



VELUX®

Sustainability Report 2017

PDF Edition – 63 pages

VELUX.com/our-company/sustainability

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Our approach to sustainability

For many years, the VELUX Group has worked systematically with CSR and sustainability based on our Model Company Objective. We continuously seek to minimise our footprint and to advance the development of healthy, sustainable and affordable buildings.



Letter to our stakeholders

As the new CEO of the VELUX Group, it is my pleasure to welcome you to the VELUX Sustainability Report 2017. Sustainability is a fundamental part of the VELUX way of doing business. Taking responsibility for customers, employees and society is not new to us, but stems from our founder's ambition to be a model company – a heritage that we are all proud to carry on in our daily work.

The ambition to be a model company is still important today, in a world characterised by growth and increasing prosperity in many societies. Growth and prosperity benefits our company in many ways, and we want to respond by providing more people with the opportunity to experience how daylight and indoor comfort can make a difference to health, energy efficiency and well-being in everyday life.



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

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

The UN Sustainable Development Goals published in 2015 set out a common direction for the development of society at large and for companies like ours. This is reflected in our new Group strategy for growth, which pays special attention to our continued effort to deliver outstanding and affordable products that are relevant to consumers and society. We want to remain the strongest brand in the building industry, recognised for high quality, value for money, an innovative mindset and contributing to sustainable development.

Our Sustainability Report 2017 is structured around four focus areas, where we as a production company must take special responsibility in order to limit the company's impact on climate and environment, achieve high resource efficiency, provide safe and healthy work conditions and build a resilient framework for sustainable sourcing throughout the value chain.

We also report on our contribution to leading the change towards sustainable, healthy and affordable buildings for all. This focus supports the ambition expressed in the EU legislative package 'Clean Energy for All' and the international movement towards Active House building concepts that is taking hold in Europe, North America and lately also in China.

We do not for one minute doubt that buildings matter and can make a difference – to the climate, to health and quality of life and to societal productivity and sustainability.

Enjoy the read!

David Briggs, CEO



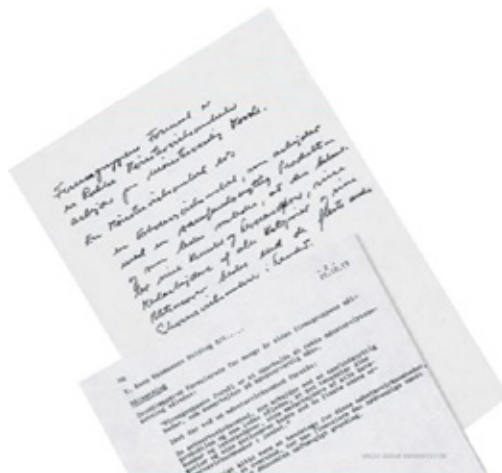


The VELUX Group and Sustainable Business

For more than 75 years, we have worked to create better living environments with daylight and fresh air for people around the world.

VELUX Model Company Objective

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



"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

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

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

Our company

The VELUX Group is headquartered in Denmark and employs 10199 people at sales and production sites in 40 countries.



Our products

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

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

Ownership

The VELUX Group is wholly owned by VKR Holding A/S, a limited company owned by foundations and family. The VELUX Group's financial results are incorporated into VKR Holding's consolidated accounts. In 2017, VKR Holding's revenue amounted to € 2.5 billion (DKK 18.6 billion) and net profit for the year came to EUR 340 million (DKK 2.5 billion).



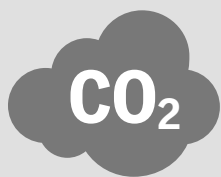
CSR and Sustainability

CSR and sustainability are deeply ingrained in the VELUX way of doing business and founded in our Model Company Objective. We wish to design and develop products useful to society and behave responsibly towards all our stakeholders. We continuously seek to minimise our footprint in the way we source, manufacture and sell our products. We are aware that our sustainability efforts go beyond our own activities and take a responsible approach throughout the entire supply chain.

We work to create sustainable, healthy and affordable buildings that balance care for people and planet. We seek to achieve this by putting people first in our product development and by contributing to the creation of new building concepts that support health and well-being in buildings. We reach out to building owners, the building community and policy-makers to set new standards for active buildings with focus on daylight, fresh air and high energy efficiency.

Our Sustainability Report 2017 is structured around four focus areas, where we as a production company must take special responsibility in order to limit the company's impact on climate and environment, achieve high resource efficiency, offer safe and healthy work conditions and build a resilient framework for sustainable sourcing throughout the value chain.

Our four focus areas are:



Energy and climate, where we work systematically to reduce the carbon footprint in our production and in our products



Sustainable sourcing, where we seek to maximise our use of sustainable materials, e.g. wood in our products.



Zero-waste production, where we constantly seek to optimise our resource efficiency and have a vision of reaching zero waste at our production sites.



Safe and healthy workplace, where we strive to eliminate all work-related accidents and occupational diseases.

UN Sustainable Development Goals

We support the UN 2030 Sustainable Development Goals and believe that the VELUX Group can positively influence the realisation of several of the goals.

Through careful assessment of each of the goals, we have determined what matters most to us as a company and where we can make our unique contribution to support the realisation of the goals.

Our contribution to the UN Sustainable Development Goals



SDG 3: Good health and well-being

In the developed world, people spend up to 90% of their time inside buildings. In Europe alone, some 84 million people live in damp and unhealthy buildings, exposed to risks of developing asthma and allergies. 30 million people suffer from lack of daylight. In the light of the serious problems caused by unhealthy buildings, action is needed to find ways to improve living conditions in buildings.

Creating healthy and comfortable indoor living environments is at the core of the VELUX business. With our products, we contribute to bright and healthy buildings for people to live, work, learn and play in. As a founding partner of the Active House Alliance, we explore new building concepts that combine healthy and comfortable buildings with care for the environment. By publishing the Healthy Home Barometer once a year, we provide new knowledge on smart and healthy buildings to home owners, legislators and to the building community.



SDG 7: Affordable and clean energy

In Europe, buildings account for 40% of all energy consumption. All VELUX roof windows and accessories are carefully designed to minimise the heat loss and maximise the solar heat gain through the pane.

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

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



SDG 11: Sustainable cities and communities

The UN expects that almost 60% of the world's population will live in urban areas by 2030. The rapid urbanisation calls for new approaches to urban planning and densification in order to make urban areas safe, healthy and sustainable.

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

We create and share know-how and invest in building experiments that can inspire cities and communities to create better living environments. One example is the affordable and sustainable renovation approach developed and tested in the RenovActive model home. The concept was designed to be easily scalable, replicable and feasible within social housing renovation budgets.

Our contribution to the UN Sustainable Development Goals



SDG 12: Responsible consumption and production

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

We carefully manage the environmental footprint of our activities. All our production and warehouse sites are certified according to ISO 14001 environmental management. We aim at zero-waste in our production and document the environmental impact of our products through Life Cycle Assessments. 97% of the waste from our production is reused in other types of products or used for heat production. 99,5% of the wood used in our production in Europe is sourced from certified, sustainable forests.

It is estimated that housing accounts for up to 50% of all material use in Europe. Resource efficiency is one of the key targets in our production, for instance we continuously optimise the use of wood.



SDG 17: Partnerships for the goals

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

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

We are a founding partner of the Active House Alliance, which brings together some of the world's leading manufacturers, consultancies and research institutions. The ambition for the Alliance is – in the common interest of its members – to create a viable, independent and internationally influential alliance for affordable, healthy and sustainable buildings.

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



Risk management

All business activities involve inherent risks. That also goes for the activities of the VELUX Group. We work proactively to manage risks in order to ensure a positive development of the company and to protect our people, assets and reputation.

The VELUX Group's risk management policy ensures that key business risks are identified, assessed and mitigated. Our risk management system applies to the entire company.

What is the risk?



Environment and Climate Change
Setting company-wide targets for the company's environmental and climate footprint is a challenge due to the continual changes of the production set-up of the company; for instance, insourcing and outsourcing of production and introducing new machines and processes. While many energy efficiency and renewable energy initiatives may reduce the carbon footprint, new production methods or transfer of production may potentially increase our environmental impact



Human Rights
Respecting human rights in a global and complex supply chain is a major task. Especially in countries where domestic laws do not always protect human rights.



Labour
Providing good working conditions and upholding the freedom of association and the right to collective bargaining require unrelenting attention in a global and complex supply chain. The same goes for avoiding all forms of forced and compulsory labour and child labour and for any form of discrimination.



Anti-Corruption
Anti-corruption, including extortion and bribery requires constant focus, considering the complex nature of local regulations and customs. New managers may not be aware of what is perceived as bribery and may, without knowing it, engage in such activities. That could bring us in conflict with the law and adversely affect our Model Company Objective.

What is the action to mitigate the risk?



Environment and Climate Change
 VELUX CSR and Sustainability Policies including Environmental and Energy Policies deal with environmental issues in our business. To secure compliance, robust management practices and continuous improvements, all our production sites have implemented certified ISO 14001 environmental management and ISO 50001 energy management systems. Global processes are implemented to ensure that new products, production technology and facilities are environmentally reviewed in the design phase to reduce their environmental impact. Our environmental strategies take an integrated approach to sustainable products and production, focusing on carbon emissions, use of natural resources and waste management. The VELUX Code of Conduct requires that our suppliers apply environmental management systems. Implementation of an internal and external whistle-blower system.



Human Rights
 Implementation of an internal and external whistle-blower system.



Labour
 The VELUX Code of Conduct for suppliers explicitly enforces good working conditions, freedom of association, collective bargaining, no compulsory and child labour and no discrimination. Our suppliers are obliged to ensure compliance with the VELUX Code of Conduct for their sub-suppliers. We request confirmation of how suppliers ensure the company's code of conduct during our supplier quality audits. Implementation of an internal and external whistle-blower system.



Anti-Corruption
 Any criminal activity and illegal breaches of the Anti-Corruption Policy, the VELUX Group Legal Policy, and the Competition Law Compliance Policy can be reported to a hot line or on-line in a new whistle-blower system launched ultimo February 2018. The e-learning programme on anti-corruption was relaunched in 2017 and is mandatory for all VELUX senior managers. Implementation of a competition law e-learning programme and the annual competition law compliance declaration.

Sustainability highlights

34.2% 

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

97% 

of waste materials from production of VELUX windows is recycled.

99.5% 

of the wood used in VELUX windows in Europe comes from certified, sustainable forests.

2.5 

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

98% 

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

4.000 

building professionals visited the VELUX China head office – a showcase of the Active House principles.

€1.105.000 

was granted to help employees, their families and local communities by the Employee Foundation.



WE SUPPORT

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

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



86 social housing homes were renovated according to Active House principles.



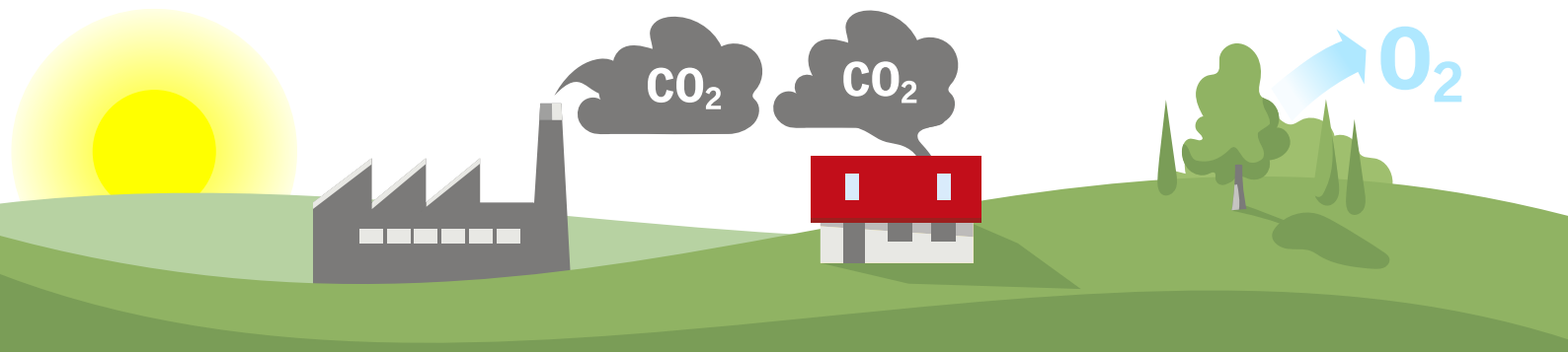
scientific papers explore the Active House experiments carried out by the VELUX Group.



awards given to the Active House experiments conducted by the VELUX Group.



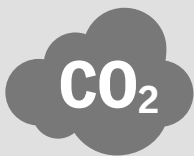
European politicians, NGOs and building professionals met at the Healthy Buildings Day 2017.



Four Focus Areas

A new 2030 Sustainability Strategy for the VELUX Group is currently being drafted, with clear targets and activities to continue improving our performance. We are aware that our sustainability efforts go beyond our own activities; therefore we take a responsible approach throughout the entire supply chain.

As part of this effort, we are focusing our approach to sustainability in four areas, where the VELUX Group has a special role to play in making a difference to people and planet, and which will ensure our license to operate in the long term:



Energy and climate
reducing emissions and
use of natural resources.



Sustainable sourcing
using certified sustainable wood
and increasingly recycled materials



Zero-waste production
optimising our material effi-
ciency and eliminating waste
from production.



Safe and healthy
workplace for all VELUX employees.

With the support and input of external partners, we are now developing specific targets for each focus area to be launched in 2018.

Energy and climate

We want to reduce the carbon footprint of our production activities by improving energy efficiency and by increasing the use of renewables. We take a holistic approach to product sustainability, including aspects of carbon footprint, energy balance, sourcing, recyclability and chemical emissions.



Our production

In 2017, we reduced our carbon footprint by 34% compared to the 2007 baseline. Our target is a 50% reduction by 2020.



Policy and goals

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

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

Activities

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

- › Certified ISO 50001 Energy Management at all VELUX production and warehouse sites in Europe and at our headquarters in Hørsholm.
- › Investing in energy efficiency projects and on-site renewable energy production (solar cells and heat generation from wood chip waste from production) at our sites, e.g.:
 - › Commissioning a new 1.3 MW solar cell plant at our factory in Greenwood, South Carolina, USA that will save 700 tons of CO₂ annually.
 - › Commissioning a new bio-boiler at our Polish factory NM-PL as an important initiative in the VELUX strategy to increase the amount of on-site renewable energy production. This single installation will reduce the carbon footprint of NM-PL by 2,500 tons CO₂ per year, the equivalent of emissions from 600 European households.
 - › Extended use of an existing bio-boiler at our Polish factory NB-PL(W) giving CO₂ savings of more than 5,000 tons per year by substituting gas with waste wood as fuel for heat production.

- › Besides our focus on improving energy efficiency and increasing on-site renewable energy production, we have committed to gradually acquire Guarantee of Origin (GO) off-shore wind-power certificates from one of the major Danish energy companies to help fulfil our climate ambitions. The revenue from our purchase of GOs, handling fee deducted, is reinvested by Ørsted Wind Power division in new offshore wind projects.

Performance

In the period 2015-17, energy management and energy efficiency projects implemented at the European VELUX production and warehouse sites have reduced CO₂ emissions by approximately 10,000 tons.

24% of the energy used at VELUX sites comes from renewable energy sources, notably on-site biomass, solar and purchase of certified renewable electricity produced at offshore wind farms. This means that our carbon footprint in 2017 compared to 2007 has been reduced by 45 041 tons, corresponding to the CO₂ emissions of more than 10,000 European households.

Next steps

In 2018, we will continue to implement energy savings at all production sites and warehouses. We will also increase our renewable energy production by using more waste wood from production for heat generation. Through these measures and by continuous energy optimization, installation of new energy-efficient equipment and purchase of certified green electricity, we expect to further reduce our carbon footprint throughout 2018.



Our products

We want to deliver products that are sustainable from cradle to grave in terms of impact on climate, environment and use of natural resources.

Policy and goals

For several years, the VELUX Group has used Life Cycle Assessments (LCA) to measure and document the impact of our products from sourcing of materials to daily use and disposal.

In 2017, we broadened the concept of sustainable products to cover other aspects of the products' impact on climate, environment and use of natural resources.

We perform LCAs for all new product developments and product upgrades. In addition, we are in the process of developing a comprehensive new tool for Environmental Product Evaluation that provides a systematic approach to sustainability indicators in our product development.

The tool includes new sustainability parameters in product development, without compromising our relentless focus on quality and a product lifetime of at least 40 years.

Activities

In 2017, we developed a new tool for Environmental Product Evaluation. The new tool is based on current and future EU regulation and takes a cradle-to-grave perspective on product development, focusing initially on five parameters:

Carbon emissions:

Performing Life Cycle Assessments of all new products and product upgrades according to the international ISO 14040 standard for LCA, the EN 15804 standard for Environmental Product Declaration for Building Products and Materials, and the EcoPlatform standard.

Energy balance:

Taking maximum advantage of the positive energy balance of roof windows thanks to the heat gain through the panes.

Sustainable sourcing:

Replacing fossil resources with renewables and using recycled materials instead of new materials.

End-of-life recyclability and recoverability:

Ensuring that our products can be disassembled and the materials reused in the best possible way.

Chemical emissions during use:

Minimising chemical emissions from materials used in the windows.

Performance

Our LCAs document that roof windows can provide net CO₂ savings over their life cycle. This means that the energy savings achieved by the roof window due to the heat gain through the pane may exceed the energy consumed in the sourcing and production process.

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

Next steps

In 2018, we will test a new Environmental Product Evaluation tool in our product development to minimise the impact of our products on climate, environment and natural resources over their life cycle. In the longer term, the plan is to extend the scope of Environmental Product Evaluation to include more parameters such as easy maintenance, reparability and replacement. In 2018, we will also conduct LCAs on the new VELUX ACTIVE product portfolio.

Zero waste

We work to continuously improve material efficiency and have a long-term vision of zero waste at our production sites.



Zero-waste production

Policy and goals

Careful use of resources is gaining in importance all the time. We want to ensure efficient use of materials and zero waste through prevention, reduction, recycling and reuse of materials in our products and production processes.

Our vision is to reach zero waste at our production sites. Governed by our environmental policy, we continuously optimise our material efficiency and reduce the amount of waste resulting from our production.

This means that we:

- › Increase our use of renewables in production, e.g. by replacing fossil fuels with renewables.
- › Experiment with use of recycled materials such as wood, glass and aluminium.
- › Prolong the service life of our products through maintenance, durability and upgradability. VELUX windows promise a service life of 40 years or more. The windows are modular for easy replacement or upgrade.
- › Optimise performance and energy efficiency. Our life cycle analyses document that VELUX windows can be CO₂ net positive throughout their life cycle.
- › Apply closed-loop, zero-waste processes at our production sites. 97% of waste is recycled or used as renewable energy.
- › Offer backwards compatible products to ensure that they are easy to replace and upgrade, e.g. panes, electronics, blinds and shutters.

Activities

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

Our wood production sites strive to get the most out of every piece of wood coming into the factories. By using laser-scanners in the cross-cutting processes, potential wood defects are identified and the use of every single piece of wood can be determined. In this way, and with an unrelenting focus on wood optimisation in on-the-job-training and daily work procedures, the amount of waste wood is continuously reduced.

Performance

Our waste products are typically wood, steel, aluminium and glass; for these major waste categories, we have brought our recycling close to 100%. In 2017:

Experimenting with use of recycled Helo and PU materials

For some product ranges, the VELUX Group uses Helo (glass fibre material) and PU (plastic). In 2017, we conducted a development project to investigate the reuse of Helo and PU scrap materials from production of VELUX roof windows and modular skylights.

The project returned promising results in the form of new composite materials that can be used in various products and components in the future.

In 2018, material specifications will be ready, together with recommendations for which products the new, recycled materials can be used for. In the longer term, the experiences from the recycling project will be used in the preparation for the new EU regulation on end-of-life return of products.

Next steps

We continue to optimise our material efficiency with a focus on the primary materials used for our products, notably wood, glass and aluminium.

We continue to explore new opportunities for recycling with suppliers, local utilities and recycling companies.

We continue our dialogue with glass suppliers to explore the possibilities for increased use of recycled glass in window panes.

By September 2018, all sites will be certified according to ISO 14001:2015.

In 2018, we will benefit from the expanded capacity to use waste wood for renewable heat generation at one of our major VELUX factories in Poland.

Sustainable sourcing

The VELUX Group develops and manufactures products. We constantly seek to maximise the use of sustainable materials in our products and we carefully manage our use of hazardous substances.



Sourcing of sustainable and certified wood

In 2017, 99,5% of the wood for VELUX products in Europe was sourced from certified, sustainable forests.



Policy and goals

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

All VELUX windows are manufactured at our own factories. All factories in Europe are certified according to FSC (Forest Stewardship Council) and/or PEFC (Programme for the Endorsement of Forest Certification). Our factories in the USA and China are not PEFC or FSC certified, but do use wood from controlled sources.

All VELUX windows produced in Europe for the European market fulfil the requirements of the EU Timber Regulation.

Activities

In 2017, we increased the share of certified wood from 98% to 99,5%. The remaining 0,5% of the wood is sourced as "controlled" wood according to the FSC standard. This means that the origin of the wood is known and that it comes from non-controversial and legal sources.

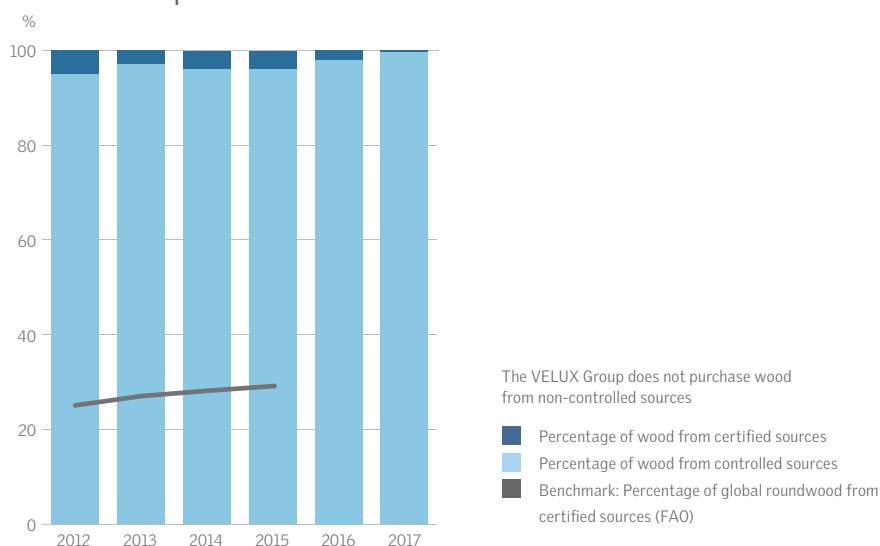
In order to uphold the FSC and PEFC certification, we carried out 38 internal audits during 2017. External audits and performance follow-up have now been integrated into the purchasing setup with an annual supplier meeting and monthly performance follow-up. This contributes to our overall performance and compliance with the two systems.

The VELUX Group has been a member of FSC Denmark and FSC International since 2016. During 2017, we hosted FSC training and knowledge sharing for other companies to support the continued development of sustainable supply chains, also outside our own business and supply base.

Performance

- › 99,5% of the wood used for VELUX windows is sourced from certified, sustainable forests. The remaining 0,5% is defined as 'controlled' wood by FSC. All our wood suppliers are certified according to PEFC, FSC or both.
- › All our activities comply with the EU Timber Regulation (EUTR).
- › We source wood as close to our factories as possible. Our wood is sourced from Norway, Sweden, Finland, Estonia, Russia, Poland, France and the USA.
- › All wood cut-offs and wood chips from our production sites are used for recycling or heating purposes.

Sources of purchased wood



Next steps

In 2018, we will continue to work with suppliers, PEFC, FSC and other partners to reach a level of minimum 99,5% certified wood at our European factories



Managing hazardous substances

We design our products to minimise their environmental impact during manufacture, use and disposal. To ensure that, we take a proactive and precautionary approach to managing hazardous substances.

Policy and goals

The VELUX Group carefully manages the use of hazardous chemicals and materials.

In 2017, we took the next steps towards ensuring sustainable use of chemicals throughout our supply chain, enforcing a precautionary approach based on the VELUX environmental policy, VELUX defined standards and international regulation.

The goal is to set up and implement a global chemical management process to be applied by all VELUX companies.

Activities

In 2017, we established a work group mandated to establish guidelines and tools for use of hazardous materials in VELUX production and ensure compliance as regards hazardous materials in VELUX products in local markets.

Performance

The work group has kicked off a number of activities, e.g.

- › Prepare a VELUX Restricted Substance Manual for suppliers.
- › Set up a common monitoring system for regulatory requirements.
- › Set up a Chemical Management Process for the entire product development and manufacturing process.
- › Prepare a common VELUX hazardous materials inventory.

Next steps

At the beginning of 2018, we will start implementing the VELUX Restricted Substance Management Standard that must be signed by all suppliers.

Global processes will be implemented to strengthen the proactive approach to hazardous material management in all VELUX companies.

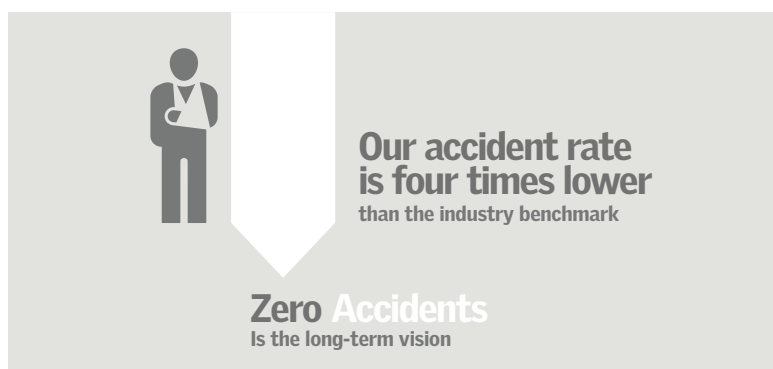
Safe and healthy workplace

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



Health and safety

In 2017, the number of work-related accidents per one million working hours was 2.5. This means that the accident frequency is four times lower than the comparable industry benchmark. The long-term vision is to achieve zero accidents.



Policy and goals

All VELUX manufacturing sites sustain OHSAS 18001 certification (Occupational Health and Safety Management). The long-term vision of the safety work is zero work-related accidents to be achieved by building a resilient health and safety culture and by continuous focus on safety risk management. To monitor compliance with all critical safety standards, we run an extended internal auditing system.

Activities

In 2017, we have been working to implement the Health, Safety & Environment (HS&E) 2020 plan, which introduces new global processes and safety standards in production and warehousing. The new standards and processes comprise:

- › Safety Leadership Training – Vision Zero, new campaign to be implemented company-wide in 2018.
- › Workplace Risk Assessment Standard, implementing a systematic method for preventive actions that can mitigate risks in the daily work and in non-routine work.
- › Roles, Responsibilities and Safety Performance Management Standard, defining key personal safety activities, authorisation and performance indicators for all employee categories.
- › A new Safety Handbook that aims to help the sites further develop and improve their safety management system in the most efficient way.
- › An improved fire risk management system with new fire standards and auditing at six pilot sites.
- › Workplace Ergonomic program started.
- › Hazardous Materials Management program started.

Performance

We set the bar high for our safety work in 2017 aiming for only one accident per one million working hours, which would earn us the World Class Safety label. We did not achieve this goal, however, but saw the level of accidents rising from 1.9 in 2016 to 2.5 in 2017.

The accident frequency of 2.5 achieved in 2017 is about four times lower than the comparable industry benchmark.

The rate of absenteeism in 2017 was 0.4 compared to the target of max. 0.2. Although we have some way to go, this is still half the level of the industry benchmark.

Next steps

In 2018, we aim to improve the Health, Safety and Environment performance by:

- › Completing Safety Leadership Training for 600 managers in Supply.
- › Completing the implementation of the improved fire risk management system.
- › Completing the workplace ergonomics programme.
- › Implementing a new Contractor Safety standard.
- › Implementing an extended safety audit to cover the new standards.
- › Furthermore, we have begun work on designing and implementing a new integrated HS&E Management System covering all VELUX supply sites and related global functions. The aim is for this new system to replace the existing local site systems by 2020.



People and development

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

Policy and goals

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

We strive to provide a safe and motivating work environment where people are treated with respect and offered equal opportunities for development.

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

Activities

› Passion and performance

We have continued our activities to nurture and develop our unique VELUX culture. Key actions are to strengthen leadership, support global collaboration, develop people and boost passion and performance throughout the organisation.

› New global approach to people development

In 2017, we have rolled out a new, global approach to people development comprising four career clusters: Professional, Specialist, Project Manager and People Manager. The tool is used across the entire organisation to discover and discuss development opportunities for the individual employee.

› New GROW with Us programme

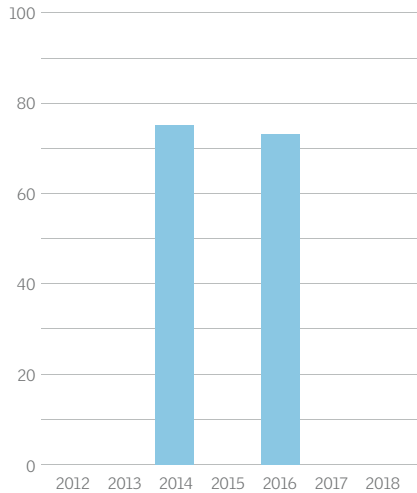
In 2017, we have introduced the 'GROW with Us' programme for employees with potential to grow into manager roles at strategic level. Experienced employees and new hires are part of the programme, which runs for two years.

Performance

› Employee engagement survey

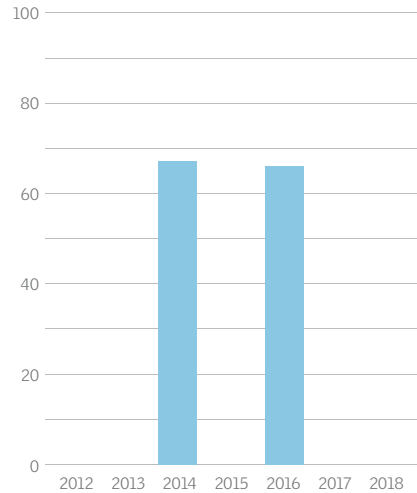
vey carried out in 2016 have been used in follow-up dialogues across the VELUX Group. Where needed, improvement initiatives have been initiated.

2016 employee level of satisfaction and commitment



Global Employee survey:
Overall loyalty and commitment score

2016 employee level of satisfaction and motivation

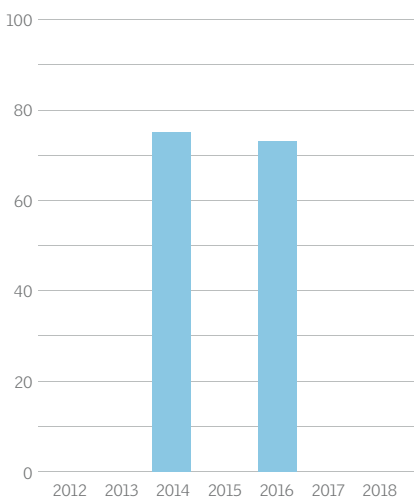


Global Employee survey:
Overall loyalty and commitment score

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

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

Leadership training

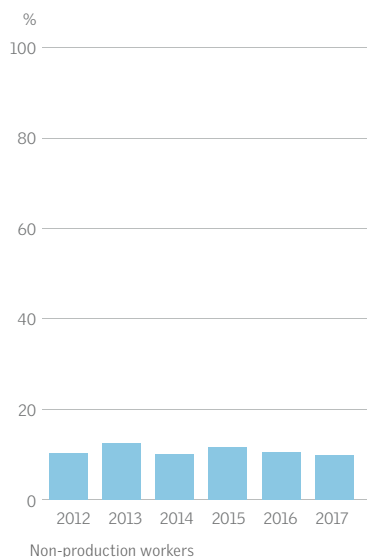


Number of participants in Passion for Leadership and Passion for Performance training

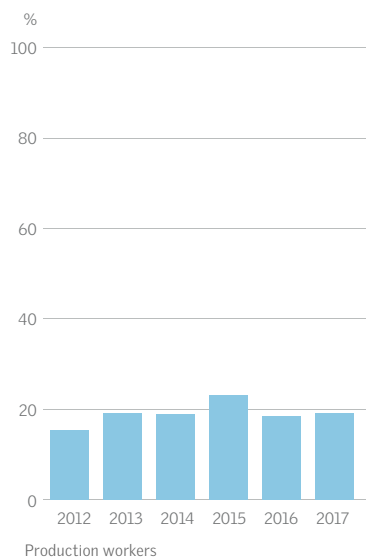
In 2017, we have continued our leadership development programmes:

- › VELUX Management in Practice
- › Passion for Leadership

Employee turnover,
non-production workers



Employee turnover,
production workers



Next steps

- › In late 2018 or early 2019, we will conduct a new Global Employee Survey to ensure continued focus on employee satisfaction and motivation
- › We will continue our focus on developing passionate performers and the ongoing implementation of our people development tools



Diversity

Being a good and inclusive workplace for all employees is part of the VELUX heritage. We intend our workforce to reflect the demography of the surrounding society.



Policy and goals

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

In 2013, the VELUX A/S Board set the goal of 40% female representation on the Board of Directors by 1 April 2017. The goal was reached in 2016, when two women joined the VELUX A/S Board so that three out of six board members elected by the General Assembly are now women.

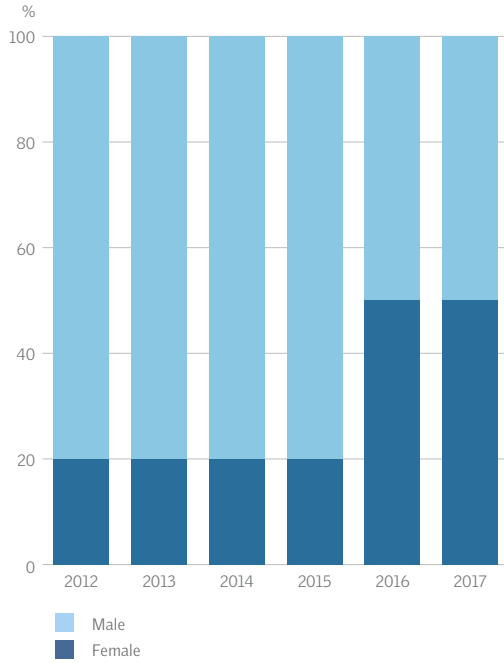
We encourage more female managers and a diverse workforce in general in terms of age, ethnicity, nationality and gender. We work actively to ensure equal development opportunities for everybody. When recruiting to special positions, e.g. to the 'GROW with Us' programme, we try to ensure diversity in terms of gender, ethnicity and nationality.

We apply a company-wide performance evaluation tool and external benchmark to ensure equality. We use a structured annual evaluation tool for managers and administrative staff to ensure transparency and an objective approach to career development and appointment of managers.

Performance

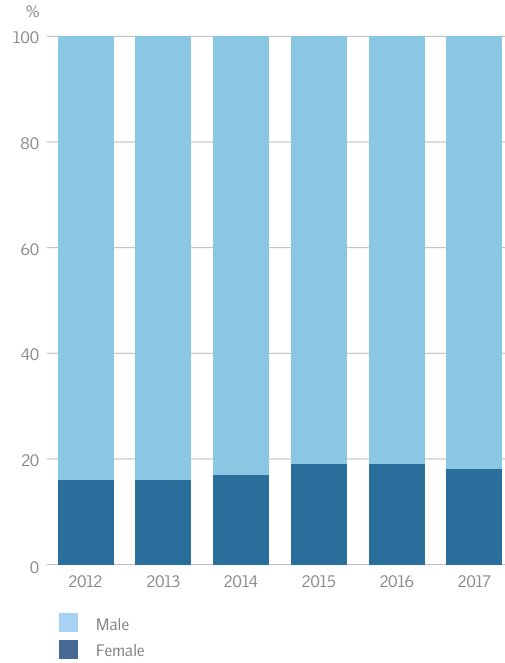
The 50/50 male/female representation on the VELUX A/S Board is well above the comparable industry benchmark of 26% female board members.

Gender equality on Board of Directors

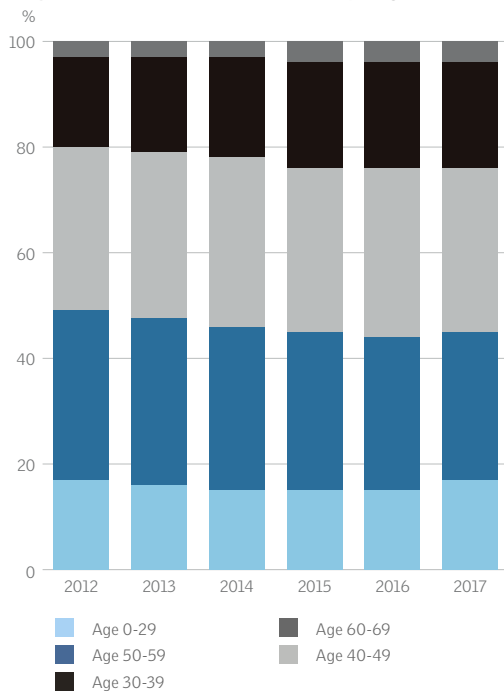


Gender equality on senior management

In 2017, 18% of our senior managers were female.



Age distribution, all employees



Next steps

In 2018, we will consider our practices to ensure diversity and investigate the possibilities of strengthening our efforts further.

Leading the change

The VELUX Group was founded on the vision of daylight and fresh air through the roof. Today, we contribute to the movement towards sustainable, healthy and affordable building solutions, partnering with stakeholders and influencing framework conditions.



Putting people first

We want to put people first when designing smart and healthy homes, i.e. buildings that offer better comfort and a healthier indoor climate without negative impact on environment and climate



€40 bn

Indirect annual costs of asthma and chronic obstructive pulmonary disease, eg. loss of work productivity



€42 bn

Direct annual costs of treating asthma and chronic obstructive pulmonary disease, eg. medicine and care



€82 bn

Total annual cost for European societies attributable to asthma and chronic obstructive pulmonary disease

Strategy and goals

With our products and conceptual solutions, we want to help create healthy and sustainable buildings for people to live, work, learn and play in. To do this, we take leadership in raising awareness about the importance of daylight and fresh air for people's health and well-being.

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

Activities, performance and next steps

Healthy Homes Barometer 2017

As part of our user-centric approach to creating healthy and sustainable homes, the VELUX Group carries out the Healthy Homes Barometer survey once a year. It is a pan-European survey designed to investigate the link between people's homes and people's health. The 2017 survey is the third such survey and takes the 2016 findings a step further by analysing the impact of buildings on people's health.



Key findings from the 2017 Healthy Homes Barometer:

Today, one in six Europeans lives in unhealthy buildings, i.e. buildings that are damp, lack daylight or are uncomfortably hot or cold.

There is a clear correlation between poor health and living in an unhealthy building. More than 1½ times as many people living in unhealthy buildings report poor health compared to those living in healthy buildings.

Every year, the societal cost of just a few of the illnesses, e.g. asthma and Chronic Obstructive Pulmonary Disease (COPD) that may be caused by unhealthy buildings is €82 billion.

To reach the goals of the 2016 Paris Climate Agreement while at the same time creating healthier homes, governments have to boost large-scale building renovations.

During the year, local versions of the Healthy Homes Barometer 2017 were published in 18 countries. The findings were activated through a wide range of activities targeting end-users, politicians, decision-makers, media and building professionals.

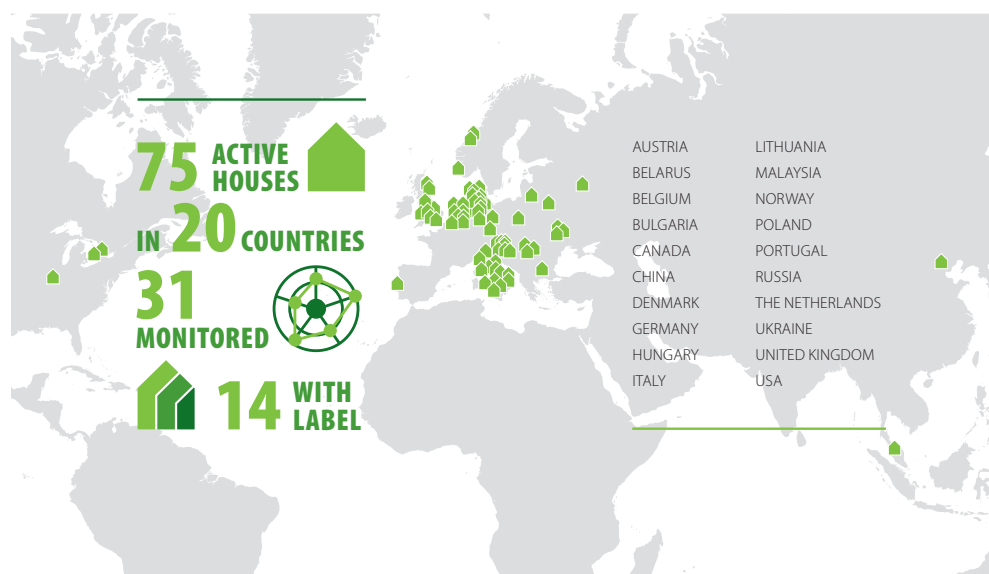
The Healthy Homes Barometer 2017 was performed in partnership with the consulting agency Ecofys, the Fraunhofer IBP research institute and the economic consultancy Copenhagen Economics.

The next Healthy Homes Barometer survey will be carried out in the spring of 2018.



Pioneering sustainable buildings

Our founder stated that one experiment is better than a thousand expert views. Through experimental building projects based on the Active House principles we pioneer solutions for better living environments and higher energy efficiency.



Strategy and goals

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

Through a series of Active House projects during the past decade, we have demonstrated how buildings of tomorrow can be built today. Since 2017 the Active House label has been applied in the market as a global quality stamp for comfortable and sustainable buildings. The label is unique in as it advices on elements that are important to humans' life and wellbeing in buildings.

Most of the buildings that people will live in for many years from now have already been built. In a recent study performed by the Building Performance Institute Europe (BPIE), 97% of these buildings have been classified as energy inefficient. Our strategy therefore includes a special focus on developing sustainable methods for affordable renovation.

Activities, performance and next steps



Active House movement in China

Three years ago, VELUX China introduced the Active House vision and building principles to promote interest in architecture balancing health and well-being of people with environmental considerations.

Among others, VELUX China designed and built their new head office based on Active House principles. Since then, the office building has served as a showcase for smart and healthy building design. In 2017 alone, 4,000 building professionals paid a visit to the office building, which uses only 10% of the energy consumed by a traditional Chinese building.

At the same time, it provides a refreshing and revitalising indoor climate for the employees, which has reduced the number of sick days by almost 80% thanks to the building's vastly improved air quality and intelligent ventilation system.

In 2016, the Society of Architects in China decided to establish the Active House Academic Committee to further explore and promote the opportunities for Active House buildings in China. In 2017, VELUX China hosted the official opening ceremony of the Active House Academic Committee, and in 2018 the Committee will promote Active House through a new Active House China Design Competition.

Moreover, VELUX China conducted four training sessions for Active House Verifiers. All in all, 40 people have been trained. Three labelled Active Houses are pipelined so far.

RenovActive renovation methods to be used in 86 Belgian homes

The RenovActive building renovation concept co-developed by the VELUX Group will be applied by Belgian Social Housing Association 'Le Foyer Anderlechtois' to renovate 86 of their properties in the Anderlecht area of Brussels. The innovative renovation concept, which balances energy efficiency, indoor comfort and environmental considerations, can be carried out within the budgetary framework of Brussels social housing.

In 2017, the prototype of RenovActive received the Diploma for Best in Renovation awarded by the Active House Alliance. The concept was awarded the diploma for the vast improvement in energy and daylight performance achieved without changing the original architecture.

We will follow the renovation of the 86 homes closely to gather more information about renovation in accordance with Active House principles.



[Read more about RenovActive here](#)

Sustainable Living in Buildings

For eight years, the VELUX Group has run a strategic development project entitled Sustainable Living in Buildings. The programme was run into operations in 2017, summarising sustainable building activities from the first experiment in Russia in 1999 to the RenovActive project that paved the way for large-scale renovation of 86 homes in Brussels in the coming years.

Through full-scale building experiments that have been monitored and tested by experts and lived in by people, the programme has brought valuable insights to the VELUX Group on how our products perform, and about user behaviour in buildings. The results have been shared in the international building community, via the Active House Alliance members and forums. One key takeaway is the intensified focus on healthy homes and buildings, and it has formed the basis of development of the new VELUX ACTIVE product portfolio.



More specifically, the results of the Sustainable Living in Buildings project were:

- › 1.4 billion readers were reached through 25,200 media articles, posts, videos, etc.
- › 214,000 building owners and professionals were reached through building experiments and communication of results in papers, at events and conferences, etc.
- › The demonstration projects have received more than 30 awards and recognitions.
- › More than 50 scientific papers have been published with results and conclusions from the building experiments.

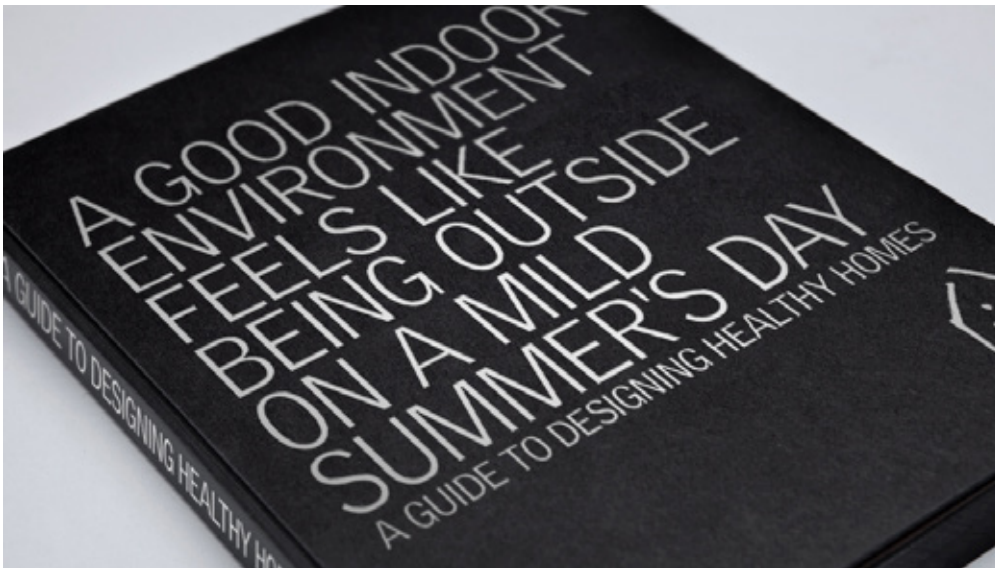


Attractive container homes for students

The VELUX Group has contributed to CPH Village, a new concept for student housing, consisting of 250 small flats built in scrapped containers. The sustainable container homes can be moved about the city and placed temporarily on free plots of land in the city centre to help solve the need for affordable and attractive dwellings for students.

The first 176 students moved in at the end of 2017 and more container villages in Copenhagen and other cities around the world are scheduled for the coming year.

VELUX indoor climate specialists and architects have performed analyses of daylight and ventilation in the containers and provided a conceptual layout for placing the containers in flexible modules, while still preserving the possibility of daylight and fresh air through the roof. Each container is fitted with three openable VELUX flat-roof windows.



A Guide to designing Healthy Homes

2017 saw the preparation of the new handbook, 'A Guide to Designing Healthy Homes', targeted at architects and other building professionals. The aim of the handbook is to describe how daylight, thermal comfort and indoor air quality can enhance the indoor comfort and improve the health of the dwellers.

The handbook is based on Active House principles and links healthy home research to design and product selection in order to promote daylight and fresh air in new builds as well as renovation projects.

The handbook is due for publication in the Spring of 2018.



Sustainable products

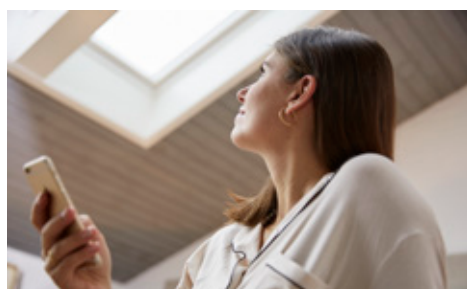
Sustainable products are our core business. For more than 75 years, the VELUX Group has created better living environments for people around the world with a wide product portfolio ranging from roof windows to modular skylights and various kinds of sun screening products.

Strategy and goals

Our windows and accessories are designed and produced to promote healthy and sustainable buildings that provide more daylight, more fresh air and nearly-zero energy consumption.

By developing VELUX ACTIVE, we are taking the next step in applying smart home technology to support our vision of sustainable products.

Activities, performance and next steps



VELUX ACTIVE for optimum indoor climate

2017 saw the continued development of VELUX ACTIVE scheduled to launch globally at the beginning of 2018. Based on a range of indoor climate parameters such as temperature, humidity and CO₂ levels, VELUX ACTIVE automates the operation of windows and sun screening to ensure optimum indoor climate in the home at all times regardless of season, weather, use of the room, etc.

VELUX ACTIVE was developed in cooperation with digital and climate experts from consumer electronics company NETATMO. The window operates based on real-time data from home sensors and external sources providing data on weather conditions. VELUX ACTIVE is compatible with the motorised VELUX Integra windows and shades as well as manual windows retrofitted with a mains or solar-powered motor.

- › Prototypes of VELUX ACTIVE were first presented at the Consumer Electronics Show 2017, where the product won prizes in the categories of Smart Home and Eco-design & Sustainable Technologies.
- › VELUX ACTIVE with NETATMO won the Special Jury Mention at the Batimat Innovation Awards in France. The special mention was given for the combination of expertise and joint innovation performed by the VELUX Group and NETATMO



Can we make an energy-neutral window?

Under the working title 'Sustainable window', we are conducting a front-end innovation project to document the possibilities of developing a roof window that brings daylight and fresh air into the home with zero energy loss.

The experimental research project is carried out in partnership with the Danish Technological Institute and Aalborg University. It is financed by EUDP, the Energy Technology Development and Demonstration Program supporting the goal of making Denmark independent of fossil fuels by 2050.

The project was based on a 40 year-old house in Berlin, Germany.

The experimental test is being monitored for a full year before conclusions are drawn up in the spring of 2018.

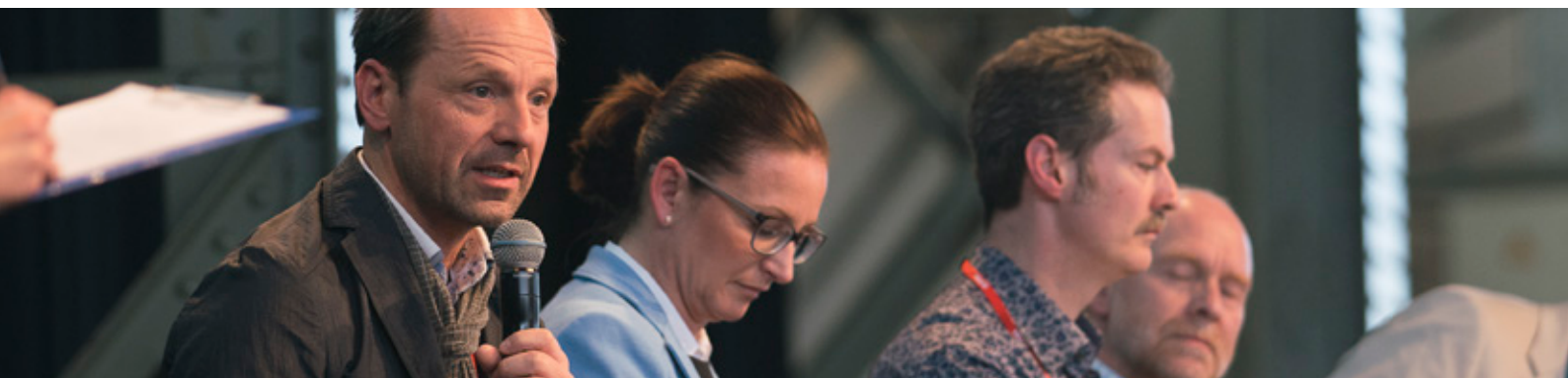
My Daylight App

Surveys have shown that people find it difficult to envision how their home can be given new life with daylight through the roof. In order to help people visualise the opportunities, the VELUX Group has developed and launched My Daylight App. By entering a few parameters, e.g. room size, roof pitch and number of windows, the user receives a free daylight simulation of the room on a phone or tablet; 3D glasses complete the experience of the daylit room.



My Daylight App will be rolled out to 15 European markets in 2018. The 92 million or so European home owners make up the primary target group for the app. When it was presented at the Batimat building fair in Paris in 2017, the app also received great attention from the professional building community.

The App is available for free download at App store.



Partnering with stakeholders

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

Strategy and goals

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

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

Activities, performance and next steps

The Active House Alliance

Eight years ago, the VELUX Group was one of the founding partners of the Active House Alliance. Since then, Active Houses around the globe have been tested in use, researched and documented in more than 50 peer-reviewed scientific papers. Results and research clearly prove that we already have the products, technology and competences needed to design and build energy efficient buildings with a positive effect on people's health and well-being and with low, or no, impact on climate and environment.

In 2017, the VELUX Group took up the position as Active House Secretary General.

The fifth Active House Symposium was held in Denmark as part of the World Green Building Week in September 2017. The event gathered 90 architects, designers, developers and industries from 12 countries, who explored the topic 'How to design putting people first'. Three of the main conclusions from the seminar were:

- › Design of sustainable buildings is a dynamic process constantly evolving based on new know-how and technology.
- › To advance sustainable buildings, there is a need for education and tools for integrated planning.
- › It is important to create a pull for sustainable buildings from consumers to scale the movement towards sustainable solutions.

**VELUX Daylight Symposium 2017**

In May 2017, the seventh VELUX Daylight Symposium was held in Berlin, providing a platform for architects and experts to discuss the value of daylight in architecture and in everyday life.

Under the theme 'Healthy and Climate-Friendly Architecture – from knowledge to practice', the symposium presented 39 speakers from research and architectural practice.

The symposium gathered 360 participants representing researchers, practitioners, educators, legislators, media and other stakeholders in the field of daylight research and daylighting design.

The next Daylight Symposium is scheduled for 2019.

International VELUX Award 2018

Every second year, the International VELUX Award invites students of architecture to explore the theme of daylight and its role as an ever-relevant source of light, life and energy in buildings. The award will be presented for the eighth time in 2018.

Since the award was first launched in 2004, it has grown into the biggest global student award in the field of architecture. So far, 4,500 student teams from 60 countries have submitted projects exploring the Light of Tomorrow.



Influencing framework conditions

We seek sustainable solutions that maximise benefits for people and planet. We engage with local, regional and global legislators, authorities and interest groups to influence the framework conditions that govern the building sector



Strategy and goals

The VELUX Group was founded on a vision to bring daylight and fresh air through the roof and into people's lives and homes.

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

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

Activities, performance and next steps



Advocating daylight and fresh air in new builds and renovation

We wish to engage in dialogue with the civil society, governments and politicians to share our knowledge and experience about daylight, fresh air and energy efficiency as key enablers of better living environments at affordable prices. On international, EU and national levels, the VELUX Group advocates:

- › **The Active House** vision and principles to achieve nZEB (nearly Zero Energy Buildings).
- › Daylight in buildings as a key enabler of human health and well-being.
- › **Natural ventilation** and ventilative cooling as key enablers of good indoor air quality.
- › **Affordable solutions** for healthy and energy-efficient homes (new builds and renovations).
- › **Use of the energy balance approach** that includes the effect of solar gain and dynamic building envelope in energy performance calculations of buildings. In 2017, we gained support for the energy balance approach by three key trade associations (windows, glass, solar shading) in Germany.

Specific activities in 2017 included the Clean Energy for All package, which aims to set and renew EU energy policy to reach the Paris 2015 Climate Agreement commitments. Here, buildings play a key role as they account for about 40% of the energy consumption in Europe. We have worked with partners in Brussels in order to make sure that the future Energy Performance of Buildings Directive, which has been negotiated in 2017, includes indoor climate aspects in order to ensure healthy buildings for all Europeans.

Through our membership of EuroACE (European Alliance of Companies for Energy Efficiency in Buildings), we support the work to move Europe towards efficient use of energy in buildings, thereby contributing to the EU's commitments on job creation, energy security and sustainability.



Healthy Buildings Day 2017 in Brussels

On the annual Healthy Buildings Day in Brussels, the VELUX Group brings together political decision-makers, stakeholders from the health sector, residential housing specialists, NGOs and officials from the European Commission to discuss topics related to framework conditions and specific solutions for better living environments in Europe.

In 2017, the Healthy Buildings Day was held for the third time and gathered 120 European politicians, interest organisations and building experts to discuss how to improve the quality of European housing.

The Healthy Buildings Day 2018 in Brussels is scheduled to take place in September.

Creating and sharing know-how on smart and healthy homes

VELUX Group collaborates closely with external researchers to create and share knowledge about daylight and ventilation and how these parameters affect people and architecture. Among others:

- › VELUX engineers, researchers and architects presented 11 research papers at the Healthy Buildings Europe 2017 conference in Lublin, Poland, and at the Passive Low Energy Architecture 2017 conference in Edinburgh, Scotland. Among other things, we presented:
 - › Key findings of the Healthy Homes Barometer 2017.
 - › A new vision for Circadian House building principles.
 - › Affordable and sustainable renovation concepts.
 - › Key findings of Active House demonstration buildings
- › VELUX also co-sponsored conferences and courses such as AIVC 2017, Lux Europe 2017 and ECEE Summer Study 2017.

**COP23: Global Building Alliance Day**

The VELUX Group participated in the Global Building Alliance Day at COP23 in Bonn, Germany, highlighting the possibilities of Active Houses and presenting affordable renovation concepts.

We also participated in the 'Health in all EU Policies' event held in Brussels, demonstrating how tomorrow's sustainable and people-centric buildings can be built today by using existing solutions.

Building experiments pave the way for new standards and practices

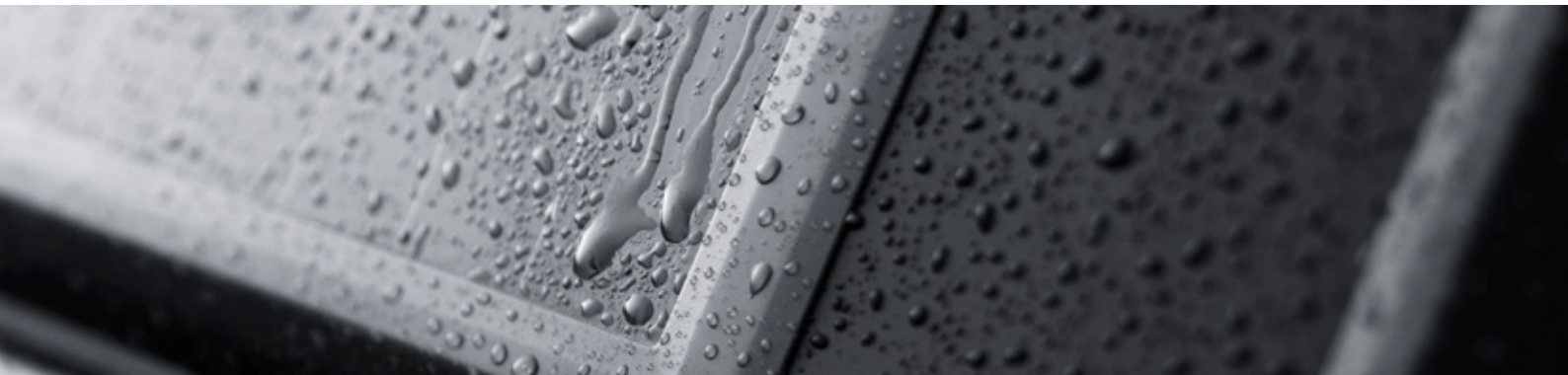
How can the Active House Alliance, co-founded by the VELUX Group, experiment with demonstration houses to develop a sustainable building standard? That was the topic of a PhD project completed in 2017 by researcher Lara Hale at the Copenhagen Business School.

Taking her starting point in three VELUX Model Home2020 projects (Sunlight House in Vienna, LichtActive House in Hamburg and RenovActive in Brussels), Lara Hale's research concluded that building practices and norms are fluid and constantly under development. In the case of sustainable building, projects and experiments must tackle challenges of measurement, people's behaviour and rapidly evolving technologies. In this environment of uncertainty, the only way forward is to experiment, share know-how and collaborate and learn for the next steps towards sustainable buildings.

Lara Hale will continue the cooperation with the VELUX Group in a post doc project entitled 'Smart Buildings and Cities Business Model Innovation' that will run for three years. The project is co-financed by Realdania and Innovation Fund Denmark and aims to research and contribute to our expansion into healthy indoor climate experiences by use of smart home technologies. The project also aims to set up an 'Active Living Lab' at the Science Forum Bloxhub in Copenhagen, where we can learn more about how people experience technology-driven and healthy indoor environments.

Responsible business

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



Product quality

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



Policy and goals

Quality is a cornerstone of the VELUX business and essential to fulfilling our vision of leading the change towards smart and healthy buildings. Our roof windows are developed for a service life of 40 years or more.

Activities

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

- › In 2017, 98% of dealers and installers agreed with the statement that the VELUX Group offers reliable and high-quality products in a third-party survey carried out among 7,200 dealers/installers in 20 countries.
- › In 2017, we issued no warnings to customers regarding defective products.
- › In 2017, 0,71% of sold windows required warranty service within the first three years after purchase.

Next steps

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

In 2018, we will implement a new, preventive quality approach that will be incorporated into our quality systems.



Human Rights

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

Strategy and goals

As a global company, we are committed to respecting human rights, including the principles set forth in the International Bill of Human Rights and the Core Labour Conventions of the ILO. We take care not to infringe the rights of individuals, groups and communities through our business activities and relationships.

The work with human rights goes beyond our own activities and we set high standards for suppliers as regards human rights, labour rights, working conditions and non-discrimination policies. We recognise the importance of maintaining and promoting fundamental human and labour rights. Our work is focused on the following issues:

Forced labour and human trafficking: The VELUX Group prohibits the use of forced labour and any form of human trafficking. We do not allow use of physical punishment or other forms of physical, sexual, psychological or verbal abuse as a method of control in the work place.

Child labour: The VELUX Group prohibits any use of child labour in our own company and at our suppliers.

Freedom of association and collective bargaining: We respect our employees' right to join, form or not to 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 their freely chosen representatives. The VELUX Group is committed to bargaining in good faith with such representatives.

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

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

Activities

In 2017, the VELUX Management Group approved the following guidelines and systems to ensure that human and labour rights are respected in our own operations and in our global supply chain:

- › New CSR and Sustainability Policies based on the UN Global Compact
- › New Employee Code of Conduct
- › Updated Supplier Code of Conduct
- › Internal and external whistle-blower system

Next steps

In 2018, the new policies, the Codes of Conduct and the whistle-blower system will be rolled out in the global organisation.



Code of Conduct for employees

In 2017, the VELUX Group prepared a new Code of Conduct for Employees and a new whistle-blower system.

Strategy and goals

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

A new whistle-blower system ensures that non-ethical behaviour can be identified, reported and acted on.

Activities

The Code of Conduct for employees governs our business in the following areas, supporting the ten principles of the UN Global Compact:

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

In 2017, we also prepared a new whistle-blower system. The system is designed as a secure hotline, operated by an external partner, where employees can report issues relating to illegal or unethical business behaviour.

[Go to whistle-blower system](#)

Next steps

In 2018, the Code of Conduct for employees and the whistle-blower system will be rolled out in the global organisation.



Code of Conduct for suppliers

We work with suppliers who share our commitment to responsible business practices. In 2017, 99% of VELUX suppliers signed the VELUX Code of Conduct.

Policy and Goals

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

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

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

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

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

Activities

Implementation of a new Supplier Evaluation and Approval Process.

Preparation of an updated Code of Conduct for suppliers.

Implementation of a new approval process for new suppliers.

Performance

99% of suppliers to the VELUX Group have signed the Code of Conduct.

Since the launch of the Code of Conduct in 2001, we have been able to correct non-compliance issues in partnership with suppliers and have not yet been forced to terminate a relationship with a supplier solely due to Code of Conduct non-compliance issues.

No new audits were carried out in 2017.

Next steps

Global implementation of the new Code of Conduct for suppliers. We aim to have 100% of our suppliers sign the Code of Conduct. We inquire on how suppliers ensure the company's code of conduct during our approval and validation Supplier Quality audits.



Fair competition and anti-corruption

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

Policy and Goals

Fair competition

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

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

- › Information and training, e.g. individual training, workshops, seminars and e-learning programmes on antitrust and competition law.
- › Guidelines, procedures (including approval procedures) and instructions.
- › Personal annual declarations of compliance to be signed by all general managers.
- › Competition law reviews by the Group General Counsel of our parent company and his team (hereinafter referred to as the "Group General Counsel").
- › Legal due diligence in connection with all mergers and acquisitions.
- › Approval of essential trade documents (including trade conditions, sales & delivery terms, distribution & licence agreements, co-development contracts, and sales and delivery terms) by the competition law specialists of the Group General Counsel.

Tax

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

Anti-corruption

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

Activities

Competition

The Group General Counsel of our parent company and his team carry out competition law compliance audits. They also train general managers, sales managers and other relevant employees in the VELUX Group Legal Policy and the VELUX Group Competition Law Compliance policy and in the compliance guidelines and instructions.

Tax

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

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

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

Performance

In 2017, the Group General Council carried out 100% competition law compliance audits.

Every year, all general managers sign a declaration to verify that no breach of competition law has occurred during the year.

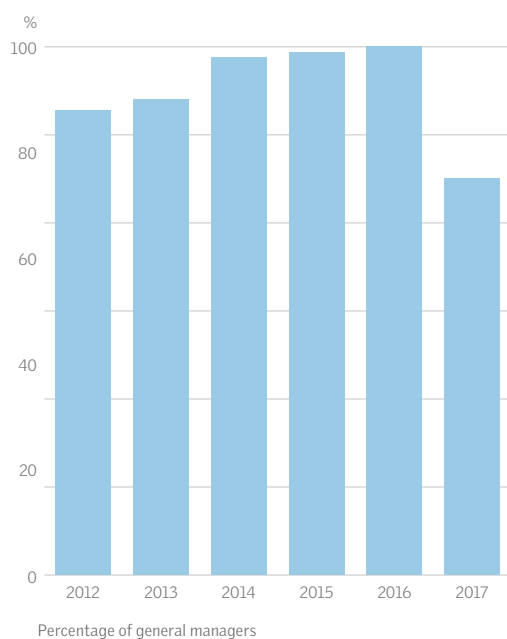
Every year, all VELUX senior managers complete our anti-corruption e-learning and make sure the policy is implemented in their area.

Next steps

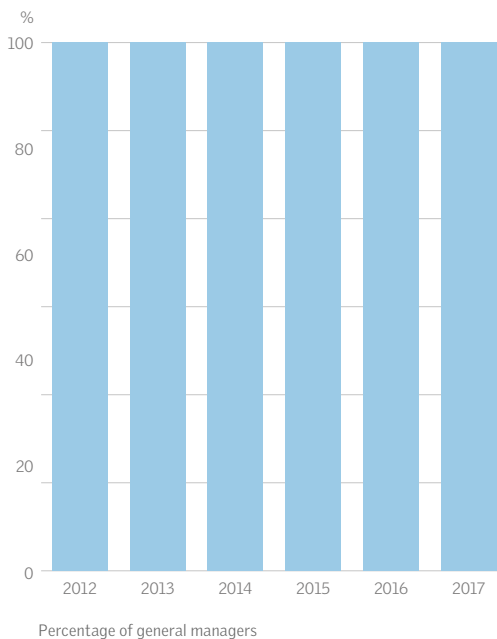
Ultimo February 2018, a whistle-blower programme will be launched. Any criminal or illegal activities can be reported to the whistle-blower system.

In 2018, a new programme to ensure Competition Law Compliance in connection with online sales will be launched.

Anti-corruption training



Annual Declaration signatures





Employee Foundation

In 2017, the Employee Foundation donated more than €1,105 million to employees, their families and non-profit community projects.

Policy and goals

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

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

Activities

In 2017, 308 grants totalling € 811,000 were made to present or retired employees in need of assistance in distressed circumstances or to their children's final education or training.

In 2017, 144 grants totalling € 293,000 were made in support of non-profit community projects in the vicinity of the VKR Group's companies worldwide.

Examples of grants to employees made in 2017:

- › Aid in connection with Parkinson's disease to an employee in Hungary.
- › Aid to enable an employee's child in Denmark to remain at a special school for children with severe dyslexia.
- › Aid to fertility treatment for an employee in Poland.
- › Scholarships to employees' children pursuing training to become an electrician, chemist, archaeologist, toolmaker, teacher etc.

Examples of local support in 2017:

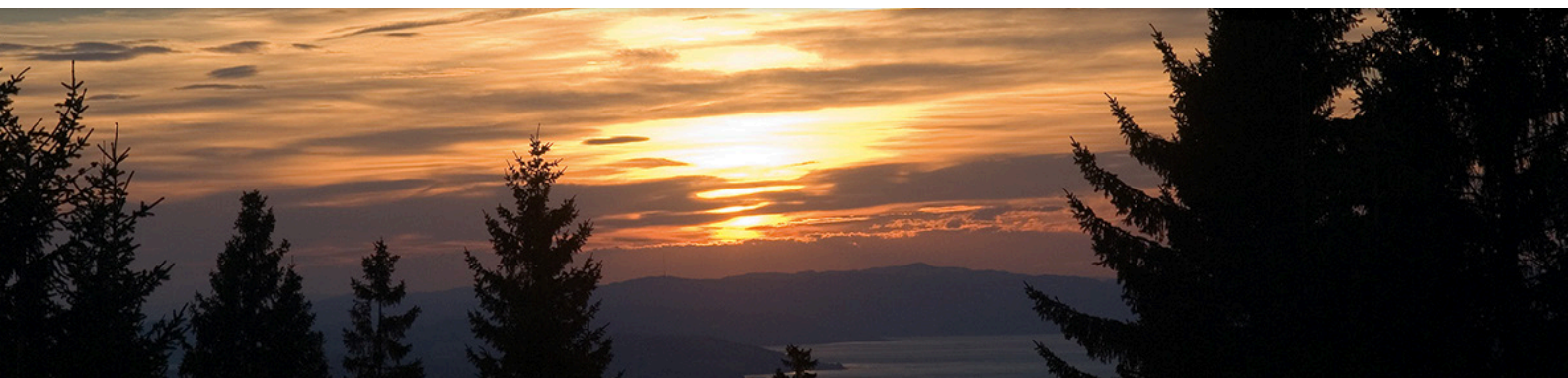
- › Football equipment to integration project in Germany
- › Rescue equipment to firefighting brigade in Poland
- › Instruments for orchestra in France
- › Sports equipment for water polo club in Croatia

Performance

Between 1992 and 2017, more than 3,700 people received financial support from the Employee Foundation, either for themselves or for their families. In the same period, more than 1,800 projects within the vicinity of VKR Group companies received support.

Next steps

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



The VELUX Foundations Villum Fonden & VELUX Fonden

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

In 2017, THE VELUX FOUNDATIONS granted over €168 million in total.

Villum Fonden

In 2017, VILLUM FONDEN granted over €140 million (DKK 1 053 million) to 112 projects.

Grants for 66 curiosity-driven researchers

2017 was the year in which all three research funding programmes of VILLUM FONDEN were first implemented. The common aim of the three programmes is to promote curiosity-driven science or curiosity-driven research. Among more than 700 applicants, the foundation awarded 66 scientists, granting more than DKK 620 million for their research in technical and natural sciences:

- › 11 VILLUM Investigators, who are experienced elite scientists
- › 16 VILLUM Young Investigators, who are young, upcoming scientists
- › 39 VILLUM Experimenters, all venturing a 'moon shot' in their field of research

Support to Hope and Homes for Children NGO

For decades, children in Romania and Bulgaria have lived under conditions with limited human interaction and stimulation at large state-run children's homes. This has caused severe physical, social and cognitive problems for the children.

The organisation Hope and Homes for Children (HHC) drives a long-term project to replace the old orphanages with modern alternatives, including foster care and family-concept homes. For several years, VILLUM FONDEN has supported the work of the organisation in Romania and Bulgaria giving four grants amounting to € 5 373 816 (DKK 40 million) in all.

VELUX Fonden

In 2017, VELUX FONDEN granted € 28 million (DKK 210 million) to 804 projects.

Supporting a Danish marine environment in balance

VELUX FONDEN supports a project that seeks to create a sustainable balance between use and conservation of marine resources in the waters around Denmark. Among the specific activities are:

- › Grant for four small fishing communities along the North Sea coast to ensure sustainable development of the communities based on ecological fishing methods. € 1,07 million (DKK 8 million).
- › Grant for mapping and creating a consolidated maritime plan for the Øresund Region as a joint effort between scientists, public authorities, sea stewards, commercial user groups and NGOs. € 1,34 (DKK 10 million).

Training of local fire cadets

Since 2014, VELUX FONDEN and the Danish foundation TrygFonden have co-funded the creation and development of local fire cadet corps in Denmark. A total of some 400 youngsters have so far trained to make an active contribution and assist citizens in distress.

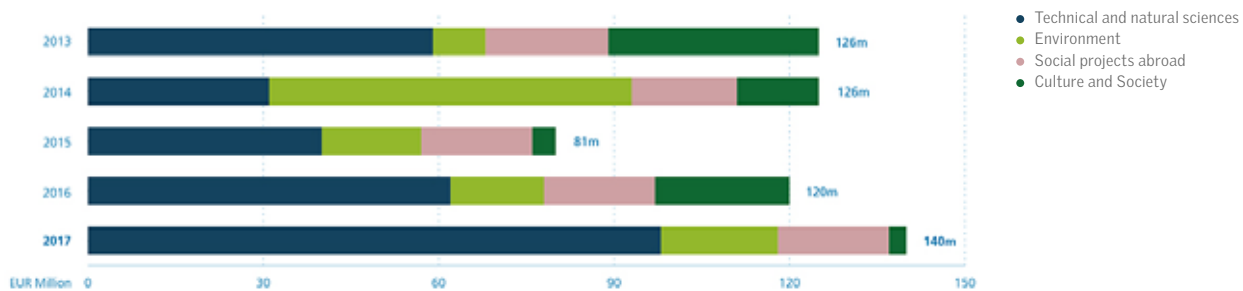
The initiative has now been adopted by nine out of eleven local authorities, who will continue the project and finance it. In the period 2014-18, Fire Cadets Denmark received € 805 920 (DKK 6 million) from VELUX FONDEN.

Support to senior citizens contributing to community life

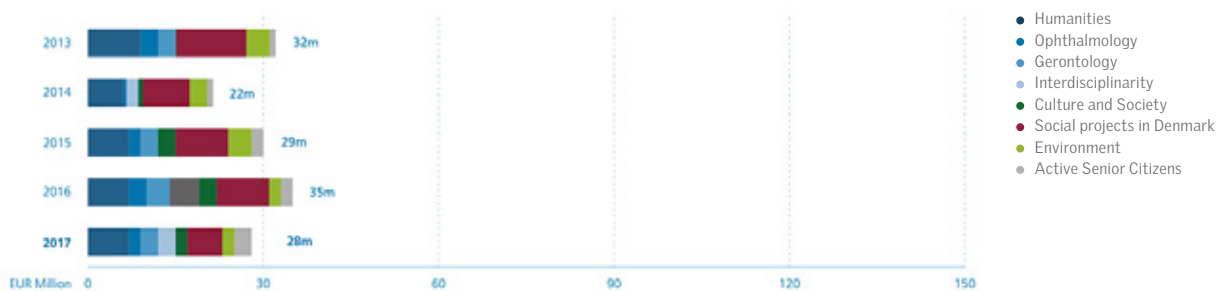
Since its foundation in 1981, VELUX FONDEN has recognised the potential of active senior citizens who contribute to society. Grants are given for many different purposes, e.g. for community volunteerism where senior citizens bring out food to people in need for the Danish Food Bank; or when a local senior club helps integrate refugees by running a second-hand furniture depot and bicycle repair shop; or when volunteer veterans of all ages restore five military vehicles in the town of Fredericia.

Grants from the foundations in EUR from 2012-17:

VILLUM FONDEN



VELUX FONDEN



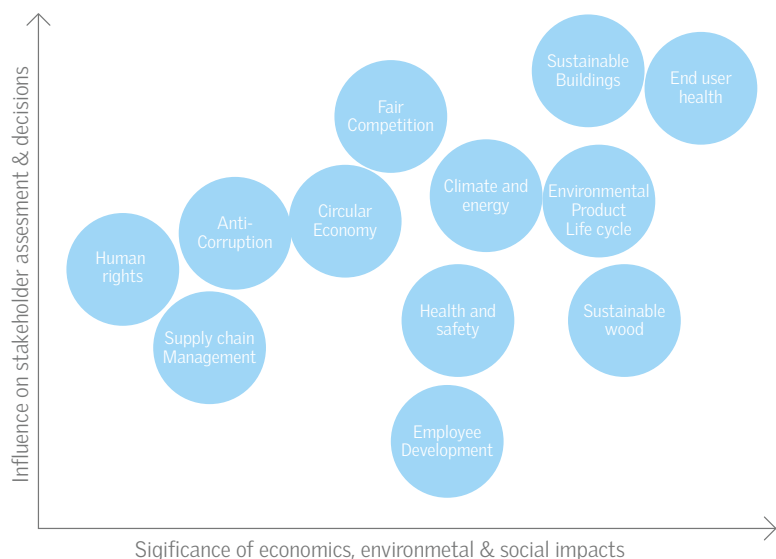


Reporting principles

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

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

The VELUX Group compiled the company's CSR report 2017 using the Global Reporting Initiative (GRI), Sustainability Reporting Guideline as methodology.



Governance

Corporate Social Responsibility is governed by the VELUX Management Group. We have identified the economic, environmental and social issues that are of importance to the assessment and decisions of our stakeholders and where we, as a business, have significant influence throughout the value chain: upstream in our supply chain, at our suppliers and our own operations; and downstream in the supply chain, through our products and how we act in the market.

Collecting and processing data

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

Product quality:

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

Fair competition:

Data on anti-corruption e-learning comes from completed registrations in the e-learning software. Anti-competitive behaviour (Annual Declaration) is based on the number of general managers who signed the declaration. The declarations were collected by Legal Affairs in early 2018, declaring no breaches to competition law had occurred during the year.

People development and diversity:

The data was collected and processed by the VELUX Group's HR function. The term senior managers is used for general managers in sales and production companies, for employees referring directly to the VELUX Management Group and for other selected key employees. Employee numbers are defined as head count and calculated at end of year.

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

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

Employee Foundation:

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

Safe and healthy workplace:

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

Climate and energy:

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

Waste and environment:

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

Sustainable wood:

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

Code of conduct:

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

Bringing light to life™

VELUX®