

Building a Model Company

The VELUX Group
Corporate Responsibility
Report 2011





Our approach

The principles, policies and processes that help our company address some of today's most important social and environmental issues.

Citizenship

The long-term success of our company depends on the health and prosperity of the societies where we do business. We take our social responsibilities seriously and aim to use our influence and resources to create value for both our company and society. Each year, a share of our profits is distributed to society through the VELUX Foundations.



Products and services

Through research, innovation and partnership, we are helping to define the sustainable buildings of the future, whilst continually working to improve the performance of our products.

Customer interaction and business partners

We aim for the highest standards of business practices when interacting with customers and partners, and we promote responsibility and respect for human rights throughout our supply chain.





Organisational behaviour

Our workplace is founded on innovation, teamwork and mutual respect. We strive to reduce our environmental impact while minimising accidents and recruiting the best talent.

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About the VELUX Group

The VELUX Group creates better living environments with daylight and fresh air through the roof for life, work and play. The VELUX product programme contains a wide range of roof windows and skylights, along with solutions for flat roofs. The Group also supplies many types of decoration and sun screening, roller shutters, installation products, products for remote control and thermal solar panels for installation in roofs.

The VELUX Group, which has manufacturing companies in 11 countries and sales companies in almost 40 countries, represents one of the strongest brands in the global building materials sector and its products are sold in most parts of the world.

The VELUX Group has about 10,000 employees and is owned by VKR Holding A/S, a limited company wholly owned by foundations and family. The VELUX Group head office is in Hørsholm, north of Copenhagen. For more details, visit www.velux.com.



■ Sales offices

■ Sales offices and manufacturing sites

The VELUX Group is represented in almost all markets in the northern hemisphere above the parallel 30° N. In the southern hemisphere, we cover most markets below the parallel 30° S. Those are the climatic areas best suited for VELUX products.



Organisational structure

The VELUX Group is organised according to the principle of supply chain management and we think of different product areas as one single supply chain towards our customers. The focus is on how to secure expected deliverables in due time and quality to our internal and external customers. In other words, we focus on the flows of raw materials, components and finished goods to the market and the information flow between various functional areas, i.e. products, manufacturing, logistics and market activities.

Activities in the VELUX Group Supply Chain are monitored by Group Compliance and Support, which consists of functional systems (Finance, IT, HR, HS&E, Communication, Brand and Marketing), and by the VELUX Management Group.

A message from our Management

Being a Model Company means we should manufacture products of benefit to society as a whole. VELUX products bring daylight and natural ventilation to homes, offices and other buildings, and thereby create the best conditions for a good indoor climate that is healthy and pleasant to live and work in.

The building industry is facing great challenges today in terms of the buildings of tomorrow. In the parts of the world where the VELUX Group is present, we spend 90% of our time indoors and that buildings account for more than 40% of all energy consumption. So there is enormous potential for radically changing energy consumption and reducing CO₂ emissions. This puts buildings high on the agenda in combating climate change.

The VELUX Group has been working for years to optimise the energy efficiency of its products. We constantly channel time and resources into improving our products and devising solutions for sustainable, CO₂-neutral buildings. We strive to develop new solutions for enhanced consumer comfort and energy saving. Responding to the climate challenge is essential to ensure we stay relevant, and continue to make products useful to society and find solutions to the energy challenge.

We address climate change with the concept we call VELUX Sustainable Living. It means three things for us: the buildings of the future must have a good indoor climate, be energy efficient and use renewable energy sources. The VELUX Group has solutions to offer in all three areas – partly because of our products, and partly because of our knowledge and experience with energy, daylight and architecture.

As a company we also take the responsibility to reduce the climate impact of our operations seriously. So we have drawn up a global climate target: the VELUX Group will achieve a 20% reduction in its global CO₂ impact by the end of 2012 and a 50% reduction by 2020, both compared to 2007 levels. To reach this goal, we have allocated a total investment budget of EUR 54 million.

The purpose of this report, which we have called Building a Model Company, is to document how we act as a responsible company and how we strive unceasingly to live up to the objective of being a Model Company. That is a quest that will never end. The threshold of when we can be deemed as behaving in an exemplary manner keeps moving – and with it, our ambition to reach our goal.



Jørgen Tang-Jensen,
CEO



David P. Meyer,
COO



Peter Bang,
CFO



Jacob Schambye,
Market & product
management



Michael K. Rasmussen,
Brand, Communication &
Marketing



Peter Kragh Knudsen,
Logistics



Klaus Lorenzen,
Product development



Niels Espersen,
HR & organisation



Patrick W. McKenzie,
SKY markets & strategy

The value of the VELUX Group

The VELUX Group creates value for society through our products, providing daylight and fresh air in an environmentally responsible way for millions of people. We provide thousands of jobs and enable many intermediaries in the building trade to generate an income. We reinvest in the business to ensure that we continue to grow and prosper.

The majority of the dividends from the VELUX Group go to The VELUX Foundations set up by Villum Kann Rasmussen, our founder. These foundations then redistribute the dividends to projects within science, culture, the social sector and the environment as well as to VELUX employees in need.



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Our approach

Corporate responsibility at the VELUX Group describes the principles, policies and processes that help us deliver on our founder's objective to create a Model Company against which others will measure themselves.

The Model Company Objective

"It is the Group's purpose to establish a number of Model Companies, which cooperate in an exemplary manner. By Model Company we mean a company working with products useful to society, which treats its customers, suppliers, employees of all categories and shareholders better than most other companies.

A Model Company makes a profit, which can also finance growth and maintain financial independence."

Villum Kann Rasmussen, 1965

Striving to become a Model Company, a role model for others, was an important goal for the VELUX Group's founder, Villum Kann Rasmussen, when he worded his Model Company Objective in 1965. At that time, it was quite visionary – especially in the light of the sharp focus in recent years on companies' responsibility, for which the Model Company Objective can justifiably be called a forerunner. So there is a base for the VELUX Group's work with corporate responsibility. The Model Company Objective still forms the bedrock of our way of doing business, and corporate responsibility is very much part of our business strategy and company.

As a Model Company we supply products that bring daylight and fresh air to buildings in order to create healthy and comfortable living environments. It means supplying products that are of high quality and reasonably priced, and carrying out our activities with the least possible impact on the environment and nature's resources.

The basis for all our activities is the needs of our customers; we must ensure that our products stay relevant to them and that they get good service and value for money. To achieve the VELUX Group goals, we base our relationship with suppliers on dialogue and cooperation. We focus strongly on developing our employees - creating the optimum framework for their activities and motivating them to do the best job. Ensuring the company's profitability is essential in order to finance further independent development and growth.

Vision

To lead the development of better living environments with daylight and fresh air through the roof and to be rated as the best in the eyes of our customers.

Core values

Commitment

We work for VELUX because we want to.

Mutual respect

We treat others as we would like to be treated ourselves.

Improvements

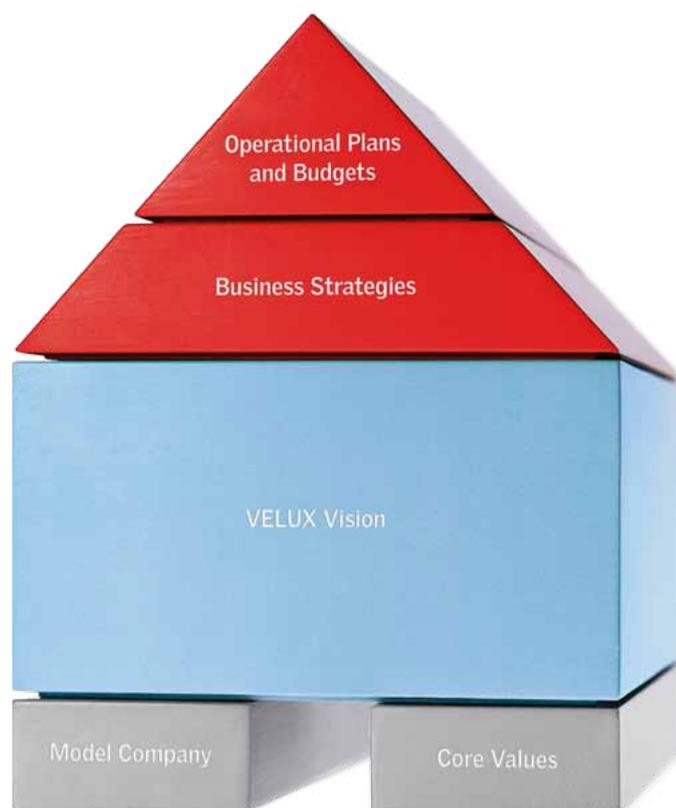
Our future is shaped by our continued ability to improve.

Local initiatives

Local initiatives are essential to achieve our common goals.

Thoroughness

The right effort, in the right place, at the right time.



Our VELUX Home
Visit our website for more information

VELUX Strategy

The VELUX Group's strategy statement consists of three parts: our common goals, our competitive formula and our strategic focus. Our strategic focus comprises a number of strategic initiatives, each driven by a member of the VELUX Management Group.

Our common goals; we must:

1. Ensure relevance of core business (daylight and fresh air through the roof). Our focus on sustainability is an important part of ensuring the relevance of our business.
2. Retain high market share globally
3. Deliver high profitability.

Our 'competitive formula': we are, and want to continue to be, the strongest brand in the building components industry; we focus on mass producing high volume products of very high quality and strive to exceed customer expectation of our products and services; we are 'best cost producer' of our core products. All this is crucial to our ability to supply products at reasonable prices.

Our way of doing business must allow us to meet customer demands – and they vary from market to market – with lean, global structures and processes. Taken together, this is the formula we must apply and improve all the time.

The strategy statement also contains a number of strategic initiatives that are determined, based on a strategic analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) and driven by a member of the VELUX Management Group.

➤ VELUX strategy process



Our approach to corporate responsibility

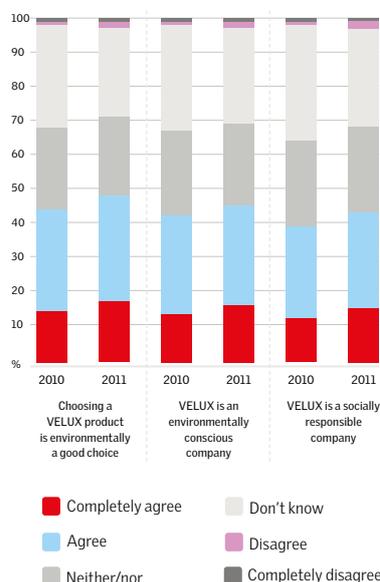
Corporate responsibility (CR) at the VELUX Group is an inherent part of the way we do business and managers are responsible for management of social and environmental issues as part of everyday business activities.

Our Health, Safety & Environment (HS&E) Direction System, which includes members of the VELUX Management Group, sets our CR strategy and monitors our CR performance. The outcome of our risk management process is presented annually to the Board, including consideration of social, ethical and environmental risks. Our HS&E performance is monitored at every Board meeting.

Managers are supported by HS&E, HR, Internal Audit and CR professionals who help to ensure coordination across the Group. We conduct trend analyses and engage with our stakeholders to help us anticipate and respond to changes necessary to continue to make 'products useful to society'. This also helps us to understand what we need to do to be a Model Company and to meet the expectations of our customers, suppliers, employees and owners.

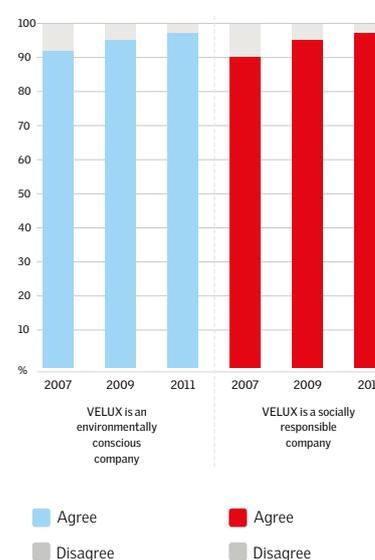
Each year we test perceptions of the VELUX Group among selected members of the public and our core customers

Members of the public feedback through third party satisfaction tracking survey



Source: GFK Brand Tracking survey of 16,000 members of the public in 16 countries.

Core customers feedback through third party satisfaction tracking survey



Source: SJP Satisfaction Tracking of 800-3,000 core customers.

Generally speaking, the VELUX Group enjoys a good reputation. Surveys among our external target groups show that those who know us tend to give a positive response when asked for their opinion about the Group's behaviour as a responsible company. That is for instance the case in the figure below showing the response from core customers. In contrast, a larger part of the respondents in the category Members of the Public answer that they have no knowledge of to what extent the VELUX Group behaves like a responsible company. There is thus considerable potential in intensifying our communication about the Group's CR activities, and thereby spreading the word to them over a broad front.

Stakeholder engagement

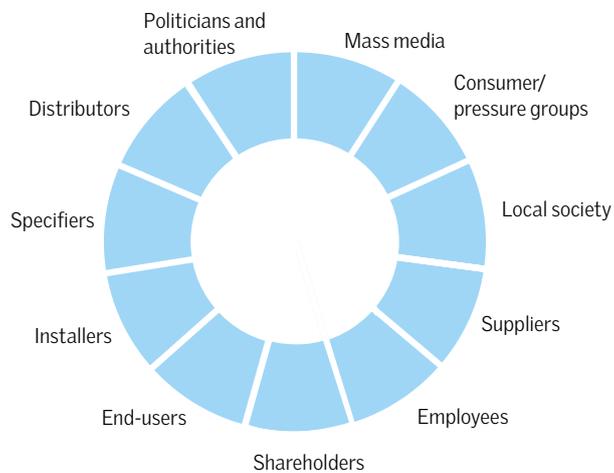
Stakeholder engagement is a core element of the way we do business and part of fulfilling our objective to be a Model Company that 'treats its customers, suppliers, employees of all categories and shareholders better than most other companies'. The three elements of our brand identity are 'discover, engage and influence', which emphasises the importance of using engagement to understand stakeholder concerns and to gain insights into emerging trends and opportunities for growth.

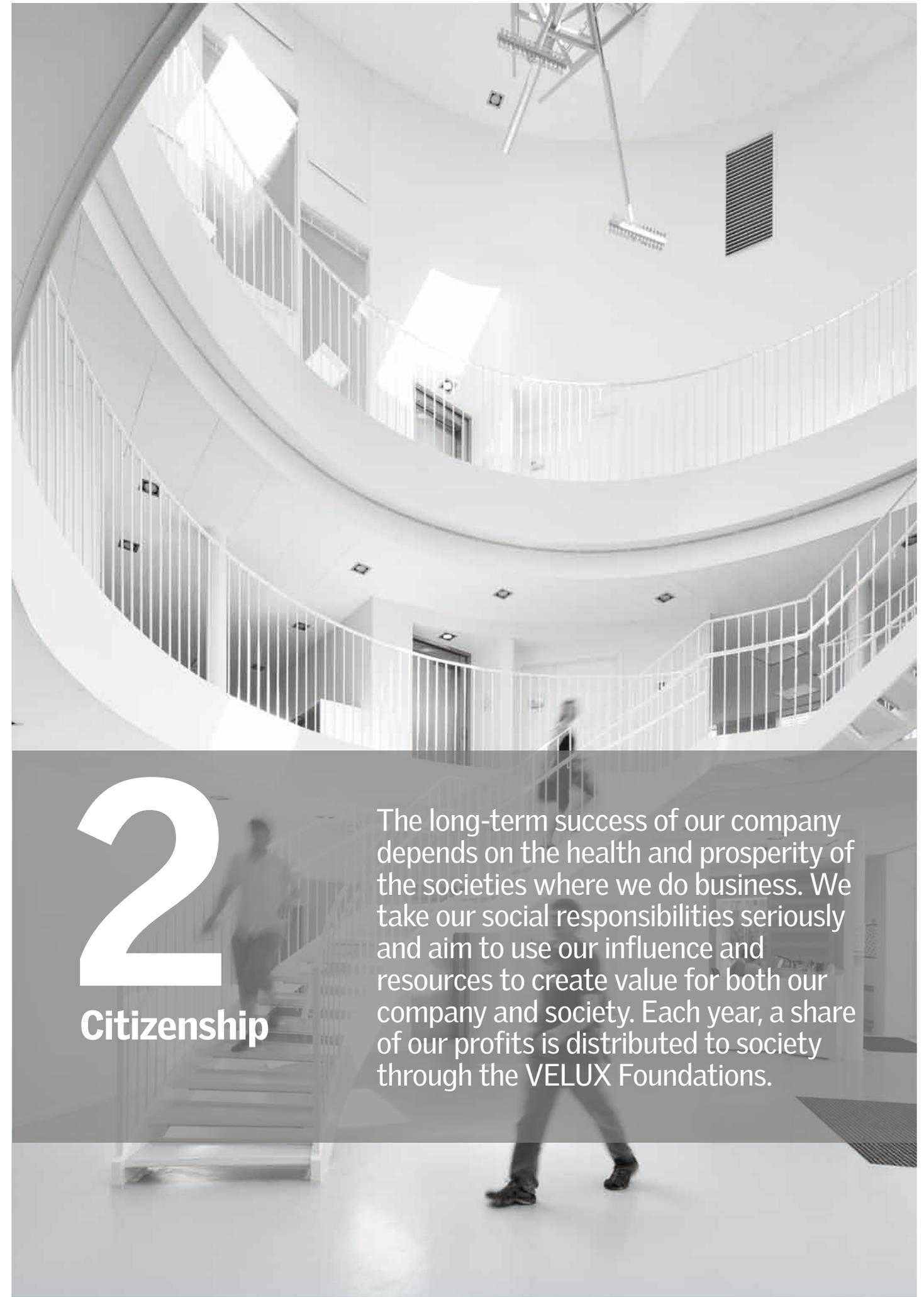
Our stakeholders are individuals or groups that have an interest in our company or an influence on the success of our business. We have defined eleven key stakeholder groups, shown in our stakeholder wheel.

Visit our website for more information on how we engaged with our stakeholders in 2011.



▶ VELUX stakeholders





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Citizenship

The long-term success of our company depends on the health and prosperity of the societies where we do business. We take our social responsibilities seriously and aim to use our influence and resources to create value for both our company and society. Each year, a share of our profits is distributed to society through the VELUX Foundations.

Sustainable Living in buildings

Reduction of CO₂ emissions all over the world is paramount to combat global warming. Figures from the EU show that buildings account for 40% of all energy consumption in Europe. Buildings constitute a substantial potential when it comes to reduction of CO₂ emissions – just imagine if we could eliminate half the fossil energy consumption from buildings. This could reduce CO₂ emissions in Europe by as much as 20%, a substantial contribution to the long-term goals of the EU. Therefore, the building industry is facing great opportunities in the Green Economy and holds a great responsibility for its success.

It is part of our company strategy to actively participate in the development of future Sustainable Living in buildings, taking into account that both the climate and the people who live, work and play in these buildings will benefit. As a consequence, quality of life will increase both on a global scale and on an individual level.

We believe that all buildings could and should be CO₂ neutral and provide the best conditions for a healthy indoor climate with plenty of daylight and fresh air. To us, Sustainable Living covers greater energy efficiency, the use of renewable energies and optimal living conditions, particularly through improvements to the indoor climate – with focus on the users' comfort and health.

In our innovation and development efforts, we are steadily sharpening our focus on sustainability in terms of developing and marketing solutions with clear CO₂-reduction benefits. It is our ambition to lead the development of better living environments with daylight and fresh air to provide healthy, comfortable indoor climates and address the growing environmental and CO₂-reduction concerns.

Our future business potential will be closely linked to developments within architectural trends, building regulations and energy codes, and increasing governmental focus on energy security and climate change. We want to establish a holistic view of the energy consumption of buildings, thereby putting total energy balance in sharp focus. A roof window contributes daylight, heat and a better indoor climate – so we need to distance ourselves from the one-sided focus on individual components and look at a building's overall energy consumption. Our ability to develop solutions that can contribute to the energy balance in buildings and to eliminate CO₂ emissions – and our ability to convince homeowners as well as the building industry and regulators of the virtues of such solutions – is top priority.





90% of our lives are spent indoors. Good indoor climate is paramount for the well-being of people as well as health costs for society at large.

The sustainable buildings of the future have already been built. 75% of the buildings we will occupy in 2050 already exist, about 50% date from the period between 1945 and 1980 in most European countries. Many will be upgraded and modernised in the years to come in order to contribute to human well-being and the environment in the future. The potential of climate retrofitting is thus a huge one.

By using the free energy of the sun in an intelligent way, we are able to create room for life in a broad perspective. It all starts with a holistically-based energy design of individual buildings, after which the combined advantages of Sustainable Living will be applied in cities. When scaled up, such a strategy will benefit entire countries and ultimately contribute to a better climate for the whole planet, in line with other green initiatives.

Besides the obvious climate benefits, Sustainable Living is also attractive to people's individual quality of life. In the parts of the world where the VELUX Group is present, we spend about 90 % of our lives indoors. Research shows that up to 30% of the building mass neither contributes to nor provides a healthy indoor climate, in particular due to a lack of daylight, ventilation and fresh air¹. Daylight has a positive effect on our health and well-being – it is a mandatory requirement for living organisms. Daylight significantly influences motivation and the ability to concentrate and learn. Similarly, fresh air is vital for a healthy indoor climate and minimises the risk of allergies. According to the National Institute for Public Health², 1.7 million Danes will have contracted allergies by 2020, some of which are directly attributable to poor indoor climate. This is a rise of an estimated 88% compared to 2005. There is the same trend throughout Europe. Billions of euros are being spent on health costs and transfer payments on that account.

The VELUX Group wants to ensure that buildings are part of the global movement for a sustainable future. We push for future buildings to be CO₂-neutral and at the same time offer the best conditions for a healthy indoor climate with plenty of daylight and fresh air. In this way we will benefit the planet, the economy, public health and the general well-being of people in buildings.

¹ Jon Ayres, Occupational Medicine 2005;55:417-418 doi:10.1093/occmed/kq1134

² Statens Institut for Folkesundhed, Folkesundhedsrapporten 2007



Photo by Adam Mark

Active House Alliance – building a movement for change

In 2010, the VELUX Group was instrumental in creating the Active House Alliance, an NGO that brings together stakeholders from the building industry and aims to define ambitious, long-term goals for the future building stock.

The goal is for Active House to become the future design principle for new buildings and renovation and an attractive solution to respond to the Nearly Zero Energy Building requirement.

The VELUX Group is testing the Active House specifications e.g. through its Model Home 2020 programme.

Read more at www.activehouse.info

activehouse.INFO
NETWORK AND KNOWLEDGE SHARING

Experiments

For almost a decade, the VELUX Group has been involved in the development of sustainable buildings. We believe that one experiment is better than a thousand expert views.

In 2004 we developed our first CO₂-neutral solutions, i.e. the SOLTAG demo house for markets in Northern Europe and Atika for Southern Europe.

Prior to the UN Climate Change Conference (COP15), which took place in Copenhagen in December 2009, we partnered up with the City of Copenhagen's energy renovation programme, comprising Osram Culture Centre, Guldberg School and a housing area, Gullandsgården. In addition, the VELUX Group established and operated the official COP15 conference exit, VELUX House, presenting delegates with an example of Sustainable Living and showcasing the commitment of the VELUX Group to reduce CO₂ and use renewable energy, while securing a good indoor climate with daylight and fresh air.

For the last three years, the VELUX Group has developed and tested six buildings in five countries following a strategy to take an active part in designing sustainable buildings that are attractive places to live in with plenty of daylight. Taken together, we call the buildings Model Home 2020. All Model Homes are experiments intended to demonstrate how it is possible to build CO₂-neutral houses with the materials we have today, without compromising indoor climate and comfort. With Model Home 2020, we are striving to meet the requirements of the legislation that is expected to be in place throughout Europe in 2020.

Each of these buildings reflects and responds to the different climatic, cultural and architectural conditions of the countries in which they are built. After completion the houses are open to the public for 6-12 months, after which they are occupied by test families for the first year and monitored. This provides a range of valuable data and experiences of the houses' performance and how the design is perceived in real life. These data are currently being collated, while the post-occupation monitoring will provide further insight into the homes' level of success.

Based on the experiences and monitoring of the houses, we have commenced talks with house builders and architects to obtain their feedback on the possible use of this model going forward. Open and constructive dialogue is a prerequisite for solving the societal challenges the building stock holds.

The Model Home 2020 project is part of the VELUX Group's research and development programme on sustainable buildings in Europe. The total investment in the project as a whole, including research, development and promotion, is approx. EUR 10 million. Construction costs have not been incorporated – those costs will be recovered when the houses are sold at market price.



What we learned so far from Model Home 2020

Energy and CO₂

- Zero-carbon homes are possible today.
- In low-energy buildings, occupant behaviour has a greater influence on energy demand than in standard buildings. This is because reducing energy use in buildings relies on optimising settings for shading, natural ventilation and other factors. Changes to these settings can reduce the energy efficiency of the building and increase energy demand.
- Actual energy consumption was slightly higher than calculated due to a combination of the behaviour of the family, the building control system, the construction of the house and weather conditions.

Indoor climate

- Daylight and fresh air were important factors for the occupants.
- Qualitative interviews showed that occupants often deactivated solar shading in favour of daylight, outlook and contact to the surroundings, causing some problems with overheating. Daylight should be given a high priority, so the strategy for control of overheating when occupants are at home should be to use natural ventilation first and shading second.
- It is possible to achieve a good thermal indoor climate and particularly good comfort in summer through automatic sun screening and natural ventilation through the roof.

Read more about the results of the experiment and the valuable lessons we learned from Home for Life.



VELUX Daylight Symposium

Every second year, architects, researchers and engineers gather together at the VELUX Daylight Symposium to bridge theory and practice and find a common platform for discussing daylight quality in buildings and how to make our buildings brighter and healthier.

At the fourth VELUX Daylight Symposium in May 2011, themed 'Daylight in a human perspective', 311 participants from 27 countries shared knowledge and ideas and heard new international research that documents the correlation between daylight and well-being. For the first time, the symposium introduced an ongoing international Academic Forum for PhD students – 30 students from 9 European countries, who share their experience and knowledge in the field of daylighting research.

One of the key conclusions of the symposium was that people of all ages benefit physically and mentally from exposure to daylight and that it is important to maximise natural light in buildings.

We highlight the conclusions of the Daylight Symposiums in our public affairs dialogue to ensure that politicians and regulators are informed of the latest scientific research relating to daylight quality in buildings.

Find more information at www.thedaylightsite.com

The International VELUX Award

The International VELUX Award, held every two years, seeks to promote design with daylight – widening the boundaries of daylight in architecture, including aesthetics, functionality, sustainability, and the interaction between buildings and environment.

The award is open to students of architecture and the total prize money is EUR 30,000.

Read more about IVA here



Fair competition

Fair competition is essential for economies to function effectively and to ensure the best outcomes for our customers. The VELUX Group has a comprehensive programme with the aim to ensure that all our sales companies avoid anti-competitive behaviour and observe the necessary rules and regulations. Our dominant position in the market makes this programme critical to our business.

Our Group policies are aligned with all national and international rules relating to fair competition, and we maintain a constructive dialogue with the authorities and continuously monitor developments in this area. Since 1996, we have operated a comprehensive compliance programme to prevent anti-competitive behaviour in our business and to ensure that all sales companies are aware of their obligations in terms of competition rules.

Because of our dominant position in the European markets, we are continuously in contact with the competition authorities in both Denmark and the EU. We have an open and cooperative relationship with the authorities and willingly respond to information requests from the competition authorities.

Compliance programme

The VELUX Group follows the Competition Law Compliance Policy developed by our owner, VKR Holding A/S. The policy describes our approach in relation to customers, competitors, mergers & acquisitions, and other relevant issues, such as trade conditions.

The policy states that:

It is the overall competition law compliance policy that all VKR Group companies, at all times, comply with the relevant national and international antitrust and competition law requirements (e.g. EU Competition Law). The General Counsel monitors competition law compliance and continuously assesses compliance procedures.

Based on information gathered through a dawn raid of the VELUX Group, the European Commission highlighted the VELUX Group as an example of best practice in this area in a case study published in 2009.

[Read the case study here](#)

About the competition rules in the EC Treaty

To ensure fair competition throughout the EU and to further the creation of the Single EU Market, the EC Treaty establishes the principle that market conditions throughout the EU shall not be distorted through anti-competitive agreements, arrangements or practices.

The competition rules in the EC Treaty are based mainly on Articles 81 and 82. Article 81 prohibits anti-competitive agreements or concerted practices between independent companies, whereas Article 82 prohibits dominant companies from abusing their market strength.

Public affairs

The VELUX Group aims to play an active part in the public policy process, using our expertise to inform regulators and to ensure that the interests of our business are reflected in laws and regulations.

Our approach is guided by our Public Affairs Policy, which applies to all employees, consultants and advisors involved in VELUX Group public affairs activities. The policy states that:

It is the overall Public Affairs Policy that the VELUX Group will conduct all lobbying efforts in strict compliance with the terms of applicable national and international legal requirements, wherever the VELUX Group does business.

Behaving in a transparent, trustworthy and professional manner, while also bearing in mind social responsibilities, the VELUX Group finds that public affairs activities are an integrated and legitimate part of the legislative process.

Public policy activity in 2011

In 2011, we engaged with policy makers on three key issues which all support our work to reduce CO₂ emissions from buildings by considering the building in terms of three key areas: solar gain, indoor climate, and environment and sustainability. These key areas are closely linked to Sustainable Living – the ability to continue improving the quality of homes and maintaining high living standards while reducing or eliminating CO₂ emissions. Below is a summary of our position on these issues:

Solar gain

- Focusing on improving the energy efficiency of building components used in new buildings and for renovation and replacement is essential to reducing the overall energy consumption of buildings.
- Improvements to energy efficiency of windows should take into account that they are a source of energy in buildings due to solar gain.
- The VELUX Group has initiated a number of scientific studies made by independent research institutes in several countries to provide data to inform a European energy labelling scheme that includes consideration of solar gain from windows.

Indoor climate

- Daylight and fresh air are important factors for the health of people in an indoor environment.
- Studies have shown that learning in daylight environments results in more effective learning¹, and companies have recorded an increased productivity of their employees in the area of 15% after moving to a new building with better daylight conditions².
- Fresh air helps to reduce the risk of allergies. According to the National Institute for Public Health, 1.7 million Danes will have contracted allergies by 2020, some of which are directly attributable to poor indoor climate³.
- Legislation relating to windows must consider daylight performance, including specifying minimum requirements for windows depending on their application.
- Natural ventilation should be included in building regulations for use in free cooling and night cooling in summer in order to save energy and promote a healthy indoor climate.
- Regulations should consider the benefits of using natural ventilation in combination with mechanical ventilation.

¹ Lisa Hescong, ASHRAE Journal 2002/DEIC Basic Book p.18

² L. Edwards, P. Torcelli, 2002/DEIC Basic Book p.18

³ Statens Institut for Folkesundhed, Folkesundhedsrapporten 2007

Environment and sustainability

- Important policy initiatives focusing on sustainability and environment are under development in the EU and nationally. The VELUX Group sees these developments as necessary and positive steps towards safeguarding the environment and reducing CO₂ emissions.
- We wish to engage in dialogue and share our experience with Sustainable Living and reducing the environmental impact of the manufacture, use and disposal of our products.



Tax policy

The VELUX Group recognises our corporate responsibility to act with integrity and transparency in tax matters. Our approach is guided by our Tax Policy.

We have established the VELUX Group Tax Policy, which applies to employees as well as our consultants and advisors involved in tax issues.

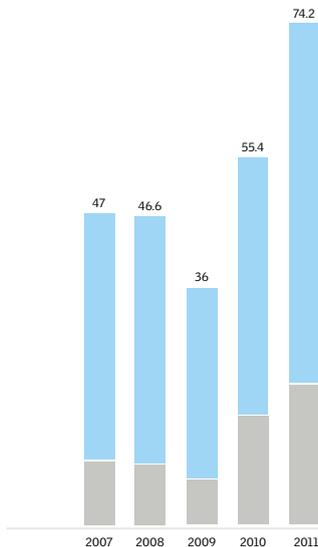
In summary, the policy states:

- It is the overall tax policy of the VELUX Group to consider tax as a cost, and therefore the objective will be to minimise the total tax payment of the VELUX Group in order to improve the cash flow with respect to the rules formulated by VELUX A/S.
- The business perspective is always the key driver when making decisions. The VELUX Group will not enter into projects without substance where the only objective is to create tax benefits for the participants.
- The VELUX Group will not register in countries that are known as tax havens (as listed by OECD), unless there is a sound business reason for doing so.

VELUX Foundations

Each year, a share of our Group's profits is returned to society through the VELUX Foundations set up by our founder.

▶ **VELUX Foundations**
Grants from the VELUX Foundations
in million euros



■ VILLUM Foundation

■ VELUX Foundation

The founder of the VKR Group, Villum Kann Rasmussen, instigated the VILLUM KANN RASMUSSEN FONDEN in 1971 (now VILLUM FOUNDATION), and ten years later VELUX FOUNDATION.

Both foundations – VELUX FOUNDATION and VILLUM FOUNDATION – provide support for larger, non-profit projects with scientific, cultural, artistic or social objectives.

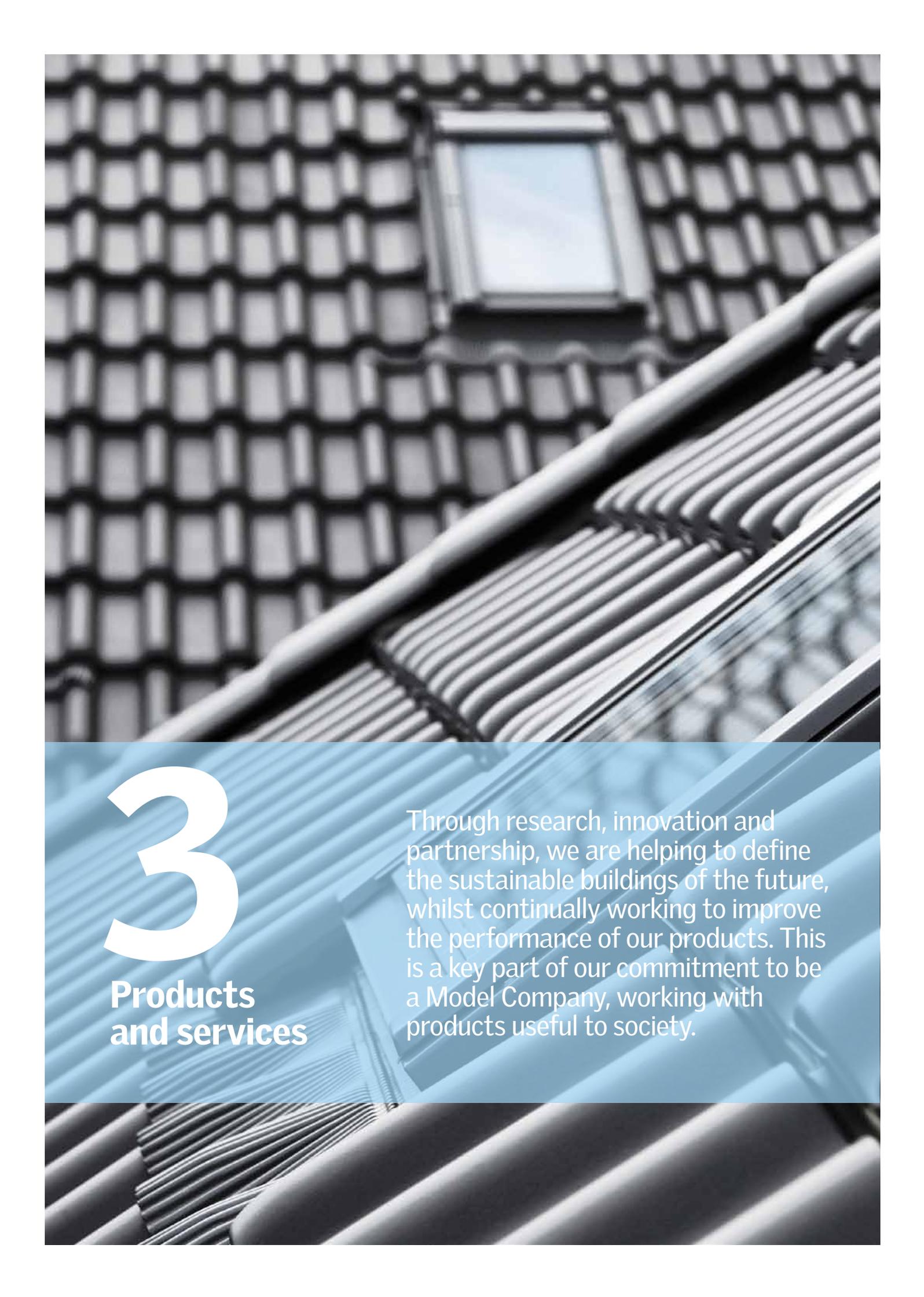
VELUX FOUNDATION focuses its grants particularly on projects associated with culture, as well as with medical science, the humanities and social objectives.

VILLUM FOUNDATION targets its grants towards research and dissemination within the fields of natural sciences and technology, as well as to social, environmental and cultural projects. The foundation has the special function of awarding the Villum Kann Rasmussen Annual Award for Technical and Scientific Research.

VILLUM FOUNDATION and VELUX FOUNDATION are both non-profit foundations governed by Danish law and subject to the supervision of the Civil Affairs Agency under the Danish Ministry of Justice. The two foundations each have their own independent boards.

In 2011, the two foundations made 398 donations worth a total of EUR 74.2 million.

Read more about the VELUX Foundations at www.veluxfondene.dk

A close-up photograph of a roof. The foreground shows dark, textured solar panels with a grid pattern. In the background, a skylight is visible, and the roof tiles are a lighter color. The image is partially overlaid with a blue semi-transparent rectangle containing text.

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Products and services

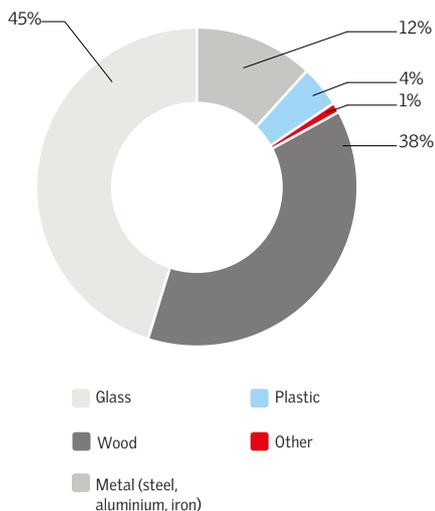
Through research, innovation and partnership, we are helping to define the sustainable buildings of the future, whilst continually working to improve the performance of our products. This is a key part of our commitment to be a Model Company, working with products useful to society.

Sustainable products

We are improving the sustainability of our products throughout their whole lifecycle – from production to end-of-life.

What's in our products?

The pie chart below shows the materials content of the V22 GGL, a roof window in our new generation V22 platform.



In 1942, our founder, Villum Kann Rasmussen, launched the first VELUX roof window with metal cladding protecting the sash, dramatically improving water tightness and the life of roof windows. Since then, we have continued to innovate to improve the performance of our products.

By focusing on sustainability, we ensure that we meet the needs of current and future customers and continue to make products that are useful to society. Using a lifecycle approach, we have made considerable progress in reducing the use of chemicals and improving energy performance, recyclability and packaging. This is in line with our founder's statement that "we use resources with care".

We recognise the importance of sustainable forest management and all our wood comes from certified or controlled sources. Read more about our approach to wood sourcing on page 40.

VELUX products

Roof windows

VELUX roof windows improve the indoor climate by supplying generous amounts of daylight. As they are located at the top of the building, they also provide efficient ventilation and fresh air for the occupants. They also help regulate the temperature and ensure efficient cooling of the building at night. Almost all our roof windows have highly efficient, gas-filled, coated glazing units that minimise heat loss and optimise solar gain.

Intelligent controls can enable windows to be opened and closed automatically at pre-set times and a built-in rain sensor closes the windows at the first drop of rain.

Blinds and shutters

VELUX blinds and roller shutters help to control daylight, heat intake and heat loss. Blinds and shutters can reduce heat loss by up to 34% by providing insulation during cold winter nights. Our roller shutters, which are fitted on the exterior of the window, block up to 95% of the heat from outside, reducing overheating in hotter conditions.

Blinds and shutters can be set to open and close automatically to maintain the optimal indoor climate. Our solar-powered blinds and shutters require no external power supply.

Thermal solar energy

VELUX thermal solar energy systems use the sun's energy to provide hot water, meeting up to 70% of occupier requirements.



Energy and climate impacts

Our environmental lifecycle assessments show that we can have the most impact on the lifecycle CO₂ emissions of our products by minimising the negative and maximising the positive impacts during the use phase. This makes energy performance a key focus area in our product design.

Our windows are designed to keep heat loss to a minimum, to make the most of solar thermal gain and let in daylight and fresh air. Almost all our roof windows have highly efficient, gas-filled, coated glazing units that minimise heat loss. In January 2012, we launched our new roof window generation, our most energy efficient windows platform to date (see page 31). Use of VELUX blinds and roller shutters can further improve energy performance.

We take a holistic approach, using energy balance as a measure of the performance of our windows. Energy balance is calculated by subtracting the heat loss (u-value) from the utilised heat gain (g-value) caused by sunlight shining through the windows, over a particular time period. If the level of solar gain is higher than the heat loss, the energy balance of the window is positive.

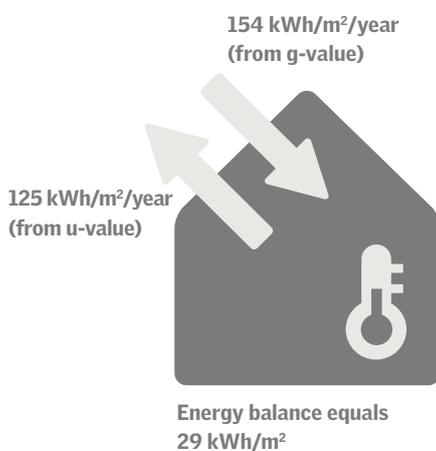
During summer, the energy balance should be as close to zero as possible, reducing the risk of overheating and avoiding the use of fossil energy for cooling. During winter, the energy balance should be greater than zero and as high as possible to reduce energy loss and optimise gains from passive solar energy.

We have initiated technical studies from academic institutions to define the factors for assessing energy balance of windows used in buildings in Belgium, Denmark, Germany, France and Poland. See the box on the following page which shows the results of the German study.

Ensuring the optimal energy performance of a window is a technical challenge that requires a balanced approach to minimising heat loss and optimising solar gain. This is because the u-value is reduced by adding a thicker layer of low-emission coating to the pane, but this affects the g-value.



- ① The energy balance in the heating season of the new generation Energy Balance window in the German example is plus 29 kWh/m² per year.



Energy balance in figures – German example

The table below shows that VELUX windows in Germany are net energy contributors to a building over the course of the heating season. The figures were calculated using factors for a typical building in Germany developed by Ingenieur Büro Hauser (IBH), a technical institute.

	Previous generation standard	New generation standard	New generation Energy Balance
Energy balance (kWh/m ² per year)	10	11	29

The standard roof window in our new generation platform was developed to comply with current EU building regulations, which specify that roof windows in new buildings must have a u-value of 1.2 or less. We achieved this reduction in u-value whilst increasing the energy balance of the window by 10% by increasing the size of the pane area. We believe that the current focus on u-value in building regulations is limiting the potential for reducing CO₂ emissions in new buildings and we are engaging with policy makers to encourage the use of energy balance as the measure of window energy performance.

The new generation window optimises energy performance by balancing reductions in u-value with increases in g-value. With an energy balance of 29 kWh/m² per year, the window can help improve building energy performance, comfort and indoor climate, quality of life and health.



Support for energy labelling

The VELUX Group believes that an energy labelling scheme for windows could help consumers to choose windows that save energy and reduce CO₂ in buildings.

We encourage the development of energy labelling by playing an active part in discussions with trade organisations, authorities and legislators. We have also initiated technical studies at the following academic institutions to contribute to the body of scientific research that will inform the development of a common European energy labelling scheme for windows:

- National Energy Conservation Agency (NAPE) in Poland
- Ingenieur Büro Hauser (IBH) in Germany
- Technical University of Denmark (DTU)
- Mines ParisTech in France
- The Belgian Building Research Institute (BBRI)

The studies conclude that it is possible to develop a justified and fair energy labelling scheme that can guide the user to making choices that save energy and reduce CO₂.

New generation – setting a new standard for energy efficiency

Our new generation of roof windows takes energy efficiency, daylight and comfort to new levels.

The new generation has improved insulation properties due in part to the introduction of VELUX ThermoTechnology – our innovative technique using expanded polystyrene. Other improvements include adjustments to the window construction and the use of heat-treated wood, all with an aim to minimise heat loss.

The new generation also has a larger pane area which enhances the benefits of passive solar heat gain in cold periods. In combination with the improved insulation, the larger pane area optimises the energy balance of the roof window – achieving a 10% improvement on the previous generation standard roof window. The larger pane also admits up to 18% more daylight, reducing the need for electric light and helping to improve the indoor climate.

The platform is also compatible with our range of blinds and shutters that limit overheating in warmer periods and climate zones and heat loss in colder periods. It continues to include the unique ventilation flap which enables fresh air to enter the building, even when the window is closed. Energy efficiency and indoor climate control is made easier and more intelligent with VELUX INTEGRA® – the VELUX control system for all electrical VELUX products.

Energy-efficient installation

No matter how energy efficient a building component is, its performance is only as good as its connection to the building. Over 70 years, the VELUX Group has developed a unique installation procedure that ensures the best possible connection to the roof and eliminates unnecessary energy loss. The procedure is designed to make it as easy as possible for installers to fit a VELUX window.

Our installation instructions emphasise the importance of following the correct installation procedures in order to ensure the product operates as it is designed to do, and our sales companies run training sessions for installers to emphasise the most effective way to install our products.





Use of chemicals

The VELUX Group takes a precautionary approach to the use of chemicals. For example, we began voluntarily phasing out solvent-based varnish in our products in 1995 and switched completely to water-based varnish and lacquer in 2005. This benefits the environment by reducing emissions of volatile organic materials during production and by reducing environmental impacts during product disposal. It also helps to improve workplace conditions for production workers and ensures a healthy indoor climate in the buildings where our windows are installed.

End-of-life

We design our products to last, helping to reduce resource consumption and environmental impact of replacements. The average VELUX window lasts for approximately 40 years and we offer spare parts for decades to extend the life of the product as long as possible. When our windows need to be replaced, our tests show that they can easily be broken down and recycled at municipal recycling facilities. The windows are predominantly made of glass and metal (aluminium and steel) which can be recycled, and wood and plastic which can be incinerated to produce energy.

However, what happens to our windows at end-of-life depends on the waste management facilities and practices in the countries where the products are used. Where there are no recycling facilities, it is likely that the used windows are sent to landfill.

Packaging

Together with our product transport suppliers, we seek ways to use packaging to optimise loading of trucks, which helps reduce journeys and their environmental impact.

We have almost completely phased out wooden pallets on inbound transport, which means that empty but bulky pallets do not need to be transported back on the return journey. Using our Cube packaging system, windows are wrapped with stretch foil (a type of plastic wrapping) and stacked vertically in the trucks, enabling more windows to fit in each load.

Approximately 75% of our product packaging is cardboard, a material that can be easily recycled and is already made of recycled cardboard. The window travels from the production site to the point-of-use in the same packaging, with only the stretch foil wrapping being discarded.

Read more about our efforts to reduce CO₂ emissions from product transport on page 53.

Product quality

Quality is the cornerstone of our business. We never compromise on quality. It is the most important element of our three product priorities: Quality, delivery and cost.

Our quality processes span the whole VELUX value chain, from purchasing through development and production to use.

We set out our approach to quality in the VELUX Group Quality Policy and ensure compliance through our quality management system.



Panes are tested for strength and durability under a 50 kg load.

Purchasing

We assess our suppliers to ensure that they meet our high quality standards. Before contracting with a company supplying key materials for our products, we audit their quality processes and conduct extensive testing of the materials they will supply.

Development

During development, we test our windows extensively to ensure that they can withstand any climatic condition, no matter where they are installed around the world. Examples of tests include:

- Exposing our windows to a whole year's worth of rain in 15 minutes in the VELUX wind tunnel, followed by gale force winds to ensure the windows do not leak. In 2011, we began wind and rain testing at even greater extremes to ensure our windows can withstand extreme weather resulting from a changing climate. We now test our products to ensure they can withstand extreme rain (120 mm/hour) combined with wind speeds of 30 m/second.
- Sound engineers replicating traffic, music and other forms of noise pollution to ensure our windows meet the demands of noisy urban environments. In our mechanical laboratories, we test for strength and durability by swinging a 50 kg pendulum against our windows. Each model is opened and closed 25,000 times during testing.
- Exposing the windows to UV and temperature changes that range from very hot to very cold, all within a few hours.

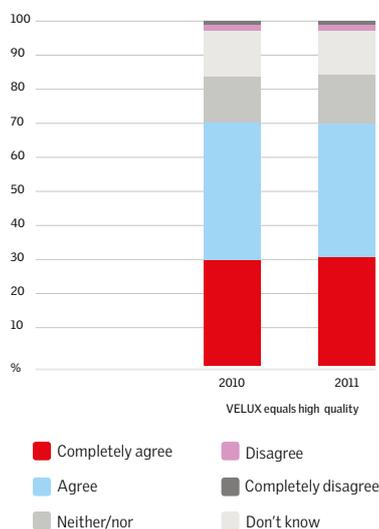
Production

All VELUX Group production sites are certified to the ISO 9001 quality standard which means that they are regularly assessed by an independent third party.

Our global quality team audits our production sites at least once a year to ensure that every window that leaves a VELUX Group production site meets the required specifications and our quality standards. We conducted 32 quality audits in 2011 and 44 quality audits in 2010. The production sites regularly send materials, components and finished products to the VELUX Group quality lab to ensure that quality is being maintained over the life of a product.

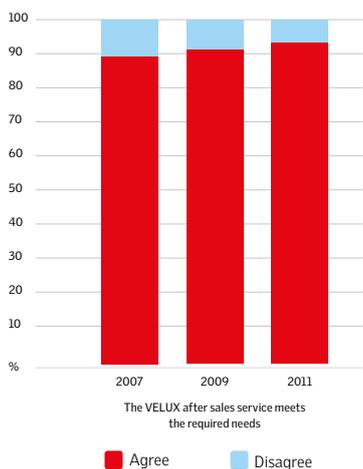
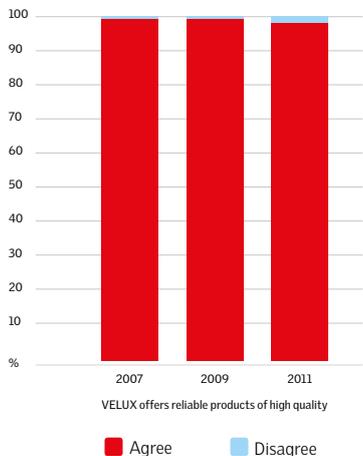
Final testing and inspection of our finished products ensures that every product that leaves a VELUX Group factory is of the highest quality.

Members of public feedback through third party satisfaction tracking survey¹



¹ GfK Brand Tracking survey of 16,000 members of the public in 16 countries

Customer feedback through third party survey of customers²



² SJP Satisfaction Tracking survey of 800-3,000 core customers

Right first time

In 2011, we launched a strategic project to further standardise our approach to quality across the Group and to improve our production processes.

The project included a focus on optimising our processes and reducing the number of materials and components that fail final testing and inspection. This included the introduction of the Group-wide 'right first time' quality key performance indicator (KPI) at the end of 2011.

In use

Our goal is to prevent any inconvenience for installers and customers by making products that are easy to install and use and that work without any problems for many years. Our focus on quality means that only around 0.2% of VELUX roof windows result in service calls within three years after the product was sold. We have an extensive service support network and customers can call us to arrange for a service representative to come and deal with repairs and faults within 14 days. Striving for an outstanding service network is an important part of our commitment to treat our customers better than most other companies, as stated in our Model Company Objective. In a 2011 third-party survey of almost 2,000 core customers, 93% agreed or somewhat agreed with the statement that "VELUX after-sales service meets the required needs" (see chart).

After each customer visit, our service personnel file a report through our Service Registration System with the batch number of the window and the problem that was being addressed. These reports enable us to accurately monitor the performance of our windows in the market and to detect potential quality defects (see case on the next page). Service personnel can also report product issues using a complaint database to highlight issues that may not show up in the aggregated data from the service visit reports. Every second month, our Product Group (which includes product design, production, marketing and quality professionals) meets to assess and respond to data relating to specific product categories. Through this system, we are able to build in customer feedback and real-world performance into the product development process.

If things go wrong

We always aim to get things right first time, but when things go wrong we take our responsibilities seriously and try to minimise problems for our customers.

In 2011, we identified an increased level of faults with window panes appearing in the data sent back to us by service technicians through our Service Registration System. An investigation showed that under exceptional conditions, particularly large temperature variations, there was a small risk of the glass breaking spontaneously in 8 to 14-year old panes with a width of 39 cm or smaller. The fault was caused by the loss of argon gas (the insulating gas used in the panes) that leaked due to the decomposition of a sealant. We stopped using this type of sealant in 2003.

On 15 June 2011, we issued a product warning to inform owners of these windows of the risk in the 19 countries in Europe where the affected panes had been sold. We issued press releases and took out adverts in daily newspapers and online in all the affected countries, and on our local company websites, to explain to customers how to identify if they had one of the defective panes in their window and what to do about it. We set up dedicated websites and call centres in all 19 countries and encouraged customers to get in contact so that we could send a free replacement pane and a voucher to cover the installation cost.

We estimate that around 1.2 million window panes of the affected sizes were sold between 1997 and 2003 and we were contacted by 14,500 people. We continue to offer free replacement panes and hope that more customers will get in contact. We recommend all customers who suspect they may have one of the affected panes to visit our website or call us.





4

Customer interaction and business partners

The VELUX Group strives for the highest standards of business practices in our interactions with our customers and business partners. We use our influence to promote responsibility and respect for human rights in our supply chain.

Supply chain

The VELUX Group wants to work with suppliers that share our commitment to responsible business practices. We form long-term partnerships, communicate our requirements through our Code of Conduct for Suppliers and monitor compliance through audits and assessments.

Supporting high labour and environmental standards is an essential part of maintaining the efficiency of our supply chain and the quality of our products. We focus our efforts based on risk and where we can have the most impact on improving standards. All our wood is sourced from certified or controlled sources (see explanation on page 40).

Code of Conduct for Suppliers

All of our direct suppliers are required to sign our Code of Conduct for Suppliers (Code of Conduct), which is based on the Universal Declaration of Human Rights and the core labour conventions of the International Labour Organization. The proportion of suppliers that have signed the Code of Conduct is a key performance indicator for our top management. By the end of 2011, 90% of our direct suppliers had signed the Code of Conduct.

We focus our efforts on our tier-one, product-related (direct) suppliers as this is where we have the most influence. The VELUX Group conducts almost all its production itself – we make everything from hinges to window panes. This means we source the majority of our product-related materials from raw materials suppliers far up the value chain rather than buying finished components from manufacturing and assembly companies, where there can be a higher risk of poor labour and environmental standards.

However, we recognise that there are risks of non-compliance in the lower tiers of our supply chain. Our Code of Conduct for Suppliers requires tier-one suppliers to communicate and use the Code of Conduct with their own suppliers for materials and components delivered to the VELUX Group. We reserve the right to audit sub-suppliers to assess compliance with the code.

[Read the full Code here](#)

Supply chain facts and figures

Product related (direct) supply chain

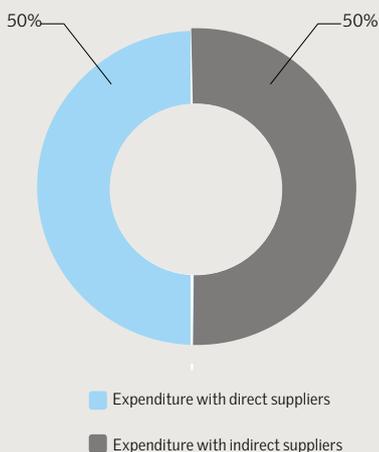
- Number of direct suppliers: approx. 1,000
- Expenditure with top 350 direct suppliers: 95%
- Expenditure on five¹ product categories: 70%

Non-product related (indirect) supply chain

- Number of indirect suppliers: approx. 30,000

¹ Plastic, glass, aluminium, wood, packaging

Supply chain expenditure



Supplier testimonial

"We have supplied VELUX with plastic injection parts for more than seven years. Before we could begin supplying VELUX, we met with their procurement team who explained the Code of Conduct and answered our questions. We then completed a self-assessment before undergoing an audit which showed a number of areas where we were not compliant with the VELUX Code. Based on the corrective actions identified, we made a number of improvements that were checked through unannounced audits.

VELUX provided advice to help us develop the documents and processes to ensure we stay in compliance and we have now formed agreements with our suppliers to ensure they also comply with the Code."

Managing Director, CT- Mold, China

Monitoring

Since 2006, we have monitored compliance with our Code of Conduct by auditing our Chinese suppliers. In 2011, we expanded our audit programme to include wood suppliers in Russia and Poland.

As well as helping us to monitor compliance, these audits also help supplier companies to improve their processes and management systems.

During the year, we conducted 18 audits – 5 in China, 6 in Russia and 7 in Poland –including 3 follow-up audits. All suppliers in these countries are audited at least once every two years. Half the audits in China were conducted by a third party commissioned by the VELUX Group. Using a third party enables us to learn from the approach of specialist local auditors.

If we discover non-compliances with our Code of Conduct, we issue corrective actions and deadlines to make the required improvements. For more serious non-compliances, we require immediate action. We check on completion of the corrective actions through an unannounced follow-up audit.

In 2011, we found five cases of non-compliance with our Code of Conduct. The majority of findings related to:

- Inadequate personal protective equipment
- Environmental violation.

We issued 20 corrective actions, 70% of which were resolved by the end of the year. We want to help our suppliers succeed and we offer support and advice to help them to improve their performance. However, we will terminate a relationship with a supplier that fails to complete the necessary corrective actions. Since the launch of our Code of Conduct in 2001 we have not yet terminated a relationship due to non-compliance issues.

Number of audits

	2007	2008	2009	2010	2011
China	2	15	2	22	5
Poland	-	-	-	-	7
Russia	-	-	-	-	6
Total	2	15	2	22	18



Wood certification

The VELUX Group recognises the importance of sustainable forest management as part of our efforts to protect the environment, tackle climate change and protect the rights of communities living around forests.

All the wood we buy comes either from forests certified to the FSC or PEFC international standards, or is defined as 'controlled' by those standards. Wood is defined as 'controlled' if its origin is known and it is from non-controversial sources. We primarily use *Pinus sylvestris*, also known as Scots Pine or Redwood, from Boreal, Hemiboreal and Temperate forest types. We mostly source wood from Sweden, Finland, Poland and Russia, but we also use wood from France, Norway and USA. We do not use tropical hardwood. We set goals for the proportion of our wood that should come from certified sources. In 2011, we met our goal to source 90% from certified sources. In 2012, our aim is to continue to source a minimum of 90% of our wood from certified sources and the rest from controlled sources.

The majority of our manufacturing sites that process wood are certified to the FSC and/or PEFC standards.

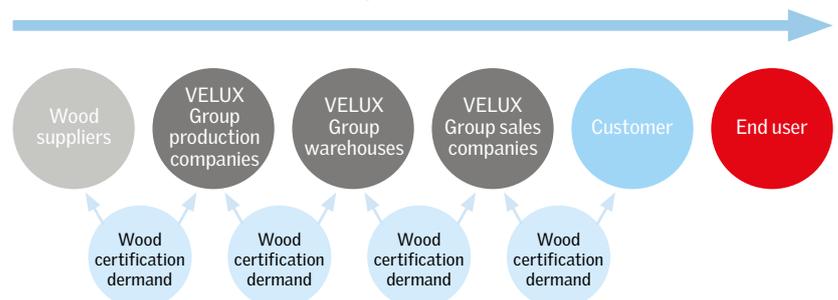
FSC and PEFC are 'chain of custody' standards, which means that every stage of the value chain, from forest to end use, must be independently inspected to ensure that products from certified forests are credible and verifiable. We own all the factories that produce our windows, so we are in control of the whole process from the wood leaving the suppliers' sawmills to the windows being manufactured at the factories. This means that we can document that our windows come from certified factories. For several years we have sold VELUX windows as PEFC certified in many European countries.

In 2011, VELUX A/S and our sales companies in the Netherlands and the UK obtained FSC certification. This will enable us to sell FSC certified wooden windows in those countries from January 2012.

Sources of purchased wood

	2007	2008	2009	2010	2011
Proportion of wood from certified sources (%)	88	82	88	89	90
Proportion of wood from controlled sources (%)	12	18	12	11	10
Proportion of wood from non-controlled sources (%)	0	0	0	0	0

Wood certification chain of custody



Indirect suppliers

Around half of our procurement expenditure is with non-product related (indirect) suppliers. The majority of these companies are based in Western Europe and supply a wide range of goods and services ranging from spare machine parts to offices equipment and marketing services.

In 2011, we introduced a new clause in our contracts stating that all new agreements with indirect suppliers must contain a requirement to sign our Code of Conduct. We are working to consolidate our indirect supply and in 2012 we will complete the launch of VELUX ebuy, a new software tool for managing agreements with indirect suppliers. The system will encourage internal purchasers to source from suppliers where agreements are already in place.

Fair treatment of suppliers

As stated in the Model Company Objective, the VELUX Group aims to treat its suppliers better than most other companies. Our procurement principles define what this means in practice. As a Model Company we:

- Co-operate with our suppliers in a way that will be beneficial in the short and long term for both parties
- Work with our suppliers to ensure continuous improvement of the procurement process and business methods
- Deal fairly and honestly with all suppliers in all aspects of the procurement process
- Keep negotiations between the supplier and us strictly confidential and we do not divulge prices or quotations received from suppliers, whether written or verbal
- Make requests for quotations as clear and precise as possible and not open to misinterpretation
- Respond promptly to supplier correspondence and inquiries
- Seek suppliers who can deliver consistently high-quality goods and services in line with the VELUX Group standards with respect to environment, sustainability and safe production methods.

On-time supplies

In 2011, we focused on increasing the proportion of supplies that are delivered on time. By improving our processes to manage flows of materials and orders, we successfully increased the proportion of on-time supplies from 60% to 93%. As well as bringing significant benefits to the VELUX Group, this also helps our suppliers by enabling them to be more accurate in their production planning, to hold less stock as inventory and to spend less administrative time dealing with the VELUX Group.

Human rights

The VELUX Group is committed to upholding the UN Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization.

We believe that states have the responsibility to protect their citizens against human rights abuses. We fully acknowledge our corporate responsibility to respect human rights and to avoid infringing the rights of individuals and communities through our business activities and relationships.

Respect for the individual is central to the way we work and part of the Model Company Objective defined by our founder. We do not tolerate discrimination and continually focus on providing a safe and healthy workplace for our employees.

We take a risk-based approach to respecting human rights in our supply chain, targeting our audit programme based on risk of non-compliance with the Code of Conduct. All our product-related suppliers are required to sign our Code of Conduct for Suppliers, which is based on the Universal Declaration of Human Rights and the core labour conventions of the International Labour Organization, and they must communicate the Code of Conduct requirements to their suppliers. We recognise that poor forestry practices can infringe the rights of local communities. Approximately 90% of the wood we buy comes from forests certified to the FSC or PEFC international standards and the rest is from controlled sources. Forests certified to these standards undergo an independent assessment that includes human rights aspects.

Protect, respect and remedy

The VELUX Group supports the UN 'Protect, Respect and Remedy' Framework for Business and Human Rights, endorsed by the UN in 2011.

We are a member of the Danish Business Network for Human Rights, a network of 15 multinational companies based in Denmark, facilitated by KPMG and the Institute of Human Rights and Business.

We will monitor the work of the network to increase our understanding of the implications of the 'Protect, Respect and Remedy' Framework for our business.

Anti-corruption

Striving for the highest standards of business behaviour is a key part of our efforts to be a Model Company. We take a zero-tolerance approach to corruption, whether it involves VELUX Group employees or others acting on our behalf.

Our Group has a long history of commitment to responsible business practices, guided by our values and continual focus on maintaining trust with our business partners. In 2010, we introduced an anti-corruption policy to provide further guidance to employees about what is considered appropriate in different business situations. The policy requires management in our operating companies to ensure that bribery does not occur and to set local guidelines for avoiding facilitation payments and restrictions on gifts and entertainment.

In 2011, we developed an e-learning course for managers relating to the anti-corruption policy. The course uses fictional scenarios involving ethical issues to show how the policy works in practice.





5

Organisational behaviour

Our values-based approach and focus on creating a workplace built on innovation, teamwork and mutual respect helps us to attract and retain the talent we need. We are systematically working to reduce environmental impacts of our operations and to achieve our goal of zero accidents at work.

Employees

Retaining our market leadership relies on attracting and retaining the best people. We strive for exemplary employment practices to give us access to a highly skilled and diverse talent pool.

Our aim is to provide a safe and healthy work environment where people are treated with respect and where employees can develop their skills and enjoy challenging careers. We believe that the best way to achieve this is to prioritise local needs and initiatives while ensuring global cohesion.

Our emphasis on local needs means that we focus on giving managers the knowledge and resources to lead by example. Our corporate policies and programmes set the direction for operating companies, but the majority of human resource policies are agreed and implemented at operating company level.

This decentralised approach means that we do not have Group-wide data for all employment issues.

Management principles

VELUX managers are guided by five management principles:

- We have a holistic business focus
- We communicate strategies, goals and frameworks
- We involve and delegate
- We build good relations
- We create opportunities for development



Employee turnover

	2009	2010	2011
Production workers	16.8%	15.1%	19.3%
Non-production workers	12.0%	8.2%	9.4%

Annual dialogue

Each year, we aim for all employees across the Group to go through our annual dialogue process, although ensuring 100% participation remains a challenge. In a survey of Danish employees, 86% of respondents said that they had an annual dialogue within the last 12 months. The purpose of the process is for all employees, together with their manager, to identify tasks and individual development goals for the coming year and to discuss their performance for the past year. The dialogue process also includes salary discussions. The dialogue is concluded in writing and signed by both the manager and the employee.

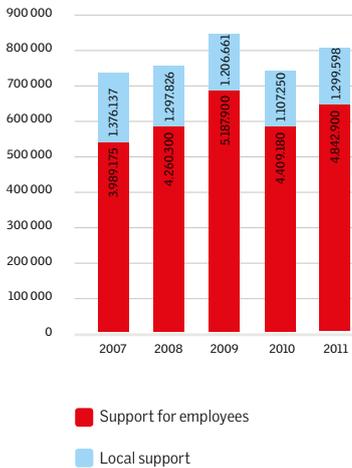
The Villum Kann Rasmussen Award

In 2011, 12 VELUX Group employees received the Villum Kann Rasmussen Award, which recognises people for their significant contribution to meeting the Model Company Objective.

[Read more about the winners here](#)



► The Employee Foundation of the VKR Group, annual support (EUR)



The Employee Foundation of the VKR Group

The Employee Foundation of the VKR Group was established in 1991 to support present and retired employees of the VKR Group and their immediate families. The foundation provides grants for educational purposes and to support people in unfortunate circumstances.

Between 1992 and 2011, more than 2,100 people received financial support from the foundation, either for themselves or for their families.

Employee development

We offer training and development opportunities so that our people have the personal and professional skills to succeed in their careers and to adjust to changing business requirements. Our approach includes on-the-job training, internal and external training programmes, workshops, e-learning and job rotation.

In 2011, 1,417 employees were trained using courses in VELUX Learning Centre, our corporate portal for training courses. We do not collect data on on-the-job training or training courses developed and run by our operating companies.

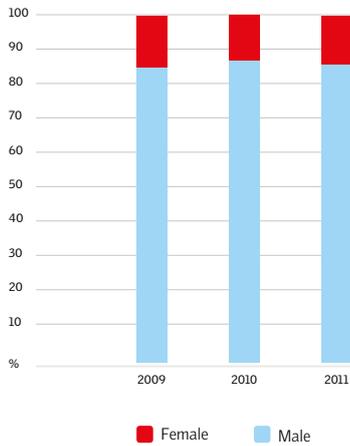
	Number of participants
Product related courses	129
Commercial training	87
Management training	233
Project management	188
E-learning (various topics)	780
Total	1,417

Developing future leaders

VELUX LUMOS, launched in 2011, is our new graduate programme designed to attract the next generation of VELUX Group leaders. We recruited ten high-potential candidates from Denmark, Hungary, Poland, Russia and Slovakia who will go through three international job rotations in 18 months, as well as take a series of courses together. The candidates were selected because of their professional competence and potential, but also for their social intelligence, a prerequisite to be able to walk into an organisation and be effective from day one.



Gender distribution, level 1 managers

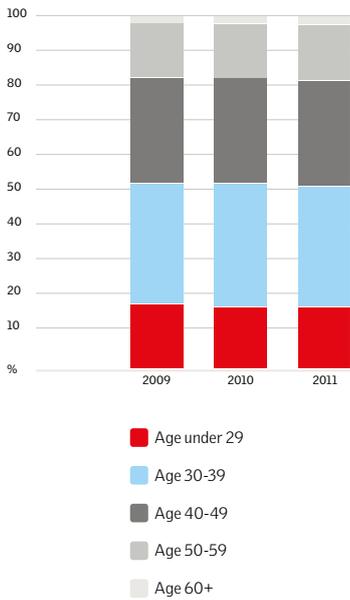


Diversity

In 2011, 15% of level 1 managers (our top management group) were female. We recognise that women are underrepresented at senior levels in the company. When we are recruiting level 1 managers we always ask the external search company to present relevant female candidates. We always aim for 50/50 participation of females and males on our internal talent and graduate programmes.

We do not track gender distribution across all employees, and for legal reasons, we do not collect data for ethnicity.

Age-distribution, all employees



Employee voices

"I think that the day we are no longer given the opportunity to improve will be a day when VELUX will stop being as successful as it is. I think being able to constantly improve is the thing that really motivates me in my job – and my team".

Ingrid Taylor, Great Britain

"One experiment is better than a thousand expert views. It is not just words. Here you are actually allowed to try."

Niels Kristensen, Denmark

"Most importantly we talk to each other. In this way we can share experiences and due to sharing experiences, we can share knowledge and also share the overall goals".

Bartolomiej Rozpeda, Poland

"If you give these people responsibility, you can see fast results because they bring new ideas, and many fantastic things we can easily use".

Magdalena Witaszczyk, Poland

Health and safety

Health and safety is a key priority for the VELUX Group and we have made significant progress in reducing accidents at work.

Through our OHSAS 18001 management system covering all production sites, we are working systematically to improve health and safety performance in our business.

We believe that time invested in safety has significant business benefits, including improved employee welfare and morale, cost reduction through the elimination of accidents, and increased operational discipline, improving productivity quality and delivery.

Since 2001, we have reduced accidents by 85% and lost hours due to accidents by 70% by focusing on technical improvements, management focus and behaviour. Through the VELUX Safety Excellence Programme, we will increase focus on improving behaviour and embedding a safety mindset so that we can achieve our ambitious goal of zero accidents.



The VELUX Safety Excellence Programme

The VELUX Safety Excellence Programme is a three-year initiative to build an integrated approach to safety across our sites with a focus on behavioural safety, safety leadership and employee involvement.

In 2011, we launched the programme by:

- Developing a new safety policy, principles and standards
- Defining an integrated safety organisation and roles and responsibilities for managers
- Developing a programme for Safety Walks focused on behavioural safety

Policy, principles, standards

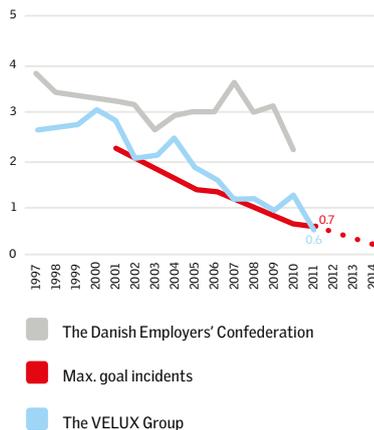
In 2011, we introduced a new safety policy which contains five guiding principles:

- Working safely is a condition of employment
- Management is accountable for preventing accidents and injuries
- We always take time to ensure safety at work
- We are all responsible for our own safety and for ensuring the safety of our colleagues
- We will ensure that all employees are involved, trained and competent in safety

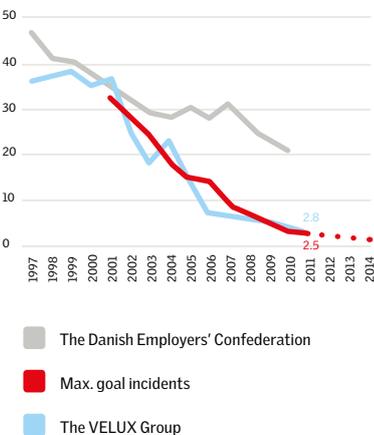
We also published corporate, critical standards which set requirements and offer guidance in relation to our key safety risk areas: working at heights, working with forklifts and isolation of machinery.

The new safety policy and corporate standards are currently being implemented across our production sites.

Lost hours due to accidents per 1,000 working hours (production workers)



Accidents per 1 million working hours (production workers)



In 2011, there were 0.6 lost hours per 1,000 hours worked, compared to our goal of 0.7. We recorded an average of 2.8 industrial accidents per million working hours at our factories as a whole, an improvement from an average of 4.5 the previous year. Although that is marginally above our target of 2.5 accidents per million working hours, a 37% reduction in the number of accidents compared to the previous year is still a very satisfactory result. In 2011, eight out of 21 VELUX Group factories and warehouse facilities had no accidents, which shows that our new ambitious goals are achievable.

Integrated safety organisation

In 2011, we established the Central Safety Committee, headed by our Group Director, to set an overall strategy for safety and to oversee safety performance. The committee meets six times a year and includes representatives from manufacturing, logistics, support systems and product development.

We also established site safety committees led by site managers. The safety committees take all safety related decisions and are accountable for implementation through the line organisation. The committees meet at least once every two months.

In 2011, more than 75 managers from manufacturing sites received safety leadership training. Our goal is to train all 7,000 production employees by the end of 2013 as part of the Safety Excellence Programme.

Safety walks

Safety Walks are a way of engaging with employees on workplace safety and identifying safety risks that may have been overlooked by departments. In 2011, a corporate standard for Safety Walks was developed and 40 managers and safety and union representatives were trained to spot unsafe acts and conditions and to dialogue with employees in a constructive way about how to improve safety. "We now have a team that is trained to observe and engage in dialogue with employees in a constructive manner. This will enable us to raise our safety standard continuously with the aim of achieving zero accidents," says Flemming Baastrup, Safety Officer at Østbirk Bygningsindustri, the VELUX factory where the training took place.

Safety issues that cannot be solved on the spot are documented and sent to the department manager and local safety officer for follow-up. Safety Walks are planned so that managers and supervisors are not assigned to conduct them in their own area of responsibility, as they are more likely to identify risks when they come to a different department and see things with fresh eyes.

After the Safety Walks at Østbirk Bygningsindustri, participants agreed that the attitude among employees had already changed significantly. "People are responsive and are taking the time to talk about safe conduct. This is a very good sign and confirms that Safety Walks are ideal for improving workplace safety," says Flemming Baastrup.

The Safety Walk team will now roll out the concept across our sites during 2012.

Environment

The VELUX Group is committed to protecting the environment and we work systematically to reduce our impacts. Tackling climate change is our key priority and we have set ambitious emissions reduction goals.

Environmental management

We operate an environmental management system that ensures we stay focused on reducing our environmental footprint. Since 1997, the environmental management system has been certified to the international environmental standard ISO 14001, and all of our manufacturing sites have achieved this certification.

The VELUX Group Environmental Policy

We will:

- Design our products so that their environmental impact during manufacture, use and disposal is diminished.
- Use raw materials, water and energy efficiently in order to diminish our effect on the environment.
- Reduce emissions, waste and discharges from our activities.
- Maintain high standards of safety at work for our employees and encourage sound attitudes toward the environment in our field of activities.
- Cooperate with our suppliers, customers and other business partners to achieve higher environmental standards.
- Remain alert to new opportunities enhancing the environmental soundness of our products and manufacturing methods beyond what is generally expected.

Energy and climate change

The greatest contribution we make to tackling climate change is through our products. While helping our customers to reduce their impacts, we have set challenging targets to reduce CO₂ emissions from our operations.

Our goal is to:

- Reduce our CO₂ emissions by 20% by 2012, from a 2007 baseline
- Reduce our CO₂ emissions by 50% by 2020, from a 2007 baseline

The reduction targets are consistent with the advice of the Intergovernmental Panel on Climate Change (IPCC) on the required scale of global CO₂ emissions reductions. We have allocated EUR 54 million to achieve these reductions by improving energy efficiency in production, where the majority of our emissions occur.

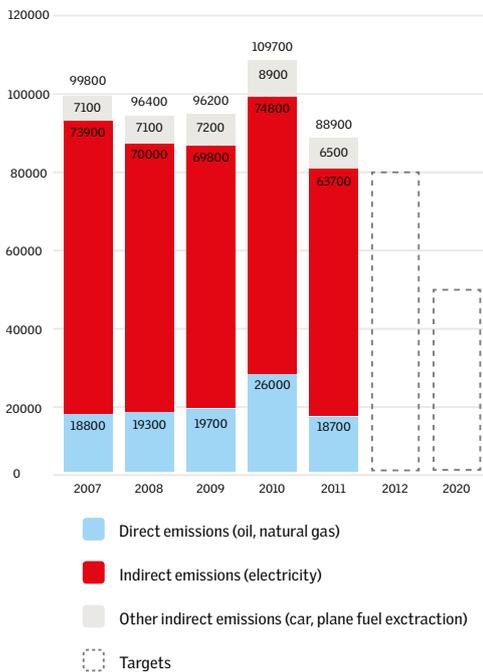
Solar cells in Germany

In 2011, we installed solar modules on the buildings of the SIG-Sonneborn manufacturing site, part of the VELUX Group. The site added solar panels across 42,600 m² of roof area and thin-film solar modules on the south-facing walls.

The solar panels will generate 252,960 kWh per year and will save around 143 tonnes of CO₂.



CO₂ emissions inventory (tonnes CO₂ equivalent)



Performance

In 2011, we emitted 88,900 tonnes of CO₂, a 19% decrease compared to 2010. Compared to our 2007 baseline, we have reduced CO₂ emissions by more than 8%. In 2011, we invested around EUR 4.2 million and saved 7,700 tonnes of CO₂. In 2012, we plan to invest around EUR 3.3 million with a planned CO₂ saving of 4,000 tonnes, in line with our target. Our investment in 2011 focused on improving energy efficiency and reducing emissions in our production, which is responsible for 90% of the emissions from our operations. Savings were primarily achieved by reducing energy use in processes involving suction of wood chips and replacing oil boilers with biomass boilers.

Our CO₂ inventory is based on detailed energy accounts. We choose not to disclose energy data externally as we consider this to be competitively sensitive information.

Product transport

We continually look for ways to reduce costs and CO₂ from product transport by working with our transportation suppliers and optimising deliveries and loading. Examples include:

- Removing pallets from transportation of finished products between our warehouses, increasing the amount that can be loaded onto each truck by 6% and reducing transport by 2.5 million km each year
- Creating transport loops between factories and warehouses to ensure that trucks carry goods on the return journey, rather than travelling empty
- Switching long-distance product transport from trucks to trains in Austria

At this stage, we have chosen not to establish detailed emissions inventories for our product transport as our logistics suppliers do not report CO₂ emissions in a consistent way due to the lack of international standards in this area. This means that we have not included product transport impacts in our CO₂ inventory shown above and have not set quantitative reduction targets.

We estimate that the transportation of our products from the manufacturing site to the point of sale results in approximately 10,000 tonnes of CO₂ each year.

Striving for self sufficiency

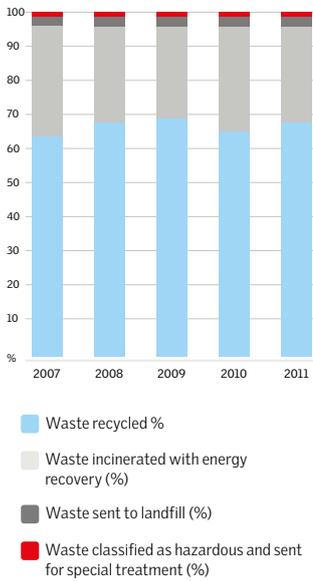
Krzysztof Bogdziewicz, energy-saving project manager at NB Polska, part of the VELUX Group, explains why energy saving is so important.

"Energy prices are rising in Poland as they are in the rest of the world. It makes good sense to be self-sufficient in energy – we have lived through problems with energy supplies from Russia."

NB Polska used to sell its waste timber to other industries. But now we have a modern chip-fired boiler fuelled by some of our timber waste instead of gas. The system meets up to 85% of the factory's needs, so we only need to use gas in the winter months. The CO₂ savings exceed 4,000 tonnes per year.

"We have already made considerable savings and there is still more potential. If we are to reach our 2020 target, we must look at completely new sources of energy production – and we've got plenty of ideas about that!"

► Waste



Waste

We are working to reduce resource use and waste by avoiding faults in production. We have developed a 'right first time' key performance indicator to track progress in reducing the number of components and finished products that fail our rigorous quality and testing processes and have to be discarded.

Where waste cannot be avoided, our goal is to recycle as much as possible. Around 97% of our waste is recycled or incinerated to produce energy.

Most of our production waste is wood, steel, aluminium and glass and in 2011 we achieved a recycling rate of around 68% of all waste.

In 2011, 29% of waste was incinerated in our own boilers to generate energy for our facilities or sent to incineration plants to contribute to energy generation for the municipality. Around 0.5% of our waste contains varnish and is classified as hazardous waste and sent for special waste treatment. The remaining 2% of waste is sent to landfill.

Water

Only one of our production sites uses water in its daily processes. This site uses 9,500 m³ of water each year. The water is used four times before it is treated in our waste water treatment facility and discharged.

The remainder of our water use is for sanitary purposes in washrooms.



Further information

On www.velux.com/cr you will find further information about our approach to Corporate Responsibility. This includes the reporting method, e.g. in terms of how we define our key issues. A data summary of our performance to date is also available. In addition, we present some of the ways we engage with our stakeholders, and also our corporate governance is described in more detail.

Contact

Questions about the report or our approach to Corporate Responsibility in general should be addressed to: cr@velux.com

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For further information about this report or the
VELUX Group's corporate responsibility activities,
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