

# UN GLOBAL COMPACT COMMUNICATION ON PROGRESS FOR 2018

Arcon-Sunmark A/S, September 2019



SUSTAINABLE  
DEVELOPMENT  
GOALS



# CEO's Letter to Arcon-Sunmark Stakeholders

## Statement of continued support

Dear Stakeholder,

Arcon-Sunmark is a company with the clear purpose of supporting a sustainable environment by developing, manufacturing and installing large-scale solar heating solutions for district heating and industrial processes.

Arcon-Sunmark is owned by VKR Holding A/S and the mission of VKR Holding A/S is to own and develop companies that bring daylight, fresh air and a better environment into people's everyday lives. CSR is a natural and important element in the daily operations of the business since 1965 where the founder of VKR Holding formulated the Model Company Objective.

*"By model company we mean a company working with products useful to society, which treats its customer, suppliers, employees of all categories and shareholders better than most other companies. A model company makes a profit which can finance growth and maintain financial independence."* Villum Kann Rasmussen, 1965

Arcon-Sunmark and its 100% owned subsidiaries are committed to support the United Nations Global Compact (UNGC) and the UN Sustainable Development Goals (UN-SDG) as part of the company strategy. We to include these in the day-to-day culture by engaging prioritised UN Sustainable Development Goals over the next years that may improve the environment and improve quality of life.

Arcon-Sunmark started working on the UNGC sustainable goals in 2016, and has implemented some first level initiatives, but the fact is that Arcon-Sunmark still lacks the structure and discipline to work with all the goals with a defined and principal target. Initially, the focus was on adopting and living the ten UN principles which were the 2018 focus and the measure for achievements in the 2018 COP report.

For the year 2019, and in particular from 2020, the Arcon-Sunmark will change focus from the 10 principles towards realising the UN-SDG's, while the 10 principles shall stand by and be promoted as the underlying guideline for behaviour and governance.

At present, solar thermal energy and the Arcon-Sunmark renewable business directly contribute to the Sustainable Development Goals no. 7 "Affordable and Clean Energy" and no. 13 "Climate Action" which are key elements in overcoming the challenges in the energy conversion.

The UN-SDG initiatives that will be implemented in 2019/2020 are in the following three areas: No. 5 "Gender Equality", no. 7 "Affordable and Clean Energy", no. 13 "Climate Action". The kick-off for the Goals will be in Q4/2019 and target is to see all three Goals implemented by mid-2020. In 2020, the fourth Goal: no. 17 "Partnerships for the Goals," will be started but not implemented before 2020.

Yours Sincerely

Thomas Karst, CEO, & Chris Dahlerup, CFO



**WE SUPPORT**

We continue to support the United Nations Global Compact and are committed to the initiative and its principles.

This is our Communication on Progress in implementing the principles of the UN Global Compact.

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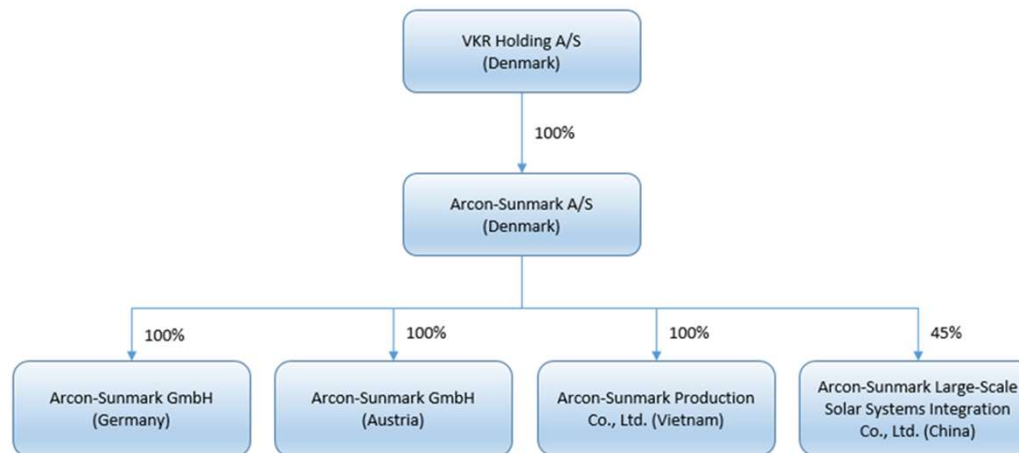
# Arcon-Sunmark A/S business and structure

## Business, structure and reference to UN Sustainable Development Goals



### Arcon-Sunmark A/S business

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.



### Organisation and UN Sustainable Development Goals

The efforts in implementing and reporting on the UNGC for Arcon-Sunmark will initially be focused on Arcon-Sunmark A/S in Denmark, where the majority of the staff is based and where the company ambition for strategy and compliance is defined and concluded. The implementation will be adapted to the individual country specifics, and will take place simultaneously in all subsidiaries 100% owned by Arcon-Sunmark A/S. In subsidiaries not wholly owned by Arcon-Sunmark A/S, the roll-out will be individual and in agreement with the partners in question.

# Arcon-Sunmark UN-SDG initiatives

## Overview of initiatives planned for 2019 – 2020






For 2020, Arcon-Sunmark will prioritise the UN-SDG that are directly linked to the business of Arcon-Sunmark and where reliable and positive results can be documented in relatively short time.

Quick wins have the advantage of motivating and training a learning organisation, and quick wins also counter the general view that community initiatives are corporate paper exercises that amount to very little. Early and visible results are critical to secure a true buy-in to the common global goals.



Employees will be engaged in workshops, review meetings, and KPI definition, and be part of the implementation, measurement, and improvement sessions.

The UN-SDG initiatives that will be implemented in 2019/2020 are in the following three areas:

-  • No. 5 Gender Equality
-  • No. 7 Affordable and Clean Energy
-  • No. 13 Climate Action

The kick-off for the Goals will take place in Q4/2019 and the plan is to see all three Goals implemented by mid-2020.

In 2020, the fourth and fifth Goal will be started but not implemented before 2020:

-  • No. 11 Sustainable Cities and Communities
-  • No. 17 Partnerships for the Goals

The initiatives will initially focus on the above five goals; however, this does not exclude the other 13 Goals to be addressed in 2019/2020. If the situation offers an obvious opportunity or the business direction taken by Arcon-Sunmark renders a relevant requirement, more Goals may be addressed in this period of time.



# Arcon-Sunmark UN-SDG initiatives for 2019-2020

## Arcon-Sunmark key contributions to Sustainable Development Goals



*“Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results” Ban Ki-moon, United Nations Secretary-General*



**Affordable and Clean Heat Energy** (2020) to homes, offices, and industry is delivered through solar thermal collector systems. The cost is less than €30/MWh and the CO2 emission in production is nil. We strive for the future cost to be lower year-on-year.



**The Climate Action** (2020) effect from the 1.3 million square metres of Arcon-Sunmark solar thermal collector systems already installed is a reduction of CO2 emissions of almost 150 thousand tons per year by substituting gas, coal or biomass. In the future, Arcon-Sunmark expects to install minimum 150,000 square metres of collectors per year adding a further reduction of CO2 by 15 thousand tons more every year.



**Partnerships for the Goals** (2020) are critical for Arcon-Sunmark to ensure the lowest cost of solar thermal collector systems anywhere in the world. The more we source of local expertise and local produce, the less energy we consume and the less our emissions will be. We have established Partnerships in Eastern Europe and in Asia, and when we add new partnerships, the partners are requested to embrace the UN-SDG.



**Sustainable Cities and Communities** (2021) is a core objective for Arcon-Sunmark as most of the solar thermal collector systems have been for district heating in medium to small towns. Arcon-Sunmark constantly promotes the advantages of solar thermal heat and supports the communities through feasibility studies, contract and construction planning, and the lifetime operation of the solar thermal plant.



**Gender equality** (2020) is being improved and most importantly, we strive for equal terms in employment conditions and equal remuneration for the performance in the same position. For new employment, the management in charge and the search agent in question will be required to optimise gender equality in the entire search and selection process.



# Arcon-Sunmark UN-SDG initiatives for 2019-2020

## No. 5 Gender Equality



### Purpose

Providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes will fuel sustainable economies and benefit societies and humanity at large. Implementing new legal frameworks regarding female equality in the workplace and the eradication of harmful practices targeted at women is crucial to ending the gender-based discrimination prevalent in many countries around the world.

### Objective

To ensure that Gender Equality is observed in any and all of Arcon-Sunmark employments.

### Measure

All new recruitments to be announced as gender neutral.

Genders to be given equal evaluation terms and presented with equal expectations for employment.

Employment for genders to be based on common terms and conditions and with remuneration reflecting equality for equal performance.



# Arcon-Sunmark UN-SDG initiatives for 2019-2020

## No. 7 Affordable and Clean Energy



### Purpose

Energy is central to nearly every major challenge and opportunity the world faces today. Be it for jobs, security, climate change, food production or increasing incomes, access to energy for all is essential. Working towards this goal is especially important as it interlinks with other Sustainable Development Goals. Focusing on universal access to energy, increased energy efficiency and the increased use of renewable energy through new economic and job opportunities is crucial to creating more sustainable and inclusive communities and resilience to environmental issues like climate change.

### Objective

Research, develop, engineer, trade, deliver, install, commission, and operate solar heat systems that deliver clean and affordable thermal energy.

### Measure

New developments and applications improving the usefulness of solar thermal heat.

Year-on-year reduction in levelized cost of energy for solar heat systems.

Proliferation of the technology to new markets.

# Arcon-Sunmark UN-SDG initiatives for 2019-2020

## No. 13 Climate Action



### Purpose

Affordable, scalable solutions are now available to enable countries to leapfrog to cleaner, more resilient economies. The pace of change is quickening as more people are turning to renewable energy and a range of other measures that will reduce emissions and increase adaptation efforts. Climate change, however, is a global challenge that does not respect national borders. It is an issue that requires solutions that need to be coordinated at the international level to help developing countries move toward a low-carbon economy

### Objective

Develop Arcon-Sunmark into a truly international company supplying multiple countries and communities with key equipment and knowledge of renewable technology.

### Measure

The number of countries, businesses, applications and communities Arcon-Sunmark works with and delivers to.

# The 2018 COP report for Arcon-Sunmark A/S

## The UN Ten Principles



### Code of Conduct

The Arcon-Sunmark CSR Policy encompasses the Code of Conduct, the Anti-Corruption policy and the Employee Handbook, and which include compliance with the ten UN Principles.

### The Board of Directors

The CSR Policy has been approved by the Board of Directors.

### The 2018 COP report and the UN Ten Principles

The Ten Principles in UN Global Compact are behavioural principals contributing to the development and application of the UN Sustainable Development Goals, and the principles are to be adhered to in any circumstance. The Danish law and the general culture in Europe comply well with the principles. Arcon-Sunmark has its main business in Europe and employees people mainly with a prevailing European culture, and therefore, the risk of Arcon-Sunmark violating the principles is very limited.

The Ten Principles may be a meagre start for any company, but they define the basis for engaging in the 17 UN-SDG. The entire company needs to be comfortable and act according to the principles when taking on the task of the 17 UN-SDG in 2019 and 2020. For this reason, the focus has been on adopting and living the ten UN principles which was the 2018 focus and the measure for achievements in the 2018 COP report.

The requirement of Arcon-Sunmark and the Arcon-Sunmark employees is to adopt the 10 principles as part of the company governance. In any internal or external action, business with partners, suppliers, consultants or non-committed third party and customers, the principles apply; in any circumstance where the principles are not observed, the engagement shall be discontinued until the parties can confirm that the principles apply again. The principles have recently been embedded in the company CSR and will be expressed at key meetings and in communication.

Areas of improvement for Arcon-Sunmark A/S on The Ten Principles have been identified and prioritised, and a process was initiated to optimise these and to measure and document the results in the 2018 COP.

The year's COP report will focus on the documentation of Arcon-Sunmark's adherence to the ten UN principles, as this was the basis for the 2018 initiative programme.

# The 2018 COP report for Arcon-Sunmark A/S

## The UN Ten Principles / HUMAN RIGHTS PRINCIPLES



### Impact assessment

The risk of Arcon-Sunmark violating the principles of human rights are assessed to be low, as the majority of our suppliers and partners operate in Denmark and Northern Europe where human rights are highly protected. To reduce the risk of violating the human rights in countries outside Denmark, Arcon-Sunmark buys components for the production of solar collectors from suppliers only that comply with the company's Code of Conduct.

### Policies and goals

Arcon-Sunmark has done as follows:

- Implemented the VKR Group CSR Policy that directly addresses the human rights principles,
- Clearly defined a Code of Conduct, which continuously is communicated externally and internally,
- Completed a policy to employ individuals with special needs, and has a target of minimum 2% such employees.

We continuously collect information from our global divisions in order to ensure complete compliance with international and intercompany standards for working hours, wages and leave.

### Outcome in 2018

The Arcon-Sunmark Code of Conduct, which is in line with the VKR Group's Code of Conduct, has been accepted by all main suppliers of components for the production of solar collectors

- Employees with specific needs in 2018 represented 4.0% of the workforce compared to the target of 2%.
- Effective from April 2018, a whistle-blower system is available to all employees. The system shall ensure an open dialogue without risk of harassment or other discrimination in all issues related to the Arcon-Sunmark business methods, ensure compliance with our policies and code of conduct, and report other issues that are considered illegal. No incidents were reported in 2018.
- Results related to the working environment and absence are addressed under Labour Rights Principles below.

### Targets for 2019

For 2019, the target is to continue our structured impact assessment on securing human rights, with a special focus on implementing Code of Conduct for all suppliers within the group and to develop structured means of measurement.

# The 2018 COP report for Arcon-Sunmark A/S

## The UN Ten Principles / LABOUR RIGHTS PRINCIPLES



### Impact assessment

The risk of Arcon-Sunmark violating the principles of labour rights are assessed to be low, as the company has employees in Denmark and Germany only, where labour rights are highly protected.

### Policies and goals

Arcon-Sunmark has done the following:

- Implemented the VKR Group's CSR Policy that directly addresses the labour rights principles.
- Has a dedicated Health and Safety Committee in place to regularly assess and evaluate the working environment.
- Operates our business within safe and attractive working conditions to continuously improve health and safety.
- Respect the freedom of association and collective bargaining and has no tolerance of forced labour, child labour and discrimination.
- Undertake to provide a salary package in line with local standards, openly communicated career paths, and well-established performance and development evaluation tools, where employees undergo annual performance reviews to set individual plans and targets.

### Outcome in 2018

Arcon-Sunmark monitors the overall sickness absence in Arcon-Sunmark on a monthly basis in order to detect employee health issues and to assess whether any actions are required. The overall sickness absence in 2018 was 2.9%, an improvement from 3.2% in 2017, but still above the company goal of 2.5%.

Arcon-Sunmark has a goal of zero work-related accidents. In 2018, we had one eye accident that fortunately did not result in a permanent injury. This accident has led to the introduction of eyeglasses in all production areas for protection purposes.

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.

### Targets for 2019

For 2019, the target is to continue our structured impact assessment on securing labour rights with a special focus on measuring and monitoring near-miss accidents to prevent work related accidents and to reach our zero-accident goal.

# The 2018 COP report for Arcon-Sunmark A/S

## The UN Ten Principles / ENVIRONMENTAL PROTECTION PRINCIPLES



### Impact assessment

Arcon-Sunmark develops, manufactures and installs large-scale solar thermal heating solutions. As such, Arcon-Sunmark's overall activities contribute significantly to an improved environmental protection. As a rule of thumb, 10 square metres of solar collectors reduce CO2 emission by 1 ton per year.

Overall, the risk of Arcon-Sunmark violating the principles of environment protection is assessed to be low, as we consider our production process to have a relatively low impact on the environment. However, we do recognise that parts of our production and related transportation have a negative impact on the environment, and we constantly work to minimise these effects.

### Policies and goals

Arcon-Sunmark initiatives:

- Implemented the VKR Group's CSR Policy that directly addresses the environmental protection principles.
- Active support of a sustainable environmental progress through the development and distribution of solar heating solutions, which significantly reduces emissions of carbon dioxide.

### Outcome in 2018

In 2018, Arcon-Sunmark in Denmark has signed a 3-year contract to buy renewable electricity only.

In 2018, Arcon-Sunmark had production in Denmark only. The production of solar collectors was 25% lower than in 2017, reducing the carbon dioxide emission accordingly. The energy consumption in GJ was reduced by 28%, thus showing a slight improvement of the production process in terms of energy consumption.

In 2017 water consumption was reduced by 25% compared to 2016. In 2018, the water consumption was reduced by 13% in total.

The amount of waste increased significantly in 2018 compared to 2017, from 215 tons to 262 tons. The percentage recycled was only 66% compared to 82% in 2017. The increase in waste was caused by scrapping insulation from a RD project building a prototype for Seasonal Storage.

### Targets for 2019

Increased focus on environmental measures in 2019 and actions to improve recycling and reduce waste of water.



# The 2018 COP report for Arcon-Sunmark A/S

## The UN Ten Principles / ANTI-CORRUPTION PRINCIPLES



### Impact assessment

The risk of Arcon-Sunmark infringing the principles of anti-corruption is assessed to be low, as Arcon-Sunmark in 2018 mainly operated in Denmark. Denmark ranks highest in Transparency International's published Corruption Perception Index for 2018.

### Policies and goals

Arcon-Sunmark initiatives:

- Implementation of guidelines for handling issues of corruption, hospitality and donations (VKR Group Anti-Corruption policy)
- The acknowledgement 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.
- On an on-going basis, and in connection with signing or renewing contracts, emphasize our policy through the Code of Conduct and Anti-Corruption policy.

### Outcome in 2018

Arcon-Sunmark's Code of Conduct and Anti-Corruption policy, which are in line with the VKR Group's Code of Conduct and Anti-Corruption policy, has been accepted by all suppliers of components for the production of solar collectors.

All new employees are introduced to the relevant policies.

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.

### Targets for 2019

For 2019, the target is to continue our structured impact assessment on anti-corruption with a special focus on implementing the Code of Conduct for all suppliers within the group and to develop structured means of measurement.



SUSTAINABLE  
DEVELOPMENT  
GOALS

<p>1 NO POVERTY</p> 	<p>2 ZERO HUNGER</p> 	<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>4 QUALITY EDUCATION</p> 	<p>5 GENDER EQUALITY</p> 	<p>6 CLEAN WATER AND SANITATION</p> 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 
<p>10 REDUCED INEQUALITIES</p> 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>13 CLIMATE ACTION</p> 	<p>14 LIFE BELOW WATER</p> 	<p>15 LIFE ON LAND</p> 	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>17 PARTNERSHIPS FOR THE GOALS</p> 	