



VKR HOLDING A/S
COMMUNICATION
ON PROGRESS 2017

Submitted: August 2018

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Family house with VELUX New Generation roof windows,
Vollen, Norway. Niklas Hart, 2017
(Cover photo and this photo)

LETTER TO OUR STAKEHOLDERS

With this Communication on Progress (COP), VKR Holding A/S (VKR Holding) expresses its continued support of the UN Global Compact and we renew our ongoing commitment to the initiative and its principles in the four issue areas – Human Rights, Labour, Environment and Anti-Corruption.

Our business areas are all committed to the initiative and have each joined the UN Global Compact. They report individually on their progress. Consequently, the Holding report includes the progress only at holding level. For detailed information on the activities of each business area, we refer to their individual COPs, which can be found on the companies' websites.

For decades and in accordance with our Model Company Objective, the VKR Group has developed, produced and marketed products useful to society while engaging in our communities. We will continue to do so and the UN Global Compact is an excellent way of communicating our initiatives and results to our stakeholders.

I am happy that the targets we set ourselves were achieved before the publication of this COP:

- Formulating and implementing our Group CSR Policy, which was approved by the board of VKR Holding. The full policy can be found in Appendix 1 to this COP

- Implementation of Group-wide whistle-blower system

Going forward, we will continue to strengthen our commitment to the principles and before our next COP, we aim to carry out a more structured impact assessment of the business activities in VKR Holding. We do not expect to identify significant adverse impacts.

This is the first COP in which we incorporate the Sustainable Development Goals (SDGs). VKR Holding has limited direct impact on these goals and, consequently, we highlight the impacts of our business areas. In this context, the products of our largest business area, windows, have never been more relevant as people spend an increasing amount of time indoors. The importance of bringing daylight and fresh air into people's lives and homes to ensure good health and well-being is only growing. Solar thermal energy is also more relevant than ever as the world is challenged by climate change and needs affordable and clean energy.



Mads Kann-Rasmussen
CEO, VKR Holding A/S



UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

VELUX New Generation roof windows provide daylight and ventilation for the indoor generation. Søren Solkjær, 2018







THE VKR GROUP – WHAT WE DO

VKR Holding

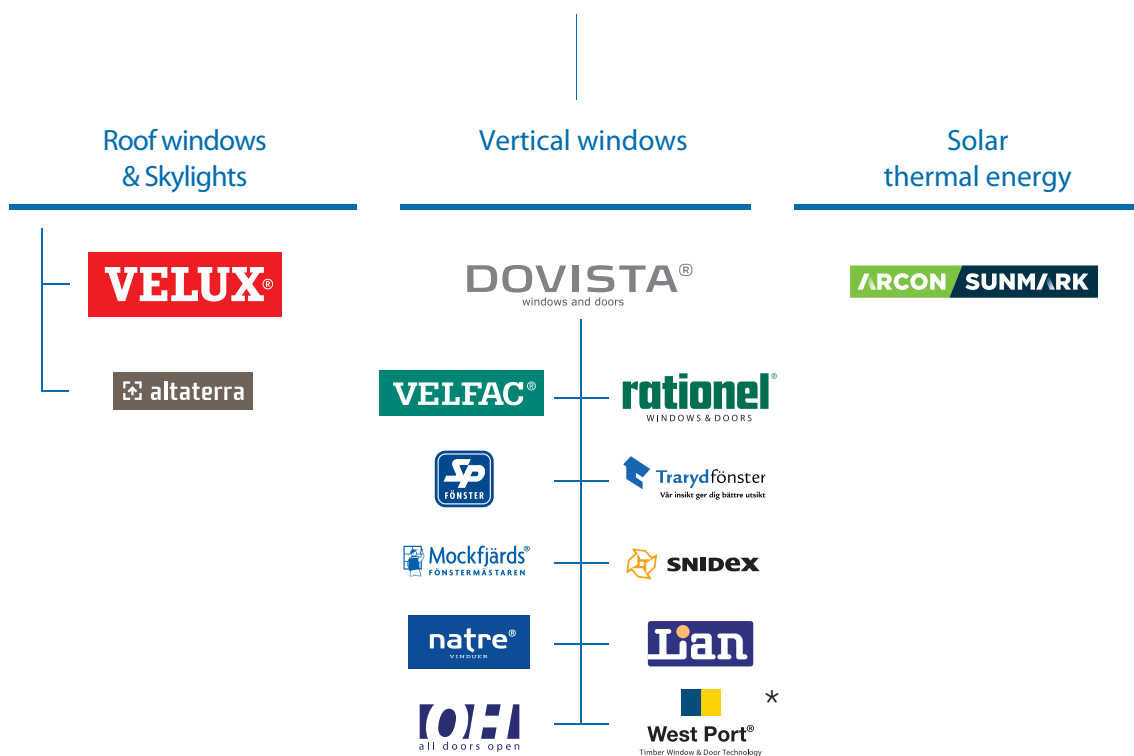
VKR Holding is a limited holding and investment company with the objective of creating value through investments and ownership of companies that bring daylight, fresh air, and a better environment into people's everyday lives. The companies operate within the following business areas:

- Roof windows & Skylights
- Vertical windows
- Solar thermal energy

In addition, VKR Holding has a substantial portfolio of financial investments. The portfolio consists of listed shares, bonds, property, private equity, etc.

VKR Holding is majority-owned by the philanthropic foundation VILLUM FONDEN, while the founding family retains a minority stake.

The holding company employs around 40 people and is located to the north of Copenhagen in Denmark.



The VKR Group as at 31 December 2017

The VKR Group employed 14,900 people in 41 countries by the end of 2017. In 2017, the Group realised a turnover of EUR 2.5 billion and a profit after tax of EUR 340 million. Roof windows & Skylights is the largest business area in the Group, followed by Vertical windows, and finally, Solar thermal energy. For more information about the VKR Group, please visit our website at www.vkr-holding.com

* West Port was divested on 1 July 2018.

Roof windows & Skylights

For more than 75 years, the VELUX Group has created better living environments by bringing daylight and fresh air through the roof and into people's homes all over the world. VELUX products create bright, healthy, energy-efficient places in which to live, work, learn and play.

With 17 manufacturing companies in 9 countries, sales operations in 40 countries, and an extensive distribution network, VELUX products are widely available. The product range includes roof windows and modular skylights, as well as a variety of decorative elements, blinds, roller shutters, installation solutions, and remote controls.

The VELUX Group employs around 10,000 people and is headquartered to the north of Copenhagen in Denmark.

For more information about the VELUX Group, please visit the website at www.velux.com

The company Altaterra Kft. is a European market leader within the private label segment with sales in more than 30 countries. Altaterra employs around 100 people of 12 different nationalities. The company is based in Hungary.

For more information about the company, please visit the website at www.altaterra.eu



VELUX Flat roof windows FRW in house
in Linz, Austria. Gerhard Schmolke, 2017





VELFAC 200 in residential buildings, Nine-Wells, Cambridge, UK.
Simon Harvey Photography Ltd, 2015



Vertical windows

The DOVISTA Group is a group of leading companies and brands in the North European market and markets its products in 7 different countries.

At the end of 2017, the DOVISTA Group consisted of 10 independent brands* (illustrated in the overview of the VKR Group on page 7) and all the companies in the Group have their separate identity and market strategy. All have a strong presence in their local markets and enjoy a close relationship with customers and local communities. At the same time, the members of the Group share learning and create synergies between the brands, which strengthens the Group's combined knowledge and competencies.

The DOVISTA Group employs around 4,700 people and DOVISTA A/S, headquartered in Horsens in Denmark, is the active parent company of the business area.

For more information about the DOVISTA Group, please visit the website at www.dovista.com

*West Port was divested on 1 July 2018.

Solar thermal energy

The Arcon-Sunmark Group is the leading supplier of large-scale solar thermal energy solutions in the world. The Group supplies solar thermal energy solutions for the district heating sector and industrial processes. A considerable proportion of the solar heating plants are turn key projects – plug-and-play solutions, which can be easily integrated and operated in synergy with existing heating solutions.

The Arcon-Sunmark Group also offers storage solutions for the solar energy. The energy harvested during the summer period is stored, in the form of hot water that can be used during the winter months, which significantly extends the effective operational period of solar heating. The company employs around 150 people and has production sites in Denmark and Vietnam. The headquarters is located in North Jutland in Denmark.

For more information about Arcon-Sunmark, please visit the website at www.arcon-sunmark.com



Arcon-Sunmark is the leading specialist within large-scale solar heating solutions.
Solar Thermal Energy facility in Vrå, Denmark. Jesper Voldgaard. 2015



“ The purpose of the VKR Group is to establish a number of model companies, which cooperate in an exemplary manner.

A model company works with products useful to society and treats its customers, suppliers, employees of all categories and shareholders better than most other companies.

A model company makes a profit which can also finance growth and maintain financial independence. ”

Villum Kann Rasmussen, 1965

MODEL COMPANY OBJECTIVE

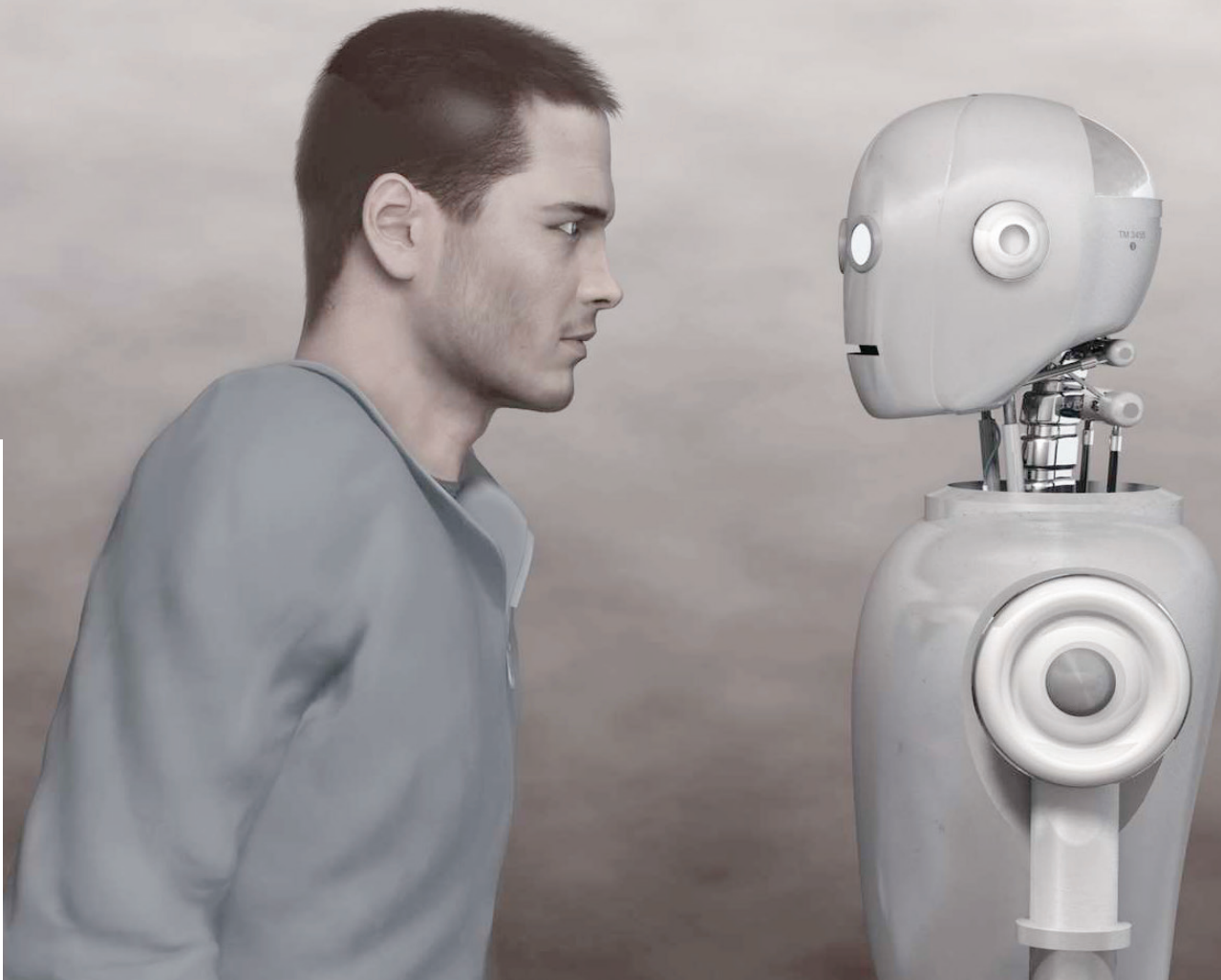
Corporate Citizenship has been an integral part of the VKR Group's business strategy and business activities since the company was established in 1941.

Based on VKR Holding's mission to own and develop companies that bring daylight, fresh air and a better environment into people's everyday lives, CSR (Corporate Social Responsibility) is a natural and important element for all companies in the Group.

Our CSR ambition was formulated in the Model Company Objective in 1965 by the company's founder, Villum Kann Rasmussen. Since then, this objective has been the cornerstone of the values that all the companies in the Group are expected to act on.

The founder of the VKR Group,
Villum Kann Rasmussen.
Mogens Carrebye, 1978





THE FOUNDATIONS

The foundation VILLUM FONDEN is the majority shareholder of VKR Holding and the main beneficiary of the profits generated by the VKR Group. The foundation is funded directly by VKR Holding and receives the majority share of yearly dividends. THE VELUX FOUNDATIONS consist of VILLUM FONDEN and VELUX FONDEN, both philanthropic, charitable foundations established by Villum Kann Rasmussen. They support non-profit projects with scientific, environmental, social and cultural purposes in

Denmark and internationally. In addition to these, a number of other charitable foundations are funded directly or indirectly by the VKR Group, e.g. Employee Foundation of the VKR Group.

In this section, some of the contributions of THE VELUX FOUNDATIONS and the Employee Foundation are highlighted. For more information about the foundations, please visit our website at www.vkr-holding.com/fonde/?lang=en



THE VELUX FOUNDATIONS

In 2017, VILLUM FONDEN made grants worth EUR 140 million, most grants were given to the technical and natural sciences, and VELUX FONDEN made grants worth EUR 28 million. The total amount of EUR 168 million was distributed between 916 projects and initiatives.

For more information about THE VELUX FOUNDATIONS, please visit the website at www.veluxfoundations.dk/en

HIGHLIGHTS 2017

- The Danish fire cadet programme, supported since 2014, has given about 450 socially challenged youngsters courage and a new outlook on their future
- 733 grants were given to senior citizens' implementation of a wide range of small-scale projects such as IT education, sea kayaks, preservation of nature, sea gardens, book publications etc.
- For the next five years, the focus of VELUX FONDEN's environmental programme will be on the Danish marine environment, e.g. by grants to Plastic Change
- In the field of technical and natural sciences, two new programmes have been introduced – VILLUM Investigators, supporting experienced researchers in Denmark and VILLUM Experiment, awarding grants to unorthodox and potentially pioneering research

The Employee Foundation

Employee Foundation of the VKR Group supports employees in unfortunate situations, their children's education, and community projects close to the VKR Group companies.

In 2017, the Employee Foundation made grants worth EUR 1.1 million, primarily to current and retired employees in the event of an unfortunate situation or to their children's education. The grants were distributed between 308 employees of the VKR Group and 144 community projects.

For more information about the Employee Foundation, please visit the website at www.employeefoundation.com/en/

HIGHLIGHTS 2017

- New equipment to the German football club, SKV 1992 Birlikspor Biblis, where locals and refugees play with and against each other
- Support of an employee of Rationel Windows diagnosed with cancer – the support made it possible to arrange a spot in the yard for the recipient to relax in
- Regular brain scans at a private clinic for an employee that has been through brain surgery twice due to a tumour
- Two converted shipping containers for an animal shelter in Hungary

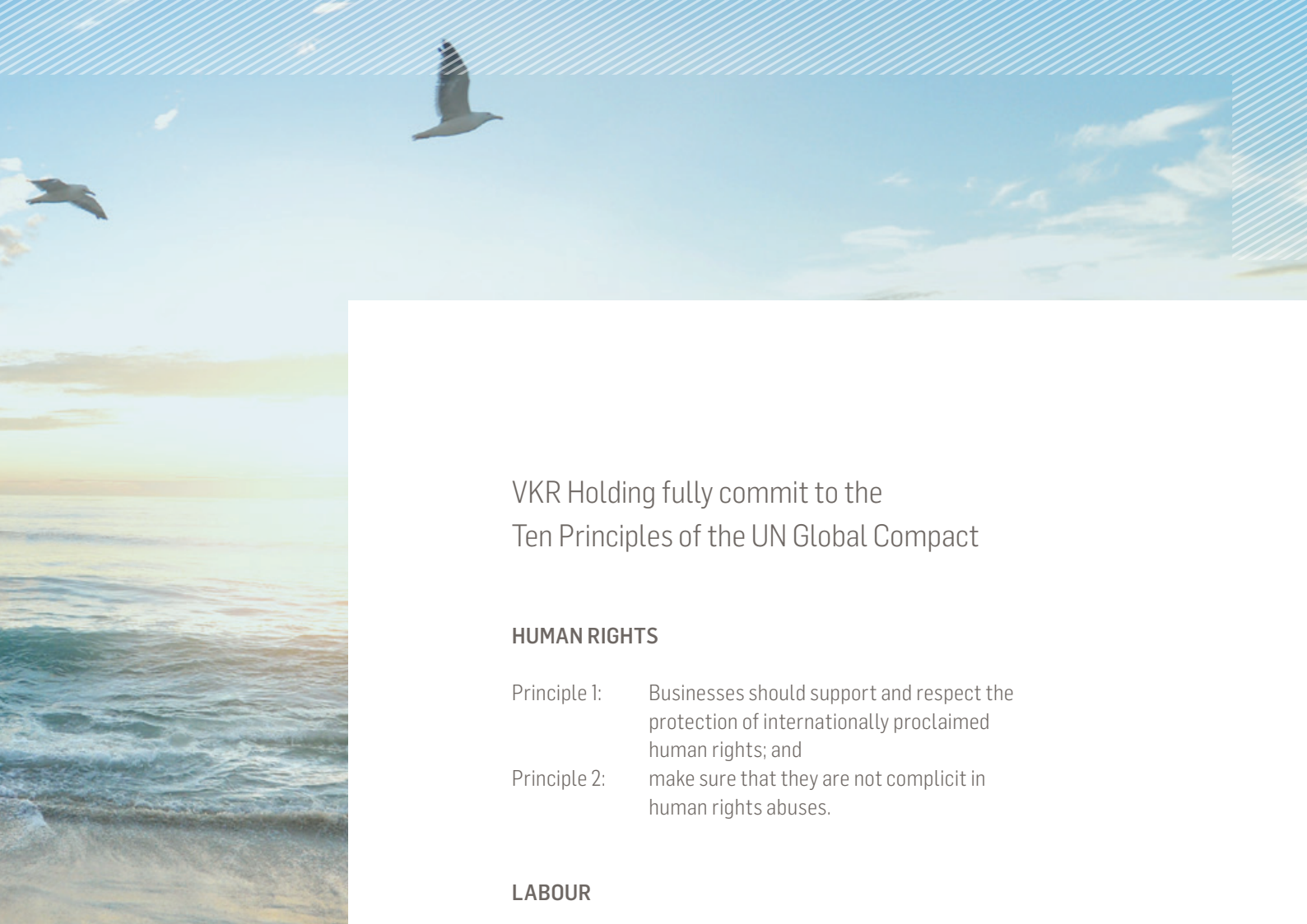


VKR HOLDING – THE TEN PRINCIPLES

In this section, we report our progress on implementing the Global Compact principles in each of the four issue areas – Human Rights, Labour, Environment, and Anti-Corruption.

The business areas in the VKR Group are independent company groups with own boards of directors and managements which formulate individual strategies and operate with minor direct influence from VKR Holding. However, VKR Holding has implemented policies that our companies must observe to ensure that the founder's Model Company Objective is upheld throughout the entire organisation.

At the time of publication of this Communication of Progress, we have altogether 15 policies (for an exhaustive list, please go to Appendix 2). Some of these policies address the Ten Principles of the UN Global Compact and are major parts of our commitment to implementing the principles. The policies constitute the minimum requirements for our business areas. The business areas may implement additional and stricter policies and initiatives based on own needs and ambitions. The boards of the business areas are responsible for the implementation and compliance with the above-mentioned policies.



VKR Holding fully commit to the Ten Principles of the UN Global Compact

HUMAN RIGHTS

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

ACHIEVEMENTS AND TARGETS

Achievements since our first Communication on Progress

Since our first COP, we have implemented two initiatives to strengthen our commitment to the Ten Principles, and thus the targets we set to reach before the publication of this COP have been achieved:

- Approval and implementation of a Group CSR Policy that also addresses the Ten Principles directly. The policy was adopted on the board meeting of VKR Holding on 5 March 2018. The full policy can be found in Appendix 1
- Implementation of Group-wide whistle-blower system for the reporting of infringement on the principles in the four issue areas

The business areas and an external human rights expert were involved in the process of formulating our Group CSR Policy to ensure that all relevant issues were included in the policy. The policy was approved by the board of directors of VKR Holding

and subsequently by the boards of directors of each of the business areas. The Group CSR Policy is public and it is available at our website.

The responsibility of complying to the Group CSR Policy, thereby ensuring respect and support of the Ten Principles, is allocated to the management of each company in the VKR Group. Two employees in VKR Holding are appointed to assist the responsible managers in complying with the Group CSR Policy.

Employee involvement in activities related to the implementation of the policy, and stakeholder involvement in general, is appreciated and we expect them to inform managers in case of infringement. Infringements can also be reported through the whistle-blower system. All material input from the whistle-blower system will be presented to the Audit Committee of VKR Holding.

Target for our next Communication on Progress

Before our next COP, we want to strengthen our commitment to the UN Global Compact by achieving the following target:

- Carry out a structured impact assessment of the activities in VKR Holding – we do not expect to identify significant negative impacts

HUMAN RIGHTS

CSR owner intentions

VKR Holding and its board of directors have defined a number of CSR intentions that all companies in the Group are expected to follow, and VKR Holding is responsible for ensuring compliance. In general, the companies are expected to comply with all 15 VKR Group Policies. A list of the policies is attached in Appendix 2. Regarding human rights specifically, the companies in the VKR Group must do the following:

- not to tolerate any violation of universal rights; and
- when relevant, operate in accordance with a code of conduct

Risk assessment

The risk of VKR Holding infringing the principles on human rights is assessed to be very low, mainly because we operate in Denmark, where human rights are highly protected. Even though this is the case, we have policies in place to ensure that we respect and support human rights, because we acknowledge that our business areas are at greater risk of infringing the principles.

Policies

Our Group CSR Policy directly addresses human rights and commits VKR Holding and the business areas to regularly identify, prevent or mitigate, and to provide remedial processes to potential adverse impacts. The minimum requirement is compliance with the International Bill of Human Rights and the UN Guiding Principles for Business and Human Rights. Furthermore, the policy stipulates that the same is expected of all business connections of the VKR Group.

In addition to the Group CSR Policy, our policies on Risk Management, Legal matters, and Crisis Management indirectly address human rights. In short, these policies require VKR Holding and the business areas to take a qualified position on risks, to comply with all relevant legislation, and to ensure adequate crisis management programmes regarding potential, serious crises.

Target

Our target for our next COP in relation to human rights is to carry out a structured impact assessment of the activities in VKR Holding. We do not expect to identify significant adverse impacts.

LABOUR

CSR owner intentions

VKR Holding and the board have set out the following expectations to the companies in relation to labour and the Group's employees:

- continuously improve occupational health and safety
- provide conditions and opportunities for the employees' personal and professional development
- no tolerance of child labour
- support employees and relatives of employees facing unexpected unfortunate situations

Risk assessment

The risk of VKR Holding infringing the principles on labour is assessed to be low, primarily because the company has employees in Denmark only, where labour rights are highly protected. Our business areas have a global presence and have manufacturing facilities or suppliers in countries where labour rights are historically less protected, which increase the risk of infringement. To minimise the risk of infringement, we have implemented group-wide policies, and formulated a handbook for employees in VKR Holding.

Policies

Our Group CSR Policy also addresses the labour principles directly. The policy imposes VKR Holding and the business areas to regularly identify, prevent or mitigate, and to provide remedial processes to potential adverse impacts. According to the policy, VKR Holding, the business areas and all business connections are required to implement the principles, to comply with the Declaration on the Fundamental Principles of Rights at Work and the legislation in relation to Modern Slavery.

Our Risk Management Policy and Legal Policy also address the principles of labour indirectly. These policies require VKR Holding and the business areas of the Group to take a qualified position on risks and to comply with all relevant legislation – also in relation to labour.

VKR Holding has published a handbook for the employees. The handbook explicitly addresses the employees' responsibilities, rights, compensation, vacation, etc., and the company's policies. Every employee holds an annual review with their manager where expectations, results, concerns, compensation, individual targets, etc. are discussed. VKR Holding provides a comprehensive health insurance for all employees.

Outcomes

The target for gender diversity on the board of directors in VKR Holding was met in 2017. The target is to have at least one female board member at any time and by the end of the year, there was one female board member. This corresponds to 20% of the board members.

In 2017, an employee satisfaction survey was completed. The results were very satisfactory and on level with comparable top-performers. Despite this, the survey indicated room for improvement and based on input from the employees, a number of initiatives will be implemented in 2018. We aim to survey employee satisfaction every second year.

Target

For the issue area of labour, our target is to carry out a structured impact assessment of the activities in VKR Holding.

ENVIRONMENT

CSR owner intentions

VKR Holding and its board have similarly defined expectations for the companies' environmental impact:

- evaluate and if possible minimise the environmental impact from the beginning to the end of a product's lifecycle
- improve water and energy efficiency and minimise waste of raw materials in production to reduce adverse environmental impacts
- grow the proportion of renewable natural resources used in new products

Our ambitions go further than the Group's internal activities and the companies are also expected to:

- endorse relevant certification systems and standards regarding environment
- work systematically on environmental issues in the construction sector, especially by committing to improving the energy performance of buildings
- develop new standards in eco-friendly construction and influence the agenda on environment by forming strategic partnerships

Risk assessment

The risk of VKR Holding infringing the principles of environment is assessed to be low, mainly due to the nature of our business activities and their relatively low impact on the environment. The business areas are at a greater risk of infringing the principles but they also contribute positively in different ways.

The window business areas offer energy-efficient solutions that reduce the energy consumption of buildings. The solar thermal energy business area

constructs clean and affordable energy solutions which reduce the emission of CO₂. However, our business areas being production companies, we acknowledge the risk of infringing the principles which we seek to minimise by way of our policies.

Policies

Our Group CSR Policy imposes VKR Holding and the business areas to regularly identify and prevent or mitigate potential adverse environmental impacts and to inform the authorities in case of an incident – all in alignment with the OECD Guidelines for Multinational Enterprises. Business connections are expected to do the same.

The environment principles are indirectly addressed in our Risk Management Policy and Legal Policy. According to these policies, VKR Holding and the business areas are to take a qualified position on risks and to comply with all relevant legislation, also in relation to environmental issues.

Target

The completion of a structured impact assessment is also a target for the issue area of environment for our next COP.

ANTI-CORRUPTION

CSR owner intentions

Regarding anti-corruption, VKR Holding and the board expect the companies:

- to comply with the VKR Group Anti-Corruption Policy

Risk assessment

The risk of VKR Holding infringing the principle on anti-corruption is assessed to be low as the company operates in Denmark, which ranks second in anti-corruption*. For the business areas, the risk of infringing the principle is slightly higher due to the global presence and operations in countries, where corruption and fraud are more prevalent*.

Policies

According to our Group CSR Policy and in alignment with the OECD Guidelines for Multinational Enterprises, VKR Holding and the business areas are required to regularly identify and prevent or mitigate potential adverse impact related to corruption, money laundering and anti-trust. The appropriate authorities should be informed in case of an incident. All business relations are expected to follow the same procedures.

In addition to our Group CSR Policy, our Anti-Corruption Policy and Competition Law Compliance Policy address the principle on anti-corruption. In short, these policies impose Group companies to comply with all relevant international and/or national anti-trust law and competition law and contain guidelines for appropriate behaviour in different situations.

Our Legal Policy stipulates that Group companies are to comply with all relevant legislation which also includes regulation on anti-corruption.

Target

Our target for our next COP in relation to anti-corruption is to carry out a structured impact assessment.

*According to the Corruption Perception Index 2017 from Transparency International.



VELUX Modular Skylights in the German Center for Neurodegenerative Diseases (DZNE). Bonn, Germany, Jesper Blaesild, 2017

THE BUSINESS AREAS – SUSTAINABLE DEVELOPMENT GOALS

In this section, we report on the SDGs. As a holding company with office activities and employees only in Denmark, we have limited direct impact on the SDGs but we encourage our business areas to make their contributions to the goals.

Our business areas already do so, and on the following pages, we will highlight a selection of initiatives and make a status on the realisation of the targets. For detailed information on the activities of each business area, we refer to their individual COPs, which are available on the companies' websites and on the UN Global Compact's website.

Our business areas have positive impact on the SDGs as their products and solutions are useful to people and society in accordance with our founder's Model Company Objective. Our business areas seek to maximise those to the benefit of the end-users. However, our business areas also impact some of the SDGs negatively, primarily due to manufacturing activities. Our business areas seek to reduce any negative impact.



Our business areas' contribution to the SDGs

Below, please find a list of the most relevant SDGs that our business areas contribute to. The numbers listed below each SDG refer to the relevant underlying targets which were adopted by the UN General Assembly in July 2017:

	Roof windows & Skylights	Vertical windows	Solar thermal energy
Very high	 3.4, 3.9	 3.4, 3.9	 7.2, 7.3
High	 7.2, 7.3	 7.2, 7.3	
Moderate	 11.1	 12.2, 12.5	 12.2, 12.5

SDG 3: GOOD HEALTH AND WELL-BEING



Roof windows & Skylights

Many people live in damp and unhealthy buildings, and we spend more and more time indoors. This exposes many people to the risk of developing asthma and allergies. Additionally, many people suffer from lack of daylight. The VELUX Group helps combat these problems by bringing daylight and fresh air through the roof into people's homes.

By the project, Sustainable Living in Buildings, full-scale building experiments were conducted which brought valuable insights on how VELUX products perform. These insights were shared with millions of readers, thousands of building owners as well as professionals, and more than 50 scientific papers were published.

The next step is VELUX ACTIVE which take advantage of smart home technology and automation to support the vision of sustainable products and optimal indoor climate.

Vertical windows

DOVISTA products are continuously developed and tested by the companies of the DOVISTA Group and the DOVISTA Innovation Centre to improve their positive impact.

The DOVISTA Group's independent knowledge and communication centre, LIVINGlab by DOVISTA, researches new potentials for windows and doors in present and future buildings in cooperation with the front-runners of the construction industry and the universities.

SDG 7: AFFORDABLE AND CLEAN ENERGY



Roof windows & Skylights

Buildings account for a significant proportion of the energy consumption in the world, and in Europe they account for 40%. VELUX roof windows are carefully designed to minimise heat loss and maximise solar heating via the pane. Through building experiments, the VELUX Group has demonstrated that being compliant with the EU 2020 Energy Strategy is possible with existing technologies.

All production and warehouse sites are certified according to the ISO 14001 environmental management. All sites will be certified in accordance with the more demanding ISO 14001:2015 by September 2018. The VELUX code of conduct requires suppliers to apply environmental management systems.

The VELUX Group works to reduce its CO₂ emission by means of high energy efficiency and by transitioning to renewable energy sources. The Group has invested in on-site renewable energy, such as a solar cell plant and bio-boilers at factories, and committed to gradually acquiring Guarantee of Origin (GO) off-shore wind-power certificates. In 2017, 24% of the energy consumed was supplied by renewable energy sources. These and similar initiatives have resulted in a 34.2% reduction of the CO₂ emission compared to the 2007 baseline and it is expected to be reduced further in the coming years. The target is a 50% reduction in 2020.

Vertical windows

The DOVISTA Group prioritises development of energy efficient solutions and support new, stricter standards for sustainable construction. Development is always based on current legislation and an intention to strive for fulfilling the strictest requirements to insulating power. DOVISTA products have the relevant energy and indoor climate certificates that are required in the markets they are sold in.

Since 2010, the number of produced units has increased by 40% but the total amount of CO₂ emitted has only been increased by 18%. This equates with a reduction of CO₂ emitted per unit produced by approximately 16%. The DOVISTA Group's target for the coming year is to continue the reduction of CO₂ emitted per unit produced.

Solar thermal energy

The Arcon-Sunmark Group supplies large-scale solar thermal energy solutions and naturally contributes to increasing the share of renewable energy in the global energy mix, thus reducing CO₂ emissions. As a rule of thumb, 10 square meters of solar collectors reduce CO₂ emissions by 1 ton per year. Additionally, the Group provides affordable, reliable and modern energy as solar thermal energy is a proven and cost-efficient source of energy.

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES



Roof windows & Skylights

The VELUX Group has co-developed an affordable and sustainable renovation approach which has been tested in the RenovActive model home. The concept was designed to be easily scalable, replicable and affordable within social housing renovation budgets. In the coming years, 86 properties in Brussels are to be renovated using this approach.

The VELUX Group contributed to a new concept for student housing – scrapped containers rebuilt into small, sustainable flats where VELUX windows were installed to ensure daylight and fresh air through the roof. These container flats can be placed temporarily on free plots of land and alleviate the need for affordable and attractive dwellings for students, especially in major cities. More projects like this are planned in cities around the world.

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION



Roof windows & Skylights

The VELUX Group has a safety vision of zero work-related injuries. In 2017, 2.5 work-related accidents per one million working hours were reported compared to 1.9 the year before with a target of 1. Even though the internal target was not met, the accident rate is four times lower than the comparable industry benchmark. All manufacturing sites sustain the OHSAS 18001 certification.

The environmental impact of VELUX windows is assessed through life cycle analyses. The analyses document that VELUX windows can be CO₂ net positive throughout their life cycle. In 2017, the VELUX Group developed a new tool for Environmental Product Evaluation which is based on current and future EU regulation.

The VELUX Group has an ambition of generating zero waste in its production. In 2017, 97% of waste was reused in other products or used for heat production.

99.5% of the wood used for the European VELUX window production is sourced from certified, sustainable forests, up from 98% last year.

Vertical windows

The DOVISTA Group has formulated and implemented the "Work Health and Safety" policy in all companies. This policy supports the work towards the long-term target of zero work-related accidents. According to the policy, the management is solely responsible for the prevention of accidents and injuries. Every month, all accidents are reviewed by upper management in the DOVISTA Group and by the management of the company in which the accident(s) happened. In the review, the cause of the accident as well as the severity of the injury are determined, and corrective actions are implement-

ed to avoid similar accidents in the future. In 2017, reports count 6.6 work-related accidents per one million working hours (only production hours) compared to 8.5 the year before and a target of a 25% reduction, which was not met.

Waste and surplus from production are recycled or used for other purposes to the widest possible extent. In 2017, 92% of waste was reused or recycled compared to 96% in 2016.

As far as possible, wood waste from production is used for heating of own buildings. In 2017, 38% of the DOVISTA Group's total energy consumption came from wood waste from production, down from 46% the year before.

The DOVISTA Group endeavours to source wood from certified suppliers. In 2017, 87% came from certified suppliers, down from 89% in 2016. The aim for the coming year is to increase the proportion of wood from certified suppliers.

The DOVISTA Group, represented by VELFAC, participate in the Circle House project. The Circle House is the first social housing project in the world, where up to 90% of the materials used can be recycled with almost no value loss. The DOVISTA Group also use a life cycle assessment approach to reduce the carbon footprint and the general impact on the environment.

Solar thermal energy

In 2017, the Arcon-Sunmark Group developed and implemented a working environment policy with more than 20 defined initiatives to reduce accidents and injuries in the work place. The Group also invested a substantial amount in security measures, for example clearly marked walk ways around and between manufacturing areas to reduce the risk of accidents.



VELUX roof windows and VELFAC sliding door in a Danish residence.
Jesper Jørgen Fotografi, 2017



APPENDICES

Appendix 1: Group CSR Policy

This policy describes the approach to be taken in relation to the corporate social responsibility (CSR) of the VKR Group based on the UN Global Compact, which we have signed, and the internationally agreed minimum standards for responsible business conduct – the UN Guiding Principles for Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises (OECD).

The policy applies to VKR Holding A/S and affiliated companies in which VKR Holding A/S owns or controls, directly or indirectly, more than 50% of the votes or value of outstanding shares (the "VKR Group").

It is the purpose of the VKR Group to establish a number of model companies, which co-operate in an exemplary manner. A "model company" is a company working with products useful to society, which treats its customers, suppliers, employees of all categories and shareholders better than most other companies.

It is the overall CSR policy of the VKR Group that all VKR Group companies, with the model company objective and the UN Global Compact principles as framework, live up to this CSR commitment, that all VKR Group companies, their employees, and their business relationships, at all times, comply with the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises in relation to the subject matters covered by UN Global Compact's Ten Principles – and that they contribute to sustainable development in line with their corporate strategy.

At all times, the VKR Group will comply with existing laws and regulations for the jurisdictions in which we operate, and we expect all our business connections to do the same. Specifically, each Business Area in the VKR Group and any business connection of the VKR Group shall:

1. RESPECT HUMAN RIGHTS

i.e. adopt a policy commitment to establish and maintain human rights due diligence, where the companies regularly identify, prevent or mitigate their potential adverse impacts, and provide for access to remedy for actual adverse impacts; at a minimum in relation to the human rights contained in the International Bill of Human Rights, that also contains the rights referenced in the International Labour Organization as reflected in the Declaration on the Fundamental Principles of Rights at Work. It shall be noted that impacts in relation to Modern Slavery and the right to safe and healthy working conditions are included in such due diligence,

2. SYSTEMATICALLY MANAGE SIGNIFICANT ADVERSE ENVIRONMENTAL IMPACTS

i.e. adopt a policy commitment to establish and maintain environmental due diligence, where the companies regularly identify, prevent or mitigate their potential adverse impacts, and inform the appropriate authorities of such significant impacts should they occur according to the OECD, and

3. SYSTEMATICALLY MANAGE RISKS FOR CORRUPTION, MONEY LAUNDERING AND ANTI-TRUST PRACTICES

i.e. adopt a policy commitment to establish and maintain economic due diligence, where the companies regularly identify, prevent or mitigate their potential adverse impacts in relation to corruption, money laundering and anti-trust, and inform the appropriate authorities of such impacts should they occur according to the OECD.

The Group CSR Policy and its relation to other policies

This policy shall be embedded in all other policies (including Group policies) and procedures where relevant, and reference is made to these.

Our expectations to our employees:

We expect all our employees to assist us in meeting our core responsibilities and appreciate involvement in activities related to implementation of this policy. Furthermore, we expect our employees to react or inform their managers, or any other appropriate functions, if they identify any potential adverse impacts in relation to the principles included in the UN Global Compact framework. Procedures and programs, e.g. whistle-blower programs, have been set up in this context.

Who is responsible? The Role of the Management of the VKR Group Companies

Compliance in relation to this policy is the responsibility of the management of each company of the VKR Group. Within the overall framework, each business area is responsible for identifying its own specific CSR strategic objectives according to which the individual company shall contribute to sustainable development, adapted to the company's organization, geographical presence and market position.

In VKR Holding and in each Business Area, one or more officers are responsible for implementation and for monitoring the compliance in relation to this policy. The officers shall implement due diligence processes in relation to compliance with this policy, cf. 1-3 above.

These elements are part of a continual, ongoing process. The result of the due diligence process can be used to guide the VKR Group's strategy and execution efforts with continuous improvement of our general CSR activities within the framework of the UN Global Compact's Ten Principles.

Other UN goals within this framework, e.g. the Sustainable Development Goals (2015-2030) and the Blueprint for Corporate Sustainability Leadership, can inspire concrete strategic objectives and actions.

Involvement of VKR Holding

VKR Holding appoints an employee to be contacted by the above officers and the management of the individual VKR Group companies for advice in relation to the requirements of this policy. Whenever necessary, VKR Holding may issue guidelines and instructions to support the implementation of this policy and to ensure that the minimum standard for responsible business conduct is met.

Renewal and Communication of the Group CSR Policy

This policy shall be reviewed whenever relevant, and at least every three (3) years. It shall be made public and communicated to employees, business connections, and other relevant stakeholders of the VKR Group.

Appendix 2: List of VKR Group Policies

VKR Holding has implemented the 15 policies and one sub-policy below. They apply to all companies in the VKR Group and some extend to business connections as well. The policies concern areas that are important or critical to the VKR Group. They are approved by the board of directors in VKR Holding A/S and in the parent companies of each business area.

- Anti-Corruption Policy
- Cash Management Policy
- Communications Policy
- Competition Law Compliance Policy
- Crisis Management Policy
- Dividend Policy for the Business Areas
- Financial Information Policy
- Group CSR Policy
- Foreign Currency Exposures Policy
- Insurance Policy
- IPR Policy
- Legal Policy
- Risk Management Policy
- Tax Policy
- Transfer Pricing Policy
- Policy on the Prevention of Facilitation of Tax Evasion (sub-policy of the Group Tax Policy)

Among other things, our Group Policies support the UN Global Compact initiative and the Ten Principles. Additionally, they support the economic sustainability of the Group enabling our continued commitment in the future.

VELFAC vertical windows in container housing
In the waterfront of Copenhagen. VELFAC A/S, 2017



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