

CONTENTS

Management's statement of support	
The VKR Group	
The VKR Group 2016	
Corporate Social Responsibility in the VKR Group	
CSR owner intentions	18
Governance and Commitment	
The Foundations	
Initiatives and Results	
Human Rights	24
Labour Standards	
Environment	28
Anti-Corruption	
Appendix	
Appendix 1: VKR Group Policies	

MANAGEMENT'S STATEMENT OF SUPPORT

VKR Holding A/S joined the UN Global Compact in 2016. This is the first Communication on Progress (COP) for the company.

I am pleased to introduce our first report presenting our support for the Ten Principles of the United Nations Global Compact within the areas of Human Rights, Labour, Environment and Anti-Corruption.

For decades, the VKR Group of companies has had the ambition to 1) develop products useful to society; 2) behave as a model company in all the ways we do business; and 3) engage with our communities.

We are therefore delighted to use the UN COP as our new framework for how we alleviate any negative impact on the Ten Principles which our business may have

The major part of our business portfolio is focused on developing, producing and distributing windows. We take pride in continuously developing improved solutions to enhance healthy and energy-efficient buildings. Our windows and window accessories are characterised by longevity and are to a very large extent composed of reusable and recyclable materials.

Another business area in our portfolio is focused on providing large-scale solar thermal systems for district heating and industrial processes. Our solutions actively support sustainable environmental progress by significantly reducing emissions of carbon dioxide.

For all our businesses, supply chains are focused on reducing waste and energy consumption, on the reduction of CO_2 emissions per produced unit, and on ensuring a healthy and safe working environment.

I am proud that all our business areas have chosen to join the UN Global Compact initiative and all have submitted their first individual Communication on Progress Reports.



This is the first COP Report for VKR Holding A/S. Our report shows examples of some of the Group's most important CSR initiatives. Furthermore, it outlines how the holding company takes part in ensuring the fulfilment of the UN Global Compact goals.

For detailed information on the activities of each business area, we refer to the individual COP Reports, published and available on the companies' websites.

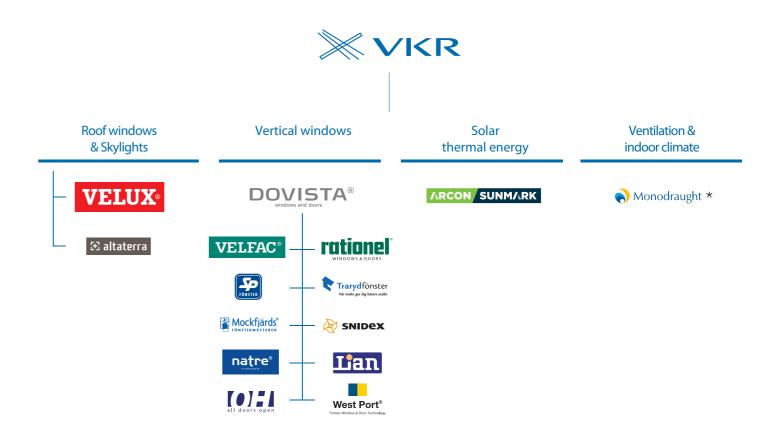
Mads Kann-Rasmussen CEO, VKR Holding A/S



THE VKR GROUP 2016

VKR Holding A/S is a limited holding and investment company with the objective of creating value through financial investments and ownership of companies.

VKR Holding owns companies that bring daylight, fresh air and a better environment into people's everyday lives. VKR Holding is wholly owned by foundations and family, with the charitable foundation VILLUM FONDEN as the majority shareholder.



The VKR Group at 31 December 2016

By the end of 2016, the VKR Group had 14,100 employees in 41 countries. The Group's revenue for 2016 was EUR 2.4 billion and the profit after tax reached EUR 351 million. The Group carries almost no interest-bearing debt and has a sizeable portfolio of financial investments in various asset classes such as shares, bonds, private equity, real estate etc.

*Note: Monodraught was divested on 29 June 2017.

THE VKR GROUP

Roof windows & Skylights

For more than 75 years, the VELUX Group (www.velux.com) has created better living environments for people around the world – using daylight and fresh air. The VELUX products help create bright, healthy, energy-efficient places in which to live, work, learn and play. The VELUX Group has manufacturing and sales operations in more than 40 countries, with an extensive distribution network. The products include roof windows and modular skylights, as well as a range of decorative elements, blinds, roller shutters, installation solutions and remote controls. With 17 manufacturing companies in 9 countries and sales companies in 40 countries, the products are widely available. The VELUX Group employs approximately 9,500 people and the company is headquartered north of Copenhagen in Denmark.

Altaterra (www.altaterra.eu) is a European leader within the private label segment for roof windows, with sales in over 30 countries. Altaterra is based in Hungary.





Vertical windows

The DOVISTA Group (www.dovista.com) is a group of leading companies and brands on the North European market for windows and external doors. At present, the Group consists of 10 independent brands and it has a total of approximately 4,000 employees who manufacture and market doors and windows in Denmark, Norway, Sweden, Great Britain, Germany, Ireland and Poland.

All the companies in the DOVISTA Group have separate identities and market strategies. They all have a strong presence in their local markets and enjoy a close relationship with their customers. DOVISTA A/S, headquartered in Horsens, Denmark, is the active parent company of the business area.

Solar thermal energy

The Arcon-Sunmark Group (www.arcon-sunmark.com) is a merger between two of the world's leading companies within large-scale solar heating solutions – ARCON Solar and Sunmark. ARCON Solar was established in 1974 in Skørping, Denmark, and was a pioneer in the large-scale solar thermal industry with a special focus on solutions for district heating. Sunmark, founded in 2008, has established highly specialised production facilities in Denmark and in Asia. In 2015, the two companies joined forces to establish the world's leading large-scale solar heating company. In 2016, Arcon-Sunmark installed the largest solar heating plant in the world.

Arcon-Sunmark A/S is headquartered in North Jutland in Denmark.



V/KR Holding investing in daylight, fresh air and a better environment

CORPORATE SOCIAL RESPONSIBILITY IN THE VKR GROUP



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.

he founder of the VKR Group, Villum Kann Rasmussen. Mogens Carrebye, 1975



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.

/illum Kann Rasmussen, 196

CSR OWNER INTENTIONS

The shareholders of the VKR Group have defined a number of CSR owner intentions for all companies in the Group.

Products useful to society

We bring daylight, fresh air and a better environment into people's everyday lives.

VKR Holding owns companies which contribute to developing and manufacturing products useful to society that bring daylight, fresh air and a better environment into people's everyday lives. Accordingly, the VKR Group is committed to improving the documentation in order to reduce the environmental impact of products throughout their lifecycle. All VKR Group companies are expected to:

- retain a keen focus on product lifecycle impacts from the moment the product is sourced and / or manufactured until it is disposed of and recycled
- increase the utilisation of renewable natural resources in the ongoing development of new products
- use raw materials, water and energy with increasing efficiency to reduce environmental impacts

Eco-friendly initiatives

We initiate activities which benefit green buildings of the future.

Approximately 40% of the energy consumption in industrialised nations is attributable to buildings. As a long-term investor in the construction sector, VKR Holding is committed to creating solutions to improve the energy performance of buildings, and to forming partnerships which contribute to the development of new standards for eco-friendly buildings. VKR Holding expects all VKR Group companies to:

- work systematically on environmental issues
- endorse standards and environmental certification systems, where relevant
- form strategic partnerships to influence the environmental agenda on a wide front and to develop new standards for eco-friendly construction

Innovative development and experiments

Our company founder held the firm belief that: "One experiment is better than a thousand expert views". This is a philosophy which continues to guide our business.

Experimenting is the foundation for the ability of the VKR Group companies to contribute to enhanced and innovative solutions. Accordingly, all VKR Group companies are expected to:

- invest in experiments that promote innovation and contribute new knowhow for future construction
- develop new and better products and solutions, as well as improving existing products and solutions on an ongoing basis
- try out new business procedures, methods and systems

Long-term relationships

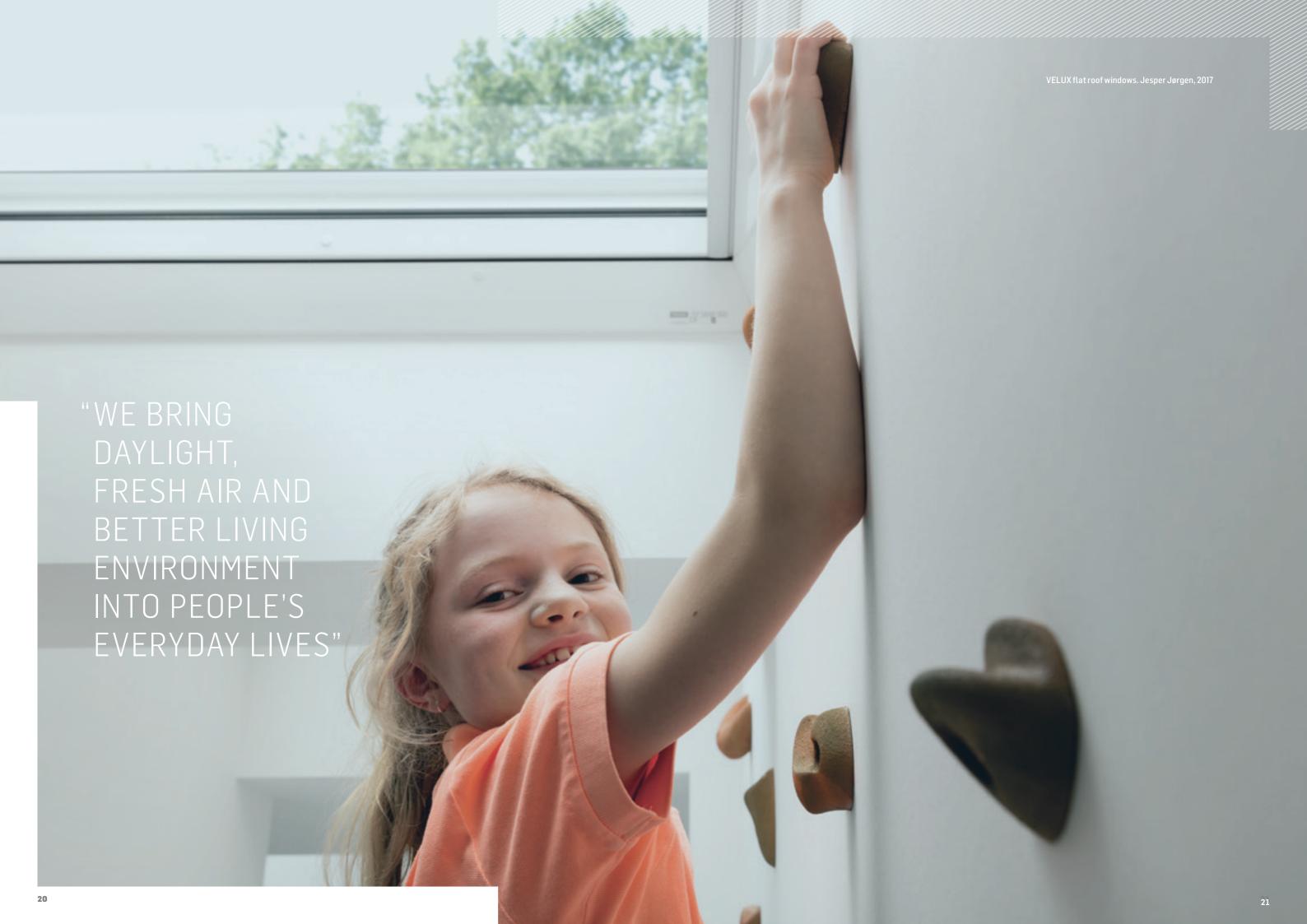
We have the ambition to treat our customers, suppliers, employees and shareholders in an exemplary manner.

The VKR Group has 14,100 employees in 41 countries and cooperates with a wide network of customers, suppliers and authorities. Given their extensive global influence, all companies in the Group are expected to make a positive difference at both local and global levels. All VKR Group companies are expected to:

- target their efforts by continuously improving occupational health and safety
- work on HR and management systems and to create conditions and opportunities conducive to their employees' personal and professional development
- not tolerate child labour or any violation of universal rights
- operate with a code of conduct, where relevant
- comply with the 14 VKR Group Policies*) that support our above-mentioned ambition, e.g.
 Anti- Corruption Policy, Competition Law Compliance Policy, Legal Policy, Crisis Management Policy (please see Appendix 1)
- help employees and their relatives who are in need, and contribute actively to the local communities in which our companies operate. This responsibility lies primarily with the Employee Foundation (www.employeefoundation.com)

19

^{*)} We are in the process of formulating a new CSR Policy that all business areas must also comply with. We expect this to be fully implemented by the time of our second annual COP Report.



GOVERNANCE AND COMMITMENT

VKR Holding is an investment company with a long-term ownership perspective.

The business areas within the VKR Group operate independently to a very large extent and have their own boards of directors and management boards. Only limited business functions are coordinated or managed via VKR Holding. However, the objective is that all business activities in the VKR Group live up to the Model Company Objective and to the CSR owner intentions described on the previous pages. Obviously, all Group companies must comply with the Group Policies (see Appendix 1).

Within the overall framework, each business area is responsible for setting up its own specific CSR strategies and objectives adapted to the company's organisation, geographical presence and market position.

Joining the UN Global Compact is a natural element of the VKR Group's ongoing CSR efforts. This report highlights the CSR footprint and initiatives of each business area of the Group. An aggregation of the reported figures from the individual business areas would be misleading, as the business areas work individually based on their own objectives.

All business areas within the VKR Group are committed to the UN Global Compact Principles and have submitted their first COP Reports.

ROOF WINDOWS & SKYLIGHTS

The VELUX Group joined on 21 April 2016 and submitted its first COP on 17 March 2017.

Altaterra joined on 23 August 2016 and submitted its first COP on 31 May 2017.

VERTICAL WINDOWS

The DOVISTA Group joined on 6 September 2016 and submitted its first COP on 16 March 2017.

SOLAR THERMAL ENERGY

The Arcon-Sunmark Group joined on 23 September 2016 and submitted its first COP on 21 February 2017.

THE FOUNDATIONS

The charitable foundation VILLUM FONDEN is the majority shareholder of VKR Holding A/S. In addition to VILLUM FONDEN, a number of other charitable foundations are closely connected to the VKR Group. Common to all these foundations is that they ultimately derive their endowments from the Group's current or historical profits. These endowments now provide funding for non-profit projects with scientific, cultural, artistic, environmental and social objectives. During 2016, the two major foundations VILLUM FONDEN and VELUX FONDEN in total made grants worth EUR 154,8 million.

(www.veluxfoundations.com)

In 2014, VILLUM FONDEN decided to establish a new initiative: the KR Foundation. The primary purpose is to engage in environmental issues in an international context and to support international efforts that deal with the interaction of climate and the economy. The intention is to endow the KR Foundation with EUR 13.5 million every year for ten years.

Employee Foundation of the VKR Group was established in 1991 by VKR Holding and VILLUM FONDEN. This foundation supports the VKR Group's employees in various areas, first and foremost: (1) in the event of unfortunate situations with serious consequences. Employees, past and present, and their close families are supported, (2) furtherance of children's education and (3) public charitable purposes in the vicinity of companies in the VKR Group.

Examples

SCIENCE

The VKR Group celebrated its 75th anniversary in 2016. The anniversary project "The Villum Centre for the Science of Sustainable Fuels and Chemicals"

at DTU (the Technical University of Denmark) was granted EUR 20 million to support its huge efforts in conducting research into developing pioneering technologies to replace fossil fuels by renewable alternatives.

SOCIAL

The Central European University, Hungary, initiated a joint project with various European universities called "Roma in European Societies Initiative". The aim is to make a social and educational network to support a disadvantaged and criticised population group, the Roma people. VILLUM FONDEN donated EUR 2.0 million to support the project's aim of Roma integration in Europe.

ENVIRONMENT & SUSTAINABILITY

Organic Denmark, an organic farming and food advocacy organization, had developed the project "Socially Beneficial Agriculture" to devise a sustainable agricultural model for Denmark's future, which will benefit society by doing more than just supplying affordable products. VILLUM FONDEN granted EUR 2.2 million for the project. The project "Plastic-free Sea" received EUR 1.2 million from VELUX FONDEN and VILLUM FONDEN.

THE EMPLOYEE FOUNDATION - EXAMPLES OF DONATIONS TO EMPLOYEES MADE IN 2016:

- Rehabilitation after surgery for employee in Poland
- Assistance regarding diabetes for an employee in Scotland
- Treatment concerning autism for an employee's child in Spain
- Scholarships in pursuit of educational programmes to qualify as veterinary surgeon, boilermaker, psychologist, chemical engineer etc.

HUMAN RIGHTS

LABOUR STANDARDS

Commitment

Support for individual and collective human rights is a fundamental part of the culture within the VKR Group. We support the Universal Declaration of Human Rights.

Initiatives and performance

THE VKR GROUP

For the Group, the risk of exposure to human rights violations primarily relates to suppliers or subsuppliers that do not comply with national law or internationally accepted standards and conventions. We assess the risk to be limited since, to a very large extent, we operate in countries with a strong commitment to human rights.

For several years, our business areas have had a Code of Conduct which main suppliers are to comply with. The Code of Conduct for suppliers demands respect for human rights and the right to collective bargaining, and it includes a ban on ever using forced or compulsory labour or child labour.

During the past years, we have not been subject to any investigations, legal cases or incidents involving human rights violations. No incidents or violations of the human rights principles have been reported to the Executive Director or the Board of Directors.

THE VELUX GROUP

99% of all VELUX suppliers have signed the VELUX Code of Conduct, versus the objective of 100%.

THE DOVISTA GROUP

In DOVISTA, the Code of Conduct was revised in 2016 to ensure compliance with the requirements. The revised Code of Conduct was implemented in 2016 towards all suppliers outside Europe, and the process has continued with suppliers inside Europe.

THE ARCON-SUNMARK GROUP

Prior to and during 2016, Arcon-Sunmark introduced its Code of Conduct. The Code of Conduct has been accepted by all main suppliers of components.

Commitment

The VKR Group is committed to maintaining and developing a healthy and safe working environment, and to promoting a strong safety culture for all business areas. We recognize the rights of all employees to form and join trade unions of their own choice without fear of intimidation and we have no tolerance of forced labour. child labour, or discrimination.

Initiatives and performance

THE VELUX GROUP

In 2016, the VELUX Group implemented new safety standards in production and warehousing facilities to support the ongoing efforts to build a strong safety culture and to improve safety risk management. To monitor all critical safety standards, the VELUX Group introduced an extended internal audit system. In general, OHSAS 180001 certification is implemented on all production sites.

In 2016, the VELUX Group experienced 1.9 work-related accidents per one million working hours – almost five times lower than the comparable industry benchmark. About 60% of accidents in 2016 were due to slipping, tripping or falling incidents.

THE DOVISTA GROUP

In the DOVISTA Group, the follow-up on health and safety issues takes place at a monthly meeting by a thorough review of every single incident at the work-place. The management of each company as well as representatives of the senior management of the DOVISTA Group participate in these meetings. The seriousness and causes of all incidents are reviewed and corrective measures are discussed to prevent similar incidents in future. In 2016, all companies of the DOVISTA Group have increased their focus on recording "near-miss incidents", because they offer important lessons on how to reduce the risk of real accidents.

In DOVISTA's Polish factories all new employees are required to complete a health and safety course before they start working, and each shift begins with a brief meeting focusing on safety. The factories' production equipment, safety equipment, and protective clothing are being improved on an ongoing basis, drivers of forklift trucks must complete a special safety workshop, etc.

The DOVISTA Group had 8.5 work-related accidents per one million working hours (only production hours) in 2016, which is the lowest level for the past seven years. The DOVISTA management appreciates that the efforts made in 2016 do not quite meet expectations and objectives, but they are determined to pursue the long-term ambition of further reducing the number of work-related accidents and incidents towards the ultimate goal of zero.



ENVIRONMENT - SUSTAINABLE PRODUCTS

Commitment

Our mission is to own and develop companies that bring daylight, fresh air and a better environment into people's everyday lives and we are dedicated to supplying products useful to society. The VKR Group is committed to pioneering innovative solutions that balance care for people and planet and set priorities for the development and production of products with a high comparable longevity.

In many countries, buildings account for a major share of energy consumption (approx. 40%). In our window business areas, we are committed to continuously offering solutions that reduce energy consumption. Our business areas do so by setting priorities for the development of energy-efficient products and by participating in relevant for a that aim to develop new standards and solutions for eco-friendly buildings.

Through ownership of the solar heating specialist Arcon-Sunmark, VKR Holding contributes to the development of sustainable solutions for future energy needs.

Initiatives and performance

THE VELUX GROUP

In 2016, the VELUX Group launched Smart Ventilation heat-recovery units which improve indoor comfort by constantly renewing indoor air with a minimum of heat loss. Smart Ventilation ensures constant

air change while offering 75% heat recovery. In 2016 the VELUX Group also entered into partnership with the French company, Netatmo. A new product range will be designed to improve energy efficiency, indoor comfort, health and well-being through smart controls that automatically operate roof windows, blinds, shutters, etc. according to a range of atmospheric parameters.

The VELUX Life Cycle Analysis (LCA) is part of the product development process. In 2016, LCA of VELUX roof windows and VELUX flat roof windows were third-party verified to ISO 140040/14044 (Life Cycle Assessment standard), EN 15804 (Environmental Product Declaration for Building Products and Materials) and EcoPlatform (cooperation between European environmental declaration programmes). The VELUX Group has also introduced an internal tool for environmental material evaluation with the purpose of making an easy benchmark and comparison of different materials' environmental performance to guide decision-making.

THE ARCON-SUNMARK GROUP

In 2016, Arcon-Sunmark installed the world's largest solar heating plant for Silkeborg Forsyning (a municipal district heating company). The plant has a solar panel area of 156,694 $m_{\rm 2}$ and will supply 20% of the annual heating requirements of Silkeborg. The annual CO_2 reduction will be 15,700 tonnes. Together with improvements in the efficiency of the district heating plant in Silkeborg, the solar heating plant is part of the city's strategy to become CO_2 neutral in 2030.

ENVIRONMENT – WASTE AND SUSTAINABLE SOURCING

Commitment

We have committed ourselves to reducing waste and optimising energy consumption in the production and in the distribution processes of our business areas as well as continuously increasing the level of sustainable sourcing of raw materials.

Initiatives and performance

THE VELUX GROUP

The VELUX Group has a long-term vision of reaching zero waste at their production sites. Governed by the environmental policy, they continuously optimise their resource efficiency and reduce the amount of waste from production.

In the VELUX Group, 97% of the waste from production was recycled or used for renewable energy in 2016. All wood suppliers of the VELUX Group are certified by PEFC (Programme for Endorsement of Forest Certification), FSC (Forest Stewardship Council) or both. No tropical hardwood is used. Full compliance with the EU Timber Regulation at all times is the policy of the VELUX Group. Regarding FSC and PEFC certifications, the VELUX Group carried out 51 internal audits and 16 external audits during 2016 to ensure compliance with the standards of the two systems. Only around 30% of all global wood sales comes from certified forests. In comparison 98% of the wood used for VELUX windows comes from certified, sustainable forests.

The production sites in the VELUX Group have been ISO 14001 certified for a number of years. With the updated ISO 14001:2015, all the production sites in the VELUX Group are in the process of obtaining certification according to this more demanding standard with special focus on Life Cycle Assessment, management commitment, and risks and opportunities management.

THE DOVISTA GROUP

In 2016, the DOVISTA Group has focused on environmental data and waste separation at product level. Those of their products that are most frequently used in sustainable buildings have been analysed. It confirmed that the basic construction of the products is simple and well-suited for separation into pure materials fractions. This means that more than 93% of a VELFAC 200 E window can be immediately reused.

On average, more than 95% of the total amount of waste in the DOVISTA Group has been reused or recycled during the last three years. 46% of the energy consumption of the DOVISTA Group is generated by recycling wood waste from own production.

The objective of all companies in the DOVISTA Group is that the vast majority of applied wood must be sourced from certified suppliers. In the DOVISTA Group, the total share of wood from certified suppliers amounted to 93% in 2016 compared to 91% in 2015. For several companies in the DOVISTA Group the share is 100%.

ENVIRONMENT - CO₂ EMISSIONS FROM PRODUCTION AND DISTRIBUTION

Commitment

The VKR Group is fully committed to fighting climate change. We believe that increased CO_2 emissions are among the most significant threats to a continued habitation of the planet. In the VKR Group we are dedicated to pursuing solutions and investing in new technology which could facilitate a reduction in CO_2 emissions. Our business areas are constantly striving towards lowering CO_2 emissions from their production and distribution processes relative to the quantities being produced. The development in CO_2 emissions are measured and compared with performance in previous periods.

Initiatives and performance

THE VELUX GROUP

The VELUX Group has defined climate goals and works systematically to fulfil them by the following measures: implementation of energy management, investment in energy efficiency projects, and use of renewable energy (e.g. solar panels; wood chip waste from production for heat generation). The goal is a 50% reduction of CO_2 emissions by 2020 compared to 2007. In 2016, certified ISO 50001 energy management was implemented at all VELUX production and warehouse sites in Europe and at the VELUX head-quarters in Hørsholm, Denmark.

In 2016, the VELUX Group achieved 26% CO_2 savings at their production sites compared to the 2007 baseline. However, despite the isolated effect of energy-saving and CO_2 reduction initiatives, CO_2 emissions rose slightly from 2015 to 2016 relative to production volume. The increase was caused by temporary factors. Consequently, we expect this development to be reversed in 2017.

THE DOVISTA GROUP

In recent years, the DOVISTA Group has prioritised efficiency improvements in their distribution system, having identified this as an area with the potential for substantial contributions towards reducing energy consumption and CO_2 emissions. Consequently, optimal logistics solutions remain high on the agenda, and they strive to continuously optimise their transportation and distribution chain.

For the DOVISTA Group, the amount of CO_2 emitted per unit produced has been reduced by about 15% since 2010.

ANTI-CORRUPTION

Commitment

The VKR Group does not tolerate corruption, extortion or bribery in any shape or form. We understand the damage caused by bribery and corruption and we are committed to working hard to safeguard our employees against their corrosive influence.

Initiatives and performance

THE VKR GROUP

VKR Holding has implemented an Anti-Corruption Policy. The policy applies to every company in the Group where we have a controlling influence. The policy addresses fair competition vs bribery, facility payments, money laundering, protection money, gifts, political organisations / lobbyism and charity. We are assured that initiatives tailored for each business area are adequately put in place to ensure compliance with our Anti-Corruption Policy.

All business areas of the Group have measures to avoid corruption in their Code of Conducts. All business areas demand compliance from suppliers and other business partners by applying their individual Codes of Conduct.

During recent years, we have not encountered any examples of corruption, extortion or bribery committed by employees of the VKR Group.

Before the next edition of this COP Report, the Group will have implemented a companywide whistle-blower system to establish a structured procedure for employees and other stakeholders to report illegal behaviour and activities. All material input from the whistle-blower system will be presented to the Audit Committee of VKR Holding.

THE VELUX GROUP

In the VELUX Group, the VKR Anti-Corruption Policy has been maintained by several actions during 2016. Every year, all senior managers commit to a strict, unambiguous policy regarding anti-corruption, fair competition and tax payment. All general managers sign an annual declaration of competition law compliance and all senior managers have completed an anti-corruption e-learning course by 2016.

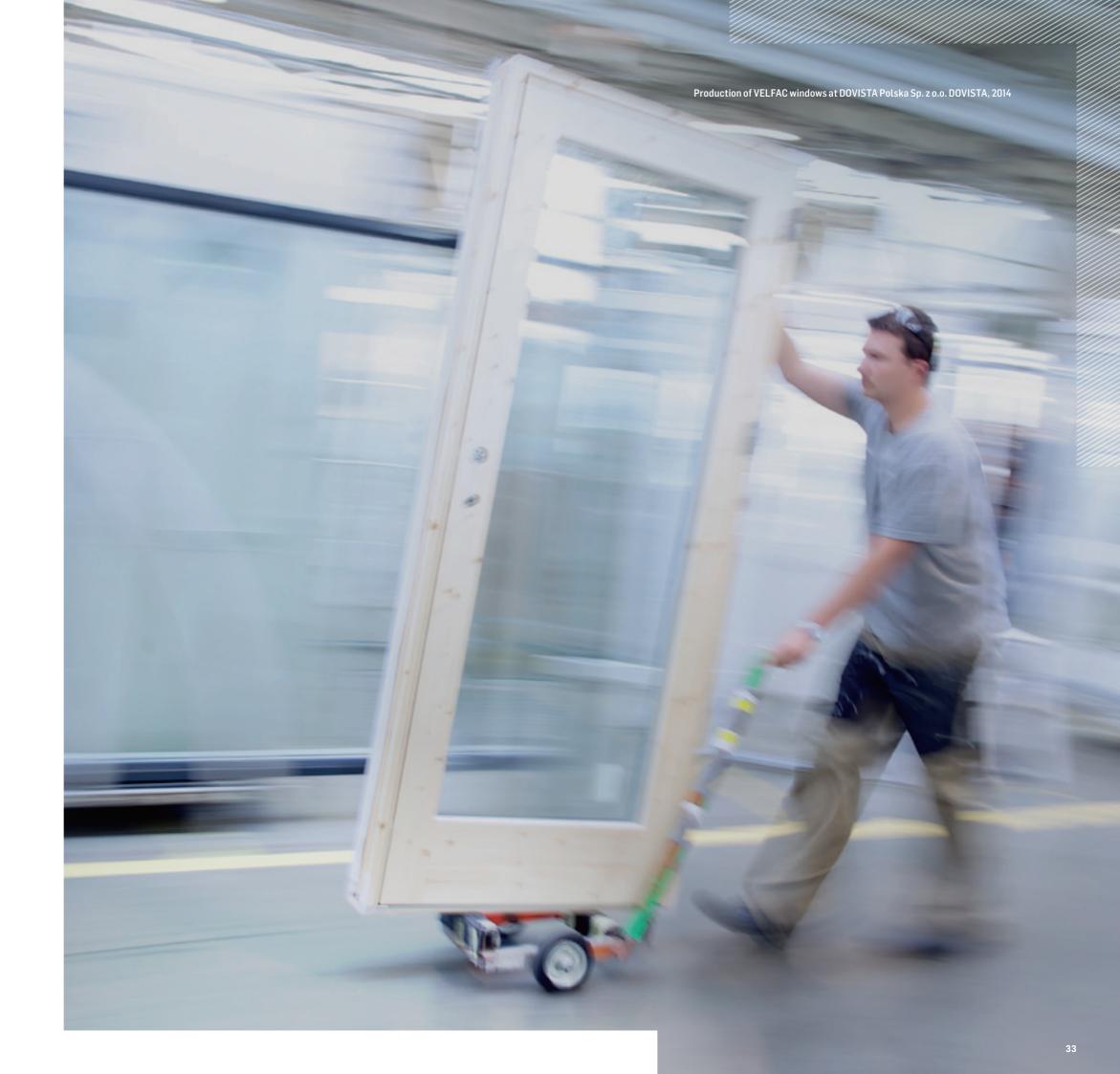
APPENDIX 1: VKR GROUP POLICIES

In the VKR Group, the below 14 "Group Policies" apply. The Group Policies concern areas that are important or critical to the whole VKR Group. The Policies have been approved by the board of VKR Holding A/S and the boards of the parent companies in each business area:

- Financial Information Policy
- Dividend Policy
- Tax Policy
- Transfer Pricing Policy
- Risk Management Policy
- Foreign Currency Exposures Policy
- Cash Management Policy
- Legal Policy
- Competition Law Compliance Policy
- Insurance Policy
- Crisis Management Policy
- IPR Policy
- Communications Policy
- Anti-Corruption Policy

The above Group Policies support the social, environmental, and economic sustainability required by the UN Global Compact initiative within e.g. contracts, HR issues, communication, insurance, innovation, and trade with customers and suppliers.

We are in the process of formulating a new CSR Policy that all business areas must also comply with. We expect this to be fully implemented by the time of our second annual COP Report.





Breeltevej 18 2970 Hørsholm Denmark Fel.: +45 39 69 11 44

VKR Holding A/S

www.vkr-holding.com



