



Solar A/S

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2017 Communication on progress

incl our compliance with sections
99a and 99b of the Danish Financial
Statements Act



stronger together

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Using the power of business to
improve the world

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A word from our CEO

2017 was a year of increased focus on consolidating our core business in the Solar Group. We've strengthened our focus on developing and improving our capabilities within sourcing of electrical, heating, plumbing, and ventilation products, and we continuously work to provide value-creating support and logistic services.

Close to 100 years in the industry is quite an accomplishment, and we're proud to say that although our communication of specific CSR initiatives has been modest, we have a history of operating our business in a socially responsible manner. It is important for us to achieve a positive impact on society as a whole while maximising the creation of value for our customers, employees, shareholders and other stakeholders. We have a green profile by nature, working to promote sustainable energy solutions and induce initiatives to the benefit of our society. We have continually increased our competences when it comes to supplying green solutions to our customers. We walk the talk by proactively reducing CO2 emission in our business.

In 2017, we walked an extra mile to involve our employees in our sustainability efforts. In this COP, you'll be introduced to some of the many initiatives that were launched throughout the group, and I am pleased to see how sustainability is on top of mind. An important topic on the agenda for many of our employees.

In the Solar Group, we have made a formal decision to conduct business ethically and to contribute to sustainable development. Our commitment to the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption remains firm. This communication on progress also represents Solar Group's compliance with sections 99a and 99b of the Danish Financial Statements Act.

Going forward

We are a company constantly developing, and naturally, that challenges our energy use. We will continue to plan and introduce initiatives that will consolidate the sustainability mindset in our business. We have an ongoing dialogue with our suppliers to cooperate for a joint socially responsible approach to sourcing. We will continue to be a dedicated sourcing and services partner to our customers, providing them with sustainable advantages and supporting the continued sustainability progress wherever possible.

If you are interested in learning more about specific CSR initiatives in the Solar Group, we welcome you on [our website](#).

Jens Andersen
CEO

Our business model

A leading sourcing and services company

Solar Group is a leading European sourcing and services company mainly within electrical, heating and plumbing, ventilation, and climate and energy solutions.

We serve professionals operating within the area of technical installation and a variety of industrial customers.

Our core business focus is product sourcing, value-adding services and optimising our customers' businesses.

Being a sourcing and services company, we focus on the individual customer. We strive to understand their specific requirements in order to provide relevant, personal and value-adding services.

Solar Group is based in Denmark.

The business model for our core business

We work with our customers:

- to support them in running their businesses more efficiently
- to bundle their spend and improve their sourcing
- to create the best offer and to proactively develop alternatives
- to optimise their productivity, optimise transportation costs and minimise required inventory
- to improve their employees' skills and efficiency



CSR in Solar

Turning energy efficiency into profitable business

Solar Group is dedicated to turning energy efficiency into profitable and responsible business for our customers. As such, we have a green profile by nature, working to promote sustainable energy solutions and induce initiatives to the benefit of our society. We acknowledge the fact that our success comes at a cost to the world around us in a number of ways.

Our CSR policy forms the framework for the way we work with CSR in Solar Group. The policy was approved by our CSR steering group late 2016 and was communicated to our employees in 2017.

International standards for sustainability

In order to integrate CSR into our daily business, we have committed ourselves to upholding the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption. The Global Compact aims to promote a sustainable development of society and forms the framework of Solar's work with CSR. In addition, Solar is a listed company and as such obligated to uphold the standards of the Danish Financial Statements Act. Our yearly Communication of Progress to the UN Global Compact is therefore to be seen as a supplement to our annual report.

Purpose of CSR

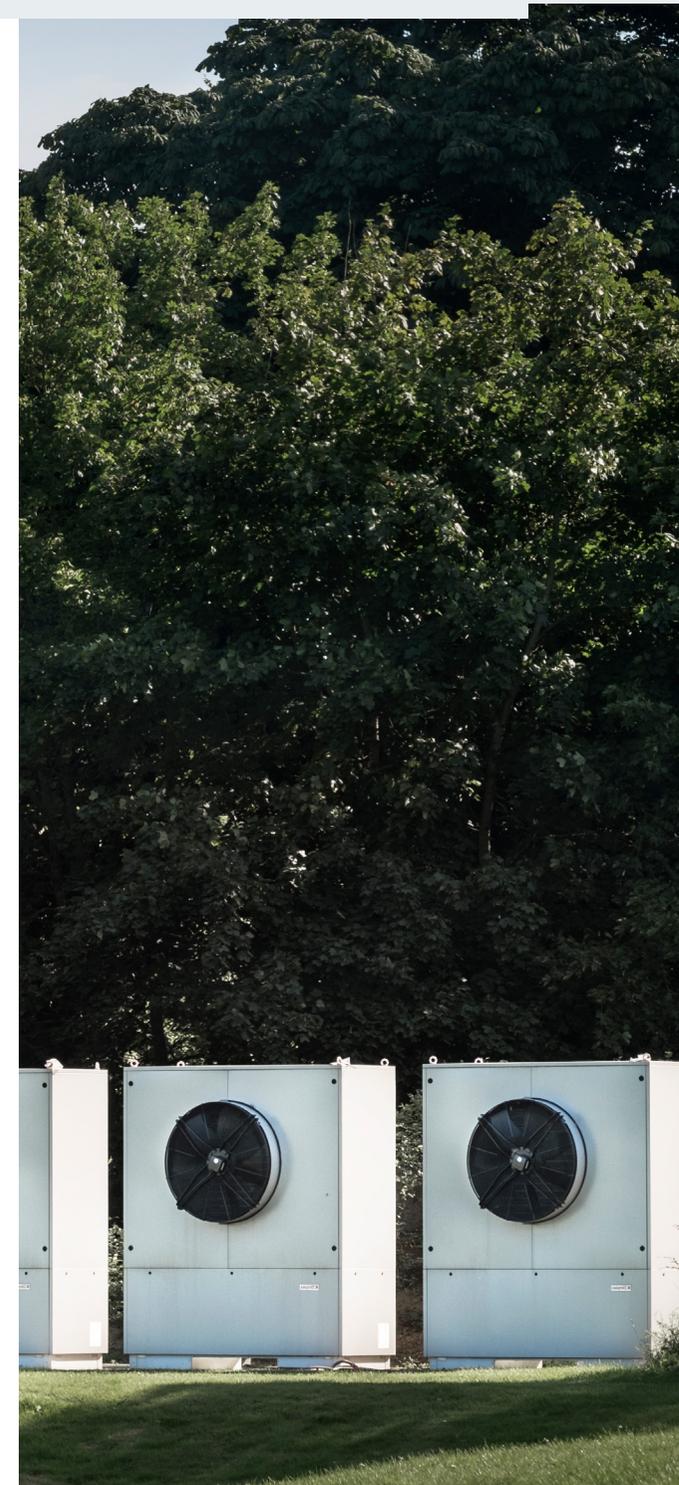
In Solar, we have made a formal decision to conduct business ethically and to contribute to sustainable

development. We want to embed the CSR thinking into our projects and operational processes to make sure that CSR is not a standalone discipline, but a natural part of our way of doing business.

Bottom line is that we want to integrate CSR into our daily operations where it makes sense – and we want to be strategic in our way of communicating it to our stakeholders.

Strategy for CSR

- Over the past years, we too have noted a significant increase in the customers' demand for documented CSR initiatives on our behalf. They want to know that we are a socially responsible company – and they want to be able to tell their customers that we are.
- We want to use CSR to attract new employees and make ourselves attractive to our current employees. We believe that our CSR involvement to a large extent is becoming a requirement from the new generations.
- We see a potential in using CSR as a strategy to open up new markets for energy-efficient products and solutions. We can grab market shares if we communicate our principles and actions effectively to customers who care about environmentally friendly product lines.



- Our investors have a significant interest in knowing that we are a socially responsible company. The development over the recent years has added CSR as yet another parameter to assess the vitality of a company.
- We want to stay alert and able to be proactive when it comes to handling potential risks within CSR.
- We aim to integrate considerations to environment, labour, human rights and anti-corruption into our business and to the relationships we have with our employees and business partners.
- We want to be an active and committed business in the communities and markets we operate in.

Target group

This CSR policy applies to Solar Group and constitutes the framework for our work with CSR. It serves to inform both internal and external stakeholders of what CSR means to Solar and how we go about it.

Organisation

In Solar Group, CSR is anchored with our Senior Vice President of HR and Communications. Our group HR community constitutes a steering group that makes sure that we at all times have 3-4 focus areas for our organisation to work with over the coming year. The steering group plays a vital role in keeping our CSR profile proactive and effective, and through their positions in the management teams, they know Solar's strategy – and what to initiate to support the strategy in the best possible way.

The current focus areas are:

- Responsible sourcing and procurement management
- Human rights
- Environment

Reporting

Once a year, we submit a Communication on Progress (COP) to the UN Global Compact. This communication on progress also represents Solar Group's compliance with section 99a and 99b of the Danish Financial Statements Act.

To keep our CSR communication dynamic, we have moved from a static CSR report and onto regular communication on cases on our website. In addition to cases, the website holds the required CSR documentation. You can find more information [here](#).

In addition, Solar Group submits data to the Carbon Disclosure Project (CDP), an internationally recognised reporting system to give our investors access to standardised and comparable data about our environmental impacts.

Diversity

Our diversity policy expresses our view that all Solar Group employees are to be treated equally, with no regard to gender, age, race or religion, ensuring equal rights for all when it comes to employment, employment terms, training and promotions.

We aim for a higher degree of diversity, as we believe that this will make us a better and stronger business. However, we do not compromise on qualifications. We will continue to employ the most qualified candidate regardless of his/her gender, political, religious or personal orientation.

We believe it is important that the Board of Directors represents a wide diversity of skills, age and gender, and that we maintain a dynamic balance between continuity and renewal through a periodic turnover of board members.

Our diversity policy sets out our objective regarding the composition of the board. Solar wishes its board to be as diverse as possible, including equal participation of women and men, while still ensuring that the board represents the overall skill set required.

Our aim is for neither gender to be underrepresented on the Board of Directors after Solar's Annual General Meeting in 2019. Consequently, women must make up at least 40% of the board members elected by the Annual General Meeting, which is deemed a fair distribution. Currently, women make up 20% of Solar's board members elected by the Annual General Meeting, which is the same as last year.

At Solar, we operate with two upper management levels: Solar Group Management (SGM) and senior level management. The latter includes vice presidents or directors who report to an SGM member.

As at 31 December 2017, the overall gender distribution in the two upper management levels was 18.18% women and 81.82% men. Solar's aim is for an overall distribution of women and men of 25% and 75% respectively by 2020.

In support of this objective, we now require that both genders are represented among the final candidates for senior management positions.

Environment and climate

We are no strangers to green thinking

In the Solar Group, we are no strangers to green thinking. We have a green profile by nature, and work to promote sustainable energy solutions and induce initiatives to the benefit of our society. However, as is the case for any other business, Solar's business activities leave a mark on the environment, for instance when we transport our products and services from A to B. To minimise the inconveniences that come from our business activities, reducing our emission of carbon is a CSR priority.

Polices

Since 2010, Solar has reported data to the Carbon Disclosure Project and to UN Global Compact. In addition to monitoring our emission, we focus on finding ways to further reduce emission in our daily business. Our CDP work is described in a CDP strategy which is available to all employees on our intranet.

Data is collected from Solar A/S, Solar Danmark A/S, Solar Norge AS, Solar Sverige AB, Solar Nederland B.V., Solar Polska Sp. Z o.o., GFI, MAG45 and P/F Solar Føroyar.

Risks

The nature of Solar Group's business activities does not pose significant risks when it comes to the environment. Our most significant strain on the environment comes from our distribution activities and our use of company cars. Therefore, we make a priority of reducing the footprint that we leave.

Our activities in central warehouses include the handling of hazardous materials. As we acknowledge the fact that these may pose an environmental risk, we have defined and standardised procedures for the handling of these. In addition, standards have been created for our four key markets with strict guidelines on procedures if an incident was to happen involving a hazardous material.

In both matters, we consider the risks under control.

KPIs

CDP's Climate Disclosure Score is a measure of the quality and comprehensiveness of the information provided in the company's response to CDP's annual climate change questionnaire. The disclosure score is a metric of good internal management, an understanding of climate change issues and company transparency on climate change. Therefore, our disclosure score is a KPI which we monitor.

Energy labels show how an appliance ranks on a scale from A to G according to its energy consumption, class A being the most energy efficient. A KPI has been defined to eliminate the use of company cars less efficient than classes A and B. Equally important, we expect that our distributors use trucks within the best Euro norm for transportation of our goods to ensure a reasonable limit to the contamination we cause.



Actions and results

In 2017, Solar Group updated our CDP handbook. Our handbook is the framework we use for our work with CDP and describes in detail how, what and when to collect. The handbook was implemented in 2016 and consolidated in our group during 2017.

The updated framework involves an increased focus on the documentation delivered by our suppliers on consumption and emission factors. We need high quality data from our suppliers to ensure that we base our initiatives on facts, and not assumptions.

On that same note, we have adjusted our internal reporting processes to ensure that the employees involved, have sufficient time to deliver the needed data in the right quality for our reporting. We monitor the reporting process closely and use the tightened control to deliver high quality figures to our CDP reporting. Figures for 2017 CDP will be available at our website in Q1 2018.

To minimise the risk for errors in our internal reporting process, our subsidiaries now enter the requested data directly into a system available on our intranet. In addition to minimising the risk for errors, it facilitates the transparency we wish to have within our group.

CASE

Powered by the sun

To Karsten Hillmann, CEO of Solar Polaris, sustainability is a take on life rather than a business discipline. One of the largest solar contractors in Scandinavia, Solar Polaris is a service company with a unique approach to promote solar energy to their mainly Scandinavian audience. With a major focus on solid project management, they plan, implement and service professional solar installation, driven by an ambition to accelerate the green transition for a greater good. "Solar power can play a major role in the creation of a sustainable and CO2 neutral society - also in Denmark where solar power complements wind power very well. And given the fact that it is also a money saver, there is really not much to consider," says Karsten Hillmann.

Only when the wind blows

Behind Solar Polaris is a concern for the well-being of our society and an urge to guide our way of life onto a more sustainable path. And although the Danish company appreciates the general movement towards a greener society, they question the imbalance we're creating in continuing to mainly back wind power: "In Denmark, we are only green when the wind blows. Don't get me wrong: wind power is an amazing power source. However, we are missing a huge opportunity by not supporting both wind and solar energy," says Karsten, who argues that the two sustainable energy sources supplement each other beautifully. And considering the aesthetics, solar cells are easily installed on flat roof tops where they make up an almost invisible power source.

You can read more about Solar Polaris [here](#)

Labour

An active effort to develop our employees

The Solar Group's approach is for all employees in the individual enterprises to be treated in the same way, regardless of gender, age, race and religion so that all employees have equal opportunities when it comes to employment, employment terms, training and promotions.

We aim for a higher degree of diversity, as we believe that this makes us a strong business. Solar always hires the most qualified candidate regardless of this person's political, religious or personal orientation. It is an expressed requirement to have both genders represented in a candidate pool for a vacant management position in Solar Group.

We make active efforts to develop our employees and want to make it clear that employees at all levels can find interesting careers in Solar. To do so, we look at each individual employee's potential.

Solar is fully compliant with all requirements stemming from labour legislation and collective agreements in the countries in which we operate. We work to ensure safe working conditions regulation related to social relations and employee conditions. Our stand on the area has been defined in a number of policies described below.



Policies

Actions guiding our employees are described in an employee handbook which is available on our intranet. The employee handbook is a compilation of policies, procedures, working conditions and behavioural expectations.

Our Code of conduct states that Solar will comply with applicable laws and regulations and act in an ethical, sustainable and socially responsible manner in our business activities. Respect for human rights is an integral part of Solar's ethical framework.

Risks

An inevitable risk of running a business is workplace accidents. When it comes to labour and employee conditions, safety at work is our top priority beyond compare. We have taken a number of measures to keep our safety at work at an acceptable level, including working closely together with safety representatives, keeping our employees fully informed about safety measures in our group, etc. On a yearly basis, we carry out Marsh reviews, auditing our four key central warehouses to make sure that all requirements to safety are met.

KPIs

An indicator of our employees' wellbeing is the stick rate. Our ultimate aim is always to have more satisfied, loyal employees that actively want to remain with us. Therefore, we have set an ambitious target of a 90% stick rate.

The employee turnover refers to the percentage of workers who leave our organisation and are replaced by new employees. As a high employee turnover can be harmful to a company's bottom line, we aim for a reduced employee turnover of 6%.

While some absence due to illness is inevitable, it is evident that sick days delay work, create stressful situations for other workers, and represent a cost to our company. Therefore, we continuously monitor our employees' sick rate. Our KPI for sick rate is 3%.

Actions and results

In 2017, we introduced a new and better platform to support our performance development processes. Our mission was to find a process that is intuitive, that encourages dialogue and makes it easy to follow up on progress and agreed plans and target. As a result, we've made it easier to link performance and learning, to set goals and assign learning programs from our training facilities.

To ensure that competence development is not only addressed once a year at the annual EPA, our talks are now held at a quarterly basis. The process has been designed in a way that requires continuous work throughout the year and, in addition, links to our goals, target and KPIs.

In the employee performance appraisals, we will continue focus on performance, competence development, development potential, mobility and career plans. In addition, we run an internal management training programme that promotes management competences and tools, allowing our managers to grow.

A stick rate of 83% compared to 87% last year is an unsatisfactory result, which is triggering a number of actions primarily within onboarding and recruiting as our target remains at 90%.

When it comes to employee turnover, a 2017 result of 9.5% compared to 7% last year is not a satisfactory result, however due to a number of organisational changes not unexpected. We are, however, still not where we want to be.

Ending the year at 3.6% against 3.5% last year, our sick rate is on par with last year and the level is very satisfactory all throughout Solar.

CASE

Meet Nikita: an intern living Solar's values

Looking at the happy, free spirited and courageous young woman in a Solar sales office near Copenhagen, it is hard to believe that she is the same woman we first met in March of this year. She dropped by our office unannounced accompanied by her mentor. They sat there in the reception area waiting to find out if we would spend a few minutes with her so that she could hand us her unsolicited application. And hoping that Solar would find room for a 'non-paid skilled intern'.

Formerly a sales assistant, Nikita was looking for an internship with Solar to establish what her competences were in the administration field, and at the same time jumpstart her work life after a challenging time in her life, including struggles with anxiety and depression.

The dark time in her life which she talks openly and honestly about, is distant from her life now.

A 12 week programme with Solar quickly revealed that Nikita is good at administrative tasks, and on an ongoing basis, Solar, Nikita and her mentor evaluate the process. They have decided to set up another internship after the summer holidays 2017, which both Solar and Nikita welcomes.

The internship has resulted in a huge personal development for Nikita. It has helped her to learn how to leave the insecurity behind and sometimes take a chance, be courageous, but also remember to stay true to herself. And to Solar, it has been amazing to be able to make a difference to someone in the local community and helping a young woman back on her feet after a challenging time.

You can read much more about Nikita's meeting with Solar [here](#).

Human rights

Responsible supplier management

Observing the human rights is an indispensable part of driving business in Solar Group. That is why we committed ourselves to conducting business in alignment with the UN Global Compact. We want to ensure that we respect human rights in our operations as well as through our business relations.

Policies

Our Code of Conduct indicates that human rights are an integral part of Solar's ethical framework. All of our employees have signed our code of conduct that dictates that Solar will comply with applicable laws and regulations and act in an ethical, sustainable and socially responsible manner in all of our business activities.

As a part of our standard due diligence processes, the Solar Group Code of Conduct declares that Solar Group expects its suppliers to uphold the policies of Solar Group concerning compliance with all applicable law, respect for human rights, environmental conservation and the safety of products and services.

Risks

The greatest risk for Solar Group within human rights lie with our third party agreements. Through our suppliers' signup to and compliance with the Solar Supplier Code of Conduct, the suppliers take full responsibility in their supply chain.

KPIs

For supplier management, KPIs define our goals for how fast to bring our suppliers onto our updated Code of Conduct. The majority of Solar's spend is covered by suppliers who have signed our code of conduct. We consider our work with onboarding our suppliers to be satisfactory.

Actions and results

Solar is committed to ethical business practices and we hold our suppliers to the same high standards. It is Solar Group policy to comply with all applicable laws and regulations of the countries and regions in which we operate and to conduct our business activities in an honest and ethical manner. Therefore, we have initiated a partnership with our suppliers, calling on them to sign our updated Code of Conduct. Our Code of Conduct declares that Solar Group expects its suppliers to uphold the policies of Solar Group concerning compliance with all applicable law, respect for human rights, environmental conservation and the safety of products and services.

As for supplier management, our key priorities for 2017 are on track.

CASE

Stronger together

"In Solar, we have always worked very closely with our suppliers. Tying the knot between us even closer and pursuing common goals via our Code of Conduct was a natural step for both of us. Responsible sourcing takes an effort from everyone in our value chain, but to us and to our suppliers, it is a given," says Thomas Clausen, sourcing responsible for the Solar Group. Thomas and his team are implementing a new sourcing strategy for the Solar Group. Part of the strategy is a systematic implementation of Solar's updated Code of Conduct for all suppliers.

"It is important to us that our suppliers uphold high standards for their way of doing business. We cannot do it all in one day. But we acknowledge the role that we play in our society. And we're excited to make continuous progress towards a more sustainable future," Thomas concludes.

You can read more about our work with supplier management [here](#).

Anti-corruption

Our zero tolerance policy

Policies

Corruption undermines growth and social and economic development. As it is an obstacle to trade, undermining clean and fair business, corruption is strictly against our group values. We can only avoid damage to our company, our employees and business partners if rules and standards are respected. Consequently, misconduct must quickly be recognised, processed and remedied. Our zero tolerance stand on anti-corruption and bribery has been clearly expressed in our supplier code of conduct and in the code of conduct governing our employees.

Risks

Solar Group's business activities are not centred in high risk areas when it comes to corruption and bribery. Nevertheless, our supplier code of conduct dictates zero tolerance behaviour in both areas. In addition, our employee Code of Conduct states that the ban on corruption applies to all individuals acting on Solar's behalf. The Code of Conduct is introduced to all employees and available on our intranet.

KPIs

We have not defined actual KPIs for this area.

Actions and results

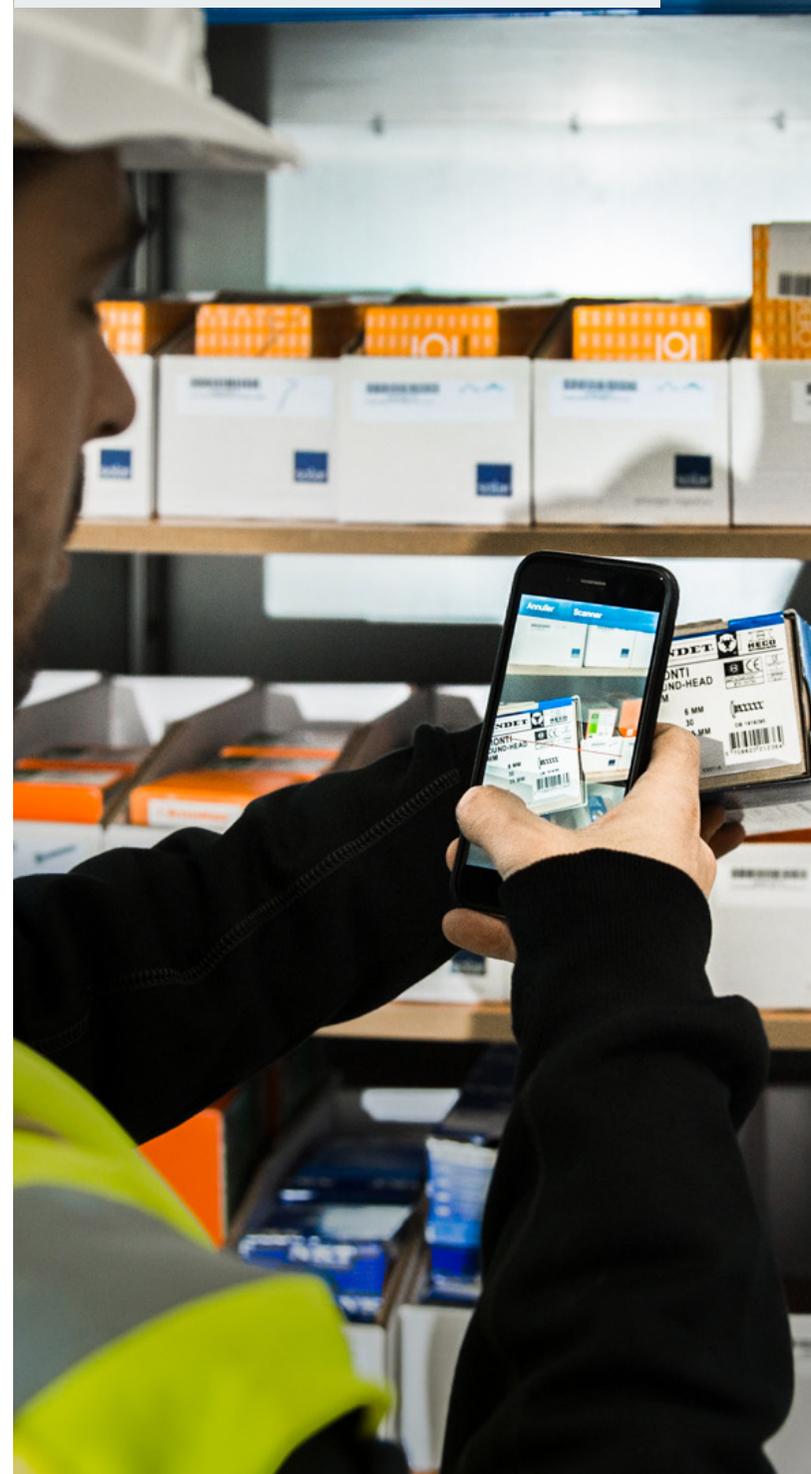
Our whistle-blower scheme invites internal and external stakeholders to expose any kind of information or

activity that is deemed illegal, unethical, or not correct. Any information exposed via the whistle-blower scheme is received and handled by an independent authority.

In 2017, our focus was on reintroducing our Code of Conduct and whistle-blower scheme to our employees. Although everyone has read and signed the Code of Conduct and been introduced to the scheme, they may not be on top of their minds. Therefore, we took the opportunity to remind them of the materials and carried out an internal campaign inviting our employees to revisit our Code of Conduct. We want to leave no doubt of what is acceptable behaviour in the Solar Group.

To ensure that possible breaches to our Code of Conduct are identified and called out, we rely on everybody's vigilance and willingness to draw attention to possible serious regulatory violations on the basis of concrete evidence. We value this type of information from our employees, but also from business partners, customers and other third parties.

Following the reintroduction of our Code of Conduct, we pointed the internal spotlight on our whistle-blower scheme, explaining our employees in detail what the scheme is about, and that we consider their relevant input very helpful.



CASE

New project will help children to learn

150 children live in the SOS Children's Village in Hawassa, the capital of the Southern region of Ethiopia. They all share the same condition of life: they are no longer able to live with their parents. Their membership of the children's village has given them a second chance at life, and together with SOS Children's Villages, Solar Group has committed ourselves to a 3-year project providing them with solar energy and training so that they can study and prepare for an independent life. With more than 90 million inhabitants, Ethiopia is the second most populous country in the African continent. Electricity in Ethiopia is not very stable, and in an SOS Children's Village in Hawassa, they resort to generators to produce the power necessary to run basic equipment. The current energy source is costly, and frequent outages make schooling very difficult, in terms of both administration, teachers' preparation, and use of IT for students. It is not difficult to imagine how impossible it must feel to study in the evening when there is no sun light.

3 years of energy renovation and training

Over the coming three years, Solar Group together with Engineers without Borders and SOS Children's Villages will be implementing solar energy in Hawassa to provide a much cheaper and stable energy source. This will make it a lot easier to conduct lessons requiring electronic devices and thus improve the children's learning opportunities. With a possibility of connecting the solar energy to the local grid, the energy will benefit not only the SOS Children's Village, but also the local community. "In 2015-2016, we implemented solar cell panels in an SOS Children's Village in Zanzibar. In my opinion, our most important contribution was the training and know-how which we provided to the locals to make sure that they could maintain and develop the systems in the future. And we are applying the same principles to our involvement in Ethiopia: Donating systems and man power is one thing. But even more importantly, we will be donating our know-how to ensure that our expertise stays in the village, also after the project ends," explains Tore Haakonson, senior vice president and CSR responsible in Solar Group.

Read much more about our involvement in Ethiopia [here](#).



Read more about CSR in Solar on

www.solar.eu

<http://www.linkedin.com/company/solar-as>

Solar A/S
Industrivej Vest 43
DK-6600 Vejle
Tel. +45 79 30 00 00
CVR no. 15908416



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