



VELUX®

SUSTAINABILITY REPORT 2018

PDF Edition – 67 pages

[VELUX.com/our-company/sustainability](https://www.velux.com/our-company/sustainability)

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OUR APPROACH TO SUSTAINABILITY

For many years, the VELUX Group has worked systematically with sustainability taking our starting point in the Model Company Objective, which was formulated by our founder, Villum Kann Rasmussen, in 1965.

We create products that are useful to society, while we continuously seek to minimise our footprint and lead the development of better living environments.

LETTER TO OUR STAKEHOLDERS

The VELUX Group is a company with a clear purpose, a purpose which is greater than developing and selling the best roof windows in the market. Our purpose is to be a Model Company and by that to contribute to a sustainable development of society.

The Model Company Objective was formulated in 1965 by our founder and expresses our intention to create products that are useful to society, while treating our customers, suppliers, employees and shareholders better than most other companies.

Every day, we do our best to live up to this ambition.

We take responsibility

When we look for solutions to crucial challenges like climate change, poverty and health issues and how to create global, sustainable growth, we cannot rely on governments alone to take action. We all have to act. The VELUX Group takes this responsibility very seriously.

The good news is that since 2015 we have had a common framework for securing a more sustainable future with the UN Sustainable Development Goals. At the VELUX Group, our task is now to turn some of these goals into tangible actions, which make a difference to people and planet.

We see this not only as a duty; we see it as a big opportunity. Sustainability and social responsibility make for good business, because consumers demand it and because leading with innovative, sustainable solutions give companies competitive advantage.

Sustainable products

It is no longer enough to deliver good quality products and solutions. Products need to be sustainable and respectful of the Earth's resources. We try to live up to these expectations by ensuring resource efficiency in our production and by optimising our products to help create bright and healthy places in which to live, work, learn and play.

Our most recent contribution is a smart-home product that operates windows and sun-shading to ensure a healthy and pleasant indoor climate at all times. Indoor sensors monitor the temperature, humidity and CO₂ concentration inside the home and then open or close roof windows or shading to create a healthier living environment.



In our production, hundreds of small initiatives and actions add up to significant reductions of climate impact, less waste and protection of natural resources. In order to achieve our climate and environmental objectives, we set up specific targets, which we report externally on a yearly basis.

We believe in the empowerment of employees

As a company we can always do better by developing our people and by having them contribute their passion, experience and expertise. We strongly believe in empowerment, since it is often the ones who encounter the problems, who are the best innovators.

We seek to offer a good work-life balance and provide a safe and healthy workplace guided by our vision of zero work-related accidents. In 2018, an important focus area has been employee safety and safety leadership at all factories.

We cannot do it alone, we need partnerships

It is our belief that we can only create a more sustainable world if we work together across private and public sectors, across industries, across educational institutions and across national boundaries.

This report provides numerous examples of how we engage in partnerships to fulfil our responsibilities. For instance, by our active engagement in the Active House Alliance and by our Healthy Buildings Day that brings together policy makers, legislators and the building community. Furthermore, with our Forest Stewardship Council (FSC) membership we support sustainable forest management as part of our effort to protect the environment and ensure biodiversity in forested areas.

Even if we have come far, we continue to challenge ourselves: Are we doing enough and are we doing the right things? A new Sustainability Strategy 2030 published in 2020 will deliver on our ambitions to take sustainability to the next level for the benefit of planet and people.

David Briggs, CEO VELUX Group



We continue to support the **United Nations Global Compact** and are committed to the initiative and its principles.

This is our Communication on Progress in implementing the principles of the UN Global Compact.



VELUX Model Company Objective

The VELUX Model Company Objective was drawn up by the company's founder in 1965 and serves as the basis of all VELUX activities. The Model Company Objective provides a long-term perspective on the company's development and guides decisions and actions at all levels of the organisation.

The Model Company Objective expresses our wish to create value for the company and for society, while behaving responsibly towards all our stakeholders in daily business. The Model Company Objective from 1965 mirrors the EU definition of Corporate Social Responsibility from 2011, which states that a company must take responsibility for its impact on society and maximise shared value for owners, other stake-

holders and society, while minimising adverse impacts.

Read more about the [Model Company Objective and the VELUX Values](#)

Our company

The VELUX Group is headquartered in Denmark and employs 11.400 people at sales and production sites in 40 countries.

In late 2018, the VELUX Group acquired companies JET Group, Vitral and Wasco Skylights. Consequently, the CO₂ emissions and recycling/reuse rates etc. of those companies are not included in this report. Methods and data collection procedures will now be aligned so the impacts of the acquired companies can be included in future reporting.

It is the Group's purpose to establish a number of Model Companies, which co-operate 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

Letter to our stakeholders

Our products

The VELUX brand is one of the strongest brands in the building industry and offers products and services within:

- › Roof windows and skylights
- › Modular skylights for commercial buildings
- › Flat-roof windows and sun tunnels
- › Blinds and roller shutters
- › Flashings and installation products
- › Active (digital) products



Our approach to sustainability



Foundation ownership

The VELUX Group is wholly owned by VKR Holding A/S, a limited company owned by foundations and family. Foundation ownership ensures sustainable, long-term thinking and social responsibility and that a significant proportion of the company's profits is returned to society.

The financial results of the VELUX Group are incorporated in VKR Holding's consolidated accounts. In 2018, VKR Holding's revenue amounted to EUR 2,6 billion (DKK 19,6 billion) and net profit for the year came to EUR 240 million (DKK 1,8 billion).

A large share of the profits of VKR Holding A/S is returned to society by THE VELUX FOUNDATIONS. The foundations operate independently from VKR Holding A/S and its companies.

In 2018, THE VELUX FOUNDATIONS granted EUR 118 million in total (DKK 888 million).

Why sustainability matters

Sustainability is deeply ingrained in the VELUX way of doing business. We continuously seek to minimise our footprint in the way we source, design, manufacture and sell our products. We are aware that our sustainability efforts go beyond our own activities and take a responsible approach through the entire supply chain.

We work to create better living environments that balance care for people and planet. We do this by putting people first in our product development and by contributing new product solutions that support health and well-being in buildings. We reach out to building owners, the building community and policy-makers to

set new standards for healthy and sustainable buildings with focus on daylight, fresh air and energy efficiency.

Towards Sustainability Strategy 2030

With our current climate strategy ending in 2020, preparations for a new Sustainability Strategy 2030 are underway. In order to develop a viable, long-term strategy for sustainability, we involve employees, key subject matter experts, top management and external partners in defining sustainability goals and strategies. This bottom-up approach ensures a strong mandate throughout the organisation, aiming to tackle social, environmental and economic challenges and opportunities in the coming years.

Firstly, employees across sites and functions were invited to give their views on Sustainability in a global survey. Their input was used to prepare a workshop for sustainability experts and key stakeholders within the VELUX Group.

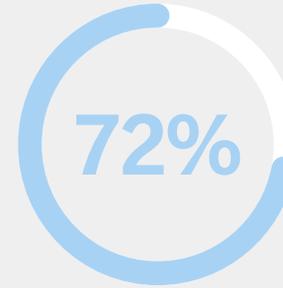
Secondly, 35 subject matter experts participated in a workshop in June 2018 to define focus areas, ambitions, KPIs and risks for the coming strategy period, based on key insights from the employee survey, the UN Global Compact and the UN Sustainable Development Goals. This was followed up by a workshop in December 2018 with our top-25 leaders, where they gave the direction of the new 2030 sustainability strategy, based on the input and recommendations from the subject matter experts and employees.

The new 2030 Sustainability Strategy for the VELUX Group will be launched in 2020.

Sustainability is important for VELUX employees

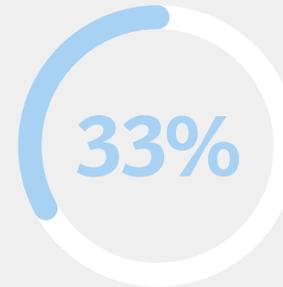
of employee

respondents state that sustainability is important for them and that sustainability is important for VELUX's reputation



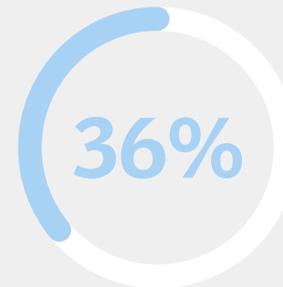
of employee

respondents state that VELUX could do better on one or more sustainability parameters



of employee

respondents state that VELUX has room for improvement in sustainability matters



UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) call for governments, businesses, and the general public to act for a sustainable future for people and planet. The 17 SDGs are all important and interconnected, but we focus our efforts on those that matter most to our business and where we can make a unique contribution to realising the goals.

Our contribution to the UN Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

In the developed world, we have become the indoor generation, spending around 90% of the time indoors. Buildings in European cities tend to be old. In most EU countries, about two thirds of the residential stock was built before the first European thermal building regulation came into effect in 1979. In Europe alone, some 84 million people live in damp and unhealthy buildings and 30 million people suffer from lack of daylight.

Action is needed to find ways to improve living conditions in buildings, and this quest is at the heart of the VELUX business.

- › Our products create bright and healthy buildings for people to live, work, learn and play in.
- › As a founding partner of the Active House Alliance, we explore new building concepts that combine healthy and comfortable buildings with care for the environment and energy efficiency.
- › By publishing the Healthy Homes Barometer once a year, we provide new knowledge on smart and healthy buildings to home owners, legislators and the building community.

Through these activities, we support UN SDGs 3.4 (reduce pre-mature mortality through prevention of diseases) and 3.9 (reduce deaths and illnesses caused by pollution of air, water and soil).

7 AFFORDABLE AND CLEAN ENERGY

Three out of four buildings in Europe are energy inefficient, and buildings account for 40% of all energy consumption. In order to improve energy efficiency and curb CO₂ emissions, we take action in a number of ways.

- › All VELUX roof windows and accessories are carefully designed to minimise heat loss and maximise solar heat gain through the pane.
- › Through a series of building experiments, we have demonstrated that it is possible to comply with EU 2020 legislation for new buildings with existing technologies and without compromising people's health and well-being.
- › All VELUX 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.

11 SUSTAINABLE CITIES AND COMMUNITIES

Today, 55% of the world's population lives in urban/suburban settlements. By 2050, the UN expects that two thirds of the world population will live in cities. This rapid urbanisation/suburbanisation calls for new approaches to urban planning and densification in order to make urban areas safe, healthy and sustainable.

VELUX products are part of the solution for sustainable cities and communities. Energy efficiency and access to daylight and a good indoor climate are important elements in ensuring affordable, healthy and sustainable housing for city dwellers.

- › We continuously develop sustainable products for buildings of any size and purpose.
- › We increasingly apply smart and intelligent technologies to improve indoor climate.
- › We create and share know-how and invest in building experiments that can inspire cities and communities to create better living environments

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The VELUX Group pursues a safety vision of zero work-related injuries. All our manufacturing sites are OHSAS 18001 certified and we reinforce a strong health and safety culture with an unrelenting focus on safety risk management and leadership engagement.

We carefully manage the environmental footprint of our activities. All our production and warehouse sites are certified according to ISO 14001 environmental management. We aim for zero-waste in our production and document the environmental impact of our products through Life Cycle Assessments. 97% of the waste from our production is reused in other types of products or used for heat production. 99.5% of the wood used in our production in Europe is sourced from certified, sustainable forests.

It is estimated that housing accounts for up to 50% of all material consumption in Europe. Resource efficiency is one of the key targets in our production.



17 PARTNERSHIPS FOR THE GOALS

SDG 17: Partnerships for the goals

The realisation of the Sustainable Development Goals depends on a strong commitment to partnerships and cooperation at all levels and across public-private sectors.

At the VELUX Group, we collaborate with government institutions, the building community, NGOs, end-users and the broader civil society to enhance the development of affordable, healthy and sustainable buildings.

We are a founding partner of the Active House Alliance, which brings together some of the world's leading building component manufacturers, specifiers and research institutions. Its ambition is to create a viable, independent and internationally influential alliance for affordable, healthy and sustainable buildings.

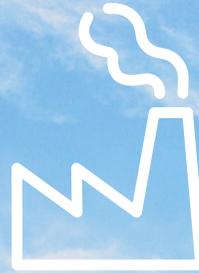
The VELUX Group is 100% owned by VKR Holding. A large share of the profits of VKR Holding is returned to society by the VELUX FOUNDATIONS, which support scientific, environmental, social and cultural purposes in Denmark and abroad. The foundations operate independently from VKR Holding and its companies.



FIVE FOCUS AREAS IN OUR 2018 SUSTAINABILITY REPORTING

Our Sustainability Report 2018 is structured around five focus areas. The first four areas deal with our special responsibility as a production company, including topics like impact on climate and environment, resource efficiency, occupational health and sustainable sourcing.

The fifth area concerns our thought leadership and activities in creating healthy buildings.



Energy and climate

We want to reduce emissions from our production.



Zero-waste production

We want to optimise our material efficiency and eliminate waste from production.



Sustainable sourcing

We use certified, sustainable wood and seek to increase the use of recycled materials.



People

We want to provide a safe and healthy workplace for all VELUX employees.



Leading the change

where we contribute to the movement towards healthier, sustainable and affordable buildings solutions.

SUSTAINABILITY HIGHLIGHTS

Our approach to sustainability

43% 

reduction of carbon footprint of VELUX factories compared to the 2007 baseline.

22% 

of the energy used at VELUX sites comes from renewable energy sources.

97% 

of waste materials from production of VELUX windows is recycled or used for heat generation.

99.5% 

of wood used in VELUX windows in Europe comes from FSC or PEFC certified forests.

2.7 

work-related accidents per one million working hours – four times lower than the industry benchmark. Our safety vision is 0 accidents.

96% 

of VELUX employees took part in the 2018 Global Employee Survey. The score for Satisfaction & Motivation was 71 and for Loyalty 79, both well above external benchmarks.

98% 

of installers/dealers agree that VELUX products are high-quality and reliable products.

99% 

of VELUX suppliers have signed the VELUX Supplier Code of Conduct

633 students 

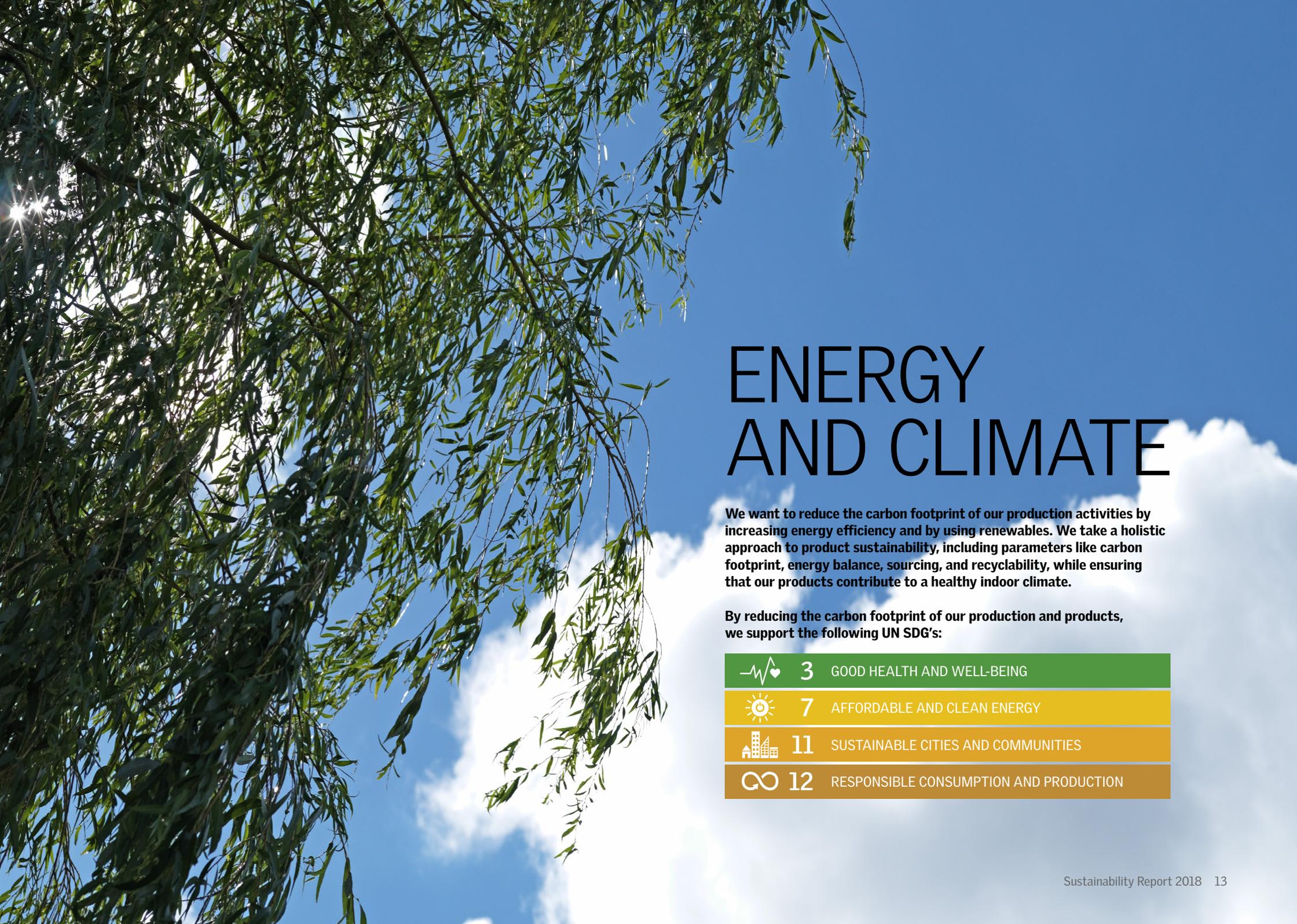
633 student projects from 58 countries participated in International VELUX Award for Students of Architecture 2018.

100 million 

views of the Indoor Generation viral film used to raise awareness about the consequences of indoor living.

300 

300 building professionals met at the VELUX Healthy Buildings Day in Brussels.



ENERGY AND CLIMATE

We want to reduce the carbon footprint of our production activities by increasing energy efficiency and by using renewables. We take a holistic approach to product sustainability, including parameters like carbon footprint, energy balance, sourcing, and recyclability, while ensuring that our products contribute to a healthy indoor climate.

By reducing the carbon footprint of our production and products, we support the following UN SDG's:



3

GOOD HEALTH AND WELL-BEING



7

AFFORDABLE AND CLEAN ENERGY



11

SUSTAINABLE CITIES AND COMMUNITIES



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



SUSTAINABLE PRODUCTION

In 2018, we achieved a 43% reduction in our carbon footprint compared to the 2007 baseline. Our target remains a 50% reduction by the end of 2020.



Policy and goals

We continuously work to reduce the carbon footprint of our activities through high energy efficiency and by transitioning to renewable energy sources. In order to achieve our climate and environmental objectives, we set up specific targets, which we report externally on a yearly basis.

We believe that co-operation with our suppliers, customers and partners can help us set higher standards for energy and climate, create innovative solutions and encourage sound behaviours.

The goal of the VELUX climate strategy is to reduce CO₂ emissions by 50% in 2020 compared to the 2007 baseline.

Activities

We work systematically to fulfil our energy and climate goals through:

Certified ISO 50001 Energy Management

All VELUX production and warehouse sites in Europe and our headquarters are certified according to ISO 50001 for energy management.

Improving energy efficiency and expanding share of renewables

We invest in energy efficiency projects and on-site renewable energy production. In 2018, some of the major developments were:

- › The new bio-boiler fired by wood chips from production at our factory in Namyslow, Poland, is up and running. The bio-boiler has replaced 80% of the fossil fuels used for heating and returns CO₂ savings of 2,500 tonnes/year, the equivalent of emissions from 600 European households. In 2018, the factory was awarded the STENA Circular Economy Award for its contribution to promote circular economy initiatives.
- › Our plant in Skærbæk, Denmark, extended its bio-boiler system, fired by wood chips, to cover 70% of the heating demand, compared to 50% before the extension. The plant has achieved CO₂ savings of more than 300 tonnes/year.
- › Since 2016, our factory JTJ in Sonneborn, Germany, has worked systematically with energy management. Step

- › by step, energy consumption and CO₂ emissions are reduced by improving energy efficiency and increasing the use of renewables. In 2018, work to replace old lighting with new LED lighting continued, as well as the replacement of compressors to new, more energy-efficient models with heat recovery. Furthermore, feasibility studies were carried out for investment in a new bio-boiler for heating in 2019. Since JTJ in Sonneborn started systematic energy management, the factory has initiated energy saving measures that save close to 550 tonnes CO₂ annually.

Purchase of renewable electricity

produced at offshore wind farms by Certified Guaranty of Origin Our first priority in the allocation of certified renewable power is Poland, due to the fact that a large proportion of electricity supply in Poland comes from coal-fired power plants. In 2018, 64% of the electricity used at VELUX factories in Poland was renewable power from offshore wind farms owned by Danish energy company Ørsted. The plan is to increase the share of certified green electricity within the next two years to reach 100% renewable power in VELUX production in Poland, as well as reaching our overall 2020 ambition of 50% CO₂ reduction in our global carbon footprint compared to the 2007 baseline.





Performance

- › In the period 2016-18, energy management and energy efficiency projects at production and warehouse sites reduced CO₂ emissions by approx. 11,000 tonnes.
- › In 2018, 22% of the energy used at VELUX sites comes from renewable energy sources, notably on-site biomass (wood chips), solar energy and purchases of certified, renewable electricity produced at offshore wind farms.
- › From 2007-18, we reduced our carbon footprint by 56,000 tonnes, corresponding to a total reduction of 43%.

Next steps

The new VELUX Sustainability Strategy

2030 will be published in 2020 with clear targets and activities to continue improving VELUX performance. Our sustainability efforts go beyond our own activities and the new strategy will look to take a responsible approach throughout the entire supply chain.

New, global energy planning process

A structured global energy planning process will be rolled out throughout the organisation in 2019 to follow up on progress, share best practices and keep up momentum to achieve our 2020 climate goals.

Continue CO₂ reductions

We will continue to pursue the target of 50% CO₂ reduction by 2020 compared to the 2007 baseline through energy-efficiency measures and investments to replace fossil fuels with renewable energy sources.

SUSTAINABLE PRODUCTS

Creating products useful to society is the VELUX core business. For more than 75 years, we have created better living environments with daylight and fresh air through the roof, offering a wide product portfolio, ranging from roof windows to modular skylights, sun tunnels, various sun-screening products and roller shutters. We work to improve the sustainability of our products through the entire product life cycle.

Policy and goals

Our windows and accessories are designed and produced to enable healthy and sustainable buildings that provide more daylight, more fresh air and nearly-zero energy consumption. We pursue opportunities to use smart-home technology to support our vision of healthy and sustainable buildings.

We use Life Cycle Assessment (LCA) to measure and document the impact of our products, from the sourcing of materials to daily use and disposal. The LCAs document that VELUX roof windows can provide net CO₂ savings over the lifetime of the windows.

We carry out VELUX Environmental Product Assessments (VEPA) and third-party verified Environmental Product Declarations (EPD) for new products and upon market request.

We continuously scout and develop sustainable materials for use in VELUX products. We work intensively on optimising the energy efficiency and lifetime of panes to improve the energy efficiency and CO₂ footprint of our products.



Activities

VELUX Active with NetAtmo

In 2018, the new VELUX Active with NetAtmo concept was launched. VELUX Active products are designed to improve indoor health and well-being through smart controls. Sensors monitor levels of CO₂ and humidity, gathers weather data and then automatically operates roof windows, blinds and shutters to optimise the indoor climate – thereby adding a health and well-being dimension to the intelligent home and pushing innovation in this area to the next level. VELUX ACTIVE can be used right away on electrical roof windows. On manual windows, a solar motor upgrade kit can be added to run VELUX ACTIVE.

Next steps for photovoltaic future

We invest in energy efficiency projects and on-site renewable energy production. In 2018, some of the major developments were:

- › VELUX Modular Skylights offer photovoltaic modules that fit skylight modules to form a homogeneous and sustainable glass roof for atriums at schools, hospitals, museums and shopping centres.
- › A new flashing has been developed to place VELUX windows in photovoltaic roofs, enabling homes to become energy positive.

Roof window made of reclaimed timber

2018 saw the development of a roof window made of reclaimed timber. The test series with 125 windows was made for the Dutch market in order to investigate the feasibility of using reclaimed timber, while still maintaining the high-quality standard of VELUX windows. The viability of large-scale production of windows made of reclaimed timber is now being carefully evaluated by a product development team.

Sustainability Scorecard for materials

A new Sustainability Scorecard for materials evaluation has been developed. During 2018, the new Sustainability Scorecard was tested to screen different materials for new products or for the modification/update of existing products.

The VELUX Sustainability Scorecard screens materials for:



Global Warming Potential (GWP) is the CO₂ emission related to the acquisition of 1 kg of raw material.



Sustainable Sourcing is measured as the renewable or secondary raw material content. The use of renewable and secondary materials can reduce the pressure on scarce virgin materials.



Recyclability refers to the end-of-life recyclability potential of materials. Recyclability is measured as the sum of potential treatment methods.



VELUX Modular Skylights enable certified buildings

VELUX Modular Skylights for large glass roofs are designed to take full advantage of daylight and fresh air through the roof in schools, hospitals, office buildings and other commercial buildings.

The very low thermal conductivity of the profiles and a range of low-energy glazing options make the total modular solution highly energy-efficient. Photovoltaic modules are also available for easy integration of renewables.

The modular skylight solution is a durable solution with an estimated service life of 40 years and comes with all required environmental assessments and declarations for building certification according to all common certification schemes.



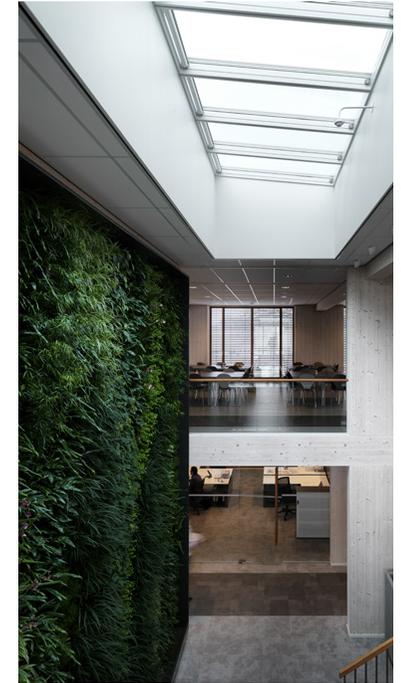
Siemens Head Office, Denmark, LEED Gold



Green Solution House, Denmark, DGNB and Active House



Trumpington College, United Kingdom, BREEAM Excellent



Geelen Counterflow, Netherlands, BREEAM Outstanding



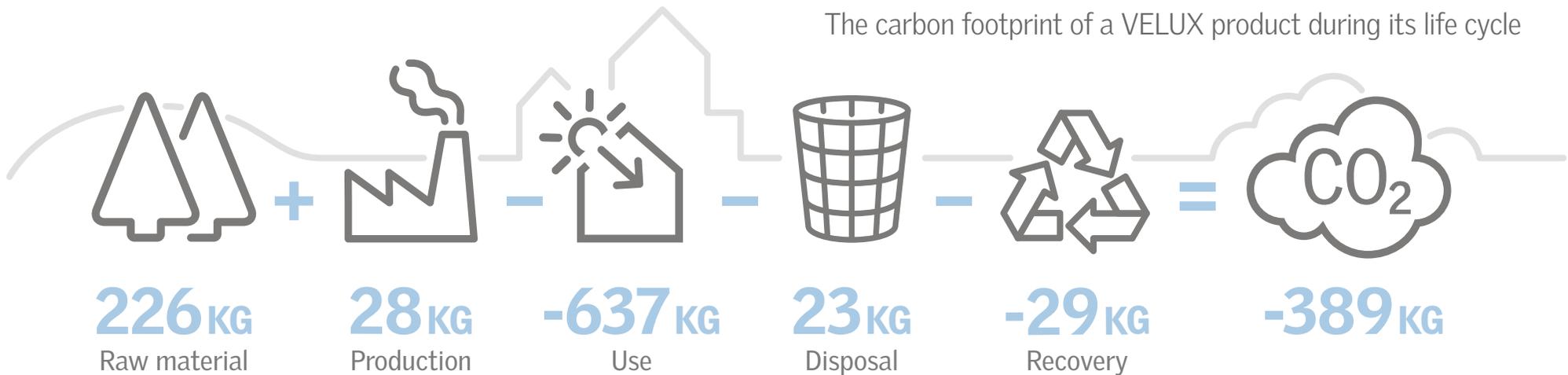
Performance

- › Ongoing Life Cycle Assessment of individual products. Our LCAs document that roof windows can provide net CO₂ savings over their life cycle.
- › Ongoing preparation of internal VELUX Environmental Product Assessments, following the EPD requirements, which allows us to present the environmental performance of our products in a uniform way to our end-users.
- › The amount of CO₂ captured in a wooden VELUX roof window size 118x78 cm is approx. 20 kg. For a PU window with a wooden core, the CO₂ capture is about 14 kg.

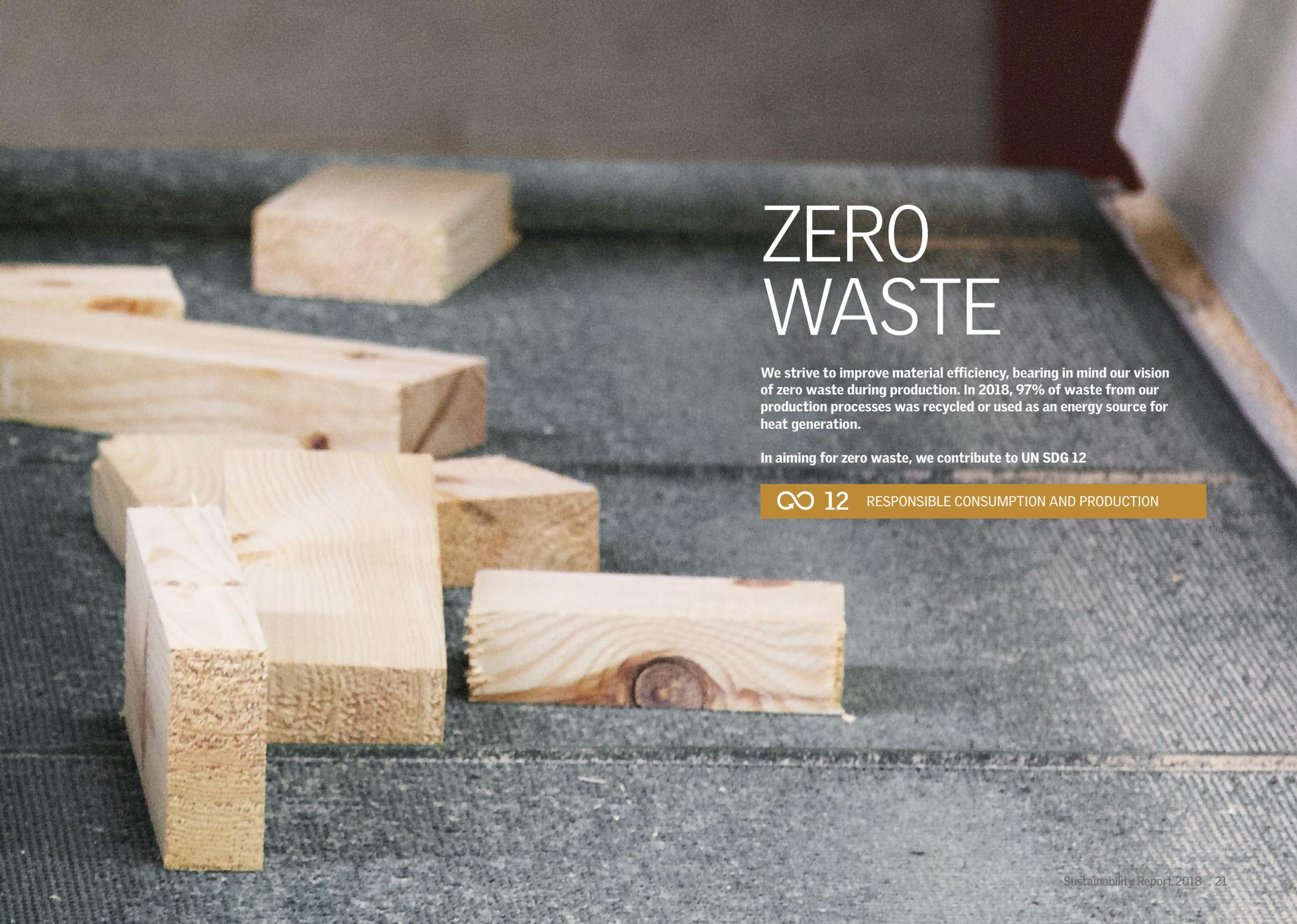
Next steps

- › In 2019, the VELUX Technology Department will implement a new materials strategy, where sustainability aspects of VELUX products are a key focus area.
- › Continue use of Sustainability Scorecard for screening of materials.
- › The new VELUX Sustainability Strategy 2030 will be published in 2020 with clear targets and activities to continue improving VELUX performance and the sustainability of our products through the entire product life cycle.

The carbon footprint of a VELUX product during its life cycle



The CO₂ calculation is performed for a GGL SK08 2068 window installed for 40 years in a home in Würtzburg, Germany; including pane replacement after 20 years

A photograph of several light-colored wooden planks of various sizes and orientations scattered on a dark, textured surface. The planks are arranged in a way that suggests they are waste or scrap material from a production process. The lighting is soft, highlighting the natural grain and texture of the wood.

ZERO WASTE

We strive to improve material efficiency, bearing in mind our vision of zero waste during production. In 2018, 97% of waste from our production processes was recycled or used as an energy source for heat generation.

In aiming for zero waste, we contribute to UN SDG 12

 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ZERO WASTE

Policy and goals

Buildings account for one third of the world's resource consumption. Three billion tonnes of raw materials go into the building industry every year. 40% of solid waste comes from the construction or demolition of buildings.

As a major supplier to the building industry, our vision is to reach zero waste from our production and products. We continuously work to ensure high material efficiency and zero waste through optimisation, reduction, recycling and reuse of materials in our products and production processes.

This means that we:

- › Experiment with using recycled materials, such as wood, glass, aluminum, PU, PVC and composites.
- › Prolong the service life of our products by ensuring easy maintenance, long durability and upgradability, e.g. replacement of panes. VELUX windows have an expected service life of 40 years or more.
- › Apply closed-loop, zero waste processes at our production sites.
- › Offer backwards compatible products to ensure that they are easy to replace and upgrade, e.g. panes, electronics, blinds and shutters.

Activities

ISO 14001 certification of production sites

All our production sites hold ISO 14001 certification in order to enhance the environmental performance on an ongoing basis.

Wood optimisation and recycling

In our production, we continuously work to optimise the use of wood to reduce waste and get the most out of raw materials. In 2018:

- › We conducted a study on how to make the most out of every tree trunk in partnership with other industrial users so that every piece of the wood is used for the most optimum purpose.
- › We conducted a study of new ways of reusing waste wood. 100% of the waste wood is already reused, but the goal of the project is to find potential value-added applications.

PU optimisation and recycling

The VELUX factories producing PU (Polyurethane) windows continuously work to reduce the use of PU and reuse PU, by for instance:

- › Optimising the wood construction and PU processing to reduce the amount of PU.
- › Using recycled PU VRW (end-of-life and production waste) in screw driver handle previously made from virgin PU.

Pane optimisation

The VELUX pane factories continuously work to reduce the amount of glass used in production and to optimise the performance of VELUX windows, by for instance:

- › Implementing new methods for cutting glass sheets to reduce glass waste.
- › Optimising gas filling of panes to ensure the best possible energy balance of windows.
- › Eliminating the need for glass cover sheets during transportation in order to reduce glass wastage.
- › Improving energy efficiency of ovens for tempering glass.

Direct recycling of PVC cut-offs

In a drive towards zero waste at the VELUX factory in Partizanska in Slovakia, new ways to recycle PVC cut-offs from roof window production of have been investigated. In 2018, 483 tonnes of PVC were delivered to a recycling partner.

Recycling of VELUX fiberglass composite

For VELUX Modular Skylights, we use a composite fiberglass material for ultra-strong profiles with high insulation properties and more than 40 years' service life. We continuously strive to ensure the recyclability of composite material, and in 2018 we entered a new contract with a composite upcycling specialist. After crushing, the granulated composite is used in cement production to replace fossil fuels for incineration, as well as in sand, limestone and other additives for the final cement mix. On a yearly basis, 100 tonnes of VELUX composite are re-used.

New business models

VELUX Netherlands launched a take-back service for VELUX roof windows to contribute to the recycling of construction waste. Every year, 23 million tonnes of construction waste is generated in the Netherlands alone. VELUX NL works with SUEZ, a company specialised in managing waste and raw materials. By dismantling VELUX roof windows after use and re-using the raw materials, the circularity of the product is raised to an even higher level. The take-back service is not free of charge, but we offer this service at no profit so it is cheaper than what installers must pay for the removal of regular construction and demolition waste.

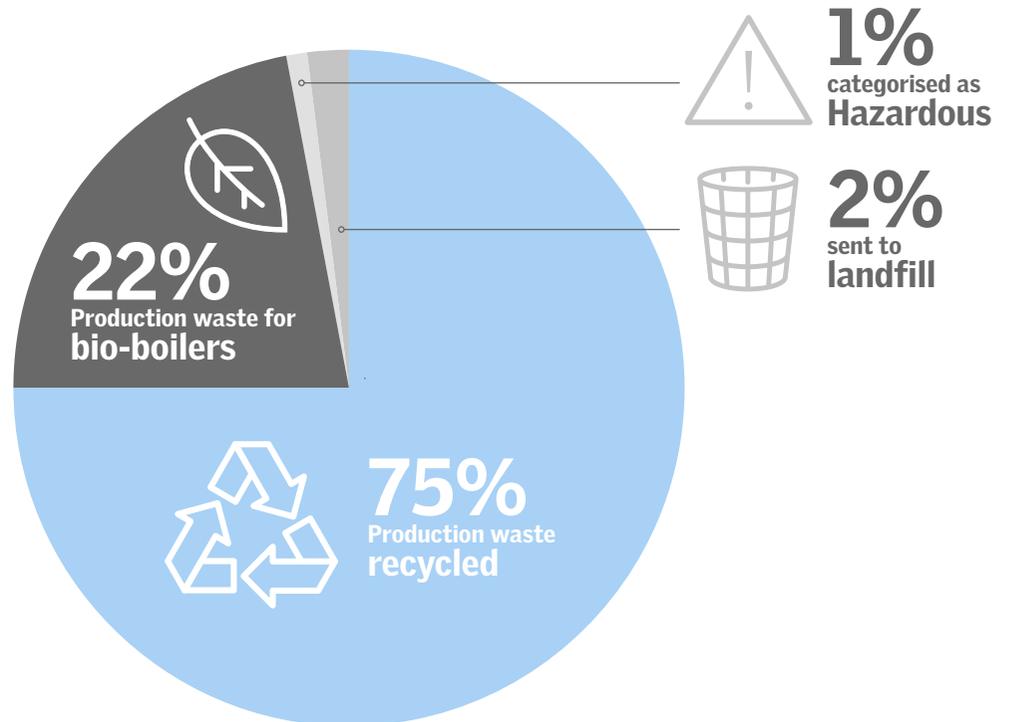
Performance

- › In 2018, 97% of waste from our production processes was recycled or used for heat generation
- › 75% of production waste was recycled
- › 22% of production waste (most of it our own renewable energy timber waste) was used in bio-boilers at VELUX plants
- › 1% of production waste was categorised as hazardous waste and treated as such
- › 2% of production waste was sent to landfill

Moreover, 99.6 % of glass waste from production was recycled.

Next steps

- › Transition to ISO 14001:2015 at all VELUX production sites in Europe during 2019 and the first half of 2020.
- › Development of the new Zero Waste factory programme will be initiated end 2019 for roll-out in 2020.
- › Implementation of new initiatives to continuously reduce waste in main material fractions.



SUSTAINABLE SOURCING

We constantly seek to maximise the use of sustainable materials and we carefully manage the use of hazardous substances in our products and during production. Through sustainable sourcing we contribute to UN SDG 12.

 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SOURCING OF SUSTAINABLE AND CERTIFIED WOOD

In 2018, 99.5% of the timber used in VELUX products available in Europe was sourced from certified, sustainable forests. The remaining 0.5% is FSC-controlled wood.

Policy and goals

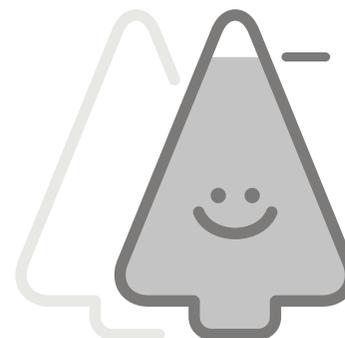
We recognise the importance of sustainable forest management as part of our effort to protect the environment, ensure biodiversity, tackle climate change and respect the rights of local communities in forested areas.

Our efforts in sustainable wood sourcing support UN Sustainable Development Goal no. 15, Life on Land, and promote sustainable management of all types of forests, halting deforestation, restoring degraded forest and substantially increasing afforestation and reforestation globally.

All VELUX windows are manufactured at VELUX-owned factories. All factories in Europe are certified according to FSC (Forest

Stewardship Council) and/or PEFC (Programme for the Endorsement of Forest Certification). Our factories in USA and China are not PEFC or FSC certified, but use FSC-controlled wood.

We source wood as close to our factories as possible. Our wood is sourced from Norway, Sweden, Finland, Estonia, Russia, Poland, France and the USA. We use Scots Pine (*Pinus Sylvestris*) for wooden windows and Norway Spruce (*Picea Abies*) for PU windows. The VELUX Group has been a member of FSC Denmark and FSC International since 2016. All VELUX windows produced in Europe for the European market fulfil the requirements of the EU Timber Regulation.



99.5%

SUSTAINABLE WOOD USED
IN VELUX PRODUCTS

Activities

Wood audits

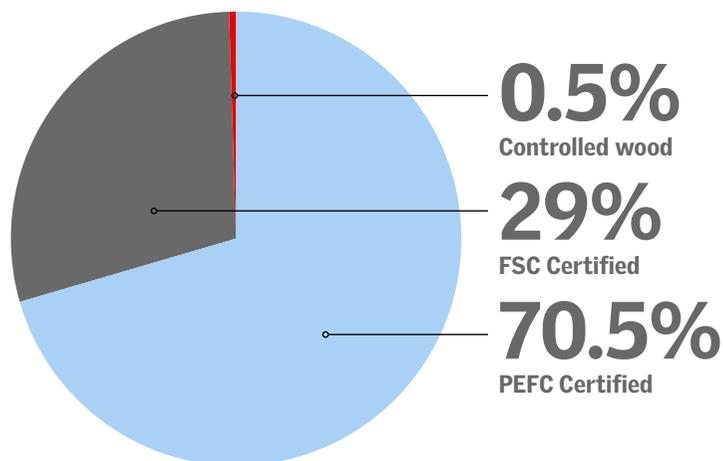
In order to uphold the FSC and PEFC certification, we carried out 65 internal audits during 2018. External audits and performance follow-up have now been integrated into the purchasing setup with an annual supplier meeting and monthly performance reviews. This contributes to our overall performance and compliance with the two systems.

Performance

- › 99.5% of the wood used for VELUX windows is sourced from certified, sustainable forests. The remaining 0.5% is defined as 'controlled' wood by FSC. All our wood suppliers are certified to PEFC, FSC or both. In comparison, only about 30% of the wood sold globally comes from sustainable, certified forests.
- › All our activities comply with the EU Timber Regulation (EUTR).
- › All wood cut-offs and wood chips from our production sites are used for recycling or heating purposes.
- › All direct suppliers have signed the VELUX Code of Conduct for Suppliers.

Next steps

- › In 2019, we will continue to work with suppliers, PEFC, FSC and other partners to maintain a minimum level of 99.5% certified wood in our VELUX products available in Europe.
- › A test window made out of reclaimed wood will enter the product development process to evaluate the viability of the product with a view to scale up production.
- › A new strategy for increased sourcing of sustainable materials is under preparation and will be released in 2019.
- › The Materials Technology Department will continue to optimise the energy efficiency and lifetime of window panes in order to improve the energy efficiency and carbon footprint of our products.



MANAGING HAZARDOUS SUBSTANCES

We design and manufacture products that are safe to humans and nature. Hazardous substances are carefully managed during manufacturing, use and disposal.

Policy and goals

The VELUX Group carefully manages the use of hazardous chemicals and materials. In line with the VELUX Environmental Policy, our internal standards and international regulation, we take a proactive and precautionous approach to managing hazardous substances.

From 2018, hazardous substances are managed by the new VELUX Restricted Substance Management Standard that applies to all suppliers to VELUX sites in Europe. The standard is based on, but not limited to, the following legislation:

- › REACH
- › RoHS Directive
- › Persistent Organic Pollutant Regulation
- › Packaging and Packaging Waste Directive
- › Substances that deplete the ozone layer
- › Biocidal Product Regulation

Activities

- › In 2018, we issued the VELUX Restricted Substance Management Standard (VRSMS). All suppliers supplying VELUX locations in Europe must comply with the standard's requirements.

Performance

- › 412 suppliers have signed the VRSMS, which was issued in October 2018.
- › VELUX products have been tested A+ in VOC (Volatile Organic Compounds), according to the French regulation on VOC emissions from construction products.

Next steps

- › A targeted effort will ensure that all suppliers to VELUX sites in Europe have signed the VRSMS by the end of 2019.
- › Preparation of a global database with all substances currently used in production, laboratories and test facilities.
- › Screening and risk assessment of all new chemicals/materials before they make their way into our production.



SAFE AND HEALTHY WORKPLACE

By building and maintaining a strong safety culture, we strive to eliminate work-related injuries and occupational diseases. We invest in and develop people to be passionate performers and provide equal opportunities for everybody.

By striving to provide a safe and healthy workplace, we support UN SDG 12 (Responsible Consumption and Production).

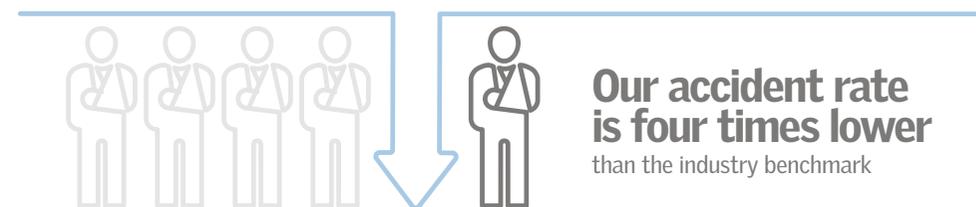
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION





HEALTH AND SAFETY

In 2018, the number of work-related accidents per one million working hours was 2.7. This makes our accident frequency about four times lower than the comparable industry benchmark. The long-term vision is zero accidents.



Policy and goals

We believe that accidents at work and occupational diseases are neither determined by fate nor unavoidable. They always have causes. By building and maintaining a strong safety culture, the causes can be eliminated and work-related accidents and occupational diseases can be prevented.

The VELUX Safety Policy stipulates that all VELUX employees are expected to take personal responsibility, engage in health and safety activities and look out for their colleagues. We have systems in place, where employees are obliged to register safety hazards, improvements and near-miss accidents.

All VELUX manufacturing and warehouse sites are certified according to ISO 45001 (Occupational Health and Safety Management, previously known as OHSAS 18001). We run an extended, internal auditing system to monitor compliance with all critical safety standards.

Activities

HSE&E plan 2020

We continued the roll-out and implementation of our Health, Safety, Environment and Energy 2020 plan at VELUX production and warehousing sites during 2018.

7 Golden Rules for Safety Leadership

In 2018, 500 VELUX leaders at production and warehousing sites participated in Safety Leadership Training based on the '7 Golden Rules for Safety Leadership', see below. The leaders are audited in safety leadership as an integrated part of our extensive safety auditing programme.

Workplace risk assessment

We carried out risk assessments of more than 5,000 workplaces in our Supply System, introduced risk mitigation measures and further improved standard working instructions to prevent incidents in daily work.

Workplace ergonomics

We started to develop a new workplace ergonomics programme ready for implementation in 2019. The new programme includes ergonomic assessments, systematic improvement processes, ergonomics training, systematic prevention, ergonomic workplace design and training on-site trainers.

Hazardous materials management

In 2018, we issued the VELUX Restricted Substance Management Standard (VRSMS.). All suppliers are to sign up by the end of 2018 at the latest for compliance with the VRSMS or state that they are in the process of replacing non-VRSMS materials with safer alternatives.

Fire risk management

We have implemented a new VELUX Fire Loss Prevention standard, including external and internal auditing across all VELUX production and warehouse sites. 18 internal auditors were trained in fire risk management and all sites are now working on further improving mitigations and making other ongoing improvements.



7 Golden Rules for Safety Leadership

- 1** Taking leadership – demonstrate commitment
- 2** Identify hazards – control risks
- 3** Define targets – develop programs
- 4** Ensure a safe and healthy system – be well organized
- 5** Ensure safety and health in machines, equipment and workplaces
- 6** Improve qualifications – develop competence
- 7** Invest in people – motivate by participation

Performance

In 2018, we set a stretch target for an accident rate of less than one accident per one million working hours, which would earn us the World Class Safety label. We did not achieve this goal, as our accident frequency rate was 2.7.

However, the accident frequency rate of 2.7 achieved in 2018 is still about four times lower than the comparable industry benchmark.

The rate of absenteeism due to accidents in 2018 was 0.4 compared to our target of max. 0.2.

Although we have some way to go, this correlates to only about one third of the industry benchmark.

Next steps

In 2019, we will:

- › Have a special focus on noise reduction at our production sites
- › Continue Safety Leadership training and follow-up
- › Develop a Contractor Safety Standard
- › Implement a company-wide hazard reporting system
- › Integrate a new and improved chemical management system in our existing ISO 14001 management system at all VELUX Group production sites
- › Implement a global VELUX database with all chemicals used in production, laboratories and testing facilities. Each chemical will be risk-assessed to establish a basis for decisions about elimination/substitution. At the same time, all new chemicals/materials will be screened and approved before implementation.

VELUX sites without work-related accidents for the last 12 months or more

- › North European Logistics Centre, Denmark – 9 years
- › Thyregod Bygningsindustri, Denmark – 4 years
- › Skærbæk Bygningsindustri, Denmark – 3 years
- › Gåsdal Bygningsindustri, Denmark – 4 years
- › VELUX China – 1 year
- › VELSOL, France – 1 year
- › VELUX Greenwood, USA – 1 year



PEOPLE AND DEVELOPMENT

We continue our activities to nurture and develop our unique VELUX culture. Key actions are strong leadership, global collaboration, people development and passionate performance.

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.

We respect the principle of freedom of association and the right to collective bargaining.

Activities

Passion and performance

Key activities to nurture and improve our culture involved strengthening leadership, supporting global collaboration, developing people and boosting passion and performance throughout the organisation.

A global approach to people development

In 2018, we continued the roll-out of a global approach to people development, comprising four career clusters: Professional, Specialist, Project Manager and People Manager. The tool is used across the entire organisation to discuss career aspirations and development opportunities for the individual employee.



Performance

Employee engagement survey

In October 2018, we ran our third Global Employee Survey. It had a response rate of 96%, the highest ever. The score for Satisfaction & Motivation was 71 and for Loyalty 79, both well above external benchmarks.

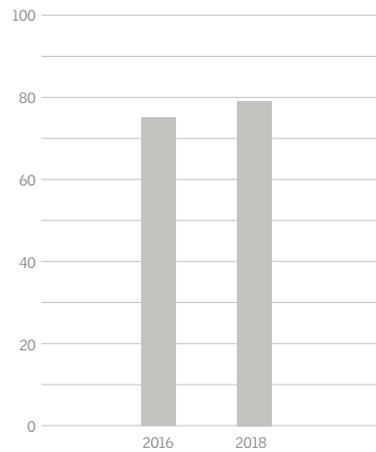
Across the organisation, we saw an increase in scores on both parameters, and the number of teams with low scores decreased by 50%, thanks to a structured follow-up on the last survey carried out in 2017.

As in previous years, we can see that it is still employees' job content, the management skills of their immediate managers and the strong VELUX brand that are the most important factors for high satisfaction, motivation and loyalty.

Global collaboration

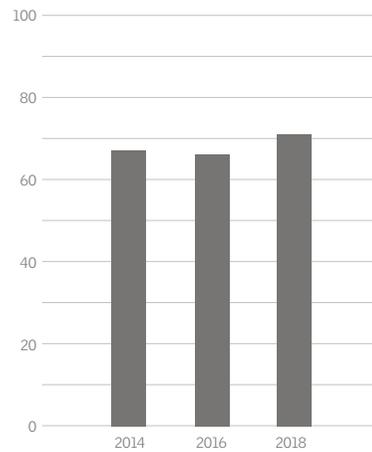
In order to support global collaboration, we offer employees a course on navigating our global organisational matrix. In 2018, 133 employees took part in this course.

2018 employee level of loyalty



Global Employee survey:
Overall loyalty score

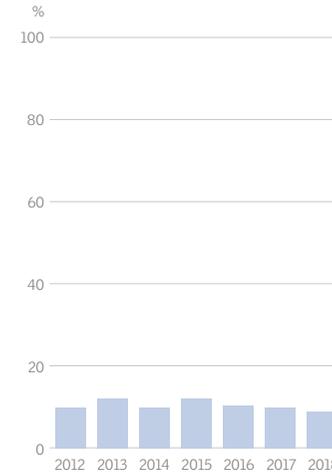
2018 employee level of satisfaction and motivation



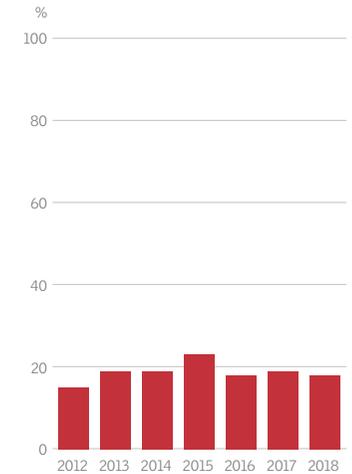
Global Employee survey:
Overall satisfaction and motivation

As the survey changed from 2014 to 2016 benchmarks are not available for 2014.

Employee turnover, non-production workers



Employee turnover, production workers





In 2018, we continued our global leadership development programmes:

VELUX Management in Practice

This training programme is primarily for new managers in the VELUX Group, but also relevant for experienced managers, requiring a deep understanding of the VELUX global business model.

The purpose is to ensure an understanding of group strategy, our business, organisation, culture and expectations to managers based on our values and principles, plus to build networks between new managers in the VELUX Group.

Passion for Leadership

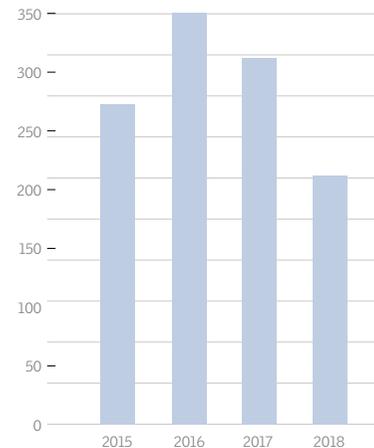
The overall purpose of this programme is to develop essential mindsets and competencies to lead according to our VELUX values and Organisation & Leadership principles. The programme consists of three modules: Passion for People, focusing on the individual leadership style with the aim to further develop a constructive mindset and leadership; Passion for Performance, creating awareness and building skills corresponding to the different leadership levels in the organisation; Passion for Business, helping managers navigate and lead in a global matrix organisation with multiple perspectives and common goals.

Besides the leadership development programmes, VELUX also has global training programmes for project managers and specialists, covering both professional and personal development. Locally, the VELUX companies supplement with further training for all employees.

Next steps

- › In 2019, we will implement a New Managers Programme to ensure that new managers in VELUX have a strong and relevant toolbox to support their roles as people managers.
- › In Q2 2019, we will launch a supplement to the Global Employee Survey, called Team Talk, where managers can make their own surveys to follow-up on the team's engagement on an ongoing basis.
- › During 2019, we will intensify the focus on building a stronger pipeline. Among others, we will launch a new Graduate Programme, a layered approach to talent management and an additional focus on people development amongst our people managers.

Leadership training

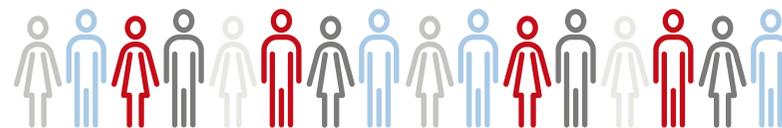


Number of participants in Passion for Leadership and Passion for Performance training



DIVERSITY

Being a good and inclusive workplace for all employees is part of the VELUX heritage.



It is our fundamental belief that the composition of the workforce must reflect the composition of society

Policy and goals

The Model Company Objective reflects the ambition of the VELUX Group to be a good and inclusive workplace for all employees. We aim to strike a level of diversity that reflects the demography of the surrounding society.

In 2018, the gender distribution in the VELUX Group was 62% men and 38% women. Our Board of Directors includes five men and two women, which is considered to be an adequate gender distribution by the Danish Business Authority.

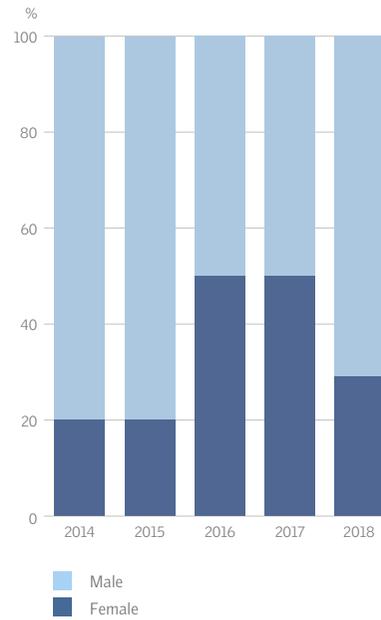
**Gender equality
in senior management**

In 2018, 17% of VELUX top management and senior managerial positions were held by women. We strive to achieve a better gender balance on managerial levels, by:

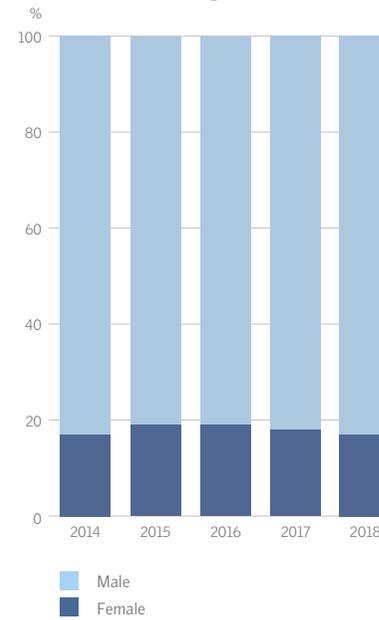
- › Encouraging the hiring of more female managers and a diverse workforce in general in terms of age, ethnicity, nationality and gender. We work actively to ensure equal development opportunities for everybody.
- › Prioritising diversity in terms of gender, ethnicity and nationality when recruiting for leadership or specialist positions.
- › Applying a company-wide performance evaluation tool and external benchmark to ensure equality. We use a structured annual evaluation tool for managers and administrative staff to ensure transparency and an objective approach to career development and appointment of managers.

A new 2030 Sustainability Strategy for the VELUX Group will be launched in 2020. As part of the preparation for the new strategy, we will evaluate our present effort within this area and define new ambitions. Among these, there will be a new target for equal gender distribution.

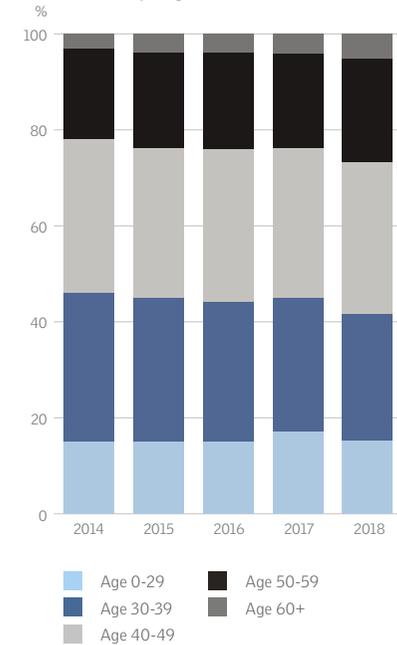
Gender equality on Board of Directors



Gender equality on senior management



Age distribution, all employees



LEADING THE CHANGE

The VELUX Group was founded on a vision of daylight and fresh air through the roof. Today, we lead the change towards healthy, sustainable, smart and affordable building solutions by putting people first, partnering with stakeholders and influencing framework conditions.

By leading this change, we primarily support UN SDG 3 (Good Health and Well-being), 11 (Sustainable Cities and Communities), 17 (Partnerships for the Goals).



3

GOOD HEALTH AND WELL-BEING



11

SUSTAINABLE CITIES AND COMMUNITIES

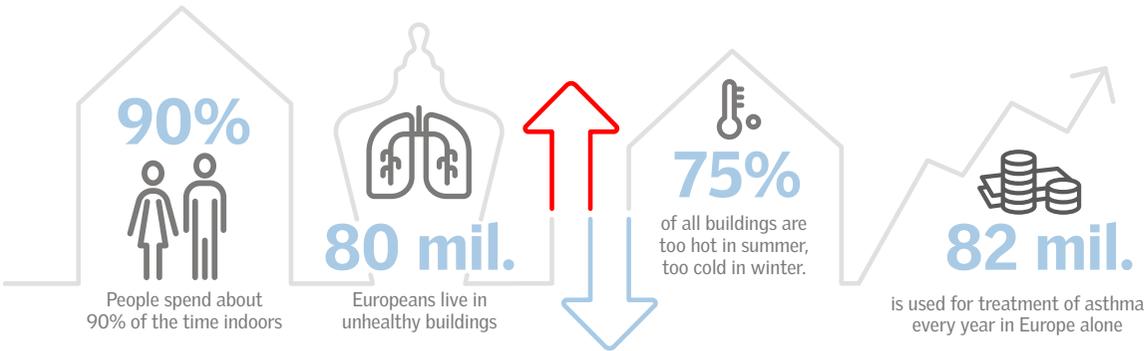


12

RESPONSIBLE CONSUMPTION AND PRODUCTION

PUTTING PEOPLE FIRST

In designing sustainable and healthy buildings, we put people first and take a holistic approach to balance care for people and planet.



(Healthy Home Barometer 2016/2017)

Policy and goals

With our products and solutions, we want to help create healthy and sustainable buildings. In order to do this, we take the lead in raising awareness about the importance of daylight and fresh air for people’s health and well-being.

We seek to pioneer sustainable buildings, inspire the building community and challenge framework conditions that govern the building sector. In doing so, we take a holistic approach that balances people’s health and quality of life with energy efficiency and environmental protection.



Activities, performance and next steps

Spotlighting the Indoor Generation

In 2018, we took an important step to advance awareness and start a global conversation about indoor lifestyles and healthy homes in the general public.

Today, people in the developed world tend to spend 90% of their time indoors. But are people aware of the consequences of an indoor lifestyle? Our comprehensive Indoor Generation Survey of 16,000 respondents during spring 2018 found the answer to be 'no', and revealed a large gap between perception and reality when it comes to the effect of indoor living on people's bodies and minds.

Based on decades of research and co-operation with leading universities, partnership with specifiers and the results from over 30 certified Active Houses, we launched the Indoor Generation campaign to raise awareness about the consequences of an indoor lifestyle that most people are subjected to today.

The campaign was spearheaded by a short, viral film and supported by the Indoor Generation Survey and by local Indoor Generation campaigns in four European markets, including TV commercials and informative campaign web sites.

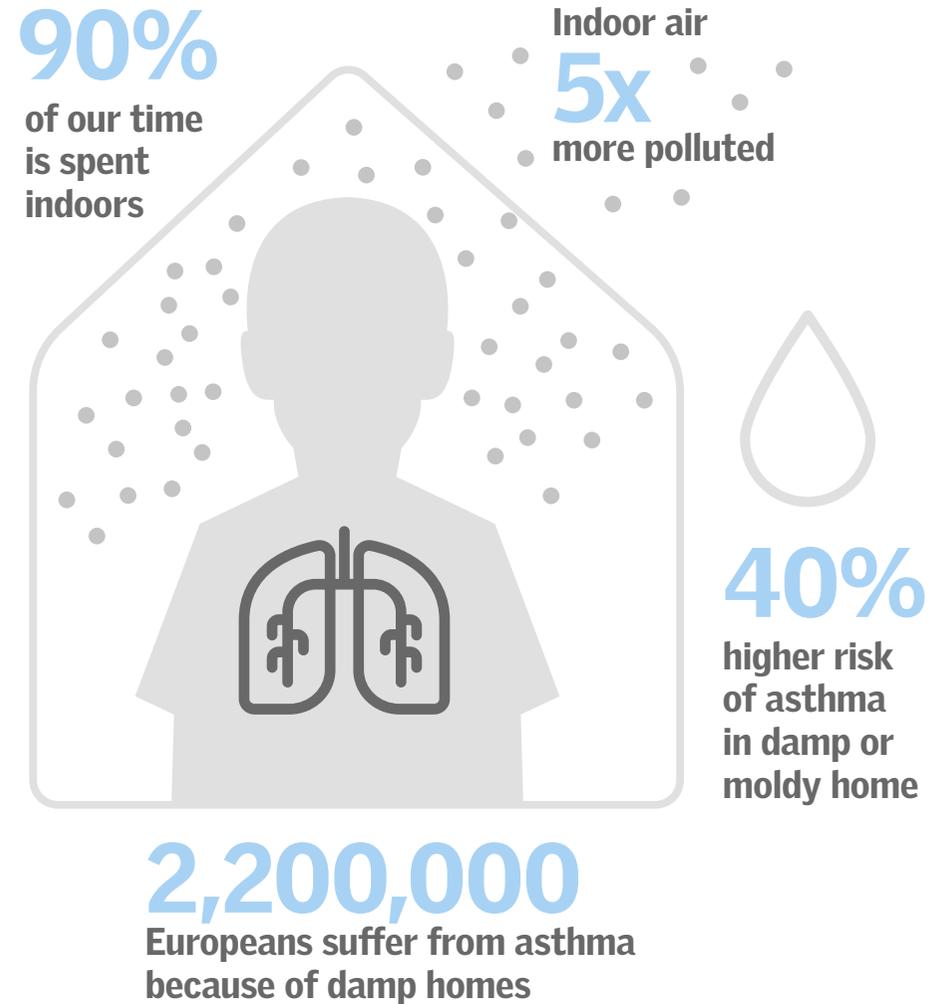
One year into the Indoor Generation campaign, we have had more than 100 million views of the viral film and more than 2,000 news articles. According to a survey from Audience Project

in late 2018, 10% of people would now put daylight and fresh air on their top-three lists if they were to renovate their homes. Likewise, Audience Project registered a 9-13% increase in people's awareness about a good indoor environment protecting their health.

In 2019, the Indoor Generation campaign continues to encourage home owners to consider how daylight and fresh air through the roof can improve health for the indoor generation and how these basic factors of human well-being can be leveraged in home renovation projects.



[Watch the Indoor Generation movie here](#)



SUBURBANISATION – The Healthy Homes Barometer 2018

Every year, the VELUX Healthy Homes Barometer (HHB) takes the pulse of European buildings and examines how they can be improved to benefit people, societies and planet.

In 2018, we issued the fourth edition of the HHB, with a spotlight on suburban living environments and the potential of renovation to create healthier and more sustainable homes.

For the first time, HHB 2018 also explored working environments and why investing in good indoor climate in work spaces makes for a good business case.

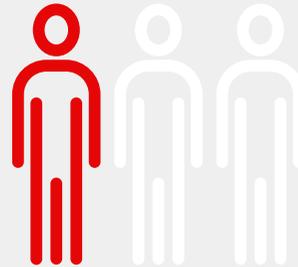
The Healthy Homes Barometer 2018 was produced in partnership with the consulting agency Ecofys/Navigant and the Fraunhofer IBP research institute.

The Healthy Homes Barometer 2019 will be published in October.

Key facts from the VELUX Healthy Homes Barometer 2018



75% of Europe's population lives in cities and suburbs



2 out of 3 homes in Europe are more than 40 years old and only 10 % of the building stock currently holds an A or B energy classification



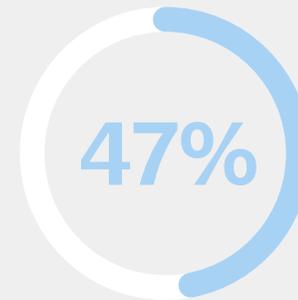
Office workers spend at least 30% of the time indoors in office environments



54% faster growth of suburbs compared to city centres in the past 50 years

only 1-2%

Only 1-2% of the building stock is renovated every year



47% of office workers have no natural light in their working environment



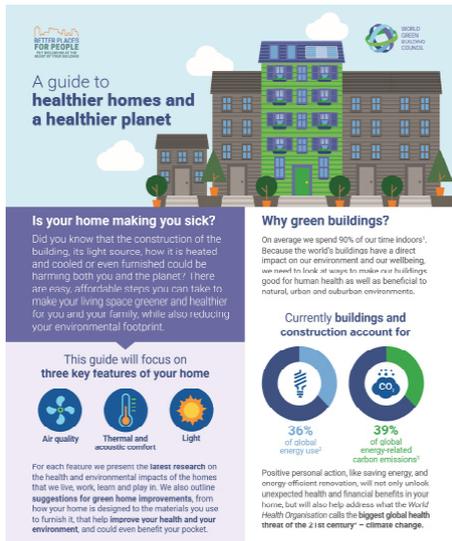
1 out of 6 Europeans live in an unhealthy home, mostly because their home is too cold during winter

Putting people first

VELUX sponsored guide to healthier homes

In conjunction with the World Climate Summit at COP24, the World Green Building Council launched the VELUX sponsored Healthier Homes, Healthier Planet Guide in December 2018. The guide takes a combination of the latest research into air quality, thermal and acoustic comfort and lighting and translates this into simple, low-cost and practical strategies to make homes healthier for both people and planet.

Among others, the guide recommends ventilating homes for fresh and clean air, insulating homes to boost energy efficiency and maximising the use of daylight in homes to release health benefits and save on energy for lighting.



Better Places for People
Project Sponsors
SAINT-GOBAIN
MANN+HUMMEL
VELUX

Inspirational tools for home-owners to create healthy homes

The VELUX Group continuously develops apps, handbooks and other tools to disseminate knowledge and inspiration to home-owners on the benefits of proper daylighting, natural ventilation and smart automation.



My New Home VR



VELUX ACTIVE with NETATMO



MyDaylight



VELUX Pro





PIONEERING SUSTAINABLE BUILDINGS

Through experimental building projects based on the Active House principles, the VELUX Group pioneers solutions for healthy and energy efficient buildings.

Policy and goals

Windows are unique. They are among 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 quality and pioneer buildings that contribute more than they consume, in terms of indoor climate and environmental impact.

Through a series of Active House projects during the past decade, we have demonstrated how buildings of tomorrow can be built today, and since 2017, the Active House label has been applied as a global quality stamp for comfortable and sustainable buildings. The label is one of the few building certification schemes that take health and well-being into account as an important parameter in the sustainability rating.

Renovation of the aging building stock represents an obvious opportunity, since 90% of our current residential properties will still be in use by the year 2050. Our strategy therefore targets development of methods for sustainable, affordable renovation to ensure healthy, comfortable and energy efficient buildings.



Activities, performance and next steps

A healthy home makes a big difference

In late 2017, the Bah family moved into the RenovActive home in Anderlecht, a social housing semi-detached home, refurbished according to the Active House principles. Since the family moved in, their experiences have been closely monitored by sociologists. In the mid-way report, the sociologists noted the highly positive rating of the home.

The main benefits reported by the family are increased physical comfort, which leads to better health and well-being. More specifically, the family is very satisfied with the thermal comfort, the indoor air quality and the level of daylight, especially during autumn and winter. The family notes that symptoms of hay fever, sneezing and coughing have been reduced

and sleep quality during nights has improved. Overall the move into RenovActive has meant a better quality of life for the whole family, consisting of parents and three children.

Le Foyer Anderlechtois, the social housing association that owns the estate, is in the process of refurbishing 86 homes according to the RenovActive model. In 2018, six homes were replicated and the refurbishment continues next year.

The RenovActive building renovation concept was co-developed and co-funded by the VELUX Group in order to establish Active House principles for affordable and healthy renovation of social housing.

Ten years with Active Houses



Next step: professional house builders go 'Active'

The movement towards active, intelligent homes for indoor health and well-being is now influencing professional house builders, who offer healthy homes as part of their portfolios. Examples are Jadarhus in Norway and Schwörer Haus in Germany.

In 2018, VELUX Group carried out a targeted healthy home campaign towards the professional house building community. With reference to previous model home concepts, showcasing how health and energy-efficiency go hand in hand with new built single-family

homes, the campaign illustrates advantages of generous daylight and natural ventilation for added value to both house builder and buyer.





VELUX Knowledge Centre for Daylight, Energy and Indoor Climate (DEIC)

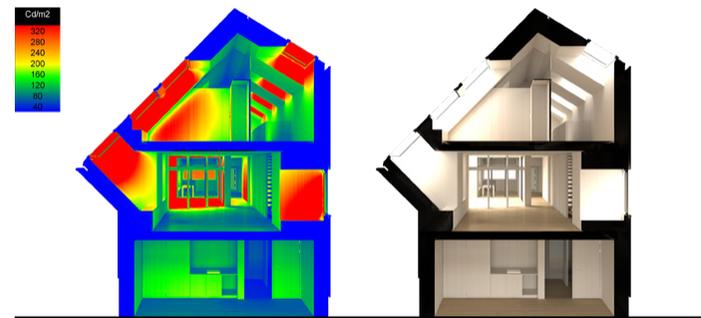
The DEIC Knowledge Centre has become a well-known part of the building community as a trusted source on matters related to daylight, indoor climate, ventilation and energy efficiency in buildings. The Knowledge centre is staffed by experts and scientists, who support professionals working with building research, design, construction and operation with facts and insights on the effects of windows in buildings. In 2018, the main focus areas of DEIC have been:

- › Publishing an updated version of the Daylight, Energy and Indoor Climate Book with new and extended information on daylight and health. The DEIC Book is available online for free
- › Preparing for the Indoor Generation Survey carried out by YouGov in spring 2018 among 16,000 respondents in Europe and North America investigating the effects of modern indoor living on health, well-being and productivity.
- › Releasing new, updated version of the VELUX Daylight Visualizer, the preferred

daylight visualisation and calculation tool in the industry. The new version is faster and more precise including features for daylight simulation of sun tunnels and VELUX Modular Skylights. The Daylight Visualizer is available for free [download](#) and use.

Healthier homes guide and tools for building professionals

The final deliverable of the Sustainable Living in Buildings programme carried out by VELUX is the Healthy Homes Handbook – an inspirational guide for architects and other building professionals on how to design according to the Active House principles with daylight and natural ventilation. The guide will be rolled-out across Europe in face-to-face or in online presentations of best practices during 2019. In addition, the guide will be used in the onboarding of new colleagues in VELUX.



VELUX Daylight Visualizer

PARTNERING WITH STAKEHOLDERS

We engage with key industry stakeholders to discover innovative solutions for better living environments, today and tomorrow.

Strategy and goals

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

Activities, performance and next steps

Active House Alliance

The VELUX Group is one of the founding partners of the Active House Alliance, a global, non-profit network of builders, researchers, designers, contractors and manufacturers, who work together to realise a new vision of People First in the building industry. Today, the Alliance counts more than 40 universities, designers, engineers, development partners and industries.

Active House presents methods to create healthier and more comfortable homes, while minimising the climate impact based on three basic principles: Energy, Environment and Comfort. Active House builds upon the knowledge and practices of the Passive House concept and takes this even further by adding a strong user-centric approach, adding aspects of daylight, thermal comfort and air quality in a year-round perspective.



Active House Alliance events and achievements in 2018:

Active House Symposium and Awards 2018

The Active House Symposium 2018 was held at the Politecnico di Milano where 200 experts discussed the topic of Architecture of Comfort and Economy. A professional jury selected six winners of the Active House Awards 2018, awarding projects from China, Canada, Germany, Italy, and Denmark. Also, special honorary awards were given to two Active House projects in China, the Wuhan University Stadium and Qingdao International Airport.

Active House Days in Kiev, Ukraine

1,800 building professionals attended the Active House Days in Kiev in June. The conference had a special focus on education and advancing quality building design, balancing energy efficiency with indoor climate.

Guangzhou Design Week, China

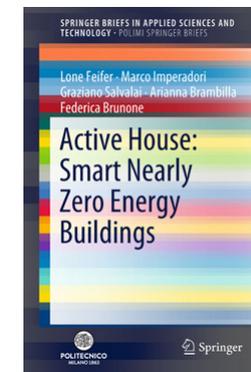
Guangzhou Design Week is a very influential event for architects, interior designers, developers and building material companies. At the Guangzhou Design Week 2018, Active House played a key role as an example of a future building concept with focus on energy, climate and comfort. The Active House stand featuring a 92 m² Active House apartment built in just 20 days attracted over 10,000 visitors per day. By sharing this example of rapid construction of Active homes, Active House wants to introduce more people to the concept and its ease of implementation.



During the Design Week, VELUX China co-organised a seminar on 'Active Response and Reflection on Liveable Buildings' together with the Active House Academic Committee of the Architectural Society of China. The seminar was attended by almost 500 building professionals making it one of the highly popular events during the exhibition.

New Active House book

2018 also saw the publication of the book 'Active House: Smart Nearly Zero Energy Buildings' as a result of a close cooperation among researchers, architects, engineers, designers and experts from Active House Alliance and Politecnico di Milano. The book evaluates ten years of Active House design principles and shares best practices in the academic building community.





Challenging the architects of tomorrow

In 2018, the International VELUX Award for Students of Architecture (IVA) took place for the eighth time, challenging the global community of architect students to explore the challenges and opportunities in designing with daylight.

“What is happening in the world and what can we do?” was the recurring, underlying question of the majority of the student projects. The jury noted a clear focus on responsibility and considerations for some of the major issues of

our time, plus genuine engagement in environmental, social, cultural and political issues.

Some projects challenged the political and social discussions and addressed issues of light in war zones, refugee camps and immigration. Others dealt with environmental concerns related to water shortage, air and water pollution, desertification and infertile land, all using daylight as a conveyor and messenger in the broad spectrum of issues.



Facts about IVA 2018

- › 633 student projects
- › Representing 250 different schools of architecture
- › In 58 countries
- › Awarding nine regional winners and two global winners
- › Go to iva.VELUX.com for more information

Buildings 2030 – New study on the potential of healthy buildings in a renovation context

Partly funded by the VELUX Group, the Buildings 2030 study investigates how renovation of offices, schools and hospitals could greatly improve health, well-being and productivity of European citizens.



The findings of the study show that the majority of European buildings are inefficient and do not deliver optimum indoor conditions for studying, working and healing.

The study, performed by BPIE (Buildings Performance Institute Europe) is based on the review of more than 400 academic articles, case studies and expert interviews, focusing on health, well-being and productivity in buildings.

The findings show that the annual value of improved performance through holistic renovation amounts to:

- › Schools: 7-13 days school days saved per year
- › Offices: EUR 185-315 billion gross value added in increased productivity every year
- › Hospitals: average length of hospital stays reduced to 5.3 from 7.6 days, equivalent to savings of EUR 38-114 billion per year



INFLUENCING FRAMEWORK CONDITIONS

We engage with local, regional and global policy-makers, authorities, NGOs and interest groups to promote a sustainable world. Through our advocacy work, we try to find solutions that increase building renovation to benefit the health and well-being of people and our planet.

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. This vision still defines the strategy for our advocacy work today. We work to promote proper and healthy buildings for all, in legislation at global, regional and local levels.

Day featured some of the latest research and practical examples for commercial implementation, among others the findings of the VELUX Healthy Homes Barometer 2018 as well as user testimonials from RenovActive in Brussels and Schwörer Healthy Home in Germany.

Activities, performance and next steps

Healthy Buildings Day 2018 in Brussels

The VELUX Healthy Buildings Day in Brussels gathered more than 300 professional house builders, specifiers, journalists and other stakeholders around a discussion about healthy – and unhealthy – buildings. The Healthy Buildings

In the evening of the Healthy Buildings Day, more than 50 legislators and industry stakeholders were gathered for further discussions in the European Parliament, zooming in on required changes to the framework conditions to encourage healthier building practices for new builds and particularly renovation projects. The European Commissioner for Climate Action & Energy Miguel Arias Cañete was the first keynote speaker, highlighting developments within climate and energy legislation in the EU. Legislators from several European countries contributed national perspectives on implementation of new EU legislation on building performance.

Together to combat climate change

The Paris Climate Agreement commits the world to keeping the global temperature rise well below 2°C and to pursuing efforts that will keep the temperature increase at 1.5°C to combat climate change. The VELUX Group is committed to supporting this target and promoting a sustainable world, not only through our own products and operations, but also by influencing framework conditions, policies and standards.

According to the UN Environment and International Energy Agency, buildings account for 30% of global energy use and 28% of global CO₂ emissions. Furthermore, for that to be in line with the Paris Climate Agreement, final energy consumption per square metre for the existing building stock needs to decrease by 30% globally by 2030.

Therefore, we continue to be part of the global dialogue to combat climate change, e.g. at the COP, and we emphasise building renovation as a key driver to achieve global targets for energy efficiency to curb global warming.

Towards 2050: New EU Energy Performance in Buildings Directive

The VELUX Group welcomes the new EU Energy Performance in Buildings Directive that came into force in June 2018. The directive requires an increased focus on affordable building renovation, raising the ambition of annual building renovation from 1% today to 3% going forward.

Throughout negotiations prior to the approval of the new directive, the VELUX Group made the case for indoor climate as an important parameter in future building renovation. We are happy to see these considerations reflected in the new directive, which focuses on health and comfort levels in buildings, including aspects of indoor air quality, adequate ventilation as well as thermal and visual comfort and smart home technologies.

The next step is national implementation of the new directive, where the VELUX Group continues to argue the case for indoor climate as a crucial driver of health and well-being.



VELUX Polska awarded at COP24

VELUX Polska received a prize for its work on the Polish edition of the Healthy Homes Barometer 2018. The Polish Ministry of Investment and Development and Global Compact Network Poland presented the award at a ceremony in Katowice during COP24.

VELUX Polska received the award in recognition of its actions to implement the UN Sustainable Development Goals and UN Global Compact in its business and in Poland in general, through its focus on healthy homes and energy efficiency in buildings.

A group of people, including men and women, are gathered in what appears to be a factory or industrial setting. They are looking intently at a document held by one of the men. The document features a technical drawing of a building or structure. The background shows industrial equipment and lighting.

RESPONSIBLE BUSINESS

As a Model Company, the VELUX Group strives to run a responsible business, deliver sustainable products and treat employees, customers and suppliers better than most other companies do.

By running a responsible business, we contribute to UN SDG 12 (Responsible Consumption and Production).

 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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.



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 change towards smart and healthy buildings. 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.

In 2018:

- › 98% of dealers and installers agreed with the statement that the VELUX Group offers reliable and high-quality products, according to a third-party survey of more than 8,100 dealers/installers in 20 countries.
- › We issued no warnings to customers regarding defective products.
- › 0.8% of sold windows required warranty service within the first three years after purchase.

Next steps

- › Continue to improve quality performance in the entire value chain and exceed customer expectations in order to support our VELUX brand and retain and grow our market position.
- › Continue to develop our present Factory Production Control system to effectively control the parameters critical to our production processes and product quality.
- › Extend the use of our process and product data as input for working with prediction models and artificial intelligence to transform reactive inspection into proactive control of our processes.

HUMAN RIGHTS

The VELUX Group is firmly committed to conducting our business lawfully and ethically. Our ethical business conduct is founded in the Model Company Objective, expressing our wish to behave in an exemplary manner in all aspects of doing business.



Policy and goals

In the VELUX Group, we put people first by developing products and solutions that create bright and healthy buildings for life, work and play. Inside the company, we invest in and develop our employees.

The VELUX Group is a global company with operations all over the world. We are committed to respecting human rights, including the principles set forth in the International Bill of Human Rights and the core labour conventions

of the International Labour Organization (ILO). This includes avoiding infringing the rights of individuals, groups and communities through our business activities and relationships.

Our work with human rights goes beyond our own activities, and we set high standards for suppliers in relation to human rights, working conditions and non-discrimination policies. We recognise the importance of maintaining and promoting fundamental human rights, focusing on:

Forced labour and human trafficking

The VELUX Group prohibits the use of forced labour and any form of human trafficking. We do not accept any use of forced bonded labour. No worker shall be required to lodge deposits or identity papers with their employer, and workers shall be able to move around freely. We do not allow the use of physical punishment or other forms of physical, sexual, psychological or verbal abuse as a method of control in the workplace.

Child labour

No forms of child labour shall be allowed in the VELUX Group or at our suppliers.

Freedom of association and collective bargaining

We respect our employees' rights to form, join or not join a labour union without fear of reprisal, intimidation or harassment. Where employees are represented by a legally recognised union, we are committed to establishing a constructive dialogue with its freely chosen representatives. The VELUX Group is committed to bargaining in good faith with such representatives.

Discrimination: We have a diversity policy stating that all employees must have equal opportunities and treatment and that no employee may be discriminated based on age, race, gender, colour, religion, sexual orientation, etc.

Working conditions: We ensure that working conditions, hours, rest periods, leave and wages are in accordance with local regulations and industry practice.

Activities

- › The Global Employee Survey, which comprises all VELUX employees, was carried out in 2018. 96% of our employees responded to the survey and the results show that our employees, including those stationed in locations with a high risk of human rights infringements, are satisfied with their working conditions and working environment in the VELUX Group.
- › In 2018, a new set of CSR & Sustainability Policies, based on the UN Global Compact and comprising a section on human rights was adopted by The VELUX Management Group.
- › New VELUX Codes of Conduct for both employees and suppliers and a whistle-blower system were rolled out in the global organisation in 2018.

Next steps

In 2020, we will finalise the new 2030 Sustainability Strategy of the VELUX Group, where human rights will be addressed.

CODE OF CONDUCT FOR EMPLOYEES

In the VELUX Group, we work according to our Model Company Objective and are firmly committed to doing business lawfully and ethically.

Strategy and goals

The VELUX Code of Conduct for Employees outlines the main principles of ethical behaviour and serves as a guideline to making business decisions and solving ethical dilemmas.

The VELUX Code of Conduct for Employees supports the ten principles of the UN Global Compact and governs our business in the following areas:

- › Protection of human rights and labour rights
- › Provision of safe and healthy working conditions
- › Prevention of corruption and business ethics
- › Protection of personal data and company information

A whistle-blower system ensures that non-ethical behaviour can be identified, reported and acted on by internal and external parties. The system is designed as a secure hotline, operated by an external partner, where employees can report issues related to illegal or unethical business behaviour.

In 2018, one report was registered in the whistle-blower system and investigated.

[Read more](#)



CODE OF CONDUCT FOR SUPPLIERS

We work with suppliers who share our commitment to responsible business practices. In 2018, 99% of VELUX suppliers signed the VELUX Code of Conduct.

Policy and goals

Compliance with the VELUX Code of Conduct is mandatory when doing business with the VELUX Group. Supporting high standards of labour, environment, human rights and anti-corruption is an integral part of the VELUX way of doing business, as stated in our Model Company Objective.

The purpose of the Code of Conduct for Suppliers is to make sure that all VELUX products and services are developed and manufactured in a responsible way throughout the entire supply chain. The Code of Conduct is built on the ten principles of the UN Global Compact and outlines our expectations to suppliers.

The VELUX Code of Conduct for Suppliers covers the following areas:

- › Climate and environment
- › Human rights and working conditions
- › Health and safety
- › Anti-corruption
- › Information and data

The goal is for all product-related suppliers to have signed the VELUX Code of Conduct. We expect our suppliers to share the VELUX Code of Conduct with sub-suppliers so that it is enforced throughout the supply chain.

Activities

In 2018, we implemented a new Supplier Evaluation and Approval Process.

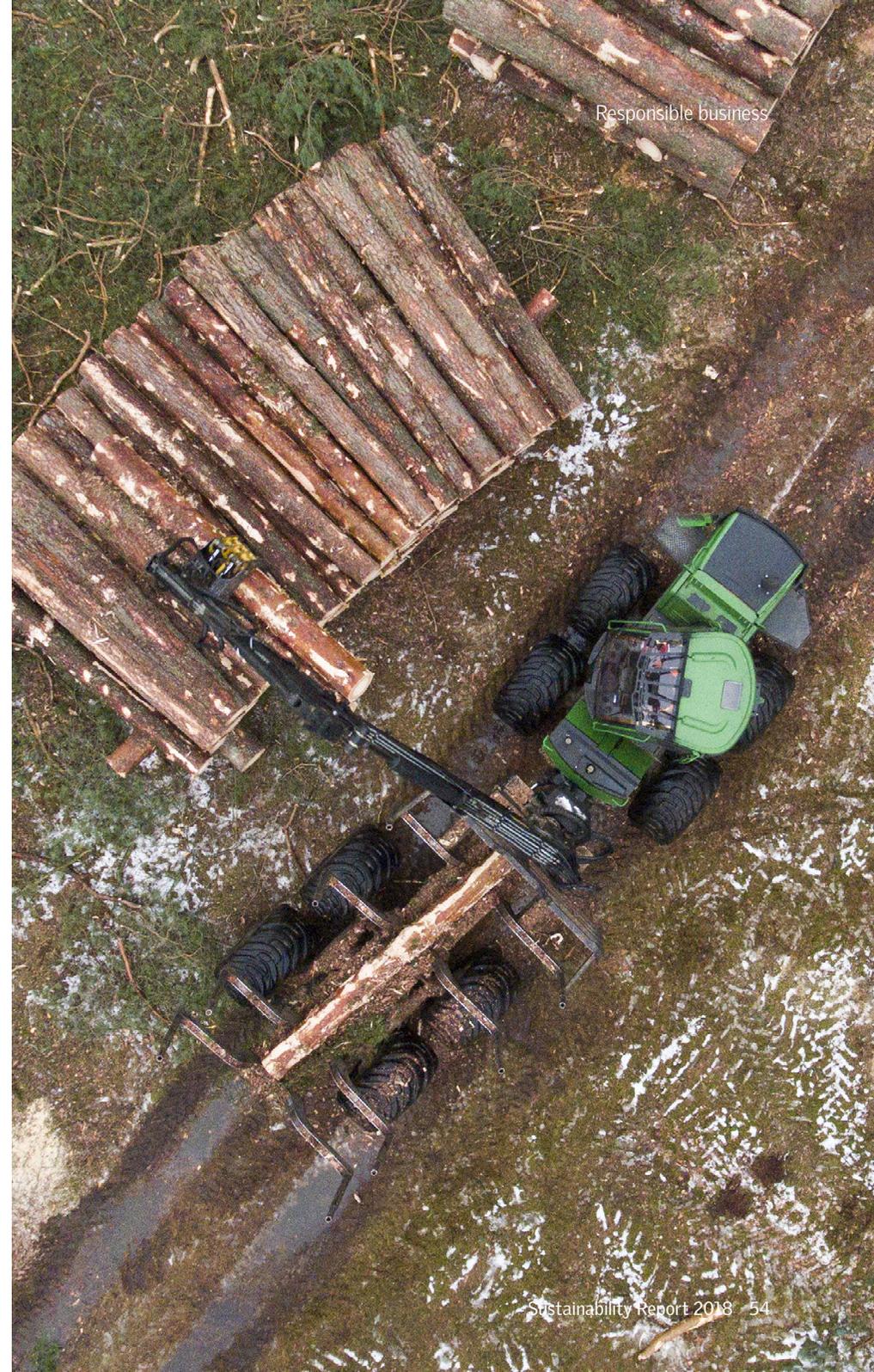
Performance

- › 99% of suppliers to the VELUX Group have signed the Code of Conduct.
- › 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 business relationship with a supplier solely due to Code of Conduct non-compliance issues.
- › In 2018, we carried out 40 Supplier Quality Audits to optimise supplier performance and to verify compliance of our suppliers' products and processes.

Next steps

- › We continue to audit our suppliers to ensure compliance with the VELUX Code of Conduct for Suppliers.
- › In 2019, implementation of the new VELUX Restricted Substances Manual (based on the EU legislation EC 1907/2006 "REACH") will be a special focus area to ensure compliance among our suppliers.

[Read more](#)



GDPR COMPLIANCE

Since May 25, 2018, complying with GDPR (General Data Protection Regulation) has been mandatory for all companies handling personal data of EU citizens.

In order to comply with GDPR, the VELUX Group has implemented a Group Internal Privacy Policy and updated the IT Security Policy in accordance with GDPR. Furthermore, we have implemented new processes in case of data breach and set up an operating model for sustained compliance.

In 2018, an e-learning course was launched to ensure that the VELUX Group is compliant with GDPR. The e-learning course must be completed by all VELUX employees in the EU with a VELUX PC.

Furthermore, we launched an internal GDPR website, which serves as a one-stop shop and toolbox for GDPR in the VELUX Group. Employees can find general information, documents and forms on GDPR, or answers to questions in a frequently asked questions (FAQ) document.

Next steps

We have established a global Privacy Community Team, which oversees continued GDPR compliance. Global and local business units are audited on GDPR compliance, including IT security.



FAIR COMPETITION AND ANTI-CORRUPTION

The VELUX Group complies with the Competition Law Compliance Policy laid down by our owner, VKR Holding A/S. All relevant managers commit to the policy by signing the Competition Law Compliance Declaration.

Policy and goals

Fair competition is essential for economies to function effectively and to ensure the best outcomes for our customers. The VELUX Group runs a comprehensive competition programme to ensure that all our companies adhere to international and national regulation and to prevent any form of anti-competitive behaviour. Our leading position in the market makes this programme critical to our business.

The VELUX Group Legal Policy and the VELUX Group Competition Law Compliance Policy describe our approach to customers and competitors and deal with our approach to mergers, acquisitions and other relevant issues. The policies set up a compliance programme that includes the following compliance measures:

- › Information and training, e.g. carried out as 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 in connection with all mergers and acquisitions.
- › Approval of essential trade documents (including trade conditions, sales and delivery terms, distribution and licensing agreements, co-development contracts, and sales and delivery terms) by the competition law specialists of the Group General Counsel.

Tax

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

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 implement local guidelines for receipt of gifts and entertainment, and to avoid facilitation payment.

Activities

Competition: The Group General Counsel is responsible for monitoring and pointing out



significant competition law issues (threats and opportunities) in relation to the business activities of the VELUX Group. For that reason, a specialised team of competition law counsels, headed by the Group General Counsel, advises on competition law matters on an ongoing basis and the team conducts compliance reviews where and whenever it is deemed relevant. Furthermore, the team conducts training of general managers, sales managers and other relevant employees of the VELUX Group and informs them of relevant changes to competition law legislation in order to ensure compliance with the VELUX Group Competition Law Compliance Policy. Finally, the team issues sub-policies, whenever necessary, to ensure compliance with the Competition Law Compliance Policy.

In 2018, the VELUX Group has introduced an enhanced programme in its Online Sales Organisation to secure and document the internal information barriers, preventing exchange of sensitive information that could lead to infringement of competition law.

Tax

The VELUX approach to tax is built on the same foundation as the "Model Company" statement, a commitment to being a good corporate citizen, whilst being conscious of the need for profitability.

We aim to respect both the wording and spirit of tax legislation and we are committed to properly reflect our commercial reality in the tax we pay. We do not engage in artificial non-business driven transactions or business structures solely for the purpose of reducing tax.

Our co-operation and communication with tax authorities is timely, honest and appropriate.

Anti-corruption

We train managers and employees in the VELUX Group on anti-corruption policy and guidelines.

A whistle-blower programme was launched in 2018. Any criminal or illegal activities can be reported to the whistle-blower system

Performance

Since 2012, the VELUX Group has been subject to an investigation by the European Commission regarding VELUX market behaviour due to a complaint put forward by one of our competitors accusing the VELUX Group of breaching competition law.

The European Commission's comprehensive investigation ended in June 2018 with a rejection of the competitor's complaint. After thorough investigation of the accusations of the competitor, the Commission found no breaches of competition rules by VELUX or other VKR Group companies.

The Group General Counsel trains relevant key employees in the VELUX Group Competition Law Compliance Policy and in the competition law compliance guidelines and instructions.

Every year, all general managers sign a declaration to confirm that all necessary measures to secure full compliance with competition/anti-trust law applicable to the VELUX Group have been duly implemented. For example, the measures ensure that all relevant staff have been informed of all requirements regarding competition/anti-trust law.

Every year, VELUX ensures that all senior managers have completed our anti-corruption e-learning and that the policy is implemented in their respective areas of responsibility.

In 2018, one incident was registered in the whistle-blower system and subsequently investigated.

Next steps

In 2019, VELUX will continue the ongoing process of adapting our comprehensive competition programme to new legislation, while improving the programme through for instance new digital tools.

EMPLOYEE FOUNDATION

In 2018, the Employee Foundation donated almost €1.153 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 near VKR Group companies.
3. To present the Villum Kann Rasmussen Award in recognition of outstanding achievements by VKR Group employees.

Activities

In 2018, 386 grants totaling almost EUR 899,000 were made to present or retired employees in need of assistance in distressed circumstances or to their children's final education or training.

In 2018, 115 grants totaling about EUR 254,000 were made in support of non-profit community projects near the VKR Group's companies worldwide.

Furthermore, the Employee Foundation allocated 1,000 grants to employees to prevent health-related problems, e.g. activity trackers, blood pressure monitors, bicycle helmets or bathroom scales.

Performance

Between 1992 and 2018, more than 4,100 people received financial support from the Employee Foundation, either for themselves or for their families. In the same period, more than 1,900 projects within the vicinity of VKR Group companies received support.

Next steps

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

The foundation is in the process of making a new strategy that will make the foundation more visible and loosen the restrictions on who can apply for support by lowering the required number or years of employment from five to three years.



THE VELUX FOUNDATIONS

VILLUM FONDEN & VELUX FONDEN

A large share of the profits of VKR Holding A/S is returned to society by THE VELUX FOUNDATIONS – VELUX FONDEN and VILLUM FONDEN, in Danish. The two foundations support scientific, environmental, social and cultural purposes in Denmark and internationally. The foundations operate independently from VKR Holding A/S and its companies.

VILLUM FONDEN was established in 1971 and VELUX FONDEN in 1981, and until now, the foundations have granted approximately EUR 1.5 billion.

In 2018, THE VELUX FOUNDATIONS granted EUR 118 million in total.

VILLUM FONDEN

In 2018, VILLUM FONDEN granted EUR 83 million (DKK 625 million) to 109 projects.

Research in technical and natural sciences

In 2018, VILLUM FONDEN funded 71 researchers within two of three research programmes: Villum Investigators, Villum Young Investigators and Villum Experiment. Villum Investigators is a biannual programme for experienced elite scientists, rewarding 11 scientists with a total of DKK 400 million in 2017. The common aim of the three programmes is to promote excellent research. In 2018, the foundation granted more than EUR 41 million (DKK 307 million) to research in technical and natural sciences, emphasising:

- › 18 Villum Young Investigators, who are young, upcoming scientists, received a total of EUR 20 million (DKK 153 million)
- › 53 Villum Experimenters, all venturing a 'moon shot' in their field of research, received a total of EUR 13 million (DKK 100 million)
- › A Villum Kann Rasmussen professorship to Jens Nørskov, returning to Denmark from Stanford University, USA, representing a grant of EUR 4 million (DKK 28 million).

Children, youth and science

VILLUM FONDEN has a new grant area focusing on the younger generation's ability to embrace the co-existence between nature, technology and humanity.

Examples of grants given in 2018:

- › 'Coding Pirates' is an after-school activity where volunteers meet with young children once a week and guide them in creating and innovating with new technologies. VILLUM FONDEN has granted EUR 0.5 million (DKK 3.9 million) for boosting the organization through recruitment and training of volunteers.
- › 'Engineering in Schools' offers training and resources for science teachers, enabling them to provide problem-based teaching. The aim is to boost pupils' interest and literacy in science and technology. The project has received EUR 1.3 million (DKK 10 million).
- › 'From niche to mainstream: Increasing diversity in computer science' is an outreach campaign aiming to increase the intake of female students at the Danish IT University. The project has received EUR 0.4 million (DKK 2.8 million).

Chocolaterie in Hungary helping young people with autism

KockaCsoki in Hungary is a social enterprise, which manufactures high quality chocolate products and helps young people with autism to become more self-sufficient in their daily life and support them in finding their way into the open labour market.

The project is called 'CUBE POINT' and is funded as part of VILLUM FONDEN's focus on vocational education and training and youths' transition to the labour market in Central and Eastern Europe. The foundation has supported the project with a grant of EUR 0.6 million (DKK 4.2 million).

VELUX FONDEN

In 2018, VELUX FONDEN granted EUR 35 million (DKK 263 million) to 906 projects.

Research in marine plastic pollution

Plastic debris polluting the sea is a growing environmental problem that calls for efficient and climate-neutral solutions. A grant of EUR 2.7 million (DKK 20 million) from VELUX FONDEN will enable the establishment of a new centre, MarinePlastic, for research in marine plastic pollution.

The Danish centre will be officially inaugurated on 1 February 2019, and it will gather researchers across universities and academic disciplines with the aim of developing research-based understanding of types of pollution, sources, frequency and the environmental consequences of marine plastic pollution.

Senior citizens digitalise our cultural heritage

VELUX FONDEN recognises the potential of active senior citizens who contribute to society. In 2018, 827 grants were given to active senior citizens – mainly smaller grants compared to the other grant areas of the foundations, averaging less than EUR 4,000 (DKK 27,000) each.

One example of the many projects supported is active senior citizens helping some of the 500 local archives across Denmark in gathering and digitalizing historical pictures, documents and memories. The senior citizens are vital in this process of creating cultural and historical coherence through a central, national portal where the material is uploaded and saved.





RISK MANAGEMENT IN A SUSTAINABILITY CONTEXT

Our activities involve inherent risks that could potentially challenge our responsible and sustainable business practices. We work proactively to manage sustainability risks in order to ensure a positive development of the company and to protect people, assets and reputation.

Since 2018, we are required to disclose potential CSR and sustainability risks for the VELUX Group. The risk assessment of our activities is based on the UN Global Compact and its four themes concerning Human Rights, Labour rights, Environment and Anti-Corruption. The Risk Management Policy of the VELUX Group ensures that sustainability risks are identified, assessed and mitigated. Our risk management policy applies to the entire company.

During 2018, relevant internal stakeholders were asked to assess the materiality of several corporate social responsibility risks related to their fields of work. They assessed the likelihood of a negative incident occurring and the potential impact to our business. Below, we describe the risks and how we work to mitigate them.

Sustainability risks and mitigation

| Health and Safety: | |
|---|---|
| Safe management of hazardous substances | Risk mitigation |
| <p>As stated in the VELUX Group Safety Policy, we are determined to create and sustain a safe working environment and our vision is to have zero work-related accidents.</p> <p>In our production, however, we use materials that pose a potential risk to this vision as they may contain substances that can be hazardous to our employees and the environment if not handled and used correctly.</p> | <p>To protect employees, consumers and the environment, we have established a work group with a clear focus on minimising the risk of hazardous substances.</p> <p>In 2018, the work group issued the VELUX Restricted Substance Management Standard (VRSMS), which, in addition to the EU-regulated thresholds for allowed substances, describes the materials and substances not allowed in products delivered to us by our suppliers.</p> <p>All suppliers were required to sign the VRSMS by the end of 2018 to be compliant or state that they are in the process of replacing non-VRSMS materials with safer alternatives.</p> <p>As a next step, an improved global chemical management system will be implemented and embedded within our existing ISO 14001 management system at all VELUX Group production sites. This will enable a proactive approach to managing hazardous substances and provide an even better framework for continuous improvements and hazardous materials governance.</p> |

| Environment: | |
|---|---|
| Responsible waste management | Risk mitigation |
| <p>The importance of responsible use of resources is growing globally.</p> <p>The VELUX Group carries risks of not using raw materials optimally in our production and creating waste that could negatively impact the environment and resource availability.</p> | <p>Governed by the VELUX Environmental Policy, we mitigate this risk by pursuing a vision of zero waste in our production.</p> <p>Aiming for zero waste is ambitious and involves both material efficiency and waste utilisation.</p> <p>Material efficiency implies continuous optimisation of our production processes to get the most out of the raw materials in the first place. Material efficiency for all major raw material categories is an important focus area at our factories.</p> <p>Waste utilisation implies upcycling or recycling of materials and waste from our production. We continuously experiment with new methods of recycling waste as a resource in our own products or as a resource in others.</p> |

| Corruption: | |
|--|--|
| Fair competition | Risk mitigation |
| <p>Fair competition is essential for economies to function effectively and to ensure fair treatment of our customers.</p> <p>Fair competition must never be compromised, and the VELUX Group has policies in place to make sure that we live up to national and international regulation in all aspects of our business.</p> <p>Since 2012, the VELUX Group has been subject to an investigation by the European Commission regarding VELUX market behaviour due to a complaint put forward by one of our competitors accusing the VELUX Group of breaching competition law.</p> <p>The European Commission's comprehensive investigation ended in June 2018 with a rejection of the competitor's complaint. After thorough investigation of the accusations of the competitor, the Commission found no breaches of competition rules by the VELUX Group or other VKR Group companies.</p> | <p>The VELUX Group runs a comprehensive competition programme to ensure that all our companies adhere to international and national regulation and to prevent any form of anti-competitive behaviour.</p> <p>Our leading position in the market makes this programme critical to our business.</p> <p>The VELUX Group has always welcomed and embraced fair competition and competes on the merits of VELUX products, services and prices. VELUX wants customers to choose the products that are right for them in open and well-functioning markets.</p> <p>VELUX has a firm policy of always complying with competition law. Since the 1990s, VELUX has had a comprehensive Competition Law Compliance Programme in place and a VELUX Competition Law Compliance Policy describes the VELUX approach to customers, markets and competitors.</p> <p>A compliance culture is embedded throughout the VELUX organisation. All VELUX employees are bound by the VELUX Competition Law Compliance Policy and on-going training takes place by means of interaction with internal and external competition counsel as well as an e-learning programme, designed specifically for employees in marketing and sales.</p> |

| Suppliers: | |
|--|--|
| Corruption and bribery | Risk mitigation |
| <p>The VELUX Group sets high standards for how we do business and we expect our suppliers to do the same.</p> <p>We work with many types of suppliers and this involves the risk of creating too close partnerships where stakeholders, both on the supplier and buyer side, may not act in the best interests of the company.</p> | <p>Before entering co-operations with new suppliers, we audit them to ensure that they adhere to our high-quality standards.</p> <p>All suppliers are required to sign the VELUX Code of Conduct for Suppliers, which clearly outlines what behaviour we do not tolerate from our suppliers in relation to corruption and bribery.</p> <p>By signing the Code of Conduct, our suppliers and other partners confirm that corruption and bribery is not part of their business approach and that they refrain from using such methods.</p> |

| Logistics: | |
|---|---|
| Working conditions at suppliers | Risk mitigation |
| <p>With sales and distribution in more than 40 countries, the VELUX Group operates a global supply network. When choosing logistic suppliers, the VELUX Group always seeks to engage with suppliers that live up to our high-quality standards.</p> <p>The transportation and logistics industry is a market characterised by huge diversity in supplier landscape – from very small one-man companies to large multi-national players with a complex network of third-party vendors executing their services. This poses a risk that proper working conditions are not ensured throughout the VELUX logistics chain.</p> | <p>The VELUX Group is committed to respecting human rights throughout our value chain and logistics is no exception.</p> <p>All our suppliers are required to sign our Code of Conduct for Suppliers in which they state that they live up to the International Bill of Human Rights and the core labour rights set out by the International Labour Organization (ILO) as reflected in the Declaration on the Fundamental Principles and Rights at Work.</p> <p>Furthermore, the VELUX Group has established a centralised logistics unit with the purpose of streamlining agreements with logistics contractors in order ensure that they and their subcontractors live up to our standards both socially and financially.</p> |

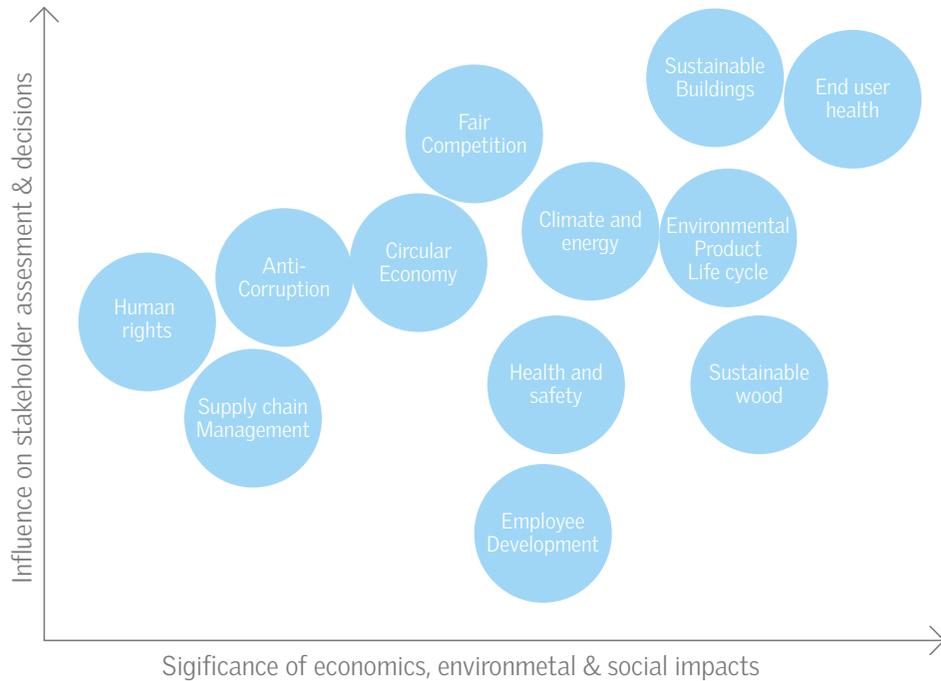
| Human and labour rights: | |
|---|---|
| Respecting human and labour rights in the VELUX Group | Risk mitigation |
| <p>Treating customers, suppliers and employees with respect is at the core of how we do business in the VELUX Group. Being a large company with production in many locations carries potential risks in relation to forced labour, child labour and freedom of association and collective bargaining.</p> | <p>Our approach to human and labour rights is outlined in our CSR & Sustainability Policies, which build on the Ten Principles of the UN Global Compact, which clearly state that we are committed to respecting human rights, including the principles set forth in the International Bill of Human Rights and the core labour conventions of the ILO. This includes the prohibition of the use of any type of forced labour, child labour and human trafficking.</p> <p>We also clearly respect our employees' rights to form, join or not join a labour union without fear of reprisal, intimidation or harassment.</p> <p>Furthermore, we do not allow any type of discrimination. We work towards a diverse workforce and ensure that working conditions at our locations are in accordance with local regulations and industry practice.</p> <p>Our risk analysis in 2018 showed, that the combination of our deeply-rooted value-based approach, including the high integrity of our local managers, led to a low risk of human rights infringements across all locations. In support of this, the Global Employee Survey in 2018, comprising the entire VELUX Group and answered by 96% of employees, showed that our employees are satisfied with their working conditions and working environments.</p> |

REPORTING PRINCIPLES

This is the eighth annual Sustainability Report published by the VELUX Group.

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

The VELUX Group compiled the company's Sustainability Report 2018 using the Global Reporting Initiative (GRI), Sustainability Reporting Guideline as methodology.



Governance

Corporate Social Responsibility is governed by the VELUX Management Group. 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 throughout the value chain: 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.

Collecting and processing data

The data is collected annually according to a fixed reporting procedure. Data was compiled for the calendar year 2017 as end-of-year data except for brand and satisfaction tracking, which was compiled during the year.

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 2018, declaring no breaches to competition law had occurred during the year.

People development and diversity

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