



COMMUNICATION ON PROGRESS 2019



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ABOUT THIS REPORT

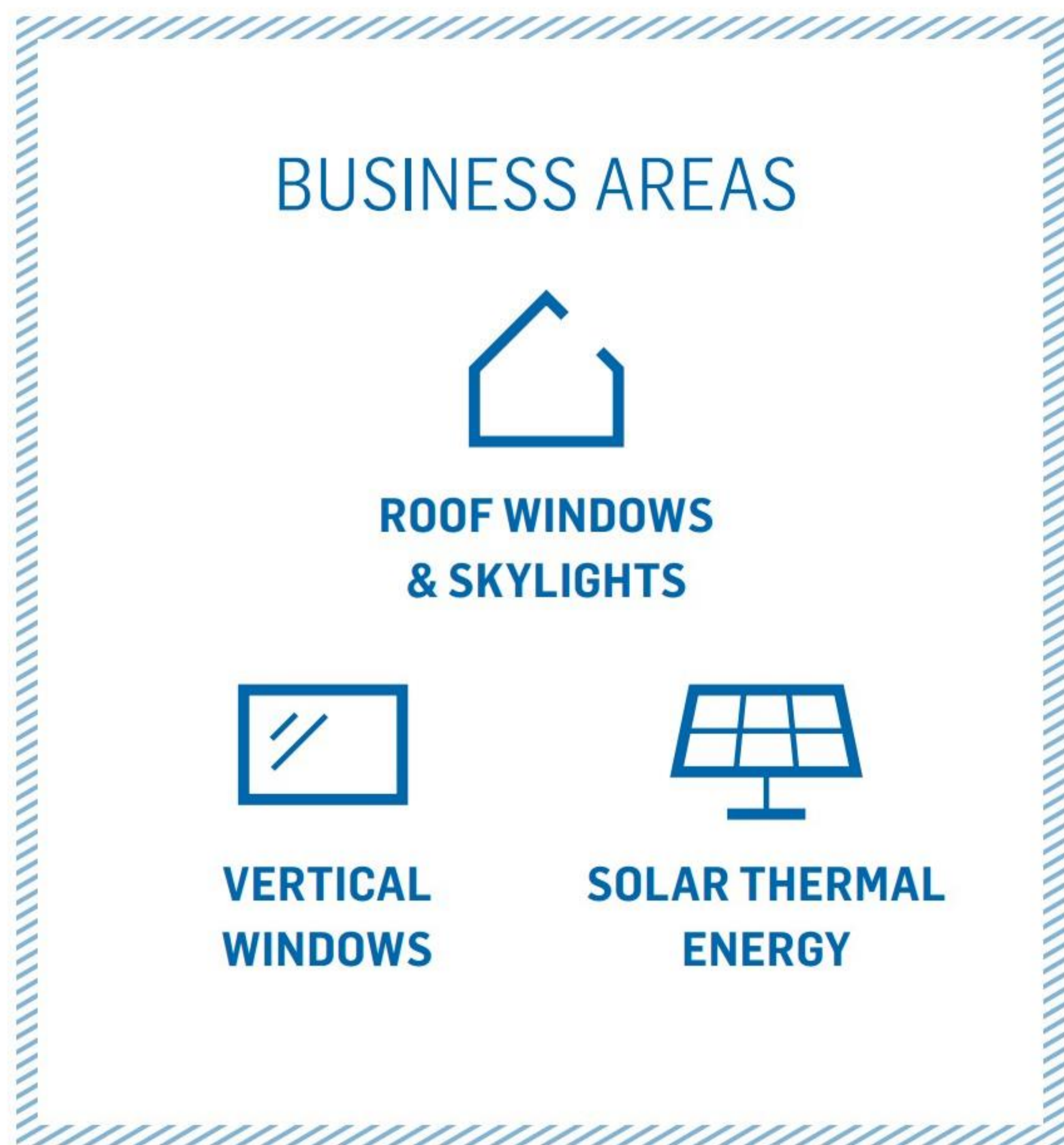
This report is supplementary to VKR Holding's Annual Report 2019 and constitutes both VKR Holding's Communication on Progress for 2019 to UN Global Compact and the VKR Group's statutory report, cf. section 99a of the Danish Financial Statements Act, also for 2019.

The requirements relating to the Communication on Progress are mainly addressed in the sections 'Letter to our stakeholders' and 'VKR Holding & the Ten Principles'.

The requirements according to the statutory report, cf. section 99a of the Danish Financial Statements Act are mainly addressed in the sections 'What we do' and 'The VKR Group & the Sustainable Development Goals'.

When using the name "VKR Holding" in this report, we refer exclusively to the legal entity of the parent company of the Group. When mentioning "business areas", we refer to all companies within Roof windows & skylights, Vertical windows and Solar thermal energy. Lastly, when using the term "VKR Group", we refer to both the parent company and the business areas.

Frontpage: KRONE windows in Hotel ALSIK, Sønderborg, Danmark.
Photo: Marco Rinaldi, 2019.



8 What we do

VKR Holding is a holding and investment company with a primary mission to create value through ownership of companies that bring daylight, fresh air and a better environment into people's everyday lives



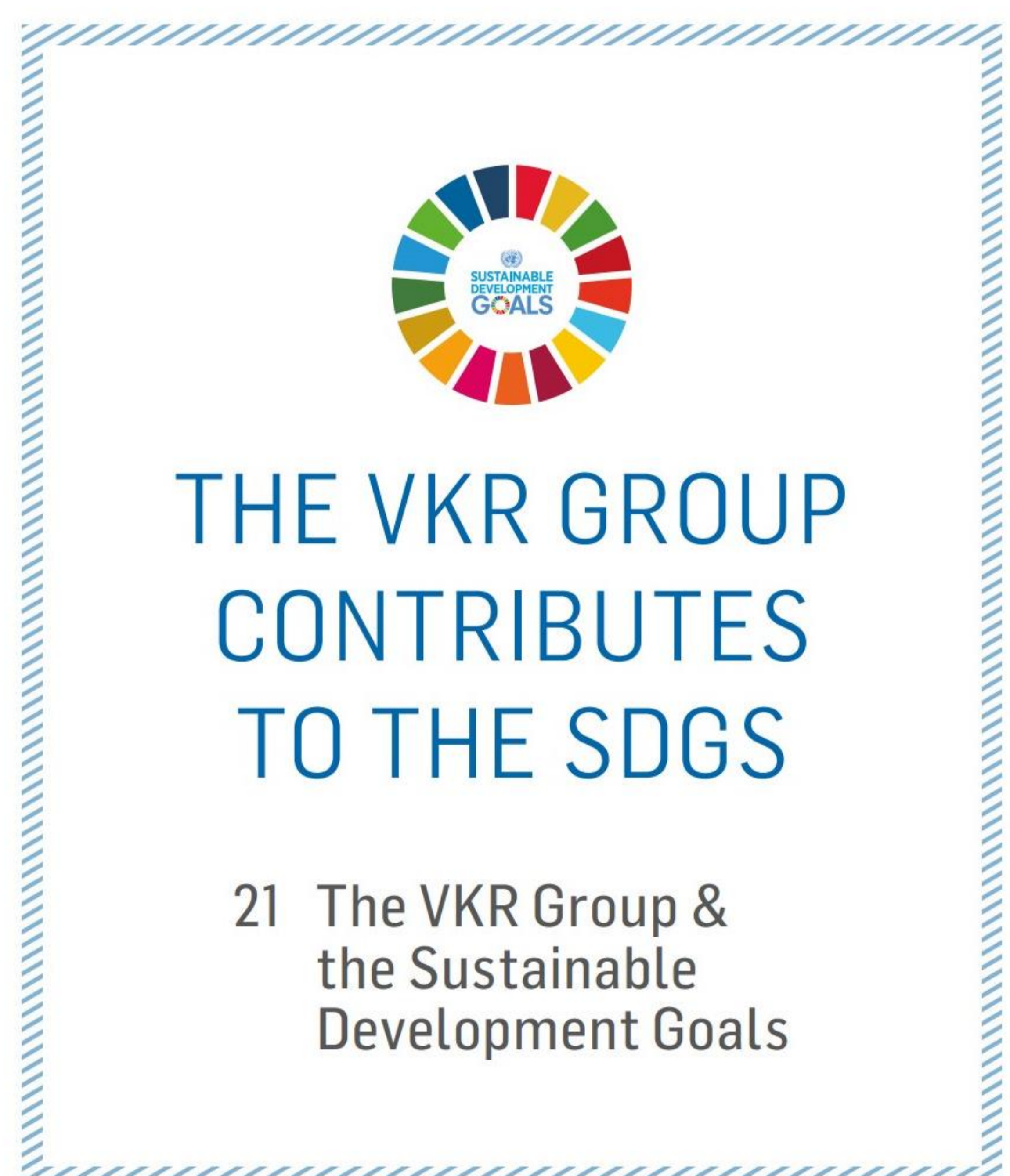
10 Model Company Objective

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



33 Case story from the DOVISTA Group

Pioneer project uses upcycled windows from KRONE VINDUER for sustainable luxury housing in Copenhagen



2019 OVERVIEW

VELUX HIGHLIGHTS



-47%

Reduction in CO₂ emissions since 2007. The target is to reduce CO₂ emissions by 50% by year-end 2020.

First Slovakian residence refurbished in accordance with the RenovActive methodology, leading to:

More daylight and fresh air



Increased living space

75 m² → 115 m²

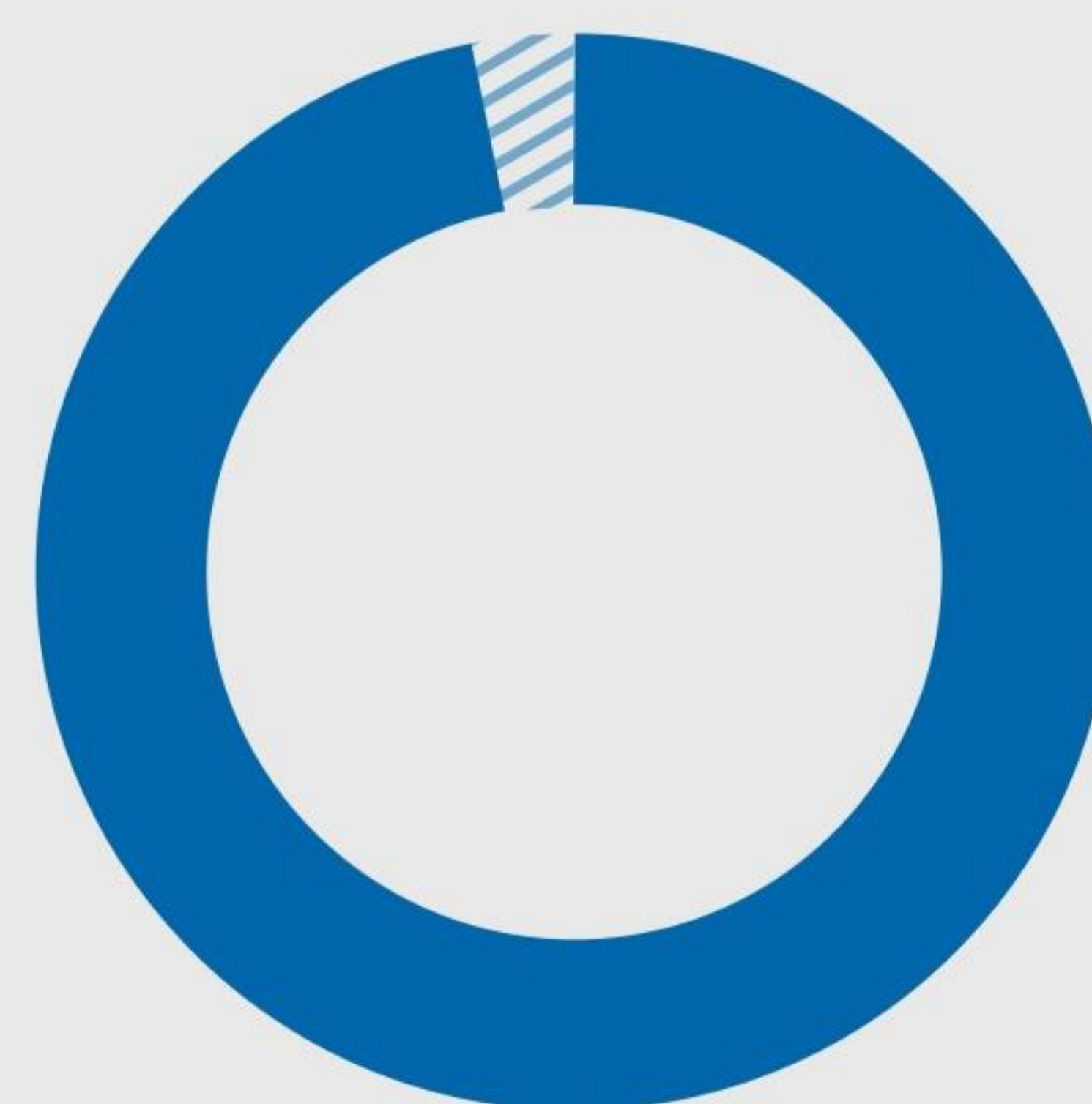
Energy consumption p.a.

-80%

97%

VELUX Group production waste recycling/reuse rate

The VELUX Group maintained their high recycling/reuse rate of 97% in 2019. The vision continues to be zero waste in production and when disposing of products at the end of their lifecycle.



DOVISTA HIGHLIGHTS

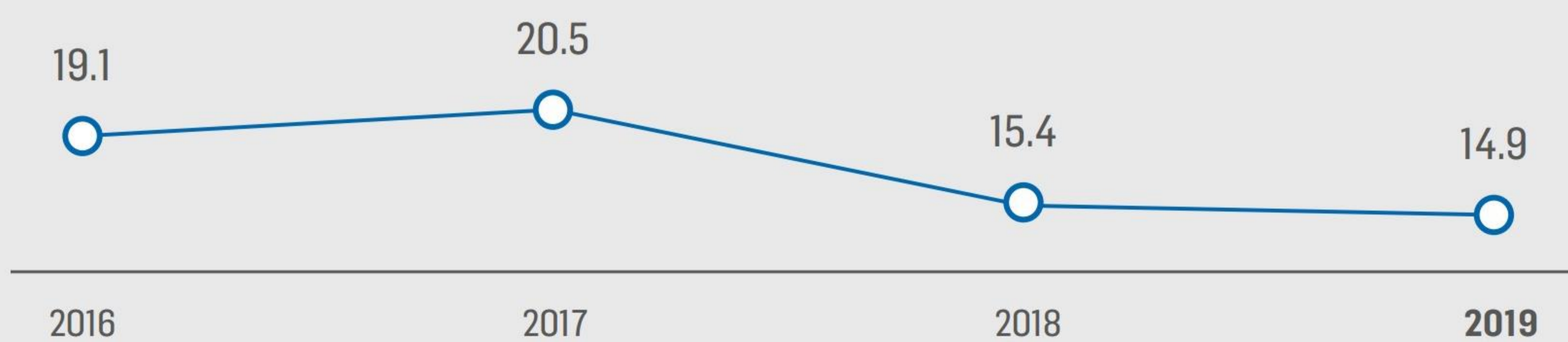


89%



Certified wood

DOVISTA Group CO₂ emissions (tonnes) per 1,000 units produced



Reduction in CO₂ emission per 1,000 units produced for the second year in a row.

VKR HOLDING HIGHLIGHTS



New policy and targets for responsible financial investments.
Read more about the policy on page 16.

LETTER TO OUR STAKEHOLDERS

We are proud to express our continued support for the UN Global Compact and we renew our ongoing commitment to the initiative, its principles in relation to Human Rights, Labour, Environment, and Anti-Corruption as well as UN's SDGs (Sustainable Development Goals).

2019 was an extremely busy year where employees around the world, in all business areas and at all levels of the organisation worked on initiatives linked to our primary SDG targets. For example, three colleagues from VELUX and DOVISTA joined the Young SDG Innovators Programme (YSIP), a development programme by the UN Global Compact for talented young professionals, designed to accelerate business innovation to achieve the SDGs.

Furthermore, the sustainability progress in both the VELUX Group and the DOVISTA Group was reviewed and we are delighted that DOVISTA will now formulate and implement its first Sustainability strategy in 2020. The VELUX Group is well on its way to achieving the goals set out in its current Sustainability strategy – e.g. by reducing emissions by 47% since 2007. In 2020, VELUX will present its new sustainability strategy with even more ambitious targets for the next decade based on these experiences and results.

We are proud to own companies which show such a commitment to making a positive impact on the world; this is in

line with our founder's own ideas of what a company should act like formulated in the Model Company Objective.

Inspired by the business areas, we have decided that the Holding company should also make a greater positive contribution to the Ten Principles and the SDGs, by setting new targets for the sustainability of our financial investments. Our majority owner, the charitable foundation VILLUM FONDEN, were pioneers within sustainable investments and we have sought inspiration in their approach. As a result, we have adopted a new policy; our Policy for responsible investments was approved by the board of VKR Holding in 2019. It highlights the ESG (Environmental, Social and Governance) impact of our financial portfolio, and through ambitious targets we plan to increase the share of ESG responsible investments – especially those which address the increasing climate change challenges that the world is experiencing.

Also, in 2019, we accomplished our target of conducting an impact assessment in VKR Holding and for a large part of the business area activities. So far, the impact assessment has not revealed any significant negative impact on the Ten Principles or the SDGs in the Holding company.

However, it is in the business areas where the significant change and impact can happen. The business areas have been

working on impact assessments and mitigating risks. This process is ongoing; targets for sustainability are being reviewed and new and more ambitious goals are being set.

We are convinced that the above initiatives will have positive impact on the Ten Principles and the SDGs. We will continue our work to identify and address actions and initiatives that have the highest impact in line with our ambition to be a Model Company.

We look forward to continuing our journey in 2020 and we welcome the newest initiative from UN Global Compact – SDG Ambition – that aims at accelerating the sustainable development towards the 2030 goals. This is fully in line with our vision.



Mads Kann-Rasmussen
CEO, VKR Holding A/S

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Europeans live in unhealthy buildings



Ingrid Reumert, VP Global Stakeholder Communications & Sustainability in VELUX A/S, presenting at Young SDG Innovators Programme workshop at VILLUM Window Collection in Søborg, Denmark.
Photo: EMPTYHOUSE, 2020.



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.

WHAT WE DO

Business model

VKR Holding is a holding and investment company with a primary mission to create value through ownership of companies that bring daylight, fresh air and a better environment into people's everyday lives and financial investments.

In line with its mission, VKR Holding owns companies within Roof windows & skylights, Vertical windows and Solar thermal energy solutions.

In addition, VKR Holding manages a portfolio of financial investments. The portfolio consists of listed shares and bonds as well as illiquid assets such as property, private equity and private debt.

The Roof windows & skylights is the largest business area within the VKR Group. It has activities in most of the

world involving development, production and sales of windows and accessories such as blinds, shutters and active digital products. The Vertical window business area works with development, production, and sales of windows and exterior doors in Northern Europe.

The Solar thermal energy business area has activities within development and sales of solar thermal energy systems.

VKR Holding engages in active ownership in relation to the business areas through the Model Company Objective, Group policies and our governance structure. Within the given framework, the business areas operate highly autonomously.

One objective for VKR Holding is to generate the highest possible risk-adjusted return on investments. In 2019,

this objective was supplemented by additional ambitions regarding the financial portfolio: The board of VKR Holding has approved a new policy regarding responsible financial investments that includes an ambition to increase the proportion of responsible investments in the financial portfolio. Specifically, we commit ourselves to reduce the "Classic" investments with no specific ESG focus by 50% and increasing the more responsible investments category "Thematic" by a factor of 4. Read more about the policy on page 16.

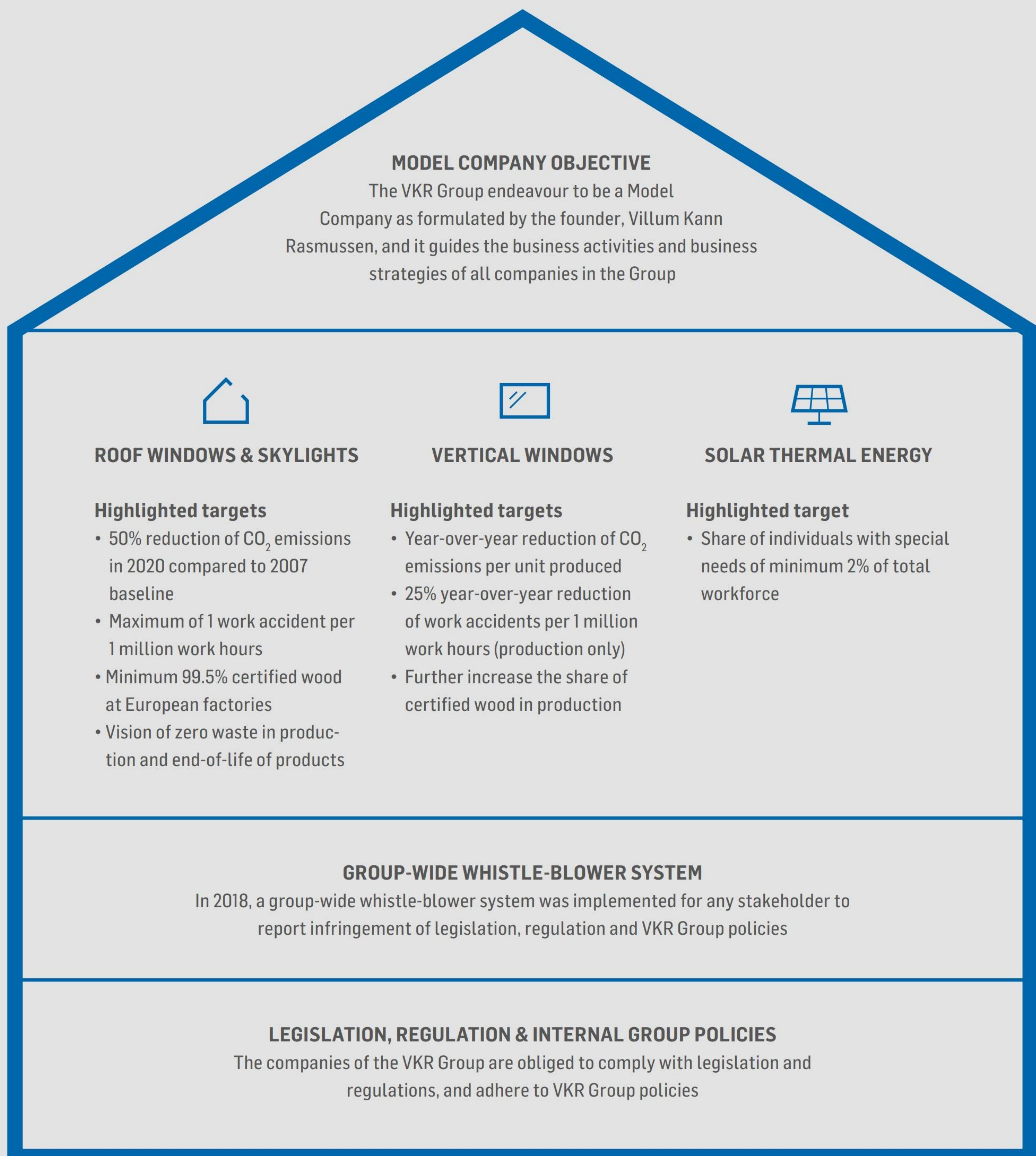
VKR Holding A/S has 42 employees and is based in Denmark.

For more information about the responsible investments policy or VKR Holding in general, please visit: www.vkr-holding.com

THE VKR GROUP AS OF 31 DECEMBER 2019



SUSTAINABILITY MODEL



The VKR Group's Sustainability commitment is illustrated in the model above and elaborated throughout this report.

As illustrated in the model, the founder's Model Company Objective is still the vision of the VKR Group, and it guides our

decisions and initiatives. Furthermore, VKR Holding and the business areas are required to comply with legislation and regulations as well as VKR Group policies.

Within this model, the business areas are given autonomy to prioritise and

target their Sustainability efforts appropriately. This is represented by the three business areas of the model where selected targets of each business area are highlighted.

MODEL COMPANY OBJECTIVE

Corporate Social Responsibility (CSR) has been an integral part of the VKR Group's business strategy and business activities since the company was established in 1941.

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 companies in the VKR Group are expected to act on.

Given VKR Holding's mission to own and develop companies that bring daylight, fresh air and a better environment into people's everyday lives, sustainability is also a natural and important driver for all companies in the Group.

“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



Founder of the VKR Group, Villum Kann Rasmussen.
Photo: Mogens Carrebye, 1979.

THE PURPOSE OF
THE VKR GROUP IS
TO ESTABLISH A
NUMBER OF MODEL
COMPANIES, WHICH
COOPERATE IN
AN EXEMPLARY
MANNER

THE FOUNDATIONS

Villum Kann Rasmussen's desire to contribute to society made him found the philanthropic foundations known as THE VELUX FOUNDATIONS. Each year more than 80% of dividends paid by VKR Holding is returned to society through these foundations.

THE VELUX FOUNDATIONS are comprised of the two philanthropic foundations VILLUM FONDEN and VELUX FONDEN. VILLUM FONDEN is the majority shareholder of VKR Holding and operates independently from the companies of the VKR Group.

VILLUM FONDEN was established in 1971 and VELUX FONDEN in 1981, and since then, the foundations have granted about DKK 12.5 billion (EUR 1.7 billion). Among the grant areas are scientific, environmental, social and cultural purposes in Denmark and internationally.

Additionally, the VKR Group and VILLUM FONDEN historically funded the Employee Foundation of the VKR Group, which is now financially self-sufficient. This foundation supports employees in different aspects of life such as unfortunate situations, children's education and community projects near companies of the VKR Group.

Read more about selected contributions of THE VELUX FOUNDATIONS and the Employee Foundation on the following pages. For more information about the aforementioned foundations as well as sister foundations, please visit: www.vkr-holding.com/fonde/

For more information about KR Foundation, one of the sister foundations, please see the next page.

THE VELUX FOUNDATIONS

In 2019, THE VELUX FOUNDATIONS granted approx. DKK 1,335 million (EUR 178 million) combined in 1,153 different grants.

For additional information about THE VELUX FOUNDATIONS, please visit: www.veluxfoundations.dk

Selected highlight from VILLUM FONDEN in 2019

Each year, VILLUM FONDEN provides funding to aspiring researchers seeking to carry out the type of research that will allow them to make a name for themselves.

In 2019, 21 researchers from the University of Copenhagen, the Technical University of Denmark, the University of Southern Denmark and Aarhus University received grants of between DKK 7 million (EUR 0.9 million) and DKK 10 million (EUR 1.3 million) as part of their acceptance into the Villum Young Investigators Programme.

Amongst the topics being studied by the Villum Young Investigators are quantum information sharing, rainforest biodiversity, the microscopic structure of food, cosmic dust and environmentally friendly composites.

Since 2011, the Villum Young Investigator Programme has made more than DKK 1 billion (EUR 133 million) in grants.

EMPLOYEE FOUNDATION OF THE VKR GROUP

In 2019, the Employee Foundation donated more than DKK 9 million (EUR 1.2 million) in total to employees, their families, and non-profit community projects.

For more information about the Employee Foundation, please visit: www.employeefoundation.com

Selected highlights in 2019

Healthy Habits campaign

In 2019, the Employee Foundation launched a proactive campaign called "Healthy Habits" in order to put the spotlight on a good indoor climate.

We spend 55% of our time in homes and in total 90% indoors. Humidity and high levels of CO₂ result in poor indoor climate, which can have a very negative effect on our health. We can improve the air quality in our homes by ventilating frequently. All employees – more than 16,000 – regardless of service length received a credit card-sized climate card, which can measure humidity and temperature and can remind us to let in fresh air at home to improve air quality.

Live a dream

– help build hope and homes

The Employee Foundation's new initiative will give employees the opportunity to donate a week's time to do meaningful voluntary work for people in need. In cooperation with the international non-profit organisation, Habitat for Humanity, the Employee Foundation will organise a trip for employees from different parts of the VKR Group to a building project in Romania, where they can build homes together with volunteers from other companies and under supervision of professionals. Here, employees will really see and feel how they can make a positive difference. In September 2019, the board and secretariat of the Employee Foundation did voluntary work at a building site in Romania and found it extremely rewarding.

CASE STORY: KR FOUNDATION



Investors with USD 35 trillion in assets are pushing big business to act on climate change

100 companies around the world account for two-thirds of the annual global industrial emissions. To meet the goals of the Paris Agreement, these companies must dramatically transform their business strategies. While many are beginning to shift, most companies are not yet acting at the speed or scale necessary for a climate-safe future. Pressure from investors and peer companies is critical for pushing these high emitters to make the necessary changes.

Climate Action 100+ is an investor initiative aiming to encourage the world's largest corporate greenhouse gas emitters to take action on climate change. More than 300 investors with over USD 35 trillion in assets collectively under their management are engaging companies on topics such as improving their governance, curbing their emissions, and strengthening their climate-related financial disclosures. The targeted companies include 100 "systemically important emitters", accounting for two-thirds of annual global industrial emissions, along with more than 60 others with significant opportunities to drive the clean energy transition.

Climate Action 100+ has been supported by KR Foundation since 2018 and their grant runs until the end of 2020.

About Climate Action 100+

Climate Action 100+ is coordinated by five partner organisations: Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI). These organisations – along with five investor representatives from AustralianSuper, California Public Employees' Retirement System (CalPERS), HSBC Global Asset Management, Ircantec and Manulife Asset Management – form the global steering committee for the initiative.

About KR Foundation

KR Foundation was established in December 2014 by VILLUM FONDEN and the descendants of Villum Kann Rasmussen. Their mission is to address the root causes of climate change and environmental degradation and they provide about DKK 100 million a year to projects and organisations that align with this mission.

The foundation is based in Copenhagen, Denmark, but works internationally. They collaborate closely with THE VELUX FOUNDATIONS and the V. Kann Rasmussen Foundation.



COMPANIES AROUND THE
WORLD ACCOUNT FOR

2/3

OF THE ANNUAL GLOBAL
INDUSTRIAL EMISSIONS

CLIMATE ACTION 100+ HAS BEEN
SUPPORTED BY KR FOUNDATION SINCE
2018 AND THEIR GRANT RUNS UNTIL
THE END OF 2020

VKR HOLDING AND THE 10 PRINCIPLES

VKR Holding is a participant of the UN Global Compact, and we are proud to contribute to its initiatives. We are committed to upholding the principles in the four issue areas of human rights, labour, environment and anti-corruption and we strive to contribute to the realisation of the Sustainable Development Goals.

The Group's major positive impact on the SDGs is achieved by the business areas producing and selling products useful to society in accordance with the Model Company Objective – and governed by VKR Holding's group-wide policies (see Appendix 1 for a full list of the policies) and CSR owner intentions. Furthermore, the business areas have been working with impact assessments to identify

further potential for improvements. This is an ongoing process.

To supplement this, we have decided that the Holding company should also make a greater positive contribution to the Ten Principles and the SDGs by setting new targets for the sustainability of our financial investments. Our majority owner, the charitable foundation VILLUM FONDEN and its sister foundations were pioneers within sustainable investments and we are following their lead. As a result, a policy for responsible investments was formulated and approved by the board of VKR Holding in December 2019. For more information about the policy, please see page 16.

In 2019, we accomplished our target of conducting a structured impact assessment of VKR Holding's business activities in all four issue areas (i.e. for the parent company only). We did not identify any significant direct negative impacts or risks, which is mainly due to the nature of our business as a holding company with no sales or production activities. As in the business areas, we will however continue to identify potential fields of improvements.

We aspire to be more transparent and in 2020, the board decided to make all policies public. Among other things, the policies are part of our commitment to the UN Global Compact. They can be found on this webpage:

www.vkr-holding.com/governance/

VKR HOLDING FULLY COMMITS 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.



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.



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.



ANTI-CORRUPTION

PRINCIPLE 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

POLICY FOR RESPONSIBLE INVESTMENTS IN VKR HOLDING A/S

The Model Company Objective guides us in everything we do, and in 2019, the board of VKR Holding formalised what that means for our financial investments in a policy for responsible investments. In short, the policy formulates our ambition to increase the proportion of responsible investments with a special focus on combating climate change.

The financial portfolio of VKR Holding is managed in close cooperation with THE VELUX FOUNDATIONS, where investing in an ethical manner has been on the agenda for years, and a policy to support this was implemented in 2013. Our policy and approach are inspired by our majority shareholder VILLUM FONDEN.

The policy only applies to VKR Holding A/S (the parent company) and affiliated investment companies. Thus, the business areas are not covered by the policy. Since these have no significant financial holdings, this has limited practical effect.

Our approach is illustrated by the "investment spectrum" where we have set tangible targets for increasing the share of responsible investments over time. The policy for responsible investments in VKR Holding A/S is accessible at our web site: www.vkr-holding.com/governance/

The investment spectrum

The investment spectrum has four categories: Classic, Responsible, Sustainable and Thematic, as shown in the model below.

The primary purpose of investments in the "Classic" category is to generate an attractive risk-adjusted return without specific focus on ESG factors. Investments in the categories to the right of the Classic category increasingly take ESG factors into account: the "Responsible" category incorporates ESG factors to minimise risk exposure, the "Sustainable" category seeks to increase positive

BY 2023, OUR TARGET IS TO REDUCE OUR SHARE OF INVESTMENTS IN THE "CLASSIC" CATEGORY BY 50% AND TO QUADRUPLE OUR PROPORTION OF INVESTMENTS IN THE "THEMATIC" CATEGORY COMPARED TO THE BASELINE AS OF JUNE 2019

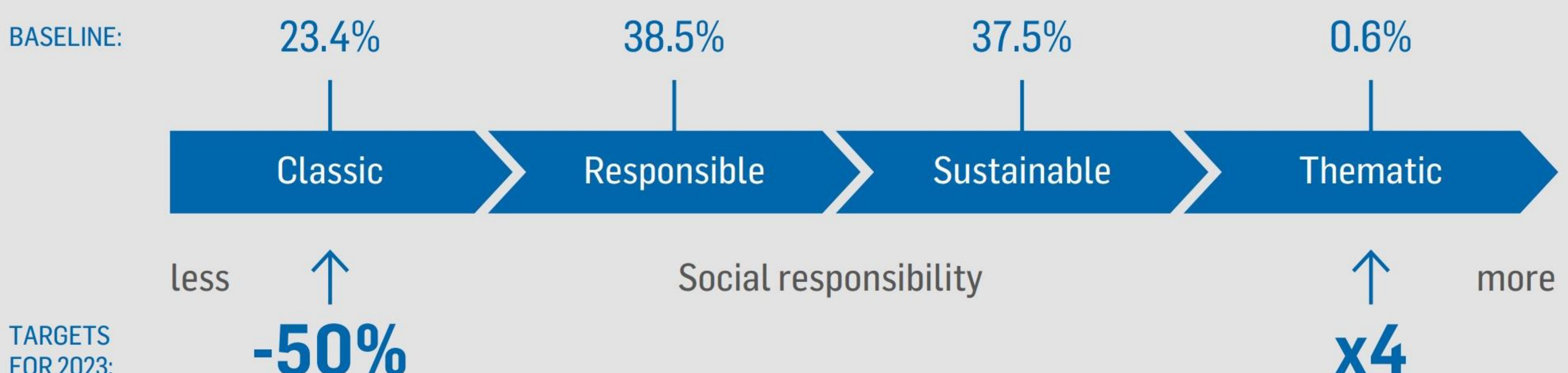
value by incorporating ESG factors, and lastly, the "Thematic" category includes investments where we have decided on a particular focus i.e. environmental and climate sustainability.

TARGETS FOR OUR FINANCIAL INVESTMENTS

VKR Holding's target from 2020 onwards regarding responsible investments is to screen the portfolio twice a year, according to the criteria specified in the policy.

By 2023, our target is to reduce our share of investments in the "Classic" category by 50% and to quadruple our proportion of investments in the "Thematic" category compared to the baseline as of June 2019.

Our long-term target is to increase the proportion of responsible investments from year to year by moving to the right on the investment spectrum, and for all financial investments to comply with the Paris Agreement's goal of combating global warming. We are convinced that this approach will have a positive impact on all Ten Principles and several of the SDGs – especially those related to environment and climate in general.





HUMAN RIGHTS

IMPACT ASSESSMENT

The impact assessment of VKR Holding's activities shows no significant impacts or risks towards human rights.

CSR OWNER INTENTIONS

Given our aspiration to be a Model Company, human rights must always be respected. It is therefore natural that VKR Holding have formulated the following CSR owner intentions that apply to the entire Group:

- Zero-tolerance with respect to violations of universal rights.
- When relevant, companies of the VKR Group should operate with a code of conduct, e.g. for suppliers.

POLICIES

VKR Holding has implemented the Group CSR Policy that directly addresses the issue area of human rights. All companies of the VKR Group, including VKR Holding, and all business partners are subject to the policy. It instructs the companies to regularly identify risks, prevent or mitigate their potential adverse impacts and take remedial action on actual adverse impacts. According to the Group CSR Policy, the minimum requirement is compliance with the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights.

In addition to the Group CSR Policy, VKR Holding has implemented three other policies: The Risk Management Policy, the Legal Policy, and the Crisis Management Policy, that indirectly addresses human rights issues. In brief, these policies require the entire VKR Group to take a qualified position on risks, comply with all relevant legislation and to ensure adequate crisis management programmes concerning potential serious crises.

OUTCOMES IN 2019

In 2019, VKR Holding achieved its target in the area of human rights by concluding a structured impact assessment of the company's activities where no significant impacts or risks were identified.



LABOUR

IMPACT ASSESSMENT

In general, labour rights are highly protected in Denmark where the company's offices are located. This is also in line with the Model Company Objective; stating the ambition of treating employees of all categories better than most other companies.

The result of the impact assessment concluded that concerning the four labour principles, only a few theoretical risks exist.

CSR OWNER INTENTIONS

In respect of the founder's vision of treating employees of all categories, better than most other companies, VKR Holding has formulated CSR owner intentions as listed below:

- Companies of the VKR Group should continuously improve occupational health and safety.
- Provide conditions and opportunities conducive for the personal and professional development of all employees.
- Not tolerate child labour.

POLICIES AND INITIATIVES

The Group CSR Policy, implemented by VKR Holding, addresses the labour principles directly. According to the policy, companies of the VKR Group and all business connections are to comply with the Declaration on Fundamental Principles and Rights at Work and the legislation on Modern Slavery by regularly identifying, preventing, mitigating and taking remedial actions on actual adverse impacts.

Additionally, the principles of Labour are also indirectly addressed by the group-wide Risk Management Policy and Legal Policy. These policies implemented by VKR Holding stipulate that companies of the VKR Group must take a qualified position on risks and comply with all relevant legislation.

VKR Holding supplies employees with a handbook addressing employees' responsibilities, rights, compen-

sation, vacation, company policies, etc. Annually, every employee is invited to a dialogue with their manager where expectations, results, development, compensation, individual targets, etc., are discussed. Moreover, VKR Holding provides a comprehensive health insurance to all employees.

OUTCOMES IN 2019

VKR Holding accomplished the targets for 2019 by completing a structured impact assessment of the principles of labour, and by conducting our biennial employee satisfaction survey. No significant impacts or risks were identified.

The participation rate for our employee satisfaction survey was once more at a very satisfactory 100%, and no one reported instances of discrimination or harassment. The results were on a par with comparable top-performing companies.

Underrepresented gender on the board of directors

By the end of 2019, VKR Holding's board of directors consisted of one female and four male representatives, corresponding to 20% and 80%, respectively. Hence, VKR Holding's target of minimum one representative of the underrepresented gender was achieved.

TARGET FOR 2020

As our board diversity target has been met for several years, a new long-term target is formulated: by 2024, there must be an equal distribution between the genders on the board of VKR Holding A/S¹.

Despite still having employee satisfaction on a par with comparable top-performers, the target for 2020 is to explore opportunities for further improvement to maintain satisfaction levels. Increased HR resources will assist in this process. The next scheduled employee satisfaction survey is in 2021.

¹ In accordance with the guidelines of the Danish Business Authority (March 2016)



ENVIRONMENT

IMPACT ASSESSMENT

Our structured impact assessment did not reveal any significant negative impacts or risks related to the environment.

CSR OWNER INTENTIONS

In relation to the issue area of environment, VKR Holding has defined the following CSR owner intentions:

- All companies of the VKR Group should evaluate and, if possible, reduce environmental and climate impacts of products using a lifecycle approach.
- Minimise waste of raw materials in production and improve energy and water efficiency to reduce negative environmental impacts.
- Increase the usage of renewable natural resources in new products.

In addition to working with the internal factors mentioned above, the companies of the VKR Group are expected to make use of their position and unique knowledge to influence external framework conditions by:

- Endorsing relevant standards and environmental certification systems.
- Working systematically on environmental issues in the construction sector and committing to improving the energy efficiency of buildings.
- Forming strategic partnerships which contribute to developing new standards in eco-friendly construction and influence the environmental agenda in general.

POLICIES AND INITIATIVES

Through the Group CSR Policy implemented by VKR Holding, the VKR Group is committed to acting in accordance with the OECD Guidelines for Multinational Enterprises by regularly identifying and preventing or mitigating potential adverse environmental impacts. In case of a significant incident, appropriate authorities must be informed. Business partners, including suppliers, are expected to follow the same procedures.

The principles of environment are indirectly addressed in the Risk Management Policy and the Legal Policy implemented by VKR Holding. In short, these policies require all companies of the VKR Group to take a qualified position on risks and to comply with all relevant legislation.

Additionally, we have several initiatives in place to reduce the footprint of VKR Holding's offices, e.g. reuse of rainwater, recycling of paper, energy optimisation and prohibition of the use of chemicals in green areas.

OUTCOMES IN 2019

We reached our target in the area of environment by completing a structured impact assessment regarding all the Ten Principles of the UN Global Compact. No significant impacts or risks were identified.

TARGET FOR 2020

Our target for 2020 concerning environment relates to the new policy for responsible investments, which we believe will impact this area especially. Our long-term target is that all financial investments must comply with the Paris Agreement. In addition, we have set a 2023 target of reducing our financial investments with no specific ESG focus by 50% and increasing "Thematic" investments with an environmental focus by a factor of 4.



ANTI-CORRUPTION

IMPACT ASSESSMENT

We have carried out an impact assessment based on the official UN Global Compact questionnaire and this did not reveal any specific risk exposure or negative impact. However, the impact assessment revealed that the UN-based questionnaire ("The Global Compact Self-Assessment Tool") needs to be amended or supplemented with additional questions in order to cover all VKR Holding-specific aspects in relation to anti-corruption, money laundering, and anti-trust. This is not due to any findings or suspicion of incidents of corruption, but rather reflects the business activities of a holding company with a sizeable portfolio of financial investments.

CSR OWNER INTENTIONS

Concerning the issue area of anti-corruption, the CSR owner intentions formulated by VKR Holding simply state:

- VKR Group companies are to comply with the group-wide Anti-Corruption Policy.

POLICIES

The Group CSR Policy implemented by VKR Holding states that all companies of the VKR Group and any business partners must regularly identify and prevent or mitigate potential adverse impacts concerning corruption, money laundering and anti-trust in alignment with the OECD Guidelines for Multinational Enterprises. In case of an incident, the appropriate authorities must be informed.

The group-wide Anti-Corruption Policy and Competition Law Compliance Policy, both implemented by VKR Holding, also address the principle of anti-corruption directly. According to these policies, Group companies, including VKR Holding, are required to comply with all relevant international and/or national anti-trust and competition laws. Additionally, they contain guidelines for appropriate behaviour in different situations that could violate anti-corruption legislation and policies.

OUTCOMES IN 2019

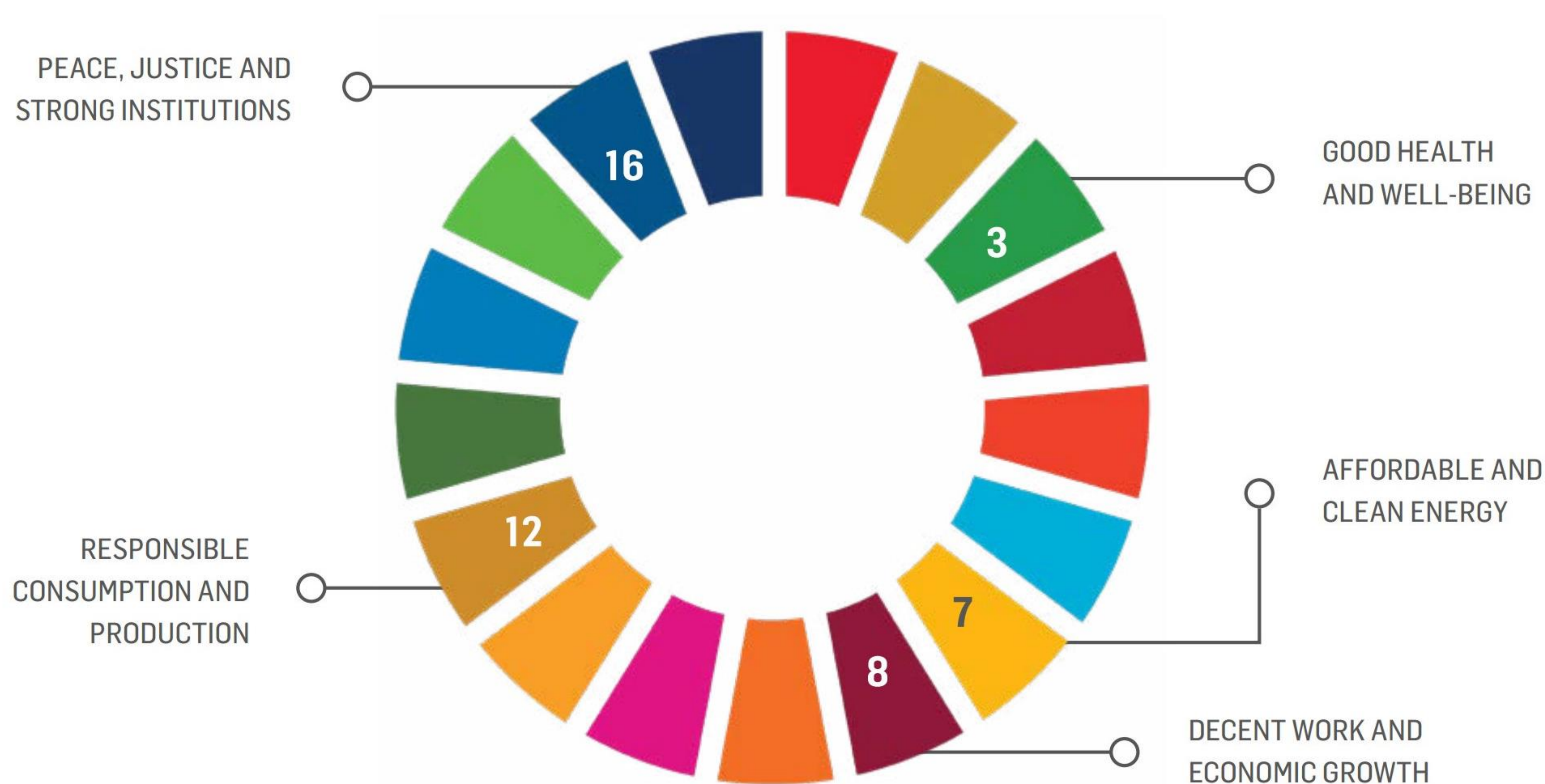
In 2019, we reached our target in the area of anti-corruption by completing a structured impact assessment of VKR Holding's business activities. No significant impacts or risks were identified.

TARGETS FOR 2020

In the area of anti-corruption, VKR Holding's target for 2020 is:

- Develop a new extended and modified risk assessment questionnaire and carry out the impact assessment process in 2020 and henceforth according to the amended questionnaire.

THE VKR GROUP & THE SUSTAINABLE DEVELOPMENT GOALS



Within a company the size of VKR Holding A/S there is limited opportunity to contribute directly to the SDGs, and similarly the negative impacts are minor. The VKR Group on the other hand, has an opportunity, an obligation and an ambition to make a difference, both in terms of making positive contributions and mitigating any negative impacts.

The ambitions are high in the VKR Group's largest business area, where the VELUX Group's current sustainability strategy ends in 2020. We are confident that the VELUX Group will achieve the ambitions and targets set out in the current strategy and we look forward to sharing the company's new ambitious sustainability strategy in the second quarter of

2020. The strategy will set the direction towards 2030 and will include the SDGs strategically to an even higher degree when determining the right course for the VELUX Group's sustainability efforts. In addition, the scope of the strategy will be broadened to encompass all business activities.

The ambitions in the DOVISTA Group are also high. It has been decided to formulate and implement a sustainability strategy in 2020 with the purpose of structuring and focusing the Group's efforts even further.

On the following pages, we present impact assessments, highlight selected actions and results of the business areas

and describe implemented policies and due diligence processes. Due to differences in priorities and impacts in relation to the SDGs, the highlights of Key Performance Indicators (KPIs) and results of the business areas are not consolidated but presented separately. More information can be found in the business areas' separate Communications on Progress which will be published in the coming months.

Due to lack of data for the reporting year, the VELUX Group's recent acquisitions, JET Group, Vitral and Wasco Skylights, all part of the VELUX Commercial division, are so far only included in the CO₂ emissions KPI. The VELUX Group is working on integrating these entities in future reporting.

HIGHLIGHTS OF THE VKR GROUP'S CONTRIBUTION AND IMPACT ON THE SDGS

The SDGs are interconnected and progress on one goal may advance or impede progress on another. This is illustrated below by the distinction between primary and secondary SDG effect. At Group level, we focus our reporting on the primary SDGs affected even though the business areas contribute to additional SDGs through many impactful initiatives.

THE VKR GROUP'S CONTRIBUTION	PRIMARY SDG IMPACT	SECONDARY SDG IMPACT(S)
Bringing daylight and fresh air into people's everyday lives		 
Better environment and energy-efficient solutions		
Safe and motivating working conditions		
Sustainable sourcing and waste management		
Fair competition		

For more information about the SDGs and underlying targets, please visit <https://sustainabledevelopment.un.org/sdgs>

BRINGING DAYLIGHT AND FRESH AIR INTO PEOPLE'S EVERYDAY LIVES

IMPACT ASSESSMENT

Today, people in the developed part of the world spend most of their time indoors, which makes it very important to improve the indoor environment. Studies show that indoor air can be five times more polluted than outdoor air, and that the risk of asthma and other respiratory diseases is 40% higher if you live in a damp and mouldy building. As a direct consequence it is estimated that about 2.2 million people in Europe alone are diagnosed with asthma.

By bringing fresh air and daylight into people's lives, the general well-being of people is improved, and the risks of premature mortality from non-communicable diseases and deaths as well as illnesses linked to household pollution are reduced. As a result, the VKR Group has a significant positive impact on good

health and well-being (SDG 3) through the Roof windows & skylights and Vertical windows business areas.

ACTIONS IN 2019

In 2019, the VELUX Group hosted both the 8th VELUX Daylight Symposium and the 5th Healthy Buildings Day in Paris. The events enabled a useful exchange of the latest knowledge among professionals in the field of healthy buildings. For more information about the events, please see the case story "Leading the Change – Partnering for Impact" on page 25.

In addition to hosting the above-mentioned events, the VELUX Group is also one of the founding partners of the Active House Alliance. This organisation is a global non-profit network of scientists, designers, developers, builders and building components manufacturers. In 2019, the Alliance updated its strategy,

clearly stating the vision of buildings that create healthier and more comfortable lives for the occupants without a negative impact on the climate. The Alliance also released the third version of contemporary benchmarks as more experience has been gathered from new buildings and renovation projects in different climate zones. Among other things, the benchmarks include a new daylight norm.

RESULTS IN 2019

In collaboration with various partners, the VELUX Group has developed the RenovActive methodology based on the Active House principles. The methodology provides a framework to ensure healthy, affordable and scalable renovation of single-family homes. In 2019, VELUX Slovakia partnered with peer companies, the Slovak Green Building Council and the Slovak municipality of Sala and refurbished the

PRIMARY SDG IMPACT - UN TARGETS



- By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment, and promote mental health and well-being
- By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

SECONDARY SDG IMPACTS - UN TARGETS



- By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums



- Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

First house in Slovakia to be refurbished in accordance with the RenovActive methodology leading to an improved indoor living environment for the Hučkos family. Photo: Martin Matula Photography, 2020.



Studies show that indoor air can be 5 times more polluted than outdoor air



Risk of asthma and other respiratory diseases is 40% higher if you live in a damp and mouldy building



About 2.2 million people in Europe alone are diagnosed with asthma

first Slovakian house in accordance with the RenovActive methodology. The result is a modern home with more daylight and fresh air. Besides an improved indoor living environment, the living space was increased from 75 m² to 115m² by making the attic habitable, while at the same time reducing energy consumption by 80% p.a. and avoiding use of the additional materials necessary for a new building.

Last year, the VELUX Group launched VELUX ACTIVE with NETATMO, a French tech and design company, and in 2019 new features were added. These include smart heat-protection, Google Home

integration and grouped product control for operation of multiple units at once. VELUX ACTIVE utilises smart sensor measurements of temperature, CO₂, humidity and live local weather data to automate the operation of VELUX roof windows, blinds, and shutters for a healthier and more comfortable indoor environment. In total, the adoption of VELUX ACTIVE grew by 247% in 2019.

DUE DILIGENCE PROCESSES

Every year, the VELUX Group publishes the Healthy Home Barometer report. The Barometer for 2019 was compiled using a new analysis of data mainly from

the EU SILC and EUROSTAT databases, which was carried out by the research institute RAND Europe (a non-profit policy research institute). The Barometer "takes the pulse" of European buildings and provides knowledge about potential building improvements to homeowners, legislators and the building community in general.

To learn more about the conclusions of this year's Healthy Homes Barometer, please see the case story "Leading the Change – Partnering for Impact" on the next page.

CASE STORY: LEADING THE CHANGE – PARTNERING FOR IMPACT



The VELUX vision is to lead the development of better living environments with daylight and fresh air through the roof and to be rated as best in the eyes of our customers.

With a strong focus on fulfilling this vision, also in 2019, the VELUX Group engaged in partnerships and dialogues and arranged conferences to knowledge-share and disseminate best practices on better indoor environments, sustainability and buildings.

The VELUX Daylight Symposium and Healthy Buildings Day in Paris

More than 700 scientists, specifiers, developers, urban planners, building owners, professional housebuilders and government

representatives from North America, China and Europe met in Paris on 9-10 October to participate in the two well-established VELUX forums – the VELUX Daylight Symposium and the Healthy Buildings Day.

The purpose of the two days was to share and discuss the latest knowledge on how daylight and fresh air contribute to healthier living environments and disseminate the continuously improving guidance on how to design and build healthier homes and buildings.

Promoting the healthy buildings agenda

The VELUX Group also sponsored initiatives such as the Women 4 Climate Tech Challenge and the Active House Alliance. The VELUX Group also supported the Energy Solutions network in the European Parliament working for healthier buildings and a systemic approach to legislation and solutions that support a decarbonisation of the economy.

KEY FINDINGS OF HEALTHY HOMES BAROMETER 2019:

20%

of children

in some European countries, suffer from asthma. Typical health problems caused by an unhealthy home include asthma, allergies, eczema, cold, bronchitis and pneumonia.

1/3

European children under 15 live in unhealthy homes – that is 26 million children.

1.7 million

school days are lost due to absence linked to unhealthy living environments, leading to high costs of lost learning and productivity.

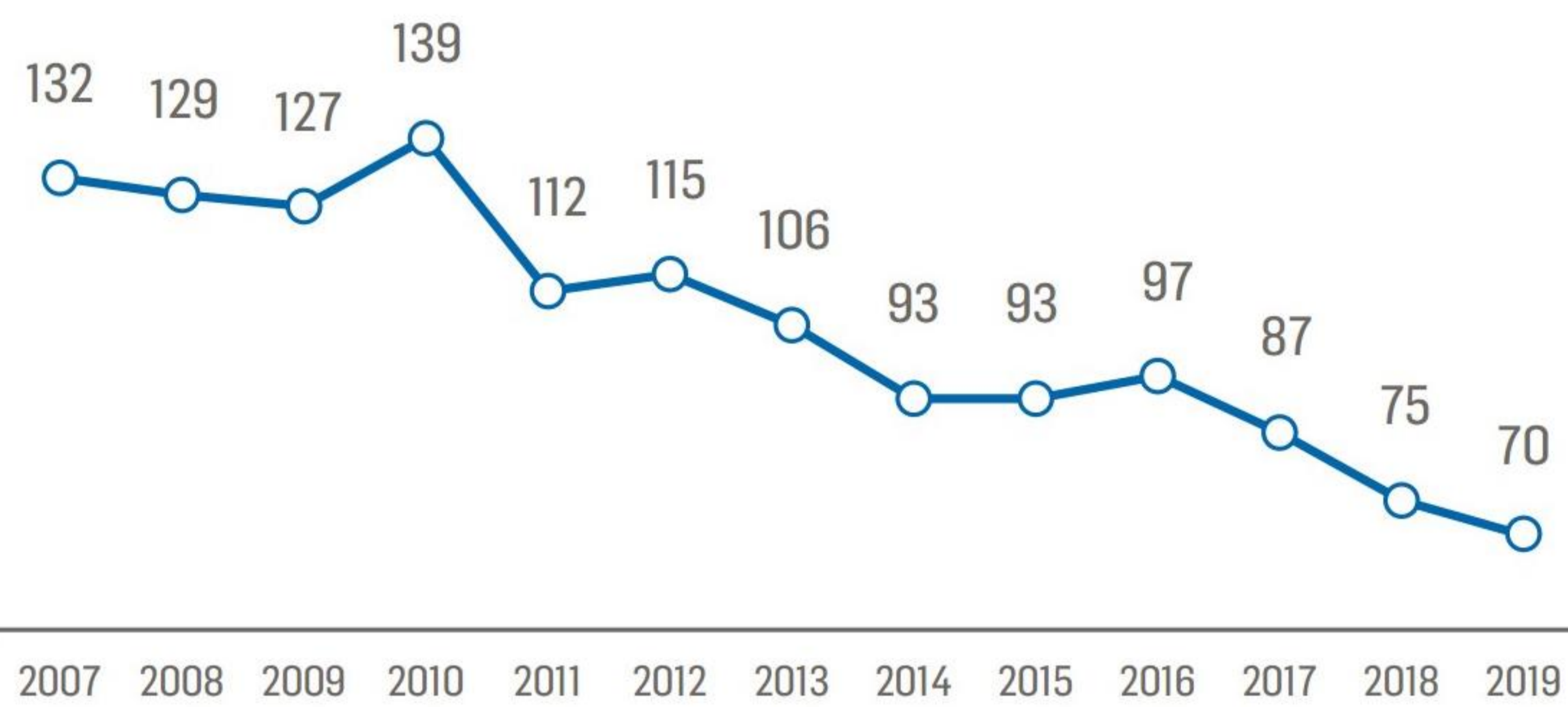
BETTER ENVIRONMENT AND ENERGY-EFFICIENT SOLUTIONS

IMPACT ASSESSMENT

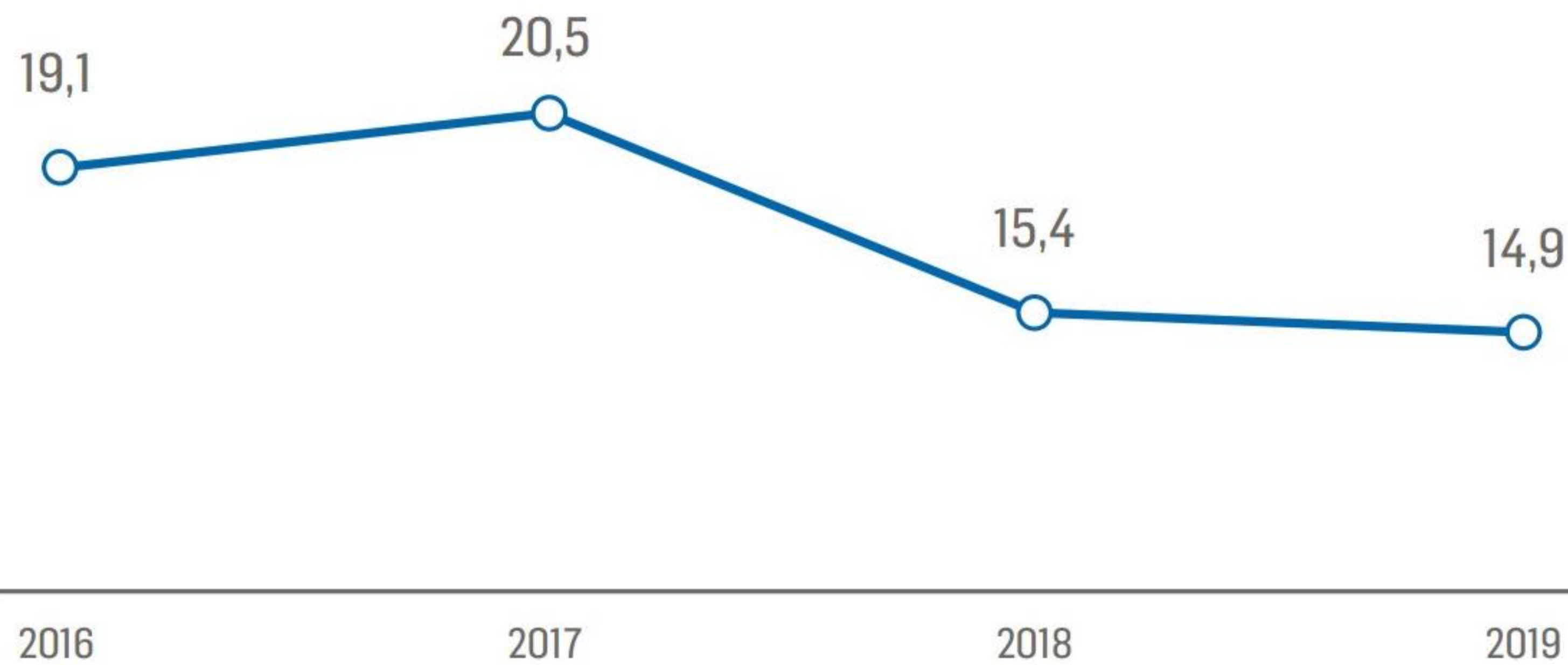
The VKR Group has a two-fold impact on affordable and clean energy (SDG 7): on one hand, the Group contributes positively through the solar thermal energy business area represented by Arcon-Sunmark. The company develops and supplies solutions supporting the transition to a higher share of renewable energy in the global energy mix that is a must-win battle to solve the planet's climate challenges and at the same time satisfy the growing energy demand. The two windows business areas also contribute in a positive way through energy-efficient solutions that reduce the energy consumption of buildings, especially when replacing older windows. Life Cycle Assessment analysis indicates that a VELUX roof window can provide net CO₂ savings over its lifetime by letting in solar energy for heating in cold seasons.

On the other hand, all business areas engage in manufacturing. The manufacturing process always has an impact on climate and environment, e.g. emission of CO₂, which the Group continuously strives to reduce.

VELUX GROUP CO₂ EMISSIONS (THOUSAND TONNES)



DOVISTA GROUP CO₂ EMISSIONS (TONNES) PER 1,000 UNITS PRODUCED



PRIMARY SDG IMPACT - UN TARGETS



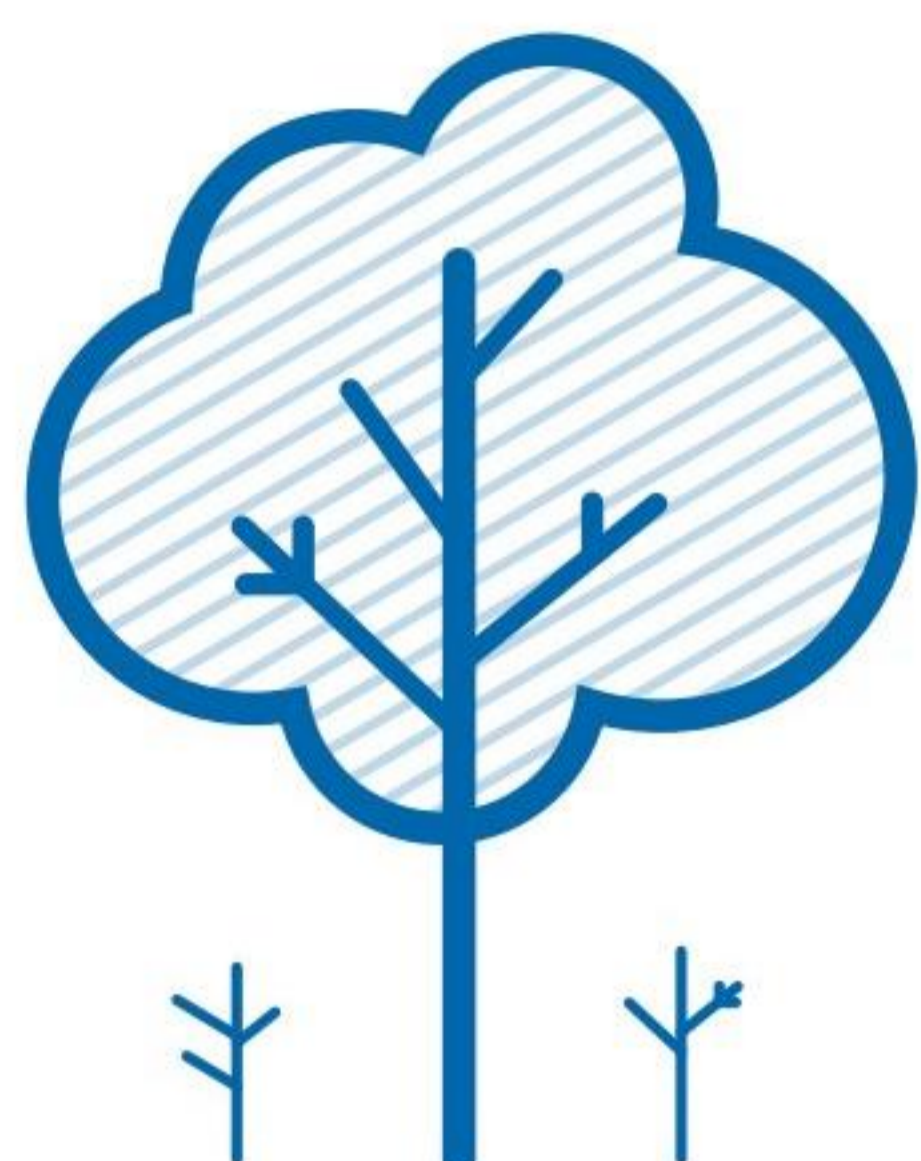
- By 2030, increase substantially the share of renewable energy in the global energy mix
- By 2030, double the global rate of improvement in energy efficiency

SECONDARY SDG IMPACTS - UN TARGET

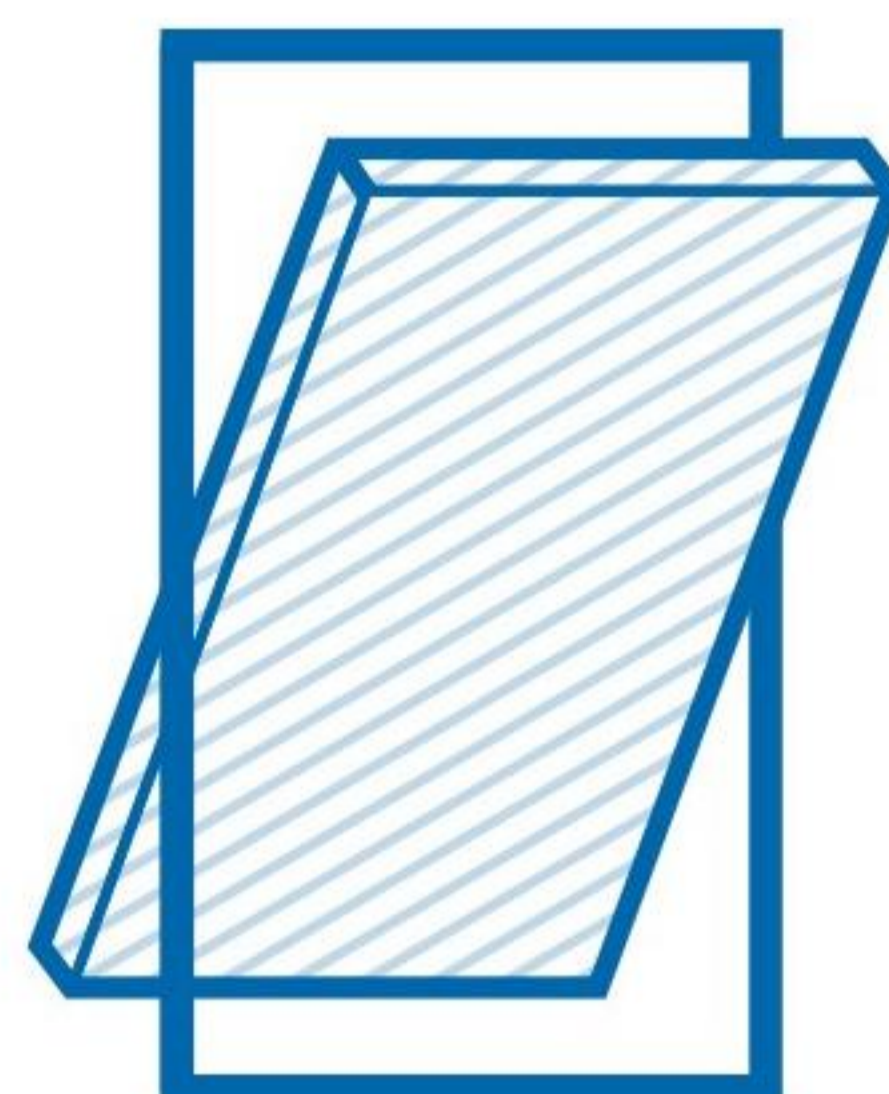


- By 2030, achieve the sustainable management and efficient use of natural resources

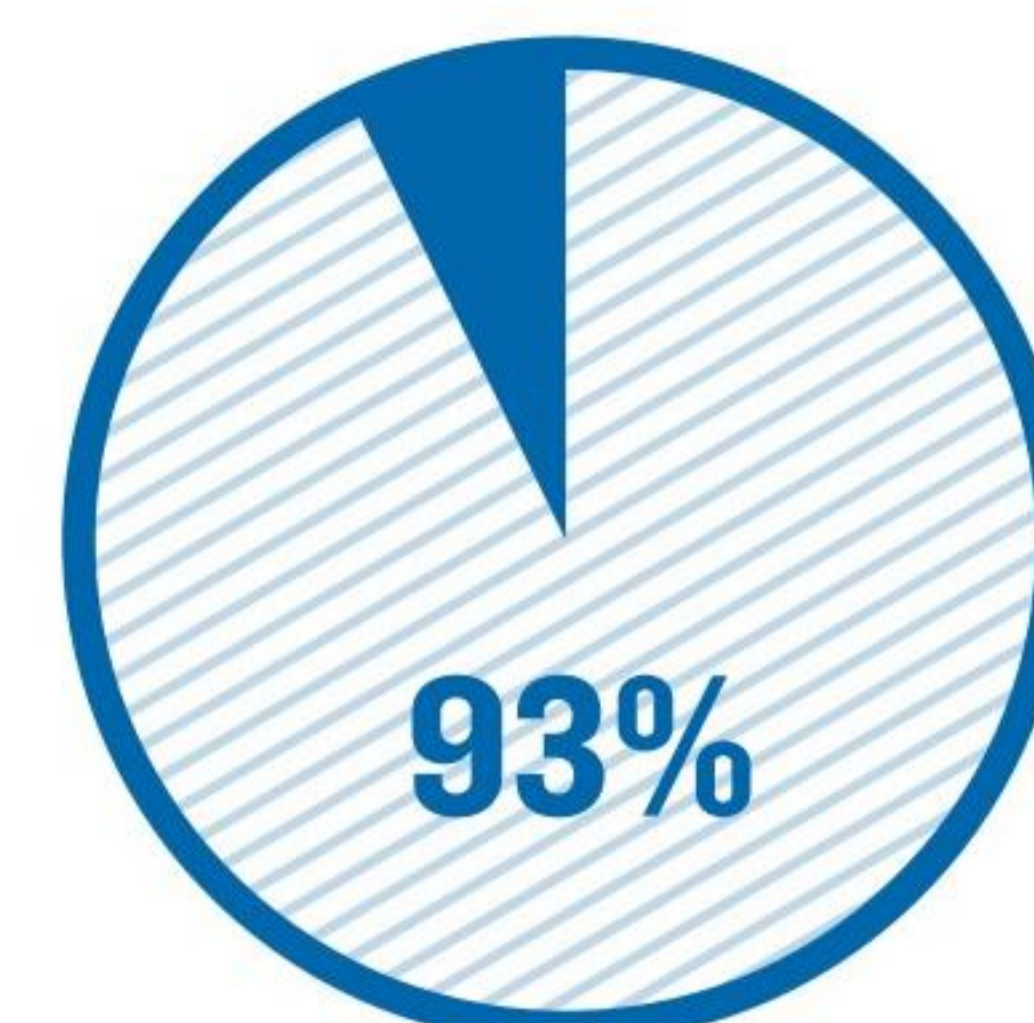
SUSTAINABILITY HIGHLIGHTS OF THE VELFAC 200 WINDOW



SOURCING:
wood used in the windows is FSC certified which means that 23 trees are planted for each tree cut down



DURABILITY:
windows are opened and closed 20,000 times during testing to ensure durability



DISPOSAL:
93% of the window can be reused/recycled at the end of the product's lifetime

ACTIONS IN 2019

The VELUX Group has several initiatives to reduce CO₂ emissions by increasing energy efficiency and using renewable energy, and in 2019, a new global energy planning framework was implemented. To support the identification of the most energy intensive processes, an Energy Screening Tool was introduced. The new energy planning process and screening tool will be important for the VELUX Group in realising the ambitious CO₂ reduction target in 2020, and in improving efficiency further beyond that. Please see the case story "47% CO₂ saved in the production of VELUX windows" on the next page for more details on actions as well as results in 2019.

In 2019, the VELUX Group also sponsored the C40 World Mayors Summit 2019, which was held in Copenhagen in October. The C40 summit gathered representatives from 94 of the world's biggest cities to take bold climate action, leading the way towards a healthier and more sustainable future. In connection with the summit, the VELUX Group hosted a master class on the value of better learning environments in schools.

In 2019, VELFAC, one of the DOVISTA Group's subsidiaries, launched a campaign to put the spotlight on the sustainable features of the VELFAC 200 window. The window is designed to minimise the impact on climate and environment from sourcing to disposal:

- Sourcing: wood used in the windows is FSC certified which means that 23 trees are planted for each tree cut down.
- Durability: windows are opened and closed 20,000 times during testing to ensure durability.
- Disposal: 93% of the VELFAC 200 window can be reused/recycled at the end of the product's lifetime.

RESULTS IN 2019

In 2019, the VELUX Group reduced the company's CO₂ emissions for the third year in a row. Compared to the 2007-baseline, CO₂ emissions have been lowered by 47%, and thus the target of a 50% reduction by the end of 2020 was almost realised in 2019. This was achieved by utilising onsite bio-mass, solar photo voltaic energy and purchase of Guarantees of Origin-certified green electricity from wind farms.

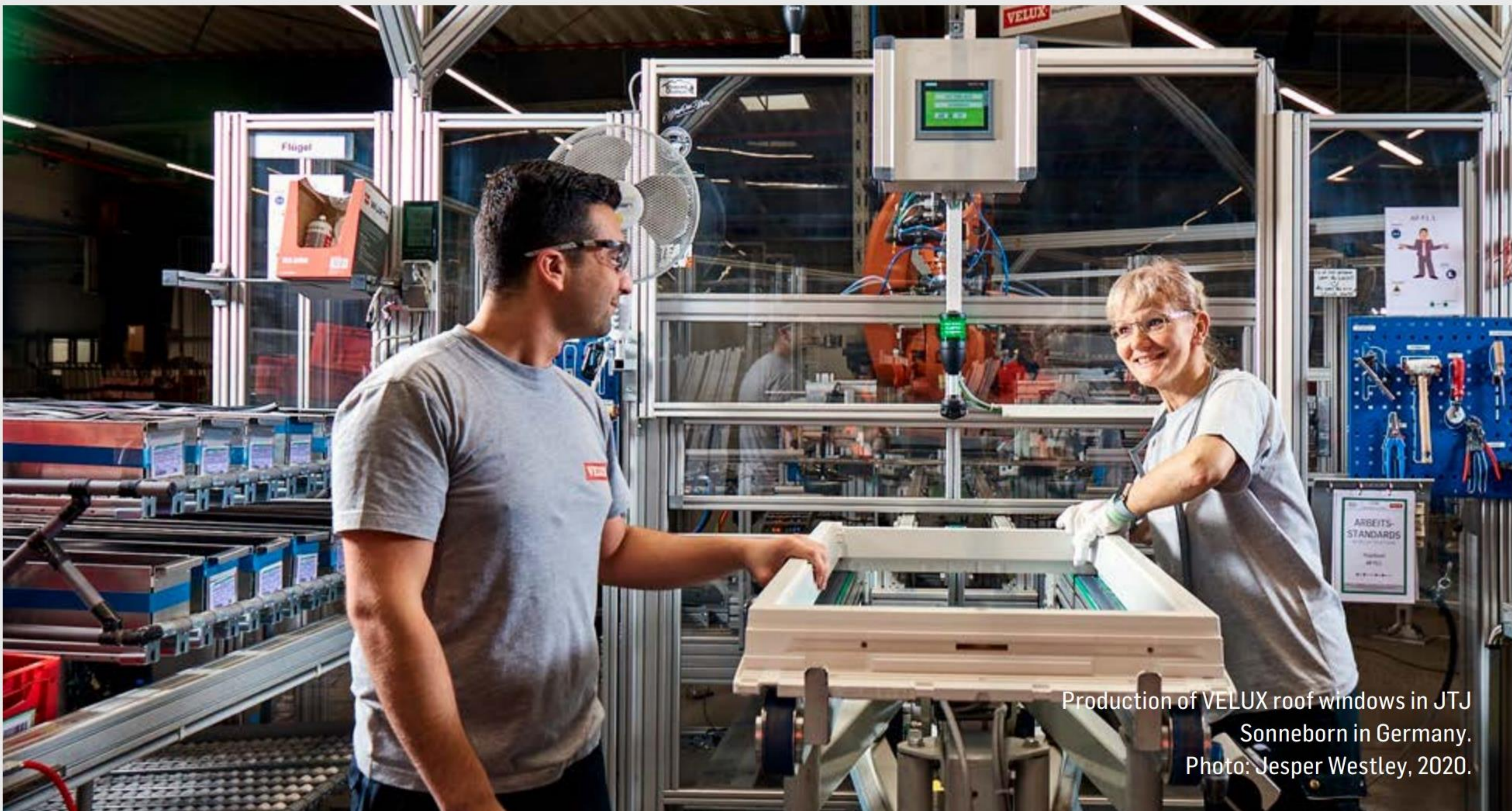
The DOVISTA Group also realised satisfactory results in 2019 by reducing CO₂ emissions per 1,000 units produced to 14.9 tonnes compared to 15.4 tonnes the year before. The target is to further reduce CO₂ emissions per unit produced in the coming years.

DUE DILIGENCE PROCESSES

The VELUX Group applies a Life Cycle Assessment to measure and document CO₂ emissions from sourcing to disposal when developing and improving products. The DOVISTA Group companies are continuously working on improving products and production methods in order to reduce the impact on the environment.

Additionally, both business areas continuously implement other initiatives to reduce emissions, including the examples mentioned above, and report progress externally on annual basis in their COP reports.

CASE STORY: 47% CO₂ SAVED IN THE PRODUCTION OF VELUX WINDOWS



Production of VELUX roof windows in JTJ Sonneborn in Germany. Photo: Jesper Westley, 2020.

Since 2007, the VELUX Group has pursued the target in our Energy and Climate Strategy 2020 of reducing the carbon footprint of production by 50% in 2020.

In 2019, the CO₂ savings from 2007-2019 amounted to 47% due to numerous initiatives implemented at the VELUX factories to improve energy efficiency and switch to renewable energy sources.

To achieve the 2020 target, all European production sites and warehouses are certified to ISO 50001 for energy management, which creates a common and structured framework for continuous reduction of energy consumption and CO₂ emissions. Examples of actions and results in 2019 include:

Renewable energy: The VELUX factory in Hungary installed a new bio-boiler, which improves energy efficiency and reduces emissions significantly. Because of the new bio-boiler project and other energy saving initiatives, the factory received the “Energy Efficient Company Award 2019” presented by the President of Hungary.

In Denmark, the factory in Skjern, Denmark, which produces blinds and shutters for roof windows, is preparing to receive surplus heat from a neighbouring paper plant distributed through the local district heating company. The transition from gas to surplus heat is expected to save 660 tonnes CO₂ per year when fully implemented.

The VELUX factory in the Czech Republic has contracted with a local biogas plant to purchase surplus heat. First year CO₂ savings amounted to 82 tonnes, and next year, the contract will be expanded to bring down CO₂ emissions even further.

Energy efficiency: At the VELUX Group headquarters in Denmark, a major renovation of the cooling and ventilation system has led to annual CO₂ savings of 160 tonnes per year by reducing gas and electricity consumption by more than 30%.

In France, a VELUX factory reduced gas consumption from 925 MWh to 105 MWh by improving the storage of wood for the factory’s bio-boiler and by optimising the flow of hot water.

LED lighting: The VELUX factories are all in the process of implementing LED lighting to reduce their carbon footprint. In 2019, the CO₂ savings resulting from LED across the factories amounted to close to 700 tonnes.

SAFE AND MOTIVATING WORKING CONDITIONS

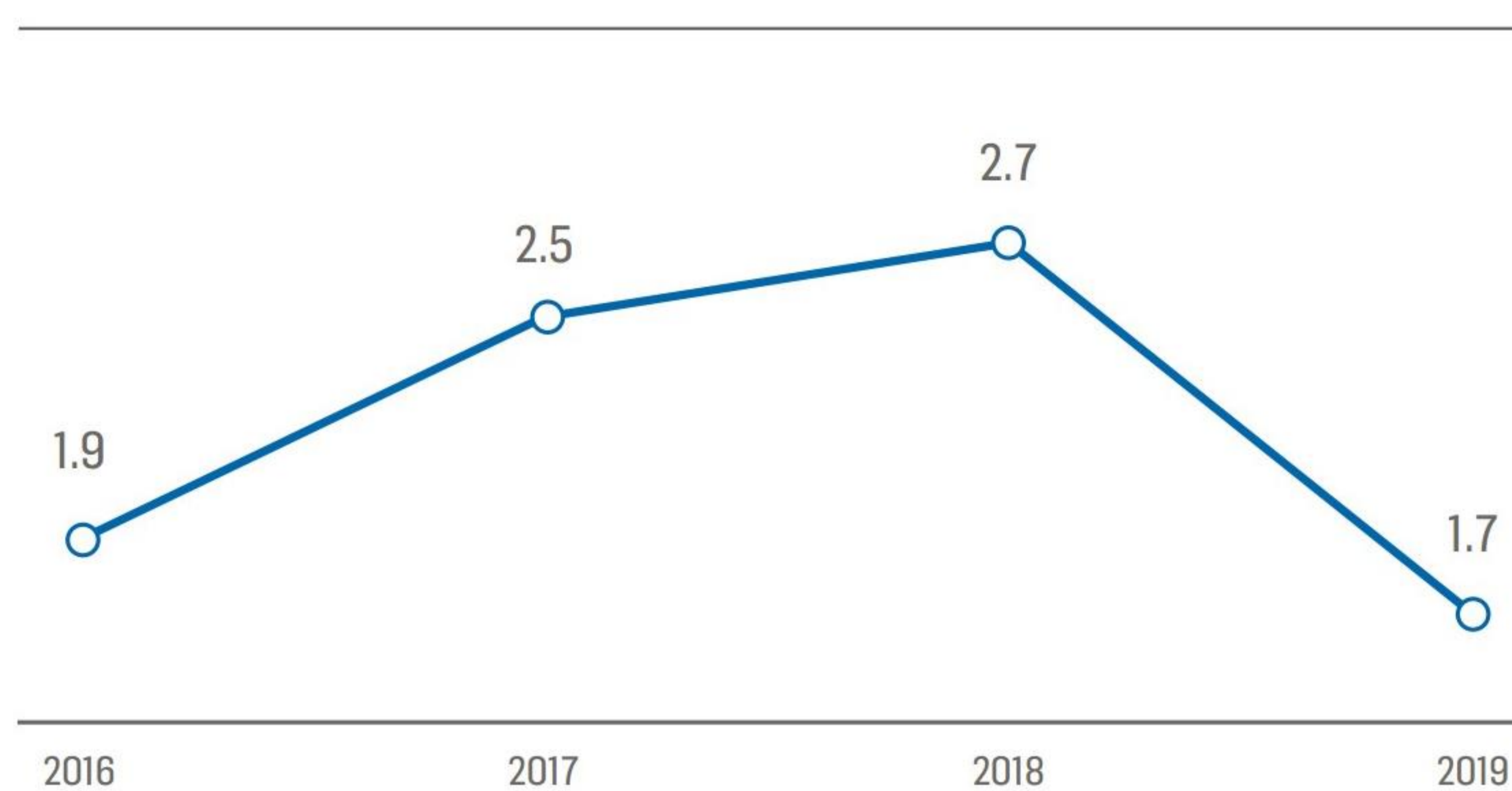
IMPACT ASSESSMENT

Concerning decent work and economic growth (SDG 8), the most substantial impacts of the VKR Group are the risk of accidents in the workplace and poor working conditions at suppliers of materials, components, logistic services and so on. Regarding forced labour and human rights in general it is our belief that only a minor potential risk exists due to the VKR Group's focus on respecting the fundamental rights of employees internally as well as at suppliers.

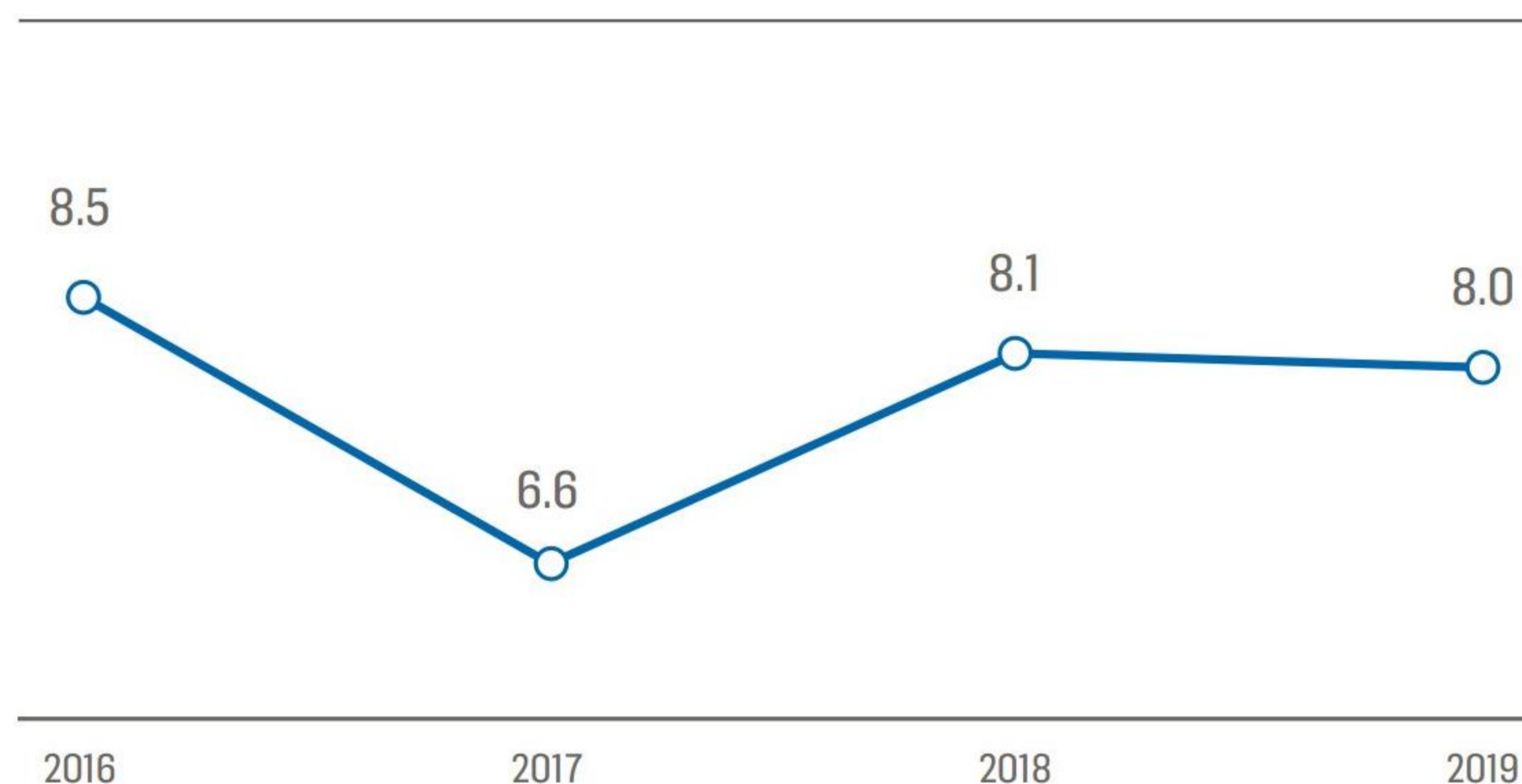
INITIATIVES IN ADDITION TO GROUP POLICIES

The VELUX Group requires all suppliers to sign the VELUX Code of Conduct for suppliers, committing them to respect human and labour rights as in the VELUX Group itself. Among other things, the Code of Conduct prohibits all forms of forced and child labour and safeguards employees' right to the freedom of association and collective bargaining. The other business areas have implemented similar procedures.

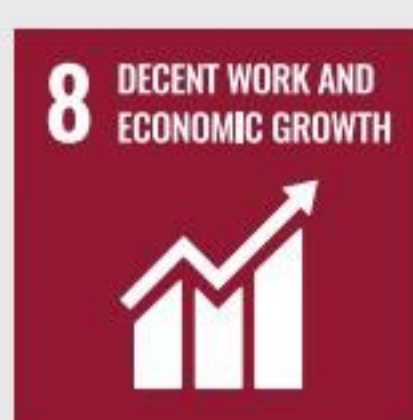
VELUX GROUP ACCIDENTS PER ONE MILLION WORK HOURS



DOVISTA GROUP ACCIDENTS PER ONE MILLION WORK HOURS (PRODUCTION ONLY)



PRIMARY SDG IMPACT - UN TARGETS



- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

The DOVISTA Group has formulated and implemented the "Work Health and Safety" policy in all subsidiaries and in the VELUX Group, the VELUX Safety Policy governs the safety work. These policies support the long-term visions of zero work-related accidents in both business areas.

ACTIONS IN 2019

A safe and motivational working environment has the highest attention in the DOVISTA Group. The latest initiative is an app for employees in the production facilities in Poland (Window Village 1), in which safety risks and incidents in the working environment can be reported. The user-friendly mobile app empowers employees in improving working conditions and secures a quick and efficient response to reported incidents. In 2019, 73% of reported incidents were received via the app.

In 2019, the VELUX Group saw progress on several initiatives that aim to ensure a safe and motivational working environment: the global two-year talent programme "GROW with US" was concluded, an on-boarding programme for new managers entering the VELUX Group was launched and a programme for supervisors and team leaders in production was implemented. The latter is called "Training within Industry" and supports personal development and collaboration across production functions with a focus on safe working conditions, efficiency and reduced on-boarding time for new colleagues in production. Initially, "Training within Industry" was introduced at the factories in Slovakia, the Czech Republic, Poland and Denmark, and more factories will join the programme in 2020.

RESULTS IN 2019

In the entire VKR Group, a safe and motivating working environment is a high priority, which is supported by ambitious targets and visions.

In 2019, the high attention to a safe working environment produced results in the VELUX Group, as the recent years' rising trend in work accidents was reversed. The business area saw a decrease in work



Production of windows in DOVISTA Polska in Poland.
Photo: DOVISTA Polska, 2014.

IN THE ENTIRE VKR GROUP, A SAFE AND MOTIVATING WORKING ENVIRONMENT IS A HIGH PRIORITY, WHICH IS SUPPORTED BY AMBITIOUS TARGETS AND VISIONS

accidents per one million work hours from 2.7 in 2018 to 1.7 in 2019, which is about five times lower than the industry benchmark. Despite the improvement, the target of one accident per one million work hours was not reached. The long-term vision of the VELUX Group continues to be zero accidents.

The DOVISTA Group marginally reduced work accidents in 2019 but unfortunately did not meet the target for the year. The target for 2019 was a 25% reduction compared to the 8.1 work accidents per one million work hours (production only) in 2018 but it was realised at 8.0 accidents, a decrease of about 1%. The ambition of a 25% reduction is maintained for 2020 and new initiatives have been launched to achieve this target, among others a smartphone app for reporting near misses and other risks.

The DOVISTA Group continued its close collaboration with its suppliers in 2019 to ensure a healthy and sustainable supply chain. By the end of the year, all suppliers outside of Europe and 90% of

European suppliers of direct materials to the largest factories had signed the Group's Code of Conduct. The Code of Conduct certification initiative continues to improve motivation and performance at suppliers.

DUE DILIGENCE PROCESSES

The VELUX Group has implemented a Supplier Evaluation and Approval Process to ensure compliance with the Code of Conduct for suppliers. In 2019, 87 audits of direct suppliers were conducted, and 0 cases of non-compliance were found. In the DOVISTA Group, all work accidents and near misses are reviewed monthly by senior management and the management of the company in which the incident(s) happened. In the review, the cause of the incident as well as the severity are determined, and corrective actions are identified and implemented to reduce the likelihood of a similar incident in the future.

SUSTAINABLE SOURCING AND WASTE MANAGEMENT

IMPACT ASSESSMENT

The VKR Group's greatest risks of negative impact on responsible consumption and production (SDG 12) relate to potential unsustainable sourcing of raw materials, inefficient usage of raw materials/waste in production, and substances that are hazardous to the environment, employees and consumers.

INITIATIVES IN ADDITION TO GROUP POLICIES

To mitigate the risks mentioned above, the VELUX Group has implemented additional policies (the CSR & Sustainability Policy and the Environmental Policy) concerning the efficient and sustainable use of raw materials, water, and energy to mitigate the effect on the environment. The VELUX Group's approach to sustainable sourcing and expectations to suppliers are described in a Code of

Conduct for suppliers and the VELUX Restricted Substances Management Standard (VRSMS).

ACTIONS IN 2019

In recent years, the VELUX Group has been working with different initiatives in European factories to minimise glass waste in the pane production. The initiatives include glass cutting optimisation, training of machine operators and cooperation with suppliers. In Hungary for example, the pane factory has reduced waste in the laminated glass cutting process by 10%, and in France glass waste has been reduced from 12.5% to 9.5%.

In 2019, the VELUX Group launched a new strategic initiative to further advance the VELUX way of working with sustainable products throughout the product life cycle. Going forward, additional

sustainability parameters will be taken into consideration along with quality and cost when developing new products. This will ensure a holistic approach to e.g. choosing materials, developing new product features and implementing new ways of manufacturing.

The DOVISTA Group is experiencing increasing demand for windows made of recycled or reused materials. As an example, one of the Group's subsidiaries, KRONE VINDUER, delivered windows produced with reused glass to a sustainable building project in Denmark. For more information, please see the case story "Pioneer project uses upcycled windows for sustainable luxury housing in Copenhagen" on page 33.

PRIMARY SDG IMPACT - UN TARGETS



- By 2030, achieve the sustainable management and efficient use of natural resources
- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment
- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

SECONDARY SDG IMPACTS - UN TARGET



- By 2030, increase substantially the share of renewable energy in the global energy mix



97%

VELUX GROUP PRODUCTION WASTE RECYCLING/REUSE RATE

THE VISION IS TO ACHIEVE

ZERO

WASTE IN PRODUCTION AND PRODUCTS

RESULTS IN 2019

The VELUX Group maintained a high recycling/reuse rate of 97% in 2019. The vision continues to be zero waste in production and when disposing of products at the end of their life cycle.

The DOVISTA Group is also working to minimise waste from production. In 2019, the Group realised a recycling/reuse rate of 90% compared to 91% in 2018.

Both the VELUX Group and the DOVISTA Group source a substantial share of wood from certified forests. In 2019, 99.6% of the wood for VELUX windows in Europe was sourced from certified, sustainable

forests. The DOVISTA Group sourced 89% of wood from certified suppliers in 2019, up from 88% in 2018. The target is to increase the share further in the coming years.

DUE DILIGENCE PROCESSES

The VELUX Group continuously researches and develops sustainable materials for use in VELUX products and applies the Life Cycle Assessment to measure and document the impact of the products throughout the entire lifespan.

To uphold FSC and PEFC certifications, the VELUX Group carries out internal audits and audits of external suppliers,

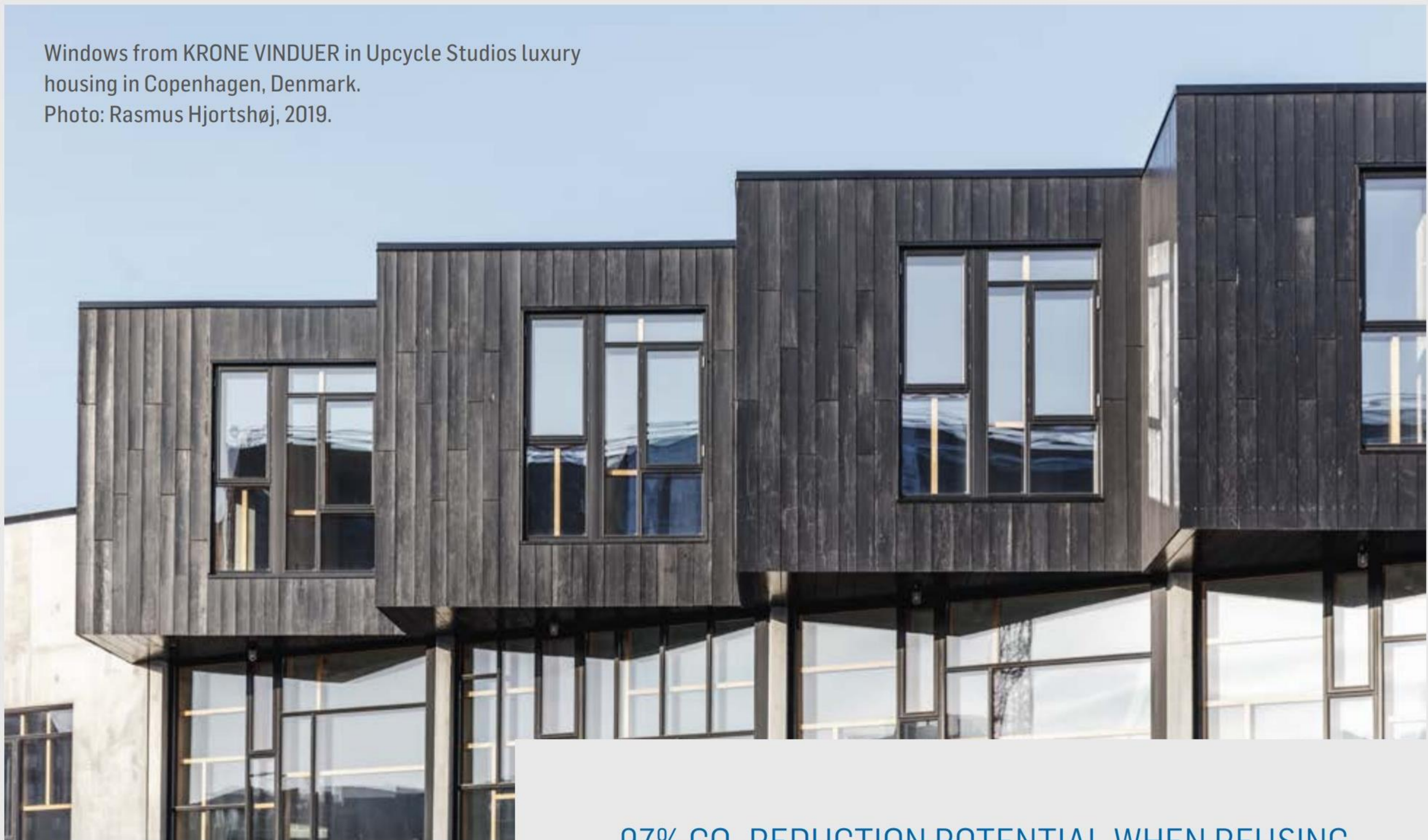
including an annual supplier meeting and monthly performance reviews. In 2019, 48 internal and 10 third party wood certification audits were performed.

IN 2019, 99.6% OF
THE WOOD FOR VELUX
WINDOWS IN EUROPE
WAS SOURCED
FROM CERTIFIED,
SUSTAINABLE
FORESTS

CASE STORY: PIONEER PROJECT USES UPCYCLED WINDOWS FOR SUSTAINABLE LUXURY HOUSING IN COPENHAGEN

DOVISTA®
windows and doors

Windows from KRONE VINDUER in Upcycle Studios luxury housing in Copenhagen, Denmark.
Photo: Rasmus Hjortshøj, 2019.



97% CO₂ REDUCTION POTENTIAL WHEN REUSING PANES COMPARED TO USING NEW PANES

KRONE VINDUER has contributed significantly to the prestigious and sustainable building project Upcycle Studios, a project led by the Danish architectural firm Lendager Group.

The aim of the project was to repurpose and reuse existing resources in recycled and waste materials of high quality to build new homes.

In the Upcycle Studios project, everything from floors, walls to facades were constructed of surplus wood, and much of the concrete used was surplus concrete from the metro construction in Copenhagen. The use of surplus materials reduces the impact on climate and environment, while at the same time giving the project a unique character.

KRONE VINDUER collaborated closely with the Lendager Group and delivered windows to the project. Most of the windows were manufactured with reused panes from social housing in North Jutland at KRONE VINDUER's factory located in the same region. A considerable part of the process consisted of manufacturing customised frames to the measurements of each individual pane and fitting the upcycled windows into the project.

The interior of the window frames is made of oiled wood while the exterior of the frames is black-painted pine, which gives the buildings an aesthetic and lively expression.

Interest in the project has been significant, and external parties are showing growing interest in developing similar projects. Going forward, the Lendager Group and KRONE VINDUER will work together on construction projects and use the methods from Upcycle Studios on an even greater scale.

FAIR COMPETITION

IMPACT ASSESSMENT

The VKR Group's impact on peace, justice and strong institutions (SDG 16) primarily relate to the risk of any participation – also involuntarily – in corruption and bribery at suppliers. For the VELUX Group specifically, there is also a risk in relation to competition law as a consequence of the Group's leading market position in the roof windows industry.

INITIATIVES IN ADDITION TO GROUP POLICIES

To mitigate the risk of corruption and bribery, suppliers are required to sign a Code of Conduct prohibiting any form of corruption or bribery.

To ensure fair competition, the VELUX Group has embedded a compliance culture in the entire organisation, and all employees are bound by the VKR Group Competition Law Compliance Policy. In practice, this is enforced through several initiatives, including a requirement for all relevant general and sales managers to sign a competition law compliance declaration annually, and ongoing training.

ACTIONS IN 2019

The VELUX Group began a new risk-based approach to anti-corruption in 2019 to ensure that all relevant employee groups are included in anti-corruption training. In addition to the VELUX Top 100 managers, all employees in Direct Purchasing, Non-Product Related Purchasing and Public Affairs are now required to complete the training every second year. Going forward, additional employee groups will be added to the training programme when relevant.

RESULTS IN 2019

In 2019, 100% of VELUX employees in Direct Purchasing, Non-Product Related

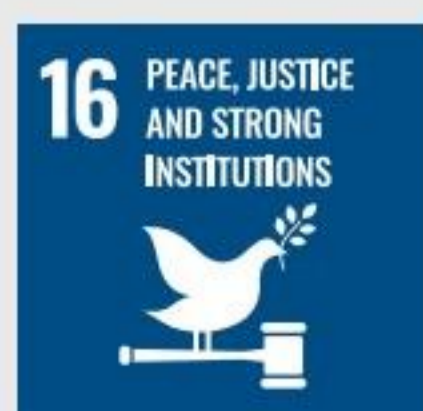
Purchasing and Public Affairs completed the required anti-corruption training.

DUE DILIGENCE PROCESSES

The VKR Group General Counsel monitors and identifies any potential significant competition law issues in relation to the business activities of the company. A specialised team, under the supervision of the Group General Counsel, advises on competition law matters and conducts compliance reviews and training of general managers, sales managers, and other relevant employees.

IN 2019, 100% OF VELUX EMPLOYEES IN DIRECT PURCHASING, NON-PRODUCT RELATED PURCHASING AND PUBLIC AFFAIRS COMPLETED THE REQUIRED ANTI-CORRUPTION TRAINING

PRIMARY SDG IMPACT - UN TARGET



- Substantially reduce corruption and bribery in all their forms

APPENDIX

Holiday cabin with VELUX roof window in Milstättersee, Austria.
Photo: Kasia Jackowska, 2019.



APPENDIX 1: LIST OF VKR GROUP POLICIES

In the VKR Group, the following 16 Group Policies, and 1 sub-policy, apply. These policies concern areas that are important or critical to the entire VKR Group. The policies apply to all companies ultimately owned or controlled by VKR Holding A/S. Some of the policies, including the CSR Policy, also extend to any business connection of the VKR Group.

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

The Group Policies support the economic sustainability of the Group, the Ten Principles of the UN Global Compact initiative and UN's Sustainable Development Goals.

In 2020, the board of VKR Holding decided to make the above-mentioned policies public. They can be found at this webpage:

www.vkr-holding.com/governance/

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