VELUX®

SUSTAINABILITY REPORT 2021

Starting a new decade of action

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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

Letter to our stakeholders

> **In 2021, we altered our corporate purpose to "create well-being for people and planet by transforming spaces with daylight and fresh air". This better reflects our role in society and, in light of the pandemic and ongoing climate change, has never been more relevant.**

All over the world, more and more people are feeling the effects of spending time indoors isolated from normal living conditions. Climate change is also top of mind as it's now clear to most of us that the more we ignore the well-being of our planet, the greater the consequence. That's why we as a company need to take action and inspire others to do the same.

My experience at COP26

A personal highlight for me in 2021 was representing VELUX Group at COP26 in Glasgow. This was the first time I'd attended this type of event and it was both a pleasure and a privilege to spend time talking to other companies, activists, NGOs and other stakeholders. Above all, there was a sense that together we can make a positive difference and do what's necessary to address the climate crisis.

I came away from COP26 with the overriding understanding that what we at VELUX are doing is the right thing. However, like others we have to pick up the pace and work even more closely with our partners and industry stakeholders. Happily, the building sector has moved beyond its focus on pure operational efficiency and now acknowledges the need for a whole life perspective to tackle carbon emissions from buildings and embodied carbon in building materials. Now that we agree on the action we need to take, I hope that we can see greater speed across the industry in the way we respond.

That's why all employees throughout the VELUX Group will continue to do everything they can to alleviate climate change and support the nature that we – and all life on earth – rely upon. As we've said before, quite simply, it's our nature.

At VELUX we fully understand this urgency. Sustainability has to be at the very heart of everything we do. That's why sustainability is now a key priority in our new corporate strategy and we are working towards having the same level of governance and scrutiny around our sustainability data (ESG) as there is around our financial data, including aiming for reasonable assurance from our auditors by 2024.

Contributing to healthy homes and buildings

For decades, we have highlighted the importance of bringing daylight and fresh air into buildings. This has become even more important during the pandemic, which has forced most of us to spend more time at home. This extra time indoors has led to increased demand for our products as consumers look for ways to make their homes healthier and more sustainable.

However, alongside this increase in people investing in their homes, there are still far too many people living in energy-inefficient buildings that are bad for both their health and bad for the climate. To meet the goals in the Paris Agreement, there needs to be a greater focus on increasing the rate at which buildings are renovated. Renovation comes with a huge opportunity to lower global carbon emissions while improving people's health and well-being. We will continue to be vocal about this opportunity and want to be part of the solution to inefficient buildings through product innovation that uses automation to optimise energy performance and indoor climate.

A shared task

Back in 2020 when we introduced our sustainability strategy 2030, we took the bold decision to become carbon neutral in own operations and to halve CO_2e emissions from our products. After a year of intense work, we now realise the sheer scale of the task ahead of us. Slashing emissions at this rate is something we can't achieve alone. We have to work even more closely with the suppliers of raw materials and other components for our products. While I'm proud to head one of the first companies in our sector doing exactly this, I'm all too aware that we need new ways of working within VELUX and new ways to collaborate across the value chain if we are to succeed.

It has to happen now

With the UN having called the 2020s the Decade of Action, we no longer have time for just talking and planning. We need to see real leadership and a spirit of collaboration to accelerate progress. At VELUX, we have started to take action and can already see the first results but there is still much to do. In spite of clear achievements in some areas and strong partnerships with organisations, such as WWF and others in the business and academic communities, we can't afford to be complacent. Partnerships are key to overcoming the urgency of this task. The planet doesn't have time to wait.

That's why all employees throughout the VELUX Group will continue to do everything they can to alleviate climate change and support the nature that we – and all life on earth – rely upon. As we've said before, quite simply, it's our nature.

David W. Briggs
CEO of the VELUX Group

Our new purpose

Creating well-being for people and planet by transforming spaces using daylight and fresh air

'Creating well-being', in the broadest sense, is why we exist.
That means health to people, but it also means creating compelling and desirable indoor spaces where people can feel content to live and work.

'People and planet', honours our commitment to sustainability, which has now been integrated into our corporate strategy.
The climate is changing and nature is being lost at an unprecedented speed. As a model company, we have a responsibility to do more than most, and to drive change within VELUX, our sector and even beyond.

'Daylight and fresh air' captures the most important aspect of the value we deliver to our customers.
It clarifies our intent and ambition to transform the indoor spaces where our solutions are used, in a way that other renovation or improvement opportunities cannot.

Build sustainably

Buildings account for around 37%* of total greenhouse gas emissions. This makes transforming the way we design, build, operate and dismantle buildings a critical part of achieving the goals of the Paris Agreement.

New buildings must be designed and built to minimise CO_2e emissions over their lifetime – including the carbon embodied in materials. We need to double or even triple the renovation rate of our existing buildings to reach the goals of the Paris Agreement and to improve people's health and well-being.

Living up to our purpose includes working to drastically reduce emissions from our business and also those embodied in products, plus innovating products and solutions for sustainable living and showing how to build sustainably. To do this, we are working with stakeholders across the entire value chain – from suppliers, architects and customers, to governments and NGOs.

* UN Global Building Alliance Status Report 2021

A framework for delivering on our targets

During 2021, we started to deliver on the 15 strategic targets in our sustainability strategy 2030.

Six of the strategic targets, with nine running indicators on progress, are now included in our ESG reporting.

Some of the remaining targets are yet to be included in ESG reporting, as we are still working on credible baselines and indicators, in order to have the right platform for reporting.

A few targets will not be included in ESG reporting as they are qualitative targets, however they will be part of the assurance process by the independent auditor.

The ringed targets are included in our ESG reporting.

2021 Highlights

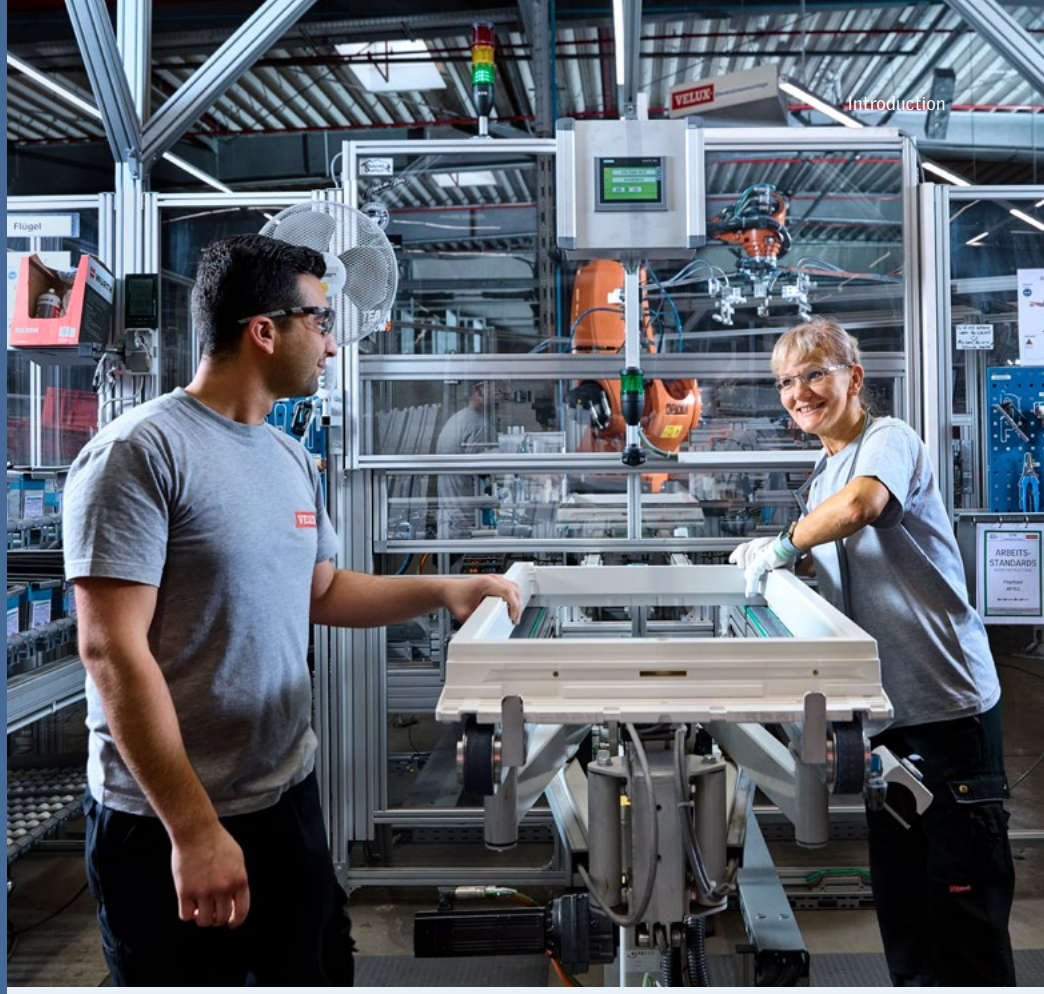
During the year, we started work on achieving our 2030 sustainability targets and made good progress in many areas. Here are our main highlights.

First historical carbon capture project established
The first forest conservation and restoration project in our 20-year commitment with World Wide Fund for Nature (WWF) is underway in Uganda and is estimated to capture around one million tonnes of CO_2.

100% renewable electricity supply by 2023
As part of our accelerated decarbonisation strategy in VELUX Group, we established Purchasing Power Agreements (PPA) for 100% renewable electricity by 2023 to replace electricity sourced from fossil fuels.

Green our packaging
A new highly protective packaging material made solely of paper and cardboard was introduced in Europe and the US. This replaces previous packaging material that was a mix of plastic, paper and cardboard.

ESG Reporting
We aim to have the same level of governance and scrutiny around our sustainability data (ESG) as there is around our financial data and have put a clear reporting structure in place within our Sustainability and Finance teams. In 2021, six of the 15 strategic targets in our sustainability strategy 2030 have been included in ESG reporting.

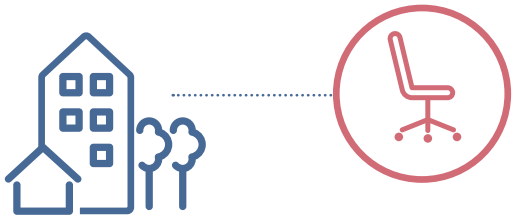


Strong organisational ownership

Our 2030 Sustainability Strategy is anchored as a priority in the overall Group corporate strategy and each of the 15 targets is owned by a VELUX senior manager, who is responsible for achieving results.

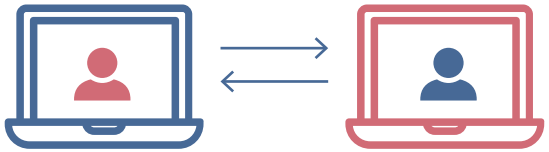
2021 Another year with COVID-19

As a global company with sales offices in 40 countries and production in 12 countries, COVID-19 has affected all VELUX functional areas and regions.



Working from home and safe manufacturing

2021 started with office employees working from home and a set-up implemented for smooth and safe manufacturing at our production sites. Our employees maintained a high level of capacity throughout the period. As the pandemic eased, normal working conditions resumed. However, at the end of 2021 we were back to where we were when the year started.



Increase in virtual meetings

During the year, digital meetings replaced many physical meetings. Although this affected our cross-border collaboration, as well as our visits to and work with suppliers, it has led to a number of benefits, such as a reduction in air travel and a better work-life balance for employees. For this reason, virtual meetings and flexible remote working will continue.

Customers' growing focus on healthy homes

One of the impacts of the increase in remote working during the pandemic has been consumers' desire to modernise their homes and introduce more daylight and fresh air. This has also been a focus in schools, offices and other places of work, where fresh air and regular ventilation have been prioritised for health and safety reasons.

Driven by a shared sense of purpose

The 2030 Sustainability Strategy was developed by involving over 100 colleagues from all levels and areas of VELUX in its creation. This created a sense of ownership across the organisation.

This commitment also makes implementation easier. Each of the 15 strategic targets in our 2030 Sustainability Strategy is owned by a VELUX senior manager who is responsible for creating a roadmap that will lead to delivery. The VELUX Management Group has approved the roadmaps and they are now being integrated in business plans, daily work and all decision making.

As you can read in this report, we have put faces and names to each target because we want to be transparent about and accountable for what we are doing. That's also why our Sustainability Strategy is now an integral part of the VELUX corporate strategy.

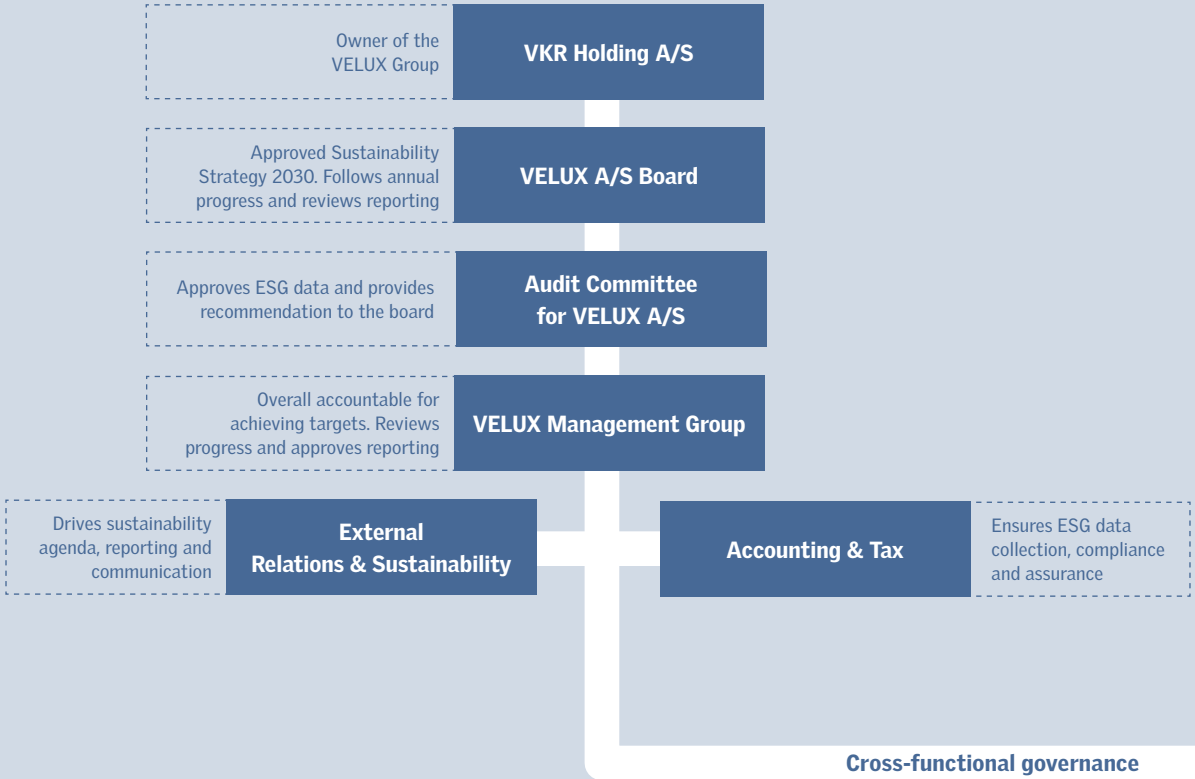
Alongside this strong internal commitment and dedication, VELUX has a number of robust partnerships that contribute to our sustainability goals. For example, our work with WWF on our carbon capture forest projects, partnerships with other businesses, our participation in the UN Global Compact and the UN Global Building Alliance, as well as our commitment to the Science Based Targets Initiative, have all reinforced the importance of collaboration in driving global change.

Achieving the targets outlined in this report is essential for the future of our business, our industry and our world. It's not going to be an easy decade but we are determined to succeed.

Ingrid Reumert
VP, Global External Relations & Sustainability

> **Over the past year, we've worked to implement our 2030 Sustainability Strategy in all aspects of our business. As we've done so, we also strive to live up to our company DNA, as articulated in our Model Company Objective created in 1965.**

Sustainability governance and target ownership



In 2021, delivering on our Sustainability Strategy 2030 was anchored as a strategic priority in the overall VELUX Group corporate strategy.

Our governance structure follows the principles of good governance in that it operates across all organisational levels of VELUX. The Sustainability Strategy 2030 is governed by the Board of Directors and VELUX Management Group. A clear reporting structure is in place within our Sustainability and Finance teams. Both teams report directly to the VELUX Management Group.

The 2030 Sustainability Strategy includes 15 strategic targets that were developed over a three-year long internal process. This has resulted in strong ownership and responsibility for execution throughout the company. Each target is owned by a VELUX senior manager and for selected targets, such as 'Reduce our future carbon footprint', a cross-functional governance structure has been put in place, where senior representatives from different functions agree on the direction and align plans.

The 15 strategic targets cover the issues we have identified as material to the VELUX Group, in terms of importance to our business and to stakeholders. In addition, we also report on six 'running indicators', which are important targets that we measure continuously. The VELUX Management Group has overall responsibility for achieving the strategic targets and the running indicators, and holding regular progress evaluation.

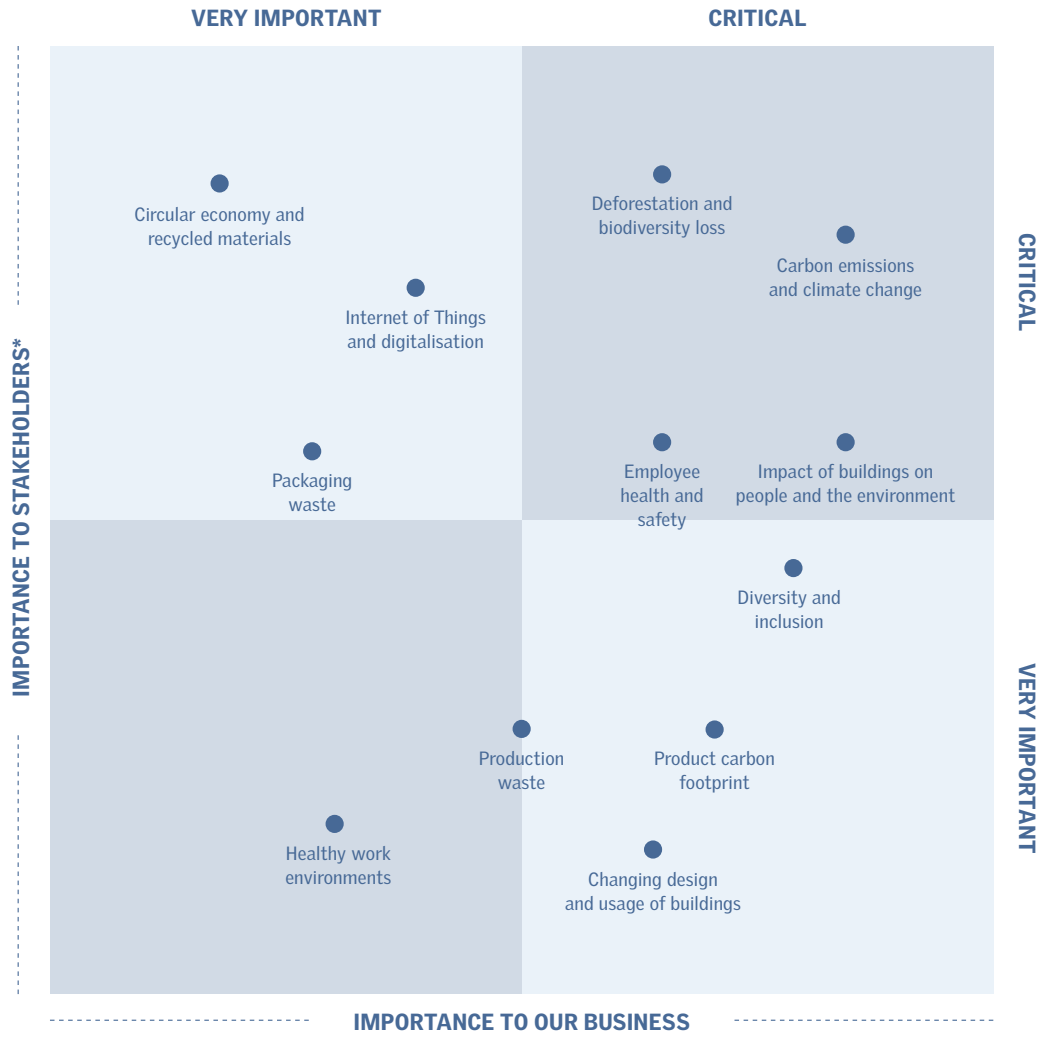
Assessing our impact

The Sustainability Strategy 2030 was developed in 2020 based on input and insights from a variety of internal and external stakeholders.

Their views, combined with research data, have allowed us to understand the most important social and environmental impacts of our operations and value chain and create a materiality assessment with prioritised focus areas correlated with the UN Sustainable Development Goals.

The materiality assessment took place in the period 2018 to 2020 and is still valid. The first step to creating the materiality assessment was to interview stakeholders individually to identify all potential topics they considered important. This step of the process was supported by desk research on sustainability risks and trends. Stakeholders subsequently received a questionnaire asking them to rank and assess the topics across various dimensions. Finally, senior representatives from key functions attended a materiality workshop to discuss and evaluate the material topics.

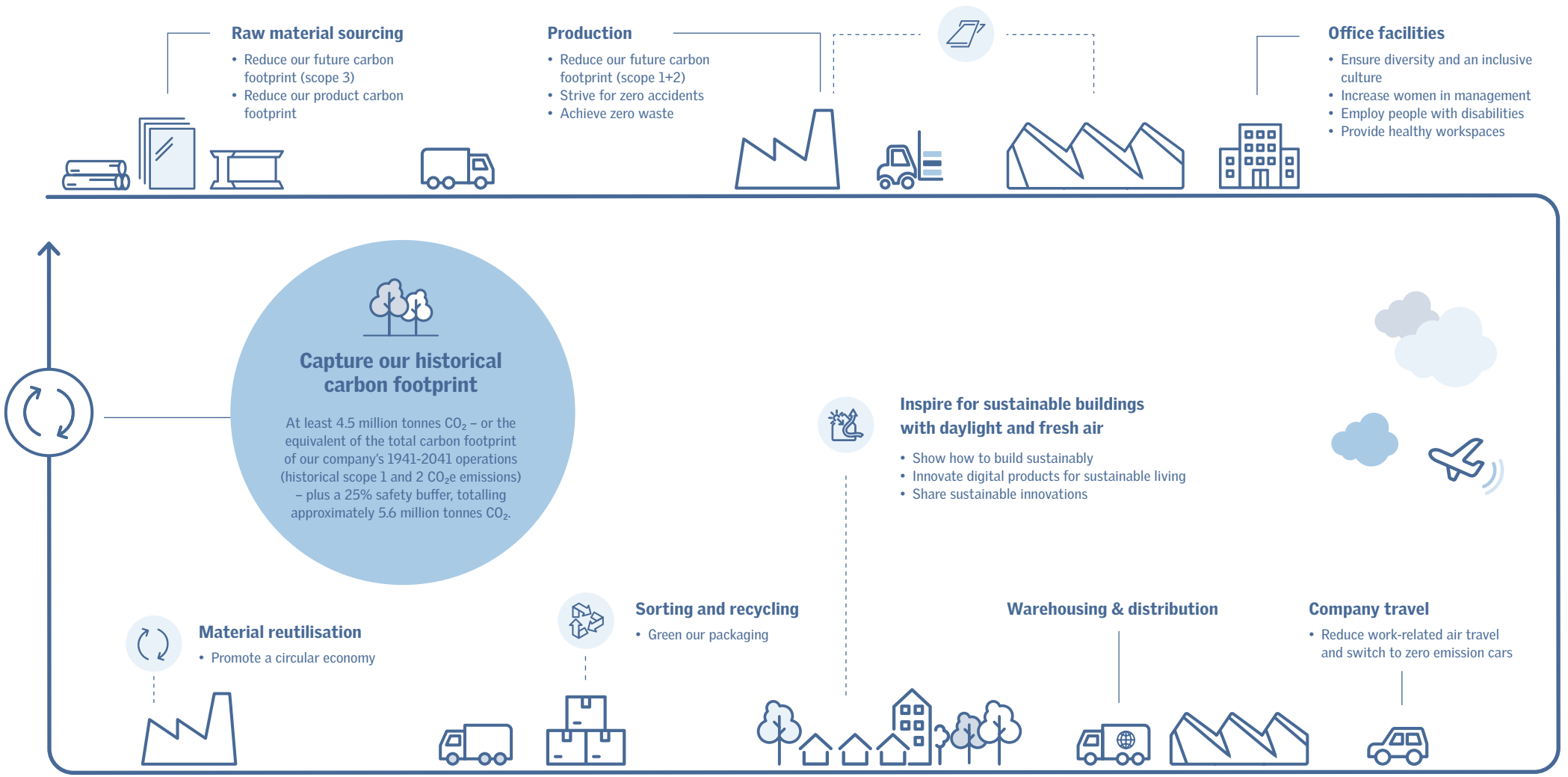
The materiality matrix shows the results of this process. The assessment is dynamic and reflects what our stakeholders expect from us and important topics for our business throughout the strategy period towards 2030.



* Based on management's assessment

Drive sustainability in all parts of our value chain

We transform our high ambitions for sustainability into tangible actions across our company and value chain. This ensures that sustainability is truly integrated throughout our business from sourcing to production, people and products to sustainable building advocacy and product end-of-life.



Achieving more together

Many of the ambitions in our sustainability strategy can only be achieved by working together with others.

Working with stakeholders across the value chain has been an integral part of our business since we formulated the Model Company Objective from 1965.

Reducing emissions from operations to become company carbon neutral (scope 1 and 2) and halving value chain emissions (scope 3) by 2030 means finding new ways of working and close collaboration across our value chain. To capture our historical scope 1 and 2 emissions, we have entered into a 20-year partnership with WWF.

Beyond our own direct impacts, we have worked for decades to advocate for and inspire sustainable buildings together with businesses, associations, universities and other organisations. This work shaped the platform from which future partnerships are developing that can contribute to our aim of showing how to build sustainably.

These partnerships and our advocacy work have provided us with valuable learnings and experience we can use in our work to deliver on the goals towards 2030 and beyond. By partnering with WWF, signing up to the Science Based Targets initiative, RE100, creating partnerships with Schneider Electric, and becoming part of global platforms like the UN Global Compact and the UN Global Building Alliance, we are accelerating the transformation of our business and being part of driving wider change towards achieving the UN Sustainable Development Goals.

Some of our 2021 partnerships

We pioneer climate and nature action together with:

- UN Global Compact
- SBTi
- We Mean Business Coalition
- Business ambition for 1.5

We capture our historical footprint together with:

- WWF

We reduce our future carbon footprint in scope 1, 2 and 3 together with:

- Schneider Electric
- Climate Group RE 100
- Our suppliers

We show how to build sustainably together with:

- Active House Alliance
- EuroACE
- EuroLUX
- UN Global Building Alliance
- EFFEKT architects
- MOE engineers

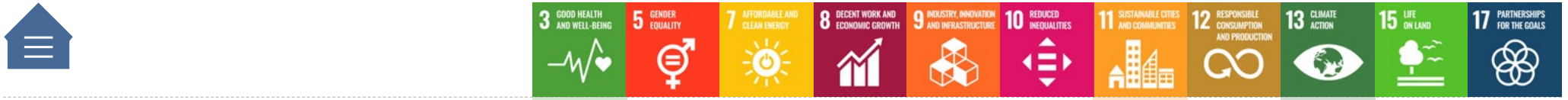
The UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) outline a broad spectrum of global challenges, which companies can contribute to solving. To assess the impact of our Sustainability Strategy 2030 on the SDGs, we mapped out the correlation between our targets and the SDG framework. This revealed that we contribute to 11 out of 17 SDGs. Of these 11 SDGs, our contributions to SDGs 3, 11 and 13 and their specific indicators are the most significant. That is why we have chosen to prioritise them in our sustainability strategy.

Our products and solutions contribute to health and well-being in buildings. Developing products that are useful to society is at the core of our strategy.

Our products and solutions are part of a broad context in cities and communities. With our strategy, we will continue to advocate for and demonstrate sustainable buildings.

We are stepping up to address climate change by setting ambitious carbon reduction targets.



Pioneer climate and nature action

We will pioneer climate and nature action to become Lifetime Carbon Neutral and showcase sustainable buildings and communities.

Innovate sustainable products

We will innovate sustainable products to create better indoor spaces for people and to care for the environment.

Secure a responsible business

We will secure a responsible business for more diverse, inclusive, safe, healthy and innovative ways of working. We must keep our own house in order and live up to our Model Company Objective.

Reduce our future carbon footprint

Our target for 2030 is a 100% reduction of carbon footprint in our own operations

What we did in 2021

- Prepared renewable PPA contract for 100% renewable energy for electricity by 2023, through partnership with Schneider Electric
- Established internal climate pool of money to finance climate and energy projects and started up the key Energy Excellence Programmes for production companies
- Introduced the 'Design for zero' and 'Buildings for zero' sub-programmes

What's next?

- Further global Energy Excellence Programme roll-out and apply concepts to smaller VELUX sites
- Further develop and implement the 'Design for zero' and 'Buildings for zero' sub-programmes

Company carbon neutral target is ambitious but achievable

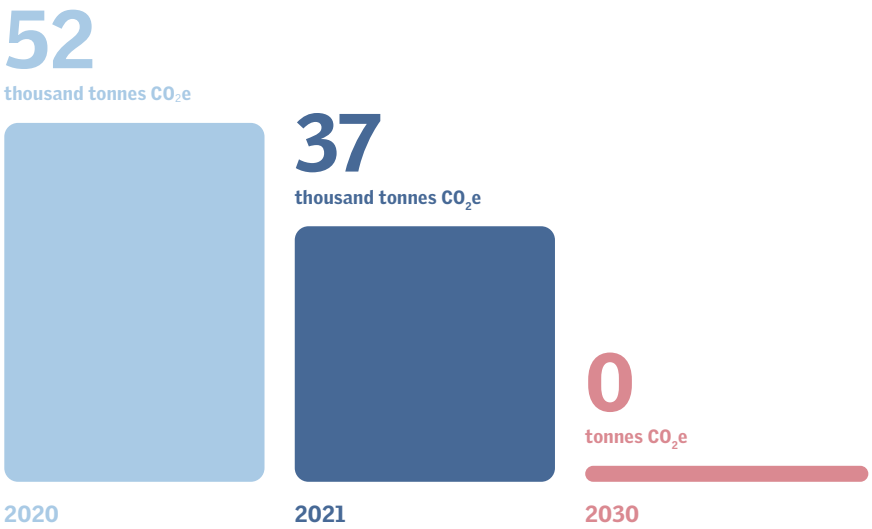
Two key programmes have now been launched to enable our ambition to eliminate our scope 1 and 2 emissions:

- Our renewable Power Purchase Agreement (PPA) Programme gives us a long-term supply of renewable power with a high degree of additionality.
- The Energy Excellence Programme is focused on global energy monitoring, increased energy efficiency in production companies and on-site renewable energy production. We plan to take a fast-track approach and start applying this to the factories with the highest energy consumption and emissions.

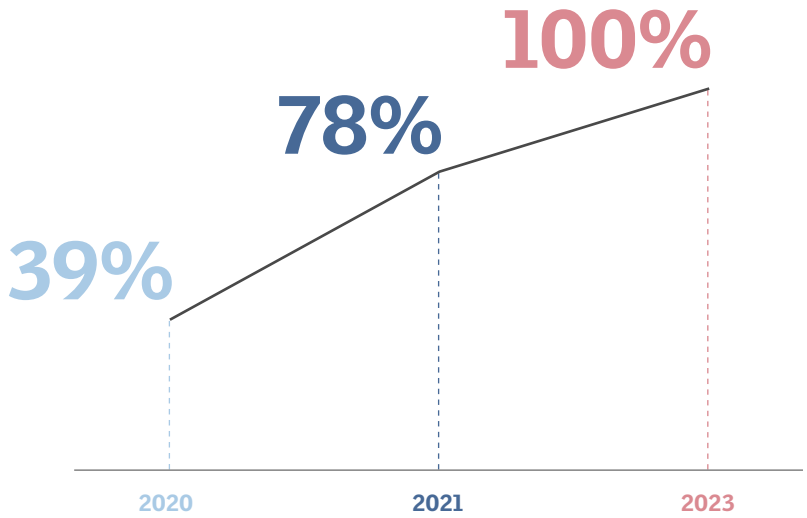
This year, two new sub-programmes were also introduced. 'Design for Zero' aims to design zero carbon new equipment, processes and facilities for our production companies, while 'Buildings for Zero' focuses on carbon reductions in and around new and existing premises and office buildings.

The company carbon neutral target now has a well-established governance structure for production companies. The next step is to introduce governance to smaller VELUX sites.

Scope 1 and 2 emissions



Share of renewable energy for electricity



An ambitious plan to cut emissions

Kim Jonas, Director, Global Energy & Climate

"Achieving carbon neutrality in our own operations is an incredibly ambitious goal – made even more ambitious by the fact we're striving to eliminate all carbon emissions by increased energy efficiency, shifting to 100% renewable power and replacing use of fossil fuels with renewable ones. This year we've been working on a detailed, well-prepared and realistic plan – not least with a focus on how to overcome barriers that could delay us.

From experience, we know that the two biggest internal barriers can be lack of dedicated financing and lack of internal resources. That's why we've established an internal climate pool of money to provide budget extensions wherever needed. We've also partnered with Schneider Electric to work with local sites, map our energy efficiency, make carbon neutral site plans and even offer turnkey solutions, such as providing renewable electricity from solar PV and heat pumps producing renewable heating by using this renewable electricity. Partnerships like this are key because they enable us to leverage more resources and solutions quickly.

Internally, there's a real sense of urgency around this target. Our sites and employees are asking for this and we're getting ready to deliver. This common goal has given us the energy boost and motivation to make change happen."

PARTNERSHIP
Schneider Electric

Full speed on renewables to achieve our carbon neutrality target

The VELUX Group will switch to 100% renewable electricity by 2023. We are also developing a global decarbonisation programme with carbon neutral action plans for each of the VELUX Group's factory sites to successfully reduce their energy use and scale renewable capacity. This programme will be implemented successively from 2022.

The global decarbonisation programme includes:

- Energy assessment of all VELUX Group factory sites resulting in the development and implementation of carbon neutral action plans.
- Support for the VELUX Group's Energy Excellence Programme in accordance with ISO 50001 Energy Management System Standard, improving energy efficiency activities and expanding onsite renewable heating and electricity capacity to phase out fossil fuels.
- Implementation of a global monitoring system to measure and analyse energy usage.

Energy efficiency in production

The VELUX Group is piloting the carbon neutral action plans at two of the company's top energy-consuming plants. These plants account for approximately 25% of all energy used in VELUX production. Significant investments are going to be made at these sites to convert to renewable heating sources by installing heat pumps powered by green electricity and using wood waste from certified (FSC/PEFC) forests produced on site. The VELUX Group is also investing in on-site solar photovoltaic energy installations and will continue to improve the sites' overall energy efficiency.

The VELUX Group is removing operational barriers to increase and prioritise our climate strategy and ambitions. This will enable faster delivery on the VELUX Group's ambition to be carbon neutral in scope 1 and 2 by 2030.

Reduce our future carbon footprint

Our target for 2030 is a 50% reduction of carbon footprint from the value chain

What we did in 2021

- Improved the accuracy and completeness of our scope 3 model
- Identified opportunities and mapped potential for CO_2e savings
- Set targets for reduction in 2022 and 2023
- Initiated pilot projects in upstream partnering

What's next?

- Setting up internal quarterly reporting on progress
- Work on pilot projects in upstream partnering

Calculating emissions across the value chain

In VELUX, approximately 94% of our emissions are scope 3 with a 2020 baseline figure from our value chain, upstream and downstream, of 1.9 million tonnes CO_2e for the entire VELUX Group. Of this total, 61% comes from direct purchased materials and 20% from indirect purchased goods and services. The top four emission-producing materials of our scope 3 emissions are aluminum at 41%, other metals at 13%, glass at 12% and electronics at 10%.

These estimates are currently based on industry standard carbon equivalents and will be replaced by supplier-specific data, where possible, over the coming years. To date, we are working with 134 of our suppliers to understand and document their carbon footprints based on the CDP method so we can more accurately calculate our scope 3 emissions. These suppliers are chosen based on their potential to contribute to reducing our value chain emissions.

During 2021, we identified the opportunities for reducing emissions from product design and material choices and the potential reductions that can be achieved working with our suppliers. We used our newly developed Carbon Footprint Calculation Tool to understand and reduce carbon in our direct purchasing and involved our Advanced Material Technology department to identify materials and solutions with lower CO_2e emissions.

Working closely with the supply chain

David Collins, Director, Supplier Quality & ESG

"Scope 3 accounts for around 94% of our CO_2e emissions. That is why our scope 3 reduction target is important. Quite simply, if we do not succeed in this, we will not achieve our overall carbon reduction ambitions.

We have a good understanding of our own operational carbon footprint from within our facilities but far less data from our supply chain. There are many variables affecting this but mostly the carbon footprint of the materials we buy, the economies in which they are processed and distances they are moved around. This is extremely complicated to calculate with any accuracy and we have spent the last couple of years working to create modelling, which will turn this data into useable information for our colleagues to base strategies on. We have a very talented team, which has now created a system to report and make our carbon footprint transparent."

PARTNERSHIP
With suppliers

VELUX climate partnerships with suppliers

A win-win in investing in documenting scope 3 emissions
To understand and map our scope 3 emissions, we have worked closely with our external suppliers, and the organisations CDP (Carbon Disclosure Project), and The Carbon Trust. This has enabled us to create a carbon model that can be used by suppliers to document their carbon footprints.

During 2021, we used this model with 134 suppliers. To make it as easy as possible for them to get started, the model comes with a starter kit containing a roadmap, guidelines and an easy-to-follow spreadsheet. VELUX employees have also been on hand to support, if needed.

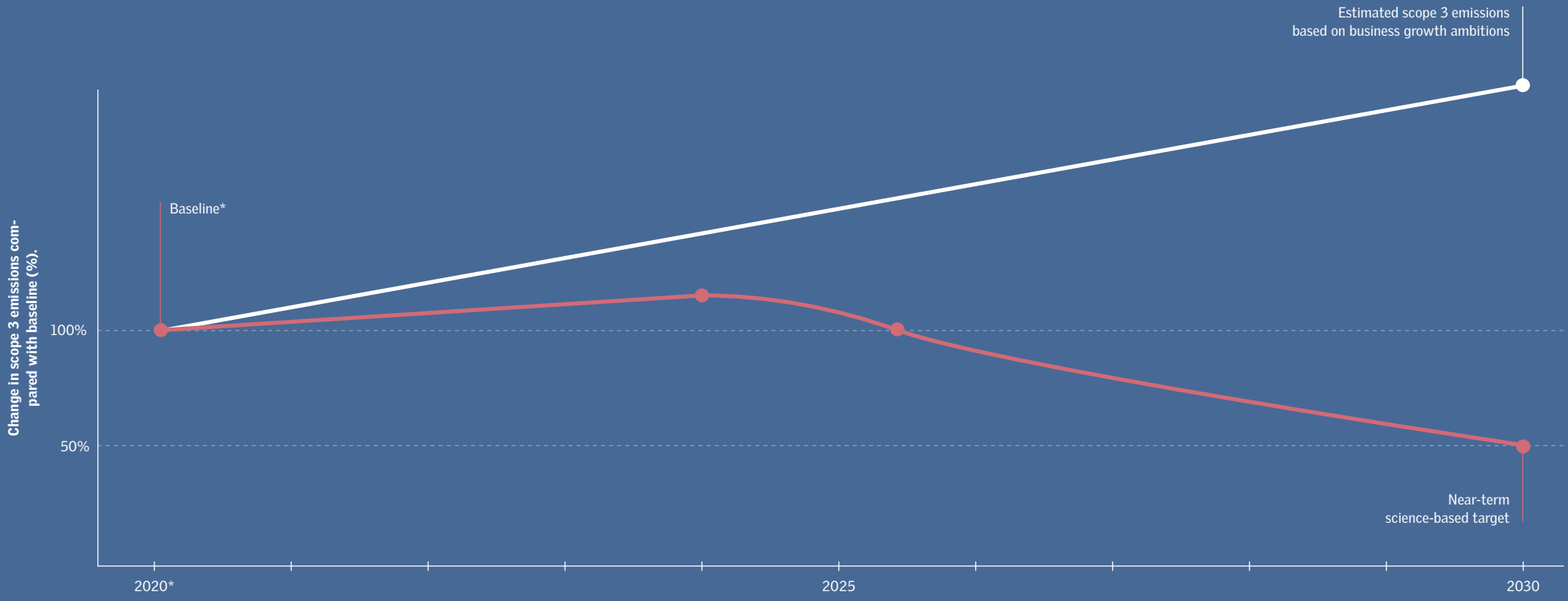
Suppliers can use our carbon model in their work with their customers and as the basis for their own carbon reduction strategies. 80 of the 134 suppliers had no estimate of their emissions and have greatly appreciated having our model to help them get started.

Best practice approach
The response to our requests for documentation has been impressive. Data from CDP shows that on average 30% of suppliers respond to requests for carbon data. In 2021, we had a response rate of 60%, which we expect to increase to 80% in 2022.

In addition to supporting suppliers to document carbon emissions, VELUX is actively promoting the Science Based Targets initiative (SBTi). This globally recognised framework provides a clearly-defined path to reducing greenhouse gas (GHG) emissions. At the time of writing, 12 of our suppliers have registered with this programme and it is expected that more will follow.

At VELUX, we plan to continue working with suppliers to understand their carbon emissions. Not only does this help us accurately calculate our scope 3 emissions, but it supports other companies to play an active role in countering climate change and creating the system transformation we need for a more sustainable world.

50% reduction across the value chain (scope 3) by 2030



*Improvements to our scope 3 model, as well inclusion of data from three subsidiary companies (JET, Vitral and Wasco) acquired since 2018, meant that we have resubmitted our scope 1 and 2 and scope 3 targets to the Science Based Targets initiative (SBTi) with a revised baseline year (2020). We have updated the 2018 baseline to 2020 via the resubmission in January 2022. The approval of the resubmission by SBTi has started. This update remains in line with the 1.5 degree pathway for a 50% reduction of our baseline year by 2030.

Timeline for our scope 3 model

	2019	2020	2021	2022	2023
2018 model baseline	Data collected	Initial submission	Model used for internal reporting 2020	Model retired	
2020 model baseline		Model created	Data collected and used for 2021 reporting	Used to submit to SBTi for new submission	Used for FY2022 and forward reporting

Establishing the foundation for a robust forest project portfolio

In 2021, the focus of our 20-year partnership with World Wide Fund for Nature (WWF) has been to continue establishing a robust portfolio of a total of five high-impact forest and biodiversity projects in some of the world's most biodiverse landscapes.

Combined, the forest projects will capture at least 4.5 million tonnes CO_2 – or the equivalent of the total carbon footprint of our company's operations between 1941 and 2041 (historical scope 1 and 2 CO_2e emissions), plus a 25% safety buffer, bringing the total potential capture to approximately 5.6 million tonnes CO_2. This is in addition to our commitment to reduce CO_2e emissions from our operations (scope 1 and 2) to zero and to halve emissions from our value chain (scope 3) by 2030.

The first project is in Uganda and it moved into the early stages of the implementation phase during 2021. This phase includes third party validation of the project according to internationally recognised standards – Verified Carbon Standard and Climate, Community and Biodiversity Standard (VCS & CCB), developed and managed by the organisation Verra*. This process will be completed in 2022, and it is expected that the Uganda project will deliver the first carbon capture results in the second half of 2022.

* https://verra.org/

Capture our historical carbon footprint

Our 2041 target is 4.5 million tonnes CO_2 captured through forest and biodiversity projects equal to our company's carbon emissions (scope 1 and 2) from 1941 to 2041*

What we did in 2021

- Prepared for reporting on progress in 2022 for this target
- Progressed on forest project in Uganda
- Placed Myanmar forest project on hold
- Started to validate and lay the foundation for subsequent future third-party verification of progress on the Uganda project, according to Verra's VCS & CCB standards
- Initiated scoping of six forest and biodiversity projects around the world

What's next?

- Finalise scoping of six forest projects, select three to four forest projects and lock full forest project portfolio of five forest projects in 2022
- Kick-off three to four new forest projects
- Start validating and laying the foundation for subsequent future third-party verification of progress, according to Verra's VCS & CCB standards or similar, for three to four new forest projects
- Measure carbon impact of Uganda project (first third-party verification of carbon capture in 2024)
- Follow progress on all five forest projects

* The projects are designed to include a 25% buffer bringing the total potential capture to approximately 5.6 million tonnes CO_2.

Partnering with WWF

Caroline Hartoft-Nielsen,
Partnership Manager, Group Sustainability

It is now clearer than ever that protecting and restoring nature is a key part of tackling the climate crisis. We've worked hard with WWF to define how to go beyond our value chain and invest in robust nature-based solutions that benefit nature, people and the climate. By sharing what we have learned, we hope to inspire and enable others to integrate these solutions into their climate strategies.

Other projects in scope
Initial work to commence a forest project in Myanmar was put on hold in 2021 due to the military coup in the country that made it impossible to proceed.

In 2021, the scoping of an additional six forest projects across three continents was initiated. These projects will follow WWF's new Blueprint for High-Quality Interventions that Work for People, Nature and Climate*. During 2022, three or four of the six projects will be selected for implementation, depending on whether the situation in Myanmar allows for the project to continue or not, thereby completing the planned project portfolio of five forest projects.

* https://wwf.panda.org/wwf_news/?4308716/beyond-carbon-credits-blueprint

Blueprint for "High-Quality Interventions that Work for People, Nature and Climate"

At COP26 in Glasgow, WWF launched its new international blueprint that has been largely developed based on learnings from WWF's partnership with the VELUX Group. It advocates an approach whereby companies should first reduce emissions within their own boundaries and value chain, and then turn to nature-based investments. With a strategic focus on sustainability and by addressing critical risks along the way, the Blueprint provides a transparent and credible framework for best-in-class nature-based-solutions for climate mitigation, while ensuring quality, impact and equitable benefit sharing.

Climate mitigation that goes above and beyond

Sofie Tind Nielsen,
Senior Forest Adviser, WWF Denmark

"WWF's blueprint, which was launched at COP26, offers guidance on implementing nature-based solutions to halt nature loss and address the climate. The VELUX forest projects with WWF are a great example of the implementation of high-impact and high-quality nature-based solutions for climate mitigation that go above and beyond the generation of carbon credits. The immediate retirement of carbon credits generated in support of the host country contribution to the Paris Agreement is unique and admirable.

The approach WWF is taking with VELUX is by design simultaneously prioritising improvements to livelihoods and human well-being, as well as the protection and enhancement of nature, while also generating carbon reductions and removals.

The WWF/VELUX partnership is long term and cuts across a portfolio of individual forest projects with a clear focus on supporting an integrated landscape approach and is developed to ensure quality, transparency and equitable benefit sharing across the project portfolio."

The VELUX Group works with WWF to capture our historical CO_2 through forest conservation

WWF

PARTNERSHIP
Uganda forest project

Capturing our historical footprint

The first of five forest conservation and restoration projects in our 20-year commitment with World Wide Fund for Nature (WWF) is underway; The 'Natural Forest Regeneration for Enhanced Carbon Stocks in the Albertine Rift' project in Uganda will capture around one million tonnes of CO_2. The project is the first step on the path to capture the historical carbon footprint of the VELUX Group's operations (scope 1 and 2 emissions) from 1941-2041, totalling 4.5 million tonnes CO_2, or 5.6 million tonnes of CO_2 with a buffer included.

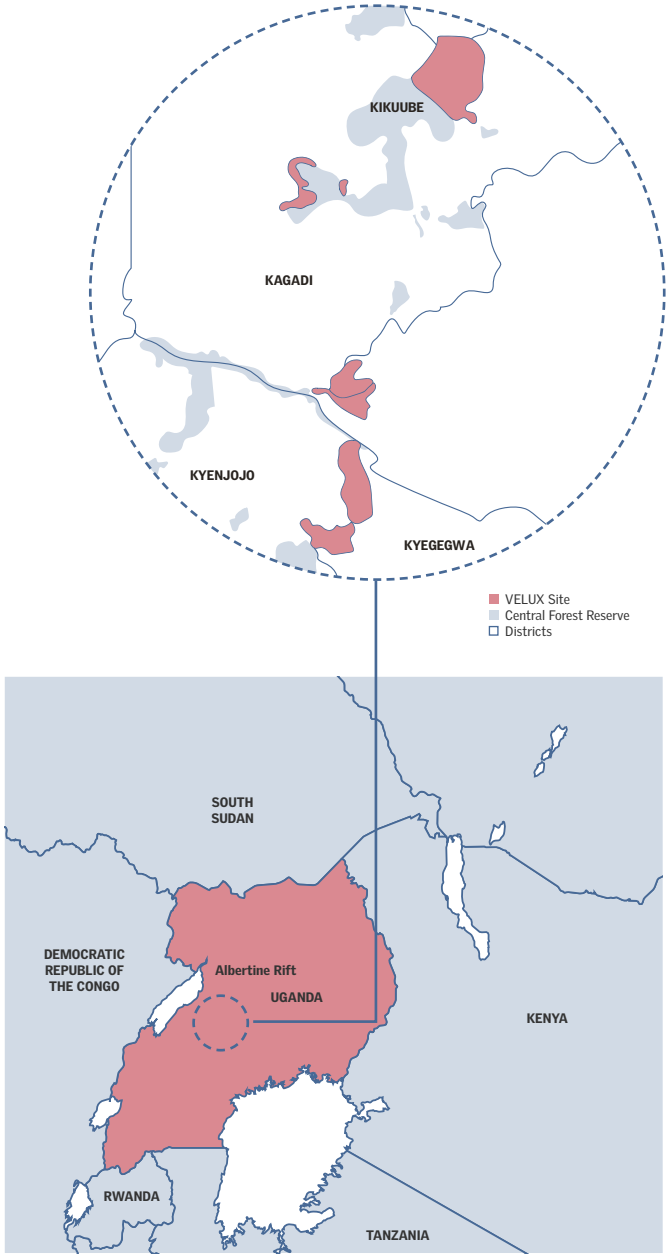
Protecting and enhancing biodiversity
The project spans 28,000 hectares in the Albertine Rift in Uganda, a biodiversity hotspot with tropical moist forests boasting thousands of plant and animal species. Despite most of Uganda's protected areas being concentrated here, agriculture, illegal timber logging and human settlement have led to significant forest degradation in recent decades. In the period from 2002 to 2020, the total area of humid primary forest in Uganda decreased by 13%; and the deforestation rates in the districts in which the Uganda project is located are even higher*.

This extensive 20-year forest restoration and conservation project, led by WWF-Uganda in partnership with Uganda's National Forestry Authority (NFA), will play a significant role in supporting the Ugandan government's efforts to return its natural landscapes back to 1990 levels. It includes planting trees to support natural forest restoration and addresses the causes of deforestation. The project will contribute to the Government of Uganda's conditional Nationally Determined Contributions (NDCs).

The carbon credits generated by the project will be immediately retired and donated to the Government of Uganda in support of Uganda's contribution to the Paris Agreement. This means that the carbon credits generated by the project cannot be used for off-setting of VELUX carbon emissions or any other organisations' emissions.

Ensuring results
Developed through a participatory approach with relevant stakeholders on the ground, and in accordance with internationally recognised carbon standards – in the case of the Uganda forest project, the VCS & CCB standards - the project will likewise be implemented in close collaboration with local authorities, civil society and communities. This will ensure ownership and buy-in from the stakeholders who are the custodians of the conserved and restored forests.

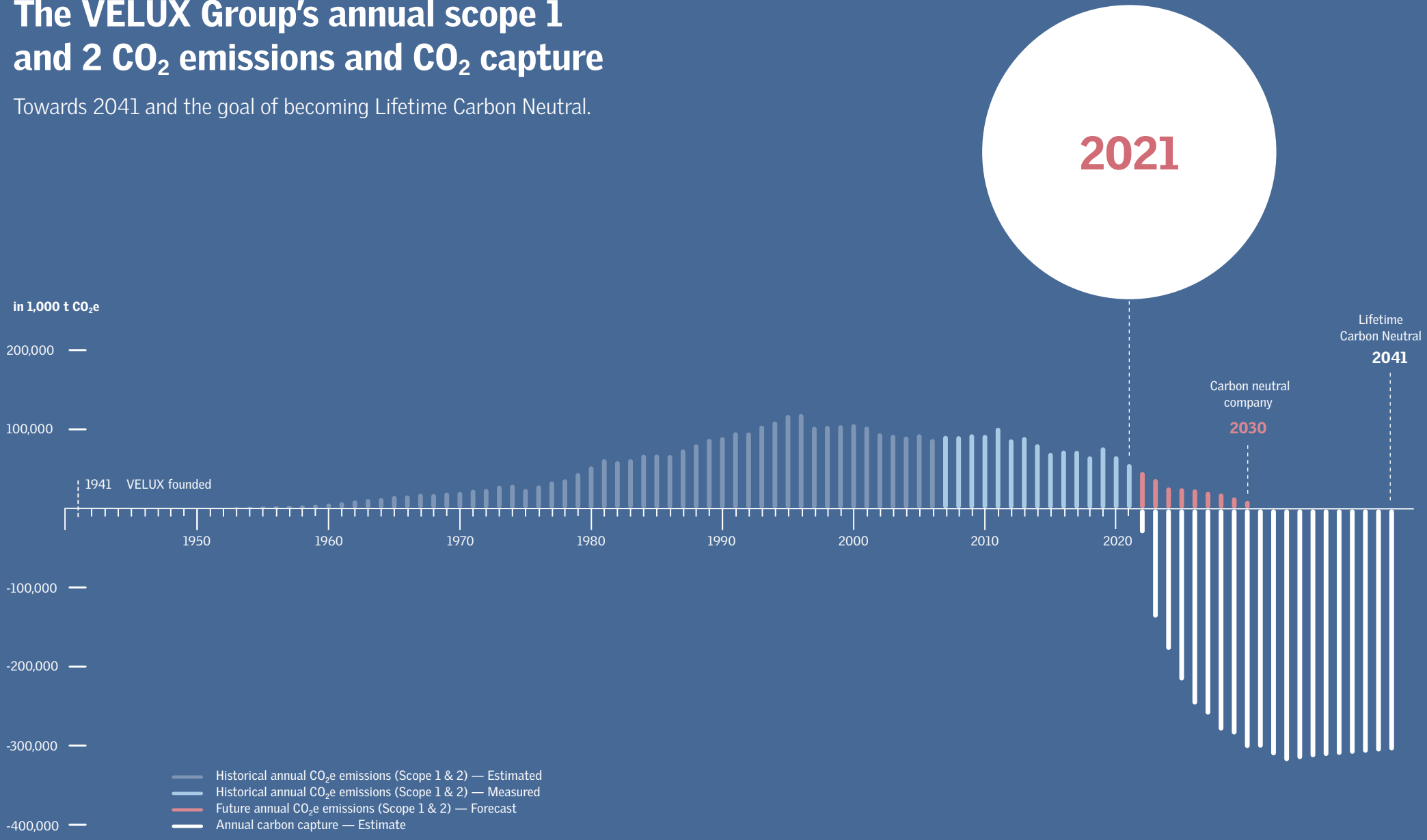
WWF Uganda will continuously oversee and monitor the landscape to ensure long-term sustainability of project interventions and adjustments, where needed, up until 2041. WWF Uganda will also determine the impacts of the project on carbon, biodiversity, local communities and individual households in the area, in accordance with the VCS & CCB standards. The development and continuous refinement of sustainability and exit strategies will ensure long lasting benefits of the project beyond project closure.



* Global Forest Watch, https://www.globalforestwatch.org/dashboards/country/UGA/

The VELUX Group's annual scope 1 and 2 CO_2 emissions and CO_2 capture

Towards 2041 and the goal of becoming Lifetime Carbon Neutral.



We build for life

In May 2021, we initially presented the Build for Life concept at the Architecture Biennale in Venice, under the theme How Will We Live Together, in partnership with EFFEKT architects. Six months later, we held a conference in Copenhagen, where we officially launched Build for Life, together with Living Places. VELUX Living Places are communities that showcase the Build for Life concept in full scale and provide inspiration and momentum for the development of sustainable buildings and solutions.

The fully digital conference was free and open to all. It featured more than 90 expert speakers from around the world and brought together over 24,000 professionals from across the industry to discuss how to leverage buildings to benefit the environment and improve quality of life.

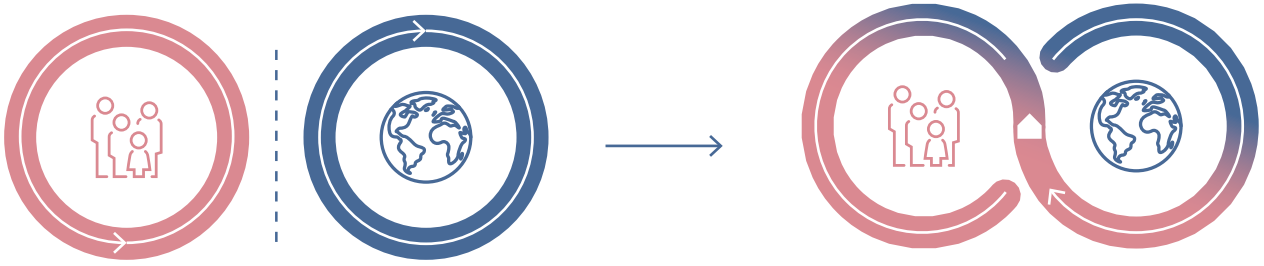
Partnerships are key to achieving this target and therefore we are working with stakeholders throughout the industry to expand and share our knowledge. One result of our partnership approach is the Compass, a set of seven dimensions that inform and inspire building design processes through open conversations across the industry.

Considering the building life cycle

Lone Feifer,
Director, Sustainable Buildings

"Our work on this target builds on and is a continuation of two decades of work on demonstration buildings. By plugging this work into our sustainability strategy, we can take a much broader approach and continue to work with others across the industry to share knowledge and develop solutions.

Sustainability in buildings is no longer just a matter of energy efficiency and indoor climate. We have to document building sustainably throughout the full life cycle – from building materials to end of life. Our roof windows are always one part of building design. We need to look at the building and the sector systemically to bring about the change for 2030. The new Compass Model gives a set of principles that can be used with any buildings – new builds, renovations and any typology – and we are looking forward to seeing them in action in Living Places."



From a fragmented relationship with nature...

... to reconnecting with the ecosystems that sustain us

Show how to build sustainably

Our target for 2030 is to show how to build sustainably

What we did in 2021

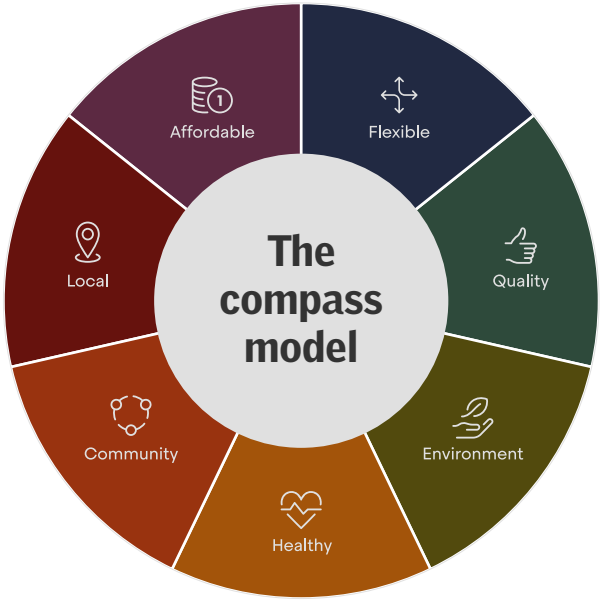
- Strategy period and progress reporting started for our 2030 targets
- Continued our advocacy and lobbying activities on healthy and sustainable buildings
- Launched Build for Life concept externally
- Developed the Compass Model and the concept for Living Places

What's next?

- Strengthen global and regional partnerships within the Build for Life concept
- Communicate the concept and content from Build for Life 2021
- Build the Copenhagen Living Places prototype
- Build the Living Places community in greater Copenhagen
- Publish the Healthy Homes Barometer 2022

PARTNERSHIP
Build for Life

A commitment to improve well-being for people and planet through sustainable building design



Build for Life is founded on the understanding that the way we build today has an enormous impact on people and communities, as well as the ecosystems that will sustain us tomorrow.

Imagine if we could live more sustainably, with a greater sense of community and a stronger focus on health. These are some of the fundamental questions that the new Build for Life concept developed by VELUX works to address.

The new concept proposes design principles in the form of a compass for designers, city planners and building professionals along with suggestions for how to meet some of today's most pressing dilemmas. For example, buildings alone are responsible for around 37% of global CO_2e emissions and 40% of the world's population need new homes (UNEP, 2015).

At the same time, this demand for new homes needs to be reconciled with the urgent goal to reach net-zero emissions before 2050 to curb the climate crisis.

A common language and framework
These are some of the environmental dilemmas that the Build for Life Compass aims to address. It gives architects, engineers and professional house builders a common language and framework they can use when approaching building design and construction.

Innovate digital products for sustainable living

Our target for 2030 is 30% of windows with sensor-driven automation to bring daylight and fresh air into buildings

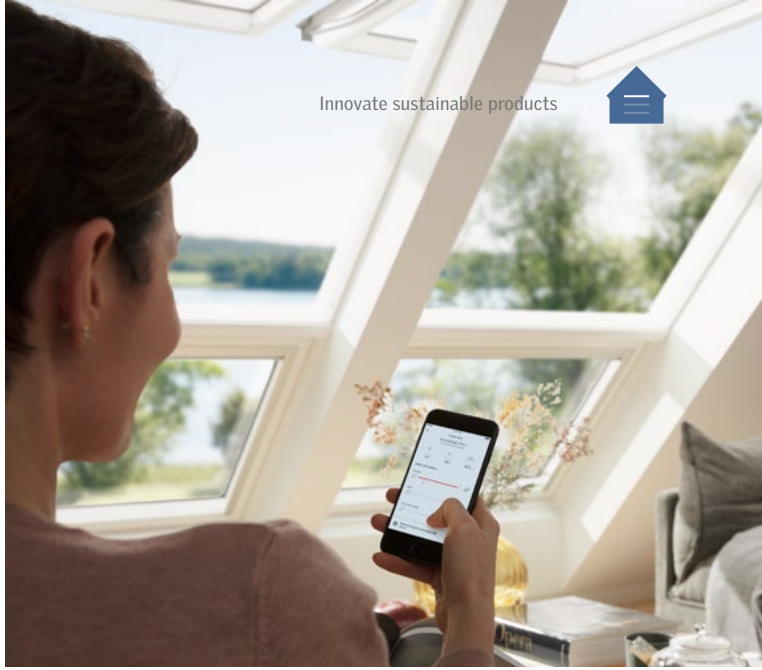
What we did in 2021

- Strategy period and progress reporting started in 2021 for our 2030 targets
- Based on customer insights, developed new features in digital products with customer benefits and indoor climate improvement
- Launched the VELUX Integra app

What's next?

- Develop products for market implementation throughout the coming years
- Establish strong partnerships in preparation for technology shift

Realising the potential of automation



To reduce energy and optimise indoor comfort in buildings, we have developed intelligent sensor-driven solutions. These solutions allow customers to digitally monitor and regulate their homes to improve indoor climate, save on energy consumption and live more sustainably.

During 2021, VELUX continued to build on the VELUX Active sensor platform that was launched in 2018 and introduced the VELUX Integra app. This can be used on all electrical VELUX products to make it even easier to operate products and achieve a healthy indoor climate with comfortable levels of CO_2, temperature and humidity. We have also further developed our partnerships with other manufacturers in the industry, such as Somfy and Netatmo (a brand of Legrand).

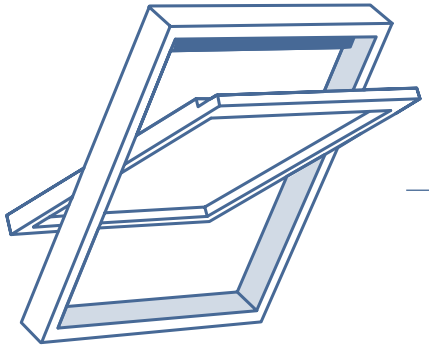
In the long term, activities that will help us achieve this target include further digitalisation of products and the establishment of strong partnerships to prepare us for the expected shift in technology standards.

The journey to digitalisation

Martin Pors,
Vice President, Global Product Management

"Our work on this target in 2021 has been affected by the global shortage in supply of digital components. However, in spite of this challenge, everyone in the team working across different functions has managed to keep up momentum.

What we're learning is that the more we move into this domain, the more we can actually understand the advantages from a consumer perspective. At the same time, we can see the scale of the challenge we face. This target touches on a big part of the product programme and shifting consumer preferences. Instead of considering the window as a passive unit, it can change the way you live. We have to enable people to realise the benefits of a fully-automated window that can support their indoor climate as well as enabling more frequent and rich interaction with our products via digital technologies."



The 2020 baseline for our product carbon footprint for an average residential window is 117kg CO_2e.

Reducing the product carbon footprint

Meeting our carbon reduction goals will require working systematically to reduce emissions from our products and supply chain. Raw materials, transport and production have been identified as three key contributors to achieving our goal.

As upstream material sourcing accounts for more than 75% of our product carbon footprint, this is where we will receive most emission reductions and therefore this is our main focus. During 2021, we contacted many of our suppliers to identify their carbon footprints and look into future collaborations to reduce these, for example on joint development of solutions and commitments to buy certain grades of material. We have worked to improve our modelling for scope 3 to improve accuracy and completeness. The improvements resulted in a new baseline in 2021 of 117 kg CO_2e/window compared to the 2020 baseline of 105 kg CO_2e/window.

During 2021, we also developed an operational toolset to integrate carbon footprint reduction into our product development and we trained colleagues on how to use the new tools.

Sustainability and energy performance

Uwe Heiser, Director, Sustainability Integration

"The embodied carbon footprint of our average products is currently increasing instead of decreasing. One of the reasons for this is the rise in energy performance requirements in our markets. This leads to an increasing share of triple glazed windows with improved energy performance, but a higher embodied carbon footprint compared to conventional double glazed windows. Our task is to ensure increased energy performance with a significantly reduced product carbon footprint. We are working hard on making both happen."

Reduce our product carbon footprint

Our target for 2030 is 50% reduction of product carbon footprint

What we did in 2021

- Targets for products and supply approved by VELUX management
- Prepared carbon footprint tools and reductions for application in product development
- Trained project teams to integrate sustainability and carbon reductions in projects
- Made contact with suppliers responsible for 85% of our product carbon footprint

What's next?

- Integrate carbon footprint reduction into daily business in product development

First projects to green our packaging implemented

The main purpose of packaging is to protect the product from any damage on its journey from a VELUX warehouse to the customer. At VELUX, we have high ambitions for both the quality and performance of our packaging. Our target is to make the transition to single material, 100% recyclable packaging and zero plastic packaging by 2030 without compromising on the high level of protection. This is what we define as "greener packaging".

During 2021, we identified the baseline for our European packaging ranges for residential products. We also developed a new packaging material made solely of paper and cardboard to replace the previous packaging material that was a mix of plastic, paper and cardboard.

This makes it easier for customers to dispose of and recycle the packaging in one waste category.

The new packaging is now used for main residential windows in Europe and selected products in the US. Towards 2030, we will introduce similar packaging solutions for other products and expand our work on this target to all parts of the organisation.

More sustainable packaging

Klaus Lorentzen,
Vice President, Global Product Develop & Optimise

"The main challenge with this in Europe has been doing this big packaging changeover at the same time as dealing with the Corona virus and supply issues. That's really been tough because we've had to change production without being able to travel, and our factories have been under pressure because of the increased demand for our products."

Green our packaging

Our target for 2030 is to ensure single material packaging, 100% recyclable - zero plastic

What we did in 2021

- Strategy period and progress reporting started for our 2030 targets
- New product packaging launches planned with greener packaging
- Developed single use paper-based packaging
- Identified the baseline for our European packaging range for residential

What's next?

- Implement greener packaging for flashings
- Plan for greener packaging for other product areas and solutions for US products
- Work towards greener packaging for other product areas and regions

Making VELUX a great place to work for everyone

When these targets were set in 2020, we knew we wanted to be bold and comprehensive in our work with diversity and inclusion. We also knew we had a need for more infrastructure and expertise in order to measure and report appropriately. In order to move forward, we set measurements that we believed we would be able to report on, but at the same time, we named the first target broadly to make sure we were aiming for a comprehensive goal: "Ensure diversity and an inclusive culture."

It's important to note that the corresponding measurement is part of achieving the target, but it doesn't mean that it is all that we are going to do. We are working on a comprehensive and holistic approach to achieving these targets and furthering diversity, equity and inclusion at VELUX.

Ensure diversity and an inclusive culture

Max. 70% of senior management team have same educational background, gender, age group and/or nationality

Increase number of women in management positions

45% of all management positions held by women/40% of senior management positions held by women

Employ people with disabilities

The initial target was to have 3% of the workforce comprised of people with disabilities.*

What we did in 2021

- Established Global Diversity, Equity and Inclusion Steering Committee
- Created and hired for role of Senior Global Diversity, Equity and Inclusion consultant
- Participated in workshops on gender equality as part of the UN Global Compact
- Included 'equity' as part of the target
- Established a Women in Senior Management network group
- Started work on the development of the global diversity, equity and inclusion (Global DEI) strategy
- Started identifying and building the appropriate structures for additional data needs

What's next?

- Continue work on identifying and collecting needed data
- Conduct a Global DEI organisational assessment across all functional areas and regions
- Develop a Global DEI Strategy informed by data, aligned with strategic objectives and rooted in our values
- Establish and promote a shared framework for understanding Global DEI amongst employees
- Identify and engage in strategic opportunities to improve practices, policies, and procedures
- Begin investing in people capacity through targeted learning opportunities

* Because of differences in local legislation, GDPR and the challenges of defining a disability, this target is difficult to measure. Over the course of 2020-2021, it became clear that we lacked the appropriate infrastructure to measure this with reasonable assurance. Accordingly, we are investigating how to measure the target, as we remain committed to employing people with disabilities.

Changing the conversation

Emily Clawson, Senior Global Diversity, Equity and Inclusion Consultant

"We are now actively focusing on diversity, equity and inclusion, which starts with a shared vocabulary and way of speaking about these issues. When we have a common understanding, we can really engage in conversations and start to initiate change.

During 2021, the groundwork was laid to ensure greater diversity and a more inclusive culture, in relation to gender, age, nationality, and educational background, with more women in management, more diversity in senior management teams and increased employment of people with disabilities. Work on establishing baselines has started and will continue in 2022.

The Global Diversity, Equity & Inclusion Steering Committee was established along with a new co-ordinating role of Senior Global Diversity, Equity & Inclusion Consultant. The Steering Committee held its kick-off meeting and from 2022 it will meet quarterly to share, qualify and align on global initiatives and provide recommendations to the VELUX Management Group. There is full agreement that for these targets to be achieved, initiatives need to be anchored locally and integrated into processes and local teams.

Initial work has already revealed the need to add an additional focus area to diversity and inclusion, concerning equity – meaning fairness and justice in the way people are treated. Including equity will enable us to value and leverage the differences and similarities in VELUX so that everyone can do their best work in an environment where they feel safe, heard and respected.

With the Steering Committee in place and a central senior person co-ordinating all efforts, work can start on a broader strategy around diversity, equity and inclusion that can bring about organisational change.

Global Diversity, Equity & Inclusion at VELUX

Key terms

Diversity is the state of having differences among people.
Such differences include, but are not limited to: gender, ethnicity, race, native or indigenous identity/origin, age, generation, disability, sexual orientation, culture, religion, belief system, marital status, parental status, pregnancy, socio-economic status, appearance, language and accent, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style and personality type.

Equity is fairness and justice in the way people are treated.
Equity ensures access, opportunity and advancement for all people. We achieve equity by identifying and removing policies, practices and procedures that create and reinforce unfair outcomes.

Inclusion is the practice of valuing and leveraging differences and similarities.
Inclusion ensures a culture of belonging, in which people feel safe, respected, heard, engaged, motivated and valued for who they are.

Intercultural competence is the skillset needed to interact effectively and appropriately with differences and similarities.
We need the knowledge, skills and attitudes to engage with agility in a variety of situations. Developing our intercultural competence allows us to navigate cultural complexity both in terms of geography (country, region, rural/urban) and all other elements of difference (see definition of diversity above for a list of identities and experiences).

Strive for zero accidents

Our target for 2030 is to strive for zero accidents

What we did in 2021

- Strategy period and progress reporting started for our 2030 targets
- Created a global reporting set-up for safety including sales companies
- Sales Safety Excellence Programme in Commercial consisting of a Safety Perception Survey, document review, focused site visits and interviews, and leadership safety workshops
- Developed local safety action plans
- Established site-specific safety support

What's next?

- Continue working with site-specific initiatives
- Ensure robust safety governance across all business units
- Visible safety leadership

Maintaining our strong focus on safety – for everyone, everywhere

The VELUX Group has always prioritised safety, which is reflected in our outstanding safety record of being amongst the best companies within the industry.

At VELUX, we are determined to create and sustain a safe working environment. Our safety vision is to have zero accidents and progress towards this vision is driven by our safety principles and our safety values. For many years, we have intensely focused on building and promoting a strong safety culture in our manufacturing plants and have successfully reduced accident frequency. In other parts of the organisation, like sales offices, we have started a focused safety journey.

We believe time invested in safety has significant business benefits in terms of employee welfare and morale, cost reduction by elimination of accidents, and a positive impact on productivity, quality and delivery. In September 2021, we generated a consolidated VELUX safety performance report with data from 2019 through to June 2021. This report establishes the baseline for our target and identifies where we, as a group, should focus for the coming two to three years.

A continued strong safety culture

Lotte Kaster, Vice President, Global QHSE & E

"In 2021, we have all been working in an unbalanced environment filled with changes, but our safety culture managed to withstand this and we have maintained our outstanding safety record. This has only been possible due to the dedication and continuous effort of all employees in our organisation. We proved that we are all responsible for our own safety and for ensuring the safety of our colleagues."

Our guiding principles

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

Provide healthy workspaces

Our target for 2030 is to provide healthy workspaces

What we did in 2021

- Initiated measuring activities in selected workplaces
- Used Active House tool to identify quality of new build extension facilities in VELUX Great Britain and renovated office spaces in VELUX Belgium
- Started using Active House specifications in LKR Innovation House in Østbirk, Denmark

What's next?

- Create a catalogue of improvements that can be implemented
- Use data to identify improvement areas

Creating a healthier place to work

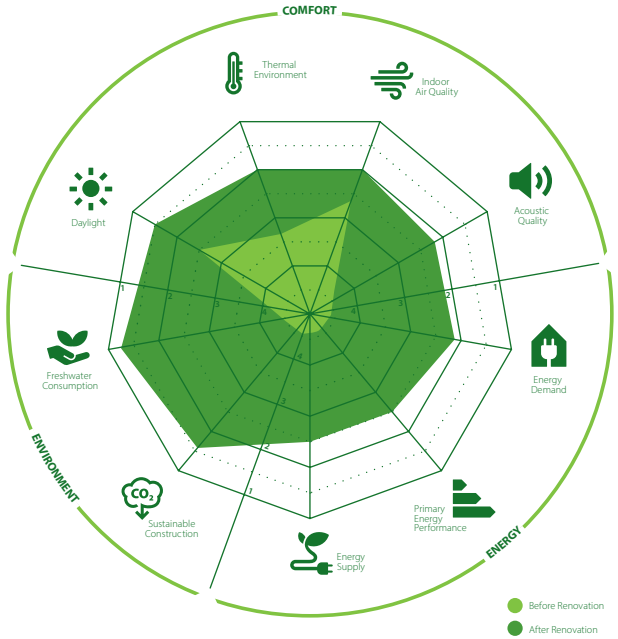
By providing healthy indoor climates in our buildings, we ensure that VELUX premises become healthier workplaces for our employees.

During 2021, we worked to establish a baseline that we can use to validate our progress on this target. The Global Facilities team used Active House standards on indoor comfort, energy and the environment to create a building monitoring proof of concept.

To identify the baseline for indoor comfort, we set up sensors in offices, production and warehouse sites in different locations to measure CO_2, temperature and humidity over a period of time. Work on this baseline has been affected by the changing use of workplaces during the COVID-19 pandemic and an evaluation of the results takes this into consideration.

This data is now being used to roll out a full-scale monitoring process and to identify areas that need to be improved at our workplaces. Work will also start on a catalogue of smaller improvements that can be implemented across all types of buildings.

Active House Radar



Buildings for well-being

Lars Sønderby,
Vice President, VELUX Business Services

"The information we have collected during the year will be used to ensure we build sustainably in the future. All new builds and renovations have to be evaluated according to Active House standards, with focus on air quality, including CO_2 levels, daylight and thermal comfort, as well as the energy performance of the building, integration of renewable energy and the environment.

What's more, work on our own buildings in VELUX can be used to gather information and data that can be used to improve the indoor climate in other building projects."

Reduce work-related travel

Our target for 2030 is 30% reduction in air travel and 100% zero emission cars

What we did in 2021

- Created cross-organisational project team
- Analysed our car fleet and defined elements for a global car policy
- Worked closely with suppliers on the plan for switching to electric cars

What's next?

- Continue monitoring charging infrastructure of all regions
- Look into options for charging infrastructure at VELUX sites
- Create plan for replacing vans and production site vehicles with electric vehicles

Getting around with fewer emissions

During 2021, the global pandemic continued to restrict global travel, which has naturally reduced air travel. During this period, digital communication tools have been adopted to replace face-to-face meetings.

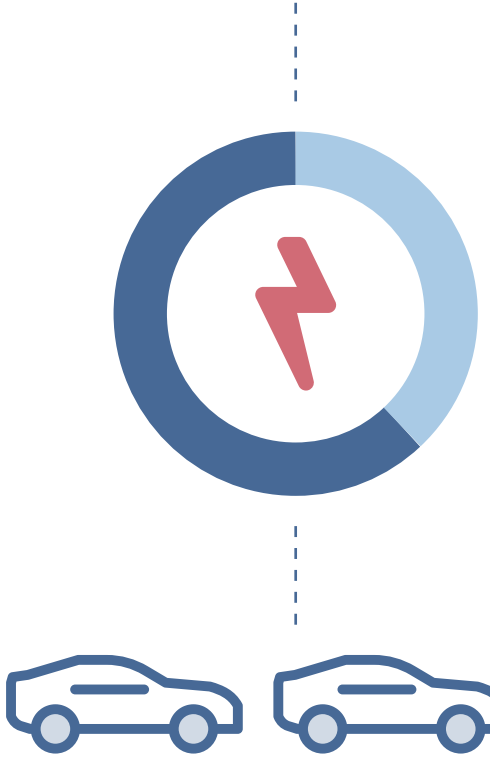
To meet the second target of switching to zero-emission cars, we prepared a global framework and established a central project team with representatives from throughout the organisation. This team identified the VELUX sites in northern Europe that are ready to make the switch to electric vehicles.

In the chosen countries, leased cars will be replaced with electric cars when leasing periods end. Vans will be replaced in the next phase of the transition. The first electric cars will be leased in 2022 and it is expected that 30% of the car fleet will have been replaced with zero-emission cars by 2025.

In the chosen countries, new diesel cars will not be ordered unless dispensation has been given after the new policy change in the start of 2022. Furthermore, a conscious decision has also been made to not use hybrid technology vehicles in the transition phase as they do not achieve our target of zero emissions, and their emission levels are not much lower than for diesel cars.

2025

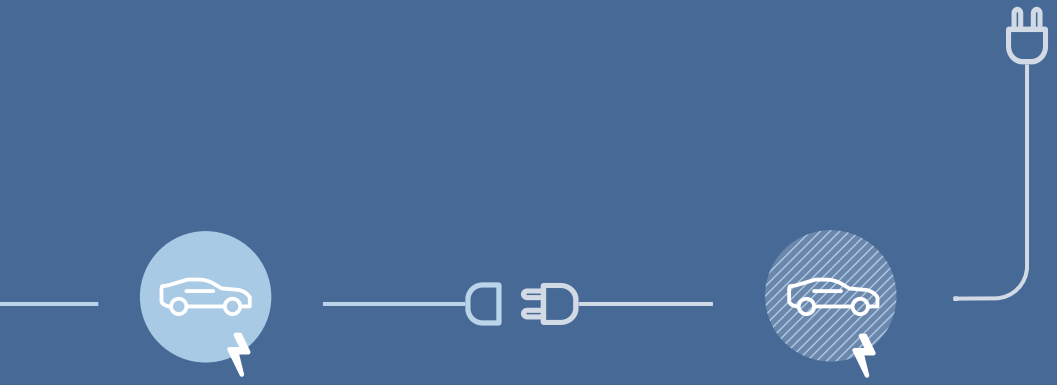
30% of the car fleet will have been replaced with zero-emission cars by 2025.



The switch to electric

Sten Nicolaisen, Director, Global Rewards & People Analytics

"Ideally, when our current car leasing plans expire, we would like to switch to electric cars at all VELUX locations. However, in some countries, the national infrastructure is simply not in place. That is why we are concentrating our efforts on VELUX locations in countries that have a well-developed infrastructure for electric vehicles.



2022

In scope to switch to an electric car fleet in 2022

2023

Planned to switch to an electric car fleet in 2023

Achieve zero waste

Our target for 2030 is to achieve zero waste

What we did in 2021

- Strategy period and progress reporting started in 2021 for our 2030 targets
- Baseline validation – collected detailed information from residential production sites including waste accounts review
- Initiated local production site waste handling assessments and non-utilised waste reduction plans
- Allocated a senior manager to work on governance initiative in Residential and Commercial business units

What's next?

- Clarify a baseline for commercial and how to collect KPIs
- Kick-off of non-utilised waste reduction programme for global production and appointment of Waste Program Team
- Deep-dive into waste handling methods and waste handling companies used locally
- Carry out landfill waste analysis to improve sorting possibilities

More sustainable waste management built on consistent and reliable data

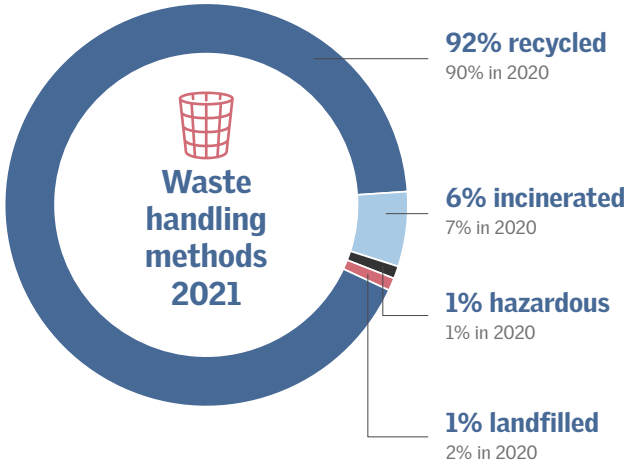
We strive to improve material efficiency, bearing in mind our vision of zero waste during production. In 2021, 98% of waste from our production processes was recycled or used as an energy source for heat generation.

To enable more sustainable waste management with a special focus on reducing non-utilised waste, we are working on defining long-term waste reduction plans. These are based on the current state of our production and will define a system for global waste reduction processes.

Furthermore, we are aiming to develop common sustainable solutions for waste minimalisation in co-operation with relevant stakeholders. We are collecting information about new waste handling methods and identifying more recycling opportunities.

Alongside these initiatives, during 2021, we worked on how we consolidate our data on waste handling. This is needed in order to have correct data and to identify areas with the greatest potential. Some production sites use data from invoices while others weigh waste before removal.

To enable a high level of governance, we are investigating how to consolidate the greatly differing formats and frequencies of data that are used throughout VELUX, if possible.



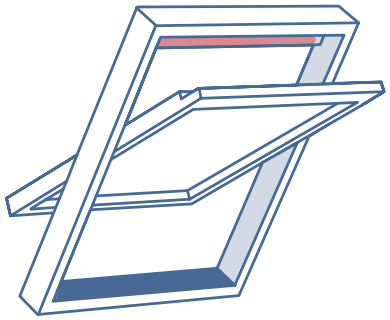
A need for harmonised high standards

Lotte Kaster, Vice President, Global QHSE & E

"Data can be deceptive and always needs validating. I've been surprised to see how fragmented our data is. Valid data is the foundation for analysing our opportunities and targeting our initiatives. I'm also surprised by the non-harmonised waste standards in the EU that will call for us to consider VELUX standards targeting a higher level of waste management than required by local authorities. This is to secure progress on our waste target and to be front movers in close co-operation with our key stakeholders."

Reducing product and factory waste

We aim to continuously reduce and reuse waste in our products and production and are also focusing on non-utilised waste.



0.27 kg

0.54 kg

Baseline for residential windows is 0.54 kg non-utilised waste per unit

2020

0.39 kg

Mid-term target for residential windows is 0.39 kg non-utilised waste per unit

2025

Target for 50% reduction for residential windows is 0.27 kg non-utilised waste per unit

2030

Reducing landfill

Major strides to reduce waste

Tony Kelley, Velterm Glass Plant

"I've worked at VELUX Greenwood for over 27 years and it's amazing how we've stopped sending everything to the trash. We've made major strides to reduce waste in the last 10 years, and with our new Landfill Reduction plan we are making even more progress. As individuals, we probably should replicate these same efforts at home.

50%

Reducing landfill waste by over 50%

Throughout VELUX, our production manufacturing sites are continuously working on waste reduction. For example, VELUX Greenwood in South Carolina, USA has introduced a Landfill Reduction plan that identifies the highest density waste items going to landfill and finds suitable recycling outlets. This has reduced their landfill waste by more than 50%.

Share sustainable innovations

Our target for 2030 is to innovate and work with partners for more sustainable products and solutions

What we did in 2021

- Selection process for five Lighthouse Projects that cover all targets
- First project – zero plastic in packaging

What's next?

- Second Lighthouse Project initiated
- Deploy roadmaps for new Lighthouse Projects

Fast tracking sustainable innovation

To work on the target "Share sustainable innovations", the Products organisation has identified five so-called Lighthouse Projects. These projects will create the learnings we need in VELUX to meet the following corporate targets: carbon emission reductions, digital automation, circularity and sustainability in general.

The first project to cut carbon emissions through resource reduction aimed to find a more sustainable replacement for the single-use plastic in our window packaging. To meet this challenge, the project team developed a paper-based packaging material that can replace single use plastic and polystyrene in the packaging for all standard roof windows. This new packaging has now been implemented at eight out of 10 production sites.

The intention of the Lighthouse Projects is that they will lead to learnings and provide inspiration that can be used in other elements of product development. They can therefore be a test launch project with a limited start-up volume but with scalability potential that can contribute to achieving our overall sustainability goals.

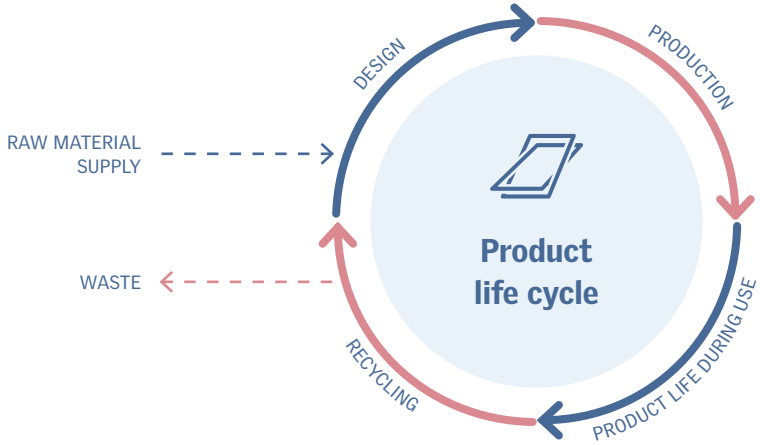
Establishing Lighthouse Projects

Martin Hedam Løkke,
Vice President, VELUX Innovation Center

"The learnings we get from our Lighthouse Projects can be used in all product development and shared widely across the organisation. The next step is to learn how to introduce Lighthouse Projects to our ways of working, which means including these projects in our normal processes and priorities.

When we make a decision on whether or not to go ahead with new development, we need to find out how to balance sustainability in the project. Sometimes it might be more expensive, but this has to be weighed up against the sustainability value it will deliver."

Rethinking products as valuable resources



During 2021, we worked on understanding circularity in our products and solutions. We defined a number of circularity indicators and developed a new circularity tool based on the Material Circularity Index (MCI). This tool is used to test the circularity impact of our products and it will be evaluated and learnings assessed during 2022.

Working with product circularity

Marie Stenild,
Lead Project Manager, AMT Sustainability Integration

"We've taken a holistic product perspective to circularity that covers the design phase through use to end of life. This has given us a much better understanding of where we are today and I'm really pleased that we've already been able to integrate circularity into some of our product development tools."

Four main focus areas were defined for our work with circularity.

1. Minimise loss of nature.
For example, the product development team has looked increasingly at the use of recycled and bio-based materials. As a window producer, we are aware of the challenges involved with increasing recycled content in materials such as glass and aluminum, but we will continue to strive for significant increases.

2. Product lifetime through services.
VELUX has always had a focus on high quality, long product lifetime and service. We continue this focus by integrating service into the design of new products, making them easily repairable. This involves providing spare parts and upgrades during a product's lifetime.

3. Close the loop for product end of life.
We are making the end-of-life process easier by focusing on the amount of different materials in our products.

4. Achieve zero waste.
This focus area has its own target (see page 38)

Promote a circular economy

Our target for 2030 is to promote a circular economy

What we did in 2021

- Developed the circularity wheel for VELUX, including four focus areas
- Baseline for circularity in VELUX
- Developed Circularity Index (CI) tools and methods for engineers and designers
- Piloted projects for CI evaluation

What's next?

- Identify the optimal use of secondary and bio-based materials in different product categories
- Use our Circularity Index tool in all projects

Sustainability tools and training in all aspects of product development

During 2021, we developed a number of tools and training activities to promote sustainability in product development. These include guidelines for product design focused on integrating carbon measurements and circularity into the components and materials used. We have also developed an internal carbon footprint (CF) and circularity index (CI) calculator, which can be used as a database for comparing CO_2e and the recycling potential of different product concepts.

Training on incorporating sustainability in product design and upgrades has been carried out with 100 employees from our product development department. Six people were also trained as sustainability coaches for our product development teams and their expertise can be brought into all development projects.

LKR Innovation House
Currently, a new innovation campus in Østbirk is being planned. The campus will be built in an existing wooden warehouse and will be a showcase on how to renovate with a focus on healthy workspaces, indoor climate and sustainability. It will become a knowledge centre on innovation and sustainability and construction will start at the end of 2022.

Summary of progress – for the nine targets that are not included in the ESG table

In this table, we provide a qualitative update on progress for the nine strategic targets where either we are not currently able to measure performance to the required level of completeness or accuracy; or it is not possible to quantify progress related to an indicator. For the targets which can be quantified, we are working on being able to provide a quantitative update on progress in our subsequent sustainability reporting.

	What we did in 2021	What's next?
Capture our historical carbon footprint Read more on page 22	• Prepared for reporting on progress in 2022 for this target • Progressed on forest project in Uganda • Placed Myanmar forest project on hold • Started to validate and lay the foundation for subsequent future third-party verification of progress on the Uganda project, according to Verra's VCS & CCB standards • Initiated scoping of six forest and biodiversity projects around the world	• Finalise scoping of six forest projects, select three to four forest projects and lock full forest project portfolio of five forest projects in 2022 • Kick-off three to four new forest projects • Start validating and laying the foundation for subsequent future third-party verification of progress, according to Verra's VCS & CCB standards, or similar, for three to four new forest projects • Measure carbon impact of Uganda project (first third-party verification of carbon capture in 2024) • Follow progress on all five forest projects
Show how to build sustainably Read more on page 27	• Strategy period and progress reporting started for our 2030 targets • Continued our advocacy and lobbying activities on healthy and sustainable buildings • Launched Build for Life concept externally • Developed the Compass Model and the concept for Living Places	• Strengthen global and regional partnerships within the Build for Life concept • Communicate the concept and content from Build for Life 2021 • Build the Copenhagen Living Places prototype • Build the Living Places community in greater Copenhagen • Publish Healthy Homes Barometer 2022
Innovate digital products for sustainable living Read more on page 29	• Strategy period and progress reporting started in 2021 for our 2030 targets • Based on customer insights, developed new features in digital products with customer benefits and indoor climate improvement • Launched the VELUX Integra app	• Develop products for market implementation throughout the coming years • Establish strong partnerships in preparation for technology shift
Green our packaging Read more on page 31	• Strategy period and progress reporting started for our 2030 targets • New product packaging launches planned with greener packaging • Developed single use paper-based packaging • Identified the baseline for our European packaging range for residential	• Implement greener packaging for flashings • Plan for greener packaging for other product areas and solutions for US products • Work towards greener packaging for other product areas and regions

	What we did in 2021	What's next?
Employ people with disabilities Read more on page 32	• Developed an approach to collect information related to disability in a confidential and GDPR-compliant manner	• Collect confidential information on percentage of employees who identify with having a disability
Provide healthy workspaces Read more on page 35	• Initiated measuring activities in selected workplaces • Used Active House tool to identify quality of new build extension facilities in VELUX Great Britain and renovated office spaces in VELUX Belgium • Started using Active House specifications in LKR Innovation House in Østbirk, Denmark	• Create a catalogue of improvements that can be implemented • Use data to identify improvement areas
Achieve zero waste Read more on page 38	• Strategy period and progress reporting started in 2021 for our 2030 targets • Baseline validation – collected detailed information from residential production sites including waste accounts review • Initiated local production site waste handling assessments and non-utilised waste reduction plans • Allocated a senior manager to work on governance initiative in Residential and Commercial business units	• Clarify a baseline for commercial and how to collect KPIs • Kick-off of non-utilised waste reduction programme for global production and appointment of Waste Program Team • Deep-dive into waste handling methods and waste handling companies used locally • Carry out landfill waste analysis to improve sorting possibilities
Share sustainable innovations Read more on page 40	• Selection process for five Lighthouse Projects that covers all targets • First project – zero plastic in packaging	• Second Lighthouse Project initiated • Deploy roadmaps for new Lighthouse Projects
Promote a circular economy Read more on page 41	• Developed the circularity wheel for VELUX, including four focus areas • Baseline for circularity in VELUX • Developed Circularity Index (CI) tools and methods for engineers and designers • Piloted projects for CI evaluation	• Identify the optimal use of secondary and bio-based materials in different product categories • Use our Circularity Index tool in all projects

Pioneering good governance principles for sustainability reporting

We want our sustainability report to reflect the commitment we have made to sustainability. That is why it must be anchored in strong governance principles complete with high-quality data. As a Model Company, we must aim for the best – also when it comes to the level of assurance from our auditors.

To ensure this journey, we are investing significant resources that will enable us to achieve the auditing level of reasonable assurance for our sustainability reporting. This is a journey starting from no assurance on our 2020 Sustainability Report to limited assurance by EY on this 2021 Sustainability Report.

The leap from limited assurance to reasonable assurance from our auditors is big and it requires solid evidence and data that reduce the risk of uncertainty around our conclusions. We must build up solid and anchored processes and controls, and document these controls. We must ensure evidence for our conclusions so the auditors are able to express their opinion on our sustainability reports. This requires a significant amount of documentation. The goal for our 2022 and 2023 sustainability reports is that more and more of our indicators will have reasonable assurance. The ultimate aim is to achieve reasonable assurance for our 2024 sustainability report, which will be published in spring 2025. By then, our sustainability data will be subject to the same level of scrutiny as our financial data.

Bringing our sustainability reporting in line with our financial reporting is also reflected in the way we have organised our governance set-up. We have deliberately avoided a separate sustainability committee, and our Sustainability and Finance teams both report directly to the VELUX Management Group, and the Finance team also reports directly to the Audit Committee.

The Audit Committee meets three times a year to discuss progress on finance topics. Since 2021, the committee also discusses sustainability indicators and progress at all meetings. This enables us to monitor changes and take swift action if necessary – just as we do with our financial indicators.

Increasing the governance standards for our sustainability reporting to the same level as those used for our financial reporting comes with its own challenges. Unlike financial data that is collected and audited in a standard way and which has been rigorously developed in VELUX during the past 80 years of the company's history, there is a patchwork of different standards regarding the reporting and handling of sustainability data, which makes it hard to navigate. We look forward to the EU's initiatives regarding standardisation of sustainability reporting, which will bring more clarity on best practices within sustainability reporting. The absence of clear guidelines means that we are in many ways starting from scratch. However, this is what makes it so motivating. I'm also very proud to work for a company where there is full support at the highest level to invest our time and energy in ensuring sustainability is not just something we talk about, but something that can be documented with confidence.

Anders Mortensen
Senior Director, Finance & Performance Management

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. The Group General Counsel issues sub-policies to the Competition Law Compliance Policy when necessary.

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.

All relevant general and sales 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 include that all relevant employees are informed of the content of the competition law compliance policy and the above compliance programme.

A Group competition law compliance officer, the "Head of Competition Law Policy & Compliance", reporting directly to the Group General Counsel, monitors compliance and identifies potential significant competition law issues in relation to the business activities of the VELUX Group. The Head of Competition Law Policy & Compliance advises on competition law matters, informs the VKR Group companies of significant changes in competition law legislation, and performs compliance reviews. The Head of Competition Law Policy & Compliance also trains directors, 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 on an ongoing basis.

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 organisational 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 organisational level 1 to level 3 managers, all employees referring to Vice President Purchasing, Director Indirect Procurement and Vice President External Relations are required to have completed the training every year. In 2021, 76% of our employees in these groups completed the training. Going forward, new employee groups will be included according to need. Going forward, we will devote even more resources to ensuring everyone completes our anti-corruption e-leaning training, is aware of our policies on good business ethics, as well as our whistleblower programme because these are key elements for VELUX.

A whistleblower programme was launched in 2018. Any criminal or illegal activities can be reported anonymously through the third party whistleblower system. There have been no recorded cases on either corruption or anti-competitive behaviour in 2021 in the whistleblower system. Also there have been no cases recorded against suppliers in Direct Purchasing.

EU-taxonomy
Reporting on sustainability disclosure requirements continue to change and voluntary disclosures are quickly becoming mandatory regulations. The drivers for these are the fast-changing risk horizon, and an increased focus on responsible investment and the way to do business.

This is resulting in a number of new regulations and demand for responsible investment, which pushes sustainability issues to the forefront of corporate strategy and reporting. The EU is leading the way by introducing the EU Green Deal and the EU Sustainable Finance Action Plan.

Going forward, we are adjusting our reporting, so it follows the EU Corporate Sustainability Reporting Directive (CSRD) expected to be adopted with effect from the fiscal year 2023. This means adapting our materiality assessment to the 'double materiality' approach, focusing on VELUX Group's on environment and people, as well as the financial impacts to VELUX Group's development, performance and position. Furthermore, in 2022 we will prepare for disclosures according to the EU Taxonomy regulation. The taxonomy creates a classification system to determine sustainable economic activities that will help us navigate the transition to a low-carbon, resilient and resource-efficient economy.

Policies that ensure responsible and sustainable business practices

Our policies are key to delivering on our sustainability promises. They guide our daily activities and ensure that we and our suppliers do business based on respect and integrity.

Anti corruption

We apply a zero-tolerance approach to corruption and we train our managers and employees, who may be exposed to the risk of bribery due to their roles, in the VELUX Anti-Corruption Policy. This policy guides employees in their everyday work and requires management to ensure that bribery does not occur by formulating local guidelines concerning the receipt of gifts, entertainment and the avoidance of facilitation payments.

Read more

Code of conduct for suppliers

The Code of Conduct for suppliers outlines our expectations to our suppliers. It ensures that all our products and services are developed and manufactured in a responsible way throughout our value chain. The VELUX code of conduct has been updated so it follows the new EU Mandatory Due Diligence Directive with effect from January 2022.

Read more

Chemical compliance for suppliers

The VELUX Restricted Substance Management Standard ensures that we and our suppliers meet the legal requirements regarding chemicals used in our materials and products. It informs our suppliers of the chemicals and materials we must exclude from our products altogether and the threshold values regarding other chemicals or materials. All suppliers are required to sign the standard.

Read more

Code of conduct for employees

We are firmly committed to conducting our business lawfully and ethically. Therefore, we have developed the VELUX Code of Conduct for employees. It is our compass to show the way for when we are in doubt about our own, our managers' or our colleagues' actions, and it describes the main principles of ethical behaviour and our expectations towards all VELUX employees.

Read more

The modern slavery act

We are committed to respecting human rights and preventing slavery and human trafficking in our own business as well as in our supply chain. We take great care to avoid infringing the rights of individuals, groups and communities through our business activities and relationships.

Read more

Respecting privacy

The VELUX Group respects and protects individuals' privacy and handles personal data with care. The VELUX Privacy Policy describes how we treat data provided on or collected via our digital platforms. Our policy complies with EU General Data Protection Regulation 2016/679 ('GDPR') and Danish Law.

Read more

ESG accounting table

The report covers the period 1 January 2021 – 31 December 2021.

Strategic/running indicator		Unit	Target year	Target (#) / (%)	2020	2021	Development
Environmental	**Future carbon footprint:**						
	Scope 1 emissions	tonnes CO_2e	2030	100%	24,302*	28,496	In addition to organic growth, there has been an increase in scope 1 due to minor changes as new energy types (propane and diesel for internal logistics) have been added for completeness.
	Scope 2 emissions (location based)	tonnes CO_2e	2030	100%	42,088*	45,049	The small increase in scope 2 emissions (location based) is attributed to our organic growth and more complete data on electricity consumption in sales and marketing offices.
	Scope 2 emissions (market based)	tonnes CO_2e	2030	100%	27,835*	8,609	The significant reduction in scope 2 emissions (market based) is attributed to additional purchases of renewable electricity certificates in Europe and North America.
	Scope 3 Emissions (total):	tonnes CO_2e	2030	50%	1,893,548	2,055,646	Scope 3 has increased due to growth, and continued work with data quality and modelling.
	Category 1a: Purchased goods and services (product)	tonnes CO_2e			1,205,462	1,298,013	
	Category 1b: Purchased goods and services (non-product)	tonnes CO_2e			195,396	229,587	
	Category 2: Capital good	tonnes CO_2e			18,450	18,430	
	Category 3: Fuel and energy-related activities	tonnes CO_2e			13,093	15,645	
	Category 4: Upstream transportation	tonnes CO_2e			202,439	226,138	
	Category 5: Waste generated in operations	tonnes CO_2e			1,777	2,758	
	Category 6: Business travel	tonnes CO_2e			47,101	36,198	
	Category 7: Employee commuting	tonnes CO_2e			10,204	11,906	
	Category 8: Upstream leased assets	tonnes CO_2e			8,887	13,012	
	Category 9: Downstream transportation	tonnes CO_2e			12,279	12,211	
	Category 11: Use of sold products	tonnes CO_2e			21,123	19,475	
	Category 12: End of life treatment of sold products	tonnes CO_2e			157,335	172,274	
	Share of renewable electricity	%	2023	100%	39%	78%	The increase is due to significant purchases of renewable electricity certificates in Europe and North America.
	Product carbon footprint	Kg CO_2e pr. window	2030	50%	117	119	The main reason for the increase is the rise in energy performance requirements in our markets, leading to a shift from double glazed windows to triple glazed windows, which has a higher embodied carbon footprint.

Strategic/running indicator		Unit	Target year	Target (#) / (%)	2020	2021	Development
Environmental	Switch to zero emission cars	%	2030	100%	0.3%	2.2%	Increase from 2020 to 2021 due to focus on switching to zero emissions cars.
	Share of certified wood	%	2030	100%	95%*	96%	
Social	Full-time equivalent (FTE)	FTE			11,160	12,211	The rise in FTE and HC is due to VELUX sales growth of roughly 10% which gave an increase in both white collar employees in Sales & Marketing and blue collar in supply.
	Headcount at year-end	Headcount			11,511	12,493	See above.
	Employee turnover	% (headcount)			8%	13%	The increase in employee turnover compared with 2020 is due to organisational changes.
	Headcount at year-end						
	Age distribution:						
	<30 years	% (headcount)			15%*	17%	
	30-50 years	% (headcount)			55%*	53%	
	>50 years	% (headcount)			30%*	30%	
	Diversity & Inclusion in senior management	%	2020	<70%	N/A	56%	
	Increase number of women in management positions:						
	Women in senior management	f %	2020	40%	23%	28%	Change in reporting lines and promotions has increased the percentage of women in senior management.
	Women in management	f %	2020	45%	N/A	26%	
	Women in total	f %	2020	N/A	35%	35%	
	Strive for zero accidents:						
	Work-related accidents	Accidents (LWC) per 1 mill wh	2030	<1	3.06*	2.60	No comments due to different scope from 2020 and 2021, se details in accounting practice.
	Accident-related absence hours	Hours of absence per 1000 wh	2030	<0,2	0.41*	0.50	See above.
Governance	Gender diversity in board of directors	f%/m%			33%/67%	29%/71%	
	Supplier quality audits completed at year-end	# completed audits			80	76	
	Code of conduct for suppliers signatures	%			100%	100%	
	Anti-corruption e-learning completion	%			86%	76%*	Lower completion rate is due to changes in the selection criteria and change in frequency.

* Restated, see detalies in the accounting practice.

Accounting practices

About this report

This sustainability report covers the period 1 January 2021 - 31 December 2021. The following accounting practices cover disclosures made in relation to our 2030 Sustainability Strategy, which is based on 15 'strategic targets' that have been approved by the VELUX Management Group and Board. The target owners have defined strategic roadmaps and indicators to drive implementation and enable follow up against the targets. The strategic indicators cover the issues we have identified as material to VELUX Group, in terms of importance to our business and to stakeholders. In addition, we also report on our 'running indicators', which are important targets that we measure continuously. The strategic and running indicators in combination constitute our ESG reporting, i.e. metrics that we consider paramount to stay on top of in order to run a model company.

Scope

Unless otherwise stated, indicators consist of data from all of VELUX i.e. both Residential and Commercial divisions as well as administration, warehouses, and sales & marketing offices under operational control. Residential refers to products primarily sold to private households, while Commercial refers to customised products e.g. VELUX Modular Skylights (VMS) sold to large clients, including companies, public institutions etc. Commercial constitutes approx. 10 % of our business (based on net sales) and in addition to VMS also consists of the following three companies acquired in 2018: JET, Vitral and Wasco.

Note that some 2020 figures have been restated due to improvements in data, scope and quantification methods. We refer to the below accounting practices for further details on which data have been restated.

For an overview of our ESG indicators and 2021 progress, please see the ESG-table. At the current time, some of the 15 strategic targets described in the report are not easily quantifiable or measurable. For this reason, they have not been included in this year's ESG data table.

Environmental

Future carbon footprint

Scope: VELUX Group

VELUX Group reports our carbon footprint (CO_2 equivalents), which represents VELUX Group's total greenhouse gas (GHG) emissions consisting of scope 1, 2 and 3 emissions in accordance with the Green House Gas Protocol (GHGP) based on an operational control approach.

Furthermore, we are in the process of updating our Science Based Targets initiative (SBTi) application, which has been resubmitted in January 2022. Throughout 2021 we have worked hard on updating our application and we expect to get an approval from SBTi in summer 2022. By resubmitting our application, we are committing to an even more ambitious reduction of CO_2e emissions across our entire value chain. See below for further information on our scope 3 footprint.

Scope 1 and 2

Scope 1 emissions result from the combustion and extraction of energy across our operations, i.e. natural gas, biomass, gas oil, propane, and fuel for company cars. Energy consumption is based on invoices and/or metre readings and is registered in our Business Planning and Consolidation system (BPC) and covers consumption from material activities within operational control, i.e. production, warehouses, administration and sales & marketing. Emission factors for the respective energy types are the most recent (2021) from the Department for Business and Industrial Strategy (BEIS).

Scope 2 emissions are based on purchased energy, i.e. electricity and district heating, and reported according to both location- and market-based methods in line with the Greenhouse Gas Protocol. Location-based emissions are calculated based on the International Energy Agency (IEA) most recent emission factors (2021), while market-based emission factors are based on the most recent residual mix emission factors from the Association of Issuing Bodies (AIB) (2021); unless Renewable Electricity Certificates (REC) or Renewable Energy Guarantees of Origin (REGOs) have been purchased. RECs and REGOs are only deducted the market-based emissions and it is management's intention to retire all certificates before offsetting is claimed.

Restatement

Note that the scope 1 and 2 figures reported in our 2020 Sustainability Report are not comparable to 2021. The 2020 data was based on another methodology and mixed location- and market-based emission factors, including some scope 3 emissions from fuel extraction and air travel. New 2020 comparison figures have been calculated in line with the Green House Gas Protocol and included in this report.

Scope 3

During 2021, VELUX Group improved accuracy and completeness of our scope 3 modelling and the model now has greater coverage of emissions from indirect (non-product related) purchasing, tooling and OPEX. Where available, we have updated data from industry standard databases to more accurate supplier specific activity data. The improvements to the model, as well as inclusion of data from JET, Vitral and Wasco acquired in 2018, meant that we have resubmitted our Science Based Target with a revised baseline year (2020). VELUX Group has updated the 2018 baseline to 2020 via a resubmission in January 2022. This update remains in line with the 1.5-degree pathway for a 50% reduction of our baseline year by 2030

but note that the resubmission is still pending formal approval from SBTi.

Scope 3 emissions are reported based on an operational control approach according to the Green House Gas Protocol (GHGP)[1]. The majority of the data consists of supplier specific data or spend data from the VELUX SAP Solution for the VELUX Residential division. Because of our operational scope, data for Altaterra are included but handled manually. To report a VELUX Group figure, we have extrapolated data for the VELUX Commercial division based on net sales except for employee commuting, where headcounts for the VELUX Group have been applied. We are working on obtaining more activity data from our suppliers including VELUX Commercial.

Quantifications of VELUX value chain emissions are based on the GHG Protocols. The scope 3 inventory is divided into 15 subcategories (C1-C15). 11 of these categories are determined as applicable to the VELUX business model and activities; see details below. The four excluded categories are: C10: Processing of sold products, C13: Downstream leased assets, C14: Franchises and C15: Investments. C10 and C13 are excluded due to irrelevance, as VELUX does not sell any partially finished products that need further processing and do not act as lessors. C14 and C15 are excluded as VELUX neither has franchises nor material investments.

Emissions from the remaining categories are quantified, as follows:

C1: Purchased goods and services are separated into:

- **1a:** Emissions from purchased goods and services (product related emissions, e.g. from raw materials) are calculated using a mass based approach: Mass of purchased material multiplied by product subgroup mass specific emission factors. Where available, supplier specific emission factors are applied; if not, industry average emission factors collected from ecoinvent database (2020) are applied.
- **1b:** Emissions from purchased goods and services (non-product related emissions, e.g. services), are calculated based on financial data: Spend data multiplied by spend product-specific emission factors collected from the Department of Business, Energy and Industrial Strategy (BEIS, 2021) database[2].

C2: Capital goods emissions are calculated by multiplying spend data with product-specific spend emission factors. Emission factors used are EEIO (Environmentally Extended Input Output) (2021).

C3: Fuel and energy related activities (not included in scope 1 or scope 2): The activity data from scope 1 and 2 are multiplied by well-to-tank (WTT) and transmission and distribution (T&D) emissions factors. Emission factors used are from the Danish Energy Agency. When national emission factors are not applied, BEIS (2021) is used.

C4: Upstream transportation and distribution emissions are calculated by financial spend and a distance-based approach.

- Product-related (PR) emissions are calculated based on 2021 activity data multiplied by relevant emission factor by major transport type. Emission factors are from BEIS (2021).
- Non-product related (NPR) emissions are calculated based on spend data (2021) multiplied by transport-specific emission factors.

C5: Emissions from waste generated in operations are calculated using annual waste produced per waste type multiplied by specific waste handling emission factors from BEIS (2021).

C6: Business travel emissions are calculated by allocating 2021 spend data into truck, air, rail, and private car multiplied by transport specific emission factors from EEOI (2021).

C7: Employee commuting emissions are calculated using the number of employees in each country multiplied by transport specific emission factors. Emission factors are based on specific country and specific commuting assumptions[3] multiplied by EEOI emission factors (2021).

C8: Upstream leased assets are all emissions from the operation of assets that are leased and not included in scope 1 and 2. It is calculated by financial spend data multiplied by product specific spend emission factors (EEIO 2021). Input data is based on 2021 financial spend data from leased assets.

C9: Downstream transportation and distribution emissions are calculated by multiplying spend data by a transport-specific spend emission factor. Emission factors are from BEIS (2021).

C11: Use of sold product emissions are calculated by multiplying the number of sold products containing a grid powered motor by the annual energy consumption, and then multiplied by the average world energy grid mix emission factor from IEA (2021). Assumptions on motor capacity (active and standby), energy usage per day and finally estimated lifetime of motors are based on internally developed environmental product declarations (EPDs). Note that the lifetime does not take into account customers who may choose to replace motors and thus extend the lifetime of the product.

C12: End-of life treatment of sold product emissions are calculated by multiplying the number of windows sold by a specific window end-of-life emission factor. Non-window product emissions are calculated by extrapolating from net sales. Emission factors are based on the most recent internally developed EPDs and cover deconstruction, downstream transport, waste processing and disposal.

[1] The GHG Protocol Corporate Accounting and Reporting Standard, the Corporate Value Chain (Scope 3) Standard, the Technical Guidance for Calculating Scope 3 emissions (v1.0) including supporting scope 3 documents.
[2] Emission factors are used in accordance with Department for Business, Energy & Industrial Strategy - GOV.UK (2021).
[3] Commuting assumptions are divided into country classification (high income to middle income) and the following types of transport: car, train, metro, bus, motorcycle, and walking/cycling, where the latter is considered zero emission transport.

Share of renewable electricity

Scope: VELUX Group

The indicator includes all renewable electricity produced at owned locations from solar cells (photo-voltaic (PV)), purchased Renewable Electricity Certificates (REC) and Renewable Energy Guarantees of Origin (REGO). Note that electricity produced from own solar cells that are not consumed by VELUX but sold to the grid are not included in the share of renewable electricity. See also scope 2 emissions under 'Future carbon footprint' for further details. RECs and REGOs will be retired on an ongoing basis throughout the financial year, and it is management's intention to retire all certificates before offsetting is claimed. At present, the majority of all certificates have been formally retired and cannot be resold by VELUX or applied by other companies. Furthermore, management has prepared a plan for the retirement of the remaining renewable electricity certificates.

Product carbon footprint

Scope: VELUX Residential
To keep track of production efficiency, while still working to reduce our carbon footprint, we track our product carbon footprint, which is calculated as kg CO_2 equivalents per average window. Due to the major product deviations across Residential and Commercial products in terms of size and material composition, VELUX Group has started to report on our product carbon footprint relative to an average Residential Roof Window. The average is based on a weighted average of the four most selling Residential Roof Window types (GGL, GPL, GGU and GPU) with a weighted average pane, from all sold units. The indicator is based on a cradle to gate approach, i.e. selected scope 1 and 2 emissions (energy consumption from production) and scope 3 categories (mainly cradle to gate emissions from supplied raw materials represented by industry standard carbon footprint database EcoInvent, unless specific supplier carbon footprint information in line with SBTi principles are available) from financial year 2021. Note that all end-of-life emissions are not included in this indicator.

Switch to zero emission cars

Scope: VELUX Group
This indicator tracks progress towards the target of achieving a 100% electric car fleet by 2030 and reports the share of zero emission cars out of total company cars. Zero emission cars only include fully electric vehicles and do currently not include trucks, forklifts, and other electric vehicles in operations. Hybrid cars are also not included. For 2021, data is based on an annual global survey developed internally combined with leasing overviews from leasing companies. Leased cars are included due to our operational control approach.

Share of certified wood

Scope: VELUX Group
Certified wood is defined as sourced wood certified according to the 'Program for the Endorsement of Forest Certification' (PEFC) or 'Forest Stewardship Council' (FSC). Consumption of wood for European Residential products is based on data collected in VELUX SAP solution, while wood from the US products is handled manually directly through suppliers. Most wood used in Chinese production is sourced from our Hungarian factory. Commercial products basically do not contain any wood, but all wood consumption is included for completeness.

Restatement
For 2021 reporting, there has been a change in scope of the KPI by including US, China and the Commercial division. The full scope lowers the certified wood share by four percentage points in 2020.

Social

Full-time equivalents (FTE)

Scope: VELUX Group
An employee's full-time equivalent (FTE) is the aggregate of full-time equivalent positions at VELUX at a given time. The number of FTE is a measure of the 'number of scheduled contractual working hours' divided by 'the full-time equivalent number of default working hours according to local legislation'. Both scheduled weekly hours and default weekly hours are maintained in VELUX workday, which is VELUX global Human Resources (HR) system.

The FTE covers only employees on the VELUX payroll. Employees include: regular, temporary, intern apprentice, student and expatriate. Temporary workers are employees who have a fixed-term contract, e.g. a substitute, maternity cover, project worker, etc.

Employees that are excluded in the figures are on long term leave >12 months, garden leave and contingent workers. Contingent workers are freelancers, independent contractors, or other outsourced workers.

Headcount at year-end

Scope: VELUX Group
Headcount reflects the number of employees in VELUX who have the Worker Type: 'Employee' in VELUX Workday. Headcount is the count of the unique Employee ID and reflects the total number of people employed and on the VELUX payroll. This includes: regular, temporary, expatriate, intern, apprentice and students. Long-term leave >12 months, garden leave and contingent workers are excluded in the headcount.

Employee turnover

Scope: VELUX Group
The term 'employee turnover rate' refers to the percentage share of employees who leave the organisation during the calendar year relative to the average headcount over 12 months. Only workers registered as 'regular' employees in VELUX Workday are counted. This means that all other workers – temporary, expatriate, intern, apprentice and students, garden leave and contingent workers – are excluded. The turnover rate thereby includes regular employees, who leave the VELUX Group for any reason, i.e. voluntary and involuntary leavers as well as employees going on pension. All data are stored in VELUX Workday.

Age distribution

Scope: VELUX Group
The age distribution of VELUX employees is based on the headcount figure (see definition above) and reported in percentages. The age reporting has been slightly changed compared to 2020, to ensure that the age groups used are comparable with other companies we have used the Global Reporting Initiative GRI's disclosure 401-1: Employment (2021). Data is extracted from VELUX Workday and based on self-disclosed employee data.

Restatement
To ensure transparency with other companies regarding our age distribution, we have chosen to use the sustainability reporting standard GRI to define our age groups. There are no changes in the calculation methodology for 2020, but internal grouping has been modified to follow the GRI401-1 (2021) standard. This means that we have gone from using five age group categories in 2020 to three group categories.

Diversity & Inclusion in senior management

Scope: VELUX Group
This indicator seeks to ensure balanced diversity in senior management and minimise the risk of groupthink, that is where a group of likeminded individuals come to consensus without critical reasoning and consideration of alternatives. The target is that no senior management teams should have more than 70% of selected diversity attributes in common. Senior management teams are defined as groups with four or more members from VELUX management levels 1-3.

The indicator for diversity and inclusion in senior management teams is defined through a 'similarity index' (%). Senior management are the supervisory organisational levels 1-3. VELUX uses a similarity index, which is a measure between 0 and 100 that measures the proportion of shared traits in a senior management team across the diversity attributes: gender, education, nationality, and age. All attributes are weighted equally. All management headcounts are registered in VELUX Workday, based on the unique Employee ID (see details under 'Headcount'). All diversity information is voluntary. Gender, nationality, and age group are recorded in Workday upon hiring. Gender, age, nationality and education are not mandatory and are self-declared by employees.

Increase number of women in management positions

Scope: VELUX Group
This indicator seeks to ensure diversity and equal opportunity at work at all levels in the organisation. The indicator focuses on having increased representation of women in management and senior management positions. All core employee master data are stored in VELUX Workday. Data on gender are recorded in VELUX Workday upon hiring and are voluntarily self-declared by employees.

Women in senior management
Senior management are the supervisory organisational levels 1-3 and managing at least one person which is recorded in VELUX Workday. Level one covers those that report directly to the CEO.

Women in management
A manager is defined as a person who supervises at least one person. In VELUX Workday, all managers registered as "Is Manager" are included in this indicator.

Women in total
The number of women among all employees in the VELUX Group, including temporary, expatriate, intern, apprentice and students, but exclusive contingent workers, long-term leave >12 months.

Strive for zero accidents

Scope: VELUX Group
Work-related accidents (LWC per million working hours)
This indicator tracks the accident frequency across VELUX operations. Only accidents with absence are included. A Lost Workday Case (LWC) is defined as a work-related accident resulting in injury or illness, where the employee is required to take at least one full day of absence. Lost workday cases also include fatal accidents. Work-related illnesses (attrition) are currently excluded, because privacy policies/internal data protection and national regulations make it difficult to collect data globally. An injury or illness is classified as work-related if the event occurs in the work environment, including business trips (but excluding commuting).

Work-related accidents include both white- and blue-collar employees, including hours worked by temporary workers also called contingent workers or in France Interimaires. This applies to the entire VELUX Group. Other third party contractors are excluded in both accidents and absence hours.

Accidents are recorded locally by QHSE&E managers and reported by all VELUX Group companies and data is reported monthly via our BPC system.

Restatement
In 2021, there has been a change in scope to also include Commercial divisions and Residential Sales & Marketing employees. This has been done from a completeness perspective to have a total scope for VELUX Group.

The scope for 2020 has therefore also been changed, but due to insufficient documentation it was not possible to report on Residential Sales & Marketing. Because of the changed scope, the figures reported in the Sustainability Report for 2020 of 2.60 and the new figures for 2021 of 3.06, are not comparable.

Accident-related absence hours (LWC per thousand working hours)
Absence hours include the total hours lost due to lost workday cases (LWC). Accidents and absence hours are reported in the same year the accident took place to simplify the reporting, except absence hours caused by accidents the year before, which are included in the current financial year. Once the total length of absence for a single LWC exceeds 12 months, it is excluded from the calculation. Total working hours for all employees (blue and white collars) on fixed contracts is calculated based on the potential working hours, which equal actual working hours, absence and education. Working hours for employees that are paid hourly and temporary workers (incl. contingent workers/ interimaires) are calculated as actual hours worked, including overtime and education time. Absence hours are excluded from the calculation of total working hours for hourly and temporary workers. The total potential working hours is equal to all potential working hours for all employees (total headcount). Overtime on fixed contracts is not included in potential working hours. The numbers are used for calculation of sickness rate, and employees cannot be sick on overtime hours.

VELUX Group does not calculate absence hours in relation to fatal accidents.

Absence hours are recorded locally by QHSE&E managers and reported by all VELUX Group companies on a monthly basis via our BPC system. Working hours for white-collar employees are contractual hours and recorded in VELUX Workday, while working hour data for blue-collar workers are obtained from local HR and payroll systems.

Restatement
In 2021, there has been a change in scope to also include Commercial divisions and Residential Sales & Marketing employees. This has been done from a completeness perspective to have a total scope for VELUX Group.

The scope for 2020 has therefore also been changed, but due to insufficient documentation it was not possible to report on Residential Sales & Marketing.

Because of the changed scope the figures for the overall LWC per thousand working hours reported in the Sustainability Report for 2020 of 0.35 and the new figures for 2021 of 0.41, are not comparable.

Governance

Gender diversity in board of directors

Scope: VELUX A/S
This indicator tracks the gender diversity in the board of directors, excluding all employee elected board members. The indicator shows the share of female and male board members, respectively, at year-end. This indicator only includes the board of directors in VELUX A/S.

Supplier quality audits completed at year-end

Scope: VELUX Residential
The Supplier Evaluation and Approval Process (SEAP) is applied to all new suppliers for direct materials while existing suppliers from before 1 January, 2021 undergo periodical self-assessments and on-site audits. Direct material suppliers are defined as those delivering materials and components to our production, i.e. wood, glass, packaging, electronics, chemicals, aluminium and metal parts. This definition is defined in VELUX Group's Bill of Material (BOM).

All new suppliers must undergo an on-site audit before approval. Due to the COVID-19 pandemic, suppliers must as an interim approval process complete a self-assessment. Suppliers approved using this method will need to undergo an on-site audit within 12 months for final approval. VELUX Group's audit process SEAP is part of VELUX Group's QHSE Management System. It provides the total number of audits and self-assessments conducted during the year. On-site audits and self-assessments are equally counted and the total number of completed audits are reported at year-end. In principle, the reported figure consists of suppliers that provide goods for Residential suppliers, including those suppliers who also provide to Commercial.

For suppliers who only provide goods/services to Commercial, the audit process is done differently, and VELUX is working on including the audits in the external reporting. In addition, VELUX is also updating our audit process to integrate requirements from the EU Directive on Due Diligence on Human Rights and the Environment in the coming reports.

Code of conduct for supplier signatures

Scope: VELUX Residential
This indicator includes all suppliers of direct materials for locations that produce VELUX Residential products but excluding Commercial, as they have a separate process which is in process to be aligned. Direct material suppliers are defined as those delivering materials and components to our production, i.e. wood, glass, packaging, electronics, chemicals, aluminium and metal parts. Data is collected through integrated, automated reporting from VELUX SAP Solution and the contract repository. Currently, all suppliers in scope must sign the Code of Conduct, but there may be exceptions in case suppliers have similar or more thorough code of conducts in place. All exceptions must be documented.

Note that the supplier code of conduct is currently being revised and a new reporting set-up and scope will be introduced during 2022.

Anti-corruption e-learning completion

Scope: VELUX Group
This indicator is part of VELUX communication and training about anti-corruption policies and procedures. The percentage relates to completion rate of anti-corruption training for selected employees based on their risk of exposure to corruption and bribery. This includes employees referring to Vice President Purchasing, Director Indirect Procurement and Vice President External Relations and Sustainability, as well as all level 1-3 senior managers and relevant sales and marketing employees but excludes temporary workers, expatriates, students, outsourced and non-permanent workers. The indicator is based on the rate of completion of the anti-corruption e-learning module available in our e-learning platform Cornerstone at year-end.

Note that the e-learning completion rate has been revised due to a change in selection criteria for employees in scope for this training according to updates in VELUX Anti-Corruption policy, which has resulted in a lower completion rate in 2020. In addition, the completion frequency was also changed from every second year to each year. Overall, this has resulted in a decrease in the completion rate from 2020 by 10 percentage points.

Management statement

The Board of Directors and the Executive Board of VELUX A/S including affiliates (hereafter the VELUX Group) have considered and adopted the Sustainability Report of the VELUX Group for the period 1 January to 31 December 2021.

The Sustainability Report 2021 has been prepared in accordance with the accounting principles set out in the governance principles for sustainability reporting as described on pages 45.

In our opinion, the Sustainability Report provides a true and fair view of the VELUX Group's impact on society for the period 1 January to 31 December 2021. Further, in our opinion, the accounting principles applied are appropriate and the information given in the Sustainability Report is consistent with these accounting policies.

6 April, 2022

Management

David W Briggs
CEO

Board of Directors

Jørgen Jensen
Chairman of the board

Morten Falkenberg
Vice Chairman of the board

Karina Deacon
Member of the board and Chairman of the Audit Committee

Henrik Lange
Member of the board and Vice Chairman of the Audit Committtee

Eva Birgitte Bisgaard
Member of the board

William Christensen
Member of the board

Jean-Marc Lechêne
Member of the board

Kurt Emil Eriksen
Employee board member

Finn W. Christiansen
Employee board member

Jimmy B. Laursen
Employee board member

Independent auditor's assurance report on Sustainability Report

6 April, 2022

To the shareholders of VELUX A/S
We have been engaged by VELUX A/S to perform a 'limited assurance engagement', as defined by the International Standard on Other Assurance Engagements, and to report on VELUX A/S' Sustainability Report (the "Sustainability Report") for the period from 1 January to 31 December 2021.

In preparing the Sustainability Report, VELUX A/S applied the Accounting practice described on pages 50-54.

Management's responsibilities
VELUX A/S' management is responsible for selecting the Accounting practices, and for presenting the Sustainability Report in accordance with those Accounting practices, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Sustainability Report, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express a conclusion on the presentation of the Sustainability Report based on our procedures and the evidence we have obtained. We performed our work in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and additional requirements under Danish audit regulation. Those standards require that we plan and perform our work to obtain limited assurance about whether, in all material respects, the Sustainability Report is presented in accordance with the Accounting practices, and to issue a conclusion thereon.

The procedures performed in connection with a limited assurance engagement vary in nature and timing and are substantially less than those performed in connection with a reasonable assurance engagement. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Sustainability Report and related information and applying analytical and other appropriate procedures.

Consequently, the level of assurance obtained for a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Our procedures were designed to obtain a limited level of assurance for our conclusion and do not provide sufficient evidence to issue a reasonable assurance report.

Our independence and quality control
We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as ethical requirements applicable in Denmark, and have the required competencies and experience to perform this assurance engagement.

EY Godkendt Revisionspartnerselskab also applies International Standard on Quality Control (ISQC) 1, and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Our procedures included:
- Review of VELUX Group A/S process for the preparation and presentation of the Sustainability Report to develop an understanding of how the reporting is conducted within the orginisation
- Interviewed those in charge of the Sustainability Report to develop an understanding of the process for the preparation of the Sustainability Report
- Analytical review procedures to support the reasonableness of the data
- Made inquiries to significant development in reported data
- Verified on a sample basis the information in the Sustainability Report against source data and other information prepared by those in charge
- Considered the disclosure and presentation of the Sustainability Report against the Accounting practices

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Report for the period 1 January to 31 December 2021, have not been prepared, in all material respects, in accordance with the Accounting practices described on pages 50-54.

Copenhagen, April 6, 2022
EY GODKENDT REVISIONSPARTNERSELSKAB
CVR no. 30 70 02 28

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State Authorised Public Accountant
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Find us here

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VELUX.com/what-we-do/sustainability
VELUX.com
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