

COMMUNICATION PROGRESS 2020

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ABOUT THIS REPORT

This report supplements VKR Holding's 2020 Annual Report. It constitutes VKR Holding's 2020 Communication on Progress to the UN Global Compact and the VKR Group's statutory report for 2020, cf. the Danish Financial Statements Act, section 99a.

The requirements relating to the Communication on Progress are addressed in the sections entitled, 'Letter to our stake-

holders' and 'VKR Holding upholds the ten principles'.

The requirements of the statutory report, cf. section 99a of the Danish Financial Statements Act, are addressed in the sections entitled, 'What we do' and 'The VKR Group ambitiously supports the SDGs'.

In this report, the name 'VKR Holding' refers exclusively to the parent company of the Group. The term 'business areas'

refers to all companies in Roof windows & skylights and in Vertical windows. 'VELUX Group' includes companies within the business area of Roof windows and skylights, and 'DOVISTA Group' includes companies within the business area of Vertical windows. Finally, the name 'VKR Group' refers to both the parent company and the business areas combined.

Frontpage: The Heart, daylight through the VELUX roof windows in the multi-purpose building for leisure and cultural activities in Ikast, Denmark. Adam Mørk, 2020

VKR Holding
reduced its
“Classic”
investments
by nearly 50%
in 2020

4 2020 overview



11 Philanthropy

Each year, the VELUX FOUNDATIONS return more than 80% of the dividends paid by VKR Holding back to society



26 URBAN AIR TECH - innovation for sustainable living

Imagine a home in which windows automatically open and close to protect a family against air pollution



33 The new sustainability strategies

All business areas strive to make an even greater contribution to achieving the goals of the UN Global Compact. Therefore, in 2020, both VELUX and DOVISTA are very excited to announce the launch of their own new sustainability strategies

2020 OVERVIEW

VKR Holding is committed to increase the proportion of investments with a sustainable focus



“Classic” investments were reduced by nearly 50% in 2020 and responsible and sustainable investments were increased accordingly:

Responsible investments

28%

increase in the share of responsible investments

Sustainable investments

3%

increase in the share of sustainable investments

The Investment spectrum



Read more about the policy on page 18.

2020 Targets		2020 Results
50% reduction of CO ₂ emissions in 2020 compared to 2007 baseline	→	Achieved 59% reduction in CO ₂ emissions
Maximum of 1 work accident per 1 million work hours	→	Not achieved 2.6 work accident per 1 million work hours
Minimum 99.5% certified wood at European factories	→	Achieved 99.6% certified wood
Vision of zero waste in production and end-of-life of products	→	Not achieved 98% production waste recycling/reuse rate was increased from 97% in 2019

2020 Targets		2020 Results
Year-over-year reduction of CO ₂ emissions per unit produced	→	Achieved 14.1 tonnes compared to 14.9 tonnes in 2019
25% year-over-year reduction of work accidents per 1 million work hours (production only)	→	Not achieved 9.2 work accidents compared to 8.0 in 2019
Further increase the share of certified wood in production	→	Achieved 90% share of certified wood compared to 89% in 2019

LETTER TO OUR STAKEHOLDERS

2020 will always be remembered as a unprecedented year. The coronavirus blindsided everyone. Yet, there is much to celebrate. The VELUX Group achieved its long-term goal of reducing CO₂ emissions by 50%. The DOVISTA Group launched a new sustainability strategy.

This year's roller-coaster ride taught us that we can handle a crisis. In the spirit of our Model Company Objective, we strived to do better than most.

We did it without compromising sustainability. That's why we continue to support the UN Global Compact. We proudly renew our commitment to its Human Rights, Labour, Environment, and Anti-Corruption principles and to its Sustainable Development Goals.

This year, VKR Holding contributed to global sustainability by implementing its new policy for responsible investments.

We are committed to achieving two goals by 2023. The first is to reduce the share of traditional investments by 50%. The second is to quadruple the proportion of investments with a sustainability focus.

VKR Holding nearly achieved its 2023 target this year. But we still have much to do. We are really excited about future investment possibilities, not just in sustainable financial instruments, but also, if possible, in start-ups that demonstrate promising solutions to our sustainability targets.

VKR Holding also completed its annual impact assessment. It did not reveal any significant negative effects on sustain-

ability. We continue to challenge the way we think, not only in setting more stretch targets, but also in attracting a more diverse group of employees who share our vision.

As only one example, in 2020, an additional woman was appointed to the VKR Holding Board of Directors.

Regarding sustainability, the Group is on a journey with the VELUX Group at the forefront.

In 2009, the VELUX Group committed to halving its CO₂ emissions by 2020. It reached its target. The VELUX Group celebrated this major milestone by approving its new Sustainability Strategy 2030 that is even more ambitious.

The VELUX Group decided to become carbon neutral by 2030. This is a huge stretch target. The VELUX Group will have to find solutions that it either doesn't know about or that don't yet exist, and those solutions need to be discovered, tested and industrialized before 2030. The new strategy 2030 also includes a commitment to cut value chain emissions by 50%; i.e., emissions by suppliers, freight companies and the like (See Case Stories, pp. 34-38, for further information).

Just as exciting, the VELUX Group pledged to work with WWF to become lifetime carbon neutral by 2041. The goal is to make up for its historical carbon emissions since its foundation in 1941. By capturing its historical carbon footprint and at the same reduce future emissions, the VELUX Group will become Lifetime Carbon Neutral. I believe, WWF would not have chosen VELUX as a partner, if the VELUX Group hadn't made a credible commitment to achieving CO₂ neutrality by 2030.

For many years, the DOVISTA Group has gradually reduced the number of CO₂ emissions per unit and also reduced the number of accidents. But this is the first year that the DOVISTA Group approved a common framework aimed towards achieving a more strategic approach to sustainability. This is very exciting.

At the same time, the DOVISTA Group continues to innovate sustainable solutions for the future. For example, DOVISTA collaborated in the development of a 'natural' alternative to mechanical ventilation in classrooms. This NOTECH pilot project reduced the carbon footprint by 95% and significantly lowered costs. Now this work needs to be tested on a larger scale.

This year, VKR Holding contributed to global sustainability by implementing its new policy for responsible investments.

Despite our success, the coronavirus pandemic impacted our lives in ways that we never expected. As soon as we realized its gravity, we initiated procedures to keep employees safe and healthy. The VELUX Group, for example, sought to reassure people that there would be no dismissals or redundancies due to corona-related issues and the Employee Foundation created an emergency fund for those particularly affected by the coronavirus.

Yet, with the whole world stuck at home for months at a time, people began to realise that instead of sitting in their basement, they could have a much nicer office with lots of daylight, using our products. Suddenly, our challenge was to produce enough for the market. But the decision to support workers had created credibility and the unions and employees stepped up.

During the crisis, our employees had to work alone and collaborate virtually. It wasn't easy. Along the way, we found out that some things can be done in a better or different way. Even though we will be meeting physically again, I don't envision that we either should or could return to the past. I hope we can learn from our experience to improve our sustainability as citizens and as a company.



Mads Kann-Rasmussen
CEO, VKR Holding A/S

Mobile holiday cabins with VELUX roof windows
by Lake Millstatt in Austria, Kasia Jackowska, 2019



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.

COMMUNICATION ON PROGRESS

WHAT WE DO

Business model

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

In line with its primary mission, VKR Holding owns companies within the business areas of Roof windows & skylights and Vertical windows.

VKR Holding also 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 VKR Group conducts activities in most of the world. Its largest business

area is Roof windows & skylights. This area involves the development, production and sales of windows, and of accessories such as blinds, shutters and active digital products.

The Vertical window business area works with the development, production, and sales of windows and exterior doors in Northern Europe.

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

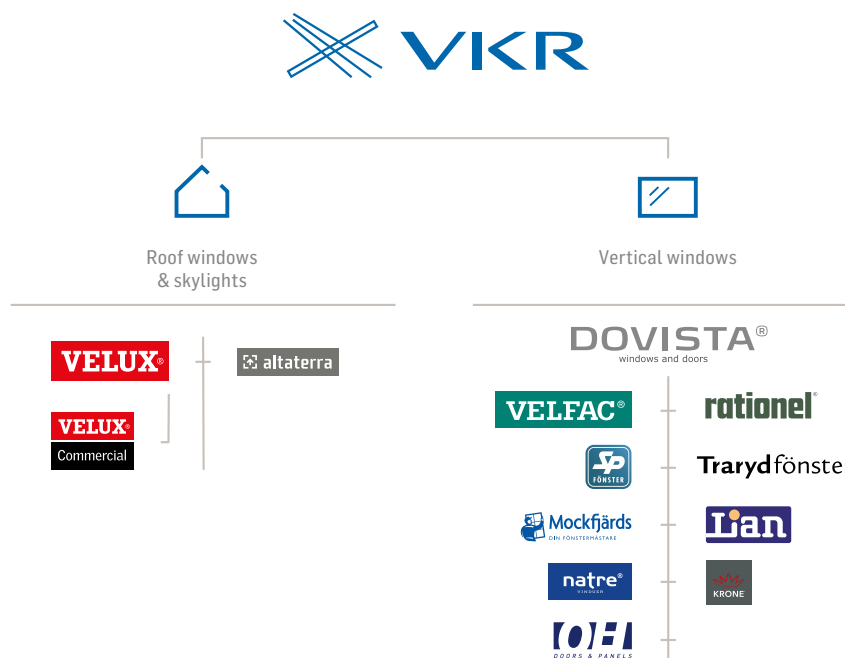
One objective of VKR Holding is to generate the highest possible risk-adjusted return on investments. In 2020, the holding company continued its ambition to achieve

a higher proportion of ESG responsible financial investments in the financial portfolio. Specifically, it committed to reducing 'Classic' investments with no specific ESG focus by 50%. Additionally, it committed to quadrupling the more responsible investment category of 'Thematic' investments, such environmental sustainability, by 2023. Read more about the policy on page 18.

VKR Holding A/S has approximately 40 employees and is based in Denmark.

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

THE VKR GROUP AS OF 31 DECEMBER 2020



SUSTAINABILITY MODEL

MODEL COMPANY OBJECTIVE

The VKR Group endeavour to be a Model Company as formulated by the founder, Villum Kann Rasmussen, and it guides the business activities and business strategies of all companies in the Group



ROOF WINDOWS & SKYLIGHTS

Highlighted targets 2020

- 50% reduction of CO₂ emissions in 2020 compared to 2007 baseline
- Maximum of 1 work accident per 1 million work hours
- Minimum 99.5% certified wood at European factories
- Vision of zero waste in production and end-of-life of products

New Targets

- 2030: Carbon neutrality
- 2030: 40% of senior management to be women
- 2030: 30% of Roof windows sold to be automated and sensor-driven
- 2041: Lifetime carbon neutrality



VERTICAL WINDOWS

Highlighted targets 2020

- Year-over-year reduction of CO₂ emissions per unit produced
- 25% year-over-year reduction of work accidents per 1 million work hours (production only)
- Further increase the share of certified wood in production

New Targets

- 2021: 10% reduction in unutilized production waste
- 2022: 1st or 2nd market position in sustainability documentation and transparency
- 2023: 100% recyclable packaging
- Reduction of the carbon footprint

GROUP-WIDE WHISTLE-BLOWER SYSTEM

In 2018, a group-wide whistle-blower system was implemented for any stakeholder to report infringement of legislation, regulation and VKR Group policies

LEGISLATION, REGULATION & INTERNAL GROUP POLICIES

The companies of the VKR Group are obliged to comply with legislation and regulations, and adhere to VKR Group policies

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

As described in the model, the founder's Model Company Objective remains the

guiding vision of the VKR Group. It informs all decisions and initiatives. VKR Holding and the business areas are required to comply with legislation and regulation as well as with VKR Group policy.

Within this model, the business areas have the autonomy to prioritise and target their sustainability efforts appropriately. The selected targets of the two business areas are highlighted in the model.

MODEL COMPANY OBJECTIVE



Founder of the VKR Group, Villum Kann Rasmussen, VKR Archives, ca. 1966

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

(25)
17. JUL. 1973 Dato 14/2 65
Formaal
Firmagruppens Formaal er at oparbejde
en Balleh K nsterindustri som sam-
arbejder p n mest m ndelige Maade.
En K nsterindustri er:
en Erhvervsinstitution, som arbejder
med en samfundsm stetig Produktion
og som l ser m ndene, at den beh ver.
Det s er K nsler, og Leverand rer, sine
K nsterarbejdere og alle Kategorier og sine
N ttem ndere b de med de fleste andre
Erhvervsinstitutioner i Danmark.

Core values and the Model Company Objective that Villum Kann Rasmussen penned in 1965.

“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

The Group's CSR ambition was incorporated into the Model Company Objective by the company's founder, Villum Kann Rasmussen, in 1965. Since then, CSR has been the cornerstone of the values upon

which all companies in the VKR Group are expected to act.

VKR Holding's mission is to own and develop companies that bring daylight, fresh

air and a better environment into people's everyday lives. This mission makes sustainability a natural and important driver for all companies in the Group.

PHILANTHROPY

Villum Kann Rasmussen wanted to contribute to society. That's why he established THE VELUX FOUNDATIONS. Each year, these philanthropic foundations return more than 80% of the dividends paid by VKR Holding back to society.

THE VELUX FOUNDATIONS are comprised of VILLUM FONDEN and VELUX FONDEN. VILLUM FONDEN is the majority shareholder of VKR Holding and operates independently of the VKR Group.

While VILLUM FONDEN was founded in 1971, VELUX FONDEN was founded in 1981. Since then, the foundations have granted approximately DKK 13.6 billion (EUR 1.8 billion). Grants are provided for scientific, environmental, social and cultural purposes in Denmark and internationally.

The VKR Group's Employee Foundation provides grants to employees facing unfortunate life situations, for the education and training of employees' children and for community projects located near VKR Group companies.

Read more about the selected contributions of THE VELUX FOUNDATIONS and the Employee Foundation on the following pages. For more information about these foundations, as well as their sister foundations, please visit:

www.vkr-holding.com/fonde/

THE VELUX FOUNDATIONS

In 2020, THE VELUX FOUNDATIONS granted approx. DKK 1,065 billion (EUR 142 million).

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

VILLUM FONDEN, 2020 HIGHLIGHTS

Each year, VILLUM FONDEN provides grants to aspiring researchers who seek to carry out projects that will allow them to make a name for themselves.

Vocational programmes of tomorrow

In Eastern Europe, a number of vocational and technical schools are equipping a new generation of young people to work in digitalised industry. The efforts supported by VILLUM FONDEN focus on updating school teaching methods and equipment. This will enable students to navigate the modern factory floor.

In addition to receiving development project grants, the schools participate in a so-called self-evaluation programme headed by researchers from the Danish School of Education (DPU) at Aarhus University. One goal is to ensure that the schools develop pedagogical work processes. Another goal is to inspire other vocational and technical schools to implement self-evaluation programmes.

Women scientists kick-start their careers

Just one out of seven science and technology professors in Denmark is female. The further up the academic career ladder one climbs, the fewer women one finds. This gender imbalance means that the world is missing out on talented women. It results in less diverse research environments and workplaces.

In 2020, VILLUM FONDEN granted a total of DKK 14 million (EUR 1.9 million) to six female researchers through the Villum International Postdoc programme. The programme supports talented women in the technical and natural sciences who are transitioning from PhD to postdoc. This year's grantees will conduct research on subjects ranging from sustainable building construction to the adaptation of fish species to rising water temperatures

New stone reefs attract fish

In Denmark, stone reefs in shallow coastal waters are rare. This is because the massive stones have been taken away and used to build harbour piers, coastal protection facilities and other constructions. When the stone reefs disappear, so do many fish and plant species. This is because the seaweed forests attached to the reefs are a favourite habitat.

On the island of Als, 56,000 tonnes of stones have been cast into the sea as part of the Als Stone Reef project supported by VELUX FONDEN. This is the equivalent of filling an entire football stadium with rocks reaching a height of up to 2-3¹/₂ metres. As seaweed spreads across the rocks, experience shows that an explosion in biomass and biodiversity will follow.

50th anniversary

In 2021, VILLUM FONDEN marks its 50th anniversary. VKR Holding will celebrate this by doubling its ordinary dividends in



In 2020, VILLUM FONDEN granted a total of DKK 14 million (EUR 1.9 million) to six female researchers through the Villum International Postdoc programme, Thomas Frandsen, VILLUM FONDEN, 2020

In 2020, VILLUM FONDEN granted a total of DKK 14 million (EUR 1.9 million) to six female researchers through the Villum International Postdoc programme

support of VILLUM FONDEN and any new grants.

THE VKR GROUP'S EMPLOYEE FOUNDATION

In 2020, the Employee Foundation donated a total of more than DKK 14.6 million (EUR 2 million) to employees, their families, and to non-profit community projects.

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

2020 Highlights

Tackling the coronavirus pandemic

The Employee Foundation's core mission is to support VKR Group employees and their immediate families when unfortunate and unexpected situations occur.

During the coronavirus outbreak, the Employee Foundation created an emergency fund of approximately DKK 6 million (EUR 0.8 million). The fund comprised the foundation's own money as well as generous contributions from VKR Holding

and its shareholders. Grants were provided to support all employees who were particularly affected by the coronavirus, regardless of seniority.

The Employee Foundation had a unique opportunity to provide support in an extremely difficult situation unlike anything anyone had experienced before. It approved 391 grants, totalling approximately DKK 4 million (EUR 0.5 million). The support went to health measures, such as Covid-19 diagnosis, private treatment and psychological treatment/coaching.

To support further protective and preventive measures, the top three recommendations from local committees were also financed. The goal was to ensure that employees and their families felt safe and even better protected.

Healthy Habits campaign

In 2020, the Employee Foundation once again launched a proactive campaign called 'Healthy Habits'. The goal was

to highlight the importance of physical activity. Towards this end, all 16,000+ employees received an elastic band and a set of exercises.

After months of confinement due to the pandemic, the campaign reminded employees to maintain their physical and mental well-being. Studies show that short breaks combined with daily light exercise routines may reduce pains and improve mental well-being. The elastic band is easy to take along and reminds everyone to cultivate 'Healthy Habits.' The campaign also inspired many additional local activities.

Upcoming initiatives

In 2021, the Employee Foundation looks forward to its 30th anniversary. The best way to celebrate is to honour employees. Therefore, the board has decided to reduce the seniority requirement from three years to one year. On top of that, the board and secretariat will introduce exceptional grants for non-profit, community projects.

CASE STORY

CLIMATE NEXUS

Climate Nexus has since 2011 worked to change the public and political debate about climate change.

Locally and globally, these platforms are the primary outlets for news and information. They open the door for completely new ways of reaching and influencing millions of people in a cost-effective and targeted manner. Yet, within the climate conversation, investments in digital strategies to address climate change are vastly outmatched by opponents who delay, distract and deter the collective will to act.

Climate Nexus has since 2011 worked to change the public and political debate about climate change. With backgrounds spanning science, journalism, government, public affairs, corporate sustainability, consulting, policy and filmmaking, their team brings these diverse skills to partners in the science, business, public health, environmental and policy fields.

Supported by KR Foundation, Climate Nexus has now established a coalition of leading digital media and campaign specialists to advance an ambitious agenda on climate change and to combat the gross misinformation that is being spread on social media platforms. The Digital Climate Coalition was created to assist a broad field of climate actors in the digital space. It will elevate current climate campaigns on science, health, and investment and act as a hub for knowledge

Climate Nexus established a coalition of leading digital media and campaign specialists to advance an ambitious agenda on climate change and to combat the gross misinformation that is being spread on social media platforms.

and best practices. Unable to match the opposition dollar for dollar, the coalition will try to supercharge growing networks with smarter and faster coordination in order to improve digital expertise in the climate and energy field. Activities will include measuring audience reach, message analysis and distribution, cooperating on campaigns and strengthening relationships across the climate communications space.

The coalition consists of Climate Action Campaign, Climate Advocacy Lab, Energy Media, GSCC, Purpose, The Solutions Project, The YEARS Project and the Yale Program on Climate Change Communication.

Organisation:

Climate Nexus works to change the conversation on climate change and clean energy from an antagonistic argument between opposing parties to a constructive, common search for solutions. They

tell the story of people impacted by climate change and highlights the economic, health and environmental benefits of a clean energy transition.

About KR Foundation

KR Foundation was established in December 2014 by VILLUM FONDEN and the descendants of Villum Kann Rasmussen.

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

KR Foundation supports Climate Nexus in 2020 and 2021.



From KR Foundation Connie Hedegaard (Chair), Astrid Kann-Rasmussen (Vice-Chair and Co-Founder) and Brian Valbjørn Sørensen (Executive Director)



KR Foundation was established in 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 that align with this mission.

Climate Nexus project aims:

- Improve digital expertise in the climate and energy field, using measured audience reach, message analysis and distribution, cooperation on campaigns, strengthened relationships across the climate communications space, and support for other advocacy organizations.
- Gather and synthesize lessons learned from each organization's campaigns into a central hub.
- Improve public understanding of climate change impacts and clean energy solutions.
- Ensure that practitioners and leaders are up to speed on evolving best practices, new opportunities and emerging threats.
- Make sure that frontline organizations are a fundamental and equal partner in the conversation.

VKR HOLDING UPHOLDS THE 10 PRINCIPLES

VKR Holding is an active participant in the UN Global Compact and is proud to contribute to its initiatives. The company is committed to upholding the principles embodied in the four issue areas of human rights, labour, environment and anti-corruption and it continuously strives to realize the Sustainable Development Goals.

The Group's business areas have a major impact on fulfilling the SDGs. This is achieved by producing and selling products useful to society in accordance with the company's Model Company Objective. All business is governed by VKR Holding's group-wide policies (see Appendix 1 for a full list of policies) and the owner's CSR principles. The business areas regularly conduct impact assessments to identify potential improvements.

In 2020, VKR Holding made a greater positive contribution to the Ten Principles and the SDGs by setting new targets for the sustainability of its financial invest-

ments. The charitable foundation VILLUM FONDEN, which is the majority owner of VKR Holding, and its sister foundations, are pioneers in sustainable investment. The holding company is following their lead.

In December 2019, the board of VKR Holding formulated and approved a policy for responsible investment. This year, good progress was made towards attaining its 2023 targets. For more information about the policy, please see page 18.

In 2020, VKR Holding also conducted a structured impact assessment of business activities in all four issue areas

exclusively for the parent company. No significant direct negative impacts or risks were identified. This is because, as a holding company, it has no sales or production activities. Similar to the Group's business areas, VKR Holding will continue to identify potential fields of improvement.

The holding company also aspires to be more transparent. In 2020, the board made all Group policies public. The policies reveal a 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.

VKR HOLDING'S RESPONSIBLE INVESTMENT POLICY

VKR Holding is guided by the Model Company Objective in everything it does. In 2020, the holding company began implementing a policy to decrease classic investments by 50% and to quadruple investments with a special focus on climate change.

The investment spectrum

VKR Holding's investment policy is best illustrated by the 'investment spectrum'. It sets tangible goals for increasing the

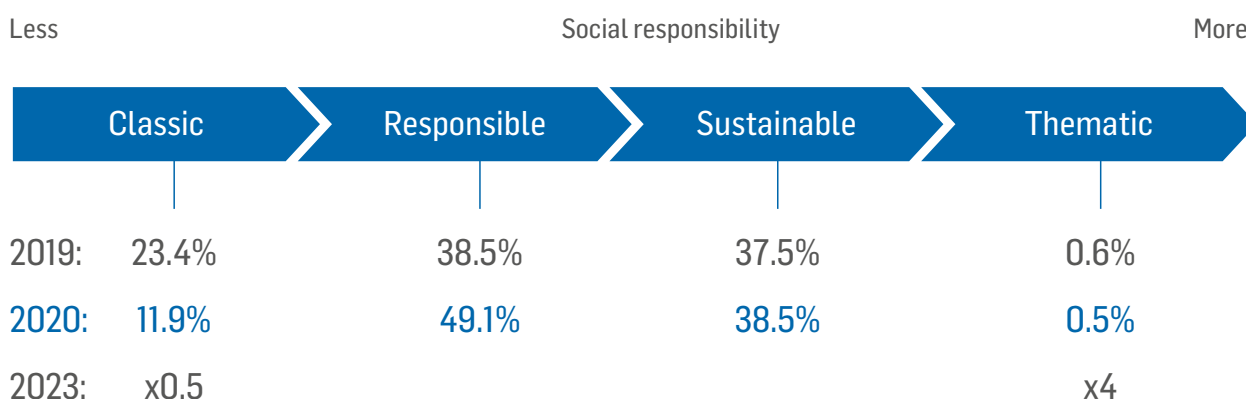
share of responsible investments over time.

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

The primary purpose of investments in the 'Classic' category is to generate an attractive risk-adjusted return without a specific focus on ESG factors.

Investments in the categories further to the right, on the other hand, increasingly take ESG factors into account. While the 'Responsible' category employs ESG factors to minimise risk exposure, the 'Sustainable' category uses ESG factors to increase positive value. Finally, the 'Thematic' category includes investments with a particular focus such as climate change and environmental sustainability.

THE INVESTMENT SPECTRUM



VKR Holding manages its financial portfolio in close cooperation with THE VELUX FOUNDATIONS. The foundations have invested in an ethical manner for many years and by 2013, they had implemented their own investment policy. VILLUM FONDEN - VKR Holding's majority shareholder - also inspires the holding company's new investment strategy.

VKR Holding's responsible investment policy only applies to itself as a parent company and to its affiliated investment companies. The business areas are not covered by the policy because they have no significant financial holdings. VKR Holding's policy for responsible investments is accessible at the web site: www.vkr-holding.com/governance/

2023 Targets

VKR Holding is committed to achieving two goals by 2023. The first is to reduce the share of investments in the 'Classic' category by 50%. The second is to quadruple the proportion of investments in the 'Thematic' category as compared to the baseline date of June 2019.

VKR Holding monitors its progress by screening its portfolio twice a year. In the long-term, it hopes to increase the proportion of responsible investments annually by moving to the right on the investment spectrum. This will help the holding company comply with the Paris Agreement's goal of combating global warming.

VKR Holding is also convinced that this approach will have a positive impact on all Ten Principles and on several of the SDGs – especially those related to climate and the environment.

2020 OUTCOMES

According to this year's monitoring, VKR Holding nearly achieved its 2023 target of reducing the share of 'Classic' investments by 50%. Compared to the baseline of June 2019, the 'Classic' category was reduced from 23.4% to 11.9%. Naturally, the proportion of more responsible investments increased accordingly.

HUMAN RIGHTS, LABOUR & THE ENVIRONMENT

POTENTIAL CHALLENGES

The comprehensive impact assessment of VKR Holding's 2020 activities did not reveal any negative impacts or any significant risks related to human rights, labour rights or the environment.

OWNER PRINCIPLES

As part of VKR Holding's aspiration to be a Model Company, it believes that human rights must always be respected. In order to further highlight this important goal, the holding company formulated the following owner principles that apply to the entire Group:

- Maintain zero tolerance for universal human rights violations.
- Operate under a code of conduct, e.g. with suppliers, when relevant.

Part of the founder's vision was to treat employees of all categories better than most other companies. In this spirit, VKR Holding formulated the following principles that apply to the entire VKR Group:

- The elimination of discrimination.
- Maintain zero tolerance of child labour.
- Continuously improve occupational health and safety.
- Create conditions and opportunities conducive to the personal and professional development of all employees.

As part of VKR Holding's aspiration to be a Model Company, it believes that human rights must always be respected.

VKR Holding supplies employees with a handbook addressing employees' rights and responsibilities. Every employee is invited to an annual dialogue with their manager to discuss expectations, performance, career development, compensation, individual targets, etc. VKR Holding also provides comprehensive health insurance to all employees.

Environmental sustainability has always been a driver of the company whose primary mission is to develop products useful to society. Therefore, VKR Holding defined the following owner sustainability principles that apply to all VKR Group companies:

- Evaluate and, if possible, reduce the 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.

The board now consists of two female and four male members. Further, the share of female managers was increased by 50% in 2020.

In addition to implementing the internal principles mentioned above, the companies of the VKR Group are expected to use their position and unique knowledge to influence external relations by:

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

2020 OUTCOMES

In 2020, an additional woman was appointed to the VKR Holding Board of Directors. The board now consists of two female and four male members. This increases the percentage of female board members from 20% in 2019 to 33% in 2020. Further, the share of female managers was increased by 50% in 2020.

In 2020, targeting equality, was discussed by the board of VKR Holding. The board also discussed discrimination. The VKR Group does not tolerate sexual harassment or any other form of discrimination or offensive behavior.

As part of VKR Holding's efforts to maintain high employee satisfaction levels, it launched several new initiatives. This included offering employees the opportunity to participate in short workouts during office hours.

VKR Holding also reached its target in the area of environment by implementing the new VKR Policy for Responsible Investments (see page 18 for details).

2021 TARGETS

VKR Holding has many goals for 2021. Once again, it will conduct an impact assessment on human rights, labour and the environment.

It will organize an employee satisfaction survey:

- The aim is to reach 100% participation.
- Questions around discrimination or harassment will be part of the survey.
- The ambition is to reach employee satisfaction on par with comparable top-performers.

Due to the coronavirus, most VKR Holding employees were sent home. With everyone working from home, most forms of collaboration became virtual. In 2021, we plan to evaluate these new and alternative modes of working and to learn how they can make us even more effective and sustainable.

VKR Holding will offer its employees the possibility to take first aid courses.

In order to support a transition towards green mobility, VKR Holding will install charging stations for electric cars at its headquarters.

In the longer term, VKR Holding is committed to ensuring that all financial investments comply with the Paris Agreement. By 2023, the goal is to reduce financial investments with no specific ESG focus by 50% and to quadruple 'thematic' investments from a baseline year of 2019.

ANTI-CORRUPTION

POTENTIAL CHALLENGES

The comprehensive impact assessment of VKR Holding's activities carried out in 2020 did not reveal any negative impacts or any significant risks related to anti-corruption.

OWNER PRINCIPLES

Regarding anti-corruption, the owner's principles formulated by VKR Holding simply state that VKR Group companies are to:

- Comply with the Group Anti-Corruption Policy.

POLICIES

VKR Holding's Group CSR Policy covers all VKR Group companies and their business partners. In alignment with OECD Guidelines for Multinational Enterprises, all Group companies and their business partners are expected to regularly identify and prevent or mitigate potential adverse impacts regarding corruption, money laundering and anti-trust issues. In case of an incident, the appropriate authorities must be informed.

The Group Anti-Corruption Policy, Group Competition Law Compliance Policy, Group Legal Policy, Group Tax Policy and the Group IPR Policy also directly address anti-corruption. According to these policies, all Group companies,

In accordance with the Group Tax Policy, VKR Holding carefully reviews planned financial investments to ensure that they do not directly take place in countries which are on the EU list of non-cooperative countries (EU blacklist).

including VKR Holding, are required to comply with all relevant international and/or national anti-trust and competition laws. The policies also contain guidelines for best practices to be applied in situations that could potentially violate anti-corruption legislation and policies.

2020 OUTCOMES

In 2020, VKR Holding completed an impact assessment more specifically tailored to a company with a sizeable portfolio of financial investments. It supplemented the UN Global Compact questionnaire with additional questions posed in personal interviews with relevant employees. Respondents, including the CEO and CIO, were asked to imagine potential risks. A few were identified. But the assessment revealed that those risks were being effectively addressed by VKR Holding's established control mechanisms.

In accordance with the Group Tax Policy, VKR Holding carefully reviews planned financial investments to ensure that they do not directly take place in countries which are on the EU list of non-cooperative countries (EU blacklist). In 2020, VKR Holding avoided specific investments for that reason. When selecting contractual partners, the holding company also increased its focus on ESG/CSR. This focus will grow even further in the years to come.

2021 TARGETS

In 2021, VKR Holding will increase awareness of its Anti-Corruption Policy, e.g. by informing contractual partners of its content. In addition, the company will continue to train relevant employees in its Anti-Corruption Policy to the extent deemed necessary.

The holding company will introduce a new Group Policy on 'Data ethics' in 2021.

THE VKR GROUP'S AMBITIOUS PLAN TO SUPPORT THE SDGS

Due to VKR Holding's small size and narrow scope, the opportunity to directly influence the SDGs is limited. The negative impacts are also relatively minor.

On the other hand, the VKR Group has both the opportunity, the obligation and the ambition to make a difference. The VKR Group seeks to contribute to achieving the SDGs and to mitigate any negative impact.

2020 was a special year for the VELUX Group. Not only did it mark the conclusion of a decade worth of work on its 'Energy and Climate Strategy 2020', but it also marked the launch of a new ambitious sustainability strategy for 2030 and beyond. The new strategy is called, 'It's our nature'.

It is a highly ambitious sustainability strategy to be carbon neutral by 2030 and to be lifetime carbon neutral by 2041. This new strategy replaced a decade-long strategy that had just been completed. Thanks to the support and commitment of the entire organisation and to suppliers across the value chain, the VELUX Group completed many of the targets and goals within the focus areas of its 'Energy and Climate Strategy 2020'. The entire effort created a strong foundation upon which its new strategy can be built.

The DOVISTA Group was also more ambitious. In 2020, it formulated a new sustainability strategy setting future and more stretch targets. The implementation throughout the entire organisation will take off in 2021. Many of the targets and goals in 2020 were achieved through

focused and dedicated work in all parts of the organisation and creates a strong basis for the new strategy.

In detailing the achievements in 2020, the following section highlights the VKR Group's performance according to selected SDGs for 2020. This is supplemented by case stories to further detail the VKR Group's accomplishments.

Additional case stories are included in a second section highlighting the new sustainability strategies by the VELUX Group and the DOVISTA Group setting the scene for the VKR Group's ambition to be at the forefront of a sustainable development. More information about the implementation of the above-mentioned strategies will be available in the business areas' own Communications on Progress. Their reports will include Key Performance Indicators and other relevant results. The reason the business areas report separately is because of differences in priorities and of impacts in relation to the SDGs.

In 2020, the VELUX Group began to integrate all acquired entities of the VELUX Commercial division into its sustainability

reporting. In the future, these entities will be included in reports.

In 2021, the DOVISTA Group will acquire a Swiss window division comprising four brands, 'Egokiefer', 'Dobroplast', 'Slovaktual' and 'Wertbau'. The DOVISTA Group will be integrating these entities into future reporting.

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

It is a highly ambitious sustainability strategy to be carbon neutral by 2030 and to be lifetime carbon neutral by 2041. This new strategy replaced a decade-long strategy that had just been completed.

VKR'S SDG IMPACT

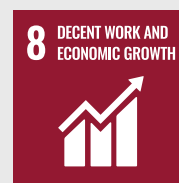
2020
EVALUATED



Good health and well-being



Affordable and clean energy



Decent work and economic growth



Sustainable cities and communities



Responsible consumption and production



Peace, justice and strong institutions



2021
NEW STRATEGIES



Good health and well-being



Sustainable cities and communities



Responsible consumption and production



Climate action

All business areas strive to make an even greater contribution to achieving the goals of the UN Global Compact. Therefore, in 2020, both VELUX and DOVISTA are very excited to announce the launch of their own new sustainability strategies.

2020 EVALUATED

In 2020, the VKR Group evaluated its performance of the following goals:

- Bringing daylight and fresh air into people's everyday lives
- Better environment and energy-efficient solutions
- Safe and motivating conditions
- Sustainable sourcing and waste management
- Fair competition



BRINGING DAYLIGHT AND FRESH AIR INTO PEOPLE'S EVERYDAY LIVES

CHALLENGES

Improving ones' indoor environment is very important. This is because people in the developed world spend most of their time indoors. Studies show that indoor air can be five times more polluted than outdoor air. For those living in damp and mouldy buildings, the risk of asthma and other respiratory diseases increases by 40%. As a direct consequence, approximately 2.2 million people in Europe alone, are diagnosed with asthma.

A person's general well-being is improved by bringing fresh air and daylight into their lives. The risks of premature mortality from non-communicable diseases are reduced and so are deaths and illnesses linked to household pollution.

Through its products and solutions, the VKR Group has a significant positive impact on good health and well-being (SDG 3) and on sustainable cities and communities (SDG 11). The Group is committed to these goals. It will continue to advocate for and to develop sustainable buildings through its business areas of Roof windows & skylights and of Vertical windows.

2020 RESULTS

Within the area of sustainable building, the VELUX Group developed cutting-edge healthy buildings fora and concepts. Other highlights include co-founding the Active House Alliance, vice-chairing the Danish Climate Partnership for Building and Construction, and publishing the Healthy Homes Barometer for five consecutive years. Additionally, the VELUX Group for the second year of the UrbanTech programme collaborated with four different startups in exploring innovating solutions for sustainable living. Please see the case story 'Urban Air Tech – innovation for sustainable living' on the next page.

The DOVISTA Group has always worked with products and solutions that live up to the common goal of 'bringing more daylight, fresh air and a better environment into people's everyday lives. In 2020, the DOVISTA Group collaborated in the development of a 'natural' alternative to mechanical ventilation in classrooms to improve air comfort and ventilation.

Please see the case story 'DOVISTA windows and seagrass give students a better climate' on page 28.



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

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



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

CASE STORY: **VELUX®**

URBAN AIR TECH - INNOVATION FOR SUSTAINABLE LIVING

Imagine a home in which windows automatically open and close to protect a family against air pollution. Imagine that home in a city that reroutes traffic to ensure that its population can breathe more easily. This is air quality management at your fingertips.

In a neighbourhood of central Copenhagen, a pilot project is operating in the hope that everyone can have clean and fresh air. Two homes in Humlebyen are equipped with sensors near the windows, both inside and outside the homes. The goal is to explore how air quality data can enable families to improve their home environment through smart products.

The project is part of a 12-week innovation sprint organized by UrbanTech.

Two corporations, VKR/VELUX and COWI/Arkitema, teamed up with Breeze Technologies to conduct the research.

The idea is to make environmental data available to all. Breeze collects environmental information from its sensors and from public sources. By uploading this data to the cloud, the company is able to produce air quality sensors that are 50.000 times smaller and 1.000 times cheaper.

Data from the pilot project is being collected through the spring of 2021. It will be used to innovate a smart home ecosystem. As a window producer, VELUX, is learning how outdoor air impacts indoor climate and automation. This will allow the company to better define its role in efforts to build sustainable cities throughout the world.



ABOUT URBAN TECH



UrbanTech is a global accelerator programme where selected start-ups from all over the world and corporates collaborate in a 12 week sprint each year starting in 2019 and until 2021. The programme attempts to strengthen the development of tech based solutions for sustainable construction and urban development. UrbanTech is financed by VKR Holding, COWI, EWII and supported by Realdania and The Danish Industry Foundation.

Humlebyen, Copenhagen, Urbantech, 2020

BETTER ENVIRONMENT AND ENERGY-EFFICIENT SOLUTIONS

CHALLENGES

The VKR Group has both a positive and a negative impact on affordable and clean energy (SDG 7). On the positive side, the VELUX Group and the DOVISTA Group provide energy-efficient solutions that reduce energy consumption in buildings. This is especially the case when older windows are replaced. Life Cycle Assessments indicate that a VELUX Roof window can provide a net CO₂ savings over its lifetime. It does this by letting in solar energy for heating during the cold season.

On the negative side, the business areas engage in manufacturing, which impacts the climate and the environment. Therefore, the Group continuously and actively strives to reduce its CO₂ emissions.

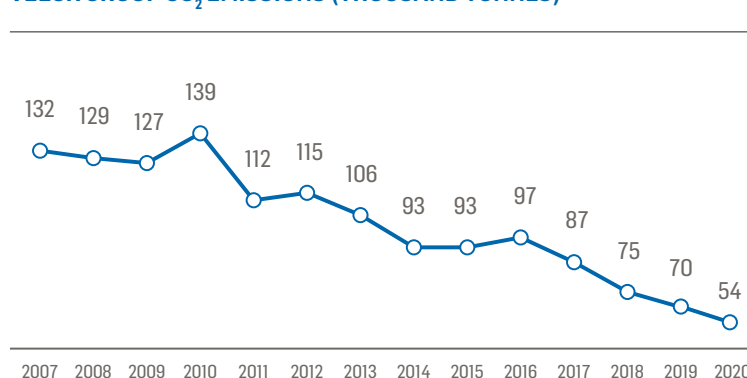
2020 RESULTS

The VELUX Group's ambition to reduce CO₂ emissions by 50% from 2007 to 2020 was achieved.

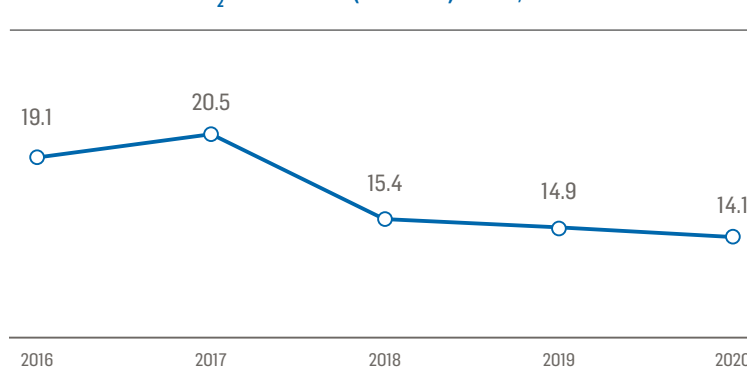
The VELUX Group more than halved its carbon footprint through two major initiatives. First, it continuously improved energy efficiency in facilities, machines, and supporting processes through certified ISO 50001 Energy Management. Second, the Group transitioned to renewable energy sources, notably biomass and increased use of solar and wind power, to power its sites and activities. This was achieved through investing in on-site renewable energy production and by purchasing green electricity with Guarantees of Origin.

In 2020, the DOVISTA Group also realised satisfactory results. It reduced CO₂ emissions per 1,000 units produced to 14.1 tonnes compared to 14.9 tonnes the year before.

VELUX GROUP CO₂ EMISSIONS (THOUSAND TONNES)



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



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

CASE STORY: DOVISTA®
windows and doors

DOVISTA WINDOWS AND SEAGRASS GIVE STUDENTS A BETTER CLIMATE

In 2020, DOVISTA collaborated in the development of a 'natural' alternative to mechanical ventilation in classrooms. The NOTECH pilot project reduced the carbon footprint by 95%. It also significantly lowered costs.

NOTECH combines passive, one-sided thermal ventilation with supplementary solar heat radiation, to improve air comfort and ventilation. The solar chimney ventilation system reduces high temperatures in the classroom during the summer. During the winter, it takes greater advantage of sunlight and passive solar heat by using high-transmit windows.

Seagrass is a novel ingredient. It helps filter and clean outdoor air, reduces draft and sound and helps to balance humidity in the air. And it is 100% natural.

The NOTECH pilot project is a collaboration between DOVISTA and a research group led by Architect Carlo Volf. DOVISTA supplied expertise and its products. The researchers tested the user-controlled, natural ventilation system in a classroom of 16 students and 1-2 teachers

for an entire year. Naturally, the research results must be seen in that light.

Still, the results are positive. Compared to mechanical ventilation, NOTECH provided less CO₂ load for embedded building materials, thereby reducing the overall CO₂ footprint by 95%.

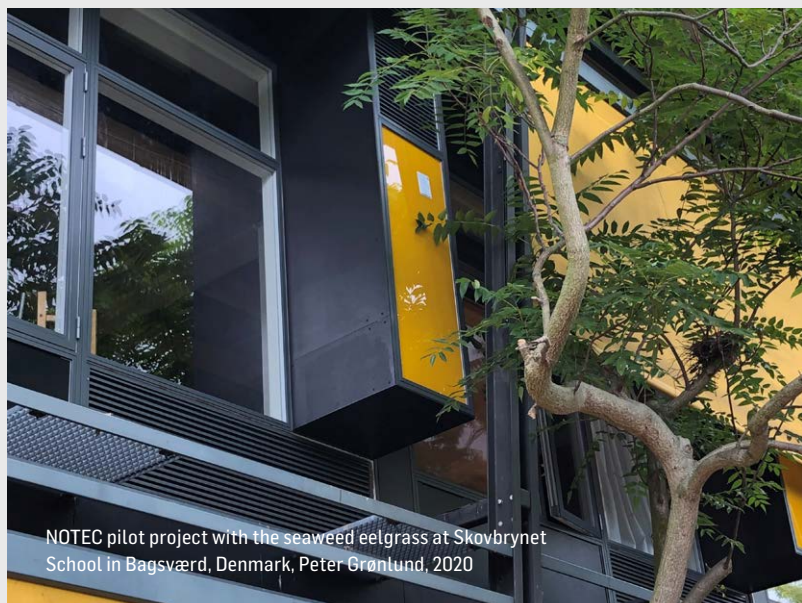
The results also show large differences in total installation costs and in estimated operating costs for electricity, heating and maintenance. The NOTECH solution cost only about 35% of the mechanical ventilation system.

Additional benefits of the 'natural' ventilation system include CO₂ levels below 1000 ppm, satisfactory noise levels, comfortable indoor temperatures and an increase in relative humidity.

In collaboration with specialists and products from VELFAC, DOVISTA's LIVINGlab is documenting the project and creating interest in the natural ventilation of school buildings. Of course, work is currently underway to find partners who can test the NOTECH solution on a larger scale.

95%

NOTECH provided less CO₂ load for embedded building materials, thereby reducing the overall CO₂ footprint by 95%



NOTECH pilot project with the seaweed eelgrass at Skovbrynet School in Bagsværd, Denmark, Peter Grønlund, 2020

SAFE AND MOTIVATING WORKING CONDITIONS

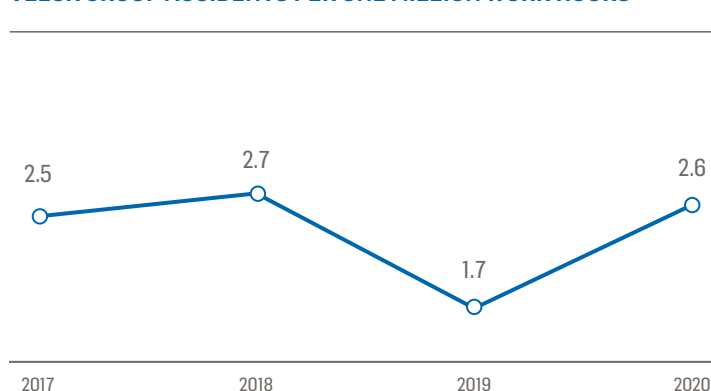
CHALLENGES

The biggest threats to decent work and economic growth (SDG 8) are the risks of workplace accidents and of poor working conditions among suppliers. However, the VKR Group believes that only a minor potential risk exists in the area of forced labour and human rights. This is due to the Group's focus on respecting the fundamental rights of employees internally, as well as externally among its suppliers.

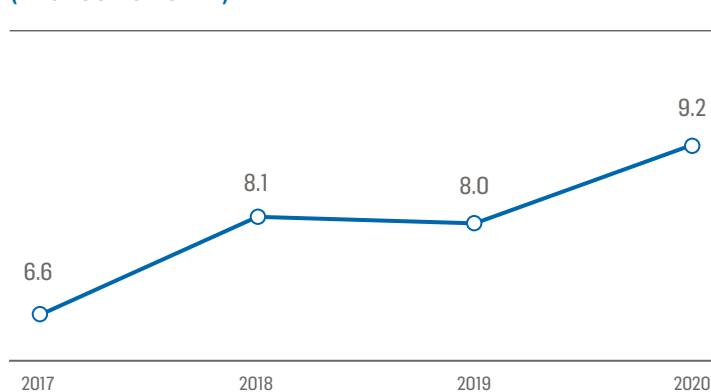
ADDITIONAL INITIATIVES

The VELUX Group requires all suppliers to sign the VELUX Code of Conduct for suppliers. The code represents a commitment to join the VELUX Group in respecting human rights and labour rights. Among other things, it prohibits all forms of child labour and all forms of forced labour. It also safeguards employees' rights to the freedom of association and to collective bargaining. The other business areas have implemented similar safeguards.

VELUX GROUP ACCIDENTS PER ONE MILLION WORK HOURS



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



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

Employees Roald Ehrhardt and Tiago M. Pedro Epalanga at the JTJ-D Sonneborn in Germany, Jesper Westley, 2020



All business areas are determined to achieve the long-term goal of zero work-related accidents. Towards this end, the DOVISTA Group formulated and implemented a 'Work Health and Safety' policy for its subsidiaries. Meanwhile, within the VELUX Group, the VELUX Safety Policy continues to govern work safety.

2020 RESULTS

The entire VKR Group places a high priority on a safe and motivating working environment. Ambitious targets support this goal.

The VELUX Group's goal: stretch target of <1 accident per 1 million work hours by 2020.

The VELUX Group has integrated safety protocols into daily work processes through its initiative 'VELUX Vision Zero' and through the ISO 45001 standard. In fact, by 2014, the VELUX Group already reached its goal of <1 accident per 1 million work hours. Unfortunately, however, the accident frequency rose again. In 2020, safety performance was chal-

lenged by the many changes in operation, workloads, new tasks and work routines in the production due to the coronavirus pandemic. Still, the VELUX Group has every reason to be positive. Since 2010, it has reduced its accident frequency by 42%. Further, the level in 2020 is around four times lower than comparable industry benchmark and the VELUX Group strives towards reducing accidents even further.

The DOVISTA Group's goal is a 25% annual reduction in accidents per one million production work hours. Despite several initiatives, including a smartphone app for reporting near misses and other risks, the accident frequency rose in 2020. Though the DOVISTA Group managed to decrease the number of accidents, it did not meet its reduction goal. While the corona pandemic impacted safety performance, the DOVISTA Group still believes that it is extremely important to reduce accident frequency. To achieve this, top management will follow up on each accident and monthly reviews of accidents will be intensified.

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

Through its Code of Conduct certification initiative, the DOVISTA Group ensures a healthy and sustainable supply chain in close collaboration with its suppliers. By the end of 2020, all non-European suppliers, and 90% of European suppliers of direct materials to the largest factories, had signed the Group's Code of Conduct. The certification initiative continues to improve suppliers' motivation and performance. From 2016 to 2020, compliance with the Code of Conduct has increased by 7% annually to a level of 94.5% in 2020 of all non-European suppliers.

SUSTAINABLE SOURCING AND WASTE MANAGEMENT

CHALLENGES

In order to support responsible consumption and production (SDG 12), the VKR Group targets three areas. These are the potentially unsustainable sourcing of raw materials, the inefficient use of raw materials/waste in production, and the use of substances that are hazardous to employees, consumers and the environment.

ADDITIONAL INITIATIVES

To mitigate the above-mentioned risks, the VELUX Group implemented two additional policies: the CSR & Sustainability Policy and the Environmental Policy.

These policies promote the efficient and sustainable use of raw materials, water, and energy in order to mitigate negative effects on the environment.

98%

VELUX Group
production waste
recycling/reuse rate

The VELUX Group's approach to sustainable sourcing and its expectations of suppliers are described in the Code of Conduct for suppliers and in the VELUX Restricted Substances Management Standard (VRSMS).

2020 RESULTS

This year, the VELUX Group reutilized 98% of production waste. The goal continues to be zero waste in production and in the disposal of products at the end of their life cycle.

Over the last ten years, the VELUX Group focused on eliminating waste from its production sites. It has come a long way. The Group achieved a 98% recycling rate through ISO14001:2015 certification at all VELUX production sites, through waste reduction and through material optimisation. An additional result was the building of a reduce, reuse and recycle mindset within the Group.

The DOVISTA Group also worked to minimise waste from production. In 2020, the Group realised a recycling/reuse rate of 89% compared to 90% in 2019.

Wood is a major component in company products. Both the VELUX Group and

the DOVISTA Group source a substantial share of wood from certified forests. It has been a highly successful journey.

The VELUX Group conducted 80 supplier quality audits and 100% of all suppliers have signed the code of conduct for suppliers.

In 2020, 99.6% of the wood for VELUX windows in Europe was sourced from certified, sustainable forests compared to 99.6% in 2019. The VELUX Group maintained its high percentage of certified wood and continues to convince its suppliers to shift to FSC or PEFC standards. It continues to work with European suppliers to reach 100%. When production sites in the U.S. are included, the global certification rate reaches close to 95%. In addition, the Chinese production site receives 100% certified wood from the Hungarian factory LKR-H. In the future, U.S. sites will also be expected to use 100% certified sustainable wood.

Meanwhile, the DOVISTA Group sourced 90% of its wood from certified suppliers in 2020, up from 89% in 2019. In the future, it plans to increase the share.

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

FAIR COMPETITION

CHALLENGE

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 by suppliers. For the VELUX Group specifically, there is also a risk in relation to competition law. This is because the VELUX Group maintains a leading market position in the Roof windows industry.

ADDITIONAL INITIATIVES

Suppliers are required to sign a Code of Conduct prohibiting any form of corruption or bribery to mitigate risk.

To ensure fair competition, the VKR Group has embedded a compliance culture within the entire organisation. All employees are bound by the VKR Group Anti-Corruption Policy, the VKR Group Legal Policy and the VKR Group Competition Law Compliance Policy. In addition, a thorough compliance programme has been implemented, including e-learning programmes, instructions and guidelines, and information on competition law issues.

In practice, fair competition is enforced through several initiatives, including a requirement that all relevant general and sales managers sign a competition law compliance declaration annually.

This year, 86% of all relevant employees in the VELUX Group completed the required anti-corruption training.

The declaration states whether there have been any issues of non-compliance and confirm that the relevant employees have been informed of the policies and the above compliance program. The program and the procedures are regularly assessed by the Group General Counsel and the competition law compliance team.

The VKR Group is a worldwide taxpayer. It believes that a responsible approach to taxes is vital. The VKR Group's commitment to the timely payment of all direct and indirect taxes supports several of the SDG's (including SDG 1 'No poverty' and SDG 4 'Quality education'). In addition, VKR Holding has for several years voluntarily enrolled in a tax governance scheme with the Danish Tax authorities. Its goal is to increase transparency and knowledge sharing.

2020 RESULTS

This year, 86% of all relevant employees in the VELUX Group completed the required anti-corruption training.

DUE DILIGENCE

The VKR Group's General Counsel monitors and identifies any potential significant competition law issues in relation to company business activities. The Group General Counsel and a specialised team, under the supervision of the Group General Counsel, advise on competition law matters, inform the VKR Group companies of significant changes in competition law legislation and perform compliance reviews. On an ongoing basis, the Group General Counsel and the team also train directors, general managers, sales managers, and other relevant employees on competition law issues.

SDG IMPACT - UN TARGETS



- Substantially reduce corruption and bribery in all their forms

2021 NEW STRATEGIES

The new sustainability strategies:

- All business areas strive to make an even greater contribution to achieving the goals of the UN Global Compact. Therefore, in 2020, both VELUX and DOVISTA are very excited to announce the launch of their own new sustainability strategies.
- The goal of the VELUX Group's strategy, 'It's our nature', is to be carbon neutral by 2030 and lifetime carbon neutral by 2041. The goal of DOVISTA is to have a more structured approach through implementation of its first sustainability strategy.



VELUX plans to be Lifetime Carbon Neutral by 2041. Together with World Wide Fund for Nature (WWF), it will capture its historical carbon footprint by protecting and restoring forests around the world. At the same time the Group will reduce its future carbon footprint.

It's our nature

Pioneer climate and nature action



Capture our historical carbon footprint



Reduce our future carbon footprint



Show how to build sustainably

Innovate sustainable products



Innovate digital products for sustainable living



Reduce our product carbon footprint



Green our packaging

Secure a responsible business



Ensure diversity and an inclusive culture



Strive for zero accidents



Achieve zero waste



Increase number of women in management positions



Provide healthy workspaces



Share sustainable innovations



Employ people with disabilities



Reduce work-related air travel and switch to zero emission cars



Promote a circular economy

CASE STORY: **VELUX®**

LAUNCH OF “IT’S OUR NATURE”

The VELUX Group's new Sustainability Strategy 2030 is the beginning of a 10-year transformational journey. It will significantly transform the way the VELUX Group does business, including the products and solutions that it will bring to market. The new strategy, 'It's our nature,' replaces the Climate and Energy 2020 strategy which successfully reduced CO₂ emissions by 50%.

Pioneer climate and nature action

The Group will pioneer climate and nature action to become Lifetime Carbon Neutral and showcase sustainable buildings and communities.

At a time when the planet is facing dual climate and nature crises, VELUX took a climate oath to become Lifetime Carbon Neutral. This bold decision signifies that VELUX is taking responsibility for its past and future carbon emissions.

By 2030, the Group is committed to become a carbon neutral company and to halving its value chain emissions (i.e. from purchased goods and services, freight companies).

Together with World Wide Fund for Nature (WWF), the Group will capture the company's historical carbon footprint by protecting and restoring forests around

the world. By reducing future emissions and taking responsibility for its historical carbon footprint, VELUX will become Lifetime Carbon Neutral by 2041.

Innovate sustainable products

At the core of the strategy the Group will innovate sustainable products to create better indoor spaces for people and to take better care of the environment. By 2030, VELUX is committed to three major goals. It will ensure that 30% of Roof windows sold are automated and sensor-driven. It will cut CO₂ emissions from its products by 50%. And, its packaging will be 100% recyclable, single material and with zero plastic.

Secure a responsible business

Securing a responsible business for more diverse, inclusive, safe, healthy and innovative ways of working is the foundation for the strategy. The Group wishes to keep

its own house in order and live up to the Model Company Objective.

By 2030, the Group is e.g. committed to increase the number of women in senior management positions to 40%, strive for zero accidents, reduce work-related air travel by 30%, switch to zero emission cars and halve non-utilised waste per produced window.

Furthermore, VELUX will continue to sustainably source materials and regularly share sustainable product innovations. Some initiatives are a continuation of many years of work, such as limiting waste and ensuring safety at its production sites. Other areas are new such as setting targets within diversity and inclusion.

VELUX SUSTAINABILITY STRATEGY 2030 MAINLY IMPACTS THESE SDG'S



VELUX products and solutions contribute to health and well-being in buildings. We place 'products useful to society' at the core of our strategy.



VELUX products and solutions are part of a broad context in cities and communities. With our strategy, we will continue to advocate for and demonstrate sustainable buildings.



VELUX is stepping up to address climate change by setting ambitious carbon reduction targets.

CASE STORY: **VELUX®**

BECOMING LIFETIME CARBON NEUTRAL

The new Sustainability Strategy 2030, 'It's our nature', includes the pioneering commitment to become Lifetime Carbon Neutral by 2041. It means that the Group is taking responsibility for past and future carbon emissions. It is achieved by capturing the company's historical carbon footprint since its founding in 1941, and, at the same time, by reducing future emissions.

Reducing future carbon footprint

The first part of the Lifetime Carbon Neutral Commitment is to take responsibility for the Group's own emissions and that of its value chain. By 2030, VELUX will become a carbon neutral company and it will halve the carbon emissions of the value chain.

VELUX is committed to reducing its future carbon footprint by following the most ambitious reduction path outlined in the Paris Agreement and by establishing carbon reduction targets based on the globally-recognised method of the Science Based Targets initiative (SBTi). By joining this initiative, the Group commits to reducing carbon emissions in line with what climate science says is needed to limit global warming to 1.5°C above pre-industrial levels.

Becoming Lifetime Carbon Neutral requires accelerated investments in energy efficiency, in on-site renewable energy, and in the purchase of renewable electricity. It also requires substantial changes in the way the Group specifies and purchases materials within its supply chain. The VELUX Group is fully committed to this endeavour.

Capturing the historical carbon footprint

The VELUX Group will capture its historical carbon footprint since its founding in 1941. By partnering with WWF to develop new forest projects from scratch, the Group is taking a unique approach to protect and restore forests in some of the most carbon-rich environments in the world. Forest conservation projects around the world will capture approxi-

mately 5.6 million tonnes of CO_{2e}, or the equivalent of the total carbon footprint of the company's operations between 1941 and 2041, including a safety buffer.

Forest conservation is one of the most effective methods to stop the degradation of the planet's natural environment and to help mitigate climate change. The 20-year forest programme managed by WWF will identify and develop new forest conservation projects that have the greatest positive impact.

The first two projects will be in Myanmar and Uganda. All forest projects will conserve and restore forest cover of an estimated 200,000 Ha of high biodiversity value tropical forests.

Becoming Lifetime Carbon Neutral



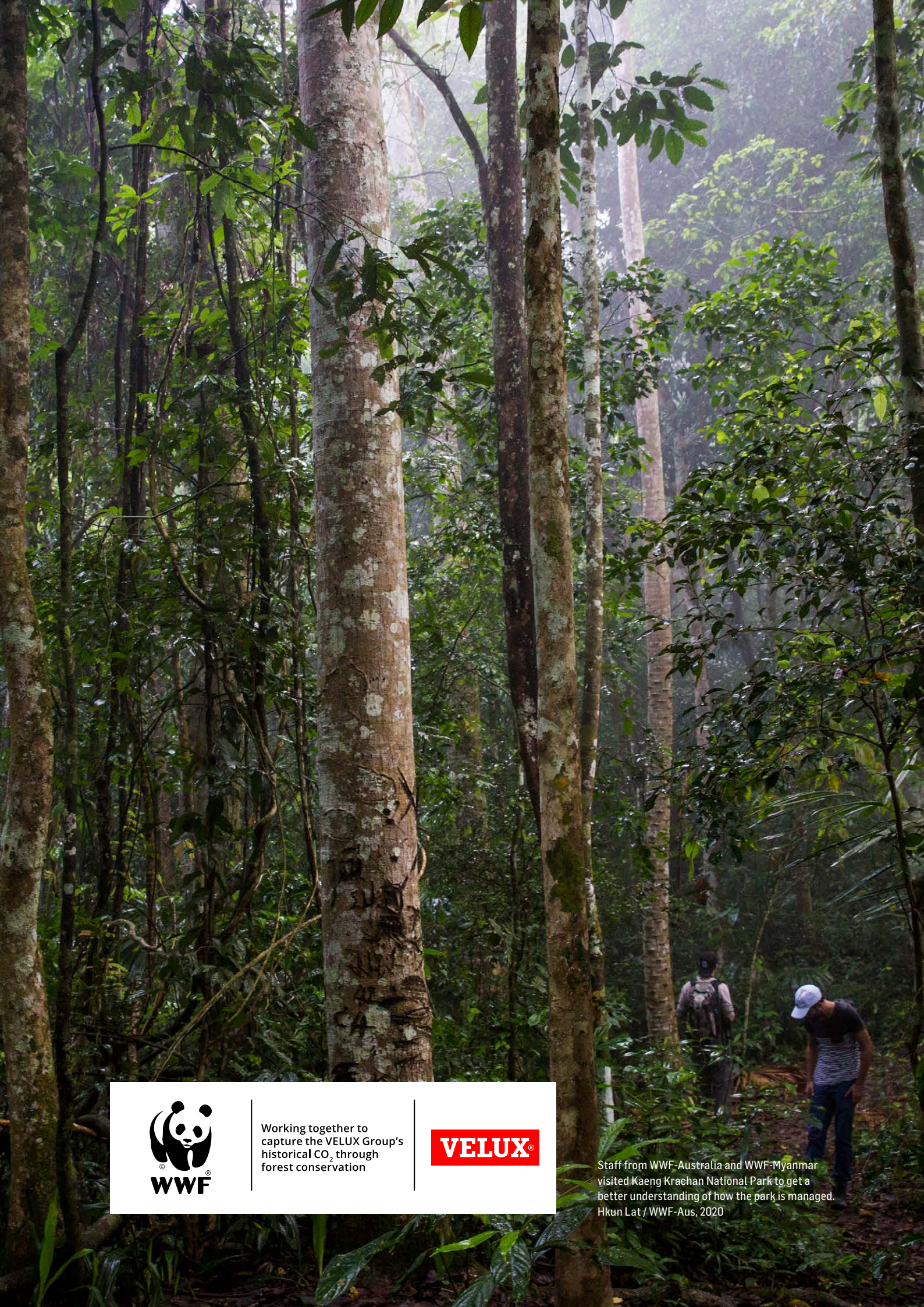
Capture our historical carbon footprint through forest conservation

← **2020** →

VELUX TODAY



Reduce our future carbon footprint of our company and value chain



Working together to
capture the VELUX Group's
historical CO₂ through
forest conservation

VELUX®

Staff from WWF-Australia and WWF-Myanmar
visited Kaeng Krachan National Park to get a
better understanding of how the park is managed.
Hkun Lat / WWF-Aus, 2020

CASE STORY: DOVISTA®
windows and doors

THE DOVISTA GROUP ADOPTS ITS FIRST SUSTAINABILITY STRATEGY

Beginning in 2012, the DOVISTA Group systematically reported on its Corporate Social Responsibility and Sustainability efforts. By 2016, the DOVISTA Group had joined the UN Global Compact. But its actual work was, for the most part, locally anchored, locally managed, and based on local priorities.

The DOVISTA Group has always worked with products and solutions that live up to the Model Company Objective and the common goal of 'bringing more daylight, fresh air and a better environment into people's everyday lives. Long before there was something called Corporate Social Responsibility and Sustainability, the DOVISTA Group developed high-performance products, responsible sourcing and production, and safe and healthy workplaces.

But while European and national legislation were setting the framework for regulation, sustainability issues were

becoming of increasing interest across DOVISTA's markets and among its customers. These developments coincided with the DOVISTA Group's efforts to transition from a collection of stand-alone companies towards closer cooperation - what the DOVISTA Group calls 'Distinctive Brands - Shared Excellence'.

Naturally, it was the right time to launch the DOVISTA Group's first real CSR and sustainability strategy. The plan supports the objectives of the UN Global Compact and the Paris Agreement. The DOVISTA Group has identified the following targets in the coming years:

- In 2021, 10% reduction in unutilized production waste.
- In 2022, 1st or 2nd market position in sustainability documentation and transparency.
- In 2023, 100% recyclable packaging.
- Reduce carbon footprint to support the targets of the Paris Agreement.

The DOVISTA Group has proudly launched its new sustainability strategy in line with a more globalised world, a looming climate crisis, and the expectations of citizens and customers. It wishes to take honest and visible responsibility, be transparent, and to actively participate in finding solutions to the challenges humanity faces.

DOVISTA SUSTAINABILITY STRATEGY MAINLY IMPACTS THESE SDG'S



Ensure healthy lives and promote well-being for all at all ages

DOVISTA products and solutions bring daylight and fresh air into peoples everyday life - supporting safe and healthy lives and well being.



Ensure sustainable consumption and production patterns.

DOVISTA engages in sustainable management and efficient use of natural resources.

We work to achieve an environmentally sound management of chemicals and all wastes throughout their life cycle - including waste reduction, recycling and reuse.



Take urgent action to combat climate change and its impacts.

We are constantly improving energy performance of our products, reducing buidings need for energy for heating and artificial light.

From 2020 we are also making commitment to reduce our own overall CO₂ footprint supporting the targets of The Paris Agreement.

APPENDIX

APPENDIX 1: LIST OF VKR GROUP POLICIES:

The following 16 Group Policies, and 1 sub-policy, apply to the VKR Group. These policies cover areas that are important or critical to the entire VKR Group. The policies apply to all companies ultimately owned or controlled by VKR Holding. 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 the 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/

APPENDIX 2: REPORTING PRINCIPLES:

The report covers the period 1 January 2020 – 31 December 2020.

Carbon footprint:

KPI: Greenhouse gas emissions CO_{2e}

CO_{2e} emissions are calculated from energy consumption based upon applied standards. The VELUX Group's emissions calculation comprises the Greenhouse Gas Protocol scope 1 and 2. The DOVISTA Group's emissions refers only to production facilities.

Certified wood:

KPI: Consumption of certified wood as a percentage of total consumption of wood

Certified wood is defined as sourced wood certified according to PEFC or FSC standards.

Waste:

KPI: Percentage of total waste recycled

Share of production waste recycled or reused. Recycled quantities are those sent to a certified service provider for recycling.

Safety:

KPI: Accidents per one million work hours

A work accident is only included if the accident led to an absence from work of at least one more day than the day the accident occurred.

For the VELUX Group, all accidents and work hours are included (white- and blue-collar), while for the DOVISTA Group only production (blue-collar) accidents and production hours are included.

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Published by VKR Holding A/S, Breeltevej 18, 2970 Hørsholm

Print file no. 1775-0321 Design BystedFFW