

Corporate Social Responsibility Report 2016

PDF edition – 65 pages

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Our approach to CSR



Letter to our stakeholders

We are pleased to confirm our commitment and support to the United Nations Global Compact. In our CSR Report, we communicate our progress on integrating the Global Compact principles into our business strategy, culture and daily operations.



In 2016, the VELUX Group celebrated 75 years of creating better living environments with daylight and fresh air for people around the world. Since the foundation of the company, it has been our ambition to develop products that are useful to society and to behave as a model company in the way we do business and engage with our stakeholders.

We have made it our core business to create better living environments for all. We do so in a number of ways, from putting people first in design and implementation of new building concepts to influencing the framework conditions governing the building sector.

For a number of years, we have been partners in the Active House Alliance and have contributed to a number of active houses around the world that demonstrate that healthy homes and high energy efficiency can go hand in hand. In 2016, the most recent Active House project, RenovActive in Brussels, was opened. The vision of the project is to show the way to affordable and sustainable renovation of social housing estates.

Working with legislators and industry partners, however, is not enough to realise the vision of better living environments for all. People themselves have to take an interest in their daily living environments. With the help of the Healthy Home Barometer survey, conducted among 14,000 Europeans in 14 countries, we seek to raise people's consciousness about healthy living in the home and to discover new insights that can inspire the continuous journey towards better living environments.

The VELUX Group embraces the 17 UN Sustainable Development Goals as an inspiring platform to continue our work to create better living environments for all and to be a responsible business in every aspect. The 2016 CSR Report documents our progress on creating better living environments and how we continuously seek to minimise our footprint in the way we source, manufacture and sell our products.

CEO
Jørgen Tang-Jensen



Creating better living environments for all

Up to **90%** of people's lives in the countries where we are present is spent inside buildings. But in Europe alone, approx. **84 million** people live in damp and unhealthy buildings with increased risk of developing asthma and other allergies. And **30 million** in Europe suffer from lack of daylight. At the same time, buildings account for **40%** of total energy consumption and estimated up to **50%** of total material use in Europe goes to housing. That is why solutions that improve people's living conditions and protect nature are urgently needed. The VELUX Group is committed to pioneering innovative building solutions that balance care for people and planet. We have made the following contributions:



27 

We have taken part in the building of 27 Active Houses in 12 countries to demonstrate how to design sustainable buildings.

 **26,000**

In our Model Home 2020 programme, six homes in five countries have been built and researched in depth to explore the potential of sustainable building design. 26,000 people have visited the model homes.



The VELUX Group is one of the initiators of the Active House Alliance, launching a label for sustainable buildings in 2016.

25 

The model homes have received 25 awards and recognitions.

587 

587 projects from 57 countries were submitted for the International VELUX Award 2016 for Students of Architecture.

6,400 

6,400 articles have covered our work on the Model Home 2020 programme.

Our footprint

We continuously seek to minimise our footprint by the way we source, manufacture and sell our products.

97% 

97% of our waste is recycled or used for energy generation. The vision is to achieve circular production with zero waste.

100% 

100% of our production sites are certified according to ISO 9001 (Quality), ISO 14001 (Environment), OHSAS 18001 (Occupational Health) and ISO 50001 (Energy).

1.9 

1.9 work-related accidents per one million working hours – this is almost five times lower than the comparable industry benchmark. The vision is zero accidents.

26% 

26% CO₂ savings at our production sites compared to the 2007 baseline. Compared to an average European household, 26% savings corresponds to the energy used for water heating, electrical appliances and lighting. The goal is a 50% reduction by 2020 compared to 2007.

98% 

98% of the wood used for VELUX windows comes from certified, sustainable forests. This is more than three times higher than average level globally.

100% 

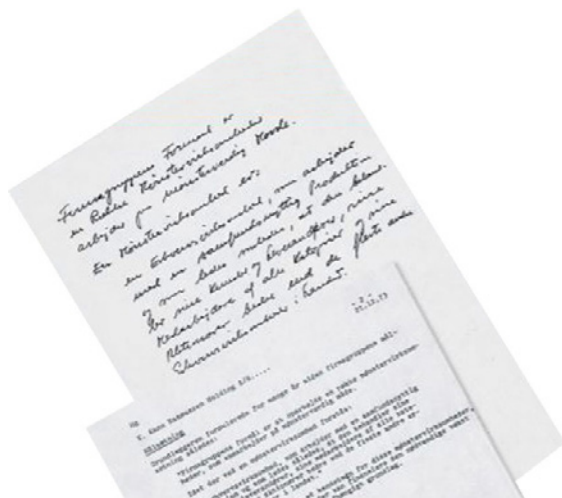
100% of our senior managers have signed our competition law annual declaration and been through our anti-corruption training to ensure fair competition.



The VELUX business

In 2016, we celebrated the 75th anniversary of the year when the founder, Villum Kann Rasmussen, started his company, specialising in glass roofs. For 75 years, the VELUX Group has created better living environments with daylight and fresh air for people around the world.

The Model Company Objective, formulated by the company founder in 1965, is the raison d'être of the VELUX Group. The Model Company Objective provides a long-term perspective on the company's development, and guides decisions and actions at all levels in the organisation.



The Model Company Objective - why we are here

W *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 costumers, suppliers, employees of all categories and shareholders better than most other companies.

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

Villum Kann Rasmussen, 1965

The essence of the Model Company Objective is that the VELUX Group must create value for both company and society, while behaving responsibly towards our stakeholders. In that way, the Model Company Objective (from 1965) mirrors the EU definition of Corporate Responsibility (from 2011): that a company must take responsibility for its impact on society, maximising shared value for owners, other stakeholders and society at large, while minimising adverse impacts.

Read more about the Model Company Objective and the VELUX Values at www.velux.com/our-company

Presence

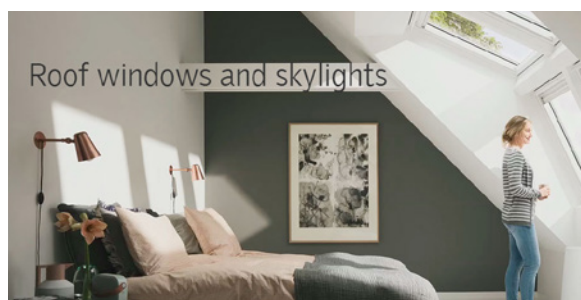
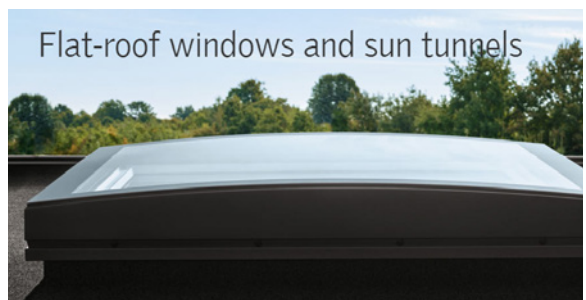
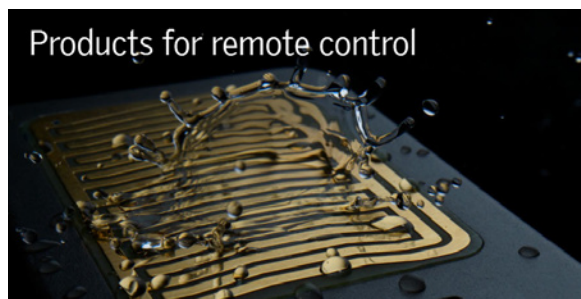
The VELUX Group is headquartered in Denmark and employs 9,500 people at sales and production sites in 40 countries.



Products

The VELUX Group is one of the strongest brands in the building industry and offers products and services in these categories:

- › Roof windows and skylights
- › Modular skylights for commercial buildings
- › Flat-roof windows and sun tunnels
- › Blinds and roller shutters
- › Flashings and installation products
- › Products for remote control



Ownership

The VELUX Group is wholly owned by VKR Holding A/S, a limited company owned by foundations and family. The VELUX Group’s financial results are incorporated into VKR Holding’s consolidated accounts. In 2016, VKR Holding’s revenue amounted to € 2.4 billion (DKK 18.1 billion) and net profit for the year came to € 350 million (DKK 2.6 billion).

A large share of the profits of VKR Holding A/S is returned to society by THE VELUX FOUNDATIONS (VELUX FONDEN and VILLUM FONDEN) that support scientific, environmental, social and cultural purposes in Denmark and internationally. The foundations operate independently from VKR Holding A/S and its companies. In 2016, THE VELUX FOUNDATIONS donated € 154.8 million.

In 2016, the foundation VILLUM FONDEN granted € 120.3 million (DKK 902 million) to projects such as:

75th anniversary donation: In 2016, the VKR Group celebrated its 75th anniversary. The anniversary project ‘the VILLUM Centre for the Science of Sustainable Fuels and Chemicals’ by DTU was granted € 20.0 million to support its great efforts in conducting research to development pioneering technologies to replace fossil fuels with renewable alternatives.

Environment and sustainability: Organic Denmark, an organic farming and food advocacy organisation, has developed the project ‘Socially Beneficial Agriculture’ to devise sustainable agricultural models for Denmark’s future, which will benefit society by doing more than just supplying affordable produce. VILLUM FONDEN granted € 2.2 million to the project.

Social projects: Central European University, Hungary, initiated a joint project with various European universities called ‘Roma in European Societies Initiative’. The aim is to weave a social and

education net to support a disadvantaged and criticised population group: the Romas. VILLUM FONDEN donated € 2.0 million to support the project's aim of Roma integration in Europe.

In 2016, the foundation VELUX FONDEN donated € 34.5 million (DKK 259 million) to projects such as:

Environment and sustainability: The project 'Plastic-free Sea' received € 1.2 million from VELUX FONDEN (and VILLUM FONDEN). Behind the project are the two NGOs Plastic Change and the Ecological Council as well as the trade association The Danish Plastics Federation. The aim of the project is to implement various measures to examine and reduce plastic pollution in the waters around Denmark.

Social projects: Via the project 'Windows onto the future – find new paths in your life', the Salvation Army has given a voice to those who suffer genuine hardship and are unable to work and be 'productive' in society and therefore often feel that they are not heard or understood. The project is a supportive network for families to give them hope of a better life and has been granted € 300,000 from VELUX FONDEN.

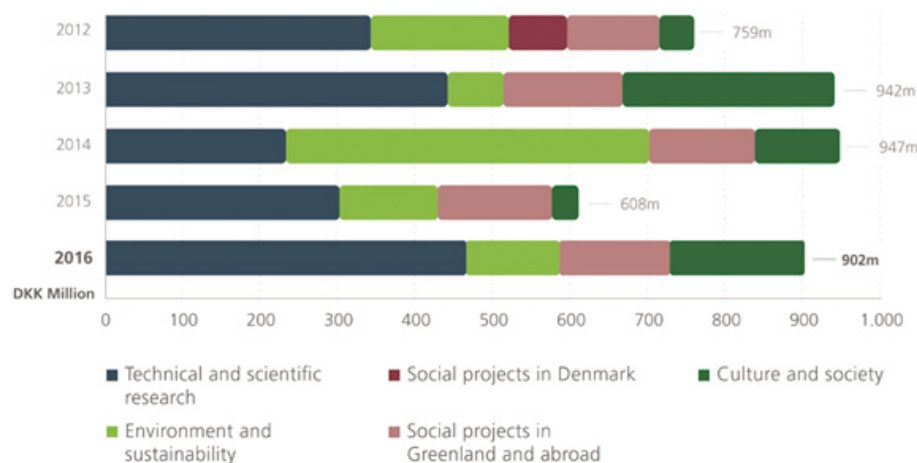
Culture and society: We are currently being drawn, unawares perhaps, into a technological revolution that, according to the latest predictions, will result in fundamental changes to the labour market and in our way of interacting. Now more than ever, the humanities have a significant role to play. € 800,000 was granted to the project 'the Robot Revolution: who holds responsibility?'

Every two years, VILLUM FONDEN, VELUX FONDEN and VELUX STIFTUNG join forces to select the winners of the Daylight Award. The Daylight Award is an international award that focuses on the interface between architecture and research – and places great emphasis on the interaction between theory and practice. In 2016, the outstanding achievements of two internationally acclaimed individuals, Steven Holl (Principal of Steven Holl Architects, New York City and Beijing), and Marilyne Andersen (Professor of Sustainable Construction Technologies and Dean of the School of Architecture, Civil and Environmental Engineering (ENAC) at École Polytechnique Fédérale de Lausanne) were recognised with a cash prize of € 100,000 for each awardee.

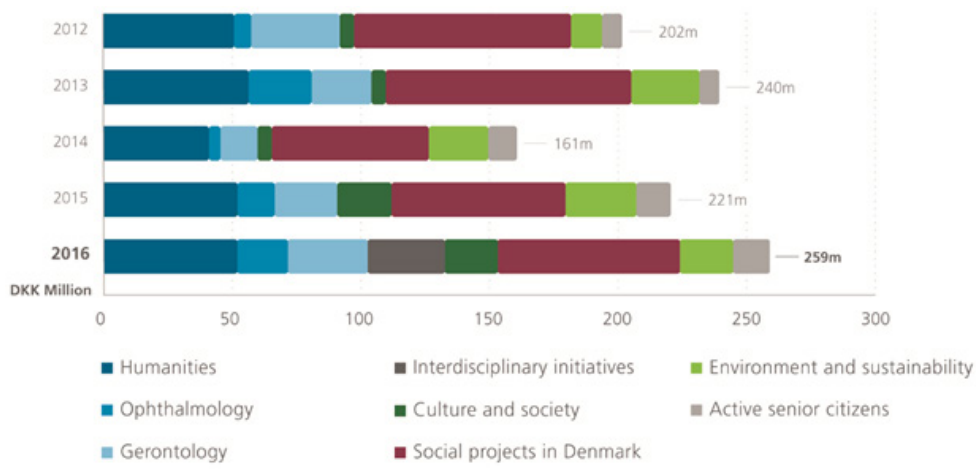
Environmental concerns are also considered when investing. In 2016, the board of VILLUM FONDEN adopted a new strategy on Impact Investment. By 2020, 10% of the foundations' tied-up assets are to be in green impact investments with the dual purpose of generating attractive financial returns alongside clearly defined green impacts. As such, they contribute to the transition towards a more environmentally sustainable society.

Donations from the foundations in DKK from 2012-16:

VILLUM FONDEN



VELUX FONDEN



Read more about THE VELUX FOUNDATIONS and their grants at veluxfoundations.dk/en



CSR in the VELUX Group

As described in the Model Company Objective, the VELUX Group aims to have a positive impact on society and on people's health and well-being.

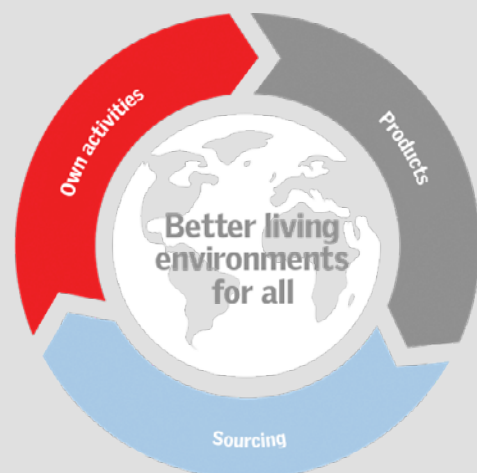
In order to demonstrate this, we have focused our CSR efforts in the areas where we have a special role to play in addressing some of the challenges facing society today. In 2015, the UN member states agreed on 17 Sustainable Development Goals that reflect these societal challenges. We have assessed the goals to determine what matters most to us as a company and where we can offer our unique contribution.

Read more about our contribution to the UN Sustainable Development Goals in the 'About the report' section (p. 54).

Moreover, we conduct our business throughout the entire supply chain in a responsible manner, in line with our Model Company Objective and our commitment to the UN Global Compact principles.

In other words, we take a responsible approach throughout the entire supply chain and offer a special contribution to creating better living environments.

We take a responsible approach throughout the entire supply chain and offer a special contribution to creating better living environments for all



Sourcing

Our business

We source from suppliers around the world governed in accordance with our VELUX Code of Conduct. The main materials sourced are pine wood from managed forests as well as glass, aluminium and polyurethane.

CSR aspects we focus on

- › Sustainable wood
- › Responsible sourcing

Own activities

Our business

The VELUX Group employs around 9,500 people. We manufacture our products at 17 sites in Poland, the USA, China, France, Denmark, Germany, Hungary, the Czech Republic and Slovakia. We have sales companies in 40 countries around the world.

CSR aspects we focus on

- › A good employer
- › A healthy and safe workplace
- › Environmental impact of our production

Products

Our business

Our products provide daylight and ventilation while being energy efficient. Our products enable people to convert attics and other rooms into affordable, healthy and energy-efficient living spaces. VELUX roof windows are primarily used in residential buildings. VELUX Modular Skylights are used in commercial and office buildings. Key markets are Europe, North America and China.

CSR aspects we focus on

- › Sustainable products
- › Life Cycle Assessment
- › Product quality and durability
- › Fair competition

Creating better living environments for all

Our business

Our approach to creating better living environments comprises four perspectives:

1. We put people first to create healthy homes with extended living space, good indoor comfort and low energy consumption.
2. We pioneer sustainable building solutions through full-scale demonstration projects.
3. We engage with industry stakeholders and inspire to innovative solutions for better living environments.
4. We influence the framework conditions and lead the development of sustainable solutions that balance care for people and planet.

CSR aspects we focus on

- Sustainable buildings
- › Put people first in healthy homes
 - › Pioneer sustainable solutions
 - › Engage with building community
 - › Influence framework conditions

CSR governance

The VELUX Management Group has the overall responsibility for Corporate Social Responsibility in the VELUX Group. The CSR Committee is responsible for setting direction and defining our CSR activities. See chapter 'Reporting principles' (p. 62) for more.

**Better living
environments
for all**



Putting people first

Mankind is developing into an indoor species in a world, where people tend to spend up to 90 % of their time indoors.



Strategy and goals

The VELUX Group puts people first in the development of better living environments for all.

It is a fact that people in the countries where we are present, typically spend up to 90% of their time inside buildings in the countries that are relevant to us. In Europe alone, some 84 million people live in damp and unhealthy buildings, while 30 million people suffer from lack of daylight.

At the same time, buildings consume huge amounts of valuable resources during construction and in the use phase. In fact, buildings account for 40% of total energy consumption and up to 50% of the total raw material use in Europe.

In other words, buildings are key elements in solving the global challenges of health, resource scarcity and climate change. That is why we have made it our core business to help create healthy and sustainable buildings that balance care for people and care for planet.

With our products and solutions, we want to create bright, healthy and efficient buildings for people to live, work, learn and play in. To do this, we take leadership in the quest to pioneer sustainable buildings, inspire the building community and challenge the framework conditions that govern the building sector.

Activities

The founder of the VELUX Group once said that one experiment is better than a thousand expert views. We live this principle, and take a user-oriented and experimental approach to sustainable building design. We consult with home and building owners, and base new developments on in-

sights gained through observations of how people interact with buildings and technology, combined with quantitative studies of people's expectations of a healthy and user-friendly building.

We have gathered real-life experiences from test families who have lived in our demo-buildings, recording not only energy consumption and other functional parameters, but also personal habits and reflections. This documentation has provided us with vital information on comfort, energy and environment, and also helped us to understand how daylight and fresh air can facilitate a healthy and comfortable indoor environment.

As part of our user-centric approach to create healthy and sustainable homes, we carry out the Healthy Home Barometer survey, conducted for the third year in a row in 2016. Healthy Home Barometer is a European study of people's attitudes and behaviour patterns in terms of healthy living, home satisfaction and energy consumption. The local VELUX sales companies have activated the Healthy Home Barometer key findings through local conferences, meetings and media. The purpose is to raise the general awareness of the importance of indoor climate for health and well-being.

Performance

- › 14,000 Europeans from 14 countries participated in the 2016 Healthy Home Barometer survey.
- › Local reports of Healthy Home Barometer results were published in 11 countries either online or in print.

Next steps

- › The next Healthy Home Barometer survey will be carried out in spring 2017.
- › In 2017, we will continue to share know-how and guidelines for healthy homes with daylight, fresh air and low energy consumption.



Pioneering sustainable buildings

The VELUX Group has initiated or contributed to 27 Active Houses around the world, pioneering solutions for better living environments and higher energy efficiency. In 2016, we opened RenovActive in Brussels and Active House Centennial Park in Canada.



Strategy and goals

A window is one of the few building components that can provide a positive energy balance by solar heat gain through the pane. We want to make the most of this unique characteristic and to pioneer buildings that give more than they take in terms of indoor climate and environmental impact.

Through a series of demonstration projects based on Active House principles, we seek to demonstrate how tomorrow's buildings can be built today using current technology and know-how. By monitoring the projects and studying the interaction between home and residents, we want to contribute to creating a blueprint for future housing.

Activities

- › Over the years, the VELUX Group has initiated and partnered in the building of 27 Active Houses around the world.
- › The most recent project is the RenovActive home in Brussels, showcasing affordable solutions for the renovation of social housing. The project demonstrates how Active House principles can be applied on a larger scale to benefit whole housing estates based on three principles: affordable, easy to reproduce, scalable. Besides energy savings, the renovation project focuses on improving indoor comfort for residents.

Performance

- › Two new Active Houses were built in 2016 with active contributions by the VELUX Group.
- › RenovActive in Brussels was opened to visitors, mainly decision-makers, NGOs, building professionals and researchers, in May 2016.

Next steps

- › RenovActive will be handed over to its tenants in May 2017. The tenants' interaction with the house will be monitored during a test period. The results will be analysed to gain new insights into resident behaviour and renovation methods.
- › The RenovActive concept will be replicated in several homes in the Bon Air estate, owned by Le Foyer Anderlechtois. In May 2016, the authorities gave permission to implement the renovation concept in 86 similar homes.



Partnering with stakeholders

We engage with key industry stakeholders to help discover innovative solutions for better living environments. In 2016, we contributed to the development of the new Active House labelling as a world-wide quality stamp for comfortable and sustainable buildings.



Strategy and goals

The VELUX Group engages with key stakeholders in the building industry to advocate and co-create innovative solutions that balance care for people with care for natural resources and the environment.

We are one of the founding partners of the Active House Alliance, a global network of builders, researchers, designers, contractors and manufacturers who work together to realise a vision for buildings that create healthier and more comfortable lives for occupants with no negative impact on the climate.

Activities

- › The VELUX Group contributed to the development of the new Active House labelling as a world-wide quality stamp for comfortable and sustainable buildings.
- › In 2016, we hosted the global International VELUX Award for Students of Architecture, encouraging students to explore daylight in concrete buildings and in conceptual projects.
- › Every second year (most recently in 2015), we host the VELUX Daylight Symposium, inviting researchers, scientists and building professionals from around the world to immerse themselves in aspects of daylight and architecture.
- › Twice a year, we publish the magazine Daylight & Architecture, inspiring practicing architects and researchers to explore and work with daylight as one of the most fundamental parameters of architecture.

- › Through the VELUX Knowledge Centre for Daylight, Energy and Indoor Climate (DEIC), we share knowledge of and tools for affordable, healthy and sustainable building practices, with a special focus on windows, shading and controls.

Performance

- › The hotel and conference centre Green Solution House in Denmark won the 2016 Active House labelling contest. Green Solution House was developed in close cooperation with the VELUX Group.
- › 5,000 students from 97 countries registered for the International VELUX Award 2016 for Students of Architecture; 587 projects were submitted; ten regional winners and two global winners were declared and celebrated.

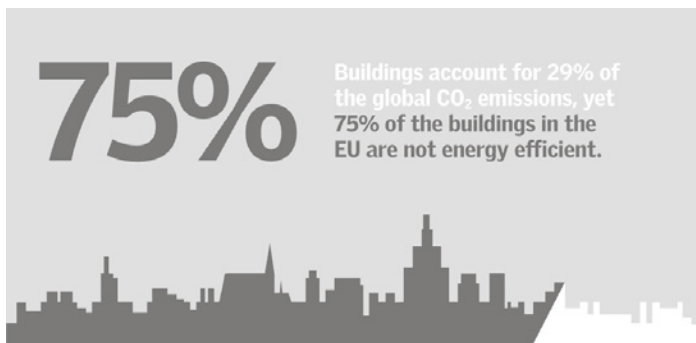
Next steps

- › Continue to grow the awareness of the Active House vision and principles.
- › Co-host the 2017 Active House General Assembly and Conference.
- › Host the VELUX Daylight Symposium 2017 in Berlin in May to explore the theme Healthy and Climate Friendly Architecture – from Knowledge to Practice.



Influencing framework conditions

We seek sustainable solutions that balance care for people and planet. In April 2016, 240 people met to discuss better living environments at the VELUX Healthy Buildings Day in Brussels. 60 European decision makers took part in the European Parliament breakfast discussions.



Strategy and goals

The VELUX Group was founded on a vision to bring daylight and fresh air through the roof and into people's lives and homes. We engage with local, regional and global legislators, authorities and interest organisations to influence the framework conditions under which the building industry operates.

We actively promote political action to ensure better living environments for all, ensuring that building performance directives and buildings codes address the need to design and build for people's health, at the same time as minimising the environmental impact of buildings.

Our advocacy is guided by our Public Affairs Policy, which applies to all employees, consultants and advisors.

Activities

Through a series of building experiments, we have demonstrated that it is possible to comply with the expected EU building energy standards for 2020 with existing technologies and without compromising people's health and well-being.

On EU and national levels, we advocate:

- › The Active House vision and principles to achieve nZEB (nearly Zero Energy Buildings).
- › Daylight in buildings as a key enabler of human health and well-being.
- › Natural ventilation and ventilative cooling as key enablers of good indoor air quality.

- › Affordable solutions for healthy and energy-efficient homes.
- › Use of energy balance to evaluate the energy performance of buildings to account for solar gain in buildings and use of dynamic blinds and shading.

On the annual Healthy Buildings Day in Brussels, we bring together political decision makers, stakeholders from the health sector, building specialists, NGOs and officials from the European Commission to discuss different topics related to framework conditions and concrete solutions for better living environments in Europe.

Through the Active House Alliance, we are contributing to a new common EU framework of indicators for resource-efficient buildings.

Performance

- › In 2016, 240 people participated in the Healthy Buildings Day. 60 political decision makers took part in the breakfast discussion, with the event creating media attention in 19 countries.

Next steps

- › We continue our advocacy for daylight, fresh air and energy efficiency as key enablers of better living environments at affordable prices. In 2017, the Healthy Buildings Day will take place in Brussels in May.

Sustainable products



Sustainable products

2016 saw the introduction of new, sustainable products such as VELUX Smart Ventilation, and partnerships that paved the way for the new, innovative VELUX Active product range.

Strategy and goals

Designing sustainable products is our core business. The key drivers are healthy and sustainable buildings offering more daylight, more fresh air and nearly-zero energy consumption. VELUX windows and accessories are carefully designed to minimise heat loss and make the most of solar heat gain through the windows.

Activities

2016 saw the introduction of new, sustainable products and partnerships that paved the way for innovative solutions:

- › Launch of VELUX Smart Ventilation heat-recovery units that improve indoor comfort by constantly renewing indoor air with minimum heat loss. Smart Ventilation ensures constant air change while offering 75% heat recovery
- › Development of the new VELUX Active product range in cooperation with French Netatmo, known for its award-winning atmospheric monitoring systems. VELUX Active products are designed to improve energy efficiency, indoor comfort, health and well-being through smart controls that automatically operate roof windows, blinds, shutters, etc. according to a range of atmospheric parameters. Operated via a mobile app and compatible with the Apple HomeKit platform, VELUX Active also monitors parameters like CO₂ and humidity indoors to optimise the indoor climate.

Performance

We have expanded our contribution to more daylight, more fresh air and nearly-zero energy consumption through the launch of VELUX Smart Ventilation, which allows end-users to minimise heat loss even more.

Next steps

We will launch the VELUX Active product range in 2017.



Life Cycle Assessments

It is when you use the roof window, that it has the most significant impact on the environment.

Policy and goals

Life Cycle Analysis (LCA) is part of our product development process. All concepts are screened using LCA, and a full LCA is done before market launch

Activities

In 2016, our LCA of VELUX roof windows and VELUX flat-roof windows were third-party verified to ISO 14040/14044 (Life Cycle Assessment standards), EN 15804 (Environmental Product Declaration for Building Products and Materials) and EcoPlatform (cooperation between European environmental declaration programmes).

In our product development, we have also introduced an internal tool for environmental material evaluation. The purpose of the tool is to enable easy benchmarking and comparison of different materials' environmental performance to guide decision making. The tool identifies the best material based on an evaluation of:

- › Global warming potential (CO₂ emissions)
- › Sustainable sourcing (renewables/secondary materials)
- › End-of-life recyclability.

Performance

The life cycle assessments document that the energy savings in the use phase have the most significant environmental impact. Over the lifetime of the roof window, energy savings may exceed the energy consumed in the sourcing and production process. This means that roof windows may provide net CO₂ savings over their life cycle. This is due to the energy balance of the window, which lets in solar heat through the pane and thus saves energy from other sources.

LCAs of roof windows with energy blinds have documented that the energy savings over the lifetime of the roof window can be improved when energy blinds are added to avoid heat loss through the pane. New active solutions that open and close windows and blinds according to weather conditions make it possible to optimise the use of the roof window and can even further improve energy and CO₂ savings.

Next steps

There is continued focus to embed LCAs in our product development. In 2017, we plan to introduce a new tool for setting up environmental requirements in the product development process.



Product quality

VELUX roof windows are designed and manufactured for a service life of 40 years or more. 98% of installers and dealers agree that VELUX products are high quality and reliable products.



Policy and goals

Quality is a cornerstone of the VELUX business and essential to fulfilling our vision of leading the development of better living environments with daylight and fresh air. Our roof windows are developed for a service life of 40 years or more.

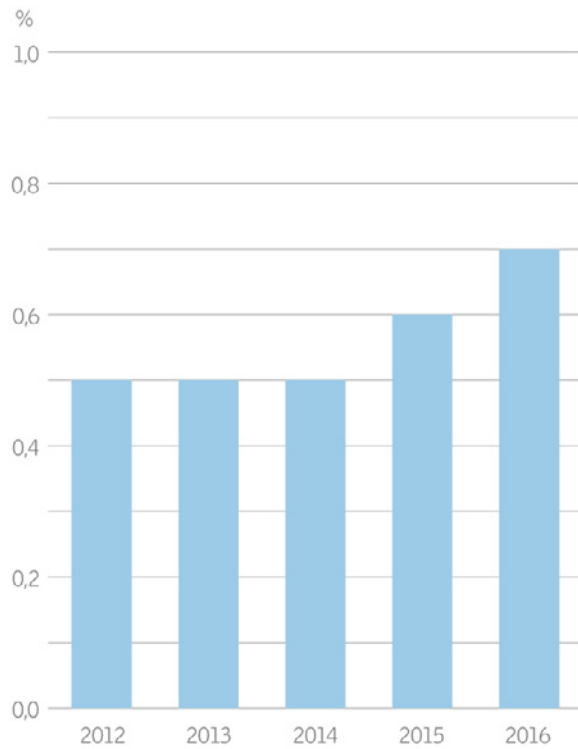
Activities

We ensure high quality in products and processes by following the VELUX Group Quality Policy and the VELUX Quality Management system based on the ISO 9001 standard.

Performance

In 2016, we issued one warning to customers regarding a defect in our smoke ventilators involving a lock ring that can detach.

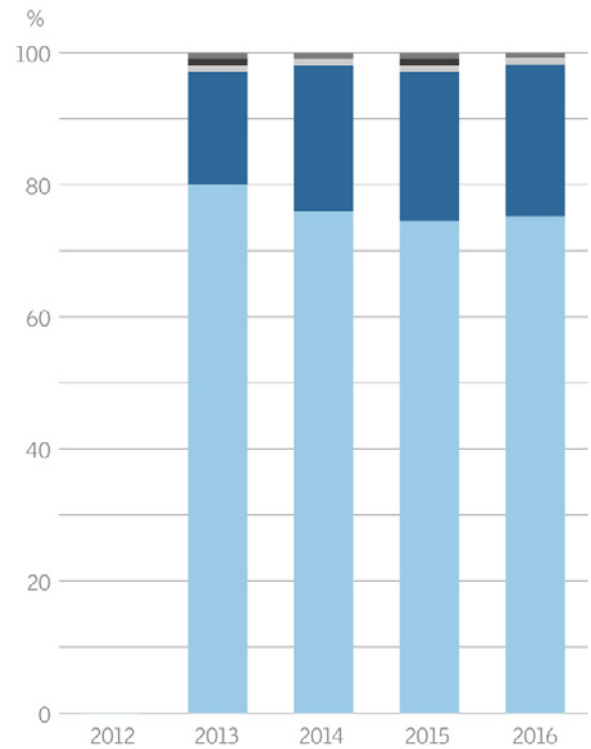
Product warranty service



Percentage of sold VELUX roof windows that require warranty service within the first three years.

Only 0.7% of all sold VELUX roof windows require warranty service in the first three years. We offer an extensive service/support network in the event that service or repair is needed

The VELUX Group offers reliable and high-quality products



Dealer and installer feedback through third party satisfaction tracking survey. Biennial measure before 2013

98% of installers and dealers completely agree or agree that the VELUX Group offers high-quality and reliable products.

Next step

We continue to control product and process quality along the entire value chain from purchase of raw materials to product development, production and after-sales services.

In future, we plan to take this even further through a focus on preventive quality assurance, which will be incorporated into our quality systems in 2017.



Fair competition

The VELUX Group adheres to the Competition Law Compliance Policy laid down by our owner, VKR Holding A/S. All general managers commit to the Policy by signing the Competition Law Compliance Declaration every year.



Policy and goals

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 competition programme with the aim to ensure that all our sales companies avoid anti-competitive behaviour and observe the necessary rules and regulations. Our leading position in the market makes this programme critical to our business.

The VELUX Competition Law Compliance Policy describes our approach to customers and competitors on the market, and deals with our approach to mergers and acquisitions, and other relevant issues. The policy sets up a compliance programme that includes the following compliance measures:

- › Information and training, e.g. individual training, workshops, seminars and e-learning programmes on antitrust and competition law
- › Guidelines, procedures (including approval procedures) and instructions
- › Personal annual declarations of compliance to be signed by all General Managers
- › Competition law reviews by the Group General Counsel of our parent company and his team (hereinafter referred to as the "Group General Counsel")

- › Legal due diligence at all mergers and acquisitions
- › Approval of essential trade documents (including trade conditions, sales & delivery terms, distribution & licence agreements, co-development contracts, and sales and delivery terms) by the competition law specialists of the Group General Counsel

The Group General Counsel monitors competition law compliance, issues instructions and guidelines, and continuously assesses compliance procedures.

Tax:

The VELUX Group acts with integrity and transparency in tax matters. Our approach is guided by our Tax Policy, which applies to employees as well as consultants and advisors involved in tax issues.

Anti-corruption:

The VELUX Group applies a zero-tolerance approach to corruption. Our Anti-Corruption Policy guides employees in their everyday work. The policy requires management to ensure that bribery does not occur, to formulate local guidelines for receipt of gifts and entertainment and to avoid facilitation payment.

Activities

Competition:

The Group General Counsel of our parent company and his team carry out competition law compliance audits. They also train general managers, sales managers and other relevant employees in the VELUX Group's Competition Law Compliance policy, and in the competition law compliance guidelines and instructions. It is compulsory for all our senior managers to complete our competition law compliance e-learning and make sure the policy is implemented within their area. Annually, all general managers sign a declaration to verify that no breach of competition law has occurred during the year.

Tax:

The VELUX Group does not enter into projects without substance in which the only objective is to create tax benefits for the participants; nor will the VELUX Group register in countries known as tax havens (as listed by OECD) unless there is a sound business reason for doing so.

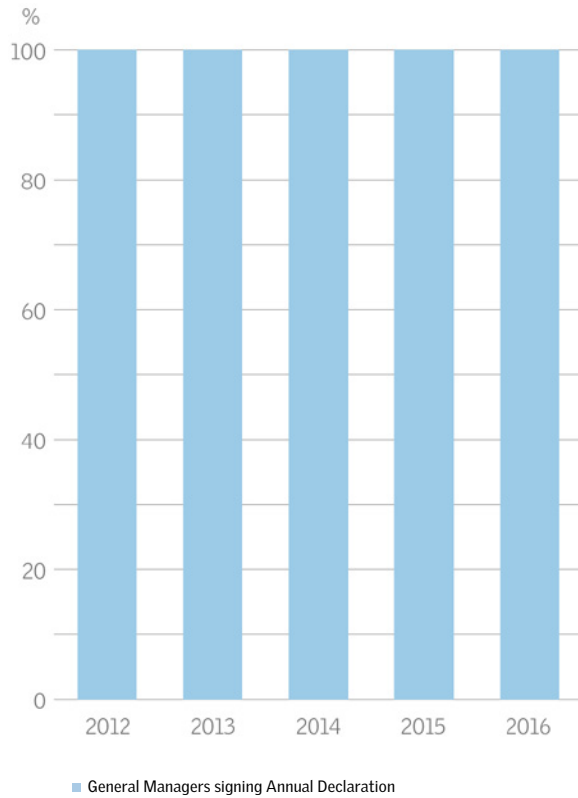
The Danish VELUX companies are included in the mandatory joint taxation with VKR Holding A/S and the other Danish companies owned by VKR Holding A/S. Corporation tax of the VELUX Group's Danish joint taxation income is paid by VKR Holding A/S.

Anti-corruption:

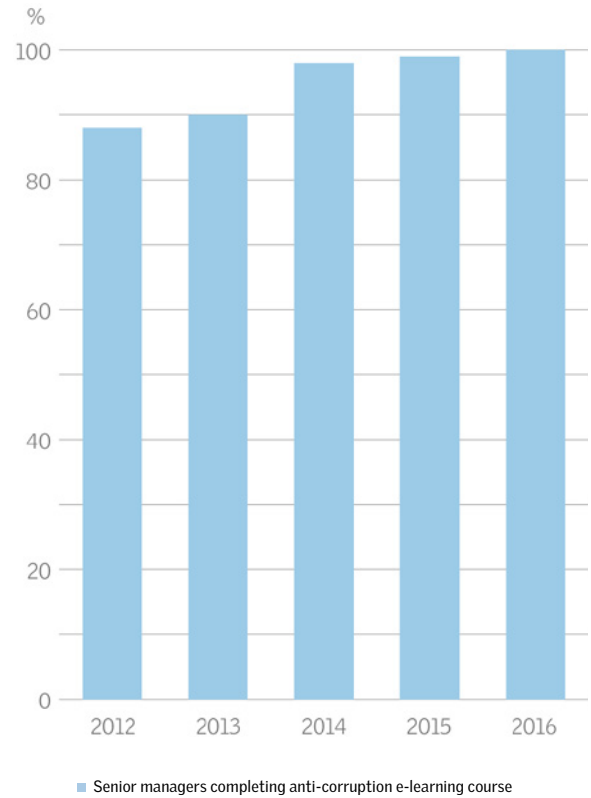
We train managers and employees in the VELUX anti-corruption policy and guidelines. It is compulsory for all our senior managers to complete our anti-corruption e-learning and make sure the policy is implemented in their area.

Performance

Competition law compliance



Anti-corruption training



All our relevant senior managers have signed our competition law annual declaration and been through our anti-corruption training to ensure fair competition.

Next steps

Our programmes in competition law compliance and anti-corruption have been in place for a number of years. We will maintain them and continue our focus on complying with them.

Sustainable business activities



People development

94% of VELUX employees participated in the Global Employee Survey 2016. Loyalty and commitment remains high among employees, reaching index 73 in 2016.



Policy and goals

Our market leadership depends on our ability to attract, retain and engage the best people. We invest in and develop people to be passionate performers.

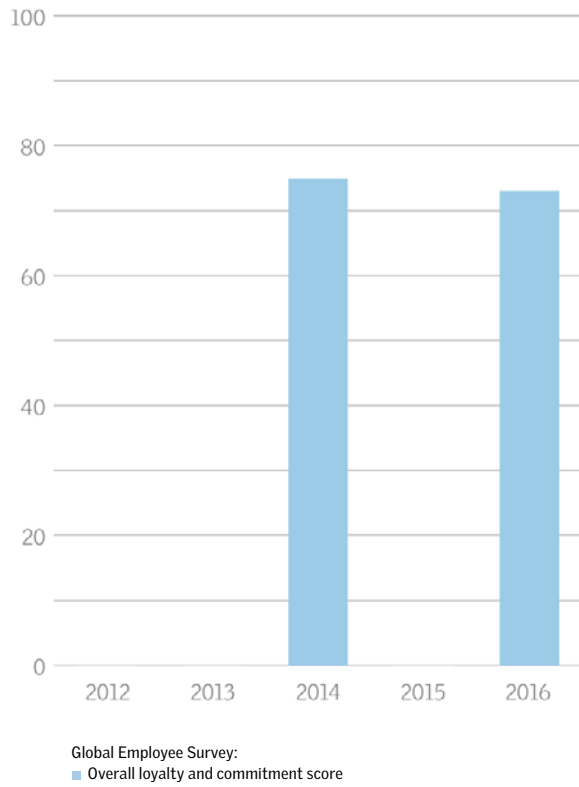
We strive to provide a safe and motivating work environment where people are treated with respect and offered equal opportunities for development, and we respect the principle of freedom of association and the right to collective bargaining.

Activities

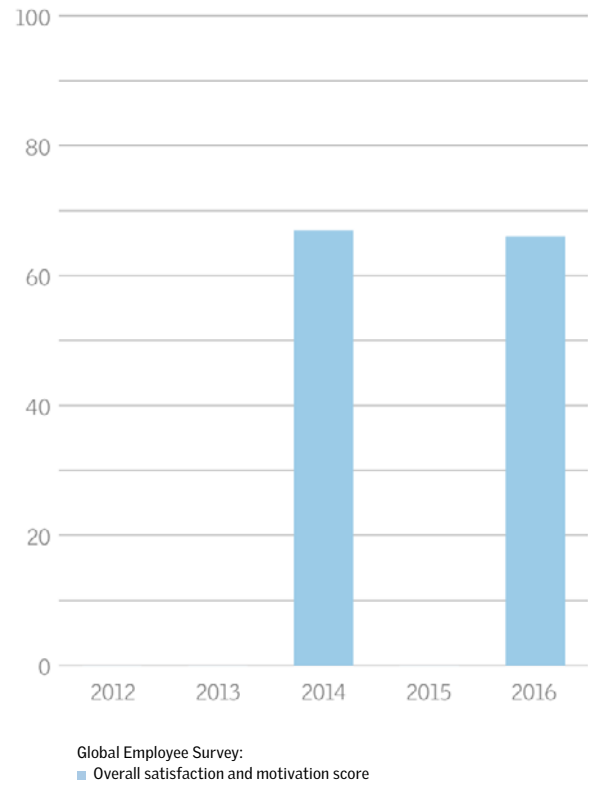
- › The Global Employee Survey was carried out in autumn 2016 among employees at all VELUX sites. The response rate was 94%.
- › We have continued our activities to revitalise our unique VELUX culture. Key actions are to strengthen leadership, support global collaboration and boost passion and performance throughout the organisation.
- › New tools were introduced to support continuous people development based on business needs and individual aspirations.
- › We focus on mobility across the VELUX Group as an active tool for career development when aligned with business needs.

Performance

Employee level of loyalty and commitment

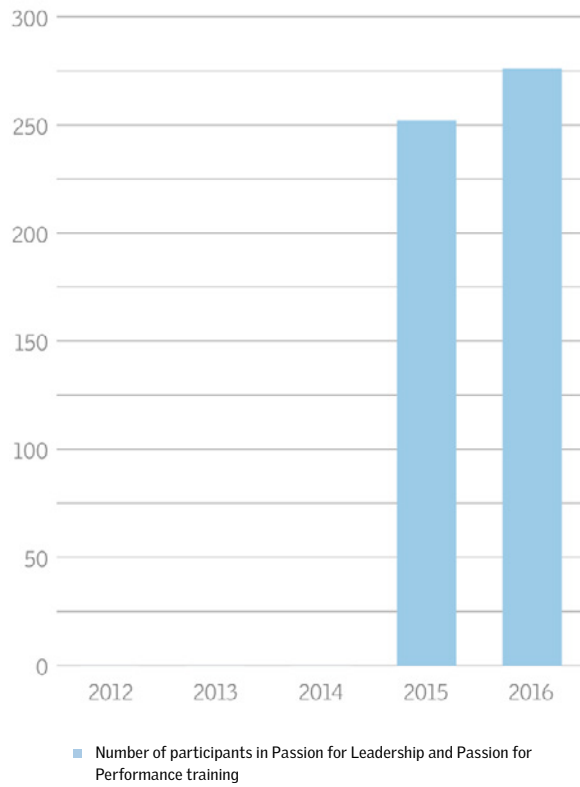


Employee level of satisfaction and motivation



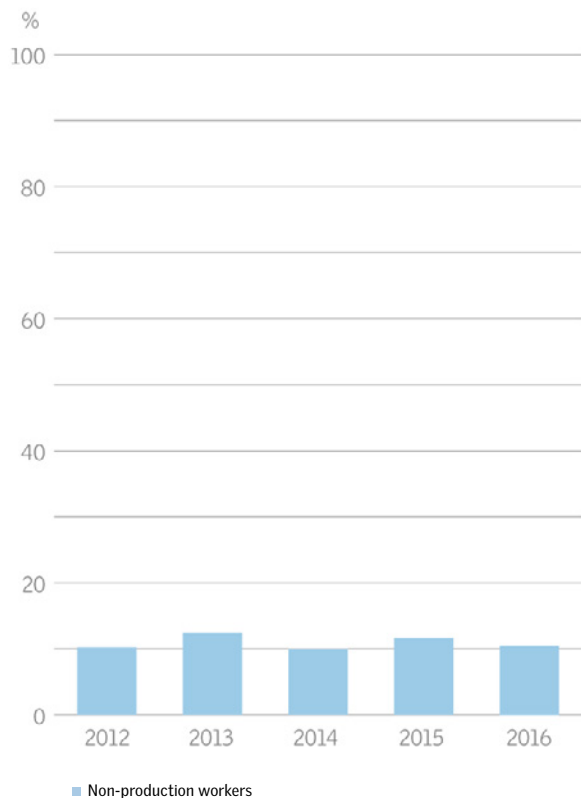
Performance

Leadership training

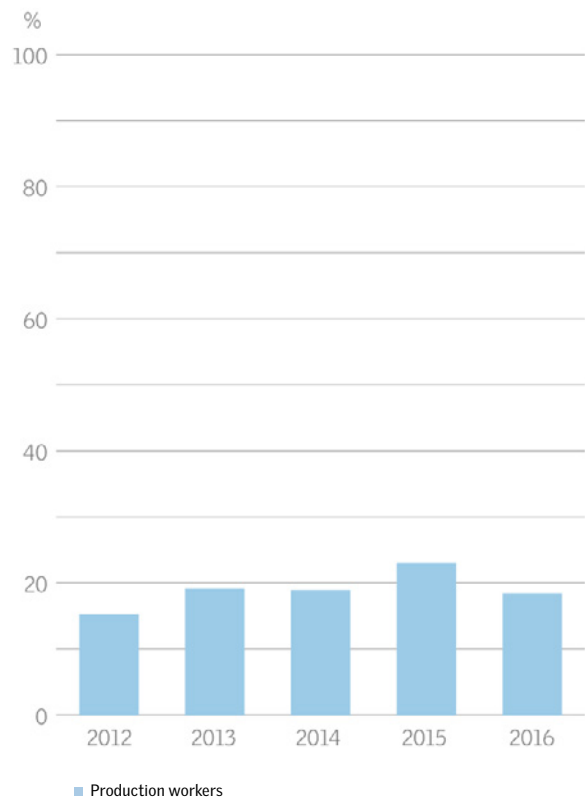


Performance

Employee turnover, non-production



Employee turnover, production



At VELUX Group level, employee Satisfaction & Motivation is in the medium range at index 66. Loyalty & Commitment results remain at a high level – index 73. Both results are above the general external benchmark but below the comparative result for “top-in-class” companies.

There are large variations across countries, companies/business units, departments and teams. In general, there has been a positive development in Satisfaction & Motivation for sales companies since the 2014 survey, while there has been a negative development for production companies.

The results have the attention of the management and it is a clear priority to follow up on all units and teams, especially in areas in need of improvement.

Next steps

The overall results of the Global Employee Survey reflect large variations across countries, sales companies, production sites and functions and will be followed up by local action plans to continue the work to make our Group an even better workplace.

A new global approach to people development will be rolled out in 2017 based on the principle of ‘career clusters’. The tool identifies four career clusters: Professional, Specialist, Project Manager and People Manager.

2017 will also see a focus to attract more talented graduates and early professionals.



Diversity

The VELUX Group has always had a natural focus on being a good and inclusive workplace for all employees. Our intention is that our workforce should reflect the demography in the surrounding society.



Policy and goals

With a strong foundation in the Model Company statement, the VELUX Group has always had a natural focus on being a good and inclusive workplace for all employees. Our intention is that our workforce should reflect the demography in the surrounding society.

In 2013, the VELUX A/S board set the objective of increasing the number of women on the board by at least one woman (equal to 40%) by 1 April 2017.

Activities

In 2016, two additional women joined the VELUX A/S Board of Directors, resulting in three out of six, or 50%, of the board members (members elected by the General Assembly) being female.

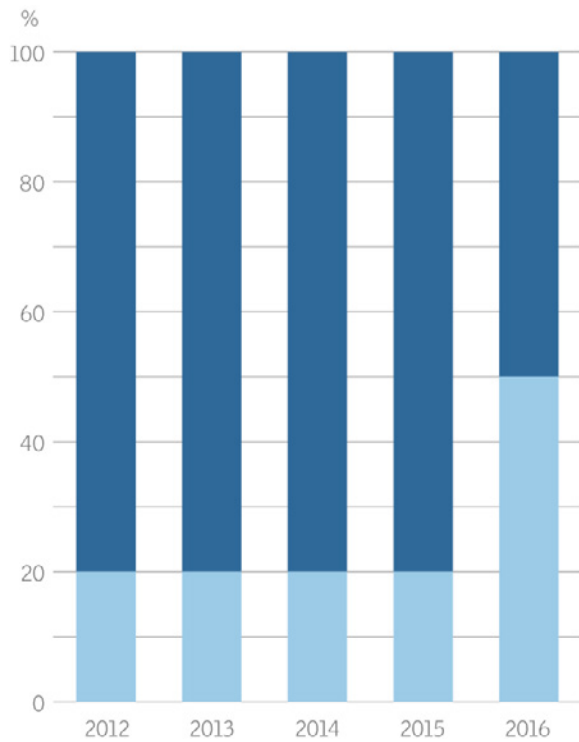
We try to encourage more female managers and ensure equal opportunities for development.

In the recruitment process of managers and other key positions, we try to encourage more women by requesting that a female candidate is presented in all recruitments.

To ensure equality, we apply a company-wide performance evaluation tool and external benchmark. Similarly, a structured annual evaluation of managers and administrative staff provides transparency and an objective approach to career development and appointment of managers.

Performance

Gender equality on Board of Directors



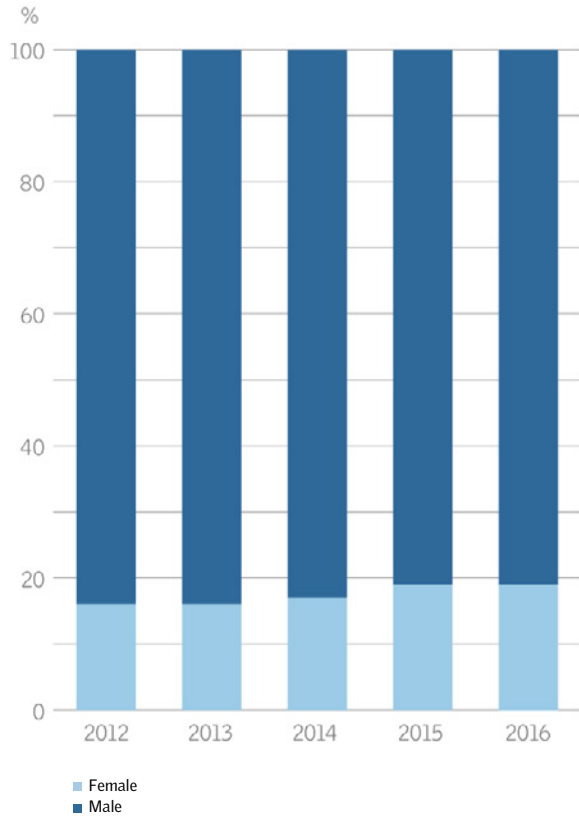
Female board members (members elected by the General Assembly)

In 2016 the number of members elected by the General Assembly was increased from five to six persons

- Female
- Male

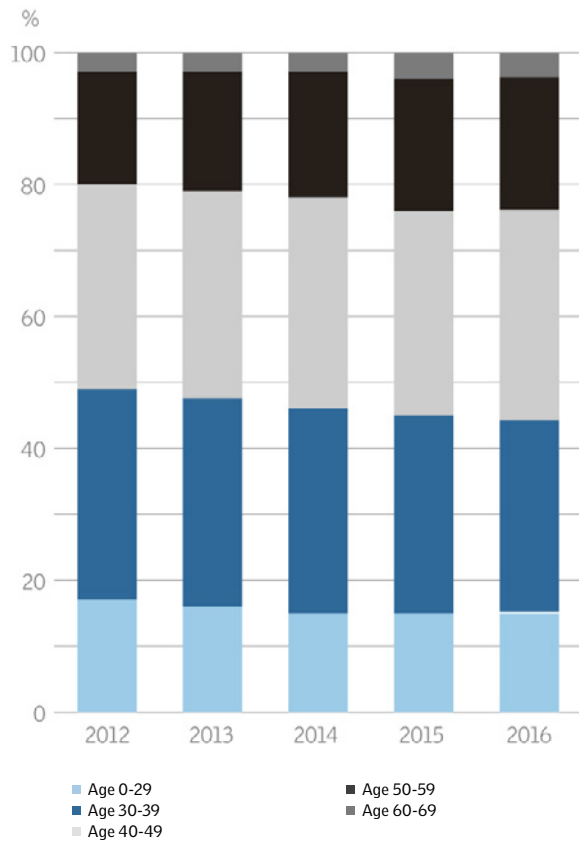
In 2016, 50% of board members (members elected by the General Assembly) were female. This is above our target of 40% and well above the average of the comparable industry benchmark of 26% female board members.

Gender equality in senior management



In 2016, 19% of our senior managers were female, which is just below the 21% industry benchmark we can compare ourselves with.

Age distribution, all employees



Next steps

We continue to encourage women to pursue career opportunities in management and other key positions.



Employee Foundation

In 2016, the Employee Foundation donated more than € one million to employees, their families and non-profit community projects.



Policy and goals

The Employee Foundation of the VKR Group was established in 1991 to support present and retired employees and their immediate families. The Employee Foundation has three main objectives:

1. To support employees and their close families, typically in the event of unforeseen situations or for final education of employees' children
2. To support non-profit activities in the vicinity of VKR Group companies
3. To present the Villum Kann Rasmussen Award.

Activities

In 2016, 294 donations totalling € 751,752 were made to present or retired employees in need of assistance in distressed circumstances or to their children's final education or training.

In 2016, 133 donations totalling € 304,936 were made in support of non-profit community projects in the vicinity of the VKR Group's companies worldwide.

Examples of donations to employees made in 2016:

- › Rehabilitation after surgery for employee in Poland
- › Assistance in connection with diabetes to employee in Scotland
- › Treatment in connection with autism to employee's child in Spain
- › Scholarships in pursuit of educations to become a veterinary surgeon, boilermaker, psychologist, chemical engineer etc.

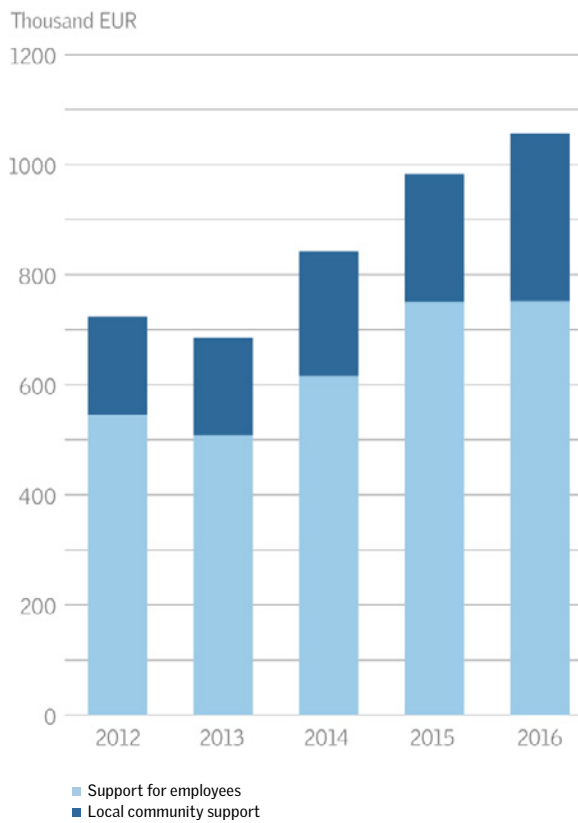
Examples of local support in 2016:

- › Double rowing boat for handicap rowing in the UK
- › Materials for workshop for visually impaired people in the Czech Republic
- › First aid equipment for voluntary fire brigade in Poland
- › Electric piano for music school in Hungary

For more information and case stories go to www.employeefoundation.com/donationer/

Performance

Grants from Employee Foundation of the VKR Group



Between 1992 and 2016, more than 3,400 people received financial support from the foundation, either for themselves or for their families. In the same period, more than 1,600 projects within the vicinity of VKR Group companies received support.

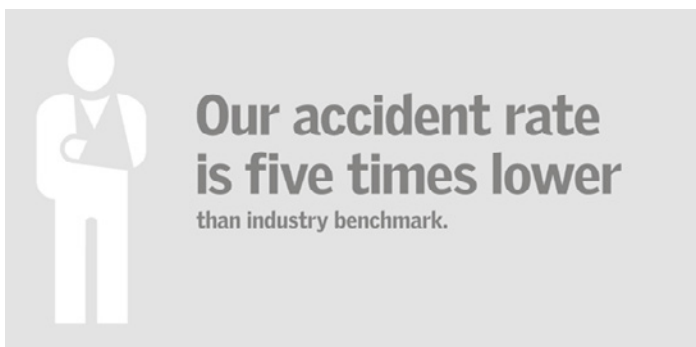
Next steps

The Employee Foundation of the VKR Group will continue its work to support present and retired employees and their immediate families as well as the local communities in the vicinity of VKR Group companies.



Safe and healthy workplace

In 2016, the number of work-related accidents per one million working hours was 1.9. That is almost five times lower than the comparable industry benchmark. The long-term vision is to achieve zero accidents.



Policy and goals

All VELUX manufacturing sites are certified according to OHSAS 18001 (Occupational Health and Safety Management). The long-term vision is to reach zero accidents and incidents.

Activities

In 2016, we implemented new safety standards in production and warehousing supporting the ongoing effort to build a strong safety culture and improve our safety risk management. The new standards comprise:

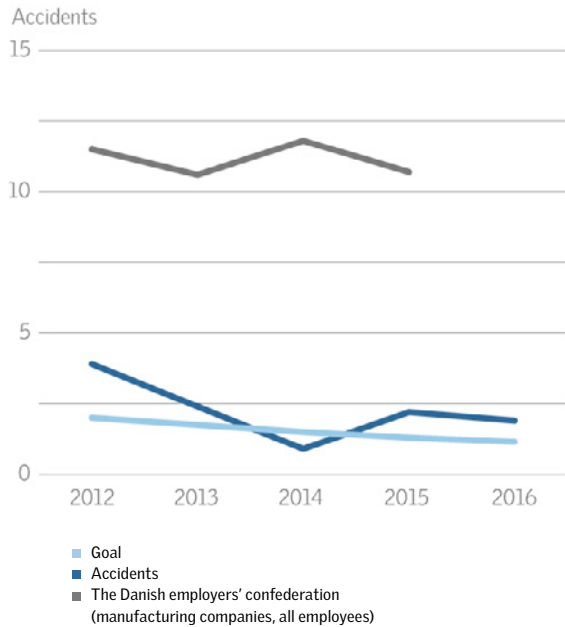
- › Employee Safety Engagement Standard strengthening employee commitment to safety.
- › Roles, Responsibilities and Safety Performance Management Standard defining key personal safety activities, authorisation and performance indicators for all employee categories.
- › Workplace Risk Assessment Standard intensifying focus on preventive actions that can mitigate risks in the daily work and in non-routine work.

To monitor all critical safety standards, we introduced an extended internal auditing system.

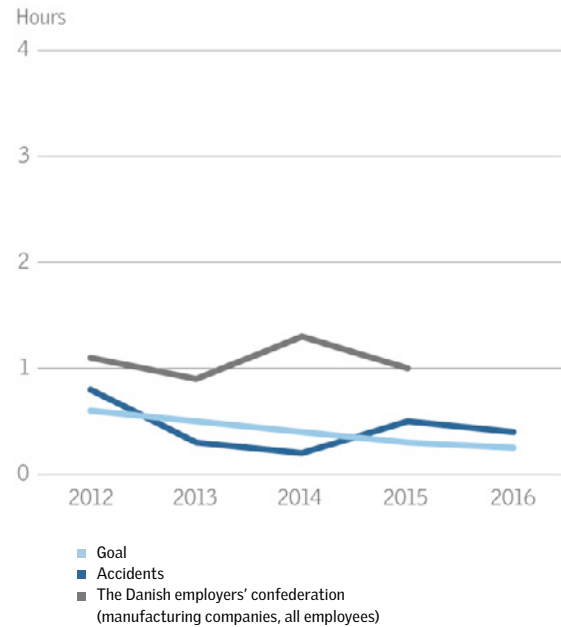
We also implemented the 'Take Care' safety programme at all VELUX production and warehouse sites. 'Take Care' encourages personal commitment and team effort in safety work and is supported by a company-wide 'Safety Hero' campaign.

Performance

Accidents per 1 million working hours



Lost hours due to accidents per 1000 working hours



- › The accident frequency of 1.9 was the second lowest we have ever achieved, but the result still did not meet our ambitious target for the year of max. 1.15. Our accident frequency is almost five times lower than the comparable industry benchmark.
- › The absenteeism rate of 0.4 was the third lowest we have ever achieved, but did not meet our target for the year of max. 0.25. Our absenteeism rate is only half the hours lost compared to the industry benchmark.
- › About 60% of accidents in 2016 were caused by slipping, tripping or falling.

Next steps

In 2017, we aim to improve the Health, Safety and Environment performance by:

- › Safety Leadership Training
- › Improved fire risk management system with new fire standards and auditing
- › Focus on workplace ergonomics
- › Extended safety auditing to cover new standards



Climate and energy

In 2016, we reduced our CO₂ emissions by 26% compared to 2007 levels. Compared to an average European household, 26% savings corresponds to the energy used for water heating, electrical appliances and lighting. Our target is a 50% reduction in 2020.



Policy and goals

The goal of the VELUX climate strategy is to reduce CO₂ emissions by 50% in 2020 compared to the 2007 baseline. We apply ISO 50001 (Energy Management) to achieve this goal.

Activities

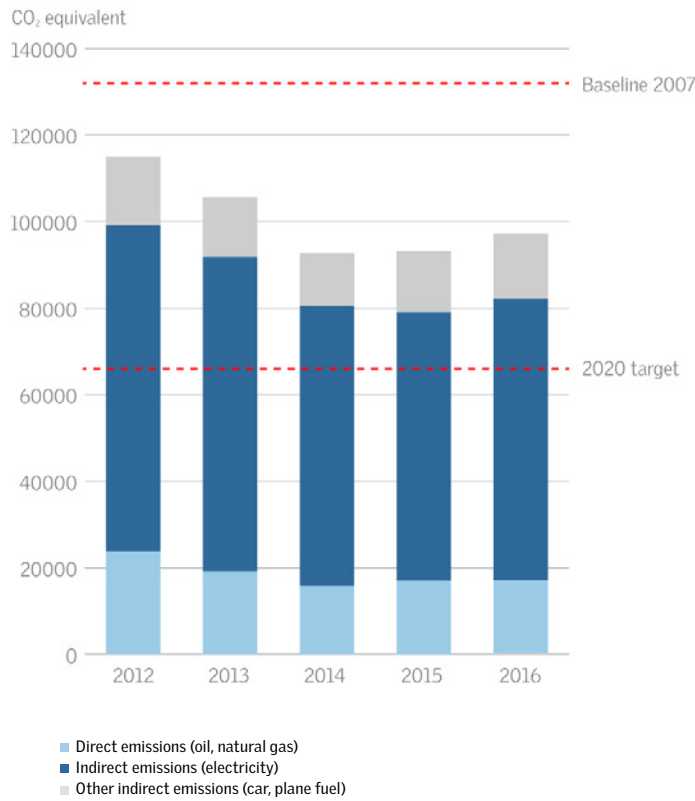
In 2016, we implemented certified ISO 50001 energy management at all VELUX production and warehouse sites in Europe and at VELUX headquarters in Hørsholm.

We systematically work to fulfil our climate goals through:

- › Implementation of Energy Management
- › Investment in energy efficiency projects
- › Use of renewable energy (e.g. solar panels, wood chip waste from production for heat generation)

Performance

CO₂ reductions



In the period 2015-16, energy management and energy efficiency projects implemented at the European VELUX production and warehouse sites have reduced CO₂ emissions corresponding to app. 7,000 tons.

Despite the isolated effect of our energy-saving and CO₂-reducing initiatives, overall CO₂ emissions rose by 3,900 tons in 2016 compared to 2015. The increase is due to the influence of other major factors:

- › Moving production to countries with significantly higher CO₂ emissions per kWh in the national electricity grid
- › Insourcing/outsourcing of production
- › In 2016, one of our major bio-boilers in Poland producing renewable heat was out of operation for most of the year due to extension of its heat supply system. This modification has increased our renewable energy production on site significantly. But in 2016 the outage time reduced renewable heat production.

Nevertheless, our CO₂ emissions in 2016 were 35,000 tons lower than in 2007. This equals a saving comparable to CO₂ emissions of more than 8,000 households in Europe.

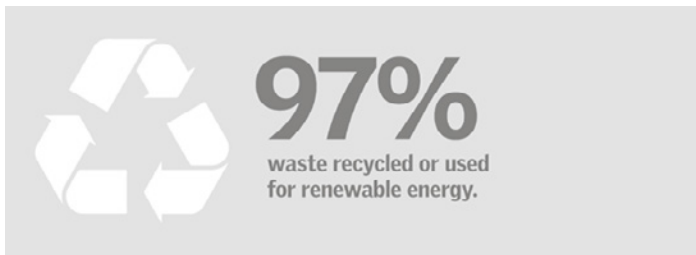
Next steps

In 2017, we will continue to implement energy savings at all production sites and warehouses. We will also increase our renewable energy production by using more waste wood from production for heat generation. Through these measures, and by energy optimisation and installation of new energy-efficient equipment, we expect to implement CO₂ saving projects that will lead to an app. 2% additional CO₂ reduction in the period 2017-18; the full effect of projects will first be visible when the optimised use has been running for a full calendar year.



Waste and environment

We have a long-term vision of reaching zero waste at our production sites. In 2016, 97% of the waste from production was recycled or used for renewable energy.



Policy and goals

All VELUX manufacturing sites are certified according to ISO 14001 (environmental management). We are committed to protecting the environment and continuously work to reduce our environmental impact and use of natural resources.

One of the elements we focus on is waste. We have a long-term vision of reaching zero waste at our production sites. Governed by the environmental policy, we continuously optimise our resource efficiency and reduce the amount of waste resulting from our production.

Activities

Our production sites have been ISO 14001 certified for a number of years. With the updated ISO 14001:2015, all our production sites are in the process of obtaining certification according to this more demanding standard, with special focus on Life Cycle Assessments, management commitment, and risks and opportunities management.

Our waste products are typically wood, steel, aluminium and glass; for these major waste categories, we have brought recycling close to 100%.

Performance

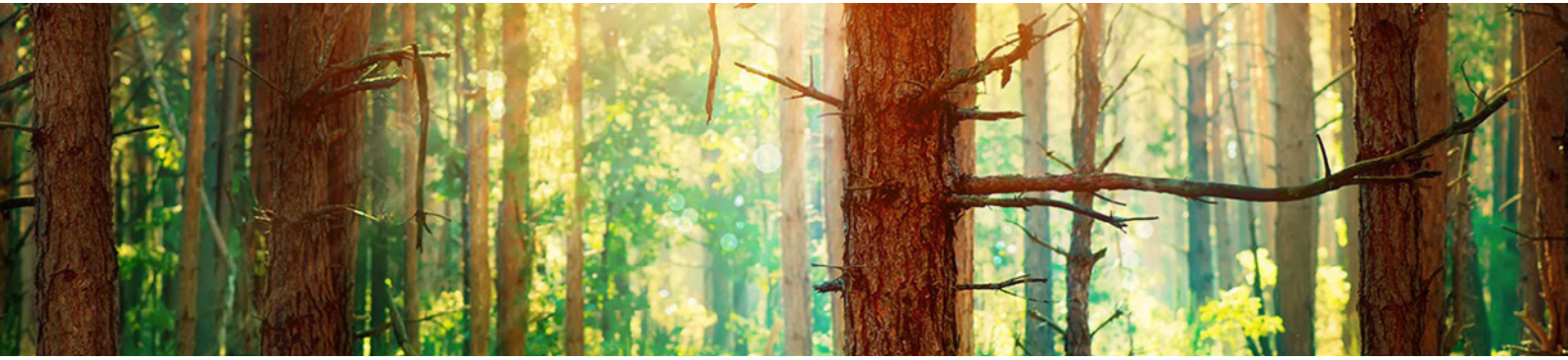
74.2% of waste from production was recycled
23.2% of waste from production was used as renewable energy
0.8% of waste from production was categorised as hazardous waste
1.8% of waste from production was sent to landfill.

The increase in hazardous waste from 0.5% in 2015 to 0.8% in 2016 was due to a fire incident at one of our production sites, so it does not represent normal waste production.

Next steps

We continue to explore new opportunities for recycling with suppliers, local utilities and recycling companies. In 2017, we will expand our capacity to use waste wood for renewable heat generation at two VELUX factories in Poland.

Sustainable sourcing



Sustainable wood

In 2016, 98% of the wood used in VELUX products in Europe was sourced from certified, sustainable forests. That is more than three times the global percentage of round-wood from certified forests. We are now close to reaching our goal of 99% in 2020.



Policy and goals

All wood suppliers of the VELUX Group are certified according to PEFC (Programme for the Endorsement of Forest Certification), FSC (Forest Stewardship Council) or both. No tropical hardwood is used. It is the policy of the VELUX Group to comply fully with the EU Timber Regulation at all times.

It is our goal that 99% of the wood used in VELUX products is sourced from certified, sustainable forests by 2020.

Activities

In 2015, we set the goal of maintaining the high level of certified wood in our supply chain, so that a minimum of 96% of the wood would come from certified sources in 2016.

Due to extensive efforts, we have been able to surpass that goal and reach 98% certified sustainable wood in 2016. The result has been achieved through performance meetings and continuous dialogue with key suppliers.

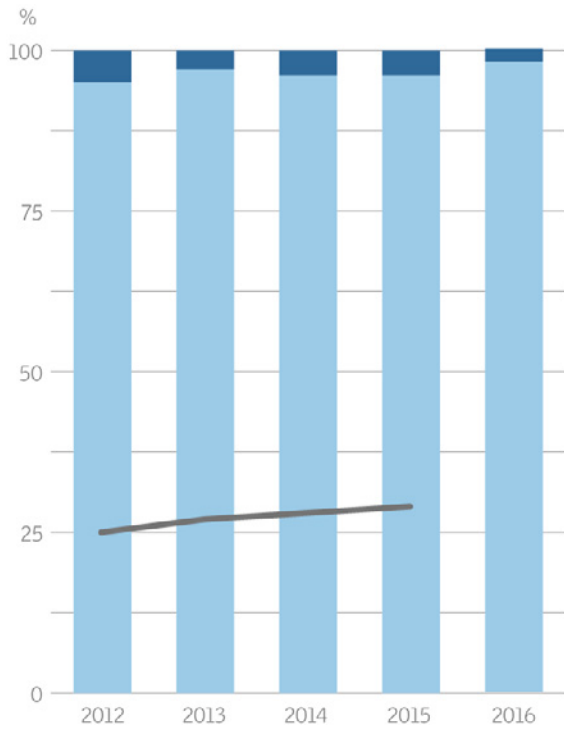
Regarding our own FSC and PEFC certification, we carried out 51 internal audits and 16 external audits during 2016 to make sure we comply with the standards of the two systems. In 2016, the VELUX Group became a member of FSC Denmark and FSC International.



Performance

In 2016, we surpassed our goal and 98% of the wood was sourced from certified, sustainable forests, which is more than three times as much as the global percentage of round-wood production from certified forests. The remaining 2% is from wood defined as 'controlled' by the FSC.

Sources of purchased wood



The VELUX Group does not purchase wood from non-controlled sources
 ■ Percentage of wood from certified sources
 ■ Percentage of wood from controlled sources
 ■ Benchmark: Percentage of global roundwood from certified sources (FAO)

Next steps

In 2017, we will continue to work with suppliers to reach our target in 2020 of sourcing 99% of the wood for our European factories from certified, sustainable forests, and engage actively in the organisations FSC and PEFC.



Code of Conduct

We work with suppliers who share our commitment to responsible business practices. In 2016, 99% of VELUX suppliers signed the VELUX Code of Conduct, and we are close to our goal of 100%.

All suppliers have to sign our Code of Conduct

Responsible business practices

- ✓ Human rights
- ✓ Labour rights
- ✓ Environment
- ✓ Anti-Corruption

Policy and Goals

The VELUX Group works with suppliers who share our commitment to responsible business practices. Supporting high standards of labour, environment, human rights and anti-corruption is an integral part of the VELUX way of doing business, founded in the Model Company Objective.

We form long-term partnerships based on the requirements of the VELUX Code of Conduct for Suppliers. We monitor compliance and develop the partnership through regular audits. The goal is that all product related suppliers have signed the VELUX Code of Conduct.

Activities

The VELUX Code of Conduct for suppliers focuses on three issues:

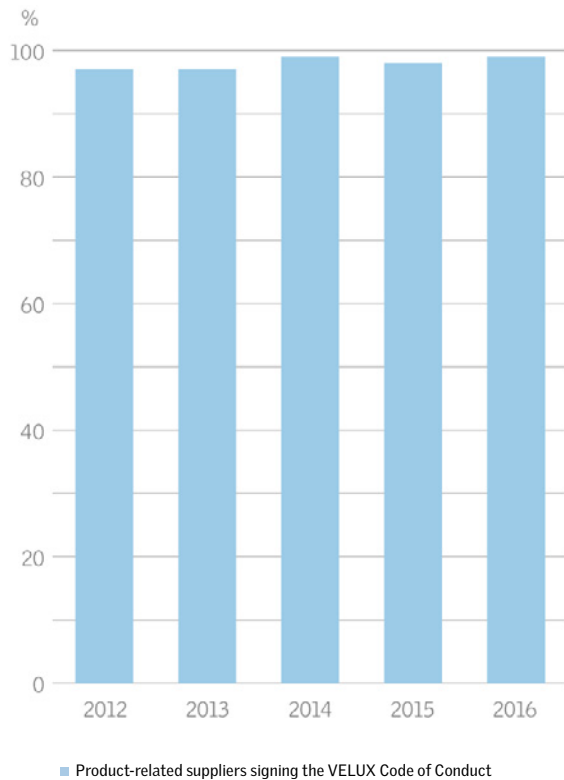
- › **Employee conditions:** specific requirements, such as standards for healthy working environment and treatment of workers within applicable legal and non-discrimination policies
- › **Environment:** all suppliers must have a written environmental policy or statement
- › **Monitoring:** the VELUX Group reserves the right to monitor suppliers to assess their compliance with the VELUX Code of Conduct.

In 2016, the Global Purchasing organisation updated the evaluation and approval process for new vendors to establish a uniform method of evaluating and approving suppliers across all sites. The new Supplier Evaluation and Approval Process will be ready for implementation in early 2017.

The VELUX Group supports suppliers in improving their performance and achieving full Code of Conduct compliance. If, for some reason, a supplier fails to implement the required corrective actions, the VELUX Group will terminate the contract. Since the launch of the Code of Conduct in 2001, we have been able to correct non-compliance issues in partnership with suppliers and have not yet been forced to terminate a relationship with a supplier solely due to Code of Conduct non-compliance issues. No new audits were carried out in 2016.

Performance

Code of Conduct Signatures



Next steps

In 2017, we will carry out audits of suppliers in high-risk countries to ensure compliance with the VELUX Code of Conduct. The new approval process for new vendors will also become effective.

About the report



United Nations Global Compact

UN Global Compact and SDGs

The VELUX Group has joined the UN Global Compact. The CSR Report relates and documents our progress in implementing the principles of the UN Global Compact.

In 2015, the UN member states agreed on 17 Sustainable Development Goals (SDGs). We have assessed these goals to determine which matter most to our business and where we can make the biggest difference.

The VELUX Group takes responsibility in addressing crucial societal challenges associated with buildings and living environments. We believe our responsibility extends further than just building components and comprises buildings and living environments as a whole.

Our contribution to the UN Sustainable Development Goal

Our footprint

N/A

Creating better living environments for all

54 million people in Europe cannot heat their homes adequately due to energy poverty.

With our RenovActive demonstration project, we are helping to show the way to affordable renovation of social housing. The renovation concept expands the living space, lowers the energy bill and ensures a good indoor climate with daylight and fresh air.

The RenovActive concept is designed to be easily scalable, replicable and feasible within social housing renovation budgets.





Our footprint

N/A

Creating better living environments for all

N/A



Our footprint

Designing sustainable products is our core business. The key drivers are healthy and sustainable buildings offering more daylight, more fresh air and nearly-zero energy consumption.

Creating better living environments for all

In the developed world, people spend up to 90% of their time inside buildings. In Europe alone, approx. 84 million people live in damp and unhealthy buildings, with increased risk of developing asthma and other allergies. 30 million people suffer from lack of daylight. Preventive actions are necessary to achieve good health and well-being.

Creating better living environments for all with healthy and sustainable buildings is at the core of our CSR efforts. With our products, we help create bright, healthy, energy-efficient places for people to live, work, learn and play in.



Our footprint

N/A

Creating better living environments for all

Children's learning ability is significantly reduced by lack of daylight and fresh air in classrooms.

Studies have shown that learning ability can rise by up to 15% in classrooms with an adequate amount of daylight and fresh air. Through several demonstration projects in schools and pre-schools, we seek to improve the indoor environment for children and share the knowledge we gain.



Our footprint

With a strong foundation in its Model Company Objective, the VELUX Group has always had a natural focus on being a good and inclusive workplace for all employees. Our intention is that our workforce should reflect the demography of the local society.

We encourage women in management, and the VELUX Board of Directors now has 50/50 male/female representation among the members elected by the general assembly.

Creating better living environments for all

N/A



Our footprint

N/A

Creating better living environments for all

N/A



Our footprint

All our production and warehouse sites are certified according to ISO 50001 energy management. We continuously invest in energy-efficiency projects and the use of renewables at our sites.

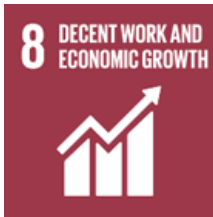
VELUX roof windows and accessories are carefully designed to minimise heat loss and make the most of solar heat gain through them. The launch of VELUX Smart Ventilation heat-recovery units in 2016 and the VELUX ACTIVE product range show how we continuously seek to help optimise the performance of a building.

Creating better living environments for all

In Europe alone, buildings account for 40% of total energy consumption.

We actively promote political action to ensure better living environments for all. Specifically, we advocate that future building performance directives address the need to design and build for people's health and well-being, and for high energy efficiency.

Through a series of building experiments, we have demonstrated that it is possible to comply with the expected EU building energy standards for 2020 with existing technologies and without compromising people's health and well-being.



Our footprint

Our market leadership depends on our ability to attract, retain and engage the best people. Every second year, we conduct a global employee survey to understand how our employees perceive working at the VELUX Group and any concerns they may have. In 2016, the response rate was 94%. We provide a safe and motivating workplace for all of our 9,500 employees around the world.

We work with our suppliers and apply the VELUX Supplier Code of Conduct in order to secure decent working conditions in our supply chain.

Creating better living environments for all

N/A



Our footprint

N/A

Creating better living environments for all

We engage with key industry stakeholders to discover innovative solutions for better living environments. As part of this activity, we are a founding partner of the Active House Alliance. The alliance is a global network of builders, researchers, designers, contractors and manufacturers who work together to realise the vision for buildings that create healthier and more comfortable lives for occupants with no negative impact on the climate.



Our footprint

It is our fundamental belief that the composition of our workforce should reflect the composition of society. To ensure equality, we apply a company-wide performance evaluation tool and external benchmark. Likewise, a structured annual evaluation of managers and administrative staff provides transparency and an objective approach to career development and appointment of managers.

Creating better living environments for all

N/A



Our footprint

We believe our products are part of the solution to creating sustainable cities and communities. Energy efficiency and access to daylight and good indoor climate are important elements in ensuring sustainable, adequate and affordable housing.

Creating better living environments for all

The UN expects that almost 60% of the world's population will live in urban areas by 2030. This rapid urbanisation development is becoming a challenge to the people living in urban areas and for the environment as a whole.

We create and share know-how, and invest in building experiments that can inspire cities and communities to create better living environments. One example is the RenovActive demonstration project. It shows how to carry out affordable and sustainable renovation of social housing. The renovation concept expands the living space, lowers the energy bill and ensures a good indoor climate with daylight and fresh air. The concept is designed to be easily scalable, replicable and feasible within social housing renovation budgets.



Our footprint

We carefully manage our own footprint. All our production and warehouse sites are certified according to ISO 14001 environmental management. We aim at zero-waste in our production and document the environmental impact of our products with Life Cycle Assessment. 97% of the waste from our production is reused in other types of products or used for renewable heat production.

Creating better living environments for all

It is estimated that housing accounts for up to 50% of the total material use in Europe. The VELUX Group is committed to pioneering innovative building solutions that balance care for people and planet.

Among other measures, we do this through our support to the Active House vision and principles. The Active House takes a holistic approach to sustainable buildings, setting requirements for the comfort, energy and environmental performance of the building. The VELUX Group is a founding partner of the Active House Alliance.



Our footprint

We have reduced our CO₂ emissions by 26% compared to 2007 levels. In absolute terms, the saved CO₂ in 2016 is equivalent to the emission from 8,000 households.

Our target is a 50% reduction in 2020 compared to our baseline in 2007.

Creating better living environments for all

The VELUX Group actively supports the political agenda on climate change and engages with key stakeholders to influence the international agenda on buildings. We were, therefore, very pleased to see that, at COP21 in Paris, buildings were made a permanent agenda item for future COPs.



Our footprint

N/A

Creating better living environments for all

N/A



Our footprint

We take an active role in promoting sustainable forests. 98% of the wood used in VELUX products comes from certified sustainable forests (FSC or PEFC). The goal is to increase this figure to 99% by 2020. In 2016, we became a member of FSC International.

Creating better living environments for all

N/A



Our footprint

As a market leader, we have a special role to play in ensuring fair market conditions. Business integrity, anti-corruption, anti-competition law and responsible public affairs engagements are critical issues for the VELUX Group, from both a legal and business ethical perspective.

We are committed to fair business practices and to upholding the values of transparency and accountability.

The VELUX Group works with suppliers who share our commitment to responsible business practices. We support suppliers in improving their performance and achieving full Code of Conduct compliance. In 2016, 99% of all product related suppliers had signed the Code of Conduct for Suppliers.

Creating better living environments for all

N/A



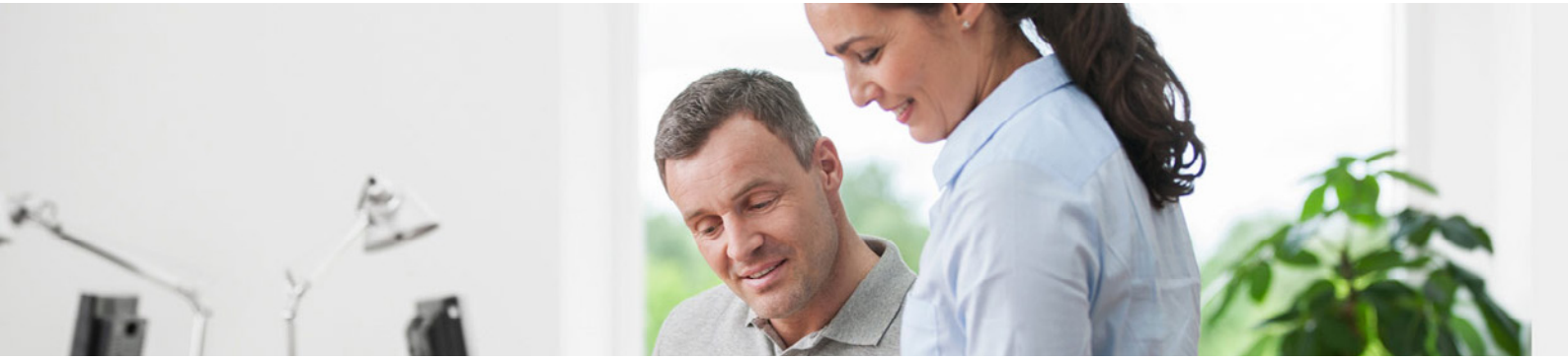
Our footprint

N/A

Creating better living environments for all

We collaborate with governmental institutions, the private sector, NGOs, end users and the broader civil society in order to enhance the development of sustainable buildings. One example is the annual Healthy Buildings Day in Brussels, where we invite key stakeholders to discuss the development of healthy and sustainable buildings.

The VELUX Group is also part of the Active House Alliance, in which universities and researchers, architects, engineers and manufacturers work together to find solutions for sustainable buildings.



Reporting principles

This is the sixth annual CSR report published by the VELUX Group.

The purpose of our CSR report is to provide stakeholders with a transparent, fair and balanced view of how the VELUX Group works with Corporate Social Responsibility to fulfil our objective to be a Model Company.

The VELUX Group compiled the company's CSR report 2016 using the Global Reporting Initiative (GRI), Sustainability Reporting Guideline as methodology.

Governance

Corporate Social Responsibility is governed by the VELUX Management Group.

The CSR Committee is responsible for setting the direction in CSR related strategies, goals and follow-up. The members of the CSR Committee represent the VELUX Management Group in operations, brand, communication, marketing, HR and strategy.

The implementation of CSR activities is organised as projects in the start-up phase. Implementation and daily activities are managed by the line organisation to ensure integration into daily business.

Scope of the report

Unless otherwise stated, all data and reporting relates to the entire VELUX Group, i.e. production sites, distribution centres, administration and sales companies. Suppliers and other third parties are included where relevant.

The report covers the 2016 calendar year.

Stakeholder inclusiveness

The CSR reporting of the VELUX Group incorporates our various stakeholders and is targeted at politicians, authorities, interest groups, journalists, CSR professionals, as well as current and potential employees, on a global scale.

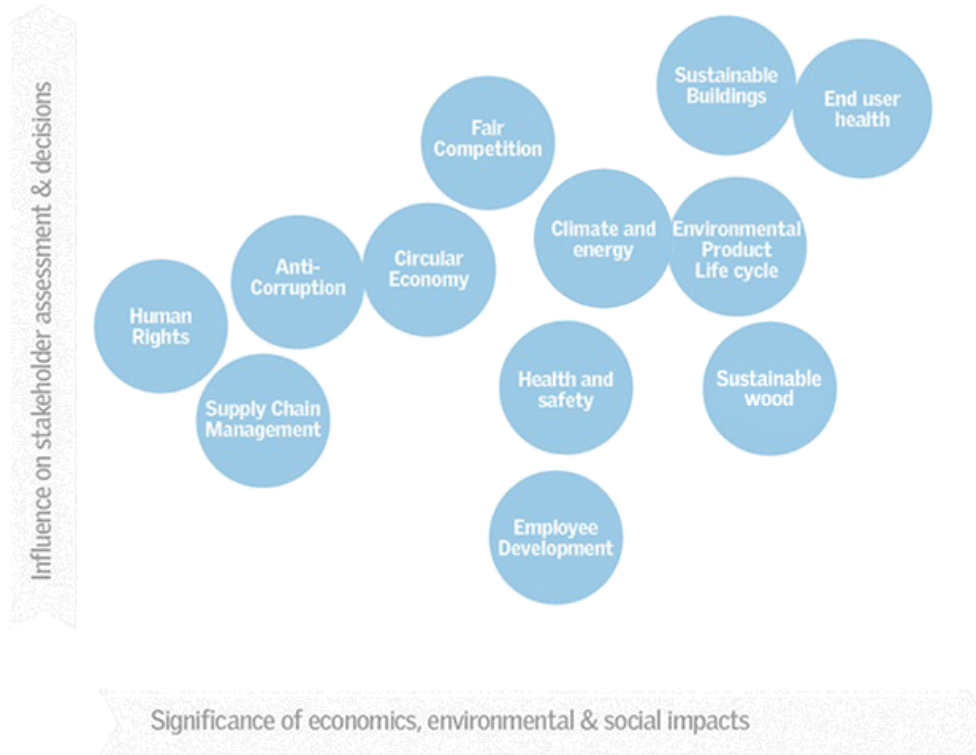
Materiality criteria – reporting on what matters most

Materiality is the guiding principle that ensures our reporting is relevant and focused on what matters.

Materiality determines the issues most important to our stakeholders and to our own business, and forms the backbone of our CSR activities and reporting.

We have identified the economic, environmental and social issues that are of importance to the assessment and decisions of our stakeholders and where we, as a business, have significant influence – upstream in our supply chain, at our suppliers and our own operations, and downstream in the supply chain, through our products and how we act in the market.

Materiality matrix



Collecting and processing data

The data is collected annually according to a fixed reporting procedure. Data was compiled for the calendar year 2016 as end-of-year data with the exception of brand and satisfaction tracking, which was compiled during the year.

Sustainable products

Life cycle assessment:

Life cycle CO₂ emissions calculated for a VELUX GGL roof window installed in a typical house in Würzburg, Germany. The pane is changed after 20 years and the blackout energy blind is changed every 15 years. Transport is included in each of the steps from raw material to disposal.

The Life Cycle Assessment is based on VELUX LCA model 1.21, according to EN 15804:20122 and EN ISO 14044:20083. The assessment was carried out by VELUX A/S and was independently verified externally according to EN 15804:2012. Independent third-party verifier: FORCE Technology

Product quality:

The data on warranty service in the first three years was collected and processed by the VELUX Group's quality function.

Fair competition:

Data on anti-corruption e-learning comes from completed registrations in the e-learning software. Anti-competitive behaviour (Annual Declaration), is based on the number of general managers who signed the declaration. The declarations were collected by Legal Affairs in early 2017, declaring no breaches to competition law had occurred during the year.

Sustainable business activities

People development and diversity:

The data was collected and processed by the VELUX Group's HR function. The term senior manager is used for general managers in sales and production companies, for employees referring direct-

ly to the VELUX Management Group and for other selected key employees. Employee numbers are defined as head count and calculated at end of year.

Our performance results from the Global Employee Survey are compared to the external benchmark: Ennova's Global Employee and Leadership Index survey. www.ennova.com

We compare gender diversity to the external benchmark from the Confederation of Danish Industry's analysis of [women in senior management and boards](#).

Employee Foundation:

The data was collected and processed by the Employee Foundation. The figures are based on financial registrations also used in the annual report of the foundation, and hence subject to financial audits.

Safe and healthy workplace:

The health and safety data in the report was collected, compiled and validated by the VELUX Group's HS&E function.

Climate and energy:

The environmental data in the report was collected, compiled and validated by the VELUX Group's HS&E function.

Waste and environment:

The environmental data in the report was collected, compiled and validated by the VELUX Group's HS&E function.

Sustainable sourcing

Sustainable wood:

The data is from FSC and PEFC chain of custody registrations of purchased wood for the European factories. These are consolidated SAP registrations that are subject to FSC and PEFC audits. We benchmark our own performance with the global performance level evaluated by UNECE and FAO ["Forest Products – Annual Market Review 2014-2015"](#)

Code of conduct:

The data on the number of product-related suppliers that have signed our Code of Conduct was collected, compiled and validated by the VELUX Group's purchasing function.

*Bringing light to life*TM

VELUX[®]