in connection with an assignment. This way they are able to spend valuable time with their customers instead of going to pick up materials. The Fastbox service has proven its worth in large cities and has been expanded to full national coverage.

2

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.

3

Suppliers

The collaboration with and development of our suppliers is a very important asset to Solar. We set the standards high for these suppliers – just like we do for ourselves. And we proactively look for solutions that provide our customers with new opportunities.

4

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.

Energy efficient solutions are at the core of our expertise. And where we can, we walk the talk. Therefore, we have energy-optimised several of our own facilities. You can read more about one of our buildings on page 9.

5

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.

1 Customers

Our focus is on our customers' needs and behaviour.

To accommodate our customers' needs and help them become better are corner stones in Solar's journey.

Our most important task is to generate value for our customers. This means that we buy on their behalf. This means that we help the customers choose the products which best meet their needs, and for those who need it, we supply technical support and training in the use of the products. This means that we minimise the non-productive time and the need of inventory levels of our customers.

Being a first-mover in our field requires not only a broad range of quality products and solutions, but also a profound knowledge of energy optimisation and energy savings technology and trends. We are proactive within the area of energy optimisation and take an active role in advising our customers to optimise their businesses.

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 aims 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 can be 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.

Green Business Growth

In 2013, Solar initiated a collaboration with the municipality of Vejen (the very area in which Solar's headquarters are located) on the 'Green Business Growth' project.

During a 3 year period, project Green Business Growth will offer 600 home owners a free energy check-up of their homes to illustrate how they can save money through energy-efficient solutions. To prepare for the demand which is expected to follow, Solar plays an active role in the education of local craftsmen (including installers). Through this programme, Solar helps the local professionals optimise their knowledge of new technology and solutions, and discover the business potential in the area of energy efficiency. In November 2013, the first batch of 'Green Energy Installers' graduated and are now offering the local citizens and businesses advice on energy-efficient solutions. The next batch of Green Energy Installers will start training in the spring of 2015.

And it is a popular initiative. Since the collaboration was initiated in 2013, 200 local Vejen citizens have been through a check-up of their homes, uncovering areas up for energy optimisation.

A conservative estimate indicates that over a 3 year period, the Green Business Growth project will create 300 new jobs within the building industry by promoting energy-efficient building and renovating through increased demand and supply.

You can read much more about the Green Business Growth project here: <http://www.groenerhvervsvaekst.dk> (site in Danish).

Project Green Business Growth offering

600

home owners a free energy check-up to identify energy-efficient solutions.

2

Employees

Solarians are can-do people with an ambition to make a difference.

At Solar, we know that our future development as a company depends on developing and retaining our employees. Via the Solar Business Academy, we offer a variety of training programmes which take our employees from most likely to most valuable.

Continuous development

We are continuously improving the way we do business. 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 (EPA). Our EPAs are carried out every 12 months and enable us to work proactively with career development to the benefit of both our employees and Solar. It is important to us that our employees know that we have a deep interest in their professional development. And the EPAs are yet another step in our strive to promote open and honest communication at all levels.

Solar Business Academy and our Group Leadership Programme further strengthen our development. Since we strive to work even closer together across borders, knowledge about distance and virtual leadership as well as cultural differences have become increasingly important. Therefore, both disciplines are available in our Solar Business Academy.

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

Group Leadership Programme

As a company, we make 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, enabling them to reach our business goals and drive organisational performance. On a regular basis, managers gain a shared understanding of their local leadership roles as well as their co-responsibility in developing the business as a whole.

Career development and recruitment

We want to demonstrate that employees on all levels have the opportunity to develop their career in Solar. Therefore, we focus actively on career development, and we make sure that we address both low and high performance as well as look into each individual's potential. We believe that we can heighten the internal recruitment levels by making the career paths in Solar even more visible, and by showing specialists and project managers that we also have career paths for them.

As demographics in the workforce changes, it gives us challenges in terms of recruiting and retaining skilled employees. Therefore, we aim to promote Solar as an employer to attract potential employees and increase pride among our current employees. Check out our employer brand at <http://www.solar.eu/Menu/Career>.

Diversity policy

In Solar, we wish to offer all employees the same opportunities, regardless of gender, age, race and religion. We have expressed our position in a Diversity Policy with the aim of securing equal representation of men and women in our Board of Directors by 2017 (40% as stated in the legal requirements).

The content of the diversity policy and Solar's ability to comply with the policy is monitored by Corporate HR and our Board of Directors, and the results are communicated in our annual report.

3,285

Total number of employees, 01.12.2014

3

Suppliers

Solar Navigator

On a periodic basis, Solar conducts an employee survey, Solar Navigator.

One of the results of the survey is a leadership index which has two primary aims: We use the results to strengthen our employees' motivation and commitment, but we also use them as an important tool in quantifying the behaviour and competences of our managers. The latest surveys demonstrated a positive development and satisfactory results.

Code of Conduct

When it comes to high ethical standards, our Code of Conduct leads the way for employees across the group. Under the Code of Conduct, 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.

In our Code of Conduct, we explicitly express our obligation to respect the human rights. Every year, an audit ensures that all entities of Solar Group act in compliance with the Code of Conduct.

The code has been signed by all employees and is accessible on our intranet and through leaflets in all languages used within the Solar Group.

Whistleblower scheme

Since 2012, our employees have been able to confidentially report breaches of our Code of Conduct through an external whistleblower scheme. In 2013, the whistleblower scheme was made accessible also to suppliers, customers and other external stakeholders, opening up further opportunity to report any violation of human rights. The whistleblower portal is available both at our intranet, at our website www.solar.eu, and directly at <https://solar.whistleblownetwork.net>.

We base our business on responsible suppliers.

We have taken an active stand on our cooperation with our suppliers, requiring that they observe a number of principles within e.g. environment, work environment and social responsibility.

As a business, we primarily work with approved suppliers, several of whom have also signed up to the Global Compact.

Solar also has a clear supplier strategy and product policy, which means that we can vouch for the products from our approved suppliers at any given time.

We have taken an active stand on our cooperation with our suppliers, 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 suppliers, which cover approx. 80% of our purchasing volume in all of our markets.

The vast majority of our 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.

4

Environment

Solar cares about the environment and sees great potential in energy efficiency.

This goes for our customers, but also for ourselves. Therefore, we have energy-optimised several of our own facilities, including an ultramodern green data centre, which delivers top of the class operational reliability in a 245 m² energy friendly, low-consumption frame.

Renewable energy

Solar sees considerable potential in energy efficiency both now and in the future. Our knowledge centre, Solar Blue Energy Explorium, showcases how various technologies can interact through energy-efficient solutions. The Solar Blue Energy Explorium offers inspiration to end users as well as contractors, architects, consulting engineers, builders and politicians.

The 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.

Carbon Disclosure Project

Solar has established a reporting system for the company's CO₂ consumption. The system has been rolled out in all of our subsidiaries, and the first CO₂ emission measurements have been completed. One of the 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. Solar subsidiaries have obtained a number of ISO certifications within environmental and quality management. We are setting up a process for collecting the correct data, and although on the right track, we still have to develop the process.

Efforts to reduce emission

Our way of doing business changes all the time, and we have changed our behaviour in several ways of working. The use of telepresence meetings instead of physical meetings has become normal work procedure, and therefore we have reduced our travelling activities. Furthermore, we have reduced the use of paper by using follow you printers. And in our buildings, we have set up energy efficient solutions that allow us to reduce purchased electricity and thereby lower the emissions. We have reduced the use of paper by using follow you printers and in our buildings we set up energy-efficient solutions that help us reducing purchased electricity and thereby reduce emission.

Also on the distribution side, we are working to reduce the emission of contaminants. Euronorms refer to the permissible emission levels, for both petrol and diesel vehicles, which have been implemented in Europe. The fleet of vehicles which services Solar is continuously monitored and updated to ensure the lowest possible emission of contaminants in connection with the distribution of our products.

One of our distributors has managed to move their number of lorries up to Euronorm 4 and further up. They no longer have lorries in Euronorm 3 which has been very important for Solar. By the start of 2015 they expect to have no lorries in euronorm 4 – and at least 8 lorries in the new euronorm 6.

Simple initiatives with great results

In all parts of our organisation, there is a clear focus on constantly reducing our energy consumption. In 2013, we introduced a series of new Blue Energy initiatives in one of our central warehouses. This resulted in a reduction of the energy consumption by an additional 8% in the central warehouse and head office. And their systemised approach to recycling and waste sorting in the central warehouse amounted to 94.78% which keeps them at best practice in the business.

Blue Energy App

Blue Energy is Solar's energy efficient concept. With Blue Energy, we offer our customers a selection of energy efficient products and services which aim at making energy-efficiency a better business for our customers. We provide integrated systems that are key to energy savings and are durable, economical and future-proof as well.

Part of the Blue Energy concept is training at the Solar School so that our customers learn about the newest technology and get smarter when it comes to optimising both existing installations and new buildings.

The latest addition to our Blue Energy concept is the Blue Energy app which was introduced in 2014. The Blue Energy app gives installers on the spot access to inspiration for energy efficient solutions so that they can guide their customers in an eco-friendly direction. The Blue Energy app also offers Solar's loyal customers a Blue Energy Calculator which allows them to screen buildings and calculate potential savings when they act as Blue Energy Advisor's towards the end users. The Blue Energy Calculator works both within the electrical and heating and plumbing areas. The Blue Energy app has already had more than 1,000 downloads.

Find the app and much more information about our Blue Energy concept here: <http://www.solar.dk/BlueEnergy/Blue+Energy+App+online>.

Solar's Blue Energy App has had more than

1,000
downloads

5

Society

We believe that acting responsibly is a natural part of our way of doing business.

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

130

employees ran or walked to support the Relay for Life project

Relay for life

Throughout our subsidiaries, there are several local initiatives supporting both local and global projects. For several years, the employees in Solar have taken an active part in the 'Relay for life' project. Relay for life is a global fundraising movement supporting the battle against cancer. This year, Team Solar: Stronger Together took the prize for the largest team in a local relay as they had mobilised 130 employees who ran or walked to support the good cause.

Apprenticeship

We believe that also the future job market requires skilled labour, and we acknowledge our role in adding to a skilled workforce. Therefore, Solar supports apprenticeships and other trainee structures in various countries.

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 of 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 Board of Directors 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 Board of Directors 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 have developed standards and policies.

Solar A/S employs about 3,000 people in 8 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, we wish 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 have become 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	2012	2013
Total emissions of greenhouse gasses*	Tonnes CO _{2e} *	23,435	25,811	25,175	21,173
... of which company cars account for (Scope 1)*	Tonnes CO_{2e}	3,529	3,970	3,250	5,159
Diesel cars*	MWh	11,222	13,093	13,322	12,674
Gasoline cars*	MWh	2,022	3,425	1,852	1,438
Ethanol cars*	MWh	155	136	529	290
... of which energy use accounts for (Scope 2)*	Tonnes CO_{2e}	7,492	7,462	6,993	6,907
Electricity*	MWh	15,209	16,973	18,424	17,453
Heat (district heating, heating oil and gas)	MWh	12,711	12,588	13,083	14,056
... of which transport of goods by lorries accounts for (Scope 3)	Tonnes CO_{2e}	12,414	14,379	14,932	9,107
Per full-time employee (Scope 1 & 2)*	Tonnes CO _{2e}	3.73	3.19	2.87	3.62
Per € 1 million of revenue (Scope 1 & 2)*	Tonnes CO _{2e}	8.16	7.75	6.25	7.88

* There have been changes to the figures in scope 1 and scope 2.

Scope 1: The number of kilometres driven in company cars was not assessed correctly in 2012 in DK and SE.

Scope 3: External Transportation company in Norway has supplied high and incorrect information regarding kilometres driven in 2011 and 2012. The Solar 8000 SAP project was rolled out in DK during 2013, and as a consequence, the travel activity reduced in 2013 and returned to a more normal level.

Key figures – Labour practices

Total number of employees	2010	2011	2012	2013	2014
Total	2,955	3,585	3,564	3,290	3,285
Managers & White collars	81%	84%	85%	84%	83%
Blue Collars	19%	16%	15%	16%	17%
Age distribution	2010	2011	2012	2013	2014
Average age	42	42	43	43	44
Seniority	2010	2011	2012	2013	2014
< 2 years	16%	15%	21%	15%	16%
2-5 years	31%	18%	21%	23%	21%
5-10 years	18%	39%	23%	26%	26%
> 10 years	35%	28%	36%	36%	38%
Employee Engagement Survey	2010		2012		
Value Creation Index	707		715		
Leadership index	70		72		

Solar A/S
Industrivej Vest 43
6600 Vejen
Tel. +45 79 30 00 00
CVR no. 15908416

www.solar.eu
<http://www.linkedin.com/company/solar-as>