

SUSTAINABILITY REPORT 2019

Our journey towards 2020

VELUX®

About the report

This sustainability report covers the period from 1 January to 31 December 2019. With this report, we strive to provide a fair, comprehensive and relevant picture of our company. This includes an overview of selected activities, transparent progress on KPIs set in our Energy and Climate Strategy 2020 and how we strive to be a Model Company as defined by our founder Villum Kann Rasmussen in 1965. This report represents our Communication on Progress under the UN Global Compact.

The scope of this sustainability report and its disclosures cover all VELUX A/S activities and wholly-owned companies with the following exemptions:

Disclosures regarding health and safety and waste do not include VELUX Commercial due to a lack of data for the reporting year. Lost Time Incident Frequency and absenteeism due to accidents cover VELUX production locations and warehouses in our residential division and VELUX A/S employees thus excludes VELUX Commercial and VELUX sales companies.

The VELUX Group is working to integrate these entities in future reporting.

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Letter to our stakeholders

Our Sustainability Report 2019 was written well before the outbreak and subsequent rapid spread of the Corona (COVID-19) virus. As a responsible company, the VELUX Group is doing its utmost to adhere to authorities' measures and to protect employees and partners. We hope that the global situation soon improves so that people and organisations can address climate change challenges and take necessary actions to create a more sustainable world. The VELUX Group is ready to play our part as we describe in the following.

In the last year, we experienced a world where climate changes caused by human activity demonstrated their damaging effects. Meanwhile, a report by the Intergovernmental Panel on Climate Change showed that we can only bend the curve on global carbon emissions and avoid irreversible damage to our nature by invoking sustainable and responsible production and consumption patterns in all

aspects of our society. Fortunately, amid this concerning backdrop, global public awareness of sustainability rose.

It became evident that all societal stakeholders must take action and contribute to sustainable development. To guide us in our actions, we continue to draw inspiration from our Model Company Objective of 1965. It is our purpose to create products that are useful to society, while treating our partners, our people and the world around us better than most other companies do. This includes taking responsibility for our own social and environmental impact in every aspect of our activities.

Building on this strong foundation, this report, the ninth of its kind in the VELUX Group, illustrates how deeply sustainability is ingrained in our business and the five focus areas in our Energy and Climate Strategy 2020.



In 2019, we achieved a 47% reduction in CO₂ emissions compared to a 2007 baseline.

David Briggs
CEO, the VELUX Group

We wish to lead the development of healthy and sustainable buildings with good indoor climates and minimal carbon footprints. In 2019, we developed a new definition of a sustainable home, led research-driven publications, conducted building experiments and engaged in external partnerships to support the development of holistic sustainable building solutions that benefit the environment and improve the health of people - all in a world where up to 90% of our time is spent indoors.

As for our own operations, across production facilities, warehouses and offices, in 2019 we achieved a 47% reduction in CO₂ emissions compared to a 2007 baseline. This puts us well on our way to reaching our 2020 goal of a 50% reduction. Focused efforts on energy efficiency, continuous improvements at local sites,

global knowledge-sharing and transitioning to renewable energy sources will help us reach our 2020 commitment and beyond.

Sustainability is not only good for the planet – it is also good for business. Reducing waste cuts costs while reducing our material footprint. In 2019, 97% of the waste generated from our production was recycled or reused for heating, which brings us very close to our goal of zero waste.

Recycled waste

97% of the waste generated in 2019 from our production was recycled or reused for heating.



In 2019, we launched a new strategy for our products that will enable us to reduce the environmental footprint of our products while promoting a healthier indoor climate. Our goal is to include parameters for sustainability alongside the traditional indicators for quality and cost in product development.

We cannot achieve our ambitious goals as a Model Company without the talent and dedication of our people. And we cannot maximise these things without a workplace that is safe and inclusive for all. The work-related accident rate for 2019 was the second best we have ever achieved, with 1.7 incidents recorded per one million working hours.

Looking ahead, I believe sustainability will be even higher on the agenda of most organisations, including the VELUX Group, where 2020 marks the year where we set a pivotal course towards 2030. These next 10 years are dubbed by the United Nations as the Decade of Action to deliver on the UN Sustainable Development Goals. Our actions for this decade will be outlined in our new and ambitious Sustainability Strategy 2030. But for now, I hope you read about our accomplishments in 2019 and learn how we strive every day to be a Model Company.

David Briggs
CEO, the VELUX Group



The UN Global Compact logo, featuring a globe with the text 'UN GLOBAL COMPACT' around it. Below the logo, the text reads: 'COMMUNICATION ON PROGRESS'. To the right of the logo, there is a text box with the following content: 'This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals. We welcome feedback on its contents.'



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

Villum Kann Rasmussen, 1965
Founder of the VELUX Group

THE MODEL COMPANY OBJECTIVE

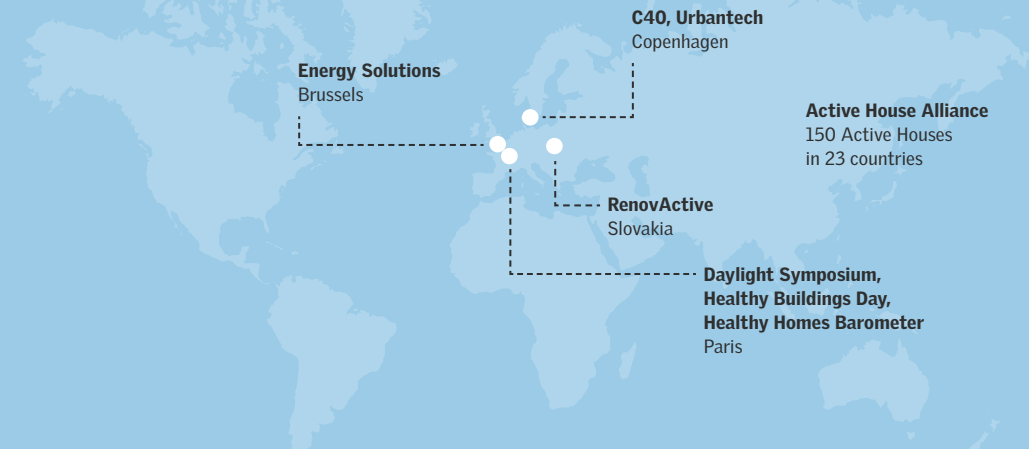
Our company values and ways of operating are based on the Model Company Objective, which was formulated in 1965 by our founder Villum Kann Rasmussen. The VELUX Model Company Objective continues to serve as the basis of all VELUX Group activities.

Sustainability at a glance

Throughout 2019 the VELUX Group has worked with targets and initiatives in our Energy and Climate Strategy 2020. These are our highlights:

Leading the change

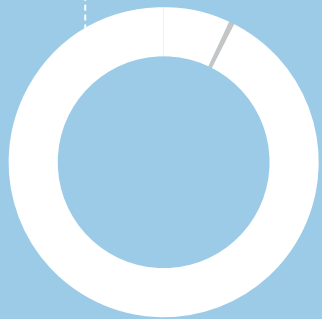
We wish to lead the change on healthy and sustainable buildings through partnerships and activities.



Code of Conduct for Suppliers

In 2019, 99.5% of our direct suppliers had signed our Code of Conduct for Suppliers. The remaining 0.5% is due to suppliers leaving and entering the partnership.

99.5%



Health and safety

We achieved our second-best result ever in terms of health and safety with 1.7 incidents per 1 million work hours. This is around five times better than the comparable industry benchmark, but our goal is to have zero accidents.



1.7 incidents per 1,000,000 work hours

Sustainable wood

In 2019, 99.6% of the wood used in our European windows came from certified sustainable sources. Our goal is to reach 100% in the coming years.

99.6%



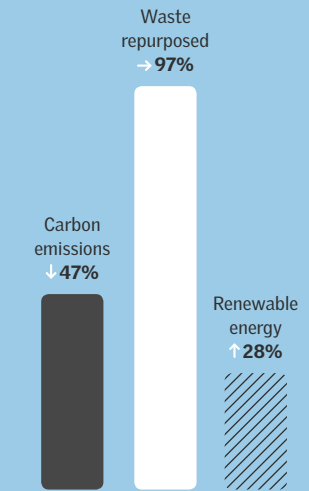
The Employee Foundation

The Employee Foundation gave out 521 grants to current or retired employees in an emergency, to their children's higher education or training and to non-profit projects geographically close to the VELUX Group's activities.

 **521**

Energy, climate and waste

We want to minimise our environmental footprint by reducing our CO₂ emissions, eliminating waste and switching to renewable energy.



Our company



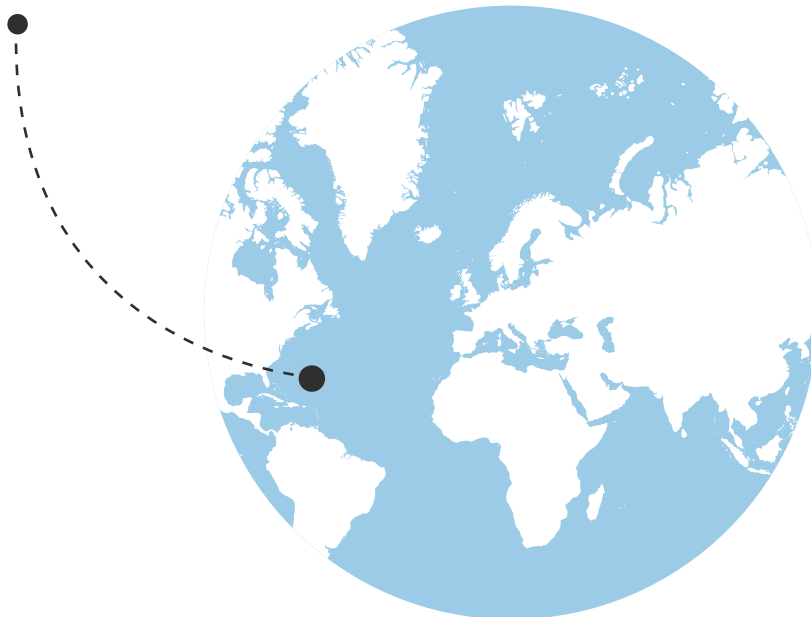
11,500 people worldwide



40 countries with sales companies



27 production sites in ten countries



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

Founded in Denmark in 1941, the VELUX Group is today a global market leader and one of the strongest brands in the building industry.

We offer high quality products and services within:

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

As a global company, the VELUX Group employs 11,500 people worldwide with sales companies in 40 countries and 27 production sites in ten countries.

The VELUX Group is primarily a business-to-business company delivering our products and solutions directly to dealers and professional house builders through a global logistics and supply network. Working closely with a range

of stakeholders, it is our vision to lead the development of better living environments with daylight and fresh air through the roof, and to be rated as the best in the eyes of our customers. We continuously develop digital applications, handbooks and guides to inspire partners, homeowners and customers on the benefits of daylight, natural ventilation and digital solutions when designing new buildings or renovating existing ones.

Ownership

The VELUX Group is wholly owned by VKR Holding A/S, a limited company owned by THE VELUX FOUNDATIONS and family. This ownership structure ensures sustainable, long-term thinking and social responsibility and that a significant proportion of the company's profits are returned to society through the foundations. Companies in the VKR Holding A/S portfolio cover the business areas of roof windows and skylights, vertical windows and solar thermal energy. The financial results of the VELUX Group are incorporated in →



A large share of the profits of VKR Holding A/S is returned to society by THE VELUX FOUNDATIONS.

VKR Holding's revenue

VKR Holding's revenue amounted to EUR 2.9 billion (DKK 21.6 billion) in 2019



EUR 2.9 billion

VKR Holding's consolidated accounts. In 2019, VKR Holding's revenue amounted to EUR 2.8 billion (DKK 21.5 billion) and net profit for the year came to EUR 412 million (DKK 3.1 billion).

THE VELUX FOUNDATIONS

A large share of the profits of VKR Holding A/S is returned to society by THE VELUX FOUNDATIONS – VELUX FONDEN and VILLUM FONDEN. The foundations operate independently from VKR Holding A/S and its companies. In 2019, the foundations granted DKK 1.3 billion (EUR 178 million) in total for scientific, environmental, social and cultural purposes.

Examples of grants in 2019:

Vocational training for craftsmen in Poland

The Polish Roofers Association received a grant from VILLUM FONDEN to carry out a five-year project to raise interest among young people in the roofing profession, an industry with good job opportunities in the future.

Protecting the sea forests of the world

Scientists were awarded a grant by VELUX FONDEN for their research on trying to understand more about the contribution of marine and coastal ecosystems to solving the global climate challenge.

Research in dementia

VELUX FONDEN has supported a research project that generates new knowledge about people with dementia. The aim of the project is to contribute to a rehabilitation effort that creates value for people with dementia, their relatives and for society.

Furthering women's careers in research

VILLUM FONDEN launched the new VILLUM International Postdoc Programme in 2019 with the aim of improving the gender balance in academia by advancing the international career of female post doc researchers through earmarked funding.

READ MORE

→ [VKR Holding](#)

→ [THE VELUX FOUNDATIONS](#)

Commercial

A new business division



We have a strong ambition to become a leading player in the commercial market, and we have already taken the first steps to build that position.

Nicolas Limbach
SVP, VELUX Commercial

The VELUX Group's first step into the commercial market was in 2012 with the launch of the VELUX Modular Skylight system. With a strategic ambition to also become the market leader in the commercial segment the three companies Wasco, JET and Vitral were acquired in 2018 and now constitute VELUX Commercial.

The core business of the new division is skylight solutions for commercial, public and industrial buildings. The commercial products ranging from single dome units to extensive skylight solutions are designed to create healthy, comfortable and productive indoor spaces in schools, offices, industrial facilities, hospitals, shopping malls and sports facilities. VELUX Commercial thus carries the strong VELUX heritage of daylight and fresh air through the roof, high product quality and care for people and planet.

Addressing global challenges

The world is currently facing an increasing number of complex and interconnected economic and social challenges that put a strain on global stability. But perhaps the most critical and overshadowing issue is the climate crisis as it transcends the social, economic and environmental boundaries of sustainable development.

Climate change calls for action

Limiting global warming to 1.5°C is possible but requires rapid, far-reaching and unprecedented changes in all aspects of society.

According to the Intergovernmental Panel on Climate Change, a rise in temperatures of 2°C above pre-industrial levels will have devastating effects on the climate, the environment and natural systems as we know it. We are already seeing the consequences of a 1°C rise in temperatures through more extreme weather, rising sea levels and diminishing Arctic sea ice.

Not surprisingly, the World Economic Forum lists environmental risks as three of the top five global risks by likelihood and four by impact, with extreme weather events being the risk of greatest concern¹. Limiting global warming to 1.5°C is possible but it will require rapid, far-reaching and unprecedented changes in all aspects of society².

TAKING ACTION ON THE UN SUSTAINABLE DEVELOPMENT GOALS

With the world facing cross-boundary, cross-border challenges, the UN Sustainable Development Goals (SDGs) are becoming increasingly relevant in promoting a transformational global agenda. The SDGs provide all societal stakeholders with a common language on the issues that must be addressed in order to achieve true sustainable development by 2030. The VELUX Group fully supports the ongoing implementation of the SDGs on a global scale and recognizes the importance of companies taking action. The 17 SDGs are inherently interconnected, and we have chosen to focus our efforts where we have the strongest impact due to a direct link to our business. Where established relevant targets exist, we seek to address these specifically.

A realisation of the solutions to the SDGs depends on a strong commitment by all societal actors to take action in a coordinated effort. Partnerships and innovation-sharing across governments, companies and industries are therefore needed now more than ever.

Examples of how we collaborate with government institutions, the building community, non-governmental organisations, academia, end-users and the broader civil society are thoroughly described in this report. With the belief that partnerships are the driver of long-lasting change, we welcome new collaborations that support the development of impactful sustainable solutions.



3 GOOD HEALTH AND WELL-BEING



Good Health and Wellbeing

Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development.

RELEVANT TARGETS

- 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
- 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

HOW WE CONTRIBUTE

Our products and integrated technologies are designed to maximise the benefits of a healthy indoor climate by letting in daylight and fresh air through the roof.

→ **Go to: Pioneering sustainable products**

Creating healthy indoor environments is only possible if all stakeholders in the building sector comes together to develop innovative solutions that empowers users and encourages healthy choices through good design. Through our activities we promote building designs and solutions that contribute to an increased feeling of good health and wellbeing for end-users in buildings.

→ **Go to: Leading the change**

7 AFFORDABLE AND CLEAN ENERGY



Affordable and Clean Energy

Increased energy efficiency and the use of renewables contribute to climate change mitigation by reducing the emission of carbon into the atmosphere.

RELEVANT TARGETS

- 7.3 By 2030, double the global rate of improvement in energy efficiency.

HOW WE CONTRIBUTE

New and existing VELUX products are continuously improved to ensure optimal energy efficiency wherever they are installed. We use life cycle analysis and thinking to document and verify our products, energy savings.

→ **Go to: Pioneering sustainable products**

11 SUSTAINABLE CITIES AND COMMUNITIES



Sustainable Cities and Communities

Inclusive, safe, resilient and sustainable cities and communities are key to solving global challenges related to climate change, healthy housing, energy consumption and much more.

RELEVANT TARGETS

- 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

HOW WE CONTRIBUTE

We create forums for collaboration and knowledge-sharing on healthy buildings and participate in political advocacy groups to promote healthy and safe indoor environments at the national and EU level and reduce the impact of buildings on people and the environment.

→ **Go to: Leading the change**

Our roof windows and skylights help to improve the indoor living conditions of buildings in our markets and helps to reduce their energy consumption. Digital technologies in our product portfolio provide easy indoor climate management and maximise health benefits for the user.

→ **Go to: Pioneering sustainable products**



Responsible Consumption and Production

Urgent action is needed to ensure sustainable consumption and production patterns across all sectors of the economy.

RELEVANT TARGETS

- 12.2** By 2030, achieve the sustainable management and efficient use of natural resources.
- 12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
- 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

HOW WE CONTRIBUTE

Through responsible production we aim to reduce the carbon footprint from our production by 50% in 2020 from a 2007 baseline. In 2019, we achieved a 47% CO₂ reduction.

→ **Go to: Reducing our carbon footprint**

In 2019, 97% of the waste from our production was recycled or reused for biomass heating.

→ **Go to: Towards zero waste**

In 2019, 99.6% of the wood in our European windows came from certified sustainable forests. Our goal is to reach 100% in the coming years. We rely on our Code of Conduct for Suppliers and other company programmes and policies to ensure responsible sourcing.

→ **Go to: Responsible sourcing**

We offer a safe and healthy working environment with development opportunities for our employees.

→ **Go to: People first**



Partnerships for the Goals

Enhanced international cooperation across governments, businesses, non-governmental organisations and academia is needed to increase the chance of fulfilling the SDGs by 2030.

RELEVANT TARGETS

- 17.16** Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

HOW WE CONTRIBUTE

In 2019, we engaged in external partnerships, facilitated knowledge-sharing and promoted healthy and sustainable building designs and solutions.

→ **Go to: Leading the change**

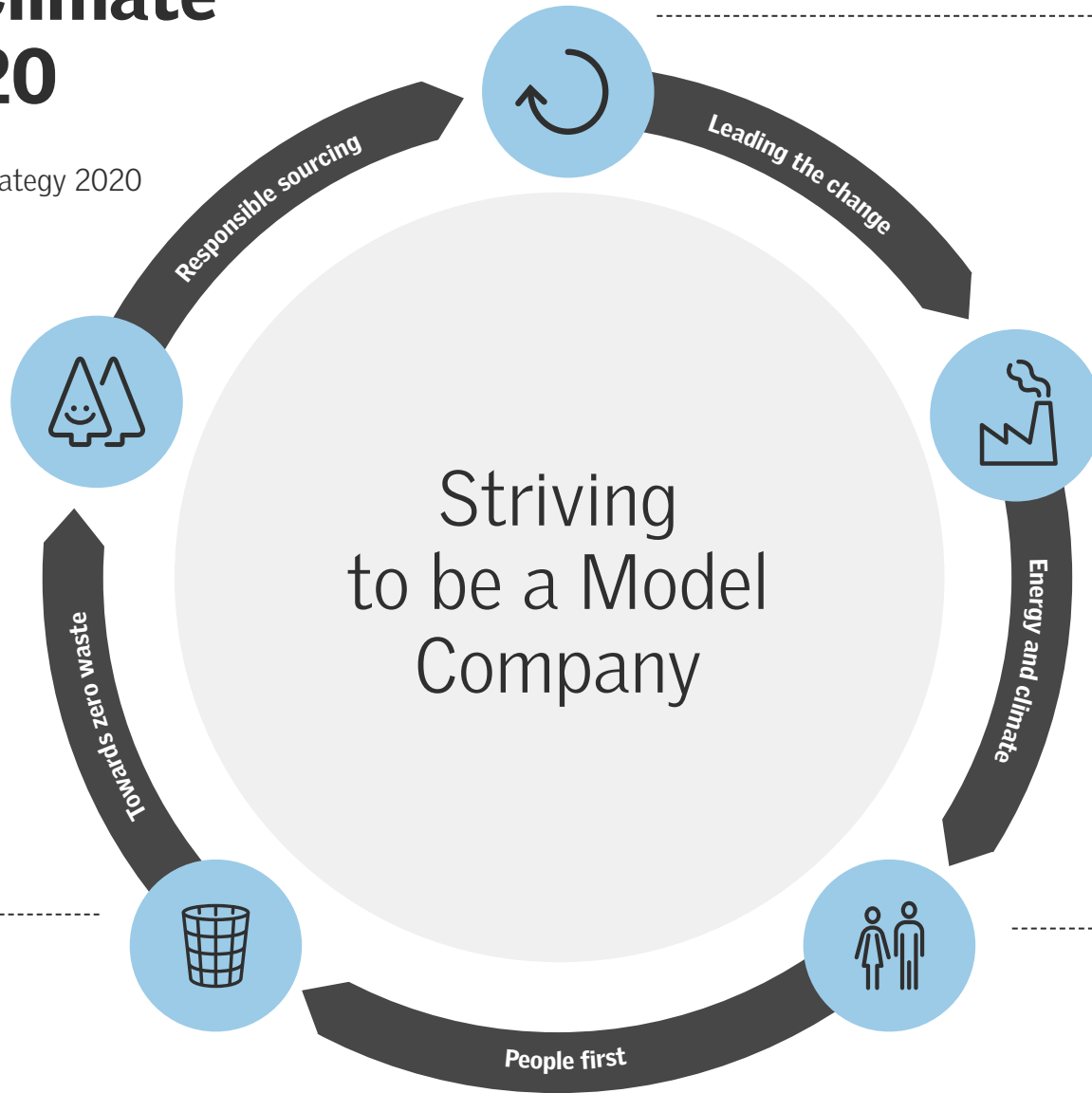
Taking our responsibility

We take our responsibility in mitigating global challenges through the VELUX Energy and Climate Strategy 2020.



Energy and Climate Strategy 2020

The VELUX Energy and Climate Strategy 2020 is centred around five focus areas.



Responsible sourcing

To minimise the risk of negative impacts through our supply chain, we set high requirements for ourselves and our suppliers.



Towards zero waste

Our vision is to achieve zero waste in our production by applying a reduce, reuse and recycle mindset.



Leading the change on healthy and sustainable buildings

We wish to lead the change on healthy and sustainable buildings as buildings account for a large part of the world's energy consumption and CO₂ emissions.



Energy and climate

Our goal is to reduce our carbon footprint by 50% in 2020 while developing energy efficient products that support a healthy indoor environment.



People first

As stated in the Model Company Objective, we are committed to treating our employees better than most companies.



Leading the change on healthy and sustainable buildings

With a strong focus on fulfilling our vision of healthy and sustainable buildings, we believe that buildings of the future must be designed for people, for increased energy efficiency and with care for the environment.



Why healthy and sustainable buildings are needed

With the rising environmental impact of cities and infrastructure, it is crucial that cities of the future are safe, inclusive, resilient and sustainable.

OUR APPROACH

3.5 billion people - half of humanity - live in cities. This number is expected to increase significantly as 5 billion people are projected to live in cities by 2030³. With the expected growth of city populations, it is crucial that cities of the future are safe, inclusive, resilient and sustainable. At the same time, solutions that ensure urban liveability, such as healthy and affordable housing, clean energy, transportation and infrastructure must support a reduction of the impact of cities on the environment and humans. Aligning the planning and design of buildings with these specifications is a key factor to ensure that future cities have long-lasting solutions for proper inhabitation and less CO₂ emissions, waste, air and soil pollutants.

Additionally, rapid urbanisation and densification of living spaces calls for new and innovative approaches to making cities and communities become sustainable. However, only 1 – 2% of old buildings are renovated



9.7gt

In 2018, buildings emitted 9.7 gigatonnes of CO₂ globally⁶.

each year, which means people are increasingly living in energy inefficient housing that poses a significant health risk. To mitigate this challenge, we must ensure that the buildings we inhabit maximise health benefits for the user while being energy efficient and leave a minimal environmental footprint. →



We need to create buildings that are both sustainable and have good indoor environments if we are to address issues related to climate change and people's health. Both are most efficiently achieved through partnerships.

David Briggs
CEO, the VELUX Group





Sustainable buildings must be designed for people, for minimal energy consumption and with care for the environment.

DELIVERING ON OUR VISION

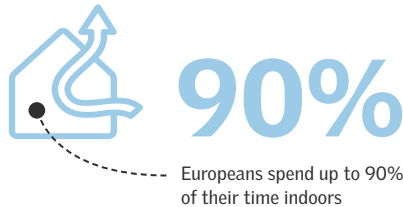
To lead the change towards sustainable buildings, it is necessary to have a clear definition of what constitutes a sustainable building and what design parameters a sustainable building should be assessed upon. We have developed a new definition of a sustainable home that builds on quantifiable parameters within comfort, environment and energy known from the Active House standard, existing building legislation and established external standards for sustainable buildings (e.g. DGNB, LEED).

Other building types than homes are to be included as the work develops. We believe that all buildings must share three characteristics to be sustainable: they must be designed for people, for minimal energy consumption and with care for the environment.

To deliver on our vision of healthy and sustainable buildings, we in 2019 participated in partnerships, led research activities, conducted experiments and facilitated collaborative forums with a specific focus on increasing sustainability in the built environment.

Did you know

If 2% of European homes were appropriately renovated every year, the number of Europeans with respiratory illnesses caused by living in damp homes would be reduced by 25% by 2050.



For people

Sustainable buildings must be designed and renovated with consideration for the health and wellbeing of the people using them. This implies that buildings designed for optimal human comfort are those which are sufficiently daylight and allow for fresh air and an appropriate thermal environment all year round.



For minimal energy consumption

With buildings accounting for around 40% of the energy usage⁴ we need to make a transition in the design and renovation of buildings towards greater energy efficiency. Improving the energy efficiency of buildings can be achieved by using the design methods, digital technology and dynamic, automated building components that exist today without limiting the inflow of daylight and fresh air.



For the environment

Buildings are responsible for 36% of CO₂ emissions⁵. Sustainable buildings are therefore those that have a low carbon footprint (i.e. a low level of embodied carbon and life-time emissions) and use upcycled or recycled materials where possible. The sustainable building can be based on principles of circularity to meet increasing expectations for recyclability of materials at end of life.

[READ MORE](#)

→ [Our definition of a healthy home](#)

GS



Activities

With a proactive approach to sharing best practices among important stakeholders at local, national and EU level – including policy-makers, architects, researchers, organisations and businesses – we take the lead in developing healthy living environments in which to live, play, work and learn.

Growing up in (un)healthy buildings

The fifth edition of the VELUX Healthy Homes Barometer was launched at the Healthy Buildings Day in Paris by our CEO David Briggs. The annual publication examines the state of European buildings and their impact on human health while investigating how they can be improved to benefit people, society and the planet.

The Healthy Homes Barometer 2019 turns its attention to some of the most vulnerable members of our society – our children. Children have the right to grow up in an environment that is good for their health and well-being. Together with our accredited partner Rand Europe we therefore assessed the impact that our dwellings and classroom environments have on children⁷. And frankly, the findings were concerning:

- 1 out of 3 European children under 15 live in unhealthy homes – that is 26 million children.
- Children are 1.7 - 4.2 times more likely to report poor health depending on how many risk factors they are exposed to.
- 1.7 million school days are lost due to absence linked to unhealthy living environments.

The study also showed that the four biggest risk factors for an unhealthy indoor environment are dampness, cold, darkness and excess noise. →

Risk factors

Note that these building deficiencies are not mutually exclusive. Dwellings with several deficiencies are therefore counted more than once.



Dampness

11.5 million children report living with leaky roofs, damp walls or rot/mould in window frames or floors.



Cold temperatures

Almost 6 million report living in homes that cannot stay adequately warm.



Darkness

Around 4.2 million report living in houses without enough daylight.



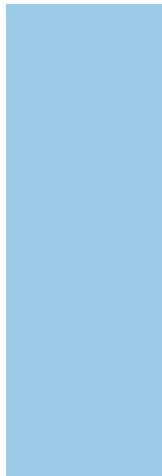
Excess noise

Over 13 million report excessive noise pollution from neighbours or traffic.



Did you know?
Improving indoor conditions can have a significant positive impact on the European economy.

€308.5 Bn



€55.7 Bn

Reducing exposure to mould and damp in homes

€252.8 Bn

Increasing ventilation in schools

The 2019 Barometer also explored the great potential benefits that improved indoor conditions in homes across Europe could have on productivity, and the economy:

- Improving ventilation in European schools could lead to an increase of European GDP of more than €250 billion over the next 40 years.
- Eradicating mold and dampness in all European homes could lead to an economic gain of €55 billion for the European economy over the next 40 years.

Conclusion of the 2019 Healthy Homes Barometer

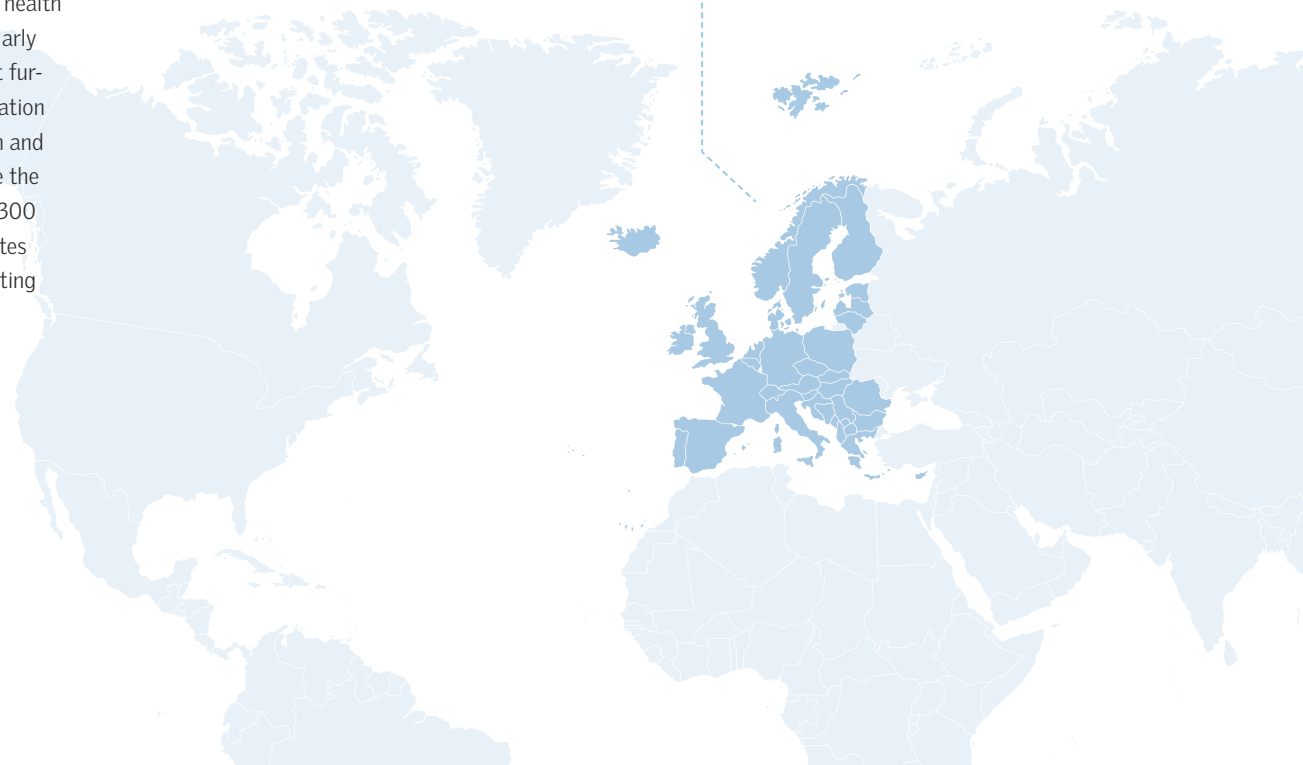
The conclusions of the Barometer make it clear that poor indoor living conditions can have serious consequences for children's health in the short term and long term. Particularly for politicians and authorities, the report further pinpoints the urgent need for renovation of existing buildings to ensure the health and wellbeing of European populations while the potential economic gain of around EUR 300 billion for the European community creates an even deeper incentive to start renovating today.

READ MORE

→ [Healthy Homes Barometer 2019](#)



1 out of 3 European children live in unhealthy homes



Daylight Symposium and Healthy Buildings Day 2019

Stakeholders in the building industry and the building research community discussed the latest knowledge on healthy buildings and shared best practices on how to integrate daylight and natural ventilation in the design of buildings.

Topics discussed

Daylight Symposium

- Importance of daylight in healthy and resilient buildings.
- Digital daylight building design tools.
- How to design with nature in mind.

Healthy Buildings Day

- Value creation through user-centric design for people, business and society.
- Scalability of healthy and sustainable buildings.
- Exploring how healthy buildings impact people.

More than 700 scientists, architects, developers, urban planners, building owners, professional housebuilders and government representatives from North America, China and Europe met in Paris on 9 – 10 October to participate in the two well-established VELUX forums – the VELUX Daylight Symposium and the Healthy Buildings Day.

The purpose of the two days was to share and discuss the latest knowledge on how daylight and fresh air contributes to healthier living environments and how to design and build healthier homes and buildings.



700

More than 700 people participated at the two days.



Daylight Symposium: How do we ensure bright days and dark nights?

This was one of the questions discussed by the participants at the Daylight Symposium. Held for the eighth time in 2019, VELUX Daylight Symposium is the only forum in the world dedicated to exploring the role of daylight in buildings, the link between light and good health, and how healthy building design is a cornerstone in sustainable cities.

Healthy Buildings Day: How to make healthy buildings the new norm?

Building design has significant influence on our health and well-being. Design and renovation of private homes, offices and schools were therefore given special focus during the Healthy Buildings Day. Participants discussed the latest knowledge and speakers presented actual cases aligned with the latest learnings on healthy building design.

The VELUX Group partners with C40 in Copenhagen

The C40 World Mayors Summit 2019 in Copenhagen gathered mayors and city stakeholders to build a strong global coalition based on a shared commitment to take radical and ambitious climate action at city level. The VELUX Group was a partner at the summit.

Representing more than 700 million citizens, mayors of the C40 cities are committed to tackling climate change and driving urban action that reduces greenhouse gas emissions and climate risks, while increasing the health, well-being and economic opportunities of their citizens.

Accounting for over two-thirds of the world's energy consumption and more than 70% of global CO₂ emissions⁹, it is safe to say that cities have an enormous impact on the climate.

At the C40 Summit, cities, businesses, academia and civil society showed their commitment to taking climate action by showcasing the innovative solutions that contribute to healthier,

more liveable and resilient cities. In total, more than 100 cities have now committed to deliver 1.5° climate action plans by 2020.

C40 master class on better learning environments

For the VELUX Group, C40 was a good opportunity to show the value of better learning environments in schools. The master class gathered C40 delegates, specifiers, researchers, building industry businesses and VELUX specialists for a discussion about the positive effects of good indoor climate on children's learning abilities and relevant solutions to the challenge.



More than 100 cities have now committed to deliver 1.5° climate action plans by 2020.

Sponsoring Women4Climate Tech Challenge

Women4Climate Tech Challenge calls for women to design innovative and climate-focused solutions to support the climate resilience and sustainable development of cities. The VELUX Group is a proud sponsor of the second round which was launched at C40.

The empowerment of women plays a critical role in ensuring sustainable development. Thus, the purpose of this challenge is to inspire and empower young women to address some of the major challenges facing the world today.

One category of the programme, healthy public buildings, is particularly relevant to the VELUX Group's agenda and we look forward to following all the participants towards the final.

In February 2020, an expert jury chose ten finalists among the applicants to present their solutions to the C40 mayors and the VELUX Group. Four winners will be selected and given the opportunity to pilot their solution in either Los Angeles, Tel Aviv-Yafo, Stockholm or Lisbon.

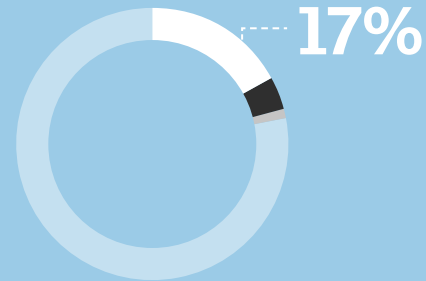


We believe that diversity creates better innovation processes and better performing businesses. We hope that this challenge will inspire women to come forward and offer their ideas and solutions.

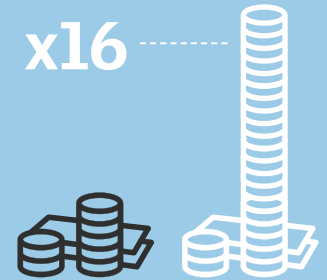
Ingrid Reumert
VP, Global Communications, Sustainability and Public Affairs, the VELUX Group

Did you know?

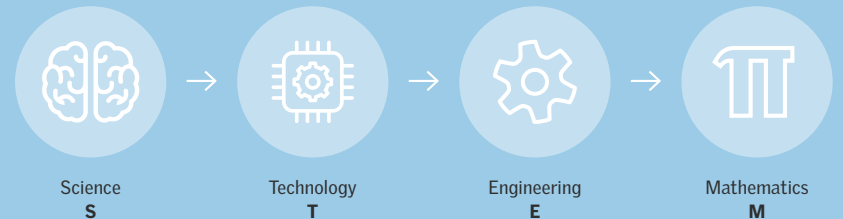
According to C40⁹, the organising body behind the challenge:



Women only represent 17% of employees, 4% of software engineers and 1% of leadership positions in the science, technology, engineering and mathematics (STEM) sector.



Only 14% of start-up investors are women, and start-ups led by men receive over 16 times more funding than those led by women.



Urbantech accelerates the development of sustainable cities and buildings

The owner of the VELUX Group, VKR Holding, is one of the partners of Urbantech, a Danish accelerator programme that facilitates collaboration between incumbent players in the building industry, such as the VELUX Group, and new, innovative start-ups.

VKR Holding is one of the partners of Urbantech, a Danish accelerator programme. The purpose of the collaboration is to learn how VKR Holding and the VELUX Group can collaborate with smaller, agile organisations to discover and explore concepts and prototypes that can help accelerate the development of sustainable buildings and cities.

In 2019, VKR Holding/the VELUX Group partnered with three start-ups as part of the programme: Next Energy Technologies, which develops windows that generate energy from

the sun; Moeco, which specialises in end-to-end IoT solutions for smart buildings and cities; and Airboxlab, which has developed a tool for monitoring of indoor air quality.

The programme runs for three years and provides the VELUX Group with a chance to test innovative concepts in our core business and inspire our internal innovation processes.



The purpose of Urbantech is to learn how VELUX can collaborate with smaller organisations to accelerate the development of sustainable buildings and communities.

Energy Solutions network in the EU

The VELUX Group is an active member of the Energy Solutions network. Energy Solutions is a cross-national, cross-party, cross-industry European parliamentary platform that works for systemic energy solutions that help to decarbonise the economy.

The VELUX Group is an active member of the Energy Solutions network. Founded in 2016, Energy Solutions is a cross-national, cross-party, cross-industry European parliamentary platform consisting of 15 corporate members and members from parties in the European Parliament. The objective of the Energy Solutions network is to facilitate the dialogue between policy-makers, industry and the broader society with a view to promoting a holistic approach to energy regulation and ultimately support systemic solutions that help to decarbonise the economy.

Still today, the network collaborates across stakeholder groups to ensure that upcoming energy legislation and regulation on energy transition is undertaken in a holistic and integrated effort for the benefit of the European consumers. Buildings are crucial in this manner and the VELUX Group works to ensure that they are both energy efficient and healthy.

In March 2019, Energy Solutions organised a high-level debate on the role of sectoral integration as an essential component of the shift to a low-carbon economy in Europe titled "Beyond the silos – the role of sector integration for a carbon neutral EU economy". Several notable speakers, members of the parliament and companies discussed how to efficiently integrate the European energy systems in order to support the European Union becoming carbon neutral by 2050.



The objective of the Energy Solutions network is to support systemic solutions that help to decarbonise the economy.

Partnering for healthy buildings, people and planet

Since its founding in 2011, the Active House Alliance has been working with a holistic approach to healthy and sustainable buildings based on nine parameters within Comfort, Energy and Environment. The VELUX Group is a founding partner of the global network.

In 2016, the Alliance introduced the Active House label, a non-profit quality mark for the broader building market. Since then, the development of seven National Alliances have helped to transverse the membership into a global community of partners who aim to scale solutions that contribute to more sustainable cities and buildings.

Today, more than 150 Active Houses in 23 countries now showcase the principles and specifications in as diverse building types as single-family and multi-family homes, social housing, offices, schools and even an airport. The Active House Alliance serves as an example of a global industry partnership under Sustainable Development Goal 17.

In 2019, the Active House Alliance has:

- Updated its strategy with the clear vision of being a non-profit association working for "Healthy Buildings for People & Planet".
- Released the third version of contemporary benchmarks that incorporate more building types in different climate zones, as well as new-builds and retrofits.

Winner of the ActiveHouse category, the spectacular Sasso Nero located in the Italian alps



We spend up to 90% of our time indoors every day. We have truly become the indoor generation. Based on our purpose to deliver better indoor environments, we do our very best every day to develop and deliver the much-needed solutions.

Keith Riddle
SVP Sales and Marketing, the VELUX Group

The first RenovActive home in Slovakia inaugurated

Recognising the potential to significantly improve the livelihoods of many Slovakian families, VELUX Slovakia demonstrated how to renovate energy efficiently, user-centrally and at an affordable price by applying the seven RenovActive principles.



The home before renovation

In Slovakia, there are about 950,000 family houses, many of which were built from the 1950s to the 1970s. About 20% of the houses are damp and one in six Slovaks report unsatisfactory housing conditions that can have a severe impact on their physical health and sense of wellbeing.

Recognising the potential to significantly improve the livelihoods of many Slovakian families, VELUX Slovakia partnered with peer companies in the construction sector, the Slovak Green Building Council and the Slovak municipality of Sala to demonstrate that it is possible to renovate in a way that is energy efficient, user-centric and at an affordable price by applying the seven RenovActive principles to a real-life renovation project. →



The home after renovation

RenovActive

RenovActive is a methodology developed by the VELUX Group and partners for healthy, affordable and scalable renovation of single-family homes. RenovActive is based on the Active House principles and includes the following seven key parameters:

- Extension of living space
- Better daylight conditions
- Efficient airing via the stack effect
- Dynamic sun screening
- Hybrid ventilation
- Improved thermal envelope and heating system
- Stage by stage approach



Together with our partners we have shown that is possible to renovate for human health while taking care of the environment and at an affordable price. We hope to see the RenovActive approach spreading through the opensource platform.

Dagmar Plevačová

General Manager, VELUX Slovakia and VELUX Czech Republic

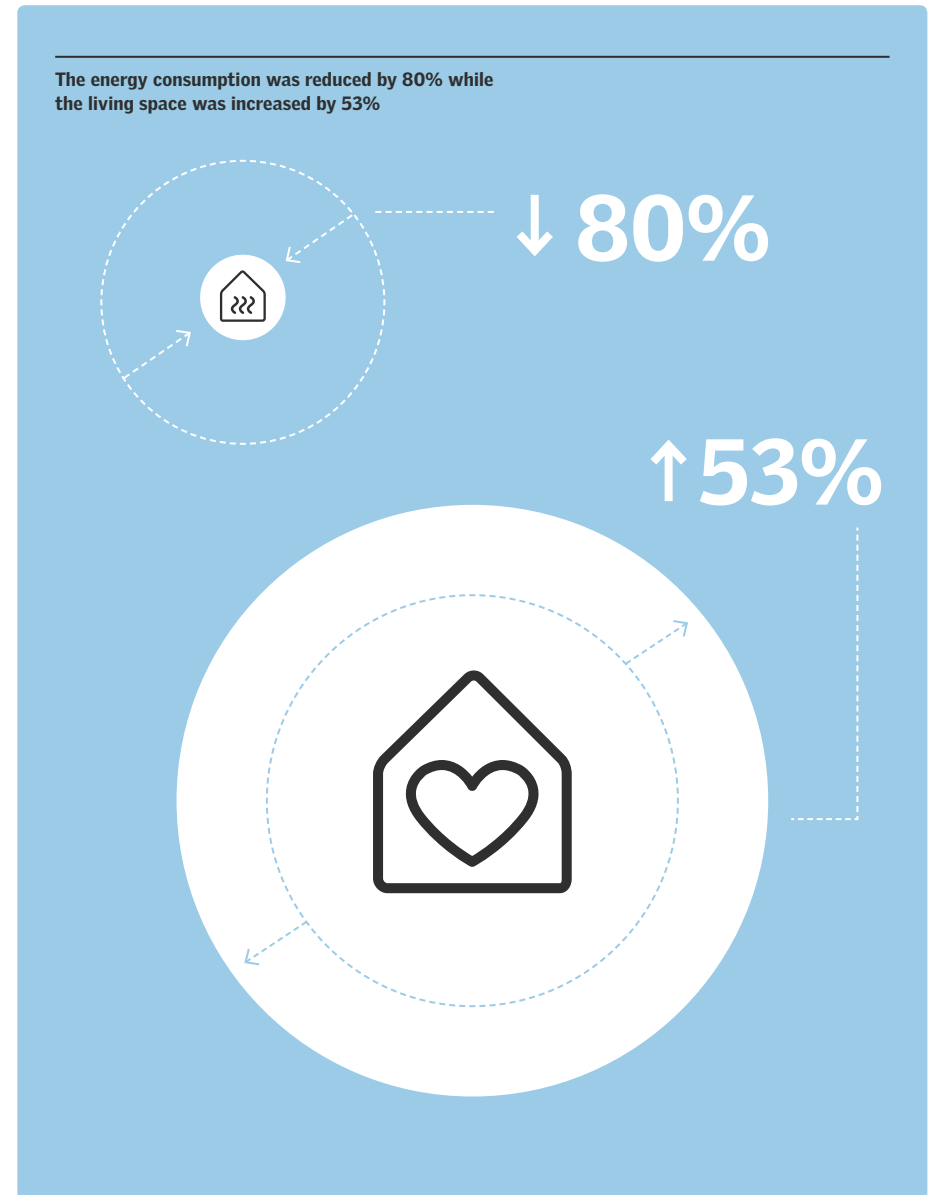
VELUX Czech wins CSR prize

In November 2019, VELUX Czech Republic won the TOP Responsible Company Award for the company's sustainability efforts. VELUX Czech Republic was ranked first place as Leader in Sustainable Business and Jumper of the Year at the Czech Sustainable Business Awards 2019 organised by the Czech Parliament and the European Commission.

VELUX Czech was awarded for their innovative way of combining our global strategy with a local approach that supports market competitiveness, inspires institutions and the public while effectively involving employees – in the end living up to our Model Company Objective.

The result is a refurbished, modern home with an improved indoor living environment and much more daylight and fresh air.

The design and construction principles of the RenovActive house in Šaľa are shared in a free online guide to inspire and support similar renovation projects in Slovakia and neighbouring countries. The Hučko family has already moved in and their health and well-being will be measured independently by the Department of Building Services at the Slovak University of Technology on several key parameters.



Partnering for sustainable buildings

This chapter has outlined a number of activities we undertake to support the transition towards more sustainable buildings with better indoor environments. As buildings have a large environmental footprint during their lifecycle we believe that these activities are needed in order to solve the environmental challenges facing the world today. These challenges

cannot be solved by one company, thus we look forward to continuing the collaboration with existing and new partners in the years to come.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:



3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



7.3 By 2030, double the global rate of improvement in energy efficiency.



11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.



17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Take the lead in the development of healthy and sustainable buildings by applying a holistic approach that balances people's health and quality of life with energy efficiency and environmental protection.	Engaged in partnerships and dialogues with stakeholders in the building industry, published the Healthy Homes Barometer, renovated a house according to the RenovActive Principles and arranged conferences to share best practices on sustainability in the built environment.	Continue our advocacy activities.

Energy and climate

The Intergovernmental Panel on Climate Change has issued critical warnings about the consequences of an average rise in temperature due to global emissions of carbon into the atmosphere. We take our responsibility by reducing our operational carbon footprint through energy optimisations, by transitioning to green electricity and by developing energy efficient products.





Reducing our carbon footprint

To address our responsibility in combatting climate change, we reached a 47% reduction in our carbon footprint in 2019. This brings us very close to our goal of halving our footprint from the 2007 baseline.

OUR APPROACH

Our efforts to reduce our energy consumption and our carbon footprint are governed by the VELUX Energy Policy and carried out in two tracks in the VELUX Energy and Climate Strategy:

1. **Continuous improvement** of energy efficiency in facilities, machines and auxiliary processes.
2. **Transitioning** to renewable energy sources, notably biomass from waste, solar and wind power.

To address our responsibility in combatting climate change, we reached a 47% reduction in our carbon footprint in 2019 compared to the 2007 baseline.

ACTIVITIES

Excellent energy management reduces CO₂ emissions

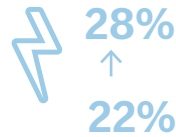
In 2019, we implemented a new global energy planning framework in order to strengthen the local energy consumption review process and boost the energy savings project portfolio at local and global levels. As part of the new planning process, we introduced a new Energy Screening Tool. This will support identification of the most energy-intensive processes and thus indicate where we should focus our efforts to achieve the highest CO₂ savings. →



Since 2007, we have pursued our goal to reduce the carbon footprint of our activities by 50%. From focused energy management to bioboilers and LEDs, everybody helps to realise the goal.

Jörn Neubert
SVP Supply, the VELUX Group

The energy planning process and screening tool will form an important backbone in realising our ambitious targets for CO₂ reduction now and beyond 2020.



New bio-boiler improves energy efficiency in Hungary

The VELUX factory LKR-H in Hungary are entirely heated by waste wood chips and sawdust from production. In 2019, the plant installed a new bio-boiler that improves energy efficiency and reduces emissions significantly. Implementation of variable frequency drives allow the boiler to adjust itself automatically at any time according to heat demand thereby reducing the energy consumption of the bio-boiler by 60%.

In 2019, we increased the share of renewable energy at our sites by 6% to 28% in total.

Taking energy management to the next level

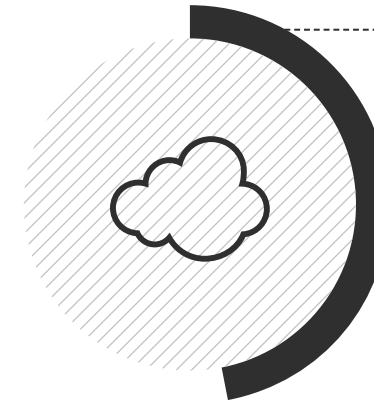
The Danish VELUX factory Thyregod Bygningsindustri (TBI) serves as a test case to determine the critical energy uses in production. Over the past five years, TBI has managed to decouple production growth from energy consumption and has realised energy savings of 35% in the production of polyurethane windows. The project showcases best practices regarding organisation, monitoring, reporting and knowledge sharing throughout our organisation.

Furthermore, we will enter into a partnership with a global energy saving consultancy company that will help us to further discover and optimise our processes to reduce our energy consumption.

Improving energy efficiency at VELUX headquarters

A major renovation of the cooling and ventilation system at the 17,000 m² company headquarters in Denmark has led to annual CO₂ savings of 160 tons/year by reducing gas and electricity consumption by more than 30%. →

CO₂ savings achieved in 2019



47%

In 2019, we achieved a 47% reduction in our carbon footprint compared to the 2007 baseline

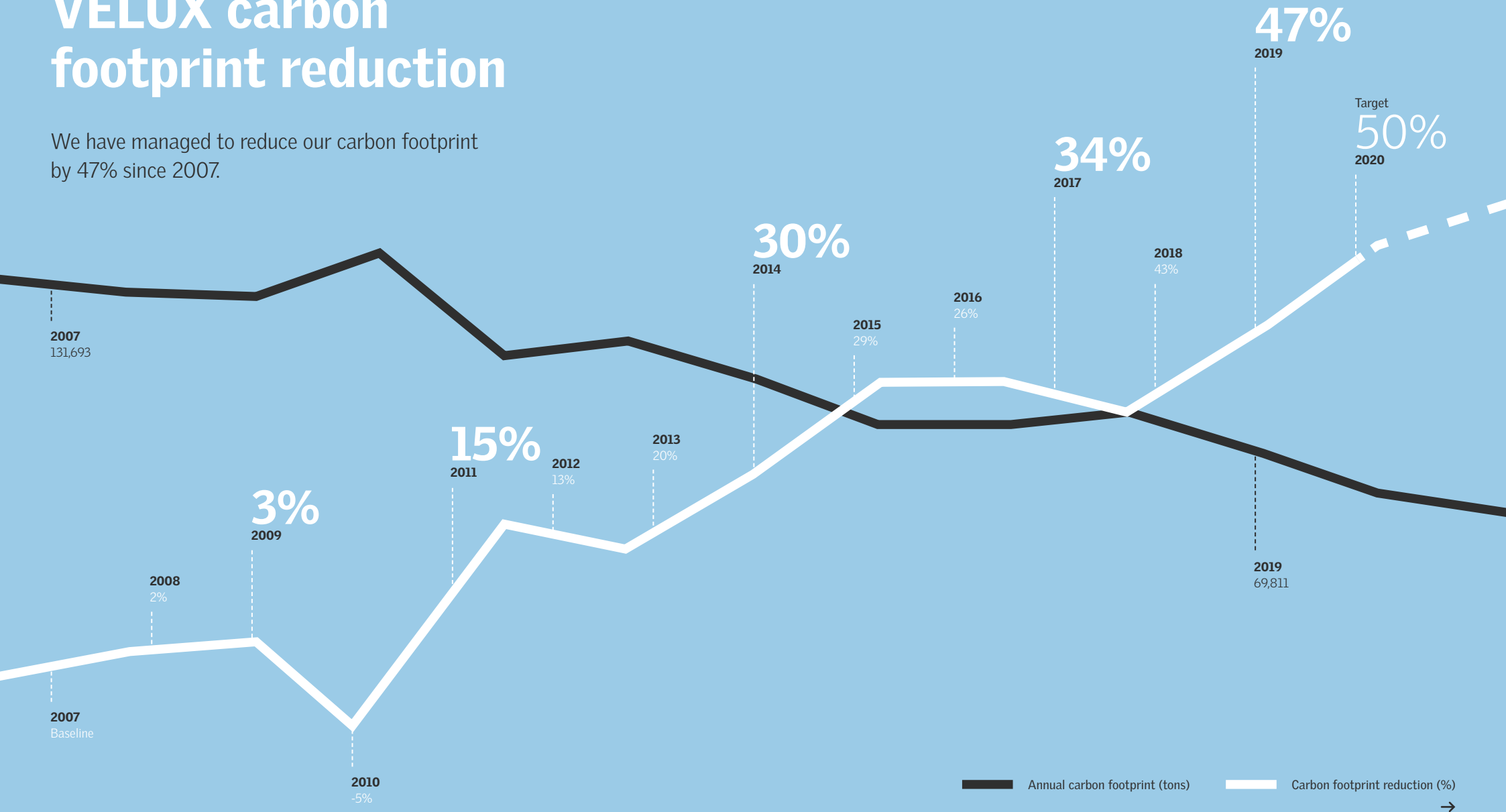


50%

Our target remains a 50% reduction by the end of 2020

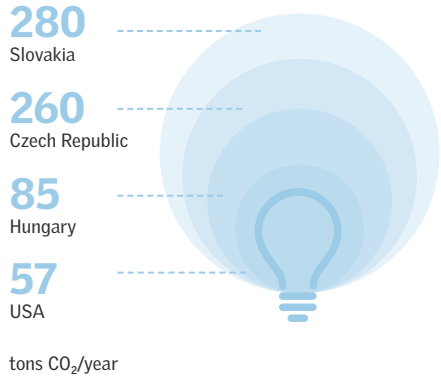
VELUX carbon footprint reduction

We have managed to reduce our carbon footprint by 47% since 2007.



LED lighting saves CO₂ at production sites

The VELUX factories are in the process of implementing LED lighting as part of an effort to reduce the carbon footprint of production.



Solar energy powers VELUX factory in the USA

The solar farm installed at the factory VELUX Greenwood in 2015 continues to support our goal of reducing our carbon footprint. In 2019, the solar farm delivered all the energy used to power the plant and in turn helped to avoid over 1,300 tons of CO₂ for the year.

Transition to renewable heating at factories in the Czech Republic and Denmark

Several VELUX factories are preparing for the transition to renewable energy for heating. In Denmark, the accessories factory GaaB in Skjern will begin receiving surplus heat from

a neighbouring paper production plant which will be distributed through the local district heating company. The transition from gas to surplus heat is expected to save 660 tons of CO₂ per year.

In the Czech Republic, the factory BKR-CZ in Vyskov has entered into a partnership with a local biogas plant to purchase the surplus heat generated from the plant's power production. By substituting biogas for fossil fuels in heating, the factory saved 82 tons CO₂. In 2020, a larger share of heating needs will be met by purchases from the biogas plant.

A three-pronged approach to reducing the carbon footprint in France

By storing waste wood chips for bioboiler use during the winter months and by optimising the flow of hot water for heating, our factory VKR-F in France has reduced its consumption of gas from 925 MWh in 2018 to 105 MWh in 2019. This has led to VKR-F breaking its own record of lowest annual gas consumption ever. Additionally, the digital solution Netatmo was installed at VKR-F to automatically control and optimise building temperature in a way that contributed to the record-breaking result.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:

-  **7.3** By 2030, double the global rate of improvement in energy efficiency.
-  **12.2** By 2030, achieve the sustainable management and efficient use of natural resources.
- 12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle footprint of production.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Continue to pursue the target of 50% CO ₂ reduction by 2020 compared to the 2007 baseline through energy-efficiency measures and investments to replace fossil fuels with renewable energy sources.	Reduced our carbon footprint by 47% or 65,846 tonnes since 2011. Increased the use of renewable energy to 28% in 2019 from 22% in 2018. Implemented a global energy planning and knowledge sharing process to support and boost local initiatives.	Implement partnership with energy saving consultancy company to further identify critical energy uses and potential saving measures at all production sites. Launching new even more ambitious targets focusing on reducing our carbon footprint as part of our Sustainability Strategy 2030.



Pioneering sustainable products

Developing products useful to society is part of the VELUX Group's foundation as outlined in the Model Company Objective. Our windows and accessories are continuously improved to optimise the energy efficiency of buildings while allowing daylight and fresh air to enter the room from above.

OUR APPROACH

As stated in the Model Company Objective, creating products useful to society and for healthy, sustainable and energy efficient buildings is the core purpose of the VELUX Group. We have been committed to fulfil this purpose for more than 75 years by offering a wide product portfolio ranging from roof windows and skylights to a broad array of accessories that create better living environments with daylight and fresh air through the roof.

Advancing our sustainable products strategy

Now, we take our focus on product sustainability to the next level. In 2019, a new strategic initiative was launched to further advance the VELUX way of working with sustainable products throughout the product life cycle. Running through 2021, the new strategy enables a holistic approach to creating products that

enhance healthy living through new product features, reduce environmental footprints and improve material circularity.

Going forward, additional sustainability parameters will be an integrated part of our product development along with quality and cost. The strategy and additional layers of complexity will challenge us to consider a broad range of topics – from material choices, to new ways of manufacturing, to new features, to the recycling of our products – in the end securing a pipeline of more sustainable products and a continued commitment to the Model Company Objective. Lastly, the new product strategy feeds into our upcoming Sustainability Strategy 2030. →



One of our most important strategic initiatives is to define the VELUX way of working with sustainability in our product development. We want to build on our strong foundation of knowledge and experience, be even bolder and challenge ourselves to develop new solutions that are ahead of the curve to increase our positive impact for people, communities and cities.

Tina Mayn Andersen
SVP Products, the VELUX Group

ACTIVITIES

Innovation for durability

In 2019, the VELUX Group introduced a new polymer spacer – called 4SG – that ensures the long service life of triple-glazing solutions in VELUX roof windows. 4SG replaces the prior construction with steel spacer, desiccant and primary seal as increasing thickness in three-layer panes was challenging the compatibility of this solution. The new 4SG polymer is also used in flat roof windows, including double-glazings, to improve the capability to resist heat. The plan is to expand the use of 4SG to more product lines in the coming years.

VELUX ACTIVE with Netatmo – A smart and sustainable product

Smart-home technology is an important enabler of a healthy and sustainable building. VELUX ACTIVE, launched in 2018, helps to improve indoor climate conditions and ensures a healthy living environment. The system operates VELUX products in accordance with smart sensor measurements of CO₂, humidity, temperature and live local weather data. In 2019, new features such as smart heat protection, Google Home integration and grouped product control were added to create an even better solution. In total, the adoption of VELUX ACTIVE grew by 247% in 2019.



Studies show that our professional customers have great trust in the VELUX Group and our products. In fact, 98% of dealers and installers believe that the VELUX Group offers reliable products and products of high quality.

OUR CONTRIBUTION

Sustainable development goals

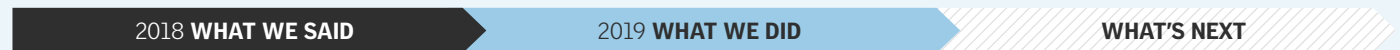
Through our goals and activities, we contribute to the following SDGs:



3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Our progress



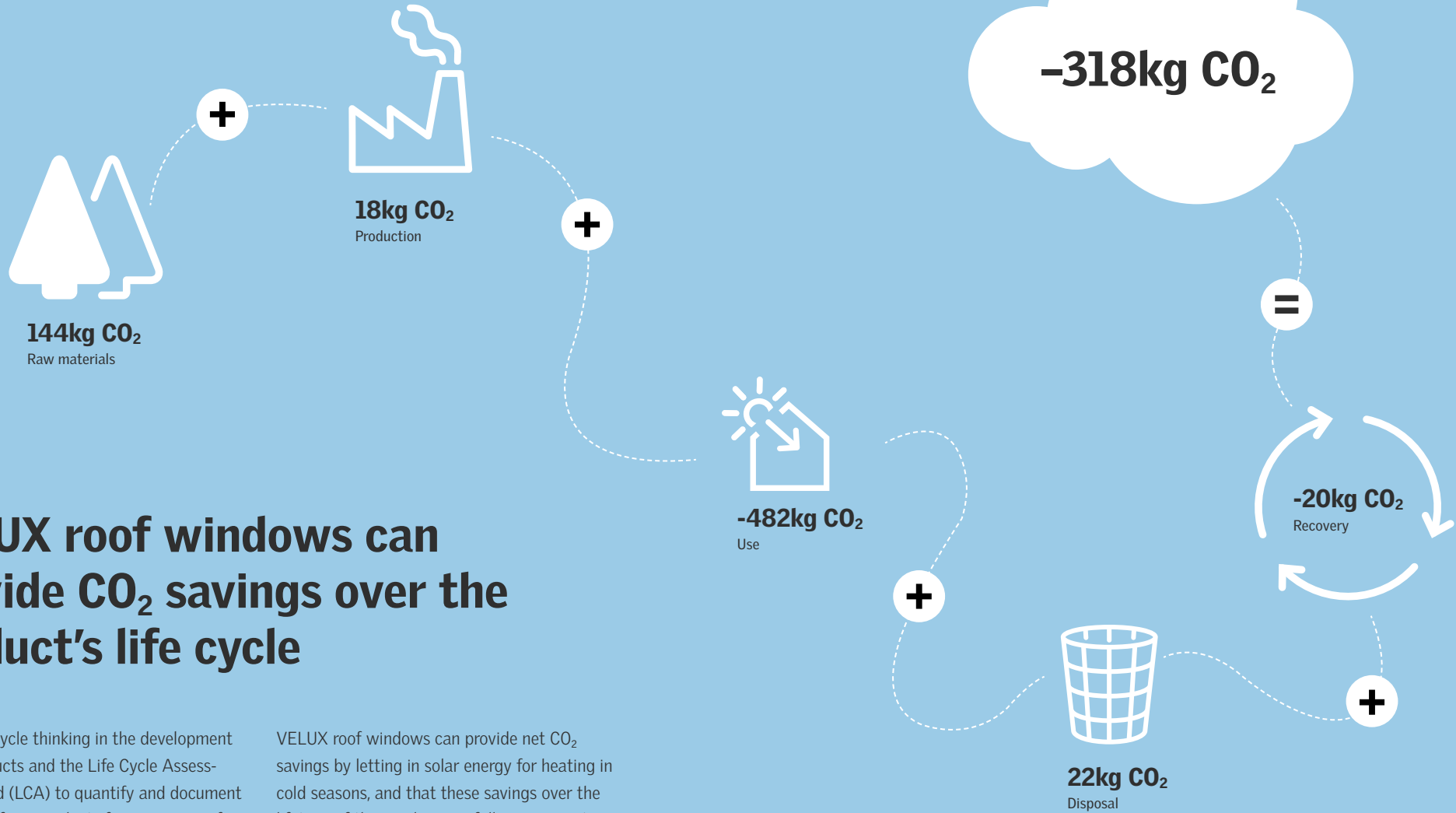
Launch of new product strategy, with sustainability as a key focus area.

New product strategy launched, enhancing focus on:

- Products for healthy living
- Product environmental footprint
- Circular materials

Continue work on sustainable product development:

- Nurture and grow sustainability mindset and organisational capabilities in our Products organisation
- Introduce new design tools



VELUX roof windows can provide CO₂ savings over the product's life cycle

We use life cycle thinking in the development of new products and the Life Cycle Assessment method (LCA) to quantify and document the impact of our products from sourcing of materials, daily use, disposal and recycling potential. The LCAs indicate for instance that

VELUX roof windows can provide net CO₂ savings by letting in solar energy for heating in cold seasons, and that these savings over the lifetime of the window can fully compensate for the impacts from making the window in the first place.

The CO₂ calculation is performed for a GGL SK08 2068 window installed for 30 years in a home in Würzburg, Germany

People first

As stated in the Model Company Objective, we are committed to treating our employees better than most companies. This commitment implies that we offer a safe and healthy working environment in which our employees thrive and have the opportunity to enhance their skills through a mix of professional challenges and personal development.





Growing our people

At the VELUX Group, we believe that growing our people will ultimately grow our business. We strive to offer exciting career opportunities and a motivating work experience in a diverse and value-based culture.

OUR APPROACH

In order to grow our business we must grow our people. In doing so, we focus on:

- Attracting the best people and giving new colleagues a thorough introduction to the VELUX Values and the Model Company Objective through a company-wide onboarding program.
- Ensuring that all people are given the opportunity to develop based on clear expectations, continuous feedback and access to inspiring development activities.
- Building best-in-class leadership and securing a strong pipeline of talented co-workers, accentuating and nurturing the people developer role of our managers.

ACTIVITIES

Talent development

In 2019, we completed the global two-year talent programme "GROW with US" with talented individuals from across the organisation. As a final challenge, these individuals were divided into cross-organisational teams who were given a real-life, strategically important case from the VELUX Innovation Challenge.

Their task was to elaborate each case including its potential to become a driver of business. The bootcamps and cross-organisational networking enabled by the programme were very well received by the participants. Next year, we will strengthen our efforts in talent development in order to build a strong talent pipeline. The new approach aims to accelerate development of outstanding talents, build a pool of potential successors to business-critical positions and ensure that the VELUX Values live on in the years to come.

Team leader development in production

In production, we implemented a programme for supervisors and team leaders called Training Within Industry. The hands-on training programme is based on the train-the-trainer principle and aims at furthering the vocational training of our production employees. The programme supports personal development and collaboration across production functions coupled with a focus on safe working conditions, efficiency and reduced onboarding time for new colleagues. →



Our company is driven forward by our passionate and dedicated colleagues who bring solutions for daylight and fresh air to our customers every day. Our continued success is dependent on our ability to attract, inspire, motivate and develop these talented employees so naturally it is our priority to offer a working environment in which our employees strive.

Peter Bang
Executive Director and CFO, the VELUX Group

The programme is introduced at our factories in Slovakia, the Czech Republic, Poland and Denmark. The implementation continues with more factories joining the programme in 2020.

Leadership development

It takes great leadership to attract and develop talents and create a strong company culture of passion and performance. We offer our managers the Passion for Leadership course consisting of face to face modules combined with virtual sessions. The course equips our leaders with the knowledge and skills to manage and develop a specific entity or functional area of the business.

In 2019, we launched an on-boarding programme for new leaders entering the VELUX Group to support their workplace transition and to ensure the best possible start in the company.

VELUX Academy

The VELUX Group offers a wide range of global training programmes for office-based employees through the VELUX Academy. The courses range from general competence development to honing specific skills for specific functions. The global offerings are supplemented by local training initiatives. →

Employee Turnover

In 2019, the employee turnover rate was 10% as compared to 12% in 2018.



VELUX Innovation Challenge

VELUX Innovation Challenge was a global challenge held in 2018 where all employees were invited to unleash their entrepreneurial spirit and submit their ideas innovating new business opportunities for the VELUX Group. An impressive 2360 ideas were submitted by our employees. All employees could vote on their favourite idea and after several screening rounds by international manager teams six finalists presented for the grand jury which consisted of the entire VELUX Management Group.

The winning idea was appointed a sponsor at highest level and tested for its market feasibility. The many remaining ideas were screened by the VELUX Front-End Innovation department and assigned to the relevant functions to assess their market potential.

People Pulse

2019 saw the implementation of a new tool that managers can use to track satisfaction and engagement among our employees. By asking questions about the employees' motivations, work life and working environment, job fit, preferred working methods, personal development and much more, the new tool – called People Pulse – enables managers to develop local initiatives aimed at increasing overall employee engagement and satisfaction on an ongoing basis. We initiated 48 People Pulses in 2019.

Human and labour rights

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 means avoiding infringement on the rights of individuals, groups and communities through our business activities and beyond. 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 and labour 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 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

The VELUX Group does not allow any form of child labour.

Freedom of association and collective bargaining

In the VELUX Group, 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.

Discrimination

We consider all employees equal and provide equal opportunities and treatment. 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 regulation and industry practice.

Employee Code of Conduct

The VELUX Code of Conduct governs decisions, actions and behaviours in the following areas:

- Human and labour rights
- Safe and healthy working conditions
- Corruption and business ethics
- Personal data and company information
- Climate and environment

OUR CONTRIBUTION

Sustainable development goals

The actions in this chapter do not contribute directly to the SDGs in our Energy and Climate Strategy 2020. We are reviewing our contribution to the SDGs as part of our Sustainability Strategy 2030.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Implement a new managers programme.	Implemented leadership programme for new managers entering the VELUX Group.	Introduce leadership programme for advancement within the VELUX Group.
Implement new employee survey tool to get ad hoc and local feedback to current issues.	Implemented People Pulse and initiated 48 surveys.	Continue to promote use of People Pulse throughout the organization. Conduct Global Employee Survey.
Build strong talent pipeline.	Worked on preparation of talent programme.	Launch of new talent development programme.

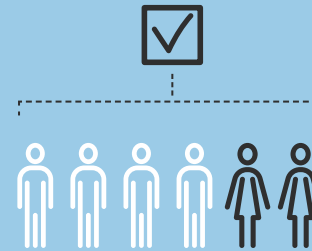
Diversity in the VELUX Group

We believe that diversity is a strength and that having a diverse workforce leads to better decision making at all levels of the organisation. We continuously aim at achieving a better gender balance at management level and by applying a structured annual evaluation tool that ensures transparency and an objective

approach to appointment of managers. Additionally, we are committed to improving the overall gender balance in our company.

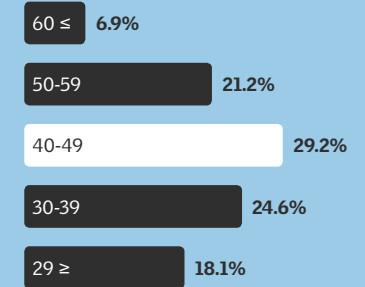
Female representation on the VELUX Board of Directors

In 2019, the VELUX Board of Directors elected by the general meeting comprised four men and two women which is in line with the expectations by the Danish Business Authority.



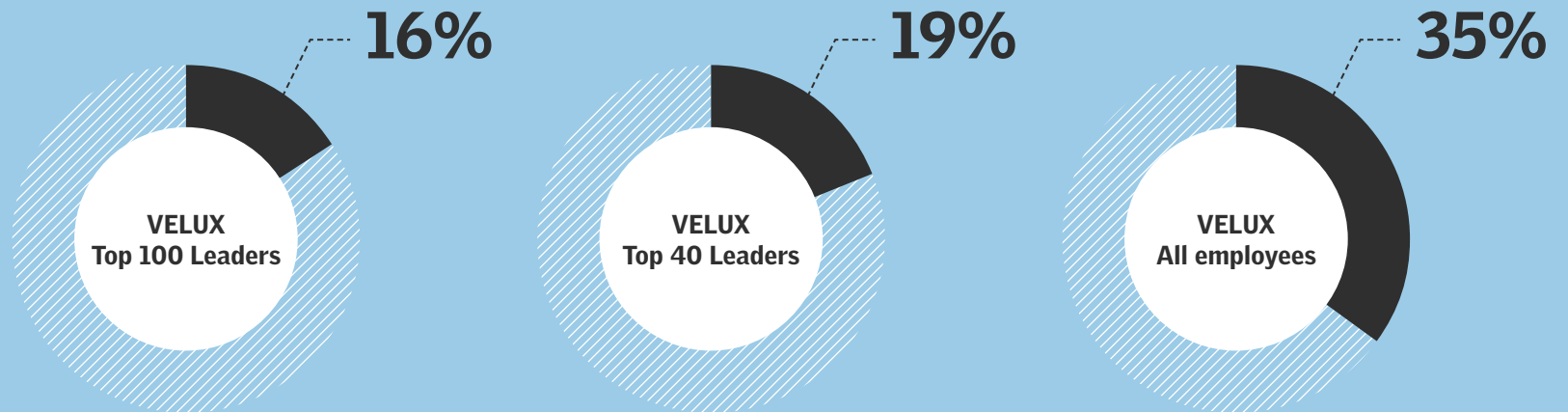
Age distribution for employees

Age distribution for employees in the VELUX Group including contingent workers, trainees, temporary employees and students.



Gender split in 2019

Top 100 Leaders are defined as Top 40, all General Managers in sales and production companies, and all the people holding a senior International Position Evaluation position (IPE59+). Top 40 Leaders are defined as the VELUX Management Group and everyone reporting to a member of the VELUX Management Group.





A safe and healthy working environment

A safe and healthy workplace is a top priority in the VELUX Group. We are determined to create and sustain a safe and healthy working environment and our vision is zero accidents and zero harm within the VELUX Group's operations.

OUR APPROACH

Our safety work is governed by the VELUX Safety Policy and our safety vision is zero accidents and incidents. Safety is an integrated part of our business activities, and all VELUX manufacturing and warehouse sites are ISO 45001 certified and monitored by an internal auditing system securing compliance and continuous improvements.

Our Safety Policy sets out five guiding principles for working toward zero accidents:

- Working safely is a condition of employment
- Management is accountable for preventing accidents and for ensuring a safe and healthy work environment

- We always take time to ensure safety at work
- We are all responsible for our own safety and for the safety of our colleagues
- We ensure that all employees are involved, trained and competent in safety

In 2019, the number of work-related accidents per one million working hours was 1.7 which is our second-best result ever. This makes our accident frequency about five times lower than the comparable industry benchmark. Even though 2019 marks our second-best year regarding accidents, it is still above our vision of zero accidents. We are therefore committed to an unrelenting focus on continuous improvements to safeguard the health and safety of our employees. →

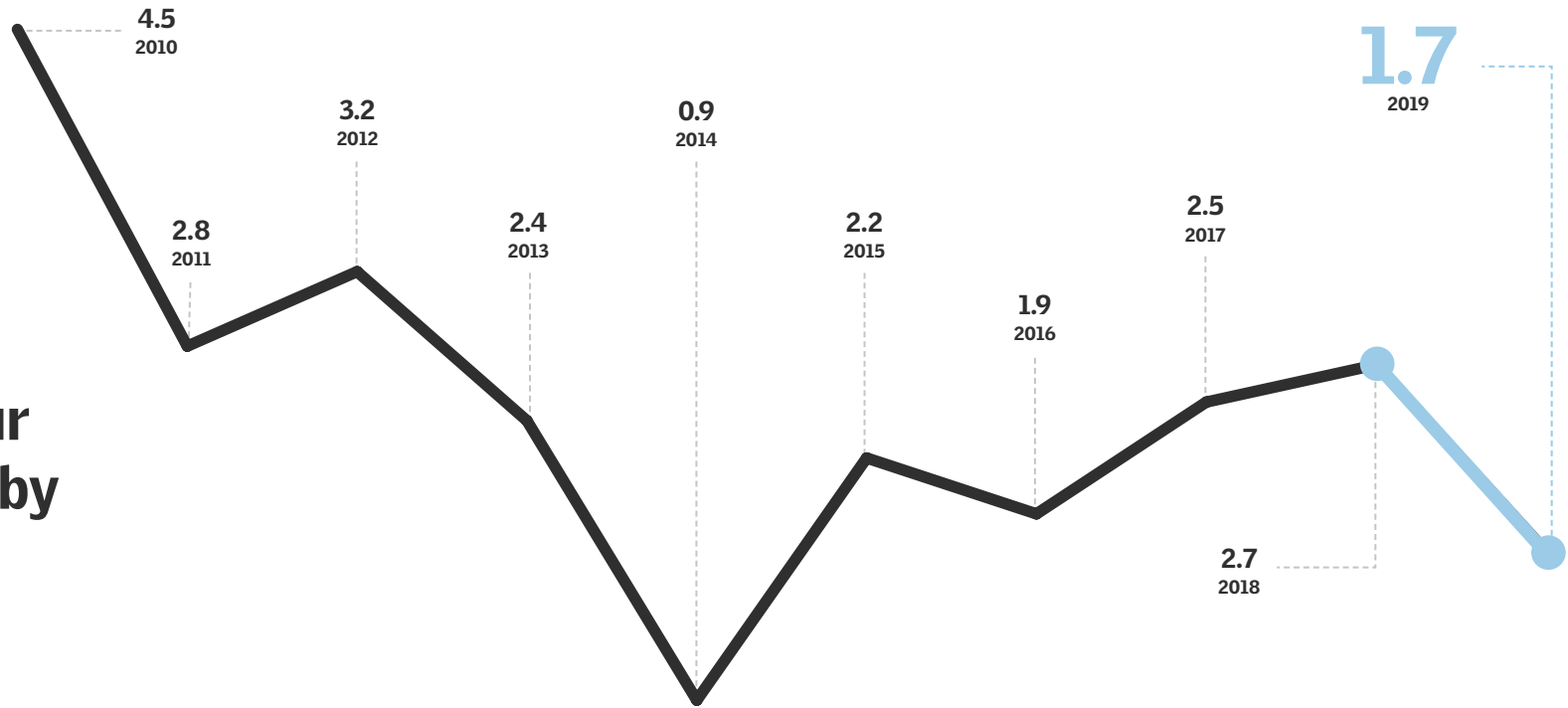
Lost time injuries

Accident frequency per 1 million working hours since 2010 baseline.

The rate of absenteeism due to accidents per 1000 working hours in 2019 was 0.4 compared to our target of max. 0.2.



We have reduced our accident frequency by 62% since 2010.



While the trend is developing positively, we are deeply saddened by the loss of an employee in our German sales company. He was involved in a tragic fatal car accident while at work. Accidents always make us question where we can improve, and this has attention at the highest level in our company. We are therefore investigating how to strengthen the safety requirements in our sales companies going forward.

ACTIVITIES

Reducing noise in the production

In 2019, noise reduction at all VELUX production sites received special attention in our occupational health and safety efforts. This was done in line with ISO45001 and national and EU legal requirements. Based on benchmarking data aggregated from all our sites, we focused on situations where the noise exposure to employees needed to be reduced. →



7 Golden Rules of safety

The VELUX Group applies the 7 Golden Safety Rules as an actionable management tool to evaluate and improve health and safety on a continuous basis.

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



In the VELUX Group, we have a vision to reach zero accidents. We believe that all accidents have causes which can be eliminated through preventive measures and a strong safety culture.

Kim Jonas
Senior Manager, Global Health, Safety, Environment, Energy & Climate, the VELUX Group

The analysis resulted in a detailed noise reduction investment strategy for 2020 – 2021 in affected factories. The investments include reducing noise by substituting specific machine parts, installing noise cabinets and practical initiatives such as workstation rotation.

Improved ergonomics

In 2019, we started a new programme called Better Workplace Ergonomics. The programme is employee-centered and includes ergonomic risk assessments, multiple target group trainings, action planning for musculoskeletal disorder prevention and enhanced workplace

design. Employees will be involved in assessing risk and improving their workstations and trained local ergonomic supporters will be available to guide and support them in developing healthy ergonomic habits.

"It is often a small change to the workplace that can make a big difference for the employee. We expect the increased focus on ergonomics to pay off in terms of improved health, fewer injuries, less absence and increased productivity", says Agata Gandecka-Krupska, Global Occupational Health and Environment manager in the VELUX Group.



ISO45001

All VELUX manufacturing and warehouse sites are ISO 45001 certified and monitored by an internal auditing system securing compliance and continuous improvements.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:



12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Reach zero accidents and fulfil target of less than one accident per one million working hours to earn the World Class Safety Label.	Reduced our accident frequency to 1.7 per one million working hours – a 62% reduction since 2010.	Strengthen our focus on continuous improvements to reduce our accident frequency and earn the World Class Safety Label.
Special focus on ergonomics and noise as an integrated part of health and safety work.	Prepared and started implementing new ergonomics and noise standards as part of workplace risk assessment and mitigation.	Improve knowledge on accidents and our health and safety efforts by consolidating aspects of ergonomics, noise and stress in our workplace risk assessment and mitigation portfolio.



The Employee Foundation makes a difference

The Employee Foundation of the VKR Group was established in 1991 and helps current and former employees and their immediate families.

OUR APPROACH

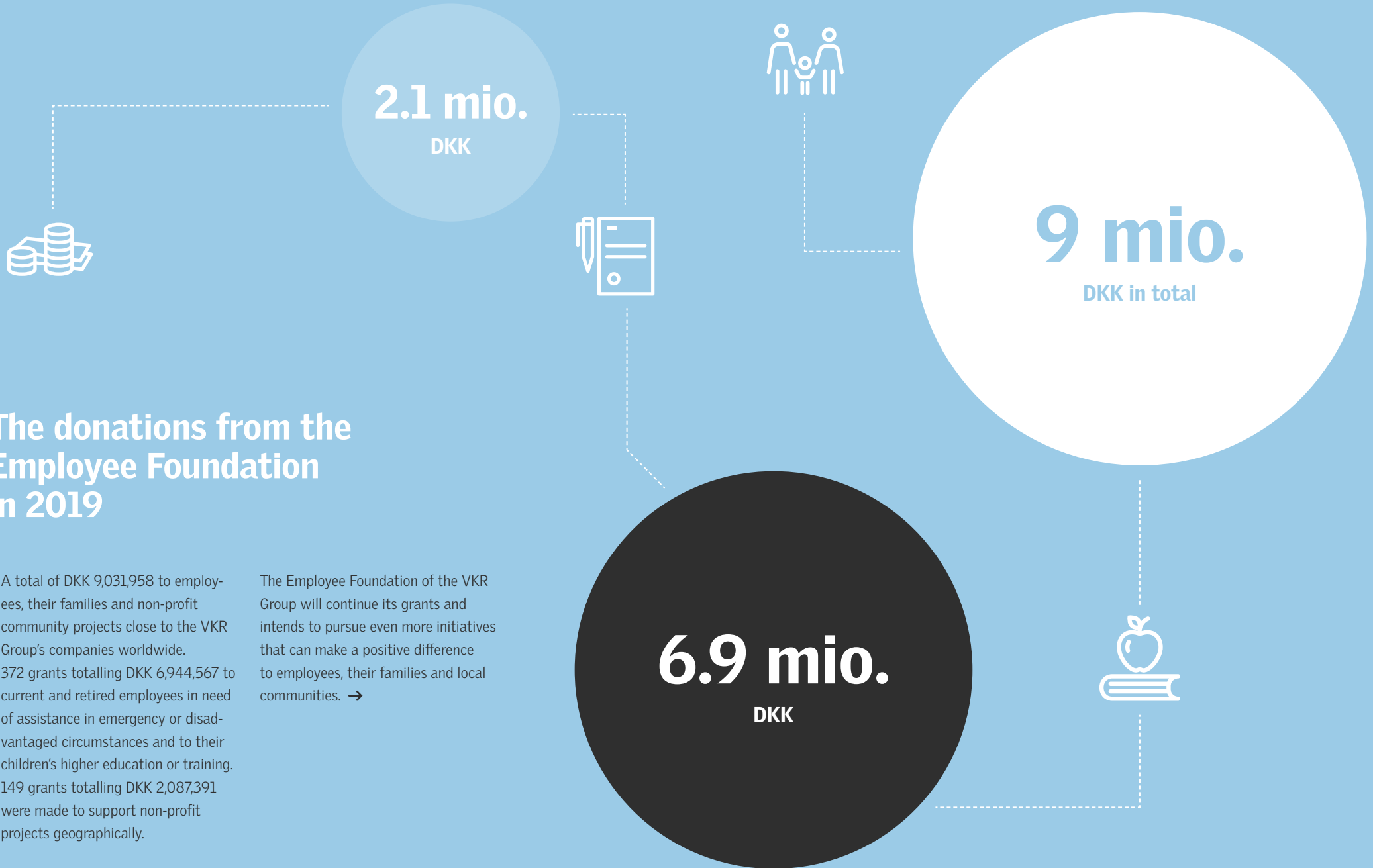
The Employee Foundation has three main objectives:

1. To support employees and their immediate families, typically in the event of unforeseen situations and for higher education of employees' children.
2. To support non-profit activities geographically close to VKR Group companies.
3. To present the Villum Kann Rasmussen Award in recognition of outstanding achievements by VKR Group employees.

ACTIONS

Poland: Help for medical treatment

Rafał Izydorek, working at our factory NB Polska in Gniezno, Poland, has a 4-year-old daughter, Zosia, with a serious eye defect. Despite several surgeries, the little girl will need very strong glasses as well as contact lenses. The family received help to cover the costs of specialist consultations, contact lenses, reading glasses, eye drops, etc. →



The donations from the Employee Foundation in 2019

- A total of DKK 9,031,958 to employees, their families and non-profit community projects close to the VKR Group's companies worldwide.
- 372 grants totalling DKK 6,944,567 to current and retired employees in need of assistance in emergency or disadvantaged circumstances and to their children's higher education or training.
- 149 grants totalling DKK 2,087,391 were made to support non-profit projects geographically.

The Employee Foundation of the VKR Group will continue its grants and intends to pursue even more initiatives that can make a positive difference to employees, their families and local communities. →



The Employee Foundation of the VKR Group can make a positive difference for many employees and their families in a difficult situation or period. Our main purpose is to support current and former employees in times of hardship, and non-profit activities close the VKR Group companies.

Michel Langrand
Chairman of the Board, Employee Foundation of the VKR Group

Promoting healthy indoor climate for VELUX employees globally

In 2019, all 17,000 employees in the VKR Group's companies received a climate card from the Employee Foundation. The card measures room temperature and humidity and serves as a reminder to ventilate rooms regularly. The campaign for a healthy indoor climate is part of the Employee Foundation's intent to encourage employees to take proactive care of themselves and their families.

USA: University scholarship

Brooke Haynie received a scholarship to continue her studies in Business Administration at the Lander University in South Carolina. Brooke is the daughter of Mike Haynie, employed at VELUX Greenwood, USA.

"We are very grateful and thankful to work for an organisation that really cares about the well-being of their employees," says Mike Haynie, production supervisor, VELUX Greenwood.



Develop strategy to improve employees' knowledge of the Employee Foundation and loosen application restrictions



Granted DKK 9,031,958 and continued strategy and loosened application restrictions



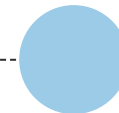
Continue to support employees, their families and non-profit community projects



2018



2019



2020

Towards zero waste

Increasing amounts of waste and waste materials are putting growing pressure on the environment and our cities and pose a significant risk to human health and wellbeing¹⁰. Our vision is to achieve zero waste in our production and from our products by applying a reduce, reuse and recycle mindset.



Eliminating production waste

Waste in the VELUX Group mainly originates from our window and accessories production at our factory or warehouse sites. We give constant priority to minimising our generation of waste materials by applying a reduce, reuse and recycle mindset.

OUR APPROACH

Our focus on high material efficiency and minimum waste is governed by the VELUX Environmental Policy. In order to achieve our vision of zero waste, we continuously work to:

In our production:

- Improve material efficiency by optimising production processes and use of raw materials.
- Increase the use of recycled materials, i.e. recycled wood, glass, aluminum, PU, PVC and composites.
- Maintain ISO 14001:2015 certification at all VELUX production sites by carrying out waste reduction and material optimisation initiatives on an ongoing basis.
- Prioritise global waste reduction initiatives with focus on knowledge-sharing of best practices to increase positive impact.

In our products:

- Offer products with an expected service life of at least 40 years.
- Offer backwards compatible products for easy upgrade and replacement of parts such as glazings, electronics and sun screening.
- Take a circular approach to product development by experimenting with materials and design principles that prolong lifetime and enable recycling. →

Our factories are masters of continuous improvements. That also goes for optimising material efficiency and minimising waste. Reduction of waste is part of our production strategy, and the results achieved by our production teams prove that sustainable production and good business go hand in hand.

Jörn Neubert
SVP Supply, the VELUX Group

96.9%
of glass waste at VELUX factories is recycled.

Less waste to landfill

A large part of the paper, textile and wood that were previously sent to the landfill at the VELUX factory in Hungary is now collected and used as fuel at a local cement plant.

Recycling of PVC

The PVC profiles for VELUX flat roof windows are supplied by an external partner. After processing, the VELUX factory in Slovakia returns the PVC waste such as cut-offs, chips and dust to the supplier in order to recycle it into new PVC profiles.

Reducing waste of PU

By optimising the ventilation of moulds used to cast the frame and sash of polyurethane windows, the waste was reduced by approximately 30% at our production site in Slovakia.

ACTIVITIES

Global focus on minimising waste in pane production

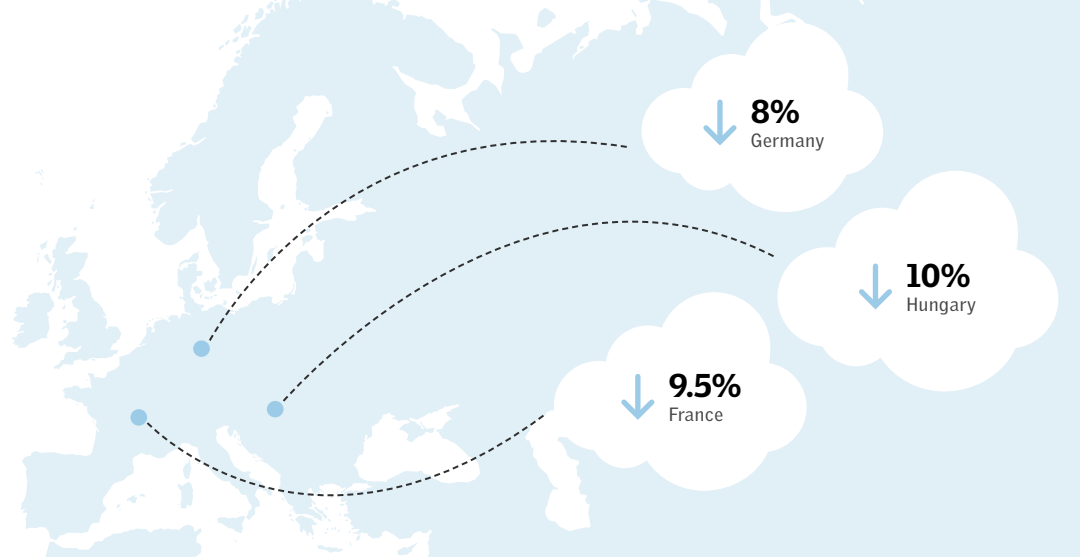
Across the European VELUX factories, recent years have seen an increased focus on reducing glass waste in pane production. The factories have identified and analysed the major causes of glass waste and implemented different solutions to minimise waste.

In Hungary, the pane factory has reduced waste in the laminated glass cutting process by 10% by implementing a wide range of initiatives, e.g. cooperation with glass suppliers on glass quality, optimisation of the glass cutting process combined with training of machine operators and proactive maintenance of machines.

In Germany, the factory is engaged in a process on reducing waste of laminated glass which is expected to lead to an 8% reduction in laminated glass waste. The project is expected to end in Q1 2020. Germany also experimented with a new butyl sealant which led to a 40% reduction of internal sealant waste.

In France, different measures have reduced glass waste from 12.5% to 9.5%. Among other initiatives, the glass cutting process was optimised and residual pieces of the jumbo sheets were used for smaller pane sizes.

The positive results of the different pane experiments have led to a joint target of reducing glass waste by 8% in 2019 across all pane factories in Europe. →



Eliminating waste in the VELUX Group



74%

of the waste from our production processes was recycled



23%

was reused for heating



In 2019, 97% of our production waste was repurposed

In 2019, 97% of the waste from our production was recycled or reused for other purposes such as biobased heating which brings us very close to achieving our target of zero waste.

2%
was sent to landfill

1%
was treated as hazardous waste



Discovering that waste from the pane production made out 20% of the total landfill waste due to non-existing recycling systems the factory partnered with a third-party vendor to recycle the glass waste

Identifying waste streams at VELUX Greenwood

In 2019, the VELUX factory in Greenwood, South Carolina initiated a project to reduce its waste going to the landfill. By reviewing all the factory's waste streams the team identified the processes where materials hardest to recycle were discharged and sent to the landfill.

After discovering that waste from the pane production made out 20% of the total landfill waste due to non-existing recycling systems VELUX Greenwood partnered with a third-party vendor to recycle the glass waste. The first trials were run in December 2019 with great success and the project is expected to eliminate glass waste going to the landfill at VELUX Greenwood.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:



12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Aspire to reach zero waste in our production and products through reduction, reuse and recycling.	97% of production waste was recycled or reused for heating.	New ambitions and initiatives to eliminate waste in Sustainability Strategy 2030.
Transition to ISO 14001:2015 at all VELUX production sites in Europe.	All factories ISO 14001:2015 certified.	Continue to uphold ISO certification.

Responsible sourcing

Where and how we source raw materials and services can have significant impacts on the environment, the health and safety of employees, customers and the communities affected by our sourcing activities. To minimise the risk of negative impacts through our sourcing, we set high requirements for ourselves and our suppliers.





Responsible business in the supply chain

The VELUX Group requires our suppliers to share our commitment to conducting responsible behavior in all aspects of operations.

OUR APPROACH

Our approach to responsible sourcing and our expectations to suppliers are described in two documents:

- [The VELUX Code of Conduct for Suppliers](#)
- [VELUX Restricted Substances Management Standard \(VRSMS\)](#)

The VELUX Group requires our suppliers to share our commitment to conducting responsible behavior in all aspects of their operations. We reserve the right to monitor and audit, as appropriate, our suppliers' sub-contractors to assess their compliance with the VELUX Group's Code of Conduct for suppliers. If requested improvements do not progress in an

acceptable manner, the VELUX Group reserves the right to bring the cooperation with the supplier in question to an end. In 2019, it was not necessary to terminate any supplier relationships due to non-compliance with our Code of Conduct.

Direct and indirect suppliers

We distinguish between two types of suppliers - direct and indirect. Direct suppliers are those that deliver raw materials and components directly for use in VELUX products. We report on compliance with our Code of Conduct for 666 direct vendors. Each vendor may have one or more subsidiaries which are also covered by the Code of Conduct. →

What does our VELUX Code of Conduct for Suppliers cover?

Our Code of Conduct for Suppliers is based on the Model Company Objective, the ten principles of the UN Global Compact, the Universal Declaration of Human Rights and the core labour conventions of the International Labour Organisation, the Restriction of Hazardous Substances Directive and Registration, Evaluation, Authorisation and Restriction of Chemicals regulation.

It covers the following topics:

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

Indirect suppliers e.g. provide capital equipment, logistics, IT, goods and services not directly related to production. This section covers compliance with our overall top 100 indirect suppliers as they account for almost half of our total expenditure on non-product related services.

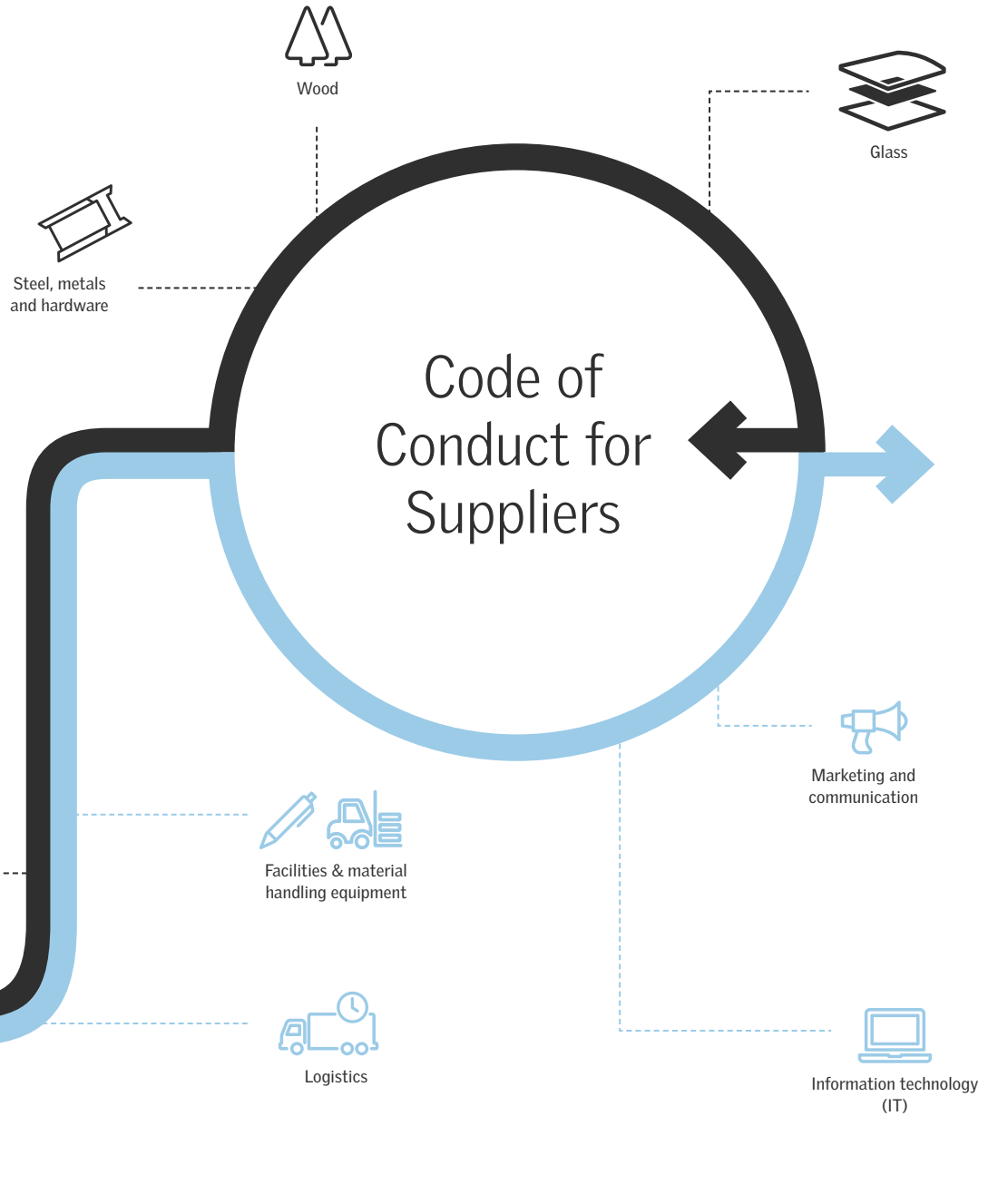
Moving forward, we set ourselves an ambitious target to ensure compliance with the VELUX Code of Conduct among an extended group of indirect suppliers.

CODE OF CONDUCT FOR SUPPLIERS

Direct suppliers

As of 2019, 99.5% of the VELUX direct suppliers have signed and stated their compliance with the VELUX Code of Conduct. The remaining 0.5% is due to new suppliers entering as contracts expire, leaving a short period of non-compliance in the onboarding phase of new suppliers.

In 2019 we conducted 87 audits of direct suppliers and found zero cases of non-compliance with our Code of Conduct for Suppliers. With the integration of Wasco, Jet and Vitral into VELUX Commercial we are investigating the feasibility of setting compliance targets for suppliers to this division specifically. →



DIRECT SUPPLIERS

INDIRECT SUPPLIERS

Indirect suppliers

In 2019, 67% of the top 100 indirect suppliers had signed the VELUX Code of Conduct. Starting in 2020, our Non-Product Related Purchasing will be working on ambitious initiatives to increase the compliance rate for indirect suppliers and pursue an ambitious target to confirm compliance with the VELUX Code of Conduct for the top 100 suppliers in ten purchasing categories. As a first step on this journey, we engaged with an e-commerce payment supplier

to analyse our expansive indirect supplier base and identify suppliers with a higher risk of non-compliance.

VELUX RESTRICTED HAZARDOUS SUBSTANCES MANAGEMENT STANDARD

As of 2019, 88% of VELUX direct suppliers have signed the VRSMS. Going forward, the we aim for 95% compliance to signing requirements in 2020 and 99% in 2021.

VELUX Restricted Substance Management Standard (VRSMS)

Since 2018, hazardous substances have been managed by the VELUX Restricted Substance Management Standard that applies to all direct suppliers to VELUX production sites in Europe. VRSMS is based on, but not limited to the following legislation:

- REACH
- RoHS Directive
- Persistent Organic Pollutant Regulation
- Packaging and Packaging Waste Directive
- Montreal Protocol on Substances that Deplete the Ozone Layer
- Biocidal Product Regulation Activities

As a safety measure, VELUX production sites hold ISO 14001 certification, review new chemicals and materials and continuously screen those already in use. Safety data sheets are reviewed to ensure that chemical substances do not exceed established safe limits in our production lines and products.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:



12.4 Responsible management of chemicals and waste.

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Our progress

	2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Direct suppliers	Work towards 100% sign-off to the VELUX Code of Conduct.	99.5% sign-off among direct suppliers. The remaining 0.5% is due to suppliers exiting and entering, creating a short period of non-compliance.	Continue to strive towards 100% sign-off compliance
	Work towards 100% sign-off to VRSMS among direct suppliers to European sites	Achieved 88% sign-off	Ensure compliance in 2020 for 95% and 99% in 2021
	Preparation of global database with all substances used in production	Implemented global database	
Indirect suppliers	Focused effort towards reaching compliance among top 100 indirect suppliers.	67% sign-off among top 100 indirect suppliers Exploring pathways to expand compliance for top 100 indirect suppliers in ten categories.	Continue effort to reach compliance among top extended range of suppliers

Sourcing of certified wood

Since wood is a primary material in most VELUX roof windows, we have a direct obligation to ensure that wood sourcing for our production does not have negative consequences for the environment and forest biodiversity.

APPROACH

Our commitment to working responsibly with natural resources is set forward in our Environmental Policy. The policy stipulates that we should always seek to minimise our environmental footprint through responsible sourcing of natural resources and efficient use of raw materials.

Purchasing wood certified as sustainable by the Forest Stewardship Council (FSC®) and the Programme for the Endorsement of Forest Certification (PEFC®) enables us to fulfill this commitment.

In 2019, 99.6% of the wood used for VELUX roof windows in Europe was sourced from certified sustainable forests. The remaining 0.4% was sourced as controlled wood according to FSC.

We are on a journey that has so far allowed us to incrementally increase our sourcing of certified wood while ensuring that the remaining wood supply comes from tightly controlled sources. Our goal is now to reach 100% certified wood in Europe by end of 2021 by intensifying the certification process with the suppliers accounting for the remaining 0.4%.

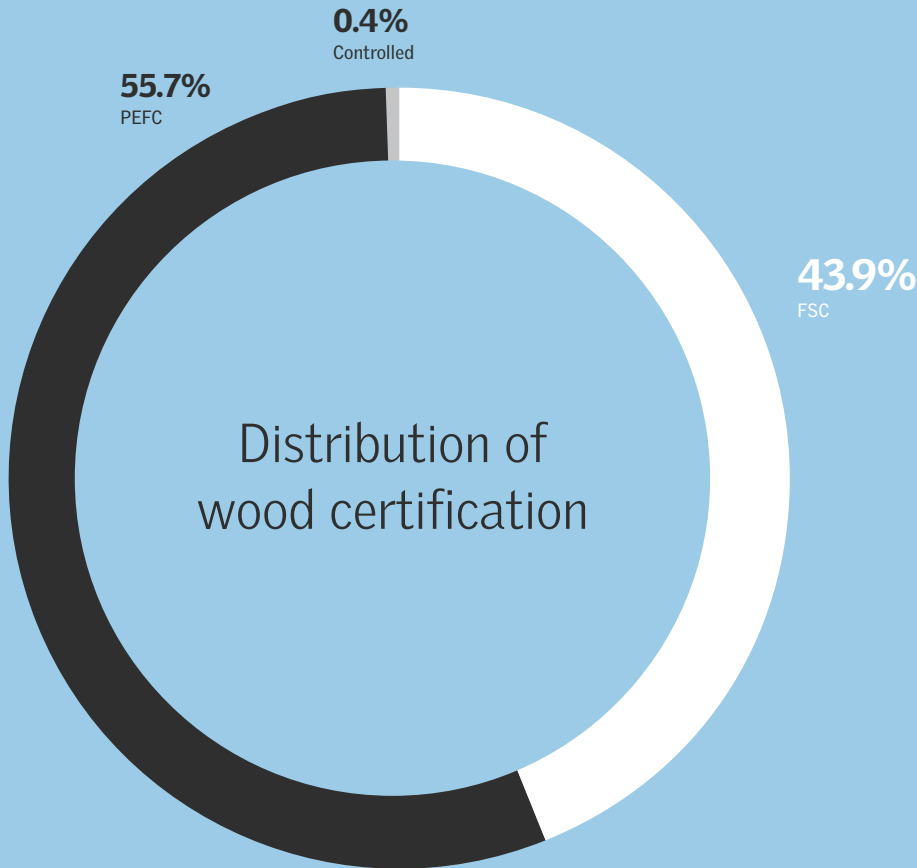
ACTIVITIES

Turning century-old wood into new roof windows

In 2018, we launched our first roof window made of reclaimed wood in the Netherlands. In 2019, we saw an increased interest in the reclaimed wood window and the window type is now part of our standard product portfolio in the Netherlands. →

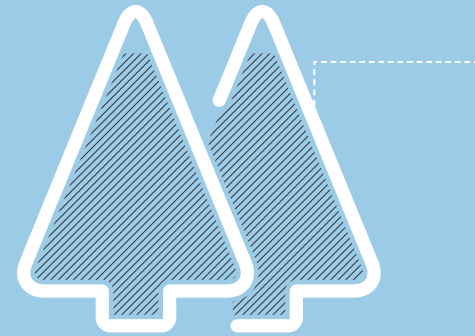
Certified wood in the VELUX Group

In 2019, 55.7% of our European wood was PEFC certified and 43.9% was FSC certified. The remaining 0.4% was sourced as controlled wood according to FSC.



Result for 2019

In total, 99.6% of the wood used for VELUX roof windows in Europe was sourced from certified sustainable forests.

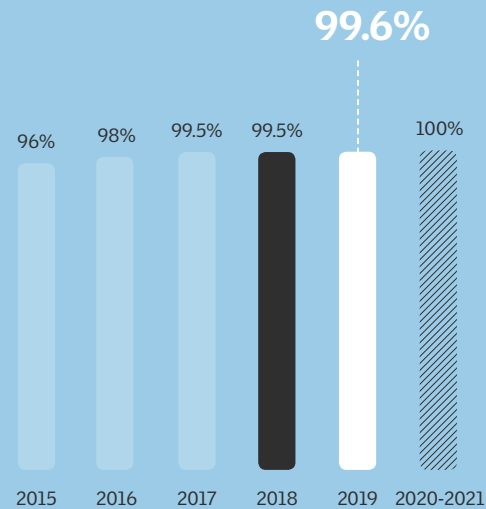


99.6%

of our wood in Europe is certified

Closing in on our goal

We have incrementally increased our amount of certified wood over the years. We aim to achieve 100% in 2020 or 2021.



Why use certified wood?

The Intergovernmental Panel on Climate Change concludes that reducing deforestation is the most efficient way to combat climate change as trees enable carbon storage in their trunks.

In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks while producing a sustained yield of timber, fibre or bioenergy will generate the largest climate change mitigation benefit.

By using FSC or PEFC certified wood, we ensure that trees harvested for our production are replanted, biodiversity is safeguarded and that the rights of local communities in forested areas are respected. "Controlled wood" means that the origin of the wood is known and that it comes from non-controversial and legal sources.

One experiment is better than 1000 expert views

In 1995 the VELUX logistics centre in Denmark was built entirely of wood to test the long-term durability of untreated wood exposed to the damp Danish climate. 25 years later, the building stands as good as new thanks to high-quality sustainable wood and innovative construction principles.

Hungarian factory plants trees to combat climate change

In 2019, employees at our Hungarian factory LKR-H initiated a local tree planting project with the aim of having planted 2020 trees in 2020 to help combat climate change. LKR-H – with more than a thousand employees – has donated one tree per colleague which can be planted in the employees’ own garden or in the garden of a relative. Remaining trees and trees that could not be planted in private gardens are donated for planting in the surrounding towns. LKR-H colleagues managed to plant around 1000 trees in 2019 and their efforts will continue in 2020.

Facts about the VELUX Group and wood

- Wood for products is sourced from European, Baltic, Russian and American forests.
- We primarily use Scots Pine (Pinus Sylvestris) for wooden windows and Norway Spruce (Picea Abies) for polyurethane windows.
- All VELUX factories in Europe are certified according to FSC and/or PEFC.
- All VELUX roof windows produced in Europe for the European market fulfil the requirements of the EU Timber Regulation.
- The VELUX Group has been a member of FSC Denmark and FSC International since 2016.

OUR CONTRIBUTION

Sustainable development goals

Through our goals and activities, we contribute to the following SDGs:



12.2 Sustainable management and efficient use of natural resources.

12.6 Encourage companies to adopt sustainable business practices and sustainability reporting.

Our progress

2018 WHAT WE SAID	2019 WHAT WE DID	WHAT'S NEXT
Maintain or improve the level of certified wood in our roof window products available in Europe.	Sourced 99.6% certified wood. Initiated intensified certification process with remaining 0.4% 'controlled wood' suppliers. Carried out 48 internal and ten third party wood certification audits.	Source 100% certified wood by end of 2021 in Europe. Achieve 100% certified wood by end of 2021 in Europe. Continue to certification audits to maintain sustainable sourcing principle and quality.

Fair competition, tax and anti-corruption

Building on our obligation as a responsible company and the Model Company Objective, we recognise our responsibility to establish strong governance mechanisms that ensure fair competition, minimised risk of corruption and true payment of taxes.

Fair competition

The VELUX Group Legal Policy and the VELUX Group Competition Law Compliance Policy laid down by our owner, VKR Holding A/S describe our approach to customers and competitors and also address our approach to mergers, acquisitions and other relevant cases. All general managers sign a declaration annually to confirm that all necessary measures to secure full compliance with competition laws applicable to the VELUX Group have been duly implemented. For example, the measures can include that all relevant staff have been informed of all requirements regarding competition/anti-trust law.

Furthermore, the VELUX Group runs a comprehensive competition law compliance programme to ensure that all our companies

adhere to international and national regulations and to prevent any form of anti-competitive behaviour. Our leading position in the market makes this programme critical to our business.

The Group General Counsel is responsible for monitoring and providing guidance on potential competition law issues in relation to the business activities of the VELUX Group. A specialised team of counselors, headed by the Group General Counsel, advises on competition law matters on an ongoing basis and the team conducts regular compliance reviews. Furthermore, the team trains general managers, sales managers and other relevant employees of the VELUX Group and informs them of relevant changes to competition law in order to ensure compliance with the VELUX Group Competition Law Compliance Policy. The team

also issues sub-policies to the Competition Law Compliance Policy when necessary.

Tax

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

We commit to respecting both the wording and spirit of tax legislation and we are committed to properly reflect our commercial and organizational 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

The VELUX Group applies a zero-tolerance approach to corruption. Our Group 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.

A new process started in 2019 takes a risk-based approach to expanding our anti-corruption e-learning to several relevant employee groups. Besides the VELUX Top 100, all

employees in our Direct Purchasing, Indirect Purchasing and Public Affairs departments are now required to have completed the training at least every second year. In 2019, 89% of our employees in these groups completed the training. Going forward, new employee groups will be included according to need.

A whistleblower programme was launched in 2018. Any criminal or illegal activities can be reported anonymously through the whistleblower system. In 2019, zero incidents were reported through the whistleblower system.



Building on our obligation as a responsible company and the Model Company Objective, we recognize our responsibility to establish strong governance mechanisms that ensure fair competition, minimized risk of corruption and true payment of taxes.

The competition programme includes e.g.:

- Information and training on antitrust and competition law.
- Guidelines, procedures and instructions on competition law issues.
- Compliance law reviews by our parent company's Group General Counsel and supporting team (hereafter referred to as the "Group General Counsel").
- Legal due diligence in connection with all mergers and acquisitions.
- Approval of essential trade documents by the Group General Counsel.

Towards a Sustainability Strategy 2030

As the world faces many pressing global challenges there is no question that customers of today are demanding products sourced, manufactured and sold responsibly – and quite fairly so. Businesses have the scale and solutions which can help to answer these challenges and must now step up and take their responsibility. We must ensure that sustainability and responsibility are more than buzzwords.

Our present Energy and Climate Strategy enters its final year in 2020 and we expect to achieve our targets. The next step is the development of a new sustainability strategy running towards 2030. This strategy broadens our scope from the current focus to encompass our entire business. The Sustainability Strategy 2030 will to an even higher degree use the UN Sustainable Development Goals framework to strategically assess where and how we must focus our efforts to deliver our share in terms of sustainable development. Not least, the Sustainability Strategy 2030 will underpin our commitment to the Model Company Objective in the years to come.

Reference table

- 1 The Global Risks Report 2019, 14th Edition, World Economic Forum
- 2 IPCC, 2018
- 3 UN (n.d.)
- 4 European Commission, 2019
- 5 European Commission, 2019
- 6 Global Alliance for Buildings and Construction, 2019
- 7 The research used in the 2019 Barometer was compiled by RAND Europe using survey data and data from EU SILC and EUROSTAT as well as a rapid evidence assessment (REA), statistical analysis and economic modelling. The underlying data consisted of anonymised results for more than 100,000 individual households and 260,000 adults (16+ years).
- 8 C40, 2019
- 9 C40, 2019
- 10 UN Environment, (n.d.)

Photographers

Adam Mørk
 Christian Geisnæs
 Jesper Westley
 Oliver Jaist
 Sarah Bastin
 STAMERS KONTOR
 Søren Solkær

Reporting principles

Governance

Corporate social responsibility and sustainability in the VELUX Group is governed by the VELUX Management Group. Targets in the Energy and Climate Strategy 2020 are anchored in the specific functions who are responsible for implementing, following up and reporting their progress at least annually in connection with the annual sustainability reporting.

Collecting and processing data

The data is collected and compiled by the internal Sustainability department according to an annual reporting procedure. Using a combination of interviews, templates and various other data collection methodologies the data was processed and consolidated in the report covering the calendar year 2019. The report uses the Global Reporting Initiative (GRI) Reporting principles for defining content as a guideline to determine the material topics of this report.

Leading the Change

The section on Leading the Change was developed through interviews and templates completed by key internal stakeholders directly involved in the planning and execution of events, research and advocacy activities. Key stakeholders included personnel in the Building, Design and Performance department, Daylight, Energy and Indoor department, the Communication, Sustainability and Public Affairs department, relevant sales companies and our Products organisation.

Energy and climate

The environmental data in the report was collected, compiled and validated by the VELUX Group's HS&E function. The CO₂ reduction in scope for our 2020 target includes CO₂ emissions related to the VELUX Group's own operational activities, in accordance with the Green House Gas protocol (GHG scope I and II).

The activities included are:

- Direct and indirect emissions from Production Companies, incl. logistic/warehouses
- Direct and indirect emissions from sales companies
- Direct and indirect emissions from company cars
- CO₂ from extraction of used fuel/energy (e.g. electricity, gas, oil and company flight travel) (GHG scope III)

- Newly acquired business units that form VELUX Commercial. This business area is estimated to be roughly 10% of the VELUX Group's total carbon footprint.

Waste

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

Sustainable products

Information on sustainable products was gathered through interviews with key subject matter experts directly involved with the either the development, implementation and/or execution of the Product Strategy 2019 – 2021.

Health and safety

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

People

Information on people attraction and development and diversity was collected and processed by the VELUX Group's global HR function by using interviews and templates for exchange of information.

Diversity

Top 100 Leaders are defined as Top 40, all General Managers in sales and production companies, and all the people holding a senior International Position Evaluation position (IPE59+).

Top 40 Leaders are defined as the VELUX Management Group and everyone reporting to a member of the VELUX Management Group.

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.

Responsible sourcing

Data on supplier signatures to our Code of Conduct for Suppliers and VELUX Restricted Substances

Management Standard is consolidated in our internal purchasing portal where all signages are registered. The data was collected with the help of our Purchasing department and our Supplier Quality department.

The data on sourcing of sustainable wood originates from consolidated internal SAP registrations that are subject to FSC and PEFC audits. FSC and PEFC Chain of Custody registrations are held for all purchases of wood for the European factories and is managed by our Logistics department.

Fair competition, tax and anti-corruption

Signage of annual declaration on fair competition is based on the number of general managers who signed the declaration. The declarations were collected by Legal Affairs in early 2019, declaring no breaches to competition law had occurred during the year. Data on anti-corruption e-learning comes from completed registrations in the e-learning software. Information on taxation is derived from the Global Accounting and Tax department.

THE VELUX Foundations

Information on THE VELUX FOUNDATIONS was collected through the FOUNDATIONS' communication department.

The Importance of Materiality

Materiality assessments are a valuable tool for discovering and communicating the most material sustainability risks and potential impact of our business and products. Additionally, a materiality assessment provides an adequate understanding of the topics important to our stakeholders. In 2016, our Energy and Climate Strategy 2020 was supplemented by a materiality assessment outlined in our Corporate Social Responsibility Report 2016. This assessment provides a complete picture of the material topics that have significant influence on stakeholder decisions as well as compelling economic, environmental and societal impacts by and on our company. We are revising our materiality assessment and our approach to conducting it as part of the VELUX Sustainability Strategy 2030.

