

Building a Model Company

Corporate Responsibility 2015

PDF-edition - 84 pages

Our approach	3
Message from our Management - Achievements in 2015	3
Do it well and do it properly - Being a Model Company	4
Our approach to Corporate Responsibility	7
Stakeholder engagement	11
About the VELUX Group	13
Our values	14
Our strategy	15
Citizenship	18
Sustainable Living in Buildings	19
Knowledge Centre for Daylight, Energy and Indoor Climate	26
Public Affairs	29
Fair Competition	32
Our contribution to society	33
Products	36
Sustainable and innovative products	37
Products categories	37
Life Cycle Assessment	42
Product quality	44
Interaction	49
Interaction with customers	50
Interaction with suppliers	54
Respecting human rights	57
Anti-corruption	58
Behaviour	59
A safe and motivating workplace for talented employees	60
Health and safety	72
Environment	75
Performance	80
About the Report	84



The VELUX Management Group, from left to right: Patrick W. McKenzie, Ingemar Tärnskär, Michael K. Rasmussen, Jørgen Tang-Jensen, David Briggs and Peter Bang.

Message from our Management

Our Corporate Responsibility achievements in 2015

For more than 50 years, the Model Company Objective has been the foundation of how we ensure we run our business responsibly. The purpose of our annual CR report is to document how we act as a company and how we strive to be a Model Company.

Being a Model Company is a quest that started more than 50 years ago – and one that will never end.

This report provides an insight into our activities and a status on how we performed in 2015.

An important aspect of aiming to be a Model Company is working with products that are useful to society. The key drivers in our product innovation activities are healthy and sustainable buildings with more daylight, more fresh air and nearly-zero energy consumption. VELUX products are carefully designed to minimise heat loss through the window and to make the most of solar heat gain. Life cycle assessments document that the main environmental impact of a VELUX roof window is in the use phase. The energy savings over the lifetime of a roof window exceed the energy consumed in the production process, meaning that VELUX roof windows provide net CO₂ savings over their complete life cycle.

One thing is the design and the effect of the product, another is the raw materials, which we also want to have as little environmental impact as possible. Therefore 96% of the wood we use comes from sustainable and certified forests – it is either PEFC or FSC certified – with the remainder coming from controlled sources. In 2015, we revised our wood certification strategy, defining key areas for further development and visions for the future. Our 2020 target is for 99% of our wood to be certified. Bearing in mind that only 30% of all global wood sale comes from certified forests, we believe this is a remarkable result and target.

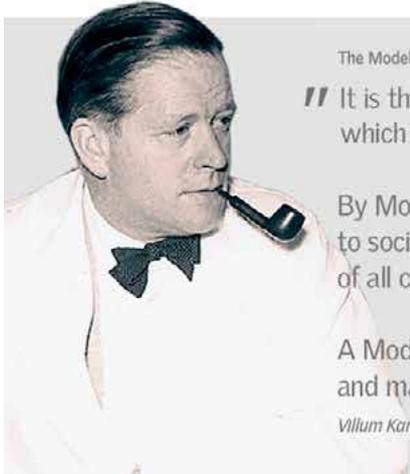
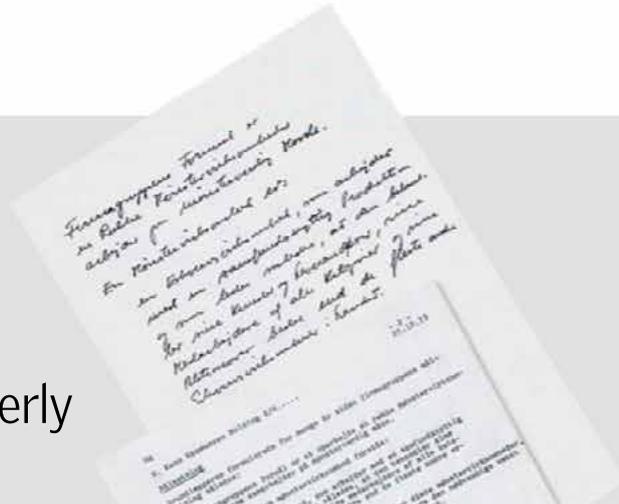
As for the footprint of our own operations, we work hard to bring down both CO₂ emissions and waste from our production. In 2015, we reduced our CO₂ emission by 29% but our goal is to reduce it by 50% before 2020. To reach this goal, we have several focus areas e.g. recycle all wood waste for heating at our factories, energy management programmes to monitor, analyse and reduce our energy use, and review of energy consumption by all factories when making investments in production equipment and maintenance.

Apart from lowering our energy consumption, the environmental management systems at our production sites also help us to recycle as much waste as possible. Several of our factories are working with 'circular economy', intended to convert waste into value. In many of our waste streams, the waste is 100% recycled into energy or other products.

We continue to engage with key stakeholders to influence the international agenda on buildings, so that the focus of debate is not simply on energy but also on prioritising the indoor climate – we call it sustainable living in buildings. We were therefore also very pleased to see that, at COP21 in Paris, buildings were made a permanent agenda item for future COPs.

The VELUX Management Group

Do it well and do it properly



The Model Company Objective - why we are here

” 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

In 1965, in the midst of the fast-paced growth of his company, Villum Kann Rasmussen asked himself whether there was more to running a successful business than just earning money. His answer was the Model Company Objective, by which sound business results go hand in hand with an ethical approach.

Today, the Model Company Objective remains the raison d’être of the VELUX Group. It offers a long-term perspective on the company’s development, and it guides decisions and actions at all levels in the organisation and in all parts of the world.

“The Model Company Objective is part of my contract. It states that I must lead the company in an exemplary manner. This has been very useful to me, especially when facing difficult decisions, where I have been able to ask myself – what would a model company do in a situation like this?” Jørgen Tang-Jensen, VELUX Group CEO, President.

In 2015, Lars Kann-Rasmussen, former CEO of the VELUX Group and Chairman of the VELUX FOUNDATIONS, gave an interview on the Model Company Objective and its implications in the current business environment. Among other things, he stressed how VELUX products are useful to society and how they improve sustainability in many ways:

“We are fortunate that the products we work with are, by definition, useful to society. And when, on top of that, throughout their service life they make use of nature’s own resources – daylight and fresh air – we could hardly be more fortunate. Obviously, we need materials to produce a window – but our environmental footprint is extremely modest compared to that of so many other companies”.

We create products useful to society

Bringing daylight and fresh air into buildings through windows offers a number of benefits for human beings and thereby for society.

"Daylight, fresh air and outlook are fundamentally linked to human well-being. We all know that quite instinctively. And our instincts are backed by a wealth of scientific data that prove how daylight – and fresh air for that matter – increases children's learning abilities, productivity at work and recovery of patients in hospitals," says Michael K. Rasmussen, Senior Vice President, Brand & Communication.

Our new generation of roof windows is an example of how the VELUX vision of bringing daylight and fresh air through the roof is put into practice.

"In our product development, we took our starting point in getting more daylight and comfort, while curbing the use of energy. In addition to daylight and comfort for people, the new generation of roof windows can save more CO₂ than is emitted over their complete lifecycle. That is a good example of how our fundamental objective to create products useful to society is still valid," says Michael K. Rasmussen.



We treat our customers in an exemplary manner



"We treat our customers better than most other companies" is a key statement of the Model Company Objective. But what does that really mean?

"We can see it in the smallest details when it comes to our interaction with customers and the quality products we deliver. But most of all, we can see it in the large market share we have maintained over time. That wouldn't have been possible if we did not treat our customers in an exemplary manner," says David Briggs, Senior Vice President Market.

The positive relationship with the customers is deeply rooted in the nature of the VELUX products.

"Basically, daylight and fresh air through the window do not have a downside, so our customers will experience daily satisfaction from our products."

We treat our suppliers well

The VELUX Group has a clear commitment to treat suppliers well in order to create stable and long-term relationships that benefit both partners equally.

"I would say that we are probably one of the few companies to state its commitment to suppliers as clearly as we do in our Model Company Objective. Our purchasing team always takes time to evaluate how we comply with our company values and objectives in our collaboration with vendors," says Ingemar Tärnskär, COO, Executive Vice President.

In what ways do suppliers experience the ambition to create fruitful and long-lasting partnerships?

"We strive to be diligent in our communication with suppliers, and we negotiate based on fair opportunities for new and current vendors. We encourage win-win agreements, which we see as the way to ensure stable and mutually beneficial relationships," says Ingemar Tärnskär.



We offer a safe and motivating place to work



At the VELUX Group, we believe that people performance drives business performance. As stated in the Model Company Objective, it is our ambition to treat employees better than most other companies. In a large and international organisation this might be difficult to measure and may also be subject to many different interpretations. Patrick W. McKenzie, Senior Vice President People and Strategy, sees it this way:

"I really like this element of our Model Company Objective, but I also think it is often misunderstood. To me, it means that we are respectful and treat people fairly. We have no ambition to pay people better than other companies, but we pay fairly and we pay well. However, the full package on offer from the VELUX Group contains so much more – e.g. working with products useful to society, our high ethical standards and a good work/life balance. When looking at this whole package, I really do think that we perform better than most other companies," says Patrick W. McKenzie. He underlines that care for people is also a key element of the company core values.

"Where VELUX is different is the way that our values are truly lived throughout the organisation. This leads to very dedicated employees who stay with us for many years," says Patrick W. McKenzie.

We make a profit to finance growth and maintain financial independence

Financial independence allows a long-term focus on the company's development. This means that decisions on future opportunities can be made inside the company without consulting the bank.

"We believe in long-term profitable growth. The VELUX Group is owned by family and foundation. Our shareholders see the company as a long-term investment. We would never risk losing long-term opportunities by optimising the profitability of a single year," says Peter Bang, CFO, Executive Vice President.

The interpretation of the Model Company Objective is carved in stone and forms the backbone of business decisions.

"Our endeavour to be a model company ensures that we do not compromise society, customers, vendors, employees or other stakeholders in order to make a short-term profit. I see that as an extremely strong obligation that guides the management team in the decisions we make," says Peter Bang.



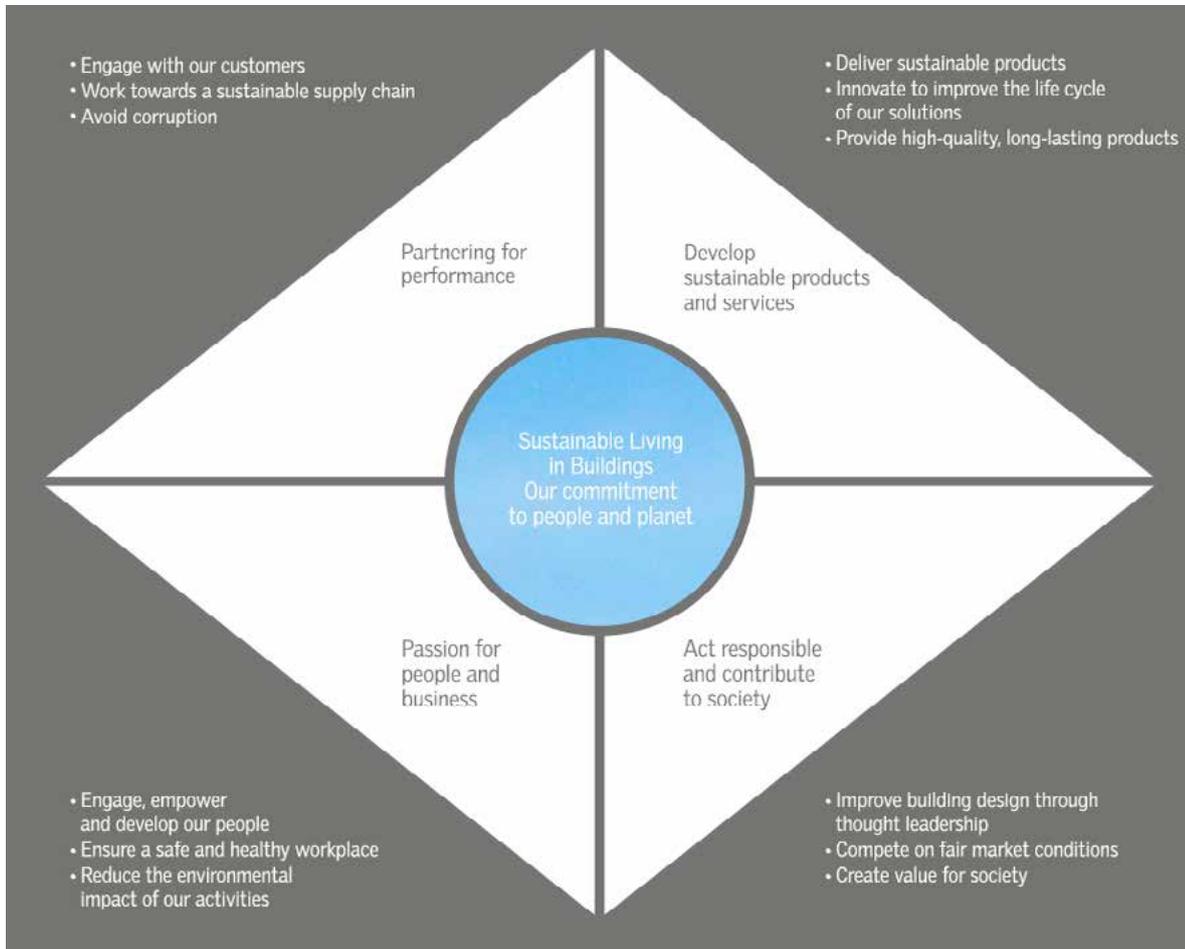
Our approach to Corporate Responsibility

We take a business-driven approach to Corporate Responsibility based on the Model Company Objective. In essence, this means that we work to create value for society – and, more specifically, for our customers, suppliers and employees as well as the company itself in order to be able to finance future growth and maintain financial independence.

Corporate Responsibility is governed by the VELUX Management Group; our Corporate Responsibility Steering Committee meets quarterly.

Our Corporate Responsibility model

The VELUX Corporate Responsibility model explains how we understand and work with Corporate Responsibility.



We structure our Corporate Responsibility activities in five dimensions:

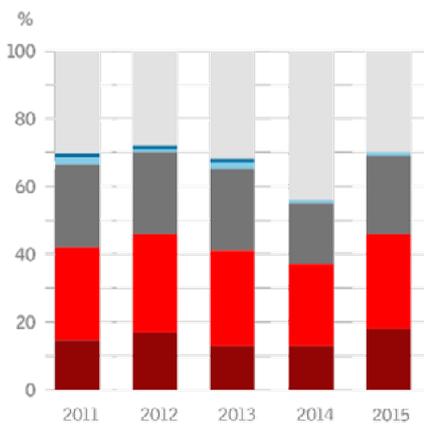
1. We structure our Corporate Responsibility activities in five dimensions:
2. Our commitment to Sustainable Living in Buildings is at the heart of our work with Corporate Responsibility. This commitment ensures the relevance of VELUX products today and tomorrow and supports our mission to develop a new paradigm for future buildings
3. We develop products and services that are sustainable throughout their life cycle
4. We act responsibly and seek influence to promote healthy and sustainable buildings
5. We lead our business with focus on people and care for the environment
6. We collaborate with customers and suppliers to improve our performance and to act responsibly throughout the value chain.

Perception of the VELUX Group as a responsible company



In 2015, the VELUX Brand Survey confirmed that our customers generally perceive our company as a socially and environmentally responsible company. We continue our efforts to be perceived as a responsible brand through a number of activities, including demonstration buildings, the Healthy Homes Barometer, the Healthy Buildings Day, Daylight Symposium and the Daylight/Architecture magazine.

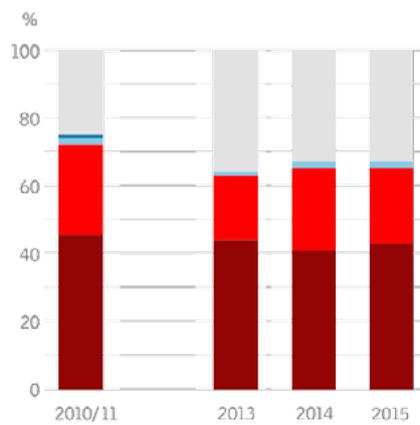
The VELUX Group is a socially responsible company



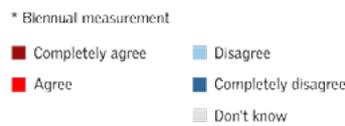
General public feedback through third party brand tracking survey



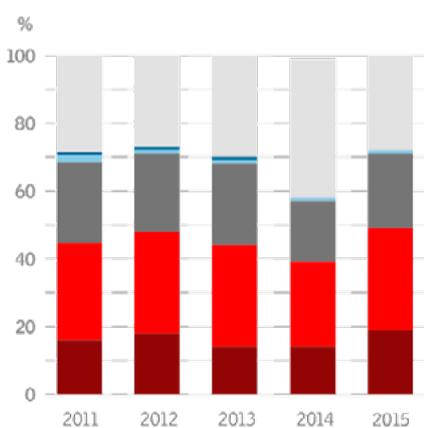
The VELUX Group is a socially responsible company



Dealers' and installers' feedback through third party satisfaction tracking survey



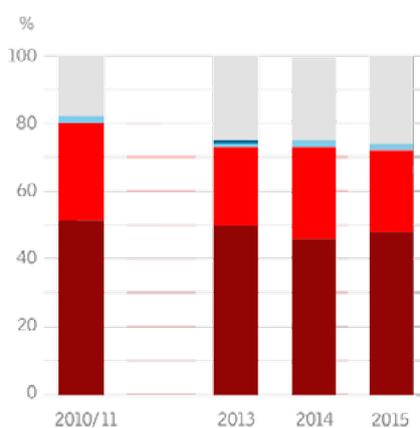
The VELUX Group is an environmentally conscious company



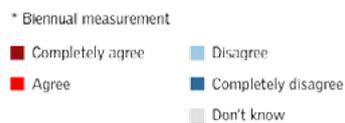
General public feedback through third party brand tracking survey



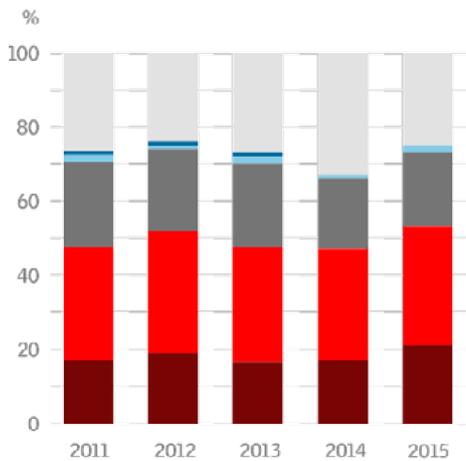
The VELUX Group is an environmentally conscious company



Dealers' and installers' feedback through third party satisfaction tracking survey



Choosing a VELUX product is environmentally a good choice



General public feedback through third party brand tracking survey



Responsibility awards 2015

- Denmark: in the European Business Awards, the VELUX Group has been selected as one of The National Champions in the category "Environmental & Corporate Sustainability". The VELUX Group will go on to compete in the next phase of the competition, resulting in successful organisations being short-listed as one of ten Ruban d'Honneur recipients in this category. The European Business Awards is Europe's largest and most significant cross-sector business recognition programme.
- Denmark: in December, a Danish building magazine awarded the Green Solution House hotel and conference centre with the accolade of Danish Commercial Building 2015 for its sustainable solutions and environment-friendly building components. The VELUX Group is one of the strategic partners of the building.
- France: in September, VELUX France received the Happy Trainees 2015-16 label for its participation in the largest European study of professional internships. VELUX France came in third place in the rankings of 1,000 companies.
- Hungary: Lars Kann-Rasmussen, former Chairman of the foundation VILLUM FONDEN, was honoured with the award of Commander's Cross of the Order of Merit of Hungary in recognition of the long-standing commitment of the VELUX Group in Hungary.
- The Netherlands: VELUX Nederland B.V. was selected as one of the most inspiring organisations in the country for its vision to bring daylight into people's lives every day. Our Dutch sales company was ranked as number 14 in the "Inspiring 40" consumer survey and the only company in the building industry to be included.
- Poland: in November, the Regional Labour Inspectorate of the Opole region awarded the polyurethane windows factory NB Polska Sp. z.o.o. in Namysłów first prize in the contest "Employer – an organiser of safe work" in appreciation of the factory's initiatives to improve the safety culture among the employees.
- The USA: VELUX Greenwood Inc. received the "Award of Excellence" for its outstanding safety performance. The award is based on Columbus Insurance's annual assessment of their members' performance in relation to safety.

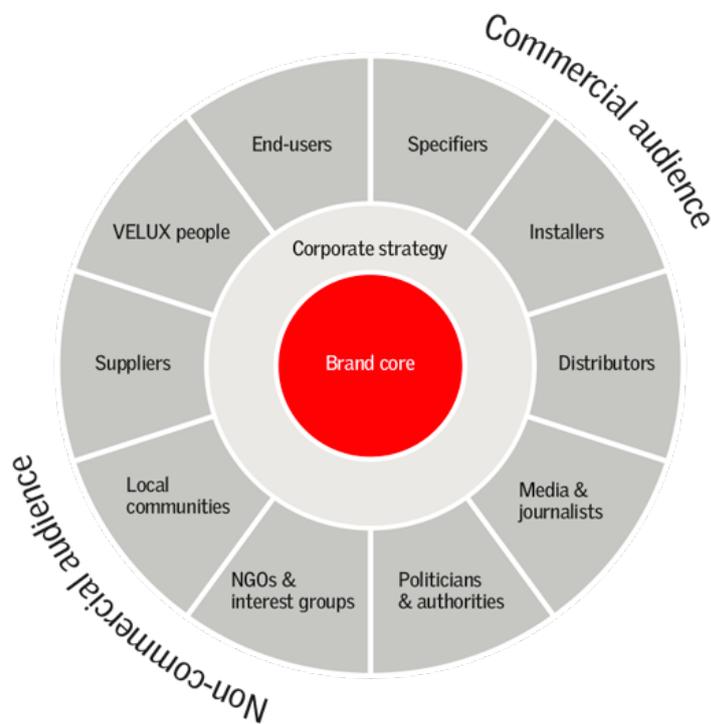


Stakeholder engagement is a core element in fulfilling our objective to be perceived as a Model Company.

We engage with stakeholders to:

- discover stakeholder concerns and needs through research and analysis of global, societal trends
- engage in dialogue in a number of forums, meetings and platforms
- influence development by providing knowledge, tools and methods related to healthy and sustainable buildings.

Our primary stakeholders are shown in the wheel below:



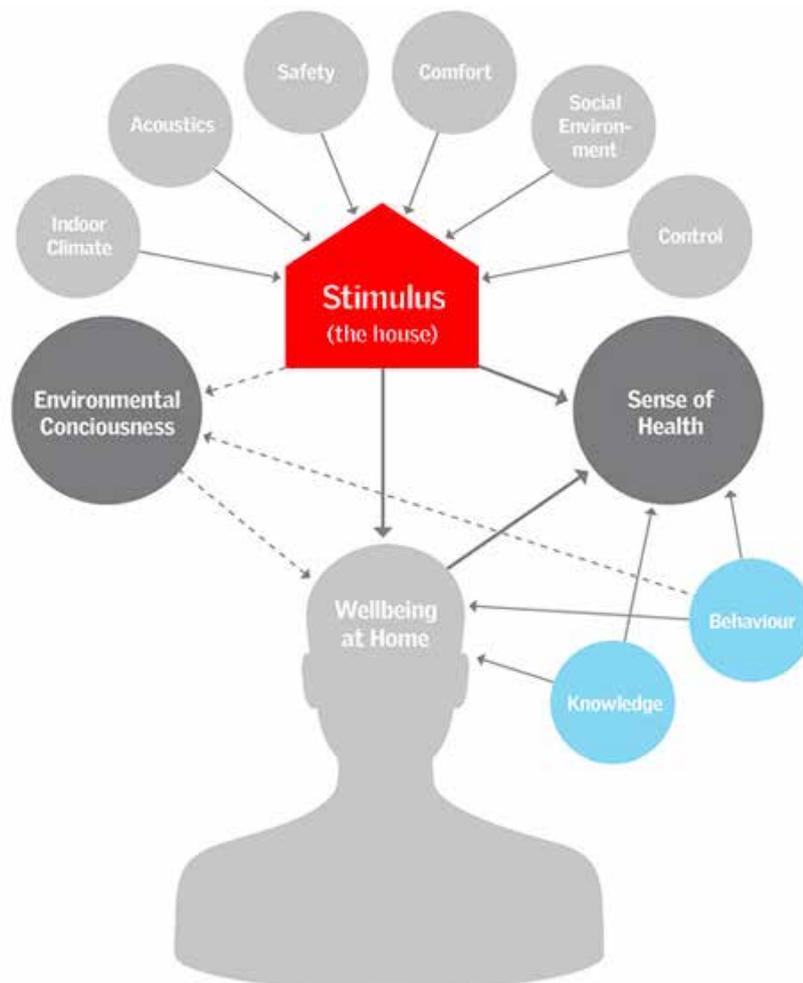
Case End users help us define a healthy home



From research and building experiments, we have learned how important the indoor climate is for people's health and well-being. However, despite a growing interest in healthy homes among researchers, politicians and NGOs, there is still a lack of knowledge about healthy homes in the general public.

To meet this information gap, we have set out to further raise awareness of healthy homes and explore the link between healthy homes and healthy people. In order to do so, we carry out annual surveys and focus-group interviews on topics such as ventilation habits, behaviour in the home and health factors. Together with the Humboldt University in Germany, we have conducted a pan-European study on health and homes, and we are working closely to explore the underlying trends in people's understanding and behaviour.

The ultimate goal is to help people realise that many small things matter when it comes to creating a good indoor climate, such as airing the home regularly or using sun shading to





Daylight and fresh air – that's our business

For more than 70 years, the VELUX Group has created better living environments with daylight and fresh air through the roof for people around the world. Our products ensure a healthy indoor climate for work and learning, for play and pleasure. Our products benefit the environment by being highly energy efficient and by generating more energy than goes into producing them.

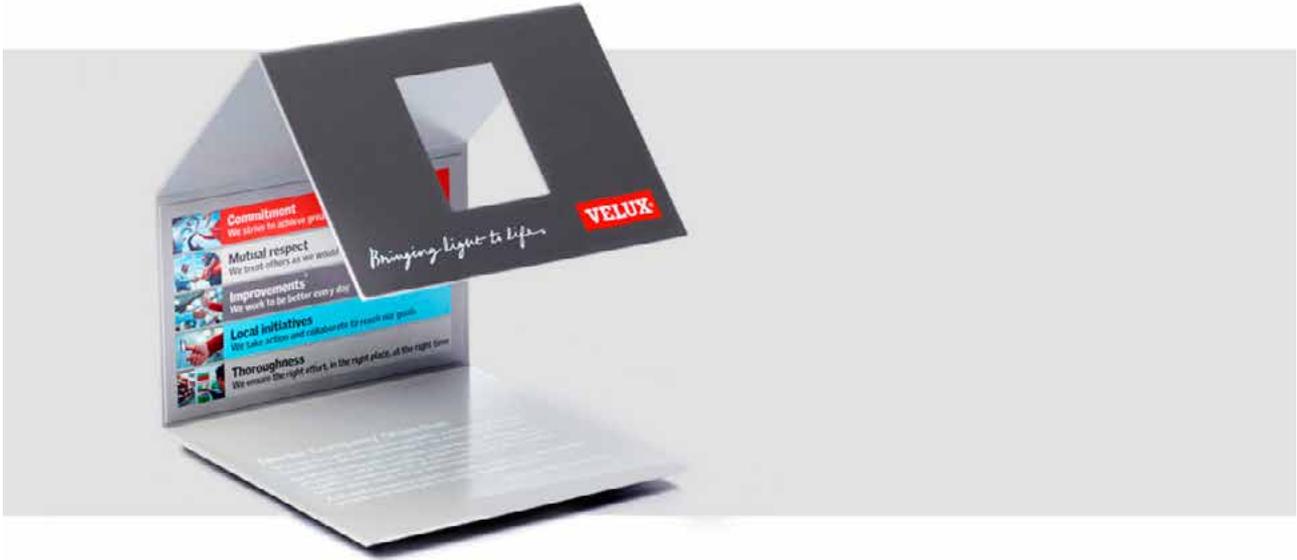
The VELUX Group is one of the strongest brands in the building industry and offers a large number of products and services, including:

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

With manufacturing companies in nine countries and sales companies in more than 40, our products are widely available. We employ almost 10,000 people and our company is headquartered in Denmark.

The VELUX Group is owned by VKR Holding A/S.

Our values



Commitment

We strive to achieve great results together



Mutual respect

We treat others as we would like to be treated ourselves



Improvements

We work to be better every day



Local initiatives

We take action and collaborate to reach our goals



Thoroughness

We ensure the right effort, in the right place, at the right time

The business environment is changing fast. To stay on top and develop a stronger performance culture, we revitalised and reactivated our values in 2015. The five core values are unchanged, but their definitions were adjusted to make them more understandable in the present context and to create better coherence with the objectives we want to achieve.





Our strategy

The overall goals of the VELUX Group Strategy 2013-2017 are to:

1. Ensure the relevance of our core business (daylight and fresh air through the roof)
2. Retain our high market share globally
3. Deliver high profitability.

These goals will be achieved by:

- Delivering outstanding perceived value with affordable core products and services
- Focusing on high-volume standard product platforms for the mass market
- Leveraging our scale advantage to produce at significantly lower cost than competitors
- Fulfilling local customer needs with lean global structures and processes
- so that customers are satisfied and our local relationships are strong
- to remain the strongest brand in our industry.

Organisation and ownership



The VELUX Group is owned by VKR Holding A/S, a limited company wholly owned by foundations and family. The VELUX Group's financial results are incorporated in VKR Holding's consolidated accounts.

Each year, a share of VKR Holding A/S' profit is paid back to society by the two foundations VELUX FONDEN and VILLUM FONDEN, which support scientific, environmental, social and cultural purposes around the world. The foundations operate independently from VKR Holding A/S and its companies.

Our history



A passion for daylight, fresh air and better living environments is what started our company 75 years ago. That passion still drives the development of our Group.

In 1941, entrepreneur and inventor Villum Kann Rasmussen came up with an idea that would transform dark attics into liveable space full of daylight and fresh air.

His first roof window was patented in 1942. He also came up with a distinctive name that brought out the key benefits of his solution: "VE" which is short for ventilation and "LUX" which is the Latin word for light – VELUX.

Within a few decades, Villum Kann Rasmussen and his team opened up the roofs of homes and workplaces all over Europe and America, making the VELUX brand synonymous with daylight, fresh air and functional, high-quality design.

Board members

VELUX A/S Board Members:

Søren Bjerre-Nielsen

Chairman of the Board, VELUX A/S
Chairman of the Board, VKR Holding A/S
Chairman of the Board and Chairman of the Committee of Directors, Danmarks Nationalbank
Chairman of the Board, Højgaard Holding A/S
Chairman of the Board, MT Højgaard A/S

Kim Fausing

Deputy Chairman, VELUX A/S
Executive Vice President & Chief Operating Officer, Danfoss A/S
Board member, Hilti AG, Liechtenstein

Kent-Åke Ahlgren

Board member, VELUX A/S
Owner, Ahlgren Consulting GmbH

Morten Falkenberg

Board member, VELUX A/S
President & CEO, Nobia A/B

Lykke Friis

Pro-Vice Chancellor for Education, University of Copenhagen
Chairman of the Danish Foreign Policy Society
Member of the boards of:
European Council of Foreign Relations,
Rockwool Foundation,
European Institute of Innovation and Technology,
International Crisis Group,
Vestas Wind Systems A/S,
The Danish-German Chamber of Commerce

Arne Christensen

Employee-elected board member, VELUX A/S
Quality worker, Skærbæk Bygningsindustri A/S



Øjvind Frank

Employee-elected board member, VELUX A/S
IT-responsible and CAD Coordinator, A/S Østbirk Bygningsindustri

Jan Thomsen

Employee-elected board member, VELUX A/S
Warehouse worker, Gåsdal Bygningsindustri A/S

Risk Management and Audit Committee

The VELUX Management Group continuously identifies and monitors significant risks related to the business.

The Audit Committee has two members elected by the Board. One member is designated as a chairperson. Under the Danish Act on Auditors, all members qualify as financial experts and one of the members also qualifies as independent.

The members are:

Søren Bjerre-Nielsen – Chairman of the Audit Committee since 2013
Jan Lundsgaard Jensen – member of the Audit Committee since 2012, CEO of VKR Holding A/S

The Audit Committee assists the Board with supervision of:

- the external auditor
- the internal audit function
- the financial reporting
- the internal control system
- the procedure for handling complaints regarding accounting, internal accounting controls, auditing, financial reporting issues, and matters of business ethics.

Risk management

The VELUX Management Group continuously identifies and monitors significant risks related to the business. The Audit Committee handles specific risks in relation to the process of preparing the financial statements and fraud.



Citizenship

Sustainable Living in Buildings

Sustainable Living in Buildings is our commitment to people and planet. We engage with key stakeholders and deliver products and solutions that benefit people, protect natural resources and reduce environmental impact.

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



Planet

"Sustainable living in buildings is our commitment to people and planet.



Buildings

We engage with key stakeholders



Products

...and deliver products and solutions



People

...made to optimise human health and well-being and minimise environmental impact"



Planet perspective: setting the agenda for the future



We believe that research and technology are pivotal in turning current global challenges into opportunities.

We have therefore made a strong commitment to develop innovative concepts that can help combat climate change, limit the use of energy resources and provide a healthy and comfortable indoor climate. We call our commitment "Sustainable Living in Buildings".



" In the work to reduce energy use and CO₂ emissions, buildings are an overlooked potential. Based on 21 experiments across Europe, we have shown that it is possible to meet the 2020 targets with the technology available today.

Jørgen Tang-Jensen, VELUX Group CEO, President, VELUX event at COP21

Case Buildings are part of the Paris Climate Agreement

"We are satisfied with the result of the COP21 negotiations in Paris. It's good news for the environment but it's even better news for us. For the first time, buildings were on the agenda. Buildings are responsible for about 40% of CO₂ emissions – and the solutions to do something about that are staring us in the face. Energy renovation projects can be started immediately and make a valuable contribution to economic growth in Europe," said VELUX Group CEO, President Jørgen Tang-Jensen when the negotiations at COP21 were concluded.

At COP21, the VELUX Group played an active role in highlighting the importance of buildings when it comes to reducing energy consumption and carbon emissions.

The VELUX Group was co-organiser of the Building Day event during COP21, a whole day dedicated to the building industry and the large potential for energy savings in the building sector. The day ended with the Green Building Solutions Award winners' gala, where the prize for "Health and Comfort" was presented in cooperation with Construction 21. The first prize was given to the French kindergarten and primary school group Simone Veil.



"Le Refuge du Goûter" in the French Alps, built with 55 VELUX roof windows, won the Users' Choice award.

Building perspective: engaging with key stakeholders



To be able to move forward and create healthy and sustainable buildings, we need to know where we are heading. Some build theories and simulate the path. We build real, full-scale buildings and monitor them in use. Through close dialogue with the international building community, we discover new ways of designing, building and renovating the millions of buildings in need of better indoor climate and improved energy efficiency.

Founding partner of Active House

The VELUX Group is one of the founding partners of the Active House Alliance, a global network of builders, researchers, designers, contractors and manufacturers who all work to promote healthy and sustainable buildings. During the last ten years, the VELUX Group has initiated and partnered in the building of more than 26 Active Houses all over the world.



An Active House is built on three fundamental principles:

- Comfort – creates a healthier and more comfortable life
- Energy – contributes positively to the energy balance of the building
- Environment – has a positive impact on the environment.

The EU Commission is in the process of creating a new, common EU framework of indicators to control the environmental performance of buildings. The Active House Alliance took a major step towards international recognition when the Alliance, as stakeholder, was invited to the first working group meeting aimed at defining the macro-objectives for resource-efficient buildings. The meeting took place in the EU Parliament in June 2015 during Sustainable Energy Week, with the Alliance hosting an event on future buildings.



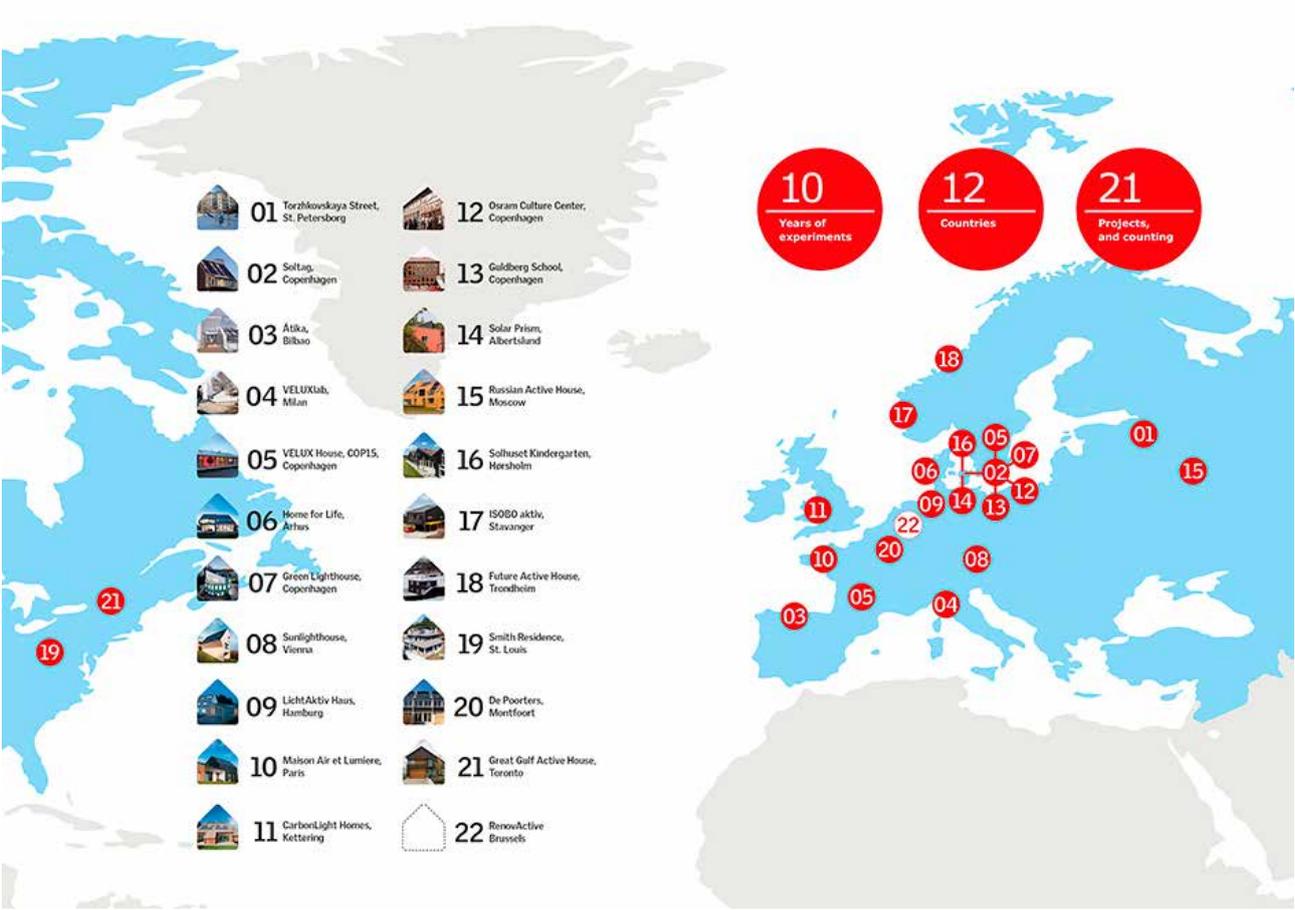
Case Healthy Buildings Day gathers 200 in Brussels

In March 2015, the VELUX Group invited 200 stakeholders including building professionals, politicians and building industry decision makers to the Healthy Buildings Day in Brussels. The purpose of the conference was to present the results of the Model Home 2020 programme and, based on this, discuss ideas on how to develop and improve living conditions in affordable housing.

The VELUX Group presented insights from the first Healthy Homes Barometer at a meeting hosted by MEP Christel Schaldemose.



Case 21 experiments – and still counting



Product perspective: delivering products and solutions



The core business of the VELUX Group is founded on a vision to bring daylight and fresh air into people’s lives in buildings that give more than they take.

We will continue to drive innovation towards healthy and sustainable buildings. Windows are a unique building component as they play an active role in creating a good indoor climate and a positive energy balance. VELUX roof windows are designed to provide the best energy balance in themselves and, through a combination of our products, the end users get a dynamic and responsive solution for a better indoor climate..



Need-based recommendation for healthy and sustainable buildings

The numerous building experiments carried out by the VELUX Group during the last decades have provided valuable information about what creates healthy and sustainable buildings. The data has been compiled and interpreted by leading architects, engineers, scientists and building professionals. Furthermore, interviews and surveys have been conducted with the families and users of the buildings to learn more about usability and liveability of the buildings. In 2015, we have transformed this knowledge base into a need-based recommendation for healthy and sustainable buildings.

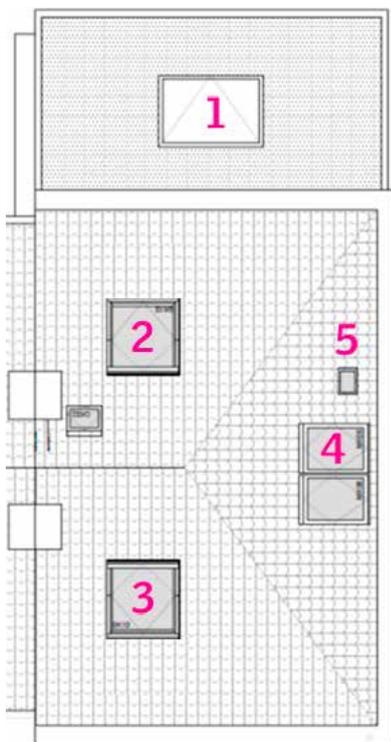


Case Affordable Active House renovation

Affordable, easy to reproduce and scalable – these were the main criteria set up for the RenovActive project in Anderlecht, Belgium. The aim of the renovation project was to create a showcase, promoting the Active House vision towards the market of social housing and single-family homes where cost, comfort and energy efficiency must go hand in hand.

Affordable solution

One of the main goals of RenovActive is to prove the financial viability of Active House renovation in social housing schemes across Europe. The calculated renovation costs associated with RenovActive are within the budget frame of social housing in Brussels and meet the requirements set up in the Energy Performance of Buildings (EPB) standard.



Easy to reproduce and scale

Another goal of RenovActive is to develop a sustainable concept suitable for large-scale renovation and modernisation, i.e. a concept that can be easily replicated financially and technically. To serve that purpose, a widespread building typology is selected. The renovation is designed as a modular concept to obtain more daylight, better ventilation, sun shading, insulation, heating or more space. The concept allows easy reproduction of these concepts in other buildings by being modular so you can reproduce the whole concept or pick out elements.

Upon completion in mid-2016, the RenovActive House will be open to visitors for a 12-month period in order to inspire new perspectives on renovation in terms of quality of life for dwellers, and energy efficiency and affordability for building owners.

After the open-house period, a family with children will live in the house for two years. During that period, energy, heat and water consumption, as well as the family's interaction with the home, will be recorded by scientists to gain new insights into renovation methods and results.

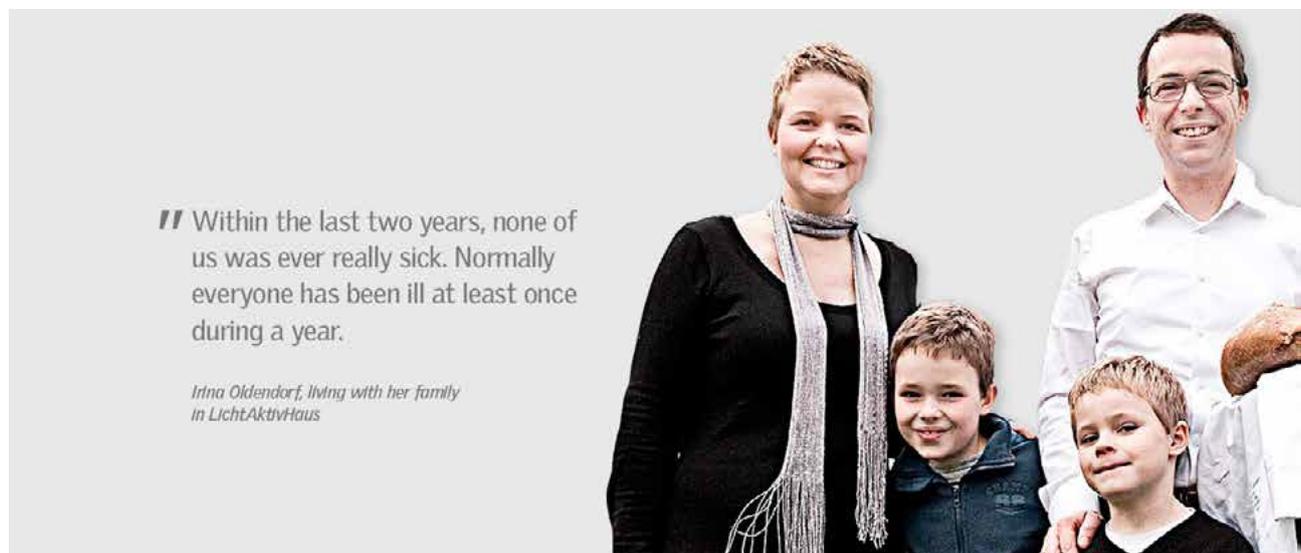
The roof of RenovActive House is designed to let in plenty of daylight through:

1. Flat-roof window
2. Roof window (manual opening)
3. Roof window (electric opening, INTEGRA)
4. Roof window (electric opening, INTEGRA)
5. Sun tunnel

People perspective: human health and well-being



Building value is closely linked to the health and well-being of the people using the building. We are committed to proving that the quality of people's lives and the quality of the environment are closely linked. It is never a question of either-or, but always a quest to find building solutions that combine benefits for people and planet alike.



// Within the last two years, none of us was ever really sick. Normally everyone has been ill at least once during a year.

Irina Oldendorf, living with her family in LichtAktivHaus

Case

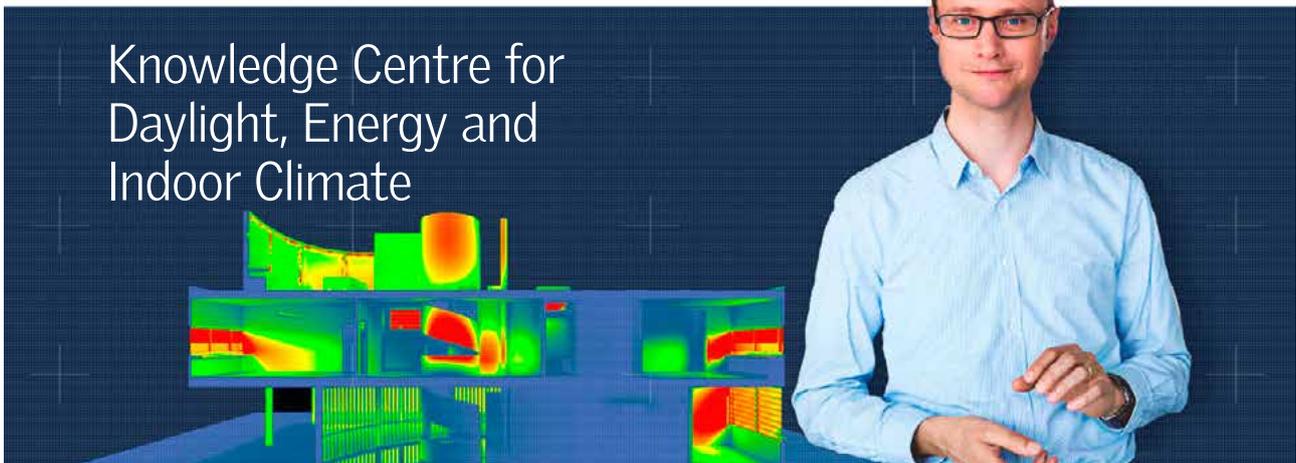
The Healthy Homes Barometer



What do Europeans consider a healthy home, how do they want to live, and what are their primary priorities in creating a comfortable home? To shed more light on the quality of life inside buildings, the VELUX Group carried out the Healthy Homes Barometer survey among 12,000 Europeans in 12 countries in cooperation with the Humboldt University in Germany.

The survey reveals that people's homes stand out as the key health driver; the average European even perceives the home to be more important for his/her health than eating fruit and vegetables, avoiding tobacco and doing regular exercise. The Healthy Homes Barometer shows that sleeping well at night is considered the single-most important health factor, while fresh air and daylight come next: in other words, comfort is what Europeans prioritise in their homes.

The results of the survey are shared with external stakeholders and used to guide further development of healthy and sustainable buildings. The next Healthy Homes Barometer will be launched at the Healthy Buildings Day in spring 2016, covering 14 European countries.



The VELUX Knowledge Centre for Daylight, Energy and Indoor Climate is dedicated to developing and sharing knowledge on affordable, healthy and sustainable buildings with a special focus on windows, shading and controls in buildings.

In 2015, the VELUX Group commissioned the German Fraunhofer research institute to carry out a study on the influence of the indoor climate on health and performance in homes and schools.

The findings of the study provide the framework for the activities in the Knowledge Centre for Daylight, Energy and Indoor Climate.

Healthy homes and schools for healthy people

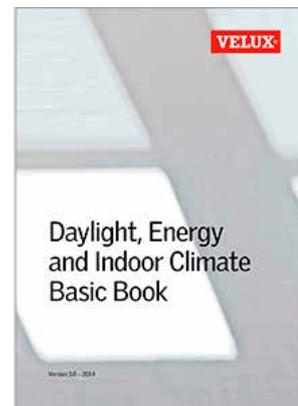
Today, it is estimated that we spend about **90% of our time indoors**, including in homes and schools.



Daylight, Energy and Indoor Climate Basic Book

With the Basic Book on Daylight, Energy and Indoor Climate, we aim to share our knowledge on healthy and sustainable buildings by offering specific advice and documentation on the effects and benefits of VELUX products.

In 2015, the third edition of the book was released as a free app for iPads in App Store.



Building simulation tools

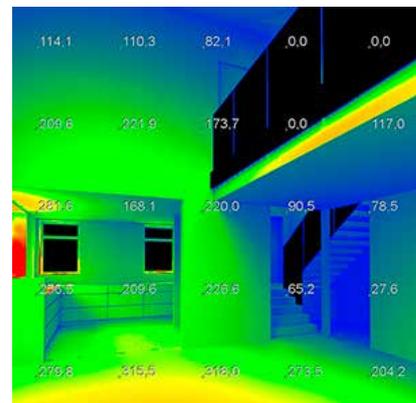
We offer several professional tools for building simulation, including:

- The Daylight Visualizer for evaluating daylight conditions in buildings
- The Energy and Indoor Climate Visualizer for evaluating energy performance, thermal comfort, natural ventilation and indoor air quality in buildings.

The tools are user-friendly and accurate programmes that can help professionals in the design of sustainable and healthy buildings. The simulation results have been validated against established benchmarks by external institutes.

Several educational programmes around the world use the tools to teach future building professionals how to work with daylight and indoor climate in building design.

New versions of the tools were released in 2015 with major updates and added functionality.

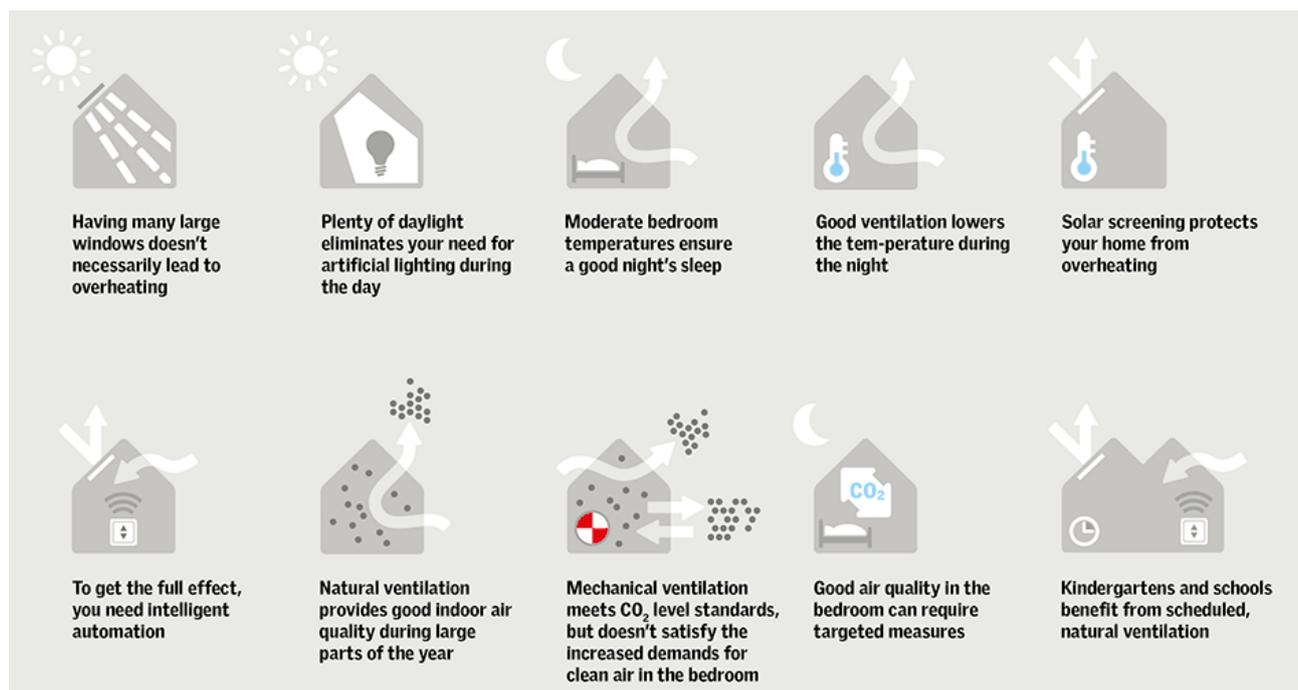


Building Monitoring

The purpose of our building monitoring services is to gather and disseminate learnings from VELUX demonstration buildings and other projects where VELUX products are involved.

Detailed monitoring programmes have been established in many buildings in order to provide insight into indoor climate, comfort, energy and how specific product solutions perform. The monitoring results are shared with the building community through magazines, scientific journals and conferences.

We have compiled ten key learnings from the building monitoring:



The infographic consists of ten icons arranged in two rows of five, each with a corresponding text box below it. The icons represent various aspects of building monitoring: sunlight through windows, a lightbulb, a bedroom with a moon, a thermometer, a house with solar screening, a house with automation, natural ventilation, mechanical ventilation with CO2, a bedroom with CO2, and a school building with automation.

- Having many large windows doesn't necessarily lead to overheating**
- Plenty of daylight eliminates your need for artificial lighting during the day**
- Moderate bedroom temperatures ensure a good night's sleep**
- Good ventilation lowers the temperature during the night**
- Solar screening protects your home from overheating**
- To get the full effect, you need intelligent automation**
- Natural ventilation provides good indoor air quality during large parts of the year**
- Mechanical ventilation meets CO₂ level standards, but doesn't satisfy the increased demands for clean air in the bedroom**
- Good air quality in the bedroom can require targeted measures**
- Kindergartens and schools benefit from scheduled, natural ventilation**

Circadian House: principles and guidelines for healthy homes



As a contribution to the discussion of the future development of sustainable architecture, the VELUX Group, in close cooperation with international experts, has published principles and guidelines for circadian buildings, i.e. buildings that adapt to the natural, daily and seasonal rhythms of people and nature.

VELUX Daylight Academic Forum



Every second year, we host the VELUX Daylight Academic Forum, where PhD students meet to present and discuss their research projects on daylight with fellow students and scientific experts.

In 2015, 25 students from ten countries participated in the third VELUX Daylight Academic Forum in London.



The VELUX Group advocates political action to ensure healthy and sustainable buildings. Through our advocacy, we highlight a holistic approach to sustainable building where people's health and well-being are just as important as energy efficiency, affordability and environment.

Our approach – reflected in our activities in terms of Sustainable Living in Buildings and the Active House principles – is never a question of either people or planet. It is always a question of both, taking a holistic approach to planning, designing and constructing healthy, sustainable and affordable buildings.

We urge that the dual challenge is addressed in future building legislation on national and European level.

Public Affairs Policy

Our approach is guided by our Public Affairs Policy that applies to all employees, consultants and advisors involved in VELUX Group Public Affairs activities.

The VELUX Group conducts all Public Affairs activities in compliance with applicable national and international legal requirements. When conducted in a transparent, trustworthy and socially responsible manner, we believe that Public Affairs activities are an integral and legitimate part of the legislative process.

Energy balance determines the energy performance of windows



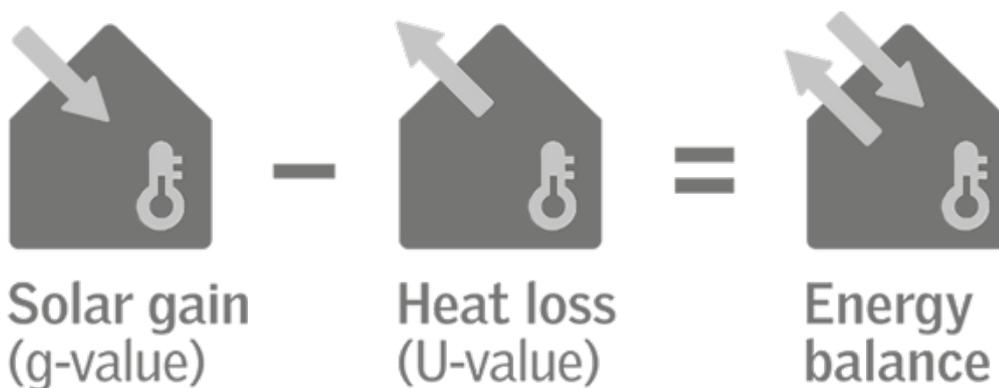
We believe that energy balance is the best tool to determine the energy performance of windows – day and night, summer and winter.

Transparency is a unique characteristic of glass compared to other building materials. Windows allow daylight into buildings and establish a visual connection with the outside to create healthy and comfortable spaces. Similarly, the transparency of glass provides free solar heat gain that contributes to the thermal performance of the building.

The energy performance of windows cannot be assessed solely on the basis of their insulation characteristics (Uw-value). The calculation of the energy performance of windows must be based on both solar heat gain (g-value) and insulation properties.

Facts about the energy balance of buildings

The energy balance is calculated as the solar heat gain (g-value) minus the heat loss (U-value) through walls, roof, doors and windows.



Public Affairs focus and activities in 2015

Our public affairs activities focus on healthy, sustainable and affordable buildings. In 2015, we were involved in such activities as:

Nearly Zero Energy Buildings

The VELUX Group advocates the Active House vision and principles to achieve Nearly Zero Energy Buildings.

At the Healthy Buildings Day in Brussels in March 2015, we zoomed in on ways to ensure that the more than 80 million Europeans who presently live in unhealthy and damp buildings can achieve a healthy indoor climate through daylight and fresh air.



Daylight in buildings

The VELUX Group is a leading proponent of daylight in buildings as a key enabler of human health and happiness. We base our recommendations on the following key points:

- Daylight should be used as primary light source in buildings during daytime to fulfil visual and non-visual (biological) needs.
- Levels of minimum 300 lux in 75% of the room area and 500 lux in areas where a task has to be performed are minimum daylight provisions.
- Adequate daylight should always be part of renovation strategies.

At the VELUX Daylight Symposium 2015, the need for new regulations and daylight metrics were key topics. Among others, the new European Daylight standard, CEN TC159/WG 11 Daylight, was presented and discussed.

Natural ventilation

The VELUX Group advocates natural ventilation and natural ventilative cooling to ensure fresh air and a healthy indoor climate in buildings. We take an active part in shifting the legislative focus from simple requirements in terms of air change and flow rates to indoor air quality parameters such as CO₂ levels and relative humidity.

Our advocacy of natural ventilation as a main driver of healthy and sustainable buildings is based on the following key recommendations:

- The qualities and benefits of natural ventilation and natural ventilative cooling must be included in standards, compliance tools and legislation
- Requirements for indoor air quality must be expressed in a way that is compatible with natural and mechanical ventilation
- The VELUX Group supports the EU policy that the real solution to creating cleaner air everywhere – indoors and outdoors – is by source control.

In 2015, we released the Indoor Climate Viewer app that can be used to keep track of the indoor climate at home, at work, at school and anywhere else.

Affordable solutions

With 80 million Europeans currently living in buildings that are neither healthy nor sustainable, there is a great need to upscale the current stand-alone building experiments to large-scale and affordable building schemes. To support this development, the VELUX Group is exploring new ways of sustainable, affordable and replicable building retrofit.

In 2015, we invested in the RenovActive project in Belgium to create a showcase for affordable and sustainable renovation in social housing estates.

Case

Active in the EuroWindow association

The VELUX Group represents the Association of Danish Woodworking and Furniture Industries (TMI) in the new European association EuroWindow, founded in 2015. EuroWindow was established to represent the interests of the European window, door and facade industry.



As one of its first tasks, EuroWindow has agreed on a joint position on the EU energy labelling of windows scheme. The industry is highly committed to improving energy efficiency in buildings and sees windows and innovation in the industry as a key enabler to harvesting the huge potential in renovating the European building stock. 40% of the energy used in Europe is consumed in buildings.

EuroWindow supports the concept of energy balance when setting requirements for windows' energy performance and has called on the EU Commission to include this in the revision of the EU Energy Performance of Buildings Directive in the official EU consultation in 2015.

EuroWindow favours common EU initiatives that set out key principles at EU level while allowing member states to adopt a local approach in accordance with national and local climate conditions as well as building tradition. This approach is consistent with the way regulation for buildings and building components has been implemented at national level so far.



Fair competition

Since 1996, the VELUX Group has had a comprehensive Competition Law Compliance Programme in place to prevent anti-competitive behaviour in our business and to ensure that all sales companies comply with their obligations in terms of competition rules. Our leading position in the market makes this programme crucial to our business.

Competition law compliance



The VELUX Group adheres to the Competition Law Compliance Policy laid down by our owner, VKR Holding A/S. The policy describes our approach in relation to customers, competitors, mergers and acquisitions, and other relevant issues.

It is the overall Competition Law Compliance Policy that all VKR Holding A/S companies comply, at all times, with the relevant national and international antitrust and competition law requirements (e.g. EU competition law). The General Council monitors competition law compliance and continuously assesses compliance procedure

Tax policy

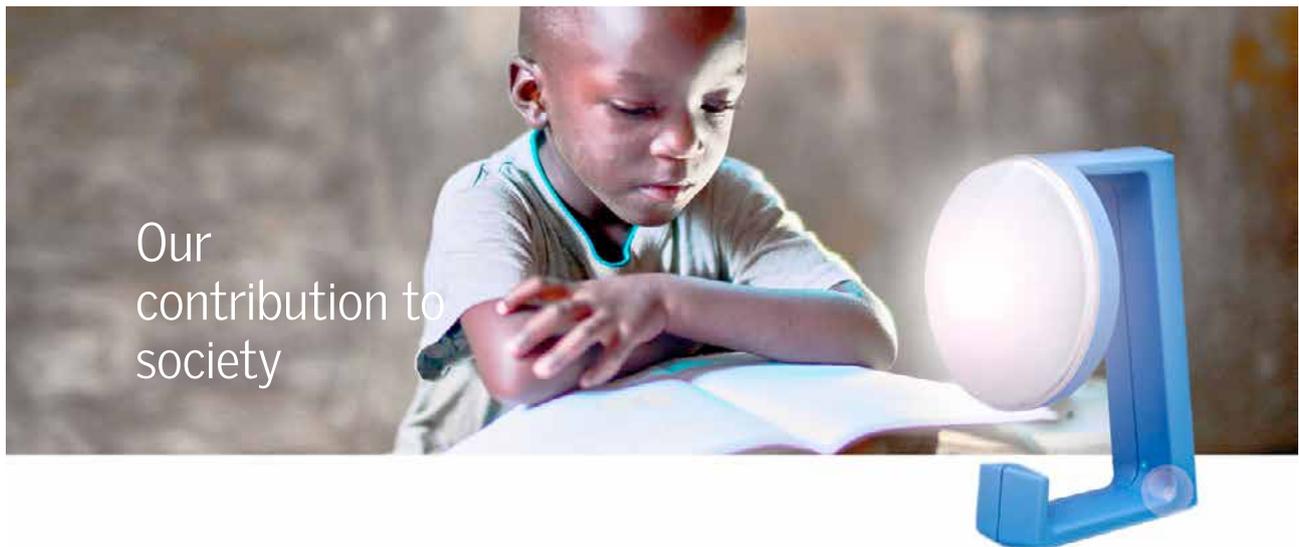
The VELUX Group acts with integrity and transparency in tax matters. Our approach is guided by our Tax Policy, which applies to employees as well as consultants and advisors involved in tax issues.

In summary, the tax policy of the VELUX Group states that:

- It is the overall tax policy of our Group to consider tax as a cost; therefore, the objective will be to minimise the total tax payment of the VELUX Group in order to improve the cash flow with respect to the rules formulated by VELUX A/S.
- The business perspective is always the key driver when making decisions. The VELUX Group will not enter into projects without substance, in which the only objective is to create tax benefits for the participants.
- The VELUX Group will not register in countries known as tax havens (as listed by OECD) unless there is a sound business reason for doing so.

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





Our
contribution to
society

The Model Company Objective expresses our wish to contribute to the development of the societies we are part of. Among other things, we contribute by offering useful products that play a key role in creating sustainable and healthy buildings. We provide safe and motivating jobs for thousands of people around the world, and we take care to constantly reduce our carbon footprint.

Financial contributions to community development are made by THE VELUX FOUNDATIONS. The local VELUX companies contribute to local development through a wide range of projects, activities and donations.

Case

VELUX engagement in Hungary acknowledged



The VELUX Group has been active in Hungary for close to 30 years. The strong bond between our company and Hungary was acknowledged in 2015, when Lars Kann-Rasmussen, former Chairman of the Board of THE VELUX FOUNDATIONS, was awarded the Commander's Cross of the Order of Merit of Hungary.

Today, the VELUX Group employs more than 1,000 people in Hungary and the country is one of the largest beneficiaries of donations from THE VELUX FOUNDATIONS. By 2015, the Foundations have given more than ten million euros to social projects benefiting under-privileged families.

Case 14,500 solar lamps to off-grid areas



In September 2015, the winners of the Natural Light competition presented the first prototype of the Little Sun solar lamp that will bring light to off-grid areas in Senegal, Zimbabwe and Zambia. As part of the celebration of the 75th anniversary of the VKR Group, 14,500 lamps will be distributed in the spring of 2016.

The concept of the new solar lamp named "Enganchate" (meaning "hook up") is simple and based on light's fundamental ability to bring people together. The winning students, Mariana Arando and Luca Fondello, both industrial design students at the University of Buenos Aires in Argentina, explain:

"The idea of light as an element that joins people together was the foundation of our design concept. With this solar lamp, every member of the family can bring his or her own light home."

The chairman of the jury was very impressed with the creativity of the winning design.

"Providing access to light is not only about answering a functional need. It is also about understanding the intimate link between energy and our aspirations for happiness. The winning design addresses both – and more: it understands that holding energy in your hand makes you feel empowered. This design is empowering," said artist Olafur Eliasson.

In connection with the distribution of the lamp, the NGO "Plan International" will facilitate training of local entrepreneurs to ensure that the donated lamps will create new employment opportunities and improved living conditions in the local communities.

THE VELUX FOUNDATIONS

Through THE VELUX FOUNDATIONS, a share of the VELUX Group's profits is returned to society every year. The founder of the VKR Group instigated the foundation VILLUM FONDEN in 1971 and ten years later, VELUX FONDEN. Both foundations provide support for larger, non-profit projects with scientific, cultural, artistic, social or environmental objectives.

Both foundations are non-profit trust funds governed by Danish law and subject to the supervision of the Civil Affairs Agency under the Danish Ministry of Justice. The foundations each have their own independent boards.

In 2015, Jens Kann-Rasmussen was appointed Chairman of VILLUM FONDEN. He is the grandson of the founder of the VKR Group, Villum Kann Rasmussen, and has worked for the VELUX Group for many years, holding various positions in Denmark, Scotland and Germany.

The two foundations made 545 grants in 2015, totalling just above €111 million.

See more on www.veluxfoundations.dk



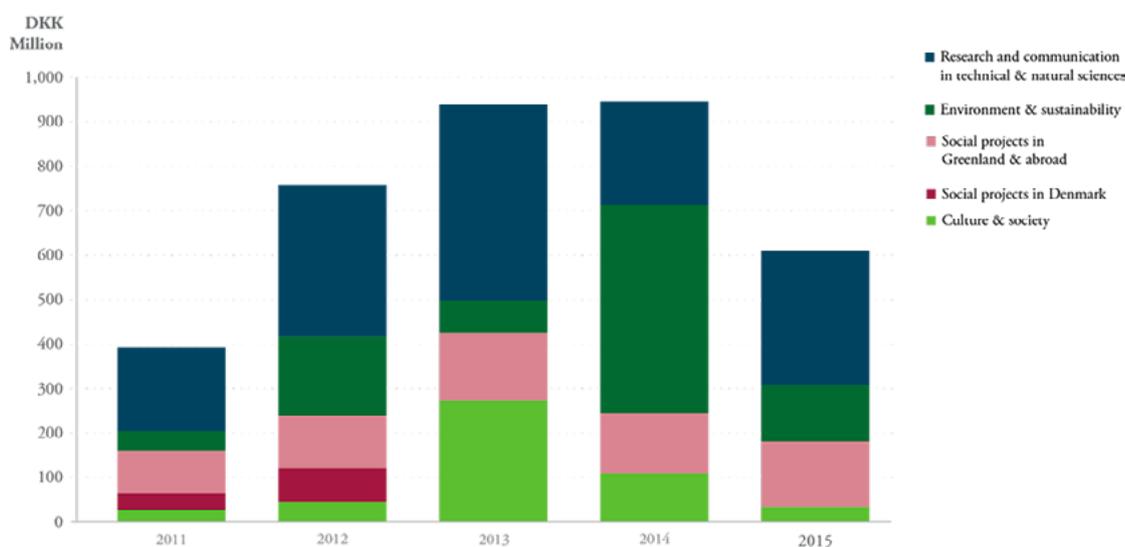
In 2015, VILLUM FONDEN donated €81.5 million to projects such as:

- Environment and sustainability: an annual contribution to the donations and work of the KR FOUNDATION of €13.4 million.
- Environment and sustainability: both VILLUM FONDEN and VELUX FONDEN have announced a joint grant of €1.2 million to the organisation Plastic Change for the project "Oceans of Opportunity", which will analyse and reduce marine plastic waste through a number of initiatives.
- Social projects, Bulgaria: the organisation National Network for Children has received €580,000 for the project "Child rights hubs" for children in conflict and contact with the law in Bulgaria.

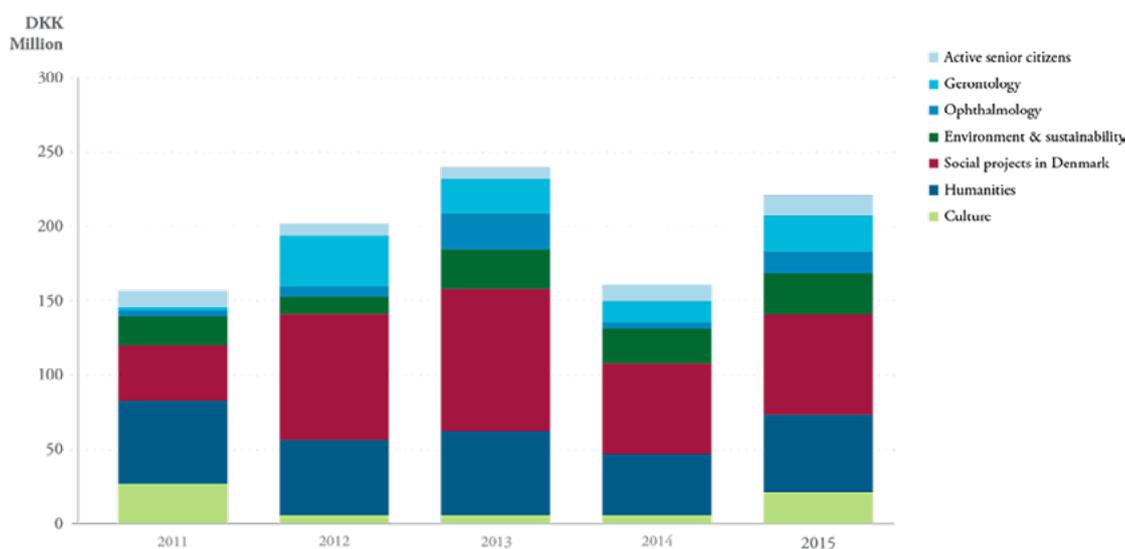
In 2015, VELUX FONDEN donated € 29.5 million to projects such as:

- Active senior citizens, Denmark: €1,100 to Danish People's Aid for the project "SeniorNet" – a network for lonely seniors.
- Gerontology and geriatrics, Denmark: €740,000 to Aarhus University, Department of Clinical Medicine for the project: "A new strategy – prostate cancer".
- Environment and Sustainability, Denmark: VELUX FONDEN and VILLUM FONDEN donated €1.1 million to Samsø Municipality for the project "Bio society Samsø – model island for circular bio economy".

VILLUM FONDEN's grant total 2011-2015



VELUX FONDEN's grant total 2011-2015



Products

Sustainable and innovative products

VELUX solutions span a wide product range from large modular skylight constructions to smart phone apps and decorative blinds. We constantly aim to set the trend in innovative building design and window products for new build and retrofit.

The key drivers in our product development activities are healthy and sustainable buildings with more daylight, more fresh air and nearly zero energy consumption. VELUX windows are carefully designed to minimise the heat loss through the windows and to make the most of the solar heat gain.

"High quality" and "made to last" are key characteristics of all VELUX products, which are designed and manufactured for up to 40 years of service life.

Product categories



Our product programme ranges from complete skylight systems to roof windows, sun tunnels, blinds and shutters, manual or electric. In line with our vision, all products are developed to provide daylight and fresh air through the roof to create healthy and sustainable buildings.

The energy efficiency of our products is continuously improved to comply with the highest standards. All products are designed to optimise the energy balance of the individual window. At the same time, VELUX products can be combined to take full advantage of the solar heat gain through the windows, natural ventilation to bring fresh air into the building, and sun screening products to prevent overheating.

VELUX windows are sold in approximately 100 countries around the world, and our solutions are suited for any climate.

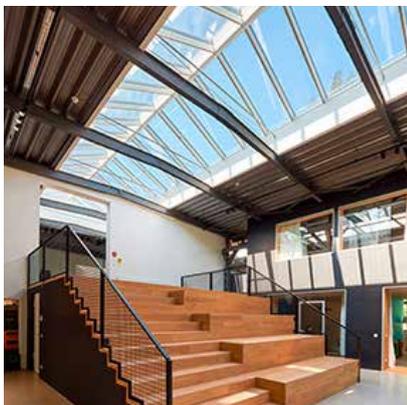
The VELUX product categories comprise:

- Roof windows
- Electrically- and solar-powered windows
- Installation products
- Flat-roof windows
- Sun tunnels
- Blinds and shutters
- VELUX Modular Skylights

Examples of awards received for our products in 2015

- Germany: the readers of the German specifier magazine DETAIL voted VELUX Modular Skylights as winners in the "Structure" category of the DETAIL Produktpreis 2015". The award acknowledges the innovative way of combining a modular system and elegant design with excellent energy performance.
- France: VELUX France won the "Innovation Trophy" for the new generation of the VELUX CABRIO® roof balcony. The award is organised by Point.P, an entity of the Saint Gobain Distribution Bâtiment France Group. The winners were selected through votes from professionals on the internet or an interactive terminal at the annual Novibat exhibition, presenting the newest products and services in the building sector.
- Spain: VELUX Spain, S.A. was awarded in the "Architecture and Construction NAN Awards" for the VELUX sun tunnel in the category "Wood, Metal, PVC and Glass". The award is organised annually by the magazine NAN Architecture and Construction, TPI Group, and acknowledges companies that have excelled in research and development, innovation, quality and design of materials, particularly within environmental protection and energy savings.

VELUX Modular Skylights



VELUX Modular Skylights is a new business area launched in 2012 and based on the same high-quality and sustainable approach as all other VELUX products.

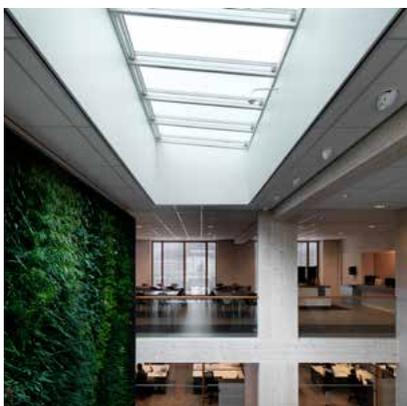
Co-created with architects Foster + Partners, VELUX Modular Skylights are an innovative new daylighting solution for commercial buildings and public institutions. The large amount of daylight obtained through longlights, ridgelights, northlights or atrium solutions reduces the need for electrical lighting. At the same time, built-in solar shading reduces the need for cooling on warm days.

VELUX Modular Skylights can be opened to create a stack effect for natural ventilation of the building. The complete skylight solution can be automatically controlled by a Building Management System to synchronise with season and time of day, outdoor weather conditions and use of the building at different times of the day.

Since their launch, VELUX Modular Skylights have gained a strong foothold in an increasing number of markets. The new solution is praised by end users and professionals for its positive contribution to energy efficiency and indoor climate. The high energy performance of VELUX Modular Skylights comes from the use of low-energy panes and the frame material (pultruded fiberglass), which insulates 500 times better than aluminium.

Case

VELUX Modular Skylights in outstanding BREEAM building



Geelen Counterflow's new office building in the Netherlands has achieved BREEAM Outstanding certification. VELUX Modular Skylights were chosen for this exemplary building that produces 50% more energy than it uses.

"The client liked our design and materials, which fit their ambition of BREEAM certification. They chose a triple-layer sun-coated pane and roller blinds to avoid overheating. They were impressed by the airtightness of the VMS solution, and the prefabricated modules allowed fast and fool-proof installation," said Jack Kenters, Account Manager in VELUX Nederland.

Case

Generating ideas for future products



The online VELUX Ideas platform was launched in 2012 as an idea-generation and idea-development tool in our product development departments. In 2015, the first sales companies gained access to the platform in order to widen the scope and diversity of ideas brought forward by VELUX employees.

During 2015, VELUX Product Management used the platform to run an idea-generation campaign among colleagues to kick-off the development of a new, blackout energy blind. Almost 50 ideas were posted, ten of which could be used either directly or as inspiration for other improvements.

The roll-out of the idea-generation platform will continue in 2016 as an important element in our Group's growth and innovation strategy.

Case

New Blackout Energy Blind

A novel Blackout Energy Blind was launched in 2015 to meet customer demand for total blackout at night and high insulation effect to improve comfort and energy efficiency in the home.

According to the feedback from homeowners in the pan-European Healthy Homes Barometer 2015, 'a good night's sleep' is the single most important factor of a healthy home. The new Blackout Energy Blind was developed to meet this demand.

"We asked homeowners what they expect from a blind. The blackout effect was by far the most important quality. We used this knowledge to develop a new blind that ensures complete darkness in the bedroom," says Lise Bruhn, VELUX Category Manager.

Blackout and insulation go hand in hand

At the same time, the insulation effect of the new blind has been increased significantly compared to other blinds currently available thanks to the innovative double-layer construction of the blind.

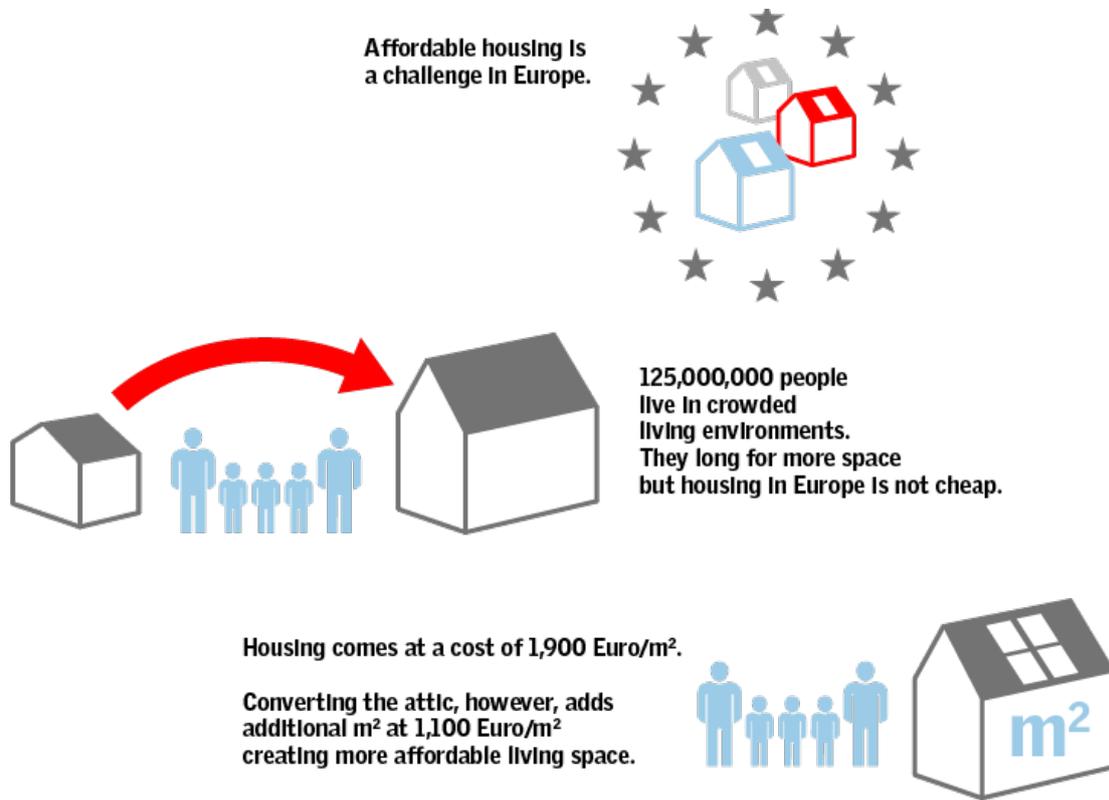
The life-cycle analysis of the new blind combined with a GGL VELUX window shows that net CO₂ savings are doubled when the window is fitted with the new Blackout Energy Blind. This means that the CO₂ impact during production and distribution of the products is paid back after only seven years by solar heat gain and the high insulation qualities of the window-blind combination.

The Blackout Energy Blind was developed based on the Active House Vision to create sustainable buildings with low energy consumption and a strong focus on the health and well-being of people inside the home.



Case Affordable solutions for European housing shortage

In 2015, the international consultant company Accenture analysed and calculated how much a European family can save by turning their attic into living space using VELUX products and solutions instead of buying a bigger house.



Source: Accenture Sustainability Services 2015. Costs are estimated average in EU in 2014.

Case **Green Solution House**

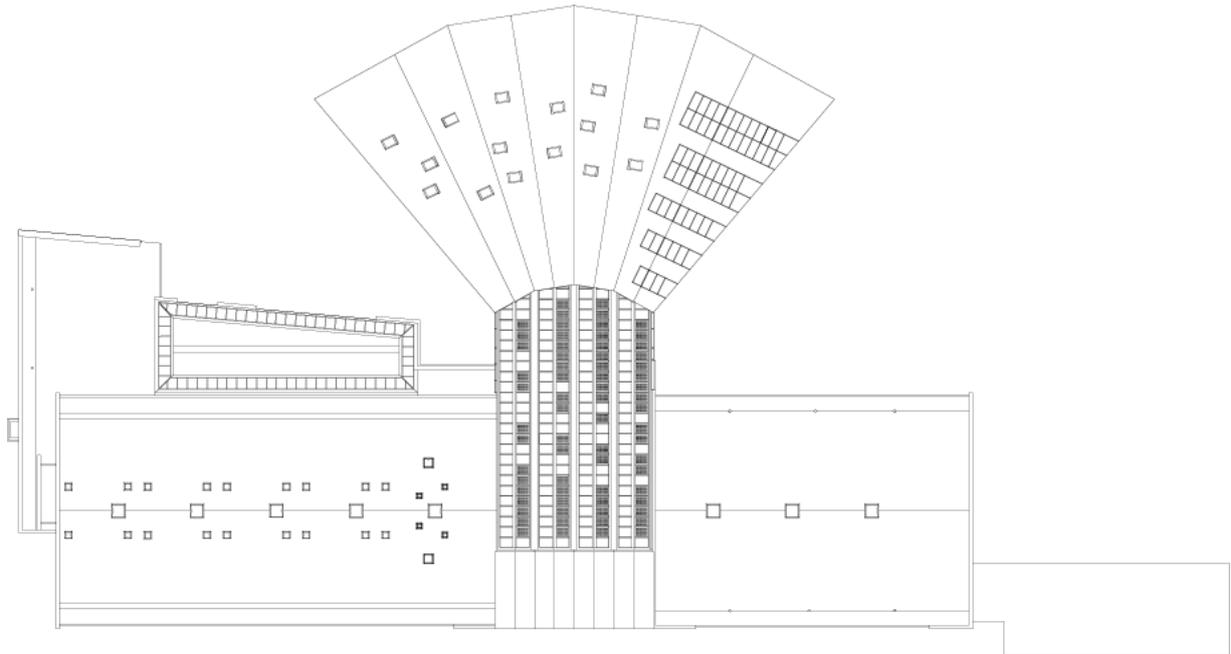


The VELUX Group was strategic partner in developing the Green Solution House, a visionary and sustainable hotel and conference centre in Denmark.

Green Solution House explores circular sustainability. The hotel and conference centre is certified to the standards of the German Sustainable Building Council (DGNB). The design is based on the criteria of the Active House vision and inspired by the cradle-to-cradle life cycle concept.

Comfort through daylight and natural ventilation is one of the major themes in the building design. Through an innovative combination of VELUX products such as VELUX Modular Skylights, roof windows with solar shading, flat-roof windows and sun tunnels, the hotel and conference facilities are flooded with natural light and fresh air.

The Green Solution House showcases how it is possible to build resource-efficient and nearly zero energy buildings with a high level of comfort and an attractive design.





In 2015, work continued on fine-tuning the model for Life Cycle Assessment (LCA) of VELUX products. LCA assessments are now complete for all major products for use in Northern Europe.

The analyses document that the main environmental effect of a VELUX roof window is in the use phase. The energy savings over the lifetime of the roof window exceed the energy consumed in the production process – consequently, the roof windows provide net CO₂ savings over their complete life cycle.

CO₂ savings over the lifetime of a VELUX roof window

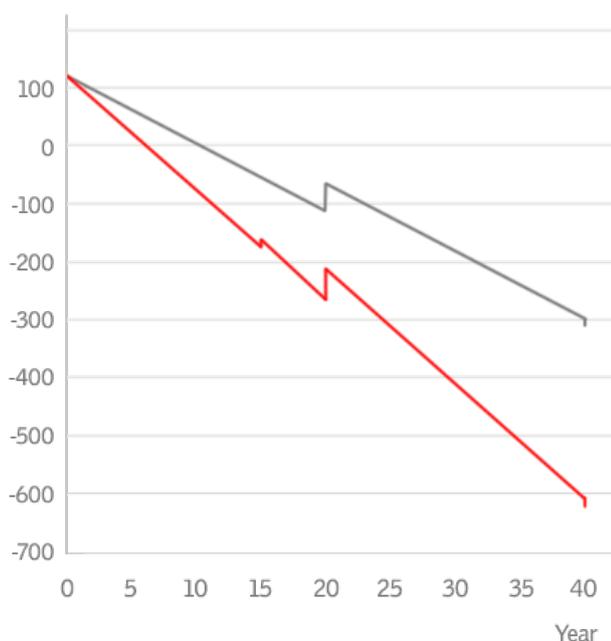


Life cycle CO₂ emissions calculated for a VELUX roof window GGL with one change of the pane, installed in a typical house in Würzburg, Germany. Transport is included in each of the steps from raw material to disposal.

The energy contribution of a roof window can be increased by adding blinds and shutters to improve insulation during winter and to avoid overheating in summer.

Life cycle CO₂ emissions for a VELUX roof window with the new blackout energy blind

kg CO₂ - equivalents CO₂



Life cycle CO₂ emissions calculated for a wooden VELUX roof window in a typical house in Würzburg, Germany. The pane is changed after 20 years and the blackout energy blind is changed every 15 years.

Over the life time, the roof window saves 308 kg CO₂.

When adding an energy blind, additional 310 kg CO₂ is saved.

■ Roof window

■ Roof window with energy blind

LCAs are the first step towards Environmental Product Declaration of windows and accessories. VELUX Environmental Product Assessments have been developed on the basis of the international standard methodology for assessment of LCA (ISO 14040) in cooperation with the Danish FORCE Technology Institute, which specialises in Life Cycle Assessment.

VELUX Environmental Product Assessments are designed to comply with the methodology of the European Standard EN15804 (Environmental Product Declaration for Building Products and Materials).

Documenting the use of chemicals



We control and document the use of chemicals in our production and in our finished products. We continuously improve our documentation procedures through a systematic approach to mapping of chemical substances and through close dialogue with our suppliers.

France is the only VELUX market that has a labelling system for emissions of chemicals to the indoor climate. All our tested products (roof windows, flat-roof windows, VELUX Modular Skylights and sun tunnels) have the highest A+ rating.

Packaging



In close cooperation with our logistics partners, we continuously search for ways to optimise the loading of trucks and reduce the environmental impact of transportation.

Using our Cube packaging system, the windows are wrapped with stretch foil and stacked horizontally in the trucks to allow as many windows as possible in each load. The windows travel from production site to point of use in the same packaging, with only the stretch foil being discarded. The packaging allows easy opening by the installer and reduces the number of heavy lifts required by the installer.

All cardboard used for packaging can be recycled.



Quality is a cornerstone of the VELUX business, essential to fulfilling our vision of leading the development of better living environments with daylight and fresh air through the roof and to be rated as the best in the eyes of our customers. Our roof windows are developed to last for a service lifetime of 40 years or more.

Quality has top priority at all levels from purchasing through development and production to after-sales services. We manage quality in products and processes by the VELUX Group Quality Policy and the VELUX Quality Management System, based on the ISO 9001 standard.

In our customer survey carried out in 2015, 99% of the installers and dealers agreed that products from the VELUX Group are reliable and of high quality.

Purchasing



The VELUX Group applies a global procedure for qualifying new suppliers. Before contracting, careful screening takes place to ensure that suppliers are able to meet our requirements in terms of quality, technology, sustainability and logistics.

The screening includes supplier self-assessment, auditing of quality processes, testing of the materials they will supply and careful risk assessment.

Development and testing

The VELUX product development organisation designs, develops and improves roof windows, sun tunnels and products for installation, ventilation, electronic operation, sun screening and decoration in close dialogue and corporation with the market and supply organisation.

In 2015 alone, the 270 engineers and designers at the VELUX development departments came up with more than 20 major improvements to existing products or new products.

With an expected product life of 40 years, testing of our products is an important part of the development process to make sure our products are durable and live up to our quality standards. In the course of our product development, new products typically go through at least 40 tests, including:

- Wind tunnel tests, where windows and flashings are tested in full scale and exposed to some of the world's most severe rain and wind tests to make sure they are able to withstand extreme weather conditions
- Climate tests, where windows are exposed to extreme temperature changes from very hot to very cold, as well as snow, ice and high humidity
- Solar tests that simulate intensive sun impact and its effect on windows and accessories
- Mechanical tests of strength, durability for wind load and heavy snow load, or long-term use of windows, such as the 25,000-times opening and closing test
- Technical features of great importance in terms of CO₂ reduction are also tested, such as U-value, air permeability and ventilation.

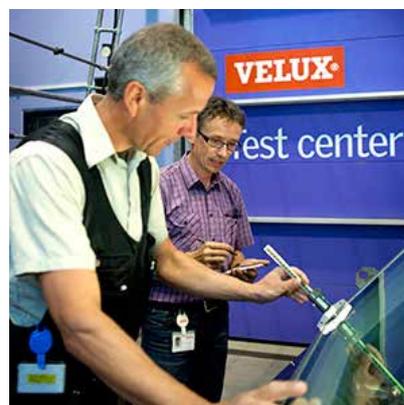


High-quality manufacturing

VELUX products are manufactured at production sites in nine countries. All production sites are certified to the ISO 9001 quality standard, which means that they are regularly audited by third parties.

Our own quality team audits production sites regularly to ensure that windows and accessories leaving the factories meet the required specifications and VELUX quality standards. During 2015, 35 warranty quality audits were conducted.

Materials, components and finished products are systematically sent from the factories to the VELUX Group Quality Lab to monitor quality levels at all times. Process controls built into the production equipment and performed by operators, combined with inspection and testing of finished products, are part of the quality management system that ensures consistent and high standard of VELUX products.



The components test programme includes:

- Corrosion resistance of metal parts
- Wood impregnation
- Wood humidity
- Glass quality and lifetime.

The finished products test programme includes:

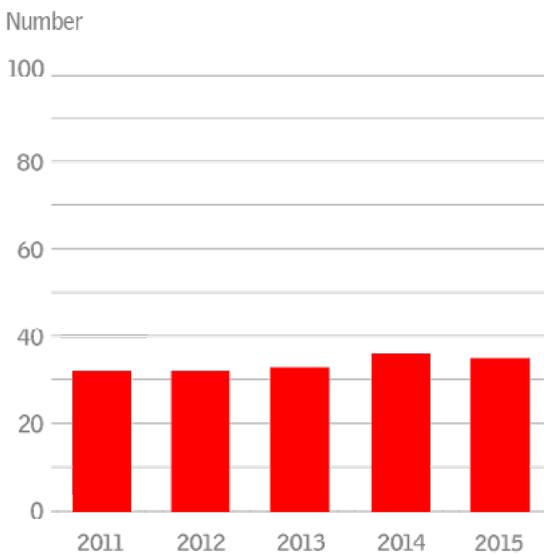
- Durability tests
- Resistance to rain and snow at different wind speeds
- Airtightness
- Low temperatures
- Soundproofing.

The VELUX Manufacturing Model ensures continuous improvements

We apply a formalised approach to continuous improvement of the manufacturing processes. The approach is inspired by the Lean methodology and termed the VELUX Manufacturing Model (VMM). VMM has been one of the cornerstones of our production for more than ten years.

Every production company goes through a VMM assessment once a year. The assessment is carried out by 12 internal VMM assessors, and the results provide a sound basis for internal benchmarking and continuous improvement.

Number of quality audits



Case How do they do it?

Discovery Channel visited one of our factories to make a programme on how we produce roof windows. It is part of the series shown around the world called "How do they do it?".

Installation and use

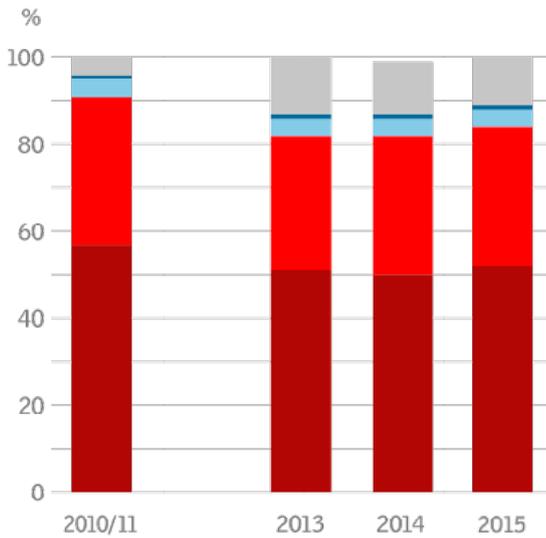


Our goal is to make products that last a lifetime, are easy to install and require minimum maintenance. Our customer satisfaction survey shows that 99% of installers and dealers agree that the VELUX Group offers reliable products of high quality.

Only 0.6% of all sold VELUX roof windows require warranty service in the first three years. We offer an extensive service/support network in the event that service or repair is needed.

The annual customer satisfaction survey shows that 94% of installers and dealers are satisfied with our after-sales services and agree that our products are synonymous with high quality.

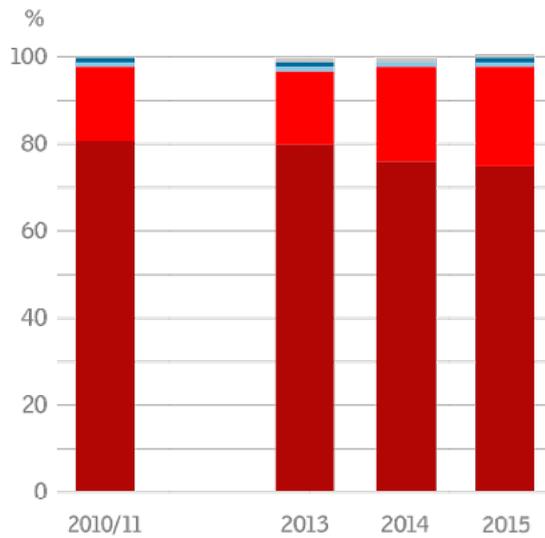
The VELUX after sales service meets the required needs



Dealers' and installers' feedback through third party satisfaction tracking survey



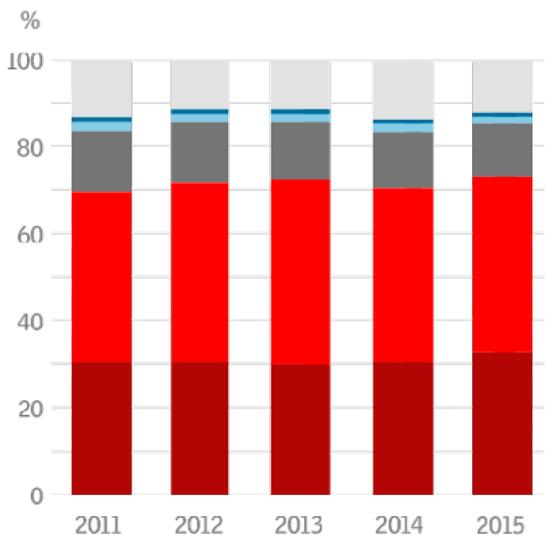
The VELUX Group offers reliable products of high quality



Dealers' and installers' feedback through third party satisfaction tracking survey



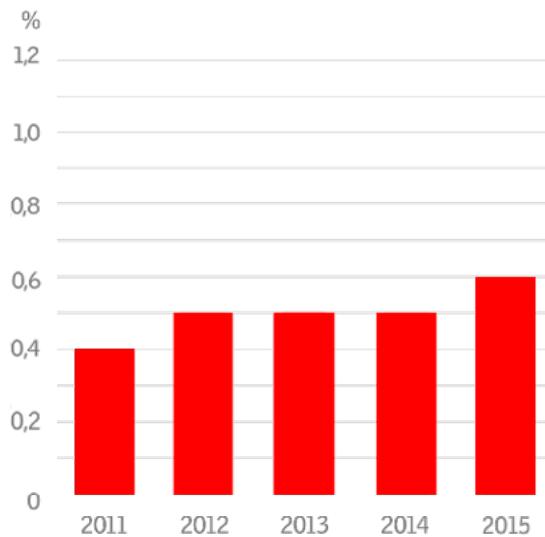
The VELUX brand equals high quality



General public feedback through third party brand tracking survey



Products warranty service



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

Product recall and warnings



As a Model Company, we strive to maintain high quality levels at all times. Despite the unrelenting focus on quality, things may go wrong; in 2011, the VELUX Group had to issue a rare product warning due to the risk of glass breakage in certain small roof windows. The warning is still in effect.

Even though the risk of personal injury in connection with glass breakage is marginal, we take the safety of our customers very seriously. We therefore set up local task forces and offered the affected customers a replacement pane ex gratia. There may, however, be some local deviation from the global ex gratia offer.

No product warnings or recalls have been issued since 2011.

Interaction

Interaction with customers

In line with the Model Company Objective, we aim to treat our customers better than most other companies. It is our vision to be perceived as the best in the eyes of our customers.

Our customers range widely from end users to specifiers and distributors to installers, and we take care to support all customer groups before, during and after their purchase of a VELUX product.

In 2015, we launched a new initiative to bring us even closer to the customers' dreams and demands. We call it "Enhance Customer Focus" and the idea is to involve customers more in our product development. In selected projects, we invite customers to co-develop concepts, practices and products, and the first experiments have confirmed that the customers are more than willing to work closely with us.

The new blackout energy blind is one of the first results of the enhanced customer focus. The development of the new blind took inspiration from focus groups and surveys with end users. The new window for historic buildings that was launched in Denmark in 2015 is another example of increased interaction with customers. This project involved architects and authorities in finding the right concept for a window for installation in historic buildings.

Furthermore, the members of the VELUX Management Group (VMG) went on a tour to visit European installers and homeowners to get a first-hand impression of how our products are perceived and experienced. What stood out from the dialogue with our customers was their trust in VELUX products and in the VELUX Group as a company that delivers high quality.

Sharing knowledge with specifiers

Specifiers, i.e. architects, contractors, engineers and developers, are important stakeholders. We engage in dialogue and knowledge sharing about daylight, energy and indoor climate. We are also involved in research projects and demonstration houses in many parts of the world.

We seek to promote the importance of daylight quality in buildings by developing relations to specifiers and architects through three core activities aiming at architectural education, architectural practice and the architectural community:

- The International VELUX Award for Students of Architecture, which has established itself as one of the largest and most important global student competitions
- Daylight & Architecture Magazine, which is a highly appreciated thematic magazine on daylighting
- VELUX Daylight Symposium and Academic Forum that have become official international meeting places for daylight research and practice.

We also share a large number of tools targeted at specifiers, including:

- The DEIC Basic book, which is now available as an app for iOS and Android
- Design tools such as VELUX CAD, the VELUX Daylight Visualizer, the VELUX Energy and Indoor Climate Visualizer and technical documentation
- The Daylight Site sharing recent research results and articles.



Case VELUX Daylight Symposium



Every second year, the VELUX Group facilitates and organises the Daylight Symposium, inviting researchers, scientists and building professionals from all over the world to immerse themselves in aspects of daylight and architecture.

Since the first Symposium in 2005, the VELUX Daylight Symposium has grown into the leading international forum for sharing of daylight research, viewpoints and visions in fruitful dialogue between research and practice.

In September 2015, we hosted the sixth VELUX Daylight Symposium in London, where researchers, architects and other building professionals explored how daylight can drive change in today's 24/7 society. More than 350 participants attended 35 lectures at the two-day Symposium.

The 2015 Symposium took place in the International Year of Light proclaimed by the United Nations and Unesco to promote public and political understanding of the central role of light in the modern world.

Case International VELUX Award for Students of Architecture



In November 2015, the seventh International VELUX Award opened for registration. The purpose of the Award is to encourage and challenge students of architecture worldwide to explore the theme of daylight in its widest sense.

The VELUX Group organises the Award every second year to strengthen the role of daylight in building design to support the vision of daylight, fresh air and sustainable living. Over the years, close to 4,000 student teams from more than 60 countries have contributed their bright and innovative ideas to the on-going discussion of the topic "Light of Tomorrow".

Case Daylight & Architecture



The VELUX Group publishes D/A (Daylight & Architecture), an international magazine targeted at architects, designers and other building professionals with an interest in daylight and architecture.

The aim of the magazine is to encourage practicing architects and researchers to explore and work with daylight as one of the most fundamental parameters of architecture. The magazine raises issues ranging from macro trends in a world of rapid urbanisation to topics much closer to the individual, like the health and well-being of people living and working inside buildings.

Since its first publication in 2005, the D/A magazine has been acknowledged as an inspirational source of knowledge by architects and building professionals around the world and has won several awards for its editorial line and design quality.

In 2015, the D/A magazine was awarded silver in the Best of Corporate Publishing 2015 contest in the category "B2B, craftsmanship/building/architecture" and silver in the "Guldbladet 2015" contest for best layout.

So far, 24 issues of D/A have been published in print and for free download as an iPad version in App store.

Making our products available through distributors

A large proportion of our products is sold to end users or installers through dealers. We actively support dealers in their dialogue with customers by offering training of sales staff, demo windows, information material and other tools that contribute to an effective and informative sales process.

We operate an extensive distribution network with efficient logistics services to ensure our products are readily available to the customers.

Our Satisfaction Tracking 2015 survey shows that 95% of the distributors we are working with are satisfied or very satisfied with our products and services. 95% of them would recommend VELUX products to colleagues or customers.



Empowering installers

Installers are often the end user's primary adviser on the choice of roof window solution and brand. Moreover, the perceived quality of VELUX products among homeowners depends very much on the quality of the installation.

We offer training, onsite support, installation instructions and online tools and videos to train installers in the best possible way. In our product development, we invite input from installers to make sure any new products are easy and safe to install.

The VELUX Satisfaction Tracking 2015 survey shows that 96% of installers are satisfied or very satisfied with our cooperation. 94% of them would recommend VELUX products to colleagues and customers.



Case

Installer training centre in Belgium



VELUX Belgium has opened a training centre, where installers can participate in lectures, seminars and practical training sessions.

The training programme comprises five modules for installation of roof windows, automation products and flat-roof windows. In the winter season of 2015, the centre had 30 training days with small groups of installers, 10-15 installers per day.

"It's my first time here at the VELUX training centre but after this BASIC training, I'll be sure to come back for other training modules and I'll motivate my team members to follow the trainings as well," said one of the installers after the training session, while another highlighted how the training had encouraged him to sell more INTEGRA windows: "I was always a bit sceptical about using the INTEGRA products because I thought it would be too technical. But now that I know how easy it is to install them, I will definitely make sure to recommend them to my clients."

The next step in the development of the centre's training services is to invite other companies in the industry to co-train installers at the VELUX facilities and invite students to use the facilities as part of their training.

Exceeding end-users' expectations

As one of the strongest brands in the global building materials industry, we aim to give end users a positive experience before, during and after their purchase of a VELUX product. It is our philosophy that our customers should feel they get more than they pay for when they buy our windows.

We offer guidance in the inspiration and decision phase, with architectural showcases and advice, a list of recommended installers to put the products in place, as well as after-sales service and support. If something should go wrong, our service engineers are there to assist, repair and service the products. It is our policy to offer spare parts for roof windows for 25 years.

The VELUX Brand Tracking survey reveals that 62% of European consumers would choose a VELUX window if they were in the market for a roof window.



Case "Get the most out of your attic" campaign in Austria

In 2015, VELUX Austria launched a campaign to inform people about the opportunities using the attic to create attractive, extra living space.

Based on the groundwork of the Sustainable Living in Buildings initiative, the campaign elaborated on the opportunities based on the key messages: how children smarter when they have access to daylight and fresh air and how the health, vitality and well-being of the whole family is enhanced with the extra square metres.

The campaign was not only informative, it also invited homeowners to share their dreams and experiences to provide us with new insights that could improve our product development and marketing initiatives.



of

get
ty



Interaction with suppliers

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

We form long-term partnerships based on the requirements of the VELUX Code of Conduct for Suppliers and our procurement principles. We monitor compliance and develop the partnership through regular audits and assessments.

Fair treatment of suppliers

As an overall principle, we aim to treat our suppliers better than most other companies. Our procurement principles define our interaction with suppliers in this way:

- We cooperate with suppliers in a way that will be beneficial to both parties in the short and long term
- We work with our suppliers to ensure continuous improvement in terms of products, competitiveness and sustainability
- We deal fairly and honestly with all suppliers, providing equal opportunities to all suppliers in a bidding process
- We keep negotiations between the parties strictly confidential
- We make requests for information and quotations as clear and precise as possible
- We respond promptly to supplier correspondence and inquiries
- We seek suppliers who can deliver consistently high-quality goods and services in accordance with VELUX Group standards in terms of environment, sustainability, competitiveness and safe production methods.



Case

Monitoring compliance with the Code of Conduct policy

RBB Stal is one of the biggest steel companies in Poland and a supplier of high-quality steel to the VELUX Group. For a number of years, the two companies have worked closely together to raise environmental, safety and quality standards at the RBB Stal plant.

"Our plants process about 120,000 tons of steel every year, and close cooperation with customers like the VELUX Group allows us to constantly develop our company. We appreciate the good communication we have with the VELUX Group, solving any problems on a day-to-day basis. Thanks to the high environmental and safety requirements demanded by the VELUX Group, we can improve our business. The collaboration motivates us to keep high-quality standards, which in turn increases the competitiveness of our company," says Agnieszka Borusiak-Biesiada from RBB Stal.



Code of Conduct for Suppliers

The Code of Conduct for Suppliers concerns three main issues:

Employee conditions: specific requirements such as standards for healthy working environment and treatment of workers within applicable legal and non-discrimination policies

Environment: all suppliers must have a written environmental policy or statement

Monitoring: the VELUX Group reserves the right to monitor our suppliers to assess their compliance with the Code of Conduct.

Our Code of Conduct requires tier-one suppliers to communicate and use the Code of Conduct with their own suppliers of materials and components delivered to the VELUX Group. We reserve the right to audit sub-suppliers to assess compliance with the Code of Conduct.

98% of our direct suppliers signed the code of conduct in 2015.



Monitoring compliance with the Code of Conduct policy



We use an audit programme to monitor supplier compliance with the VELUX Code of Conduct. Onsite audits are performed at least once every two years by the VELUX Group or third-party auditors. The focus is on countries and suppliers where the risk of social or environmental non-compliance is assumed to be high in manufacturing units.

Looking at our global purchase of materials in relation to high-risk countries, our major spend is with suppliers in China. In 2015, the audit programme in China was therefore continued and we followed up on previous audits and conducted new audits. A total of 18 audits in China were carried out in the course of the year.

If non-compliance is discovered, a corrective action plan is launched with deadlines and required improvements. In the event of serious non-compliance cases, immediate action will be required. A successful completion of all corrective actions will be checked through an unannounced follow-up audit.

10 of the 18 audits in China in 2015 have revealed non-compliance with our Code of Conduct policy. The suppliers did not comply for various reasons:

- Working-hour attendance records were unavailable
- Wages and benefits did not include overtime payment
- Juvenile workers (16-17 years) working in the factory were not registered
- Health and safety regulations were not in place (no fire alarm or emergency exits)
- Environmental rules not followed (wastewater, noise and waste gas not monitored according to regulations).

All non-compliances are followed up within six months from the date the original report is issued. All non-compliances are registered in a database and during the follow-up visit, the corrective actions are also registered. One example is missing records of work time attendance, which was implemented before our follow-up visit so that the non-compliance point could be closed. It will still be part of the audit plan and will therefore be checked again during the next audit.

In all the above cases, the VELUX Group has offered support and advice to help suppliers improve their performance and achieve full Code of Conduct compliance. We have helped prepare and approve action plans to correct the non-compliance issues, but in the end, of course, it is the sole responsibility of the supplier to comply with our Code of Conduct.

If, for some reason, a supplier fails to implement the required corrective actions, the VELUX Group will terminate the contract. Since the launch of the Code of Conduct in 2001, we have not yet terminated a relationship with a supplier due to Code of Conduct non-compliance issues.

Wood certification



The VELUX Group recognises the importance of sustainable forest management as part of our efforts to protect the environment, ensure biodiversity, tackle climate change and protect the rights of local communities in forested areas.

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

The aim for 2015 was to continue sourcing a minimum of 95% of the wood required in our European factories from forests certified according to the PEFC or FSC international standards. We met the 2015 goal by sourcing 96% from certified sources. The remaining 4% is from wood defined as "controlled" by the FSC or PEFC international standards. This means that the origin of the wood is known and that it comes from non-controversial and legal sources. The goal for 2016 is to maintain the high level of certified wood in our supply chain so that a minimum of 96% of the wood comes from certified sources.

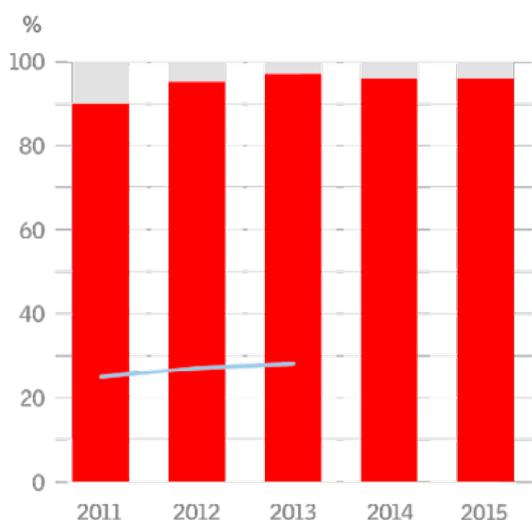
All VELUX windows are manufactured at our own factories, and all VELUX factories in Europe are FSC and/or PEFC certified. Our factories in the USA and China are not PEFC or FSC certified, but wood used there originates from controlled sources.

In Europe, where the vast majority of the wood is used, the VELUX Group maintains close cooperation with the PEFC and FSC organisations, as well as third-party verification bodies and other stakeholders. This ensures effective, sustainable and well-documented sourcing of wood throughout the complete chain of custody.

The wood used in VELUX windows is primarily *Pinus sylvestris*, also known as Scots Pine or Redwood. The majority of wood is sourced from Sweden, Finland, Poland and Russia and, to a lesser extent, the US, France, Norway, Estonia, Ukraine, Denmark and Germany.

In 2015, we completed a wood certification strategy process. The result is a certification strategy, defining key areas for further development and visions for the future. As a result, the target for sourcing of certified sustainable wood for our European factories is increased to 99% in 2020. The strategy includes alternative scenarios for increasing the sales of certified windows in more markets and gradually increasing the percentage of certified wood in sourcing and manufacturing over the coming years.

Sources of purchased wood



- Percentage of wood from certified sources
- Percentage of wood from controlled sources
- Percentage of global roundwood from certified sources (FAO).

The VELUX Group does not purchase wood from non-controlled sources.

Interaction with indirect suppliers



The indirect supplier base is primarily local and the source of supply of a large number of goods ranging from production equipment to office supplies.

A new professional contract structure for indirect suppliers has been developed in order to ensure the commercial rights of both parties. The contract process includes a visit to the supplier in order to inspect the supplier facilities and to ensure business conduct that matches the VELUX Values.

The contract process is being implemented at all VELUX sites. A more thorough and standardised supplier audit process will be developed for indirect suppliers in the future.

In the near future, we will add focus on energy efficiency and component energy consumption to the contract and RFQ process, aligning our global CO₂ efforts with our indirect supplier base for areas such as manufacturing equipment.



Respecting
human rights

The VELUX Group is committed to respecting human rights as defined by the International Bill of Human Rights, and the core labour rights set out by the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We fully acknowledge our independent responsibility to respect human rights, i.e. to avoid infringing the rights of individuals, groups and communities through our business activities and relationships.

Respect for the individual runs like a red thread through the VELUX culture, based on our wish for exemplary behaviour towards employees, customers, suppliers and other stakeholders.

Human rights compliance among suppliers to the VELUX Group is monitored through the VELUX Code of Conduct for Suppliers.



Striving for the highest standards in the way we do business is a key part of our efforts to be a Model Company. We take a zero-tolerance approach to corruption and have a long history of commitment to responsible business practice and continuous focus on maintaining the trust of our business partners.

The VELUX anti-corruption policy provides guidance to employees about what is considered appropriate in various business situations. The policy requires management to ensure that bribery does not occur and to formulate local guidelines to avoid facilitation payments and for restrictions on gifts and entertainment.

Anti-corruption training



We train managers and employees in the VELUX anti-corruption policy and guidelines. In 2015, 99% of our senior managers completed the anti-corruption e-learning course.

The objective of the course is to ensure that the policy is understood and to facilitate reflection on how the policy relates to day-to-day situations.

Behaviour

A safe and motivating workplace for talented employees

Our market leadership depends on our ability to attract, retain and engage the best people. We strive to provide a safe and motivating work environment where people are treated with respect and offered opportunities for development.

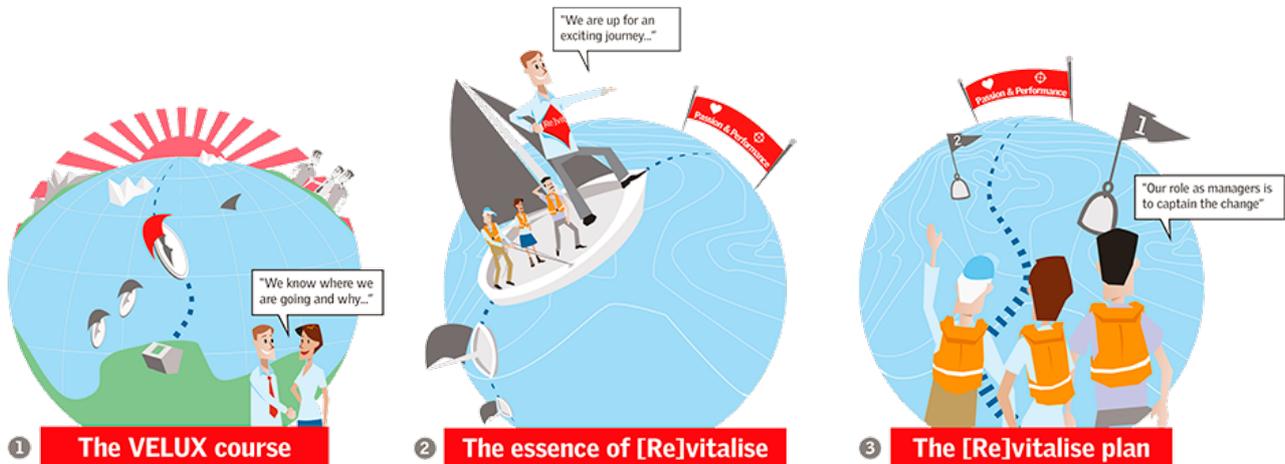
[Re]vitalising our VELUX culture

We are currently pursuing a strategic initiative to revitalise our unique VELUX culture. Key actions are to improve leadership, support global collaboration and boost passion and performance throughout the organisation.

The [Re]vitalise initiative was kicked off in 2013, starting with involvement of top managers. We have carried out structured reviews of top managers, introduced bonus schemes linked to results as well as behaviour, and our top-100 managers have participated in a new leadership development programme.

In 2015, [Re]vitalise became increasingly more tangible to many VELUX Group employees. A Global Employee Survey was carried out in November 2014 and all employees have been involved in the follow-up process during 2015.

A new Performance and Development Process and tools for the annual dialogue have been developed and rolled out during 2015 and will be further implemented in 2016. From late 2015, People Reviews will be used widely, not only for top managers but also for most non-production employees.



Case

Our VELUX Values – as perceived by our employees

"I think it's important that ideas are alive and that they are coming from the employees."

- Barbara Grilj, Sales Assistant (Slovenia).



"Caring and aspiring for perfection all have a positive influence on you. So, when this trusting relationship exists, it creates a stimulus. I love that every single day is different."

- Zsolt Graczia, Team Leader, LKR-Hungary (Hungary).

"Going through the changes to bring us together as one department has been such an inspiring journey. Whenever I speak about this topic, I light up, I smile, it is contagious."

- Sharon Douglas, Operations Project Manager, VELUX Company Ltd. (United Kingdom).





"My colleagues. They keep me going. It's a good thing that we are all like family. It's not just a work atmosphere. We can laugh and joke with each other but still get the job done safely. That's what gets me through the day."

- Darrell Lewis, Material Resource Specialist (USA).

"I think the reward working with VELUX is freedom for me. I enjoy it here because of the freedom and because of the culture. It gives me a big framework so I can try different things. That's a great reward for me."

- JinYan Zhao, Market Development and Marketing, VELUX Company. Ltd. (China).



Developing managers

We have launched two leadership development programmes:

- Light Up your Leadership for level-1 managers
- Passion for Leadership for 400 level-2 managers

In 2015, level-1 managers completed the Light Up your Leadership programme, and 234 level-2 managers participated in the first of three modules in the Passion for Leadership programme. The modules are Passion for People, Passion for Business and Passion for Performance. The training continues in 2016.



Case Passion for leadership

In 2015, 234 managers participated in the first module of the Passion for Leadership programme. What did the leadership development programme teach them?

Zdenko Durci, Health, Safety & Environment manager at the Partizánske Building Components-SK s.r.o. factory in Slovakia: *"Just putting things into words and acknowledging things take you a long way. On this course, I have accepted a number of things that I need to work on. I will improve my way of giving feedback and asking for feedback from my managers. There is no point in delaying feedback, just give it right away. To do this, I must improve my communication skills."*

Dmitrijs Astasonoks, Regional Sales Manager from VELUX Latvia SIA and VELUX Lietuva, UAB: *"It has opened my eyes. I have gained a greater understanding of who I am, what I need to focus on, not least what I have to do to become a better manager."*

Peder Dines Jakobsen, Manager in Product Development in VELUX A/S: *"I will work to become better at involving my team members more and delegate more responsibility. It is better to make the employees run forward instead of wanting to run ahead as a manager."*

Kerstin Vallentin-Hansen, Head of Visuals in VELUX A/S: *"The feedback report revealed certain things I must work on and be more aware of. Personal development is a life's work and I believe this course is a great opportunity to challenge myself – as a manager and as a person."*



Case VELUX career – from factory floor to general manager



When Jørgen Laursen started at one of the VELUX factories in Denmark back in 1992, it was in a temporary position on the assembly line while he sorted out what his future career should be. 23 years later, he can look back on a long career with VELUX.

"I always liked working for the VELUX Group. The spirit of the organisation allows you to develop and pursue a career if that is what you want. My career is certainly proof of that. I came here without any formal education, but still I have been trusted with leadership positions. Besides, the company has paid my education along the way, most recently an MBA from Henley University," says Jørgen.

He has never been afraid of challenges. After working on one of the assembly lines for five years, he did not hesitate to say yes when he was offered the job as team supervisor. He was the youngest in the team and had to lead 70 colleagues.

Since then, his career has taken him to China, where he spent six years streamlining the production of roof windows and building up a new accessories factory. After China, he was asked to move to Slovakia, where the company put him in charge of establishing a new factory from scratch.

"The experience in Slovakia was awesome. Imagine starting with nothing and then building a modern and highly efficient production plant with 350 employees," says Jørgen, who after Slovakia decided to move on to Poland, when the company needed him there to lead a factory with 750 employees.

"I thrive in my job and I am very grateful to the company that I have been given the opportunity to pursue an international career. It is in my nature to seek new challenges, and I am fortunate to be employed in a dynamic company that allows me to explore new aspects of leadership every day," says Jørgen.

Diversity in management

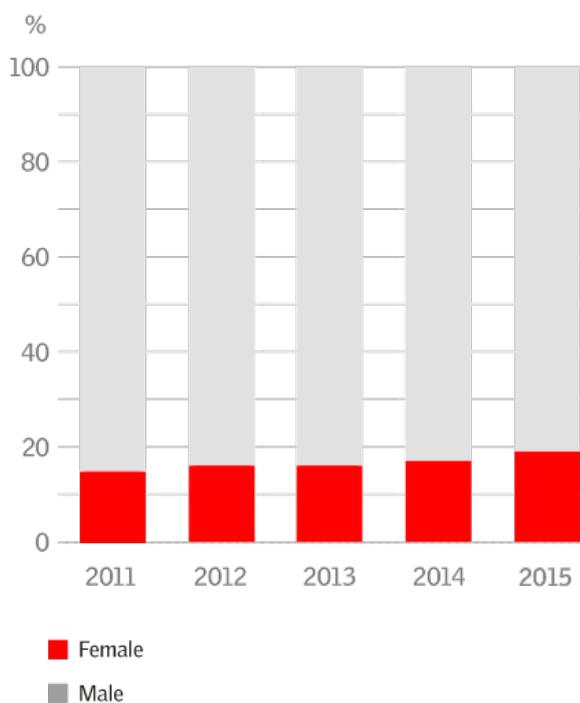


It is our fundamental belief that the composition of the workforce should reflect the composition of society. The VELUX Group is working with many aspects to have more female managers. Among other things, there has been general focus on gender diversity in our employer branding activities and recruitment policy.

The VELUX A/S Board of Directors has set up targets for the number of women on the board. The target is to increase the representation of women on the Board of Directors over the next two years, always founded on the principle of finding the most qualified candidate for the job.

In 2015, 19% of the senior managers in the VELUX Group were female. We recognise that women are underrepresented at senior levels in the company. When recruiting new managers, internally as well as externally, recruiters are requested to present both male and female candidates.

Gender distribution, senior managers



Case

Meet Beáta Óz, General Manager, VELUX Hungary



"In Hungary, it is still quite unusual to meet women in senior management positions. I get a lot of positive feedback that my career has brought me to where I am today. Personally, I feel privileged to lead this talented team and build a strong market position for VELUX products in Hungary," says Beáta Óz.

Since 2010, she has been General Manager of VELUX Magyarország Kft. She worked her way up in the organisation from sales assistant when she first started in 1996, then customer service manager and finally sales manager before she was appointed general manager. Despite her personal success, Beáta Óz is aware of the glass ceiling that prevents women from going all the way to the top of the career ladder.

"I think the barriers are mostly within the women themselves. We tend to be less outspoken about our ambitions, more humble and waiting to be seen. Many women are also torn between family and career, and I know from my own situation that without the support of my husband, you wouldn't find me where I am now." She believes the new

People Review that is being introduced throughout the organisation will reveal the female talent and encourage more female high performers to seek a career.

In her own management team, Beáta Óz has three females and two males, a good balance that creates a dynamic and versatile working environment.

"Without stereotyping, it appears to me that men and women bring different perspectives to the table. Men are often more keen to create visible results, whereas women tend to also pay attention to how the results are achieved. Since the VELUX Group is a value-driven organisation, we need both perspectives to be successful."

In Central and Eastern Europe, six out of eight VELUX sales company managers are women.

Organisation and Leadership Principles

Our Organisation and Leadership Principles ensure that managers across the organisation know how we organise and lead to execute our strategy.

One Company is the overarching principle for our organisational design. Within this overall framework, we balance local presence close to the customers with global integration to enhance efficiency.

We believe in values-driven leadership. This means that our managers strive to act as role models, using the VELUX Values and the Model Company Objective to guide their decisions and actions.

Our Leadership Principles require:

- Passion for Business in order to execute
- Passion for People in order to reach our potential
- Passion for Performance in order to deliver on our promises.



Global Employee Survey



In late 2014, we conducted our first Global Employee Survey among 8,500 employees. 96% of the employees in scope answered the questionnaire. The Loyalty and Commitment index scored 75, which is above the external benchmark. The Satisfaction and Motivation index scored 67, which is in the medium range, but above the external benchmark.

Since early 2015, managers and teams have worked on the action points resulting from the survey.

The plan is to repeat the survey every second year, next time in 2016, to track developments in loyalty, commitment, satisfaction and motivation in the workforce, globally and locally.

Case

VELUX France receive the 'Happy Trainees' label



Following its participation in the largest European study of professional internships, VELUX France has earned the Happy Trainees 2015-16 label, when the company finished third among companies with less than 500 employees.

The students gave feedback on how it is to work in the company and evaluated the company on six dimensions: professional growth, stimulating environment, management, motivation, pride and fun.

"We are proud to receive the Happy Trainees label that testifies to the quality of our everyday working environment. Based on the feedback, we will continue our work to improve onboarding and development of students in our work-study programmes," says Nicolas Bruneteaux, Human Resource Director of VELUX France.

People performance and development



In 2015, we launched a new People Performance and Development Process, which will be rolled out in the entire organisation in 2016.

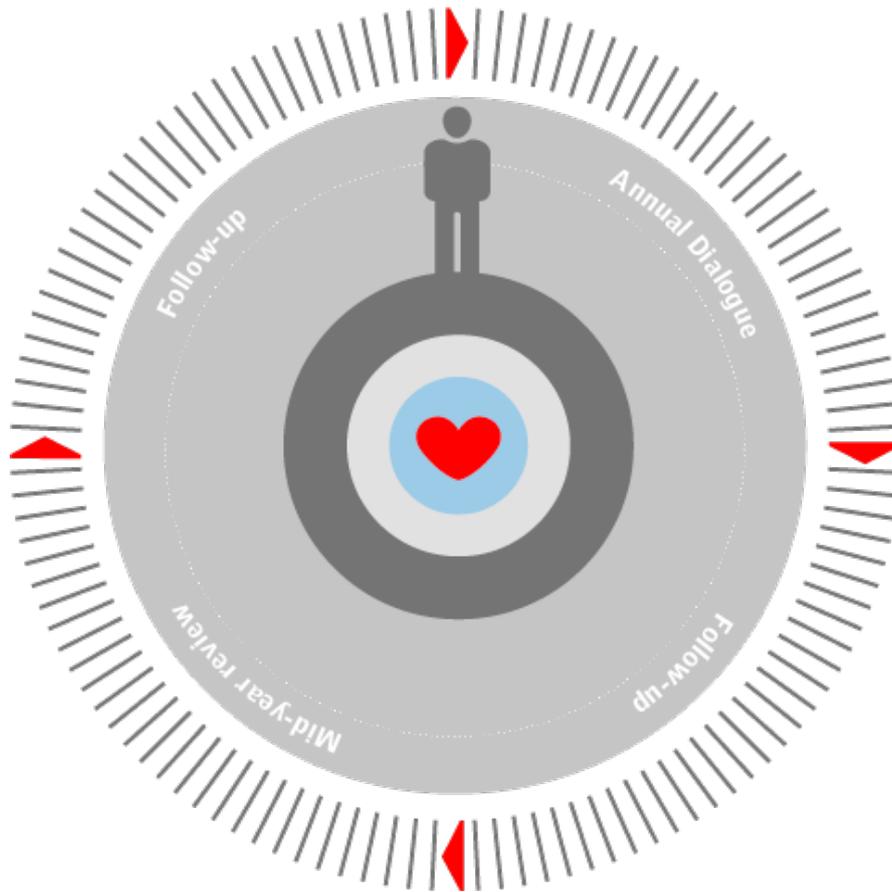
The People and Development Process is designed to ensure consistent focus on personal and professional development, linked to our business goals and strategy and based on the conviction that passionate people drive performance.

As part of the People and Development Process, we are launching structured People Reviews and a new Annual Dialogue concept.

In 2015, the new processes were tested among managers and employees and received positive feedback:

"I think the People Review is a fantastic new tool to achieve a shared view of my performance and potential with my manager. With the previous process, you might have gone into the review with the opinion that there is lots to prepare and that sometimes

your end goal or real desire may be lost. With the new process, I feel it is quick, simple and talks facts with the end goal in mind," said Ashley Nelson, Brand Manager at VELUX Company Ltd., our British sales company.



"People Review ensures a more systematic approach to the things we have always done – and that is good for the employees, the managers and the company. As a manager, you want to hang onto the best people in the department. When there are many pairs of eyes looking on, we cannot fall into the temptation of hiding talent in our own group – we are forced to set it free and accept the fact that the career might have to develop elsewhere in the organisation," said Erik Kjærgaard, Technical Manager, VELUX Modular Skylights.

People development activities

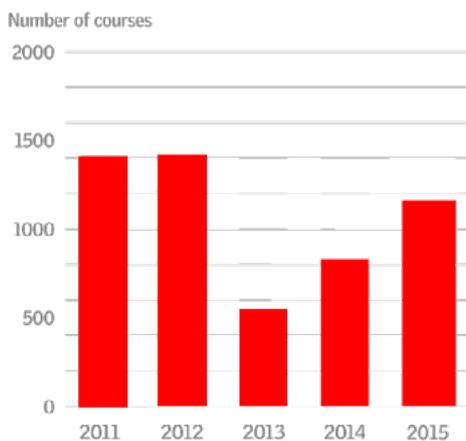


VELUX employees are offered on-the-job training and development opportunities in order to build the personal and professional skills required to succeed in their careers and to navigate in the ever-changing business environment.

Our training approach is based on on-the-job training, knowledge sharing, collaboration, internal and external training programmes, workshops, e-learning and job rotation.

In 2015, 1,158 internal courses were completed at the VELUX Learning Centre, compared to 831 internal courses in 2014.

Number of completed courses, employees
VELUX Group



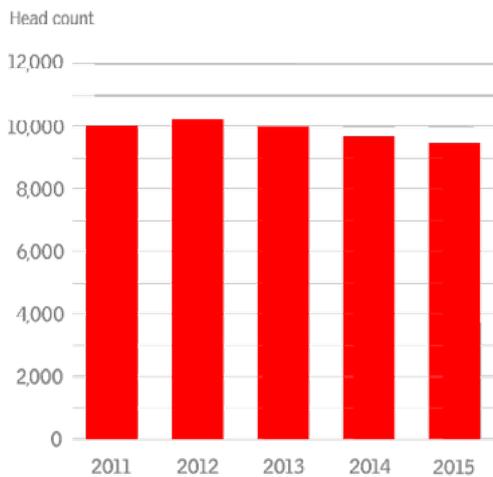
Employee turnover



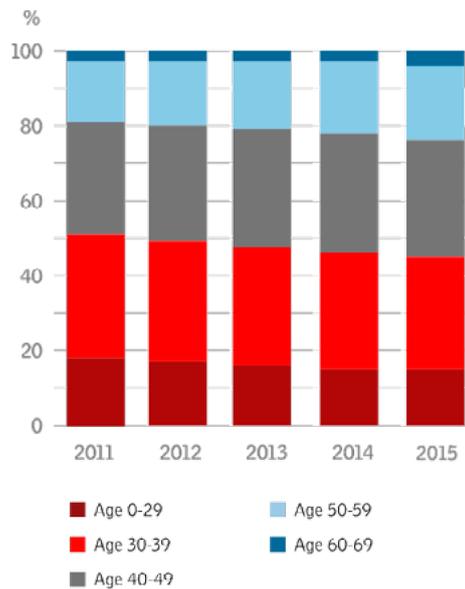
In 2015, the turnover among production workers was 23% compared to 18.9% in 2014. The turnover among non-production workers was 11.6% in 2015 compared to 10% in 2014.

The increase in employee turnover is due to the changes we have made in our production set-up.

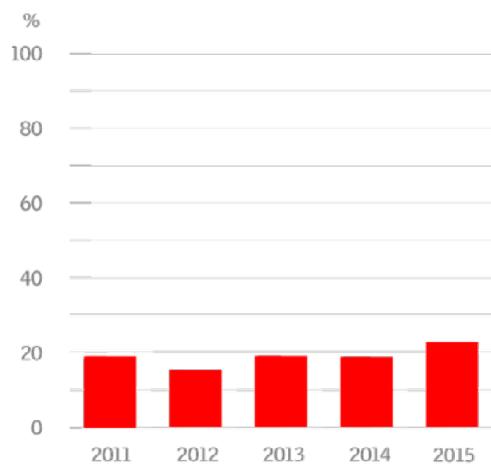
Number of employees, VELUX Group



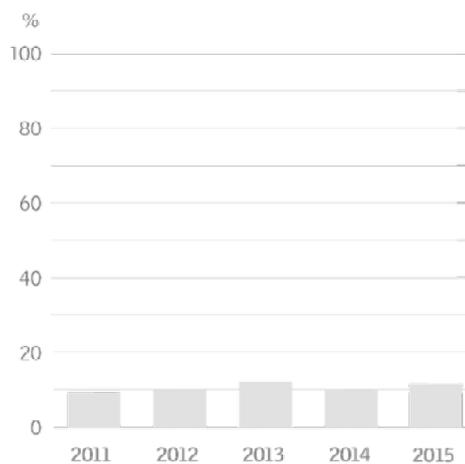
Age distribution, all employees



Employee turnover, production workers



Employee turnover, non-production workers



Changes to our production set-up in 2015



To improve our competitive strength, our manufacturing and logistics functions have undergone a strategic transformation. Our goal is to have a globally coherent manufacturing and distribution network that will strengthen our competitiveness without compromising quality and delivery reliability.

We have therefore decided to consolidate our plastics production at fewer factories and have closed down our plastics production in Thyregod, Denmark. Furthermore, we have decided to cease production in Russia because of the economic developments in the country.

In line with our Model Company Objective, we are helping the affected employees to move on in their working lives.

The Employee Foundation

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

To support employees and their close families, typically in the event of unfortunate situations or for education of employee's children
 To support activities in the vicinity of VKR Group companies
 To present the Villum Kann Rasmussen Award.

Between 1992 and 2015, more than 3,128 people received financial support from the foundation, either for themselves or for their families. In the same period, more than 1,539 projects in the vicinity of the VKR Group's companies received support.

Examples of donations to employees made in 2015:

- In Hungary, an employee and her husband received support for adoption
- The son of a Polish employee received support for establishment of a wheelchair ramp
- In France, an employee received support in connection with breast cancer
- The son of a Japanese employee received support for treatment of mental handicap
- The wife of a German employee received support for installation of handrails in the home
- The daughter of a Czech employee received a scholarship for studies in forest and wood technology
- In Spain, the daughter of an employee received a scholarship for studies to become a teacher.

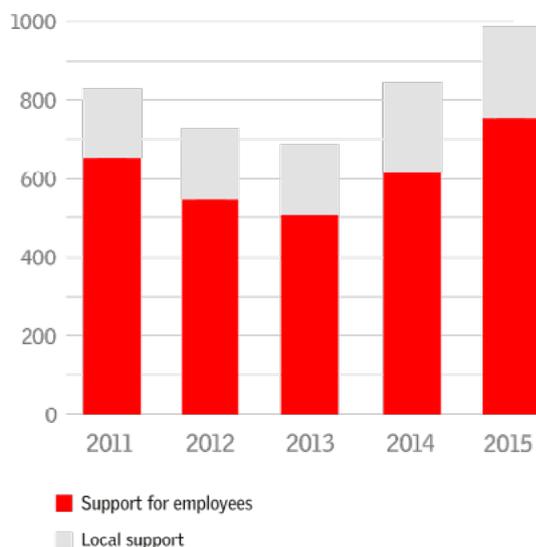
Examples of local support in 2015:

- In France, support was granted to buy equipment for a judo club
- In Poland, support was granted to buy equipment for a children's hospice
- In Denmark, support was granted to establish a skater park
- In Slovakia, support was granted to install an irrigation system for a football club
- In Belgium, support was granted to install a swimming pool lift for handicap swimming
- In Hungary, support was granted to buy fitness equipment for a park.



Grants from The Employee Foundation of the VKR Group

Thousand EUR



The Villum Kann Rasmussen Award



The Villum Kann Rasmussen Award is presented to employees who, each in their own way, contribute to meeting the Model Company Objective.

In 2015, on the birthday of Villum Kann Rasmussen on 23 January, 12 employees received the VILLUM KANN RASMUSSEN AWARD, also known as the KR Award. The award pays tribute to the values and vision of the company's founder and was first granted in 1996. Since then, 237 employees have been honoured. In selecting the recipients, the emphasis is on commitment, loyalty, work performance, imagination, initiative, helpfulness towards colleagues and enthusiasm for the job.

Case

Great honour to receive the KR Award

"I felt very happy, proud and grateful to be among the awardees," said Tommy Dorff Hansen from VELUX A/S when he received the KR Award in January 2015. He received it for his dedication to designing exhibition and product displays and for his ability to think out of the box and create innovative solutions reflecting the VELUX products.

"I felt surprised and thrilled that my work had been noticed and to be part of the special group of people who have received the KR Award. It is hard to believe," said Anna Suchecka from VELUX Polska Sp. z.o.o. She was awarded for her commitment and loyalty to the company and to her colleagues and for being a strong team player who helps and advises others.

"I was speechless at first, overwhelmed and immensely honoured to receive the KR Award," said Peter Wolle from SIG Sonneborn Bauzubehör Industriegesellschaft mbH in Germany when he received the award. Peter was awarded for his commitment to his team and to the VELUX Group, and for his ability to embrace change with an open mind.





Health and safety

We are determined to provide a safe and healthy working environment for our employees. It is our firm belief that safety boosts business performance through increased employee empowerment, reduced accident-related costs and improved productivity.

We apply the OHSAS 18001 management system for occupational health at all production sites. Moreover, we have rolled out a comprehensive Safety Excellence Programme at all production sites in order to build a strong safety culture and bring down the number of work-related injuries.

In 2015, we took the first steps in implementing a new, company-wide safety programme Take Care that comprises safety and ergonomics with a strong emphasis on personal commitment and team effort.

VELUX Safety Policy

The long-term vision of the VELUX Safety Policy is to have zero accidents and incidents.

Our Safety Policy contains five guiding principles for the safety work:

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



Case Good safety is good business at VELUX Greenwood

In 2015, VELUX Greenwood Inc. received the "Award of Excellence" for their outstanding safety performance. Beside the honour, the award also meant that the company received a dividend disbursement of more than \$300,000 from its insurance company.

It was the sixth year in a row that the US VELUX factory in Greenwood won the award.

"We are proud to receive this award as recognition of our strong focus on safety. Good safety is good business and it is important that we all feel safe when we go to work. Due to our performance, our insurance premium cost has fallen by 27% in the past three years," says John W. Pillmann, President of VELUX Greenwood Inc.



Building a strong safety culture

In 2015, we completed three new standards that will support the ongoing effort to build a strong safety culture:

- Employee Safety Engagement Standard to strengthen employee commitment to safety
- Roles, Responsibilities and Safety Performance Standard to strengthen the role and accountability of the line managers in the safety work
- Workplace Risk Assessment Standard to instill a culture of preventive risk assessment in the daily work.

The rollout of the standards was started in 2015 and continues in 2016 as part of the Take Care safety programme.



Case

Factory in Poland receives safety award

The NB Polska Sp. z o.o. factory in Namysłów employs more than 700 employees in the production of polyurethane windows. In 2015, the factory was awarded "Employer – an organiser of safe work" by the Regional Labour Inspectorate of the Opole region in Poland.

The award is an appreciation of the factory's commitment to a safe workplace, especially acknowledging the last three years' initiatives to improve the safety culture among employees, comply with labour rights and offer social benefits to employees.



Safety performance

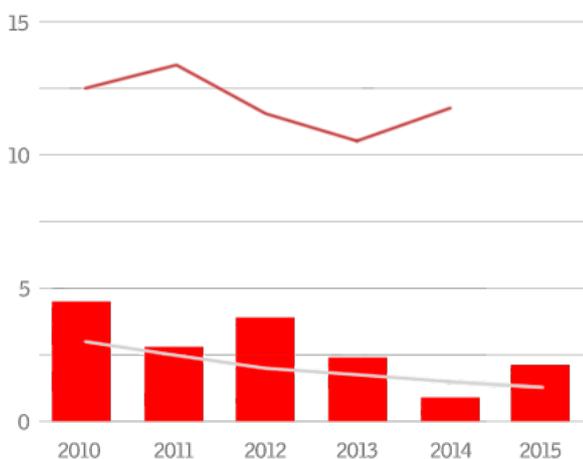
Our long-term safety vision is to have zero accidents and incidents. In 2015, we had 26 work-related accidents compared to 11 in 2014. This means that the accident frequency increased from 0.9 to 2.2 accidents per million working hours at the VELUX factories and among Danish administrative employees.

In 2015, we were not able to live up to the record-low number of work-related accidents in 2014. Moreover, we are also above our target 1.3. In 2015, the lost-work-hour frequency for accidents was 0.5 lost hours per 1,000 working hours, an increase compared to 0.2 in 2014. Our target remains maximum 0.3 lost hours per 1,000 working hours.

"We saw a considerable rise in the number of accidents in 2015 compared to the historically low result of 2014. With our ambition of zero accidents, this is, of course, far from satisfactory. We will, therefore sharpen our focus on accident prevention with a series of safety campaigns at our factories in 2016. Having said that, the 2015 safety figures are still the second best we have ever achieved. And if we compare them with corresponding figures from similar companies, we are noticeably better. But even just one accident is one too many," says Søren Christian Dahl, Vice President Head of Production.



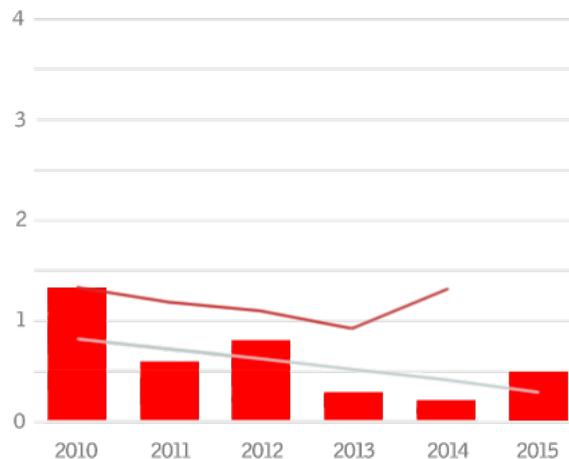
Accidents per 1 million working hours



Note: From 2013 figures include overhead employees in production companies and Velserv

- VELUX Group actual figures
- VELUX Group goal
- The Danish employers confederation

Lost hours due to accidents per 1,000 working hours



Note: From 2013 figures include overhead employees in production companies and Velserv

- VELUX Group actual figures
- VELUX Group goal
- The Danish employers confederation

Sites without accidents for at least two years

Site	Years without accidents
Velterm A/S Denmark	7+ Years
European central warehouse, Denmark	6+ Years
VELUX Greenwood Inc.	5+ Years
Østbirk Bygningsindustri	2+ Years
Thyregod Bygningsindustri	1+ Year
VKR France	1+ Year
VELSOL France	1+ Year

Case Safety performance around the world

Seven years without accidents, Denmark

In June 2015, the VELTERM A/S pane factory in Denmark celebrated seven years without accidents. The safe working environment has been achieved through care for each other's safety and continuous improvements.

"The situations with near-miss accidents that we have experienced earlier taught us a lot. These experiences have been turned into safety rules, procedures and information to ensure that other colleagues will not have similar incidents," says Torben Erhard Jakobsen, General Manager.

Thyregod Bygningsindustri A/S, another VELUX production site in Denmark, producing maintenance-free roof windows, celebrated 500 days without accidents in 2015.

"For the last two years, we have worked with safety awareness in the factory and administration. We have prioritised the safety training of employees and introduced more visible follow-up on the safety measures. By doing this, we are constantly reminded of safety, which helps us to maintain a high level of safety awareness," says Jørgen Hansen, Quality and HSE Manager.



Ten years without accidents, France

In February, the employees of the Panes Department at VKR France celebrated ten years without work-related accidents.

"All employees have a share in this impressive result. Safety is no longer a constraint, but fun, and it raises the spirit in the team. We are all in this together and take care of each other," says Etienne Lemaire, Department Manager.

The safety work has also improved the general performance of the department in terms of efficiency and quality.

At the Velsol France factory, the employees celebrated two years without accidents in 2015.

"The safety project has been an opportunity to get closer to the employees and to listen to them, which has led to a better understanding between management and employees. The awareness and dialogue about safety has led to safety improvements in the daily work and created a strong team spirit," says Patrick Moëne-Loccoz, General Manager.



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

VELUX Environmental Policy

Our Environmental Policy comprises six guiding principles:

1. We design our products so that the environmental impact during manufacture, use and disposal is reduced
2. Our use of raw materials, water and energy is highly efficient
3. We constantly work to minimise emissions, waste and discharges from our activities
4. We maintain high safety standards for our employees
5. We cooperate with our suppliers, customers and other business partners to improve environmental standards
6. We constantly seek ways to make our products and manufacturing methods more environment friendly than what is generally expected.



VELUX Climate Strategy



Our climate strategy has a dual purpose:

To deliver products that help customers save energy in line with our commitment to Sustainable Living in Buildings

To reduce the carbon footprint of our own operations

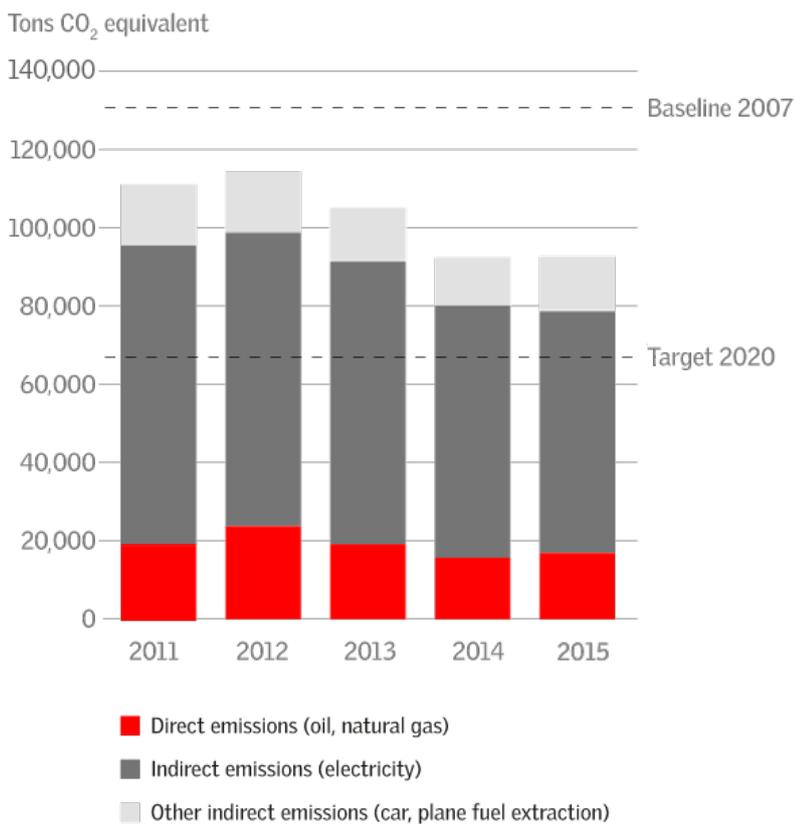
The goal of the climate strategy is to reduce our own CO₂ emissions by 50% in 2020 compared to the 2007 baseline. We will achieve this by:

Implementing certified ISO 50001 energy management at all production sites and VELUX A/S head quarters

Investing in energy efficiency

Using green electricity to fill any remaining CO₂ reduction gap to reach the 2020 goal. In 2015 we have reduced our own CO₂ emissions with 29% compared to our baseline in 2007

CO₂ emissions inventory



By the end of 2015, we had reduced our CO₂ emissions by 29% compared to the 2007 baseline. This means that we are nine years ahead of the reduction targets compared to EU targets.

Case VELUX Energy Management

In 2015, 14 out of 16 production and warehouse sites in Europe were certified to ISO 50001. In 2016, the energy management certification will be completed by two remaining production sites in the EU and on VELUX A/S level (including also our headquarter).

The energy management activities are based on five principles contained in our Energy Management policy:

1. Monitor and optimise all significant energy-consuming processes
2. Continuously improve our energy efficiency and ensure the necessary information and resources to meet our objectives and targets
3. Inform the employees about energy policy, goals and action plans
4. Ensure compliance with all applicable legal requirements and other requirements we have committed to in relation to energy sources, energy consumption and energy efficiency
5. Consider energy efficiency when developing, purchasing or changing significant processes, equipment, machines or buildings.

The payback time of implementing the Energy Management System has been calculated to be less than a year, thanks to a number of immediate energy efficiency improvements related to improved energy practices that reduce the stand-by consumption of machines and processes, and by implementing better energy control procedures.

Waste management based on circular economy thinking

Circular economy thinking has inspired our production for many years in order to make sure all resources that go into our products can be used in a cyclical way.

Governed by the environmental policy, we continuously reduce our use of resources and the amount of waste resulting from our production. All factories apply source separation in their waste handling to ensure maximum recycling.

Waste products are typically wood, steel, aluminium and glass. In 2015, our major waste fractions were disposed of in the following way:

- 72.3% was recycled
- 25.7% was used to produce energy by incineration
- Around 0.5% of our waste contains varnish and is classified as hazardous waste and sent for special waste treatment
- The remaining 1.5% is sent to landfill.



Despite the effort to bring down waste volumes, there are still certain minor waste fractions that are not suited for recycling due to the nature of processing. New opportunities for recycling are continuously explored together with suppliers and recycling companies.

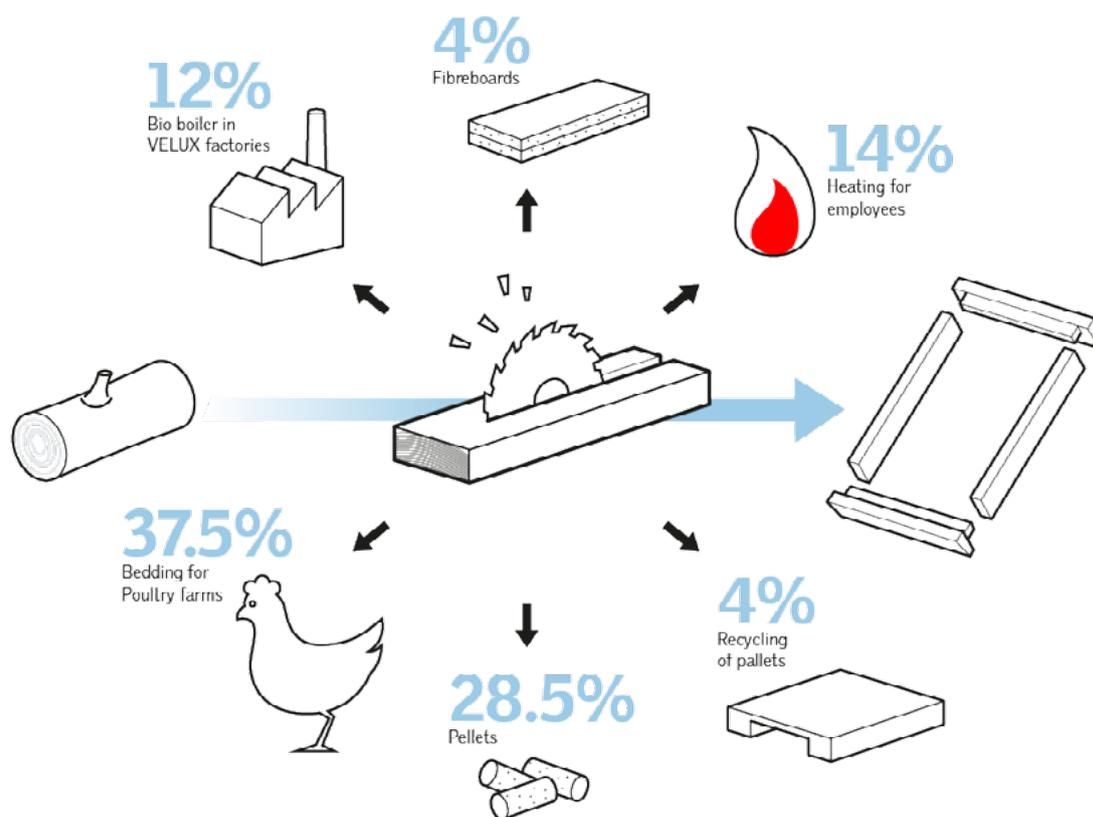
Case Closed-loop production at factory in Hungary

Waste is high on the agenda in Europe, where concepts like Circular Economy, cradle to cradle and closed-loop production all tap into the idea that waste should be avoided, e.g. by using waste from one process as raw materials in other products. Through the environmental management systems at our production sites, the VELUX Group has been working on utilising waste from our production for other products.

At the VELUX Magyarország LKR Korlátolt Felelősségű Társaság factory in Hungary, all major waste streams have been mapped and analysed in order to make sure that valuable raw materials are recycled and nothing goes to waste. The result is 100% recycling of wood, glass and aluminium.

Wood waste at our factory in Hungary

100% of the wood waste is turned into renewable energy or recycled into other products.



Water management



In 2015, water consumption at our factories was 112,000 m³ compared to 128,000 m³ in 2014.

Due to the nature of our production, wastewater from production companies is predominantly sanitary wastewater sent to sewage treatment and, to a lesser extent, wastewater from cleaning and washing of components. A very small amount of wastewater/sludge, e.g. collected from periodic special cleaning processes of equipment, is included in the 0.5% waste we disposed of for special waste treatment.

Performance

To get the overview of how we have done in selected areas, our performance is measured by the indicators below and progress is tracked against these indicators.

Performance

Citizenship	Key indicator	2011	2012	2013	2014	2015	Target
Sustainable Living in Buildings	Demonstration Buildings with Active House Radar Diagram	N/A	5	15	22	24	
Fair competition	Management compliance with Annual Management Declaration (annual signature confirmation)	100%	100%	100%	100%	100%	100%
Products and services	Key indicator	2011	2012	2013	2014	2015	Target
Product quality	Production sites certified according to ISO 9001	100%	100%	100%	100%	100%	100% 
	Product recalls or warnings	1 warning	0	0	0	0	0 

Customers and business partners		2011	2012	2013	2014	2015	Target
Customer interaction	Reputation on RepTrak™ Pulse Score (Reputation amongst our customers)	78	79	78	78	76	75-80 ✓
Supply chain	Product related suppliers signing our Code of Conduct	90%	97%	97%	99%	98%	97% ✓
	Sourced wood from FSC or PEFC certification	90%	95%	97%	96%	96%	2015: min. 95%; long term min. 99% ✓
	Sourced wood from controlled sources	10%	5%	3%	4%	4%	✓
	Sourced wood from non-controlled sources	0%	0%	0%	0%	0%	✓
Anti-corruption	Senior managers completing the VELUX Anti-corruption e-learning course	N/A	88%	90%	98%	99%	95% ✓

Organisational behavior	Key indicator	2011	2012	2013	2014	2015	Target
Health and safety	Accidents per 1 million hours (production workers)	2.8	3.9	2.4	0.9	2.2	1.3 
	Lost hours due to accidents per 1000 working hours (production workers)	0.6	0.8	0.3	0.2	0.5	0.3 
	Production sites certified according to OHSAS 18001	100%	100%	100%	100%	100%	100% 
Environment	CO ₂ reduction since 2007 (emissions in tons)	15% (112,000)	12.5% (115,000)	20% (106,000)	29% (93,000)	29% (93,000)	Long term target: 50% (66,000 tons) in 2020 
	Production sites certified according to ISO14001	100%	100%	100%	100%	100%	100% 

About the report

This is the VELUX Group's fifth annual Corporate Responsibility Report.

Purpose of the report

The purpose of the VELUX Corporate Responsibility Report is to provide stakeholders with an overall transparent, fair and balanced picture of the VELUX Group as a Model Company, which is the foundation of how we work with Corporate Responsibility. Corporate Responsibility reporting is a journey and we believe we are making good progress towards achieving the purpose of the report.

Target groups

The Corporate Responsibility Report is targeted at our international customers, politicians and authorities, interest groups, journalists, CR professionals, as well as current and potential employees globally.

Scope

Unless otherwise stated, the data and reporting relates to the entire VELUX Group, i.e. production sites, distribution centres, administration and sales offices. Suppliers and other third parties are included only in the specific reporting on business partners. The report covers the 2015 calendar year.

Reporting principles

The report was compiled using the principles of the Global Reporting Initiative (GRI), Sustainability Reporting Guideline as guidance.

Stakeholder analysis

The topics that are important for us to report on to our audience were identified through a number of activities. Most of these activities are part of daily operations and reflect an understanding of and response to stakeholder concerns. Other activities were conducted with the purpose of developing the understanding of our Corporate Responsibility performance. These include surveys and benchmark studies.

Defining key issues

To define our most important areas in Corporate Responsibility, we have identified the issues based on where the organisation has economic, environmental and social impacts that significantly impact the success of our business and are of great importance to our stakeholders. This includes risk management, legal matters and market prediction as well as an assessment of Corporate Responsibility in relation to our business strategy.

Data processing

The environmental and health and safety data in the report was collected, compiled and validated by the VELUX Group's HS&E function, the human resource data by the VELUX Group's Human Resource function. Data on anti-corruption and anti-competitive behaviour has been collected by the relevant internal issue owners, whereas brand and satisfaction tracking was carried out by an external party. The data is collected annually according to a fixed reporting procedure. Data was compiled for the calendar year 2015 as end-of-the-year data with the exception of brand and satisfaction tracking, which was compiled during the year.

In 2015, there have been two major updates on the Carbon Footprint accounting. The influence of weather (cold/warm year) on heating energy consumption has been neutralised by using degree day corrected figures. To present a more accurate and detailed Carbon Footprint, we are now using a national CO₂ equivalent of energy conversion factors for all factories. The changes have resulted in recalculation of VELUX Group emissions between 2007 and 2015.