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UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS FOR 2017

FEBRUARY 2018

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STATEMENT OF CONTINUED SUPPORT

21 February 2018

Arcon-Sunmark develops, manufactures, distributes and installs large scale solar heating solutions for district heating and industrial processes. Arcon-Sunmark has a proven track record in the solar heating industry with more than 40 years of experience.

I am pleased to confirm that Arcon-Sunmark A/S and its subsidiaries support the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour Rights, Environment and Anti-Corruption.

Our CSR Policy as described in the Code of Conduct, Anti-Corruption policy and Employee Handbook, is based on the Ten Principles and has been approved by the Board of Directors. We have identified prioritized areas of improvement, and have initiated the process of optimizing these. We will follow up on progress on an annual basis.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the UN Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to share this information with our customers, employees, suppliers and other stakeholders.

Yours sincerely



Ole Dalby

Chief Executive Officer
Arcon-Sunmark

HUMAN RIGHTS PRINCIPLES

Commitment

Arcon-Sunmark respects cultural differences and does not do business with any supplier who practices discrimination based on race, religion, gender, age, nationality or sexual orientation.

No employee should ever be exposed to any physical punishment, threats or violence or physical, sexual, psychological or verbal harassment or maltreatment in the work place or in work related situations.

Arcon-Sunmark supports the Universal Declaration of Human Rights. We respect Human Rights within our sphere of influence and operate our business in a transparent and trustworthy way.

Arcon-Sunmark has a clearly defined Code of Conduct, which is communicated externally and internally. Likewise, Arcon-Sunmark has a dedicated Health and Safety Committee in place to regularly assess and evaluate the working environment.

Arcon-Sunmark sees no significant risks that the Company or its suppliers violates the UN Global Principles 1 and 2.

Implementation

Arcon-Sunmark is on an on-going basis, and in connection with renewals of contracts, in dialogue with large volume suppliers in which our policy is communicated, in particular the Code of Conduct.

We monitor the overall sickness absence in Arcon-Sunmark on a monthly basis in order to detect employee health issues, and assess whether follow-up actions are required.

Arcon-Sunmark takes initiative to employ individuals with special needs and has a target of minimum 2% such employees.

In accordance with the Danish Working Environment Act, Arcon-Sunmark conducts APV (Workplace assessment Surveys) at least every third year. And continually carries out follow-up actions.

We continuously collect information from our global divisions in order to ensure complete compliance to international and internal standards in regard to hours worked, wages and leave.

Performance Evaluation

Arcon-Sunmark's Code of Conduct, which is in line with the VKR Holding Group's Code of Conduct, has been introduced prior to 2017 and accepted by all main suppliers of components for the production of solar panels. The Code of Conduct has been presented to all managers and employees with external contact. All of these have confirmed to have read and understood the Code of Conduct.

Arcon-Sunmark's general commitment to the UN Global Compact program, including the 10 Principles and Arcon-Sunmark's Code of Conduct, has in 2017 been communicated to the entire organization with the overall message of expected compliance.

Results related to the working environment and absence are addressed under Labour Rights Principles below.

At the end of 2017, employees with specific needs represent 3.0% of the workforce compared to the target of 2%.

In the past years, Arcon-Sunmark has 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 Management Team.

LABOUR RIGHTS PRINCIPLES

Commitment

Arcon-Sunmark commits to provide a salary package in line with local standards, a safe and comfortable working environment, openly communicated career paths and well established performance and development evaluation tools.

Arcon-Sunmark respects the right of workers and operates our business with safe and attractive working conditions. We respect the freedom of association and collective bargaining and have no tolerance of forced labour, child labour and discrimination.

Arcon-Sunmark sees no significant risks that the company or its suppliers violates the UN Global Compact principles 3, 4, 5 and 6.

Implementation

Arcon-Sunmark is on an on-going basis, and in connection with renewals of contracts, in dialogue with large volume suppliers in which our policy is communicated, in particular the Code of Conduct.

It is the policy that all Arcon-Sunmark employees undergo annual performance reviews to set individual plans and targets.

Performance Evaluation

Arcon-Sunmark's Code of Conduct, which is in line with the VKR Holding Group's Code of Conduct, has been introduced prior to 2017 and accepted by all main suppliers of components for the production of solar panels. The Code of Conduct has been presented to all managers and employees with external contact. All of these have confirmed to have read and understood the Code of Conduct.

Arcon-Sunmark's general commitment to the UN Global Compact program, including the 10 Principles and Arcon-Sunmark's Code of Conduct, has in 2017 been communicated to the entire organization with the overall message of expected compliance.

Arcon-Sunmark has in 2017 developed and implemented a working environment policy and initiated more than the annually targeted 20 defined activities to reduce risks of injuries in the work place, and will define activities to maintain a low level of sick absence. Substantial investments have been made to ensure clearly marked walk ways etc. around and between manufacturing areas to reduce risk of accidents.

Overall absence due to sickness is at the same satisfactory level as in 2016.

In the past years, Arcon-Sunmark has not been subject to any investigations, legal cases or incidents involving Labour Rights violations. No incidents or violations of the Labour Rights principles have been reported to the Management Team.

ENVIRONMENTAL PROTECTION PRINCIPLES

Commitment

Arcon-Sunmark supports a precautionary approach to environmental challenges and undertakes initiatives to promote greater environmental responsibility. Also, we encourage the development and diffusion of environmentally friendly technologies. We actively support a sustainable environmental progress through the development and distribution of solar heating solutions, which significantly reduces emissions of carbon dioxide.

Overall, we consider our production process to have a relatively low impact on the environment. However, we do recognize that parts of our production and related transportation have a negative impact on the environment, and we constantly work to minimize these effects.

Arcon-Sunmark sees no significant risks that the company or its suppliers violate the UN Global Compact principles 7, 8 and 9.

Implementation

We are constantly working on product development to improve the relationship between consumption of resources and performance of our products.

The different parts of the production process are evaluated to identify savings on use of energy, water and other resources.

The geographical location of production is optimized in order to reduce transportation of finished goods.

Performance Evaluation

Arcon-Sunmark is focused on development, manufacturing and installation of large scale solar heating solutions. As such, Arcon-Sunmark's overall activities contributes significantly to an improved environmental protection. As a rule of thumb, 10 square meters of solar collectors reduce Co2 emission by 1 ton per year.

The product development and process optimization in Arcon-Sunmark itself has continued in 2017 in order to improve effectiveness of the end-product (solar energy collectors).

Arcon-Sunmark's general commitment to the UN Global Compact program, including the 10 principles and Arcon-Sunmark's Code of Conduct, has in 2017 been communicated to the entire organization with the overall message of compliance.

In 2016 and 2017, specific measures have been initiated to reduce water consumption. Water consumed has been reduced by 25% in 2017 compared to 2016.

In the past year, Arcon-Sunmark has not been subject to any investigations, legal cases or incidents involving violations of the Environmental Protection principles. No incidents or violations of the Environmental Principles have been reported to the Management Team.

ANTI-CORRUPTION PRINCIPLES

Commitment

Corruption and bribery are recognized as barriers to sustainable development and free trade. Arcon-Sunmark supports the work against corruption in all its forms, including extortion and bribery.

Arcon-Sunmark acknowledges that minor business gifts and moderate entertainment, including meals, are accepted ways to build relationships and generate goodwill between business partners. This practice must however always be conducted in a transparent way, and only to an extent appropriate to our integrity guidelines and business ethics, including the Anti-Corruption policy.

Arcon-Sunmark sees no significant risks that the company or its suppliers violate the UN Global Compact principle 10.

Implementation

Arcon-Sunmark is on an on-going basis, and in connection with renewals of contracts, in dialogue with large volume suppliers in which our policy is communicated, in particular the Code of Conduct and Anti-Corruption policy.

Guidelines of handling issues of corruption, hospitality and donations (Anti-Corruption policy) are provided to all employees with external contact.

Performance Evaluation

Arcon-Sunmark's Code of Conduct and Anti-Corruption policy, which are in line with the VKR Holding Group's Code of Conduct, has been introduced prior to 2017 and accepted by all main suppliers of components for the production of solar panels. The Code of Conduct has been presented to all managers and employees with external contact. All of these have confirmed to have read and understood the Code of Conduct.

Arcon-Sunmark's general commitment to the UN Global Compact program, including the 10 principles and Arcon-Sunmark's Code of Conduct, has in 2017 been communicated to the entire organization with the overall message of expected compliance.

In the past year, Arcon-Sunmark has not been subject to any investigations, legal cases or incidents involving violations of the Anti-Corruption principles. No incidents or violations of the Anti-Corruption Principles have been reported to the Management Team.