



Solar A/S

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2016 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

In September 2015, the United Nations member states adopted 17 sustainable development goals. The goals aim to end poverty, protect the planet, and ensure prosperity for all with specific targets to be achieved over the next 15 years.

In Solar Group, we acknowledge and welcome these goals. And we understand that if we are to achieve these goals, we must all do our part. We fully acknowledge the fact that our success comes at a cost to the world around us in a number of ways. When we transport our goods from A to B, we put strain on the environment. The goods we sell are manufactured by real people who need proper working conditions. We know that.

Therefore, we in Solar 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.

They say that if you want to go fast, go alone – but if you want to go far, go together. Solar's payoff is stronger together, and our approach to CSR is based on that exact same principle. This means that our CSR initiatives highly involve dialogues and cooperation with our business partners.

You can read much more about this and other CSR initiatives in this Communication on Progress and on our website.

<https://www.solar.eu/our-company/corporate-social-responsibility/>

Anders Wilhjelm
CEO

Our business model

Solar Group is a leading European sourcing and services company headquartered in Denmark.

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

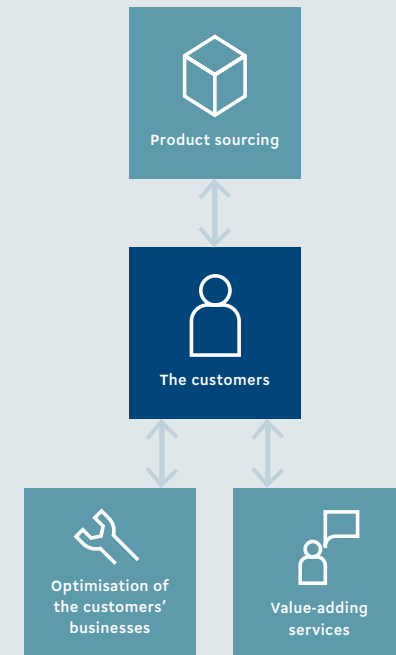
Our customer base is composed of both contractors, mainly electrical and plumbing, and a broad range of industrial customers.

Being a sourcing and services company, we focus on each individual customer. We strive to always understand our customers' unique and genuine needs in order to provide relevant, personal and value-adding services, making our customers win.

Our business model

We work with our customers:

- 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 policy

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 will be communicated to our employees during Q1 2017.

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.

Therefore, we in Solar 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. CSR has a lot to do with doing good and giving back. But no matter what we do, our CSR initiatives must make business sense.

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 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 environment-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 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 sections 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.

Environment and climate

We acknowledge that Solar's business activities leave a significant mark on the environment

However, we acknowledge that Solar's business activities leave a significant mark on the environment, transporting products and services from A to B.

Polices

Since 2010, Solar has reported data to the Carbon Disclosure Project. 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 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 work related car travel, purchased heat and electricity. Increased activity will result in an increase in our emission.

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 and have set goals to improve.

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.

Actions and results

In 2016, Solar Group adopted a handbook for our work with CDP. This means that the process of collecting data throughout the group has been harmonised to ensure a homogeneous approach. The group handbook describes in detail how, what and when to collect, and was implemented in due time to ensure proper data collection for 2016.

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.

Going forward, consultancy Deloitte validate our data consolidation and emission factors to ensure correct reporting for CDP. Figures for 2016 CDP will be available at our website in Q1 2017.



Labour

We aim for a higher degree of diversity, as we believe that this makes us a strong business

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. In 2016, we worked to solidify the framework for recruiting new employees from a representative candidate pool. An expressed requirement now is 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

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. In 2015, Solar Group implemented a Mercer position grading system and defined a target for the number of the underrepresented gender in upper level management positions.

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 evitable 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 4 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 hurtful to a company's bottom line, we aim for a reduced employee turnover.

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%.

When it comes to diversity, we have defined targets to ensure a more balanced distribution of women and men in our two upper management levels. Solar's aim is an overall distribution of women and men of 25% and 75%, respectively, by 2018.

Actions and results

In 2015, we implemented a uniform recruitment process with identical assessment tools, and this step led to the switch to a cross-border IT tool for recruitments. Our new recruitment tool was fully integrated in 2016.

Taking a holistic perspective of our employees' work lifecycle, we introduced a satisfaction survey for employees leaving the company in 2016. The new survey accompanies the global introduction programme based on e-learning aimed at making new employees familiar with Solar before their first work day.

In the annual employee performance appraisals, we 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 grow. In 2016, we continued the development of integrated leadership training planned for execution in spring 2017.

A stick rate of 87% is a solid improvement compared to last year, and definitely a step in the right direction. As our target remains at 90%, there is still room for improvement.

When it comes to employee turnover, a 2016 result of 7% is an improvement compared to last year. However, we are still not where we want to be.

Ending the year at 3.5%, our sick rate has greatly improved compared to last year. The present level is very satisfactory all throughout Solar.

As at 31 December 2016, our upper management level Solar Group Management was all male. The overall gender distribution in the two upper management levels is 16% women and 84% men. To ensure this development, we will require that both genders are represented amongst the final candidates for all jobs at senior management level.

On a positive note, we have observed an increase in an already strong employee engagement survey going from 72% to 73%. Without resting on our laurels, we are pleased to note an overall satisfaction with Solar Group as a workplace.

Human rights

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 employees¹ 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.

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. As the majority of our suppliers have signed the code of conduct, our work with the KPIs is on track.

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 efforts for 2016 are on track.



1. With the exception of MAG45

Anti-corruption

Corruption undermines growth and social and economical development

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. Therefore, 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 centered 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 website.

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 whistleblower scheme is received and handled by an independent authority.

In line with our expectations, there have been no changes to our setup or development in 2016.



Read more about CSR in Solar on

www.solar.eu

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

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