

VKR Group Treasury Policy

Approved by the Board of Directors
of VKR Holding A/S on 18.12.2024

The VKR Group Treasury Policy outlines the general principles governing our approach to treasury activities in the VKR Group. It applies to VKR Holding A/S and all companies controlled by VKR Holding A/S (the "VKR Group").

Connecting
buildings
with nature


VKR

VKR Group Treasury Policy

1. Introduction

Our Model Company Objective, which serves as the compass for our actions, is the foundation of our culture. It sets the overall ambition for all VKR Group Companies to operate responsibly and maintain financial independence.

This Policy governs our approach to treasury activities, reflecting the VKR Group's consolidated financial position by clarifying roles and responsibilities and co-ordinating treasury activities.

It is our overall policy to centralize cash and optimize liquidity across the VKR Group, ensuring sufficient funding for operations and dividend payments to shareholders, and to centralize services through intercompany agreements to achieve transparency and economies of scale.

This Policy applies to VKR Holding A/S and all companies ultimately controlled by VKR Holding A/S (the "VKR Group").

2. Treasury Principles

2.1 Banks and other financial institutions

The VKR Group's bank strategy aims to support business operations and facilitate business development. The VKR Group adheres to a VKR Holding-approved bank concept based on the following criteria:

- High creditworthiness of banking partners
- In-depth understanding, support, and credit appetite towards the VKR Group
- Access to financial services, competitive pricing, high service levels, and geographical coverage

VKR Group Treasury is responsible for overseeing and managing relationships with banks across the VKR Group. The establishment of new banking relationships or modifications to existing require the approval of VKR Group Treasury.

The VKR Group aims to consolidate banking business with VKR approved banks.

When considering engaging with non-bank financial institutions (e.g. fintech, etc.) for financial services governed by this policy, Business Areas¹ must seek approval from VKR Group Treasury to ensure coordination.

2.2 Cash management

The VKR Group's cash management strategy is to ensure efficient and effective access to cash resources in the form of relevant financial products, services, and technical solutions.

VKR Group Treasury is responsible for establishing cash management agreements/solutions. Participation in such agreements/solutions is mandatory if offered to majority-owned entities at the discretion of VKR Group Treasury.

Each Business Area is responsible for managing the operational processes governing payables and accounts receivable. Any opening of new bank accounts is subject to approval by VKR Group Treasury.

Authorised employees have access to bank accounts on a joint signatory basis (four-eyes principle). This applies to all companies in the VKR Group. Any exceptions will be subject to approval by VKR Group Treasury.

2.3 Trade finance

In general, the VKR Group does not utilize bank guarantees or Letters of Credit (L/C), etc. If any such instruments are nevertheless entered into, the guarantors must meet the criteria set by VKR Group Treasury.

¹ A group of operating companies under the control of VKR Holding, such as the VELUX Group or DOVISTA Group

2.3.1 Parent guarantees

To avoid cross-liability between group companies, parent guarantees (including Letters of Comfort) are generally not permitted. Enquiries in this regard must be directed to VKR Group Treasury.

2.4 Liquidity management

Cash is considered a corporate asset in the VKR Group, the main objective being to centralize cash to support the funding needs of VKR Holding A/S and the Business Areas' operations.

VKR Group Treasury is responsible for managing the overall liquidity position of the VKR Group, aiming to protect liquidity while at the same time optimizing interest and minimizing bank fees. We seek to achieve this primarily through established cash pools.

Non-centralized cash balances should be minimized.

To optimize liquidity planning in the VKR Group, each Business Area must provide:

- Full-year monthly cash flow forecast/budget, updated at least annually
- Year-end cash estimate, updated monthly
- Short-term currency-split daily cashflow forecast, updated at least monthly

2.5 Capital structure

The capital structures of VKR Holding A/S and operational non-Business Area subsidiaries are governed by separate principles, including their respective Articles of Association.

For the Business Areas, achieving the optimal capital structure is generally a matter of striking the right balance between debt and equity and their proportion of total assets. While our target equity ratio for subsidiaries is 30 per cent, this may vary, depending on factors such as, for example, local legislation, legal constraints, and the nature of the particular business.

The parent company of each Business Areas is responsible for the capital structures of all subsidiaries within their respective Business Area, such structures to be evaluated annually, typically in conjunction with dividend repatriation.

2.6 Financing

2.6.1 Bank financing

VKR Group Treasury is responsible for managing all external financing to ensure favorable terms based on the VKR Group's consolidated financial position. Subsidiaries will generally not be allowed to take out loans with banks or financial institutions, and all such loans are subject to approval by VKR Group Treasury.

Each Business Area is financed through intercompany credit lines with VKR Holding A/S. Credit lines are established with the parent companies of the respective Business Areas, responsible for allocating funds to their respective subsidiaries. Intercompany financing is provided at market conditions to ensure compliance with the arm's-length principle.

2.6.2 Other financing

Significant leasing arrangements for IT, vehicles, office buildings, etc., are considered external financing. Business Areas must define criteria/thresholds for what identifies significant leasing agreements, subject to approval from VKR Group Treasury.

Securitization (sale of receivables, supply chain financing, etc.) will generally not be permitted due to high cost, complexity, and lack of flexibility.

All securitization and all significant leasing arrangements are subject to approval by VKR Group Treasury.

2.7 Financial risk management

The overall objective of the VKR Group's financial risk management is to assess and potentially mitigate the impact of financial risk exposure impacting cash flows, such as, for example:

- Currency risk
- Commodities risk
- Interest rate risk

VKR Group Treasury is responsible for consolidated risk assessment and external hedging of financial risks across the VKR Group.

Each Business Area is required to report its financial risks over a 12-month period to VKR Group Treasury at least annually, typically after approval of the budget. Any financial hedging undertaken by the Business Areas that is not made with VKR Group Treasury as a counterparty must be approved by VKR Group Treasury.

All major investments, acquisitions, divestments, and capital increases/dividends exceeding EUR 5M require due consideration of the financial risks, and no such investments, etc., may be made without consulting with VKR Group Treasury.

2.8 Treasury IT tools and market data

VKR Group Treasury selects relevant treasury IT tools for the VKR Group (e.g. FX trading platform, Treasury Management System) to support treasury activities. The use of these tools is mandatory if offered to majority-owned entities at the discretion of VKR Group Treasury.

VKR Group Treasury is responsible for compiling and distributing a list of month-end financial market rates to be used for monthly reporting and consolidation. Business Areas must apply these rates to ensure accurate consolidation of reports. If local legislation requires the use of specific local rates for local purposes it is the responsibility of the Business Areas to comply. Any requests for new or additional rates must be submitted by the Business Areas in a timely manner.

3. Roles and responsibilities

Ultimate accountability for this Policy rests with the boards of directors of VKR Holding and the respective Business Areas, while responsibility for policy implementation and compliance lies with the respective Executive Managements. These responsibilities may be delegated to one or more functional leaders as needed.

4. Supplementary Policies, Guidelines and Instructions

Each Business Area shall issue its own Treasury Policy, either identical to or compliant with this policy. VKR Holding A/S and each Business Area are authorized to issue supplementary sub-policies, guidelines, codes and instructions, subject to compliance with this Policy. VKR Group Treasury shall be involved in and approve such documents.