# Sustainability report 2023

solar

Solar A/S
Industrivej Vest 43
DK 6600 Vejen
Denmark
CVR no. 15 90 84 16

# Who we are

We are a leading European sourcing and services company

## Segments
Share of revenue

| Installation | Industry | Trade |
|---|---|---|
| 56 % | 35 % | 9 % |

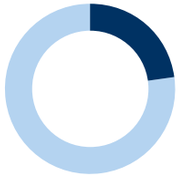
## Products
Share of revenue

### Groups

| | |
|---|---|
| Electrical | 73 % |
| Heating & Plumbing | 17 % |
| Climate & Energy | 10 % |

### Brands

| | |
|---|---|
| Concepts | 23 % |
| Other brands | 77 % |



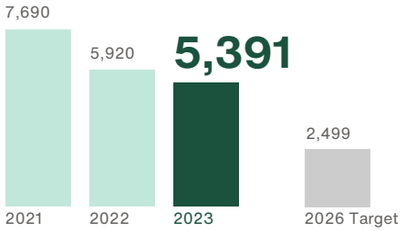
## Markets
Share of revenue

| | |
|---|---|
| Denmark | 32 % |
| The Netherlands | 24 % |
| Sweden | 19 % |
| Norway | 15 % |
| Poland | 3 % |
| Other | 7 % |

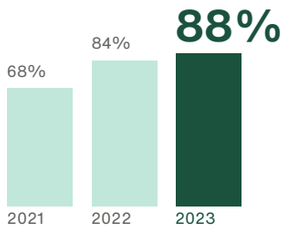
# Sustainability performance highlights

## Climate impact

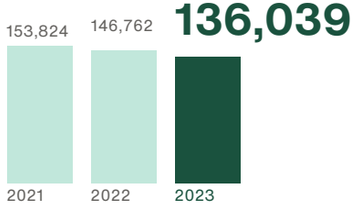
### Scope 1 and 2 emissions
$tCO_2e$




### Renewable electricity
Share in percentage

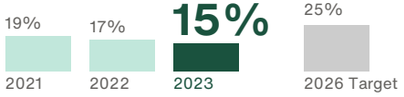



### Energy consumption
Gigajoule (GJ)

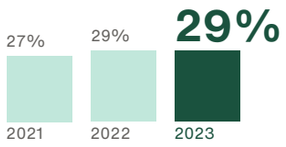



## Diversity and inclusion

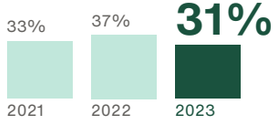
### Women in senior management*
Share in percentage




### Gender diversity, all employees
Share in percentage, women

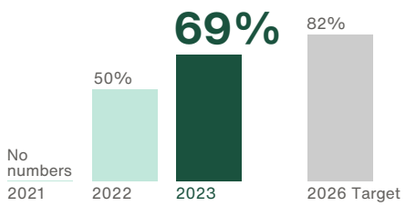



### Entry level, all employees
Share in percentage, women

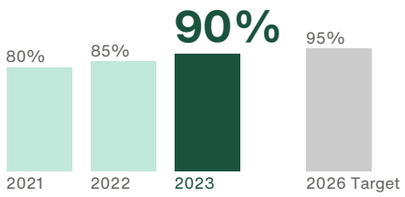



## Sustainable supply chain

### Spend undergoing risk assessment
Share in percentage

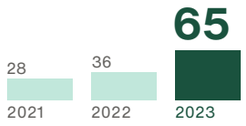



### Spend covered by Code of Conduct
Share in percentage




## Solar Family

### Donations
Number/year




* Calculated according to the Danish Financial Act § 99b

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We improve construction, building operation and industry processes with a commitment to sustainability and productivity. For our customers. With our partners. For a better world.


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COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Sustainability Report 2023 describes the non-financial performance of Solar A/S and supplements the Annual Report 2023 and our statutory report on corporate governance.

The Sustainability Report has been published every year since 2010 as an extension of the management review and has been prepared in compliance with the Danish Financial Statements Act. See our statutory reporting on 99a on pages 7-11 (business model, governance, and risk assessment) and pages 17-37 (environment, social and governance) including the sustainability performance indicators presented on pages 38-48.

## Additional reports

Together with the Sustainability Report, the following publications constitute Solar's reporting for the year 2023

Annual Report 2023

www.solar.eu/investor/reports

Statutory report on corporate governance 2023 cf. § 107b of the Danish Financial Statements Act

www.solar.eu/investor/corporate-governance

Statutory report on data ethics 2023 cf. § 99d of the Danish Financial Statements Act

www.solar.eu/investor/policies

# 01

# Highlights


- Letter from the CEO
- Business model
- Sustainability across our value chain
- Year at a glance

We are committed to improving our gender balance, as we believe it benefits our workforce and delivers better results. 31% of our employees recruited in 2023 were women.

# Letter from the CEO

For Solar and our employees, 2023 has been a year of continuing improvement in our sustainability ambitions, enabling us to be fit for the years ahead.

We are committed to taking more responsibility across our value chain for delivery of our business outcomes.

In 2023, we completed our first materiality assessment, applying the concept of double materiality.

This ensures that potential materiality topics remain consistent with our strategic focus areas, allowing us to feel confident that transparency and collaboration across the value chain will benefit us all.

## SBTi approval

We are committed to eliminating emissions both from our own operations and across the value chain through collaboration with customers and suppliers.

We are therefore pleased to announce that our reduction targets for scope 1, 2 and 3 emissions have been approved by the Science Based Targets initiative, ensuring that our climate roadmap is aligned with the Paris Agreement's 1.5°C objective.

We continue to convert to high-capacity heat pumps and install solar panels on our premises. In 2023, we reduced emissions from our own operations by 9%.

## Sustainability across the supply chain

We acknowledge that an estimated 99% of our emissions falls within scope 3 of our value chain, related to the products we bring to market.

We have therefore established a supplier engagement programme, involving risk assessments, with the aim of committing our suppliers to strive for the most climate and environmentally friendly solutions, whilst respecting human rights. With more than 69% of our spend having undergone risk assessment, we are well on our way to achieving our goals and will continue to raise the bar for our suppliers as well for ourselves.

## Giving back

Reducing emissions, however, is not enough; we also want to give back to nature. In May, we planted 116,000 trees in an area near our head office, and we have acquired additional land with the ambition to plant up to 1.5 million trees over the next three years.

> I am glad to see more and more companies committed to working with the green transition as an integrated part of their business.

## Respecting people

We value diversity and strive to foster a workplace that breaks down barriers and improves the gender balance.

Our target is having 25% women in senior management by 2026 - a target we will do our utmost to reach, as we are convinced that diversity at all levels will benefit Solar. Our focus will be on attracting new talent and fostering a pipeline of new leaders.

## New strategy

We believe that our business performance and sustainability outcomes go hand in hand. Our new three-year strategy, Solve, embodies this approach. Solve is focused on achieving improved construction activities, building operations, and industry processes - with a commitment to sustainability and productivity. Within this framework, Climate Impact, Sustainable Supply Chain, and Diversity and Inclusion have been identified as three key ESG priorities.

## Stronger together

While we may not have all the answers to how our sustainability targets and ambitions will be reached, one thing is clear: we cannot reach them alone.

Partnerships and new methods of collaboration across the value chain will be required, and I am glad to see more and more companies committed to working with the green transition as an integrated part of their business.

The past year has been characterised by contrasts in a rapidly changing world. The green transition journey is unfolding, and we stand ready to meet the demands of our employees, external stakeholders, and wider society. Only together can we make a difference.

Jens Andersen
CEO

# Business model

## Our strong business model supports our Solve strategy.

### Solar
More than 200,000 articles are available from our automated warehouses.

### School
Each year 6,000 participants attend our Solar School.

### Suppliers
Solar works with around 3,500 suppliers.

### Customer services
Supporting customers throughout their journey makes us stronger together.

### Transport
More than 9,000 deliveries every day.

### Automated warehouses
Based on AutoStore, warehouses improved productivity and reduced energy consumption.

### Bike and EV deliveries
Delivery within the hour and limited impact on the environment.

### Digital service
67% of customer orders are made online – making us one of the most digitised companies in our industry.

### Customer segments
Our customer segments include industry, installation and trade.

### Electrical components
A wide assortment of electrical components, cables and lighting solutions. We also provide training and product guidance.

### Climate & energy products
Energy-efficient solutions within heat pumps, solar panels, ventilation and EV chargers.

### Heating & plumbing components
Wide assortment of heating & plumbing components, pipes, drainage systems, cold-water pumps and insulation, combined with training and product guidance.

# Sustainability across our value chain

## Upstream
Scope 3

### Supplier engagement
We have launched a supplier engagement programme and perform risk assessment to identify decarbonization levers and emphasizing the importance of human rights.
See more on page 34-35

### Product documentation
We are continuously working on complying with new standards and documentation to meet our customers' requirements and offer relevant documentation.
See more on page 20

## Operations
Scope 1 and 2

### Net-zero in operations
Installing our own energy-efficient solutions, sourcing renewable energy, and converting to an electrical fleet will help us reach net-zero in 2030.
See more on page 19

### Safety first
Safe operations for our employees and in the value chain have our full attention. Throughout 2023, health and safety were a theme for all employees.
See more on page 28

### Biodiversity and afforestation
We have planted 116,000 trees and have an ambition of planting additional 1.5 million trees within the next three years.
See more on page 23-24

### Diversity and inclusion
We are committed to creating a workplace that values differences, promotes diversity and respects human rights.
See more on page 26-27

## Downstream
Scope 3

### Product decarbonization
With majority of our emissions deriving from the products we bring to the market, we have started the journey to decarbonize our supply chain.
See more on page 20

### Saved emissions
It is our ambition to bring energy-efficient products and solutions to market, reducing energy consumption in the use phase.
See more on page 20

# Year at a glance

**69%**

## Supplier engagement

We have launched a supplier engagement programme with the purpose of committing our suppliers to strive for the most climate and environmentally friendly solutions while respecting human rights. 69% of our spend has undergone a risk management due diligence.

GOLD 2023 ecovadis Sustainability Rating

## Acting responsibly

For the first time, our four largest entities have been rated ‘gold’ by EcoVadis. This is recognition that we think and act in a proactive way and is the result of a team effort on the part of our employees.

## Double materiality assessment

To fully understand our impact on society and to act accordingly, we have prepared our first double materiality assessment in accordance with the Corporate Sustainability Reporting Directive (CSRD).

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## SBTi targets approved

Our climate reduction targets have been approved by the Science Based Targets initiative and are aligned with the Paris Agreement’s 1.5°C objective. Our target is to become net-zero in our own operations and reduce our scope 3 emissions by 25% by 2030.

## Giving back to nature

We aspire to run a business that also gives back to nature. In May, we planted 116,000 trees near our head office. We have acquired additional hectares of land, and our plan is to plant up to 1.5 million trees within the next three years.

**9%**
reduction in 2023

## Countdown to net-zero

In 2023 we took steps to reduce our scope 1 and 2 emissions and succeeded in achieving a 9% reduction. Our mid-term target is to reduce our $CO_2e$ emissions by 65% by 2026, compared to base line 2020.

# 02

# Strategy and governance

- Our strategy
- Sustainability ambitions 2026/2030
- Sustainability governance
- Materiality and stakeholder governance

The roof top garden of a furniture company located in Denmark supports biodiversity. Electrical contractor, SIF Gruppen, carried out the installation work using services and products from Solar. The project is expected to receive BREEAM's 'Outstanding' certification.

# Our strategy

## Our purpose

We improve construction, building operation and industry processes with a commitment to sustainability and productivity. For our customers. With our partners. For a better world.

## SOLVE

As a leading sourcing and services partner, we will use our strong core to combine products, services and specialist competence to deliver value-adding solutions solving business challenges sustainably.

With Solve, it is our ambition to create additional value at an earlier stage of our customers' decision-making process.

### Strategic focus areas

#### Climate & energy

We maximise the growth potential in climate and energy solutions, such as heat pumps, solar panels, EV charging and ventilation. The newly established Solar Industrial Solutions offers combined solutions for both existing and new industry customers based on our product technology and know-how.

#### Concept strength

Our concepts will drive overall profitability and enhance our position in the value chain. We aim to further develop value adding concept assortments powered by logistical services and specialist competences to increase the ease and effectiveness of our customers' daily operations.

#### Solution sales

We create new opportunities in selected areas by leading with solution selling, specialist competence and a 360-degree view on the future needs of our customers' business. We aim to increase the share of wallet with existing customers and open new doors to new customer groups.

### Sustainability

#### Climate impact

We work to become carbon neutral in our own operation and to enable our customers to decarbonize in their part of the value chain.

#### Sustainable supply chain

We source energy efficient products complying to the latest standards, from suppliers characterized by respect for human rights, environment, and society.

#### Diversity and inclusion

We foster a workplace and culture that promotes diversity and inclusion to attract, develop, and retain employees, while respecting human rights.

Powered by our **Dedicated people**, **Digital leadership** and **Superior logistics**

# Sustainability ambitions 2026/2030

We are committed to reaching our 2026 mid-term targets within our three sustainability focus areas for the benefit of the society, our stakeholders, and Solar.

Moreover, we are also committed to converting our fleet to a 100% electrical fleet by 2030 in accordance with the internationally recognized NGO, EV100.

Our ambition is to become net-zero in our own operations – scope 1 and 2 - and to reduce our emissions across the value chain – scope 3* - by 25% by 2030.

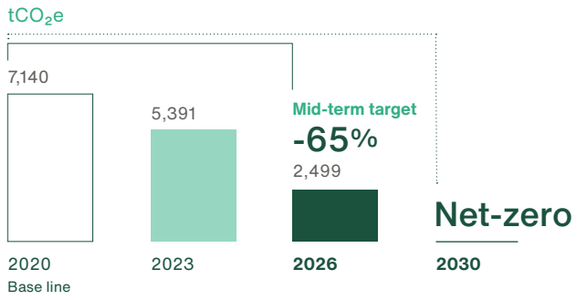
SCIENCE BASED TARGETS

CLIMATE GROUP EV100

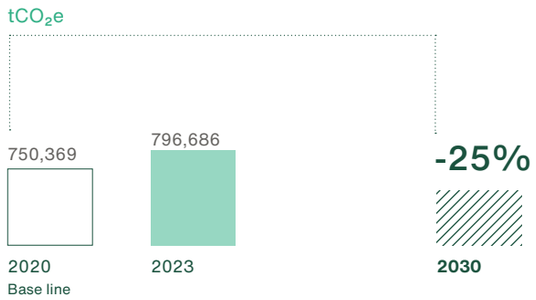
## Targets

| | Towards 2026 | Towards 2030 |
|---|---|---|
| **Climate impact** | • 65% reduction in scope 1 and 2<br>• 1.5 million trees planted | • Net-zero in scope 1 and 2<br>• 25% reduction in scope 3*<br>• 100% EV fleet<br>• Continue to work with biodiversity projects |
| **Sustainable supply chain** | • 85% of our spend by our Code of Conduct<br>• 82% of our spend to have undergone due diligence risk management | • Engage with our suppliers to increase transparency in the value chain<br>• Explore and pilot circular economy projects |
| **Diversity and inclusion** | • 25% women in senior management**<br>• Entry level of 40% women | • Work with increased diversity at all levels of the organisation<br>• Focus on career development programmes |

### Scope 1 and 2 emissions




### Scope 3* emissions




* In the categories Purchased products and services and Use of sold products
** Calculated according to the Danish Financial Act § 99b

# Sustainability governance

## The governance structure ensures that sustainability is embedded in daily operations.

Our Executive Board is accountable for our sustainability strategy, policies, and performance. In 2023, we made changes to our sustainability governance and appointed our CFO as Chair of the Sustainability Steering Committee.

The purpose is to strengthen our sustainability endeavours across the group, involving a wider circle of managers in our decision-making and ambitions to meet the growing expectations resulting from regulatory requirements and from our stakeholders. The new governance structure will be fully implemented in 2024.

### Integrating sustainability across the business

The responsibility of the Sustainability Steering Committee is to set the direction, embed our ambitions, and help facilitate the many changes that the sustainability agenda brings about. Ownership of the specific areas is still anchored in the relevant business areas, and the individuals and functions responsible
for them.

In cooperation with local management, sustainability specialists drive local initiatives and track key performance indicators and targets.

### Reviewing performance and progress

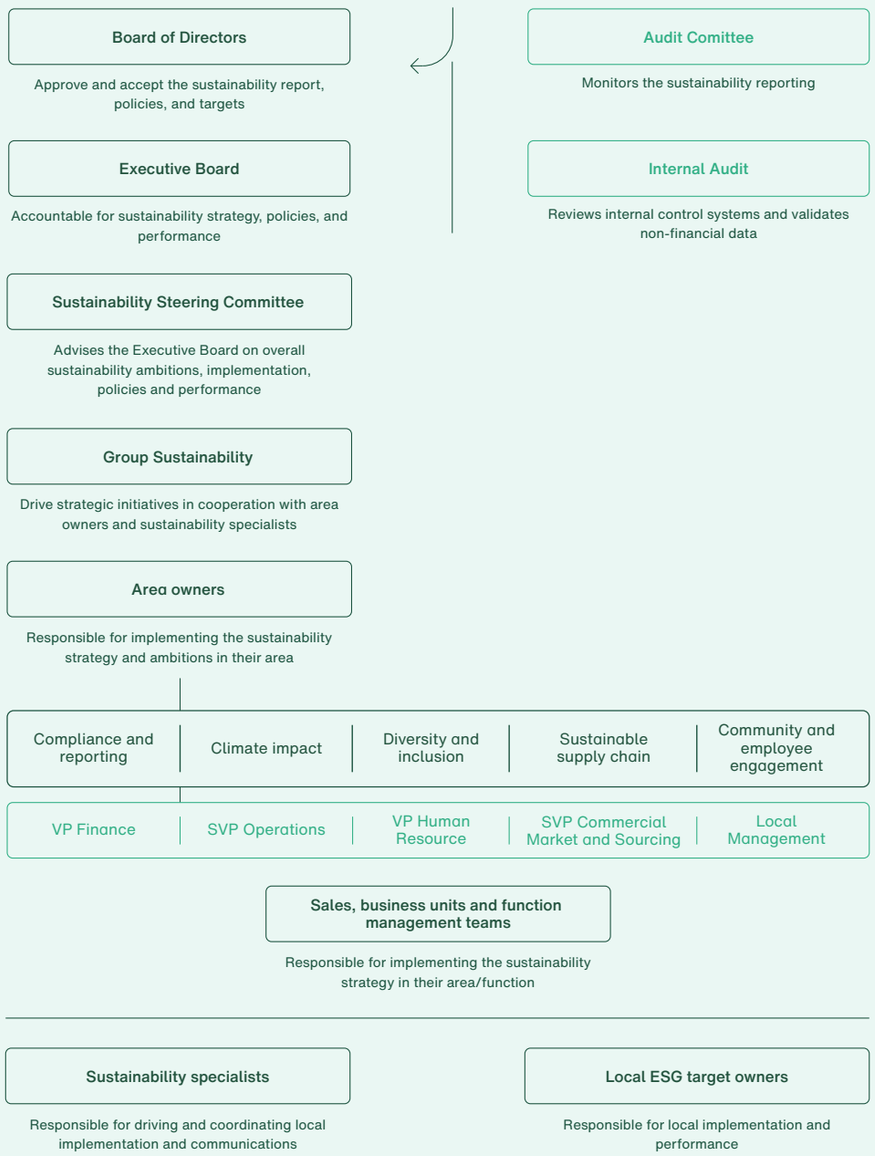
Our key performance indicators are subject to ESG control on a quarterly basis to ensure progress. Performance is audited biannually by Internal Audit. Both the Board of Directors and the Audit Committee review and monitor our performance on a regular basis.

### Engaging our employees

We aim to fully engage our employees in our sustainability work to help us drive progress. We maintain an ongoing dialogue through various internal channels, such as sales and departmental meetings, intranet, and webinars.

### Risk assessments

Solar is a sourcing and services company, operating primarily in Northern Europe. Given our business model and areas of operation, we do not see any significant inherent risks related to human rights, working conditions, climate and the environment, bribery, and corruption. However, due to our business model, we acknowledge that we have an inherent risk regarding the products we source from our suppliers, despite the fact that less than 1% of our products originates from suppliers outside Europe. Therefore, all suppliers must



## Sustainability governance

adhere to our Supplier Code of Conduct and our risk assessment due diligence programme described on page 34-35.

Moreover, several group policies, including sustainability policies, have been implemented to ensure compliance. Potential sustainability risks are included in the double materiality assessment as well as in local risk assessments. The consolidated risk score at group level is below the threshold that is reportable, although the associated risks are still monitored closely (see Annual Report 2023).

Annual Report 2023

# Materiality and stakeholder governance

During 2023, we completed our first materiality assessment based on the concept of double materiality.

In line with good business practice, a preliminary materiality assessment was completed for the first time in 2023, applying the concept of double materiality to comply with the Corporate Sustainability Reporting Directive (CSRD) in 2024.

The focus of Solar's materiality assessment is to identify, act, and report on topics which have potential significant impact and may pose potential significant risk or opportunity for Solar.

## Reporting approach

Four stakeholder groups were prioritised, based on their importance to the business as well as their sustainability competences.

Interviews were conducted among 18 external stakeholders and more than 25 employees. The external stakeholders included customers, suppliers, and investors with knowledge of the value chain and sustainability expertise.

The internal stakeholders have broad insight into our business and the value chain and consist of management and specialists.

All stakeholders were briefed in advance and were asked to consider all the topics they deemed to be potentially material and rank them accordingly. The assessment was carried out according to the predefined CSRD definitions; environment/social and business/financial.

The scoring process, keys, structure, and the logic behind the assessment are aligned with the European Sustainability Reporting Standards (ESRS) criteria.

The process consisted of four steps:

1. Prepare approach; business understanding, stakeholder identification, and data gathering
2. Materiality scoring; desktop study, determining first materiality according to ESRS criteria
3. Stakeholder engagement; interviews, workshops, and validation
4. Conclusion and recommendations; materiality overview, gap assessment, and documentation

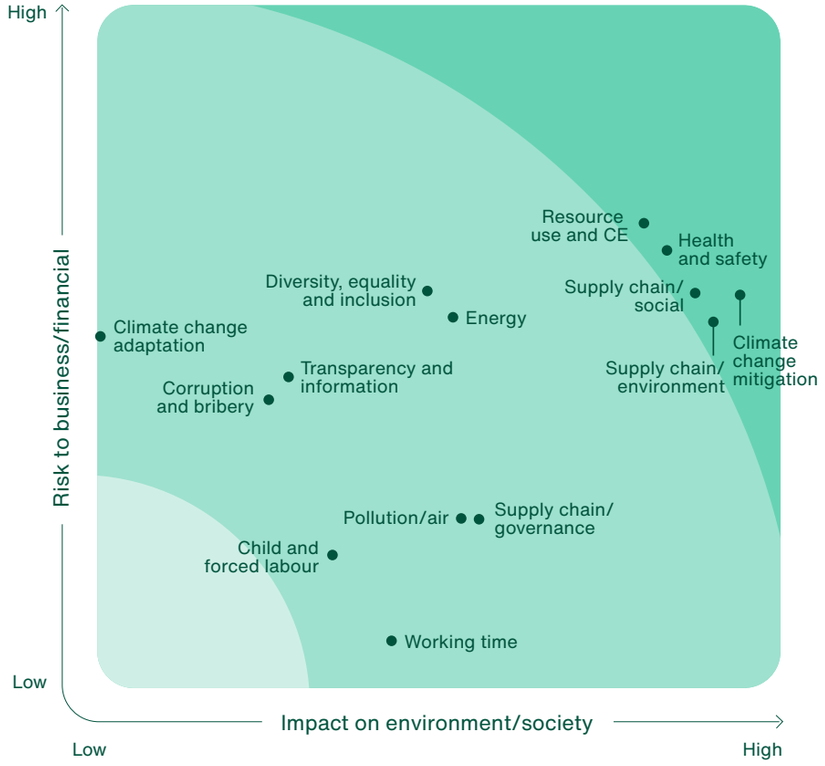
## Reporting outcome

The topics are classified as high, medium, or low materiality, based on thresholds set by Solar.

### Double materiality matrix

Overview of findings

Solar materiality topics are mapped out in terms of risk to business/finance and environment/society.



# Materiality and stakeholder governance

Topics characterised by a potentially low impact on environment/society or of a low business/financial risk to Solar were deemed immaterial to Solar's sustainability agenda, as basic structures to address these topics are considered to already be in place.

According to our first assessment, five topics have been classified as high priority and will be our starting point:

- Climate change mitigation
- Health and safety
- Supply chain/environment
- Supply chain/social
- Resource use and circular economy

The topics highlighted as material, according to the materiality assessments, are, in the main, already addressed in the sustainability report. Each topic represents a wider agenda and underlying issues to be further explored.

We continue to work with the topics in our materiality assessment and foresee a review as we gain more knowledge.

Exact reporting requirements on our high priority topics according to ESRS will be further explored during the data gap assessment which begins in February 2024.

## Materiality governance

The materiality assessment was completed in cooperation with an external consultancy company. It has been reviewed by the Executive Management Team and the Board of Directors, and we are engaging with our external auditors with the aim of obtaining limited assurance of 2024 on our high priorities.

## Stakeholder engagement

Engaging with stakeholders helps us understand their expectations and to respond accordingly. Regular contact with our employees - either directly or as a team - helps us to maintain open and credible communication.

Engaging with stakeholders also helps us understand their priorities and to respond accordingly. This is essential to establish open and trustworthy communication. External stakeholders regularly engage with Solar's employees, either directly or in a team setting.

Regular feedback from our stakeholders helps Solar define and prioritise our sustainability work and to continue to support the green transition.

| Stakeholder | Stakeholder expectations | Solar response |
|---|---|---|
| **Customers** | Demand products, solutions, technical support, and documentation, supporting the green transition. Make them available to run responsible business practices and lowering their carbon foot print | • Daily customer engagement<br>• Technical and regulatory support<br>• Tender process and ESG criteria<br>• Business development dialogue<br>• Competence development<br>• Partnerships |
| **Employees** | Want to work at a workplace that provides diversity and equality, fair treatment and wages, an inclusive culture, and good development opportunities | • Daily interaction between colleagues and managers<br>• Employee appraisals<br>• Town hall meetings and Teams calls<br>• Training and competence development<br>• Social gatherings and events |
| **Suppliers** | Want to work with partners that understand the customers and the impact of bringing energy-efficient, low-carbon, and environmentally-friendly products to market | • Daily supplier engagement<br>• Supplier Engagement Programme<br>• ESG business development dialogue<br>• Code of Conduct<br>• Risk assessement due dilligence |
| **Investors** | Demand business strategies and plans that enhance profitable growth and mitigate risks in the business model. Increased focus on ESG | • Investor relationship engagement<br>• Investor calls and ESG calls<br>• Financial and ESG disclosure and reports<br>• Financial and ESG ratings |
| **Industry associations** | Want industry engagement to deliver relevant analyses and prognoses to influence authorities and assist its members in incorporating ESG related topics | • Membership of several industry organisations<br>• Active participation and collaborative meetings<br>• Partnerships and alliances |
| **Media** | Want insight and transparency to tell society how we contribute to the green transistion and the ESG agenda | • Open dialogue and easy access to communications specialists and management<br>• Websites and social media accounts |
| **Society and authorities** | Want accountability on sustainability related issues and engagement in society. Demand compliance with regulations | • Open and trustworthy dialogue<br>• Long term commitment and job creation<br>• Adoption of and investments in biodiversity projects<br>• Engagement through local and industry associations |

# 03

# Environment

- Climate impact
- Climate and energy solutions
- Environmental responsibility

Our subsidiary, Solar Polaris, supplied solar panels for wholesaler Schou's new logistics centre in Kolding, Denmark, a platinum DGNB-certified construction.

# Climate impact

We have committed to ambitious targets covering our operations, suppliers, and customers.

Working with climate and energy solutions in our own operations as well as across our value chain is an integral part of Solar's strategy and an area which we have been working on for many years.

Based on current available data, we explicitly state our emissions and take action to reduce our climate impact. In 2023, Solar's total estimated $CO_2e$ emissions across scopes 1, 2 and 3 amounted to 802,077 $tCO_2e$, the majority, approx. 99%, of which derives from scope 3.

## Science Based Targets approval

Approval of our SBTi (Science Based Targets initiative) targets will be our guiding star for improving our climate footprint.

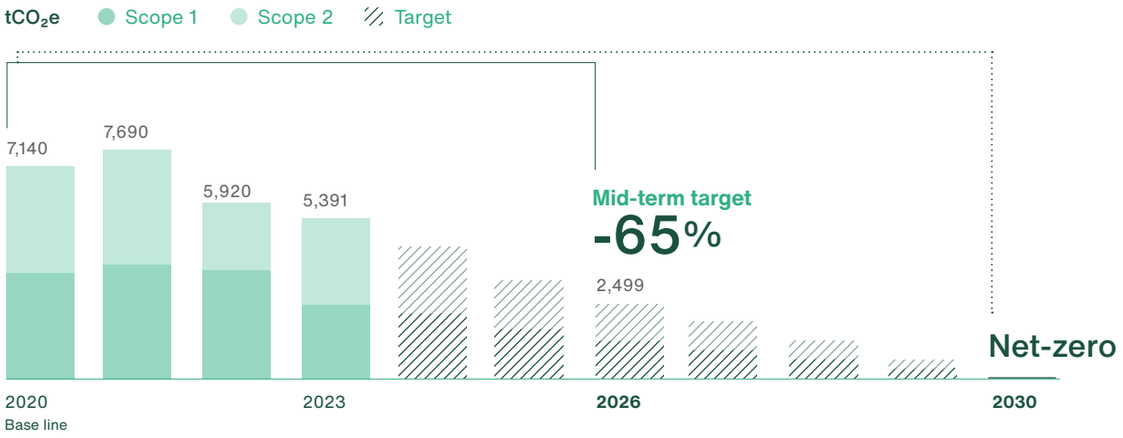
Solar is committed to decarbonizing across scope 1, 2 and 3. This commitment is in line with the Paris Agreement goals. Our Science Based Targets were approved in 2023.

For scope 1 and 2, we have committed to a 42% reduction by 2030. However, our ambitious target for scope 1 and 2 is net-zero and 25% reduction in scope 3 by 2030.

Driven by these initiatives, we have reduced $CO_2e$ emissions from our operations by 24% since 2020, our SBTi base line.

Our 2026 mid-term target is to reduce emissions in scope 1 and 2 by 65%.

### Scope 1 and 2 emissions




## What is Science Based Targets initiative?

The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organisations to set science-based emission reduction targets.

Anchored in climate science and 1.5°C pathways, the SBTi standard requires companies to make rapid and substantial emission reductions.

Solar has set science-based targets which provide a clearly defined path to reduce emissions in line with the Paris Agreement.

Climate impact

# Decarbonising our own operations

Although less than one percent of our $CO_2e$ emissions derives from scope 1 and 2, i.e. our own operations and fleet, this is a huge focus area for us.

In 2023, emissions were reduced by 9% compared to 23% in 2022, bringing total emissions down to 5,391 $tCO_2e$. The improvement was mainly driven by our continuous focus on energy optimisation and phasing out fossil fuels.

Moreover, we have increased the share of renewable electricity to 88%. However, for sites owned by Solar, we reached 98%, only missing one site. With many leased sites, it has been challenging to convert all sites into renewable energy, and we acknowledge that more time is needed. Our target remains 100%.

Over time, we will strive to convert from procured renewable electricity to self-generated renewable electricity by continuing to install solar panels at our premises.

This year, we installed solar panels at our Dutch facilities. Looking ahead to 2024, we are developing a solar panel field at our Danish head office, which will consists of approx. 12,000 panels, delivering approx. 4 MWh/year. Ultimately, we aim to produce approx. 5.5 MWh/year, which will cover our entire electricity requirements at our Danish sites, including the electricity consumption of our EV fleet.

To achieve our mid-term target of 65% emission reductions, we are determined to phase out gas and fossil fuels, to keep energy optimising our operation, and, in the longer term, achieve a 100% electrical fleet by 2030. During the last three years, we have installed a total of 288 EV chargers at our premises. Our 2023 target of having EV chargers at all major locations has been met.

Group fleet policy

## Energy reduction programme

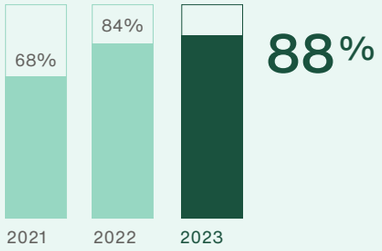
In 2022, we launched an energy reduction programme for 2023 with a target of at least 10% year-on-year energy savings. Overall, we achieved 7.3% energy reductions. The main levers were the change to LED lighting, replacing 100% of all lighting at our Danish entity and approx. 90% at our Dutch entity. Replacing indoor and outdoor lighting and installing movement and daylight sensors will continue over the years ahead.

> To embody our purpose and drive our Solve strategy, we have set targets for our business and our value chain. We evaluate and report transparently on our performance against those targets.

**Target 2023**

**100% renewable electricity**

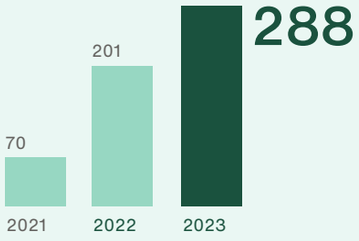
Share in percentage




**Target 2023**

**EV chargers installed at our major locations**

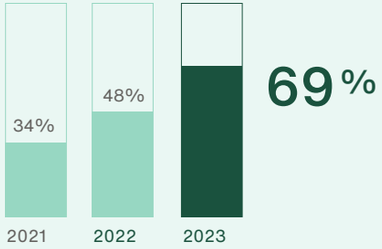
Accumulated numbers




**Target 2030**

**100% EV fleet**

Share in percentage



Climate impact

# Decarbonising our value chain

With just above 99% of Solar's total emissions deriving from scope 3, we work across all defined scope 3 categories to reduce our emissions. Total scope 3 emissions in 2023 was 796.686 $tCO_2e$.

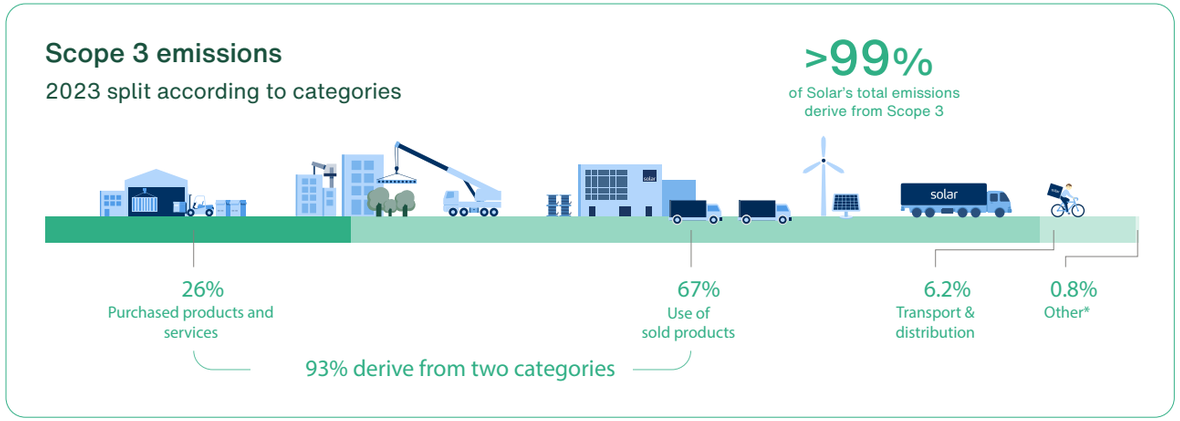
Our target is 25% reduction by 2030 from base line 2020 in the two categories Purchased products and services and Use of sold products.

With many variables affecting scope 3 data, we remain prudent when calculating scope 3 data. Moving away from spend-based data, we are in close contact with our suppliers to increase the share of supplier specific data. This will provide us with more accurate calculations.

The SBTi recommends that companies follow a linear trajectory to meet their long-term commitments and that companies use supplier specific data to the greatest possible extent. Solar's ambition is to deliver accordingly. However, a certain fluctuation due to market developments, availability, and quality of product data should be expected.

## Emissions-in-use phase

The saved emissions from the use phase, e.g. replacing a gas boiler with heat pumps, cannot be included in our scope 3 calculations. With above 60% of our emissions deriving from the use of sold products, this has our highest priority.




*Waste, End-of-life treatment, Employee commuting, Business travel

It is expected that the carbon intensity of the used energy in a product's lifetime will decrease over time, thereby having a positive effect on scope 3 emissions. However, it is also a well-known Science Based Targets dilemma that when companies bring products with longer lifetimes to market, they may "pay" for that in their $CO_2$ accounting, as when lifetimes increase, scope 3 emissions increase accordingly (assuming everything else is constant).

However, Solar will continue to work on ways of bringing energy-efficient products with long lifetimes to market.

# Decarbonising with our customers

By working closely with our customers, we continue to strengthen and support their decarbonisation journey.

## Products and product documentation

Delivering low-energy, low-emission products is key to decarbonising across the value chain, enabling our customers to deliver and contribute to the green transition.

Our webshop offers easy access to relevant product documentation and the option to search according to building certification requirements.

## Logistics services

Since the mid-1980s, Solar has provided its customers with an overnight delivery service. Now, with greater focus on climate and environmental impact, and as an alternative to overnight delivery, Solar offers a range of additional logistics services to reduce emissions and environmental impact from transport and packaging/waste.

With services such as Scheduled Delivery, SmartSupply, SmartKit, Solar Rental, Fastbox and the like, we are enabling our customers to choose from a variety of services for them to decarbonise and increase productivity.

We strive to always deliver our goods in the most efficient way possible, optimising the entire process from picking and packing to distribution itself. We comply with all relevant rules and regulations and require our distribution partners to do the same.

# Climate and energy solutions

To reach the Paris Agreement targets and to mitigate climate change, we must accelerate the green transition. Offering new solutions is imperative to achieve this.

We are fully focused on delivering products and solutions that bring us closer to our customers to give them a competitive advantage.

Execution is crucial if large climate and energy efficiency projects are to be successful, since these involve both know-how and many partners. Solar Industrial Solutions has been established to accelerate and support our customers in the green transition. The purpose is to deliver heat pump and solar panel turnkey solutions with a single point of contact, targeted at industrial customer segments. This comprises everything from product selection, planning and design, documentation, regulatory aspects, and installation: all with the purpose of achieving the expected targets, and thus reducing energy consumption while decarbonising.

Solar Industrial Solutions will be implemented in our four key markets by the end of 2024.

## Heat pumps

The installation of heat pumps affords the opportunity to phase out fossil fuels as a heating source. Indeed, despite a changing economic picture, the demand for high-capacity heat pumps continued in 2023.

To accommodate the increasing demand, Solar acquired 51% of the Danish heat pump manufacturer, ThermoNova. The high-capacity heat pumps, whose point of differences are that they come in a modular design and use a natural cooling refrigerant only, are sold exclusively by Solar. This increases efficiency while reducing $CO_2e$ emissions. Moreover, production takes place in Denmark, thus reducing climate impact from transport.

### Heat pumps for Salling Group

Solar supplies heat pumps to Salling Group, the largest retailer in Denmark, for stores in the Netto supermarket chain in Denmark, Germany, and Poland. 20,000 m² of Netto's central warehouse in Germany has been energy renovated, using heat pumps as a replacement for gas.

## Solar panels

Renewable energy and self-generated energy are seeing continuous growth. Although electricity prices fluctuated in 2023, the demand for solar panel installations, often in combination with heat pump installations, has proved to be a sound financial and climate solution.

To enhance and promote the positive climate impact, 2023 saw the launch of German produced lead-free solar panels with 100% renewable energy.

We will continue to launch panels with new material compositions and increased watt peak per solar panel. Moreover, combining solar panels with battery storage, we expect solar panel solutions to play a significant role in 2024, not only for Solar and our customers, but also for society in achieving its $CO_2e$ emission reduction targets.

## Sharing economy

Focusing on climate impact also means turning the spotlight on the way we use the resources at our disposal. It is imperative that we circulate and share whenever possible. Special tools and equipment are often only in use for short periods or only occasionally. The Solar Rental concept gives our customers the opportunity to rent a wide range of tools and equipment instead of owning them. The tools and equipment can be booked via our webshop and delivered to or collected from a building site. This saves our customers time and money and reduces material usage, which in turn benefits the climate.

## SmartKit delivery

The Solar SmartKit service is a digital delivery service that enables customers to build kits via Solar's webshop on a 24/7 basis. Ordering materials, therefore, is tailored to a specific task, which reduces waste, saves time, and increases efficiency for faster delivery.

> Execution is crucial if large climate and energy efficiency projects are to be successful.

# Climate and energy solutions

## Lighting and new regulations

Smart lighting in the form of intelligent lighting solutions, which saves energy and engenders a sense of well-being, is already on offer through the Solar Light concept whose range is continuously being extended.

The focus on intelligent lighting solutions - from production, usage, and end-of-life - has increased. This is due to a rising demand for lighting products as a 'social and life quality' determinator, following new regulatory and building certification requirements.

We are implementing the requirements of the EU EcoDesign Directive across our Solar lighting assortment. We expect our suppliers to comply with the directive and that all new products meet the new demands for documentation, material consumption, production methods, etc. Also, that the product is prepared for disassembly. As regards existing products, we have embarked on the process of changing the product design in line with the directive.

All products that comply with the new standards are labelled as such in our webshop.

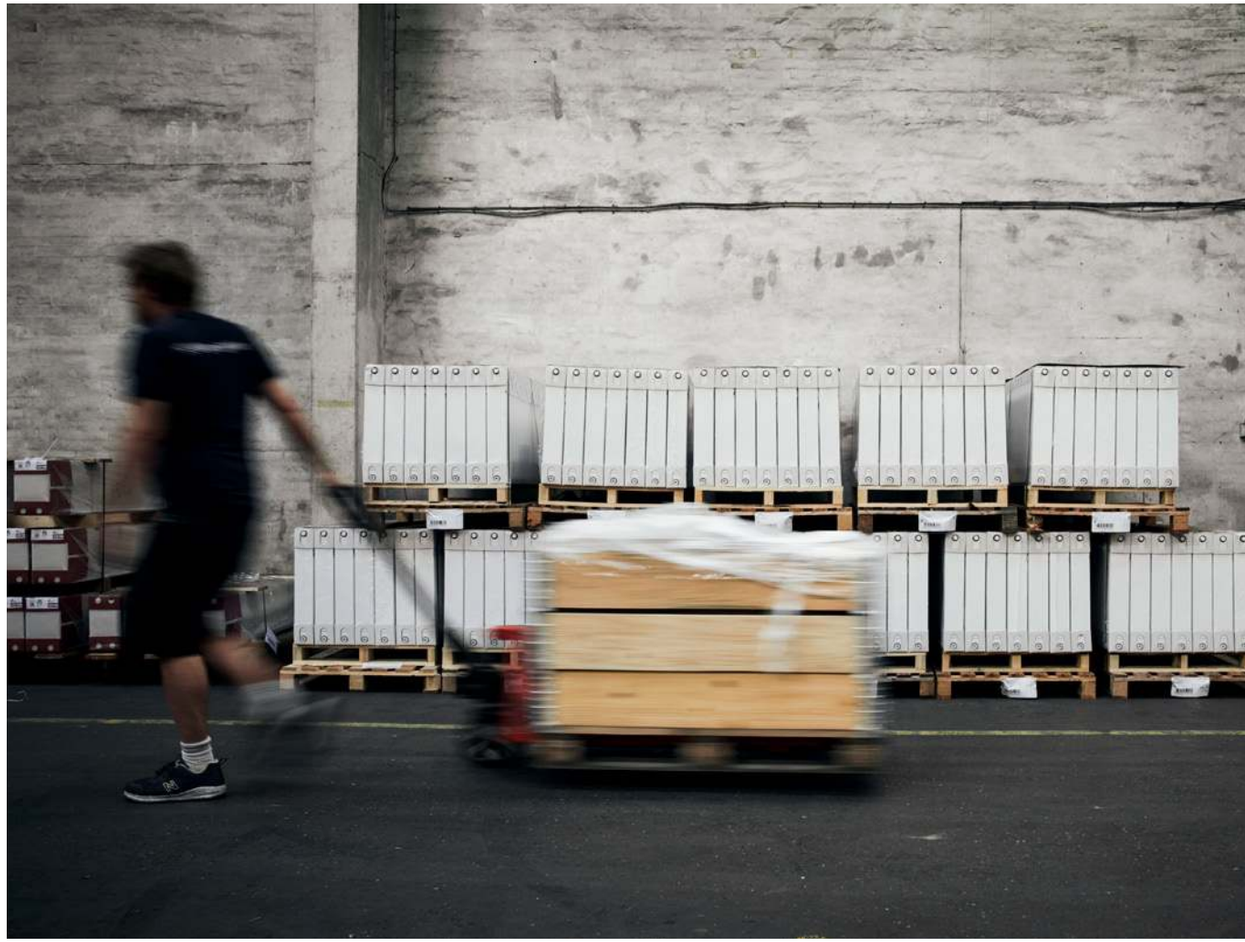
## Knowledge sharing

In the light of the new regulations and demands, providing our customers with sufficient knowledge is of high priority. We offer access to the latest regulatory information, white papers, product updates, and case stories through our online platforms and channels.

Our Solar School offers a strong programme of renewable energy courses, and we expect to increase our skills development programme in 2024.

## Reuse of material

Recycling and reusing materials as well as reducing waste are important to protect the environment. Solar works with GreenDozer, a company that distributes recycled and surplus goods, saving serviceable materials from being wasted. Together, we pack, collect, and ship the materials for use in new projects.



# Environmental responsibility

## Solar aspires to run a business that gives back to nature.

### Afforestation and biodiversity

As required by SBTi, our focus is primarily on reducing our emissions as much as possible in addition to deploying various removal measures. However, we also aspire to run a business that gives back to nature.

In May 2023, we planted 116,000 trees near our head office to support afforestation and biodiversity. In the long term, we will establish shelters, paths, and a viewing tower for the enjoyment of the local community and our employees. We believe that a lot of our employees will benefit from this initiative now and in the future.

We have acquired an additional 677 hectares of land in Latvia, of which we have the ambition to afforest 430 hectares with up to 1.5 million trees within the next three years. The remaining hectares are already covered with trees or are to be preserved as a meadow.

### Afforestation project Denmark

Key indicators

**116,000**
trees

**38 ha**
afforestation

**8 $tCO_2e$**
absorbed annually in average over the next 60 years

**19**
tree species

# Environmental responsibility

## Afforestation certification

To ensure responsible forest operations, our forest in Denmark is certified by two global forest certification systems.

Based on the forest's specific composition of trees, the area of planting, and the quality of the soil, it is estimated that it will absorb 8 $tCO_2e$ annually per hectare over the next 60 years. This estimate forms the basis for including $CO_2e$ absorption in our climate accounts on an annual basis. Every five years following establishment, the estimate will be adjusted in accordance with the actual uptake and adjusted accordingly in our climate accounting.

### Forest certifications

Our forest is certified by two internationally recognised certification systems, through independent third-party certification of the forest's $CO_2$ sequestration. Close monitoring of the forest's development ensures that it benefits both biodiversity and the climate and can be included in Solar's climate accounting.

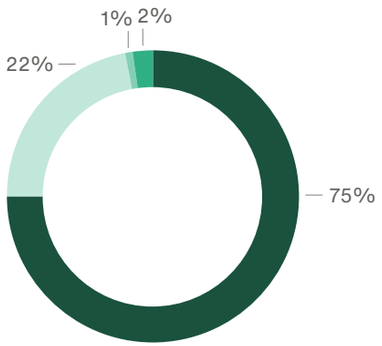
## Waste management

As most of our waste consists of packaging material from our suppliers, we see packaging and waste as intrinsically connected.

With 2022 as the baseline, we continued to monitor and report on the amount of waste generated and its corresponding management type during the year under review. In 2023, the total waste generated was 3,302 tonnes. We collaborate with local waste management companies to ensure that our waste is managed in the best possible way in accordance with the EU's Waste Hierarchy and local regulations.

## Waste handling

Share in percentage according to waste fractions




Recycled Incinerated Hazardous Landfilled

## Packaging

We continue to strive to reduce the amount of packaging material used in our warehouses, by testing new types, sizes, and material with special focus on reducing the use of plastics. Moreover, we continue to work with our suppliers to reduce inbound packaging material.

All our cardboard boxes, Fastbox bags, and Kanban boxes are made of responsibly produced material, and our cardboard boxes contain over 80% recycled material.

Our Swedish operation has saved 600 kg plastic per year by switching from plastic to paper box filling.

With effect from 2024, we will report on the total amount of cardboard and other packaging materials.

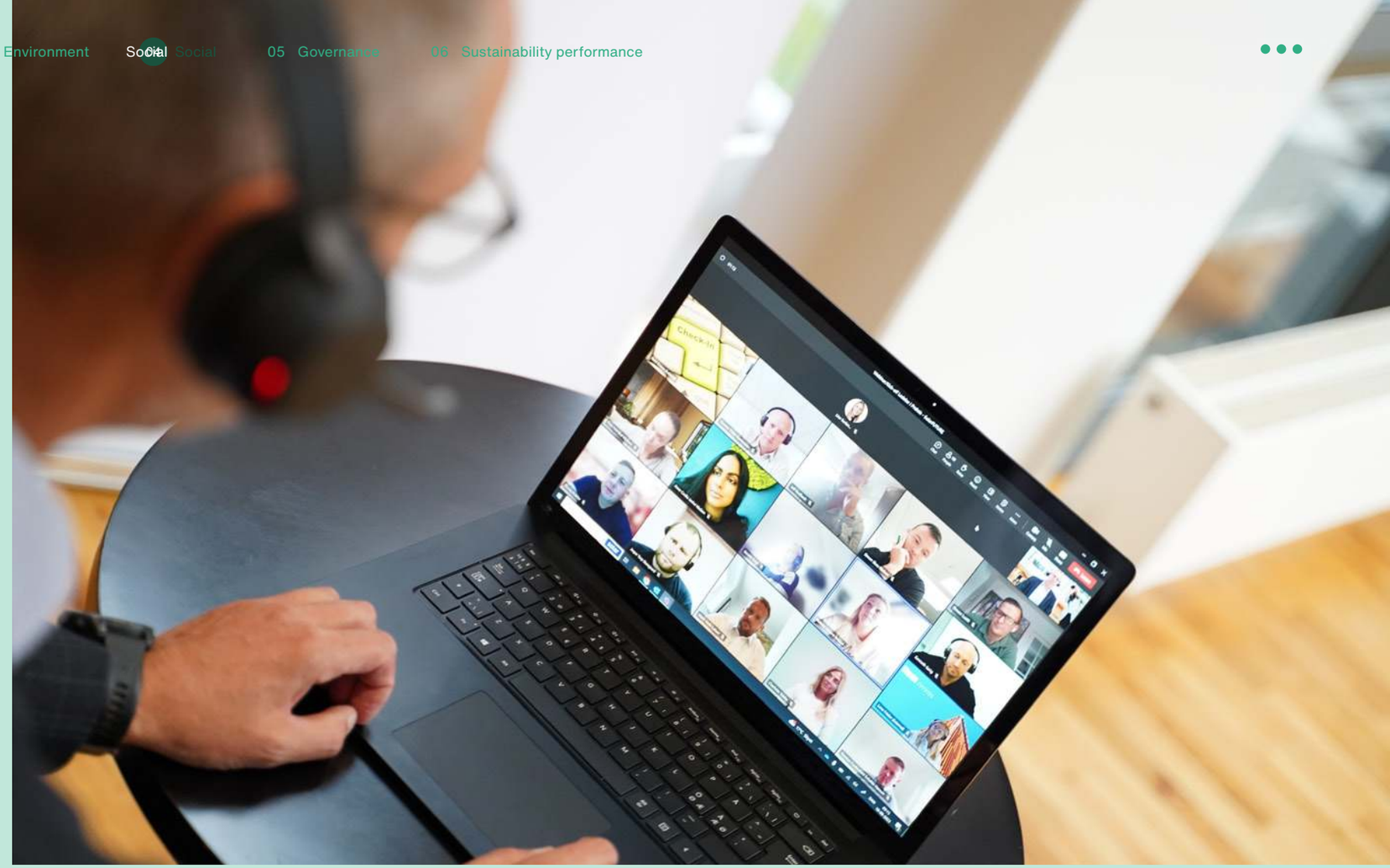
We will continue to offer logistics services to reduce packaging material, which means less waste for our customers.

We comply with local regulations and in 2024, we will start reporting according to the EU producer packaging directives.

# 04

# Social

- Diversity and inclusion
- Occupational health and safety
- Competence development
- Social responsibility



The two-year Solar Future training course has been developed to train selected employees in subjects like management, work psychology, and sustainable business understanding to prepare them for Solar's future challenges.

# Diversity and inclusion

## Our employees drive the green transition and deliver on our strategy.

We will continue to focus on fostering a workplace and culture that promotes diversity, equity, and inclusion. We respect human rights and do not accept any form of discrimination or harassment.

To succeed in creating a diverse workforce and to support our managers in fulfilling our ambitions, three focus areas will lead the way: recruitment, retention and development, and communities and network.

### Recruitment

We will focus on recruiting a diverse workforce throughout the organisation, respecting the differences across functions, recruiting accordingly, and adjusting our recruitment practices.

> Recruiting the right skills set is key to delivering on our strategy.

### Retention and development

Solar has a track record of long service among our employees. To retain talent, we will provide our managers with the resources to initiate and develop career path programmes.

### Communities and networks

Several communities and networks have been established to enable our managers to become more rapidly aware of new initiatives to be implemented.

We are continuously working to improve our gender balance by paying close attention to the key performance indicators that drive continuous progress.

We are focused on diversifying our senior management team and have an ambitious target of 25% women in senior management by 2026. In 2023, we saw a fall to 15% from 17% in 2022, due to a job change in senior management.

We acknowledge that reaching our target will be challenging for several reasons. Due to our legacy and the fact that there traditionally are not many women in our area of business, the majority of our employees and managers are currently male. At the same time, we have a track record of long service among employees who have been with us for between 25 and 40 years. This poses a dilemma, seeing that although we have many highly skilled and committed employees who are greatly valued, we acknowledge that a more diverse workforce and management team would provide fresh input and new ways of working.

In order to accelerate the development and to implement new initiatives, the Group Diversity Community is now headed up by the CEO. Local diversity and inclusion communities will be established with the aim of guiding and giving feedback to our local management teams on how to secure an inclusive and equal workplace. We expect to have this in place in all major subsidiaries by the end of 2026. Furthermore, a diversity and inclusion road map will be developed to drive progress.

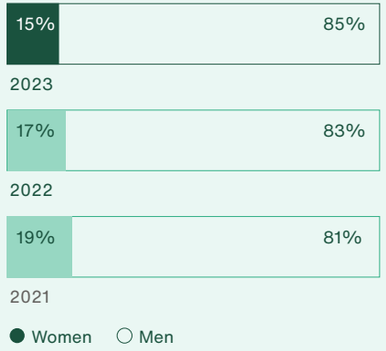
In order to reach the target, Solar has established a policy in order to ensure that HR and the hiring managers carefully consider different backgrounds and qualifications. This includes awareness training on how to source/hire inclusively and being aware of unconscious bias. We require that candidate shortlists for managerial positions include at least one member of the underrepresented gender.

In 2023, entry level of women decreased from 37% to 31%. This is partly due to the fact that the majority of vacant positions have been within areas, where we primarily see male applicants. This of course has our full attention. It is our ambition that we shall reach 40% by 2026. Gender diversity for all employees remains unchanged at 29%.

**Target 2023**

**25% women in senior management***

Share in percentage




* Calculated according to the Danish Financial Act § 99b

# Diversity and inclusion

## Well-being

Well-being and work/life balance lie at the heart of our organisation. We offer our employees the opportunity to work remotely and on a part-time basis.
Our approach is to ensure that all employees are treated equally, regardless of gender, age, race, and religion, thereby ensuring equal opportunities as regards employment, training, and promotion.

Surveys have been carried out to shed light on well-being, equality, and potential harassment, which are followed up by road maps and action plans. The launch of our sexual harassment policy underlines the seriousness with which we take this issue and our zero-tolerance approach to it.

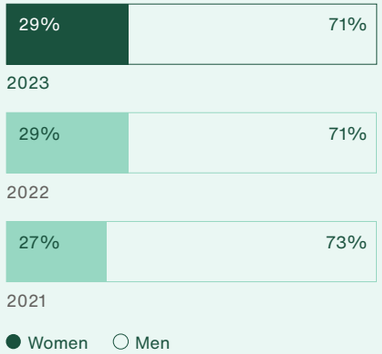
Moreover, we run several onboarding and development programmes. We take on several interns to give young people the opportunity to further their studies, and to strengthen and diversify our succession pipeline and enhance an inclusive culture.

Our employees have the freedom to be covered by a collective agreement, and we cooperate with union representatives and workers' councils.

Inclusion and diversity policy

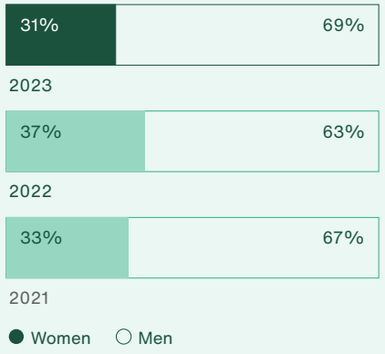
## Gender diversity, all employees

Share in percentage of total workforce




## Entry level, all employees

Share in percentage of total workforce



# Occupational health and safety

Safety and well-being at work are our top priority. In 2023, HSE (health, safety, and the environment) was an important theme for all employees.

Providing an attractive and safe workplace is high on our list of priorities. We have therefore initiated measures to increase safety.

## Safety measures

A set of cardinal rules, laying out core safety rules, as well as a safety-focused visitor presentations have been implemented at all our warehouses.

Safety weeks have been organised at all warehouses, sharing best practice and encouraging greater focus on health, safety, and the environment.

A Safety Flash tool has been implemented to register serious incidents and accidents, analysing the root cause and setting out actions and solutions. The aim is to share learnings and avoid repetition across warehouses.

## Work-related accidents

We aspire towards zero work-related accidents through an active and systematic approach to improving our work environment. We report transparently on health and safety issues and follow regulations within this field. All entities report monthly on work-related activities.

We are in the process of structuring our IT system to digitally register work-related incidents with the aim of benchmarking across our warehouses and ensuring transparency.

Despite an increased focus on health and safety throughout the year, we have unfortunately seen an increase in the lost time injury frequency rate from 3.1 to 3.7. This is still considered a low rate. Our overall ambition is zero accidents.

## Warehouse audits

We carry out reviews on an annual basis and audit our warehouses to ensure that we meet all safety requirements. Our external risk adviser selects the sites, performs the audits, and submits a Property Risk Evaluation report, which contains a status and recommendations for actions. We are compliant with ISO 14001 (Environment) and ISO 9001 (Quality) certifications.

## Stick rate and sickness absence

Stick rate and sickness absence are indicators of our employee well-being and are carefully monitored by the management.

The employee stick rate shows the number of employees who are still with the company one year after the start of their employment and indicates whether we have onboarded them successfully. We have an ambitious target of 90% and with a current stick rate of 79%, we see a small decrease from 82% in 2022.

The sickness absence decreased from 12.2 to 9.7, indicating that we are getting back to the normal level before corona.

## New policies

We have introduced a new health, safety, and work environment policy with guidance on how to keep our employees abreast of environment, health, and safety standards and rules.

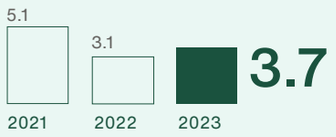
Health, safety and environment policy

We have also established a human rights policy to include workers across the supply chain in line with the Corporate Sustainability Reporting Directive (CSRD). In our risk management due diligence, we are rated in accordance with EcoVadis.

Human rights policy

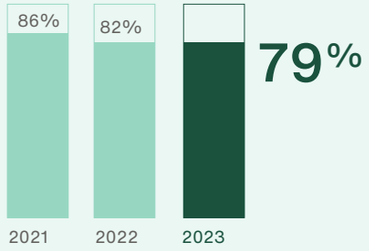
### Lost time injury

Frequency rate



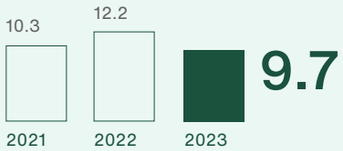

### Stick rate

Share in percentage after one year




### Sickness absence

Average days per year



# Competence development

To drive the green transition, we equip our employees and customers with new skills and competences.

Great teamwork and strong engagement across the organisation are fundamental to the creation of high performing teams to create results and to deliver on our Solve strategy. We continue to invest time and resources in our employees to be able to respond to current and future opportunities and challenges.

## Career development

In collaboration with an external certified partner, we have developed our own carrier training programme, Solar Future, whereby selected employees from across the organisation acquire competences in management, work environment psychology, and sustainable business understanding. The programme runs over two years.

Moreover, our leadership training programmes, such as situational leadership, on-boarding programmes, green business development training, and various training modules in unbiased behaviour, diversity, and inclusion as well as general sustainability training remain on offer to certain individuals.

Succession planning is a focus area for 2024 and a natural progression of the people review meetings to help secure a talent pipeline.

We continue to expand our wide range of e-learning courses for our employees, and we currently have more than 400 e-learning training modules available. A new learning management system will be implemented in 2024, allowing training programmes to be customized to individuals and teams.

For our Norwegian entity, sustainability has been a 'must win' battle for 2023. To support this, an eight-module sustainability training programme was deployed for all employees.

Our ambition is that by 2026, we will offer sustainability training courses to all employees, according to relevance and competence level. The purpose is to accelerate dissemination of the knowledge required to work actively with the green transition and support our customers.

## Customer competences

We have an ambition to train and provide education for our customers, providing them with relevant climate and energy know-how to reach their potential in an environment that sets new standards and requirements.

Our 2023 competence target was for 2,000 customers to participate in a renewable energy solution course at our Solar Schools. By the end of 2023, 3,653 had completed the course, well exceeding the target. Rising energy costs and subsidy opportunities led to an increased interest in heat pump installation courses.

Our renewable energy courses cover the following areas:

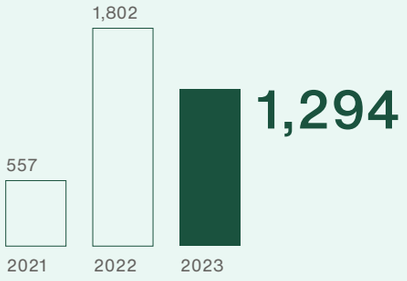
- Solar panels
- Heat pumps
- EV chargers
- Ventilation
- Building automation
- Regulation
- Sustainable building certification

We expect our Solar Schools in Denmark, the Netherlands, Norway, and Sweden to continue to launch courses of this nature in 2024 and beyond, and we have set a target of 4,200 participants by 2026.

**Target 2023**

**2,000 Solar School participants**

Number of participants attending renewable energy courses per year



# Social responsibility

As a responsible company, we wish to play a part in our community, both locally and on a wider scale, to help and support causes and make a difference where we can.

## Solar Family

The Solar Family is a grant programme initiated by The Fund of 20th December in 2020, the majority shareholder of Solar A/S. The aim is to provide employees of the Solar group and their families with some financial support in challenging situations. We encourage all employees in the group to apply. This year, we made 65 donations.

## Use of protected employment

We have collaborated with SOJA, a protected employment centre, for several years. The aim of SOJA is to encourage people with physical/mental disabilities to come back into the labour market, in order to give them a sense of identity and purpose.

SOJA performs meaningful tasks for our business unit, Solar Trade, creating value and engendering a sense of purpose both for employees and for Solar.

## Support to Ukrainian children

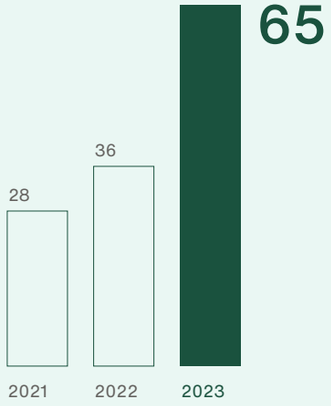
Our Polish entity continues to support refugees, who arrive in Poland from Ukraine as a result of the war with Russia. We support both central and individual aid initiatives. This is carried out by providing financial assistance to children from Ukrainian orphanages via donations to the Happy Kids Foundation. Its aim is to provide security to children deprived of parental care and place them in foster care.

## Coaching for employees

To help employees affected by stress or other personal difficulties, our Dutch entity has started an initiative, where employees can call on the support of social workers. The coaching sessions are conducted in collaboration with an external coaching company, and sometimes together with the employee's manager.

### Solar Family donations

Number of donations per year



# 05

# Governance

- Business ethics
- Sustainable procurement
- Partnerships and commitments

Automated guided vehicles in our warehouse in Vejen free up time for our employees to handle other tasks. More driverless trucks are planned for our other warehouses.

# Business ethics

We are committed to conducting and managing an accountable business, respecting international human rights and business ethics.

We are known for always complying with applicable laws and regulations and for being transparent. We work with recognised NGOs, such as UN Global Compact, SBTi, CDP and more (see page 36) and measure ourselves against international benchmarks.

Our policies and guidelines are our foundation for running an ethical business across our value chain and a means of minimising potential ethical risks.

We have prepared our preliminary double materiality assessment in accordance with the Corporate Sustainability Reporting Directive (CSRD) and will focus more on that in the future.

## Ethical guidelines

We expect our employees to comply with legislation, policies, and standards, and we hold them accountable if they fail to do so. Our employee handbook helps steer and guide our employees in work-related matters and procedures.

Moreover, our employee code of conduct requires our employees to comply with the legislation and regulations pertaining to anti-corruption, bribery, competition, data protection and privacy, discrimination, and harassment of any kind. Due to our current and historical market presence as well as operating in a low risk market, as reflected in our risk assessment (page 13-14), we do not have a separate anti-corruption policy. Anti-corruption is covered in both our employee code of conduct and our supplier code of conduct.

Our code of conduct applies to all employees. Signing it is mandatory.

Both our code of conduct and our employee handbook are available on our intranet.

During the year under review, there were no dismissals as a result of unethical behaviour.

## Group policies

Our policies ensure that our actions are supported by a set of standards, enabling us to conduct business in an ethical manner. Historically, we have experienced no cases of breaches of our employee code of conduct. All policies are reviewed annually and are approved by the Board of Directors and the Executive Board. In parallel, demands for new policies are also discussed. In the event of any breach, employees and other stakeholders are encouraged to contact members of the Executive Board.

## Data protection and privacy

We maintain firm focus on data protection and privacy and follow the requirements of the General Data Protection Regulation (GDPR). We take full responsibility for the data we process and handle.

All new employees are automatically assigned data protection/GDPR training courses and in 2024, we will start training at departmental level.

Acknowledging that official statistics point to people as being the biggest cyber security risk, we have assigned October as Cyber Security month. The purpose is to make our employees aware of daily pitfalls to mitigate potential cyber-attacks.

To demonstrate good security practices, we will implement ISO 27001 in 2024.

## Whistle-blower

Employees and external stakeholders are encouraged to speak up if they experience any irregularities or illegalities on the part of Solar.

Our whistle-blower portal is hosted by an external partner and is accessible from our intranet and on our website. It ensures that employees and external stakeholders can anonymously report any breaches without risk of retaliation, which ensures confidential access to the top management.

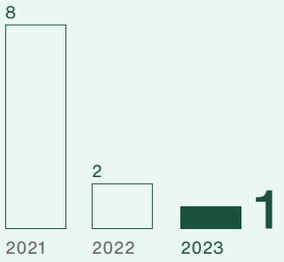
In 2023, 1 case was submitted, and 1 case was resolved.

Find the latest versions of our group policies here

- Conflict minerals policy
- Data ethics policy
- Environmental policy
- Group fleet policy
- Health, safety and environment policy
- Human rights policy
- Inclusion and diversity policy
- Investor relations policy
- Quality policy
- Remuneration policy
- Sustainability policy
- Tax policy
- Whistleblower policy

## Whistle-blower cases

Submitted cases per year



# Business ethics

## Gender diversity at board level

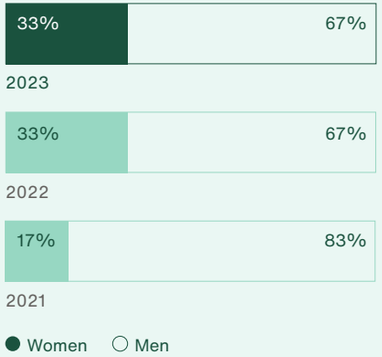
Once a year, the composition of the Board of Directors according to Solar's diversity policy sets out our objective for the composition of the Board of Directors. When board members change, we conduct a broad sweep of the market to ensure a mix of expertise and diversity.

The Board of Directors strives for equal gender representation, while ensuring that it has a broad portfolio of skills and expertise. Our aim is to ensure that women are not underrepresented. This was achieved in 2022. Women now constitutes two out of the six board members elected at the Annual General Meeting, which according to law is considered an even distribution.

**Target 2023**

**33% women on the Board of Directors**

Share in percentage



# Sustainable procurement

To reach our emissions reduction target of 25% in scope 3 by 2030, a sustainable and transparent supply chain is essential.

We require our suppliers to follow and comply with the same ethical and social standards that we demand of ourselves.

Our supplier relationships must be characterised by respect for human rights, the environment, and society across the value chain.

Solar has over 4,000 direct material suppliers, of which 2,500 are considered strategic/preferred suppliers. These correspond to approx. 98% of our total spend. 0.5% of our total supplier base and less than 0.4% of strategic/preferred suppliers are based outside EU/ESS.

## Code of conduct

We are committed to adapting our code of conduct as necessary and voluntarily adopted the Responsible Business Alliance (RBA) Code of Conduct in 2016. The requirements reflected in Solar's Code of Conduct follow the guidelines of the UN's Global Compact, International Labour Organisation (ILO), and OECD.

We met our 2023 target for 90% of our spend to be covered by our code of conduct. In absolute figures, more than 1,000 documents have been signed, covering 90% of the strategic/preferred spend.

By 2026, our target is 95% spend coverage at group level. Locally, we expect to reach the same level.

## Sustainable procurement going forward

In 2022, we embarked on a collaboration with EcoVadis, applying their due diligence risk assessment tool.

We are committed to expanding the supplier base that has been subject to a risk assessment and to carrying out remedial action on the part of our suppliers.

To increase transparency across the supply chain, we conduct risk assessments, primarily focusing on strategic/preferred suppliers.

In the labour and human rights area, Solar has set an average threshold as the acceptable level, as well as a specific performance threshold. The risk assessment shows that 93.9% are performing above our stipulated threshold, which is considered satisfactory, compared to the market average of 65.5%.

The risk assessment has shown that a small number of the assessed suppliers perform below the threshold. Corrective actions will be implemented, and re-assessment will be conducted after completion.

The risk assessments are performed on a regular basis (every 12 months). The target is to support our suppliers in improving both their sustainability actions and score. This may be through corrective actions or through traditional supplier relationship management. Solar can report that our assessed supplier base shows an overall average increase of 5.1% year on year.

By the end of 2023, 510 suppliers and 69% of our spend had undergone due diligence, and our target to reach 82% has been extended to 2026.

We require transparency on $CO_2e$ emissions in scope 1 and 2 through our code of conduct. We encourage the use of renewable energy, and currently 83.6% of our suppliers report on energy consumption. Going forward, we intend to track and report on the decarbonisation progress.

### Supplier assessment improvements 2022 vs 2023

| Environment | Labour and human rights | Ethics | Sustainable procurement |
|---|---|---|---|
| +6% | +4.5% | +3.1% | +4.1% |
| 60.8%-66.8% | 56.5%-61.0% | 52.9%-56.0% | 49.7%-53.8% |

# Sustainable procurement

> Our supplier relationships must be characterised by respect for human rights, the environment, and society.

## Auditing our suppliers

As of 2024, we will start to perform on-site audits. A risk-based approach will be applied, reviewing risk by country, market, commodities, processes, and/or work areas. The audits will be performed by accredited third parties and will follow our overall risk assessment process. Based on the audit report, a supplier may be put on hold until corrective actions are carried out and the supplier is re-evaluated.

## Documentation is key

We are continuously working on complying with new regulations and standards to meet our customers' product documentation requirements.

We see an increasing demand for verified and correct product documentation, i.e. environmental product declaration (EPD), REACH, RoHS, Life Cycle Assessments (LCAs) etc. To accommodate this demand, our webshop has made it easy for our customers to find and download relevant product documentation and technical datasheets.

## Internal and external capacity building

Our ambition is for all relevant staff to have concluded training in our code of conduct. The training is mandatory for all employees with supplier relations and will be held biannually. 92% of relevant staff have completed the training so far.

All relevant staff will receive training in Solar's Sustainable Procurement Policy in 2024.

Suppliers that are risk assessed and who perform below our set threshold will be assigned sustainability training through our 3rd party tool. This is alongside the corrective action required.

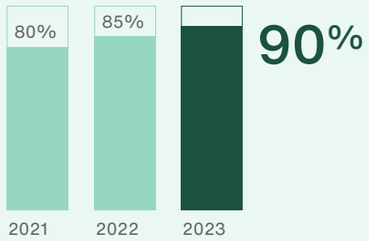
Solar complies with the Norwegian Transparency Act. A separate report has been drawn up by Solar Norge AS, and Solar has implemented the processes and the 3rd party collaboration required by law. A Sustainable Procurement Policy will be published in 2024.

Due to the currently unstable situation in parts of our region, we monitor developments on a regular basis and follow international protocols.

**Target 2023**

**90% of spend covered by supplier Code of Conduct**

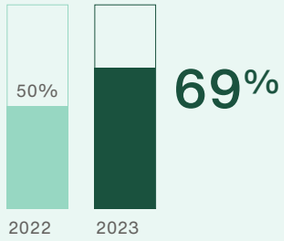
Share in percentage of direct spend




**Target 2023**

**80% of spend undergoing risk assessment**

Share in percentage



# Partnerships and commitments

In 2010, Solar joined UN Global Compact (UNGC), the UN initiative to promote ethical business practices. Our CEO has signed a letter of commitment with the clear intent to implement the principles of the UN Global Compact as part of our strategy, culture, and day-to-day operations, and we have reported our Communication on Progress (CoP) ever since.

WE SUPPORT

Since 2010, Solar A/S has been a participant of the Global Compact's Nordic Network. Read more about the Global Compact and its principles at www.unglobalcompact.org and more about Solar's Code of Conduct at solar.eu.

We are committed to respecting the UNGC ten principles and supporting responsible business practices as a stimulus to implement and measure sustainability efforts within the environment, human rights, labour rights, and anti-corruption.

In 2023, we signed a CEO statement together with 26 other companies in Denmark to stand together globally with high ambitions for a green transition to a net-zero future.

## Human rights

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that they are not complicit in human rights abuses

## Labour

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in respect of employment and occupation

## Environment

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

## Anti-corruption

10. Work against corruption in all its forms, including extortion and bribery

## UN SDG alignment

Solar is committed to and supports the 17 UN Sustainable Development Goals (SDG). We have selected four SDGs that we support in particular, namely 7, 12, 13 and 15. By acting responsibly, this is where Solar can make the greatest difference.

### SDG 7
Affordable and clean energy

7.2
Increase the global percentage of renewable energy

### SDG 12
Responsible consumption and production

12.4
Achieve environmentally sound management of chemicals and all waste throughout their life cycle

12.5
Substantially reduce waste generation through prevention, reduction, recycling, and reuse

12.6
Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle

### SDG 13
Climate action

13.2
Integrate climate change measures into national policies, strategies and planning

### SDG 15
Life on land

15.2
End deforestation and restore degraded forests

15.5
Protect biodiversity and natural habitats

# Partnerships and commitments

We report on our sustainability performance in accordance with relevant disclosure standards, including Nasdaq (as a Nasdaq ESG Transparency Partner) and the UN Global Compact. Since 2010, we have been a member of the UN Global Compact and CDP rated. As regards CDP, we are peer grouped in the Trading, Wholesale, Distribution, Rental, and Leasing sector. The average score in 2023 was C. Our score is B. We support the UN Sustainable Development Goals (SDG).

In 2023, our emission reduction targets for 2030 were approved by the Science Based Targets initiative (SBTi), showing that we are well on track with our goals.

Also in 2023, we received an EcoVadis gold rating for Solar Sverige and Solar Norge, meaning that we have a gold rating in Solar Danmark, Solar Nederland, Solar Norge and Solar Sverige. This indicates that we are in the top 5% in our industry. Our company MAG45 is rated bronze.

Going forward, we will publish further information on our progress in the selected ratings on our sustainability website.

## Ratings

| | |
|---|---|
| CDP DISCLOSER 2023 | B |
| GOLD 2023 ecovadis Sustainability Rating | Gold |
| ISS ESG | D+ (9/7-2023) |
| MSCI | AA |
| S&P Global Ratings | Score: 32 (24/11-2023) |
| SUSTAINALYTICS a Morningstar company | Low risk |

## Partnerships and commitments

WE SUPPORT UN GLOBAL COMPACT

SUSTAINABLE DEVELOPMENT GOALS

NASDAQ ESG TRANSPARENCY PARTNER Nasdaq

CLIMATE GROUP EV100

QUALITY ASSURANCE MANAGEMENT ISO 9001

ENVIRONMENTAL MANAGEMENT ISO 14001

### EcoVadis

EcoVadis is considered one of the world's largest providers of business sustainability ratings. They assess and continually monitor more than 160,000 global companies' corporate social responsibility performance and progress. Companies are rated in four categories: Environment, labour and human rights, ethics, and sustainable procurement. Solar has received four gold ratings, making Solar among the top 5% in its industry.

# 06

# Sustainability performance


- 2023 Results and future ambitions
- Sustainability performance indicators
- EU taxonomy
- Accounting policies
- Statement of the Board of Directors and the Executive Board
- Independent auditors' assurance report
- Stay up to date

The amount of kWh electricity supplied by solar panels on our warehouse can be monitored via this display. By 2023, 88% of Solar Group's electricity came from renewable sources.

# 2023 Results and future ambitions

## Environment

| | 2023 | | 2024-2026 | |
|---|---|---|---|---|
| **Focus** | **Ambitions** | **Results** | **Ambitions** | **Actions** |
| **Climate impact** | • Validation of targets by Science Based Targets initiave | • Our targets were approved<br>• Scope 1 and 2 mid-term targets have been set<br>• Scope 1 and 2 targets and activities are followed and implemented in EMS (ISO14001) in Solar Danmark, Solar Norge and Solar Sverige. | • Reduce our emissions by 65% in scope 1 and 2, according to our 2026 mid-term target | • Prepare road maps and follow up structure<br>• Implement new intiatives and projects<br>• Quaterly management reports<br>• Scope 3 will be recalculated according to new methodology |
| | • 100% renewable energy (electricity) | • 88% renewable electricity was achieved<br>• Gas has been phased out in Solar Danmark<br>• We did not reach our target of 100% renewable electricity. For locations owned by Solar, we reached 98%, only missing one location<br>• Scope 3 roadmaps are under development | • 100% renewable electricity | • Continue converting to own generated electricity - install solar panels at our own premises<br>• Engage with the owners of our rented premises and encourage them to change to certified renewable energy |
| | • 25 new EV chargers at Solar sites | • A total of 288 EVs were installed | • No new target and actions for the coming period | • We will continue to install EV chargers where relevant or required |
| | • Reduce energy (electricity) consumption by 10% year on year 2022-2023 | • 7.3% energy reduction at Group level<br>• Primarily driven by Solar Nederland and Solar Danmark | • No new target or actions for the coming period | • We will continue to energy optimise our operations |
| **Environmental responsibility** | • Biodiversity and afforestation<br>• Continue the conversion to biodiversity at head office in Denmark<br>• Afforestation on property in Denmark | • 116,000 trees have been planted near our head office<br>• Conversion of our land near our head office to biodiversity continues<br>• Aquisition of land for afforestation in Latvia | • Start afforestation in Latvia with up to 1.5 million trees planted by 2026 | • Three-year road map |
| | • Reduce packaging materials - inbound and outbound | • Plastic boxfilling has been reduced<br>• Several small-scale improvement projects have been implemented | • Continue to work on finding new and sustainable packaging solutions | • Identify areas to focus on - both inbound and outbound |

## 2023 Results and future ambitions

# Social

| Focus | 2023 Ambitions | Results | 2024-2026 Ambitions | Actions |
|---|---|---|---|---|
| **Diversity and inclusion** | • 25% women in senior management*<br>• Increase percentage of women in senior management<br>• Align initiatives with new regulations | • 15% women in senior management<br>• Training in unbiased recruitment<br>• Update recruitment processes and job advertisements | • 25% women in senior management<br>• 40% women in entry level positions | • Continue to work on increasing percentage of women in senior management<br>• Group Diversity communitity headed by CEO<br>• Installing local diversity and inclusion communities |
| **Occupational health and safety** | • Report according to lost time injury frequency rate (LTIFR) | • New reporting structure implemented | • Reduce number of work-related incidents | • Continue to focus on health and safety<br>• Follow up on 2023 activities |
| **Competence development** | • Target of 2,000 participants in renewable energy courses at Solar School<br>• Launch new courses<br>• Train employees in building directives | • Target achieved - 3,653 participated in a renewable energy course<br>• Internal training courses and benchmark in building certifications<br>• New courses have been added | • Target of 4,200 participants at Solar School within renewable energy courses by 2026 | • Continue to launch new courses<br>• Benchmark between the Solar Schools to increase the offering of new courses |
| **Social responsibility** | • Continue making Solar Family donations | • Continue donation programme | • No new target or actions for the coming period | • Continue donation programme |

# Governance

| Focus | Ambitions | Results | Ambitions | Actions |
|---|---|---|---|---|
| **Governance structure** | • Establish sustainability community in Solar Danmark | • Sustainability steering group established in Solar Danmark | • Implement new sustainabililty governance structure | • Prepare road maps for the coming strategy period |
| **Sustainable procurement** | • 90% of direct spend covered by supplier code of conduct<br>• 80% of direct spend to have undergone risk assessment | • Targets achieved - 90% of direct spend covered by supplier code of conduct<br>• Target not achieved - 69% of direct spend to have undergone risk assessment. Target extended to 2024<br>• Code of conduct has been updated | • 95% of direct spend covered by supplier code of conduct by 2026<br>• 80% of direct spend will undergo a risk assessment by 2024 | • Training of category managers to assess suppliers' performance<br>• Perform risks assessments of suppliers |
| **Partnerships and commitments** | • EcoVadis Gold in Solar Sverige and Solar Norge | • Received gold for Solar Sverige and Norge<br>• Results and information about EcoVadis gold have been published internally and externally | • Keep or improve our gold rating at Solar Denmark, Solar Nederland, Solar Norge, and Solar Sverige | • Continue to raise our ratings by implementing new initiatves that support the environment, human rights and labour, ethics, and sustainable procurement |

* Calculated according to the Danish Financial Act § 99d

# Sustainability performance indicators

| Solar Group data | Units | Assured 2023 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Environment** | | | | | | |
| **Climate, GHG emissions** | | | | | | |
| **Scope 1** | | | | | | |
| Fleet | $tCO_2e$ | * | 1,476 | 1,916 | 2,310 | 1,748 |
| Natural gas | $tCO_2e$ | * | 646 | 1,061 | 1,245 | 1,043 |
| Other fuels | $tCO_2e$ | * | 28 | 56 | 28 | 23 |
| **Total scope 1** | $tCO_2e$ | * | **2,150** | **3,033** | **3,583** | **2,814** |
| **Scope 2** | | | | | | |
| District heating | $tCO_2e$ | * | 1,972 | 1,642 | 1,423 | 1,380 |
| Electricity (market based) | $tCO_2e$ | * | 1,065 | 1,023 | 2,588 | 2,848 |
| Electricity (location based) | $tCO_2e$ | | 1,700 | 1,627 | - | - |
| Fleet | $tCO_2e$ | * | 204 | 222 | 96 | 98 |
| **Total scope 2** | $tCO_2e$ | * | **3,241** | **2,887** | **4,107** | **4,326** |
| **Total scope 1 and 2** | $tCO_2e$ | * | **5,391** | **5,920** | **7,690** | **7,140** |
| **Scope 3**** | | | | | | |
| Purchased products and services | $tCO_2e$ | | 208,394 | - | - | 206,952 |
| Use of sold products | $tCO_2e$ | | 533,533 | - | - | 467,630 |
| Others scope 3 emissions (C3, C5, C6, C7, C9, C12) | $tCO_2e$ | | 54,759 | - | - | 75,787 |
| **Total scope 3** | $tCO_2e$ | | **796,686** | **-** | **-** | **750,369** |

* **The data indicator has been subject for limited assurance**
** **Total scope 3 emissions include emissions from the following categories:**
- C1: Purchased products and services
- C3: Fuel- and energy-related activities
- C4: Upstream transport is embedded in C1
- C5: Waste generated in operations
- C6: Business travel
- C7: Employee commuting
- C9: Downstream transport and distribution
- C11: Use of sold products
- C12: End-of-life treatment of sold products
- The following categories have been excluded from the calculation: C2: Capital goods, C10: Processing of sold products,C8/13: Leased assets, C14 Franchises, C15: Investments

# Sustainability performance indicators – Solar Group data

| Solar Group data | Units | Assured 2023 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Energy consumption** | | | | | | |
| Total amount of energy | GJ | * | 136,093 | 146,762 | 153,824 | 141,074 |
| Natural gas | GJ | * | 12,717 | 20,918 | - | - |
| Other fuels (incl. fleet) | GJ | * | 31,370 | 36,963 | - | - |
| District heating | GJ | * | 39,508 | 34,600 | - | - |
| Electricity | GJ | * | 52,498 | 54,281 | - | - |
| Renewable electricity from energy attribute certificates | % | * | 88% | 84% | 68% | 28% |
| **Water** | | | | | | |
| Total water consumption | $m^3$ | * | 25.213 | 20,751 | 23,204 | - |
| **Waste** | | | | | | |
| Recycled | tons | | 2,475 | 2,992 | - | - |
| Incinerated | tons | | 738 | 825 | - | - |
| Hazardous | tons | | 32 | 20 | - | - |
| Landfilled | tons | | 57 | 73 | - | - |
| Total waste generated | tons | | 3,302 | 3,910 | - | - |
| **Fleet** | | | | | | |
| Total fleet | number | | 468 | 478 | 469 | - |
| Share of EV fleet <3,5t | % | | 69 | 48 | 34 | - |

* The data indicator has been subject for limited assurance

# Sustainability performance indicators – Solar Group data

| Solar Group data | Units | Assured 2023 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Social** | | | | | | |
| **People** | | | | | | |
| Number of employees (FTEs) | number | * | 3,036 | 3,019 | 2,908 | 2,935 |
| Stick rate | % | | 79 | 82 | 86 | 83.6 |
| Employee turnover ratio | % | * | 13.2 | 12.8 | 7.8 | 5.24 |
| **Diversity and inclusion** | | | | | | |
| All employees - women | % | * | 29 | 29 | 27 | 27 |
| Senior management - women** | % | * | 15 | 17 | 19 | 17 |
| Entry level - women | % | | 31 | 37 | 33 | 31 |
| Age distribution - full time workers (end of year) | | | | | | |
| - <=25 | % | | 5.5 | 6.9 | 4.5 | - |
| - 26-59 | % | | 83.3 | 83.3 | 86.8 | - |
| - >=60 | % | | 11.2 | 9.8 | 7 | - |
| **Equity** | | | | | | |
| Gender pay ratio - women | times | * | 1.18 | 1.21 | 1.17 | 1.14 |
| CEO pay ratio | times | * | 25 | 27 | 28 | 24 |
| **Health and safety** | | | | | | |
| Sickness absence | days per FTE | * | 9.7 | 12.2 | 10.2 | 9.2 |
| Lost time injury frequency rate | rate | | 3.7 | 3.1 | 5.1 | - |
| **Competence development** | | | | | | |
| Supplier Code of Conduct training, employees | % | | 92 | 60 | - | - |
| Solar School participants completing a renewable energy course, customers | number | | 1,294 | 1,882 | 557 | - |
| **Solar Family** | | | | | | |
| Solar Family donations | number | | 65 | 36 | 28 | 10 |

* The data indicator has been subject for limited assurance
** Calculated according to the Danish Financial Act § 99b

# Sustainability performance indicators – Solar Group data

| Solar Group data | Units | Assured 2023 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Governance** | | | | | | |
| **Sustainable procurement** | | | | | | |
| Supplier Code of Conduct signed | % | | 90.5 | - | - | - |
| Risk assessment, spend | % | | 68 | - | - | - |
| **Whistleblower** | | | | | | |
| Whistleblower cases submitted | number | | 1 | 2 | 8 | 0 |
| Whistleblower cases admissible | number | | 0 | 0 | 0 | 0 |
| Whistleblower cases resolved | number | | 1 | 2 | 8 | 0 |
| **Board** | | | | | | |
| Share underrepresented gender | % | * | 33 | 33 | 17 | 17 |
| Board meeting atttendance rate | % | * | 97 | 98 | 98 | 98 |
| **Rating** | | | | | | |
| Carbon Disclosure Project (CDP) | rate | | N/A | B- | B- | B- |

* The data indicator has been subject for limited assurance

# Sustainability performance indicators – Company data

| | | 2023 (2022 % increase/decrease) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company data** | **Units** | **Solar Danmark**** | **Solar Nederland** | **Solar Norge** | **Solar Poland** | **Solar Sverige** | **MAG45** | **Others*** |
| **Environment** | | | | | | | | |
| **Climate, GHG emissions** | | | | | | | | |
| **Scope 1** | | | | | | | | |
| Fleet | $tCO_2e$ | 742 (-15% ) | 237 (-17%) | 5 (-49%) | 315 (8%) | 92 (-78%) | 42 (+24%) | 43 (+190%) |
| Natural gas | $tCO_2e$ | 139 (-73%) | 268 (-12%) | 0 (-%) | 130 (-19%) | 0 (-%) | 100 (+33% | 9 (-27%) |
| Fuel oil | $tCO_2e$ | 18 (-60%) | 0 (- %) | 0 (-%) | 10 (-14%) | 0 (-%) | 0 (-%) | 0 (- %) |
| **Total scope 1** | $tCO_2e$ | 899 (-37%) | 505 (-15%) | 5 (-49%) | 338 (-18%) | 92 (-78%) | 142 (+30%) | 52 (94%) |
| **Scope 2** | | | | | | | | |
| Fleet | $tCO_2e$ | 43 (+ 30%) | 81 (-21%) | 6 (-33%) | 0 (-%) | 71 (-5%) | 0 (-%) | 3 (+242%) |
| Electricity | $tCO_2e$ | 297 (-3%) | 34 (100%) | 160 (-9%) | 301 (-19%) | 3 (-91%) | 174 (47%) | 97 (+371%) |
| District heating | $tCO_2e$ | 330 (+70%) | 289 (+15%) | 453 (+43%) | 37 (-16%) | 803 (+1%) | 0 (-%) | 60 (+38%) |
| **Total scope 2** | $tCO_2e$ | 670 (+25%) | 405 (+14 %) | 619 (+23%) | 338 (-18%) | 877 (-3%) | 174 (47%) | 159 (+147% |
| **Total scope 1 and 2** | $tCO_2e$ | 1,569 (-20%) | 909 (-4%) | 624 (+22%) | 793 (-9%) | 969 (-26%) | 316 (+39%) | 211 (+132%) |
| **Energy consumption** | | | | | | | | |
| Natural gas | GJ | 2,732 (-73%) | 5,290 (-13%) | 0 (-%) | 2,555 (-19%) | 0 (-%) | 1,969 (+33%) | 171 (-27%) |
| Fuel oil | GJ | 230 (-65%) | 0 (-%) | 0 (-%) | 128 (-26%) | 0 (-%) | 0 (-%) | 0 (-%) |
| Electricity | GJ | 15,301 (+13%) | 8,139 (-4%) | 11,767 (-3%) | 1,619 (-12%) | 13,442 (-18%) | 1,605 (-12%) | 625 (+348%) |
| District heating | GJ | 6,616 (+61%) | 5,785 (10%) | 9,081 (+36%) | 741 (-20%) | 16,092 (-4%) | 0 (- %) | 1,193 (+31%) |
| Fleet | GJ | 13,373 (-8% | 6,587 (-2%) | 231 (-29%) | 5,889 (19%) | 3,349 (-61%) | 808 (+27%) | 775 (+195%) |
| Self-generated electricity | kWh | 135,787 | 27,840 | 0 (-%) | 29,554 | 0 (-%) | 457,318 | 0 (- %) |
| Renewable electricy | % | 87 | 97 | 90 | 22 | 98 | 35 | 0 |
| Total amount of energy | GJ/kWh | 38,252 (-11%) | 25,801 (-3%) | 21,079 (10%) | 10,932 (-1%) | 32,883 (-21%) | 4,382 (+11%) | 2,764 (+79%) |
| **Water** | | | | | | | | |
| Total water consumption | $m^3$ | 5,205 | 3,380 | 4,385 | 2,703 | 6,931 | 2,433 | 176 |

* Solar Polaris, Højager Belysning, Thermo Nova
** Also covers Solar A/S

# Sustainability performance indicators – Company data

| | | 2023 (2022 % increase/decrease) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company data** | **Units** | **Solar Danmark**** | **Solar Nederland** | **Solar Norge** | **Solar Poland** | **Solar Sverige** | **MAG45** | **Others*** |
| **Waste** | | | | | | | | |
| Recycled | tons | 1,080 | 647 | 225 | 49 | 436 | 33 | 4 |
| Incinerated | tons | 225 | 201 | 159 | 0 | 134 | 17 | 1 |
| Hazardous | tons | 4 | 0 | 0 | 2 | 25 | 2 | 0 |
| Landfilled | tons | 20 | 0 | 0 | 3 | 33 | 0 | 0 |
| Total waste generated | tons | 1,329 | 848 | 384 | 54 | 628 | 52 | 5 |
| **Fleet** | | | | | | | | |
| Total fleet | number | 165 | 131 | 9 | 73 | 160 | 21 | 12 |
| Share of EV fleet <3,5t | % | 33 | 82 | 78 | 0 | 88 | 29 | 0 |
| **ISO certifications** | | | | | | | | |
| ISO 9001-certified | yes/no | yes | yes | yes | yes | yes | yes | no |
| ISO 14001-certified | yes/no | yes | no | yes | yes | yes | yes | no |

* Solar Polaris, Højager Belysning, Thermo Nova
** Also covers Solar A/S

# Sustainability performance indicators – Company data

| | | 2023 (2022 % increase/decrease) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company data** | **Units** | **Solar Danmark**** | **Solar Nederland** | **Solar Norge** | **Solar Poland** | **Solar Sverige** | **MAG45** | **Others*** |
| **Social** | | | | | | | | |
| **People** | | | | | | | | |
| Number of employees (FTEs) | FTE | 923 (0%) | 578 (2%) | 384 (0%) | 375 (-4%) | 555 (0%) | 221 (12%) | - |
| Stick rate | % | 72.4 (-17%) | 80.0 (16%) | 92.0 (0%) | 85.3 (12%) | 78.2 (7%) | 74.2 (19%) | - |
| Employee turnover ratio | % | 16.4 (36%) | 11.4 (-20%) | 9.2 (10%) | 13.5 (8%) | 9.9 (-34%) | 18.0 (25%) | - |
| **Diversity and inclusion** | | | | | | | | |
| All employees - women | % | 29.0 (1%) | 16.7 (-26%) | 30.1 (-1%) | 39.9 (3%) | 28.8 (8%) | 38.8 (2%) | - |
| Entry level - women | % | 34.6 (-4%) | 16.0 (-55%) | 35.0 (-10%) | 42.3 (-23%) | 39.4 (38%) | 29.7 (-29%) | - |
| Age distribution - full time workers (end of year) | | | | | | | | |
| - <=25 | % | 7.9 (-11%) | 2.3 (-4%) | 3.0 (-6%) | 3.2 (-66%) | 8.5 (-21%) | 5.5 (112%) | - |
| - 26-59 | % | 78.1 (-1%) | 81.8 (3%) | 84.5 (-2%) | 94.4 (7%) | 84.1 (2%) | 84.4 (-6%) | - |
| - >=60 | % | 14.0 (17%) | 15.9 (-14%) | 12.5 (14%) | 2.4 (14%) | 7.4 (10%) | 10.1 (35%) | - |
| **Equity** | | | | | | | | |
| Gender pay ratio - women | times | 1.24 (-2%) | 1.19 (-2%) | 1.22 (+4%) | 1.06 (-3%) | 1.13 (-2%) | 1.36 (-14%) | - |
| **Health and well-being** | | | | | | | | |
| Sickness absence | days per FTE | 7.4 (-4%) | 10.4 (-4%) | 15.9 (-4%) | 6.5 (-31%) | 10.2 (-16%) | 10.2 (-4%) | - |

* Solar Polaris, Højager Belysning and Thermo Nova are included in Solar Danmark for the social and governance numbers
** Also covers Solar A/S

# Sustainability performance indicators – Company data

| | | 2023 (2022 % increase/decrease) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company data** | **Units** | **Solar Danmark**** | **Solar Nederland** | **Solar Norge** | **Solar Poland** | **Solar Sverige** | **MAG45** | **Others*** |
| **Governance** | | | | | | | | |
| **Sustainable procurement** | | | | | | | | |
| Supplier Code of Conduct, signed | % | 91 | 86 | 92 | - | 96 | - | - |
| Risk assessment, spend | % | 69 | 60 | 72 | - | 73 | - | - |
| **Rating** | | | | | | | | |
| EcoVadis rating | rate | gold | gold | gold | - | gold | bronze | - |

*Solar Polaris, Højager Belysning and Thermo Nova are included in Solar Danmark for the social and governance numbers

# EU taxonomy

2023

| Economic activites (1) | Code(s) (2) | Absolute turnover (3) | Proportion of turnover (4) | Substantial contribution criteria: Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of turnover, 2022 (18) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | | Currency (DKKm) | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy eligible activities** | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (taxonomy – aligned) | | | | | | | | | | | | | | | | | | | |
| Turnover of environmentally sustainable activities (taxonomy aligned) (A.1) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | 0 | | |
| Of which enabling | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | 0 | E | |
| Of which transitional | | 0 | 0 | 0 | | | | | | N | N | N | N | N | N | N | 0 | | T |
| A.2 Taxonomy – eligible but not environmentally sustainable activities (not taxonomy-aligned activities) | | 0 | 0 | N/EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| **Total (A.1+A.2)** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | | | | | | | | **0** | | |
| **B. Taxonomy – non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| Turnover of taxonomy – non-eligible activities (B) | | 13,031 | 100 | | | | | | | | | | | | | | | | |
| **Total (A+B)** | | **13,031** | **100** | | | | | | | | | | | | | | | | |

| | Proportion of turnover/Total turnover | |
|---|---|---|
| | Taxonomy-alligned per objective | Taxonomy-eligible per objective |
| | % | % |
| CCM | 0 | 0 |
| CCA | 0 | 0 |
| WTR | 0 | 0 |
| CE | 0 | 0 |
| PPC | 0 | 0 |
| BIO | 0 | 0 |

# EU taxonomy

| OpEx<br>Economic activites (1) | Code(s) (2) | Absolute OpEx (3) | Proportion of OpEx (4) | 2023 Substantial contribution criteria: Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of OpEx, 2022 (18) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Currency (DKKm) | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy eligible activities** | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (taxonomy – aligned) | | | | | | | | | | | | | | | | | | | |
| OpEx of environmentally sustainable activities (taxonomy aligned) (A.1) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | 0 | | |
| Of which enabling | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | 0 | E | |
| Of which transitional | | 0 | 0 | 0 | | | | | | N | N | N | N | N | N | N | 0 | | T |
| A.2 Taxonomy – eligible but not environmentally sustainable activities (not taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | |
| 7.3 Installation, maintenance and repair of energy efficiency equipment | CCA 7.3 | 5 | 12 | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 11 | | |
| 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) | CCA 7.4 | 0 | 0 | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2 | | |
| OpEx of taxonomy-eligible not environmentally sustainable activities (not taxonomy-aligned activities) (A.2) | | 5 | 12 | 0 | 100 | 0 | 0 | 0 | 0 | | | | | | | | 13 | | |
| **OpEx of taxonomy eligible activities (A.1+A.2)** | | **5** | **12** | **0** | **100** | **0** | **0** | **0** | **0** | | | | | | | | **13** | | |
| **B. Taxonomy-non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| OpEx of taxonomy-non-eligible activities (B) | | 38 | 88 | | | | | | | | | | | | | | | | |
| **Total** | | **43** | **100** | | | | | | | | | | | | | | | | |

| | Proportion of OpEx/Total OpEx | |
|---|---|---|
| | Taxonomy-alligned per objective | Taxonomy-eligible per objective |
| | % | % |
| CCM | 0 | 0 |
| CCA | 0 | 12 |
| WTR | 0 | 0 |
| CE | 0 | 0 |
| PPC | 0 | 0 |
| BIO | 0 | 0 |

# EU taxonomy

2023

| CapEx<br>Economic activites (1) | Code(s) (2) | Absolute CapEx (3) | Proportion of CapEx (4) | Substantial contribution criteria: Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of CapEx, 2022 (18) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Currency (DKKm) | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy eligible activities** | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (taxonomy – aligned) | | | | | | | | | | | | | | | | | 0 | | |
| Capex of environmentally sustainable activities (taxonomy aligned) (A.1) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | | | |
| Of which enabling | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N | N | N | N | N | N | N | 0 | E | |
| Of which transitional | | 0 | 0 | 0 | | | | | | N | N | N | N | N | N | N | 0 | | T |
| A.2 Taxonomy – eligible but not environmentally sustainable activities (not taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | |
| 1.1 Afforestation | CCA 1.1 | 25 | 5 | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2 | | |
| 7.3 Installation, maintenance and repair of energy efficiency equipment | CCA 7.3 | 1 | 0 | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| 7.6 Installation, maintenance and repair of renewable energy technologies | CCA 7.6 | 5 | 1 | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 3 | | |
| CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2) | | 31 | 6 | 0 | 100 | 0 | 0 | 0 | 0 | | | | | | | | 5 | | |
| **CapEx of taxonomy-eligible activities (A.1+A.2)** | | **31** | **6** | **0** | **100** | **0** | **0** | **0** | **0** | | | | | | | | **5** | | |
| **B. Taxonomy – non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| CapEx of taxonomy-non-eligible activities (B) | | 466 | 94 | | | | | | | | | | | | | | | | |
| **Total (A+B)** | | **497** | **100** | | | | | | | | | | | | | | | | |

| | Proportion of CapEx/Total CapEx | |
|---|---|---|
| | Taxonomy-alligned per objective | Taxonomy-eligible per objective |
| | % | % |
| CCM | 0 | 0 |
| CCA | 0 | 6 |
| WTR | 0 | 0 |
| CE | 0 | 0 |
| PPC | 0 | 0 |
| BIO | 0 | 0 |

# Accounting policies

Solar's sustainability report is presented in accordance with the Danish Financial Statements Act and the ESG guidelines (January 2022) as issued by the Danish Finance Society (CFA Society Denmark), FSR (Danish Auditors), and Nasdaq Copenhagen.

## Basis of preparation
## Reporting period

The reported data covers the period from 1 January to 31 December 2023.

## Scope and consolidation

Unless otherwise stated, the data is reported on the basis of the same policies as the financial statements.

The sustainable performance indicators include consolidated data from the parent company Solar A/S (see full company overview at page 127 in Solar Annual Report 2023). Data is collected per subsidiary/location and per activity, and the figures are internally controlled before consolidation in the shown Solar Group data (page 41-44).

The consolidation for greenhouse gas (GHG) emissions data is based on the operational consolidation approach and stated in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard Revised Edition (2015).

The accounting policies described below have been applied consistently in the financial year and to the comparative figures.

To ensure completeness in the reported data from our subsidiaries/locations, accounting policies have been developed, which can be used for locations with no individual registration, which is the case for a number of minor locations.

Our policies define average consumption values per FTE and are only used if other more accurate information is not available.

## Emission conversions and calculations

Resource Advisor is used to collect all data regarding scope 1 and 2, selected scope 3 categories as well as other data considered relevant to calculate, monitor and disclose and to calculate GHG emissions according to the GHG protocol using DEFRA emission factors.

## Changes in accounting policies

The method for calculating energy consumption changed in 2022 to follow the directions of the ESG Nasdaq/FSR guidelines. Earlier years' calculations were based on consumption of electricity and district heating in kWh and have been recalculated according to the new calculation method.

No changes were applied to any reported ESG KPIs in 2023.

## Environment
## Scope 1

Direct scope 1 GHG emissions are reported in tonnes and the sum of all $CO_2$ equivalents.

The emissions are calculated based on the direct energy consumption for operations (natural gas, oil, diesel, petrol) and fuel from people transport (company owned/leased cars). For all scope 1 data, December is estimated based on data on total used for a comparable month or as an average for the previous months of the years.

## Scope 2

Indirect scope 2 GHG emissions are reported in tonnes of $CO_2$ equivalent. Scope 2 emissions are reported as location and market-based in accordance with the GHG protocol. For all scope 2 data, December is estimated based on data on total used for a comparable month or as an average for the previous months of the years.

## Scope 3

Scope 3 encompasses emissions that are not produced by the company itself and is reported in tonnes of $CO_2$ equivalent. Scope 3 emissions are a combination of activity and spend based calculations and are calculated annually. Data are pulled from Solars ERP system and calculated annually. Where actual data is not available data are calculated based on economic spend allocation and weight-based calculations according to the Quantis inventory method. This accounts for C1: Purchased products and services and C11: Use of sold products, as well as for the categories under 'Other'; C3: Fuel- and energy-related activities, C4: Upstream transport is embedded in C1, C9: Downstream transport and distribution and C12: End-of-life treatment of sold products. These calculations are considered a very rough approximation of total emissions. The categories C5: Waste, C6: Business travel and C7: Employee commuting are 100% activity based.

## Fleet

GHG emissions from fleet cover GHG emissions from cars owned and leased by Solar. Emissions are calculated based on the actual used fuel in the reporting period for both diesel and petroleum cars. For December where Solar do not have the actual used fuel the is estimated based on data on total used fuel for a comparable month or as an average for the previous months of the years.

Yearly used fuel is multiplied by the vehicle's emission factor per liters as communicated by DEFRA (updated 2023).

For electrical cars the actual driven kilometers are used for the countries where this information is available. If the actual driven kilometers are not available for all months, the driven kilometers are estimated based on the yearly maximum in accordance with the leasing contract for each car. At least once a year the actual driven km is requested for all electrical cars. The actual driven KM is compared to the estimated KM. The +/- kmin % is used for the estimate in the remaining month. Yearly used kilometers is multiplied by the vehicle's emission factor per kilometers as communicated by DEFRA (updated 2023).

## Natural gas

The total amount of natural gas consumed in Giga Jules. Emissions are calculated based on the actual used gas in the reporting period. Yearly used gas is multiplied by the emission factor communicated by DEFRA.

## Other fuels

The total amount of fuel oil consumed in MWh. Emissions are calculated based on the actual used fuel oil in the reporting period. Yearly used fuel oil is multiplied by the emission factor communicated by DEFRA.

## Electricity

The total amount of electricity consumed in MWh. Emissions are calculated based on the actual used electricity in the reporting period. Yearly used electricity is multiplied by the emission factor communicated by DEFRA. Electricity is calculated both a marked-based and location based.

# Accounting policies

## District heating
The total amount of district heating consumed MWh. Emissions are calculated based on the actual used district heating in the reporting period. Yearly used district heating is multiplied by the emission factor communicated by DEFRA.

## Renewable electricity
The total amount of renewable electricity procured and generated at locations owned or leased by Solar as a percentage of total electricity consumption in MWh in the reporting year. Procured renewable energy is documented through guarantees of origin (GO).

## Water
The water consumption for 2023 is based on actual data for the locations where the actual data is available. If the actual data is not available, the estimate has to be based on the relevant data for the source, which could be the previous period usages of liters.

For all offices in the legal entities that have reported water data and this data has been validated, an office benchmark (m3/headcount) is created by dividing their consumption in that year by the headcount in that year. This benchmark is multiplied by the headcount of the offices that have been unable to report, to infer missing gaps and ensure there are no gaps in the data.

The water consumption for 2022 was estimated due to lack of separate settlements for a number of our smaller locations and was not assured.

## Waste
Waste treatment volumes per final treatment are reported as absolute tonnage of waste collected from Solar locations and split by waste treatment categories; recycled, incinerated, hazardous and landfilled. Data are pulled from direct from waste handling suppliers and documented in Resource Advisor.

## Total fleet and share of EVs
The total amount of cars <3.5 tonnes leased or owned by Solar by the end of the reporting year and the percentage share of electrical cars (electrical and hybrid). Data are pulled from Solar ERP system.

## Social
## Full-time workforce
Number of employees is the average full-time workforce (FTE) employed by Solar during the year. FTEs are calculated based on the total number of compensable hours (days) in a work year compared to the number of hours (days) in a 'norm' work year. Temporary employees are included. Data are pulled from the local salary systems.

## Stick rate
The stick rate is a number showing how many of the employees hired which is still working at Solar after 12 months of employment. The number is calculated on a monthly basic.

## Employee turnover
The rate of employee turnover is calculated as employee turnover divided by the average number of FTEs including temporary workers. Employee turnover is measured as the number of own employees leaving Solar in the preceding year. In 2022 the calculation method was changed to include all employee turnover, where 2021 figures only included voluntary employee turnover.

## Gender diversity, all employees - women
Gender diversity is the percentage of women employed end of year based on full-time workers and temporary employees.

## Gender diversity, senior management - women
Women in management is the percentage of women in level 1 and 2 of the organisation and calculated as women in senior management divided by all FTEs in senior management. Level 1 is the executive board and managers at the same organisational level as the executive board. Level 2 consists of managers with staff responsibility and reporting directly to level 1 management. Diversity in senior management only covers Solar Danmark.

## Entry level - women
The gender entry level is calculated as the total numbers of new hired women in 2023 as a procentage of the total numbers of hires in 2023.

## Age distribution
Workforce age distribution is calculated as a percentage split of all full-time workers end of year.

## Gender pay ratio - women
The general pay ratio between gender is determined as the median salary for male employees compared to median salary for female employees including bonus and pensions. All employees is calculated as the median male salary divided by the median female salary.

## CEO pay ratio
The CEO pay ratio is calculated by dividing the CEO's total compensation in the reporting period by the pay of the median salary of all the employees at Solar Group.

## Sickness absence - days per FTE
Absence is defined as time lost due to an employee's illness, including leave, occupational injuries and diseases. Maternity/paternity leave is not included in the sickness absence. The average rate of absence is calculated as the number of registered days of absence as a percentage of the total number of normal working days in one year of fulltime employees, less vacation and public holidays.

## Lost time injury frequency rate
The number of lost time injuries is determined as the number of injuries during the year, leading to one or more days of absence in addition to the day on which the incident occurred. The injury frequency is determined as the number of injuries with absence per million working hours.

## Supplier code of conduct training
Training for all relevant employees with a direct contact to direct material suppliers to Solar. Data are pulled from attendance lists.

# Accounting policies

## Solar School participants
Number of external stakeholders participating in a renewable energy training sessions hosted by Solar. Data are pulled from attendance lists. A renewable energy training course is defined as: Solar panels, heat pumps, EV chargers, ventilation and sustainability management.

## Solar Family donations
Number of approved applications in the reporting period. Applications are approved by the Solar Foundation, the Fond of 20th December.

## Governance
## Supplier code of conduct - signed
Total share of direct spend covered by a signed Solar supplier code of conduct. Data are pulled from Solars contract system.

## Supplier risk assessment - spend
Total spend which have undergone a risk assessment using the EcoVadis risk assessment tool. Data are pulled from the EcoVadis risk assessment tool.

## Whistle blower
Whistleblower cases is the number of whistleblower cases submitted, assessed, and resolved via the whistleblower portal during the year irrespective of whether the reporter is internal or external.

## Share underrepresented gender
The share of underrepresented gender is the percentage of women in the Board of Directors at the reporting date. It applies for elected members and is calculated as the number of women divided by the total number of members in the Board of Directors.

## Carbon Disclosure Project (CDP)
We are rated annually according to the guidelines of CDP. Currently, we are awaiting 2023 ratings.

## Board meeting attendance rate
The attendance rate is calculated as the percentage of meetings attended out of the total number of meetings that have occurred in the reporting period and which could have been attended by all board members.

# Accounting policies

## EU taxonomy

The EU taxonomy is the classification system identifying environmentally sustainable economic activities.

The EU taxonomy framework (EU Taxonomy Regulation 2020/852) is part of the EU Green Deal and serves as a core enabler to deliver on the EU's ambitious climate goals about carbon neutrality in 2050. The goal is to redirect investments towards sustainable projects. Our assessment below is in compliance with Regulation EU 2020/852 and the associated amendments to the annex'es of the disclosure delegated act as issued on 13 June 2023.

Solar performed a screening of the technical annexes of the Climate Delegated Act to identify any potentially eligible economic activities for the Revenue KPI and for both category (a) and (c) of the CapEx and OpEx KPIs. Identified areas where there were any eligible economic activities in the reporting period, were subject to further assessment of eligibility.

For the calculation of the denominator of the Revenue, CapEx and OpEx KPIs we have extracted the figures directly from the ERP system and therefore ensure that the figures are only counted once in each KPI. For the allocation of the numerator for CapEx, we have first identified the relevant figures and then we have allocated the primary related economic activity in the Climate Delegated Act. In this way, we ensure that no CapEx is considered more than once.

See EU taxonomy tables for the full overview on pages 49-51.

## Solar activities

Solar has reviewed all 6 taxonomy-eligible economic activities listed in the Climate Delegated Act. Based on the current interpretation of the eligible economic activities, we have concluded that sourcing of electrical and heating and plumbing equipment is not included in the list of eligible sectors. Consequently, our economic activities are not yet in scope for assessment.

However, it is our understanding that sourcing of electrical and heating and plumbing equipment plays a pivotal role in climate change mitigations. By providing our customers with product documentation containing environmental data, it enables them to reduce their environmental strain and carbon footprint. We closely monitor the development.

Solar Polaris, a fully owned subsidiary, has eligible economic activities listed in the Climate Delegated Act with activities within installation, maintenance, and repair of renewable energy technologies (NACE 43.21) (activity code 7.6). The turnover is however not negligible.

## Eligible OpEx activities

Eligible OpEx include any of the following types of spend:

- Related to assets or processes that are associated with Taxonomy-aligned economic activities
  - 7.3 Installation, maintenance, and repair of energy efficiency equipment
  - 7.4 Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to reduce greenhouse gas emissions

## Eligible CapEx activities

Eligible CapEx are investments related to the following EU taxonomy activities:

- 1.1 Afforestation, establishment of forest through planting, deliberate seeding or natural regeneration on land that, until then, was under a different land use or not used
- 7.3 Installation, maintenance, and repair of energy efficiency equipment
- 7.6 Installation, maintenance, and repair of renewable energy technologies

Eligible CapEx includes any of the following types of spend:

- Related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reductions

## Threshold

A threshold of 3% is used for 'material changes' in numbers. The materiality changes have been set considering the numerical value of total CapEx/OpEx/revenue.

## Turnover

The activity of Solar as a sourcing and services company within electrical and heating and plumbing equipment is not included in the list of eligible sectors. Therefore, the share of taxonomy-eligible economic activities in the total turnover of Solar (KPI related turnover) is nil.

## Operating costs (OpEx)

OpEx consists of direct non-capitalized costs that relate to research and development, building renovation, short-term lease, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of PPE, right-of-use assets as well as intangible assets. The OpEx KPI is defined as Taxonomy eligible OpEx (numerator) relating to category (c) divided by total OpEx (denominator).

The denominator of the OpEx KPI is a subset of DIRECT non-capitalised costs relating to:

- Individual measures enabling Solar's activities to become low-carbon or lead to greenhouse gas reductions as well as building renovation measures
- Maintenance and repair and other day-to-day costs relating to servicing property, plant, and equipment

Solar has assessed that the numerator and denominator of the KPI related to the OpEx as disclosed in section 1.1.3.2 of annex 1 to the Disclosures Delegated Act cover the amount of non-capitalised costs related to:

- Activities or processes associated with taxonomy eligible aligned economic activities is nil

# EU taxonomy

- Research and development are nil
- Individual measures enabling Solar's activities to become low-carbon or lead to greenhouse gas reductions, which is DKK 5m (2022: 6m), as well as building renovation measures (7.3, 7.4)
- Maintenance and repair and other day-to-day costs relating to servicing property, plant and equipment amounting to DKK 43m (2022: 45m)

Consequently, the KPI related to OpEx can be calculated to 12% (2022: 14%).

## Capital expenditure (CapEx)

We included the numerator of the eligible CapEx investments in non-revenue generating activities described above. The denominator of the CapEx KPI includes total additions to intangibles and tangibles (notes 3.1, 3.2, 3.3 in the consolidated notes of the Annual Report 2023).

CapEx consists of additions to tangible assets covering property, plant, and equipment (PPE) and intangible assets during the financial year. It includes additions to PPE (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). The CapEx KPI is defined as taxonomy-eligible CapEx (numerator) relating to category (b) and (c) divided by total CapEx (denominator).

When assessing the numerator of the KPI related to the CapEx as disclosed in section 1.1.2.2 of annex 1 to the Disclosures Delegated Act we have assessed:

- The amount of CapEx that is referred to taxonomy aligned activities is nil
- The amount of CapEx related to become low-carbon or to lead to greenhouse gas reduction is DKK 31m (2022: 21m) (1.1, 7.3, 7.6)

When assessing the denominator of the KPI related to the CapEx as disclosed in section 1.1.2.1 of annex 1 to the Disclosures Delegated Act, we have assessed that it covers:

- Additions during the year; Intangible assets excluding goodwill as reported in note 3.1 in Annual Report 2023
- Additions during the year; property, plant, and equipment in note 3.2 in Annual Report 2023

As regards leased assets, new contracts, renewals, remeasurements and extensions are included as reported in note 3.3 in Annual Report 2023.

In total, the above amounts to DKK 497m (2022: 450m). Consequently, the KPI related to CapEx can be calculated to 6% (2022: 5%).

# Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the Sustainability Report of Solar A/S for the financial year 1 January 2023 – 31 December 2023.

The Sustainability Report has been prepared in accordance with Danish Financial Statement Act, and the stated accounting policies.

Further, the "Sustainability Performance Indicators for Solar Group" as presented in section 6 of the Sustainability Report for 2023 on pages 41 to 44 has been prepared in accordance with the ESG guidelines (January 2022) as issued by the Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq Copenhagen.

In our opinion, the Sustainability Report gives a true and fair presentation of Solar A/S' sustainability activities and results of the Group's sustainability efforts in the reporting period in accordance with the framework mentioned and the stated accounting policies, as well as a balanced presentation of Solar A/S' environmental, social and governance performance.

Vejen, 8 February 2024

**Board of Directors**

Michael Troensegaard Andersen
Chairman

Jesper Dalsgaard Jensen

Peter Bang

Morten Chrone

Sophie Louise Knauer

Katrine Borum

Michael Kærgaard Ravn

Rune Jesper Nielsen

Denise Goldby

**Executive Board**

Jens Ellegaard Andersen
CEO

Michael Hessellund Jeppesen
CFO

# Independent auditors' assurance report

**To the Stakeholders of Solar A/S**
Solar A/S engaged us to provide limited assurance on selected sustainability performance indicators for Solar Group for the financial year 1 January - 31 December 2023 as presented in section 6 of Sustainability Report under column "Assured 2023" on pages 41 to 44 in the Sustainability Report 2023 of Solar A/S.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Sustainability Report 2023, and accordingly, we do not express an opinion on this information.

**Management's responsibility**
Management of Solar A/S is responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the ESG data and information in the selected sustainability performance indicators, ensuring they are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective accounting policies for the preparation of the selected sustainability performance indicators, for the overall content of the sustainability performance indicators, and for measuring and reporting the selected sustainability performance indicators for Solar Group in accordance with the ESG guidelines (January 2022) as issued by the Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq Copenhagen, the accounting principles and the Greenhouse Gas Protocol included on pages 52 to 54 in the Sustainability Report.

**Auditor's responsibility**
Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion. Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the ESG statement is free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to the shareholders of Solar A/S.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

**Work performed**
We are required to plan and perform our work in order to consider the risk of material misstatement in the ESG statement. To do so, we have:

- conducted interviews with data owners and internal stakeholders to understand the key processes and control activities for measuring, recording and reporting the selected sustainability performance indicators;
- performed limited substantive testing on a selective basis to check that data has been appropriately measured, recorded, collated and reported;
- performed analysis of data, selected based on risk and materiality;
- made inquiries regarding significant developments in the reported data;
- considered the presentation and disclosure of the selected sustainability performance indicators for Solar Group;
- assessed that the process for reporting greenhouse gas emissions data follows the principles of relevance, completeness, consistency, transparency and accuracy outlined in The Greenhouse Gas Protocol Corporate Standard Revised edition (2015); and
- evaluated the evidence obtained.

**Our conclusion**
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us not to believe that the selected sustainability performance indicators as presented in section 6 of Sustainability Report under column "Assured 2023" on pages 41 to 44 in the Sustainability Report of Solar A/S for the financial year 1 January - 31 December 2023, have been prepared, in all material respects, in accordance with the accounting principles on pages 52 to 54.

Aarhus, 8 February 2024

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Henrik Vedel
State Authorised
Public Accountant
MNE no 10052

Aida Sasivarevic
State Authorised
Public Accountant
MNE no 47817

# Stay up to date

## We value your feedback

We welcome any questions, comments, or suggestions you might have on this report and our performance.

Please send your feedback to:

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6600 Vejen
Denmark
+45 79 30 00 00
Att.: Sustainability
solar@solar.eu

## Case text for front page photo

The roof of our warehouse at our head office contains nearly 3,250 solar panels, which generate 1 million kWh power per year. This covers 25% of the site's annual energy consumption.

COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

## Learn more and engage:

- solar.eu/our-company/sustainability
- solar.eu
- linkedin.com/company/solar-as
- Annual Report 2023
- Statutory report on corporate governance
- Statutory report on data ethics

solar

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