

VELUX Group

Sustainability Report 2022

VELUX®

Villum Kann Rasmussen, 1965
Founder of the VELUX Group

“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.”

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Letter to our stakeholders

Progress in a challenging year

At the end of 2022, I took over as VELUX CEO and joined a company whose purpose is to create well-being for people and planet by transforming spaces with daylight and fresh air. Ever since our founding, VELUX has been shaped by our model company objective. That's why for decades, VELUX has advocated and developed products for healthier and more sustainable buildings. With the building sector accounting for 37% of global CO₂ emissions* and millions of people still living with poor indoor climate, our purpose and sustainability strategy are more relevant than ever.

2022 marked a number of important milestones towards our goals. I'm proud of what the entire organisation has achieved within our own operations and, equally important, together with partners. This was done despite uncertainty and significant macroeconomic headwind.

Another demanding year

Throughout VELUX, we felt the continued impact of the Covid-19 pandemic, which was compounded by further supply chain disruptions and increased energy prices caused by the Russian invasion of Ukraine. In response to this invasion, the Employee Foundation of the VKR Group established an emergency fund

* UN Global Building Alliance Status Report 2022



“In my first few months in the role, I’ve been pleased to see how colleagues across the world are shaping VELUX with their commitment”

specifically for colleagues in Ukraine affected by the war, and we took the decision to permanently close our operations in Russia and Belarus.

At the end of the year, we saw the increased impact of the economic turbulence in the form of a reduction in sales. As a consequence of this, we decreased production in our European factories with a view to retaining staff. However, this proved difficult and regrettably we were unable to avoid redundancies.

Taking action is more important than ever

In 2022 we made great strides to reduce our scope 1 and 2 emissions. We sped up actions to replace gas with renewable energy sources at our production sites and finalised an investment in two solar parks to cover our entire European electricity need. When operational in 2024, the new plants will save around 40,000 tonnes of CO₂e each year, compared with our total scope 1 and 2 footprint of around 52,000 tonnes in 2020.

We also intensified our efforts to improve our safety record and developed a new Diversity, Equity and Inclusion policy to ensure a better working environment for all employees. Moreover we took important steps towards our target to halve our value chain carbon footprint by 2030. During the year, we formed strategic partnerships with Novelis and Hydro, two suppliers of aluminium, a key material in our products. These partnerships bring both short-term reductions while also creating a roadmap up to 2030. They will provide high-recycled-content aluminium for use in our products and we are working together on achieving carbon reductions per kilogramme of aluminium to a level that is just a fifth of today's average in Europe.

When companies across the value chain come together in this way, it gives cause for optimism. However, we know the transformation of the building sector lags behind other industries

and many challenges remain. Much more is needed to tackle emissions from existing buildings and to ensure new buildings are net-zero carbon in operation, and with a 40% reduction in embodied carbon by 2030*. We strongly encourage the EU, as well as EU member states and other nations, to ramp up their efforts to renovate the existing building stock – serving multiple benefits, including better indoor environment, lower energy bills and an acceleration of the green transition at societal level.

Looking ahead at 2023, I remain committed and recognise that while ambitious goals are key, it is the decisions and actions that we take today and tomorrow that count. That's why we've decided to integrate sustainability into our company incentive programmes for the first time from 2023, starting with the VELUX Management Group.

In this report, you can read about our progress towards achieving all of our strategy goals. This is not always straightforward – and in some areas we have had to alter our plans. But please be in no doubt that our commitment to our strategy remains stronger than ever throughout the entire VELUX Group and that we will deploy the resources required to continue to make significant progress in 2023.



Lars Petersson
CEO of the VELUX Group

↓ 40%

To meet the goals of the Paris agreement, all new buildings must be net-zero carbon in operation and embodied carbon must be reduced by at least 40%*.

* The 2030 breakthrough program for the built environment

Our purpose

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

‘Creating well-being’, in the broadest sense, is why we exist.

That means health to people, but it also means creating compelling and desirable indoor spaces where people can feel content to live and work.

‘People and planet’, honours our commitment to sustainability, which has now been integrated into our corporate strategy.

The climate is changing and nature is being lost at an unprecedented speed. As a model company, we have a responsibility to do more than most, and to drive change within VELUX, our sector and beyond.

‘Daylight and fresh air’ captures the most important aspect of the value we deliver to our customers.

It clarifies our intent and ambition to transform the indoor spaces where our solutions are used, in a way that other renovation or improvement opportunities cannot.



Commitment

We are passionate about what we do and go the extra mile to pursue our shared goals.

Customer Centricity

We put the people who live, work and play under the roof at the centre of everything we do.

Courage

We have the courage to be ambitious and try things we have never done before.

Mutual Respect

We respect and care for one another and treat others as they would like to be treated.

Social Responsibility

We act as a Model Company, driven by our Purpose to create well-being for people and planet.

Agility

We constantly look for new opportunities and move quickly to explore and realise them.

VELUX Values

Our Values ensure we encourage the mindset and behaviours necessary for us to grow and develop at a high pace while staying true to our heritage. They guide our everyday work in both good and challenging times and represent ‘the how’ behind our Model Company Objective, purpose and strategy.

In 2022, we revised our VELUX Values for the first time since 1997 using insights and input from employees around the world. Updating our Values was necessary to reflect our stronger sustainability focus, a larger and more diverse organisation, as well as a new long-term strategy.

After the revision, our Values are even more strongly anchored in sustainability. They encourage employees to have the courage to ask: ‘Can we do this in a more sustainable way?’, ‘Are we fast and agile enough when it comes to our sustainability ambitions?’ and ‘How can we all contribute to a culture of mutual respect and belonging, in which everyone can thrive and do their best work?’ With the revised VELUX Values, we now have a valuable compass for discussions and decision-making.

Our strategy house

“It’s our nature” is our 2030 sustainability strategy, consisting of 15 strategic targets.

“It’s our nature” is our 2030 sustainability strategy launched in 2020. It is depicted as a house, consisting of 15 strategic targets on three floors.

The ground floor is the foundation of a responsible business and ensures a diverse, inclusive, safe and healthy workplace.

The first floor is the core of our strategy house and shows our ambition to innovate sustainable products that can create better indoor spaces for people and care for the environment.

The top floor contains targets that will guide us towards pioneering climate and nature action to reduce our emissions in line with science, capture our historical emissions and to showcase sustainable buildings and communities.

The ringed targets are included in our ESG reporting available on page 65.

It's our nature

Pioneer climate and nature action



Capture our historical carbon footprint



Reduce our future carbon footprint



Show how to build sustainably

Innovate sustainable products



Innovate digital products for sustainable living



Reduce our product carbon footprint



Green our packaging

Secure a responsible business



Ensure diversity and an inclusive culture



Strive for zero accidents



Achieve zero waste



Increase number of women in management positions



Provide healthy workspaces



Share sustainable innovations



Employ people with disabilities



Reduce work-related air travel and switch to zero emission cars



Promote a circular economy

Strong organisational ownership and accountability



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

The VELUX Sustainability Strategy 2030 contains 15 targets that have been approved by the VELUX Management Group and Board. Each target is owned by a VELUX senior manager. For selected targets, such as 'Reduce our future carbon footprint', a cross-functional governance structure has been put in place and senior representatives from different functions agree on the direction and align plans for the target.

The strategic targets cover the issues we have identified as material to the VELUX Group, in terms of importance to our business and to stakeholders. In addition to the strategic targets, the VELUX Group has defined a number of 'running indicators'. These are important indicators that are measured as part of being a responsible business. The running indicators are included in our ESG reporting and are externally verified.



Drive sustainability in all parts of our value chain

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

Our sustainability strategy incorporates our efforts to improve sustainability performance across the whole value chain.



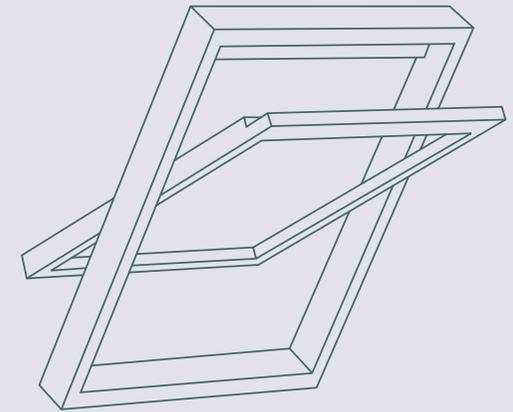
Net CO₂e savings during a VELUX window's life cycle

To track and manage the sustainability impact of our products, we produce Life Cycle Assessments (LCAs). These assessments show the carbon footprint of our products over their life cycle – from sourcing of raw materials, production and installation to use and later dismantling and disposal.

The illustration below presents the LCA for a wooden framed roof window with triple glazing installed in central Germany. It shows that the roof window has a positive environmental impact on the climate over the course of its life cycle. This is primarily because of the carbon savings achieved during the use phase when the window can capture solar radiation energy thereby decreasing the need for additional heating from fuel or electricity.

By creating LCAs we continuously quantify and track the impact of our products, which helps us understand and improve their environmental performance over time. It is important to note that a roof window's environmental performance is always dependent on the climate conditions where it is installed, the window size, the heat energy sources of the building, and the expected lifetime of the window.

About the calculation
Carbon footprint calculation is performed for a GGL SK08 (1.6 m²) window installed for 30 years in a home in Würzburg, Germany. The calculation includes all life cycle stages defined in EN15804 and EN17213 from stage A1 to stage D, including a voluntary use stage scenario based on energy balance calculations. Expected energy savings are -1367 kWh over the full lifetime of 30 years.



[kg CO₂e / window]



Materiality assessment

The VELUX Sustainability Strategy 2030 was created based on a materiality assessment carried out with a variety of stakeholders between 2018 and 2020.

During this process, internal stakeholders were individually interviewed to identify all potential topics they considered important. This was supported by desk research on sustainability risks and trends. The stakeholders then ranked and assessed the topics across various dimensions. Finally, senior representatives from key functions attended a materiality workshop to evaluate the topics.

Their views, combined with research data, have shown us the most important social and environmental impacts of our operations and value chain. It has also enabled us to create a materiality matrix with prioritised focus areas correlated with the UN Sustainable Development Goals.

The materiality assessment is dynamic and reflects what our stakeholders expect from us and the important topics for our business throughout the strategy period towards 2030. It will be updated in 2023.

We are also preparing for the adoption of a double materiality assessment. This considers EU requirements and maps material topics considering their sustainability impact, as well as their financial materiality.



* Based on management's assessment

2022 Highlights



Low carbon and affordable housing

Working with partners in architecture and construction, we started construction of the 'Living Places' project in Copenhagen. The project shows how low carbon housing can be built at standard market cost. In 2022, an independent third party verified that the concept has a carbon footprint three times smaller than a typical Danish home.



Partnerships that get results

We established partnerships with two suppliers to reduce carbon emissions in the materials used in our products. Working with Hydro, a Norwegian aluminium supplier, we plan to reach a level of below 2.0 kilogrammes of carbon per kilogramme of aluminium by 2030 – less than one fifth of the current European average. We also started working with Novelis, the world's largest aluminium recycler, to provide high-recycled-content aluminium for use in our products.



Successful switch to paper-based packaging

In 2022 a new packaging material made of responsibly sourced paper and cardboard was implemented for 98% of all standard residential roof windows sold in Europe.



Introducing our DEI policy

With our new Diversity, Equity and Inclusion (DEI) policy, we have laid the foundation for our future work to foster a diverse, equitable and inclusive workplace. This new policy provides a shared understanding of DEI that can be used to guide decisions and actions, while assigning accountability. The policy will be fully implemented in 2023.



Towards renewable electricity for all European operations

We have enabled* two new solar plants in southern Spain, contributing to our goal to reduce our scope 1 and 2 emissions by 100% by 2030. When operational in 2025, the new plants will generate 167 GWh of renewable electricity – enough to power all of our European operations – and will save around 40,000 tonnes of CO₂e each year.

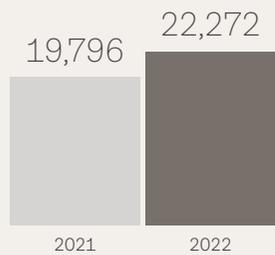
* Virtual Power Purchase Agreements (VPPAs)

Performance

A selection of performance indicators

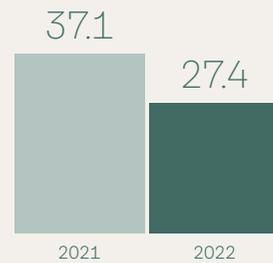
The VELUX Group's revenue*

[DKKm]



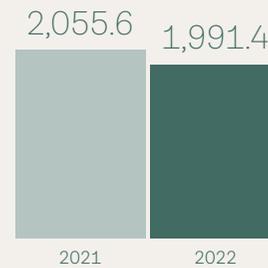
Scope 1 and scope 2 market-based emissions

[K t CO₂e]



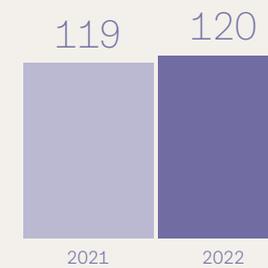
Scope 3 emissions

[K t CO₂e]



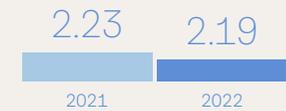
Product carbon footprint for average Residential window

[K t CO₂e]



Share of electric cars in fleet

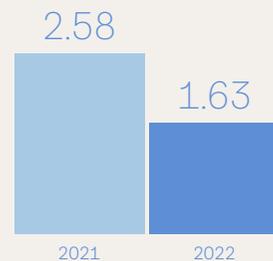
Share [%]



* Revenue increased from 2021 to 2022 despite the lower sales volumes. This is because the price of raw materials increased significantly during the year, which led to VELUX adjusting customer prices.

Accidents per 1 million working hours

Accidents [LWC] per 1 mill wh



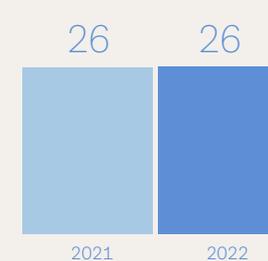
Absence hours per 1,000 working hours

Hours of absence per 1000 wh



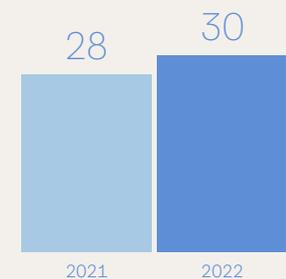
Women in management

Share [%]



Women in senior management

Share [%]





Pioneer climate
and nature action



Capture our historical carbon footprint

By 2041 4.5 million tonnes CO₂ captured through forest and biodiversity projects equal to our company's carbon emissions from 1941-2041*

2022 in brief

- Scoping and selection process to complete the forest portfolio
- Uganda forest project validation continued and first trees planted, project office set up and livelihood support to the local community initiated
- Myanmar project discontinued due to changes in operating conditions following a military coup in 2021

Contribution to SDGs

Through the partnership, we are improving livelihoods and avoiding further environmental degradation in the project areas. The projects are thoroughly planned and their contribution will be followed throughout their lifetime. The projects have been designed to empower local communities with knowledge and capabilities to mitigate

What's next

- Launch and kick-off of new forest projects to complete the portfolio
- Uganda forest project validation completed
- First carbon capture figures from Uganda project**

climate change, avoid deforestation and increase the value of the protected areas. With our investments and the engagement of our partners – WWF as well as other partners on the ground who implement the project – we aim to secure effective and targeted capacity building in project countries.

* The projects are designed to include a 25% buffer bringing the total potential capture to approximately 5.6 million tonnes of CO₂.

** The initial figures will not be verified by VERRA.



Partnership with WWF well underway

We are delivering on this target through a 20-year partnership with the World Wide Fund for Nature (WWF). They are setting up and implementing a portfolio of forest projects in some of the world's most biodiverse landscapes, where forests are under most pressure.

With the portfolio, we finance projects that capture carbon equivalent to our historical carbon footprint from our operations (scope 1 and 2). This spans from our founding year in 1941 to our 100-year anniversary in 2041. The projects follow WWF's Blueprint on High-Quality Interventions, which ensure that our forest projects are designed to generate significant climate, community and biodiversity benefits.

First trees planted

The first forest project in the portfolio is located in the Northern Albertine Rift in Uganda spanning four central forest reserves (Kagombe, Bugoma, Kitechura and Ibambaro). This is an area which has experienced 6.6% annual deforestation in the years between 2010 and 2021. The project is well underway despite delays caused by Covid-19 restrictions. In 2022, more than 100,000 seedlings of native tree species were planted, 400 beehives were distributed to people living close to the forest project to provide alternative livelihoods, and a project office was set up.

The design of the project in Uganda will be validated and its impact verified in line with the requirements for projects under the VERRA Verified Carbon Standard (VCS) and the VERRA

Climate, Community and Biodiversity Standard (CCB)*. The validation process is an extensive exercise, which involves various rounds of primary data collection and independent, third-party verification. To ensure the integrity of the project and compliance with the rules and requirements of the VERRA standards, WWF has worked closely with international carbon experts, local governments, forest authorities, local implementation partners and local communities in the project area. The results of this work are being collected in a Project Design Document that will be made public on VERRA's website in 2023. The full validation process is expected to be completed in 2023.

Once the Uganda project has been validated under the VCS+CCB standards, carbon capture will be verified by a third party every three years. This exceeds the VERRA requirement for verification as a minimum every five years. With these ongoing independent assessments, we will be able to adjust the project design if needed to deliver on our target.

Over the course of the next 20 years, the Ugandan forest project is expected to capture around one million tonnes of CO₂ by protecting existing natural forest and restoring natural forest that has been destroyed or badly degraded. The carbon captured by the project will be retired immediately after every three-year third-party verification, and will contribute to the Government of Uganda's contribution to the Paris Agreement under its conditional nationally determined contributions. This means that the verified carbon units (VCUs) generated by the project cannot be used for off-setting of VELUX carbon emissions or any other organisation's emissions. The first VERRA verified carbon capture figures are expected to be disclosed in VELUX Sustainability Report 2025.

The forest project in Uganda is the first high impact forest project that will go through the validation process. The remaining projects in the portfolio will follow.



WWF project staff, Phillip Kihumuro (left) and National Forestry Authority staff, Christopher Ainesazi (right), inspecting a deforested area adjacent to the Kagombe Central Forest Reserve, Uganda.

WWF also finalised the scoping process for additional forest projects to complete our portfolio. This process concluded with feasibility studies that assessed each project area's carbon potential, benefits for people and nature, and risks, along with the host government's commitment. The complete portfolio of selected projects will be announced in 2023.

The project in Myanmar was scoped and a Project Statement was agreed on by VELUX and WWF in 2020. However, as project implementation was about to commence, the operating context changed drastically due to the military coup on the 1st February 2021. Consequently the project was put on hold and discontinued in March 2022.

Validation using two standards to ensure triple benefits

The Verified Carbon Standard (VCS) is a global standard for greenhouse gas (GHG) emission reduction and removal

projects and programmes. Today it is the world's largest voluntary GHG programme with almost 1,600 registered projects in over 82 countries. The Climate, Community & Biodiversity (CCB) standard outlines rules and requirements for projects that simultaneously aim to address climate change, support local communities and smallholders, and conserve biodiversity. Securing these triple benefits is also a key requirement for any forest carbon project designed in accordance with WWF's Blueprint for High-Quality Interventions that Work for People, Nature and Climate.

* VERRA develops and manages standards and programmes that vet environmental and sustainable development efforts.
 ** https://wwf.panda.org/wwf_news/?4308716/beyond-carbon-credits-blueprint



Reduce our future carbon footprint Scope 1+2

By 2030 100% carbon neutral company

2022 in brief

- Two new Renewable Virtual Power Purchase Agreements signed covering our total European consumption
- Acceleration of transition from natural gas and oil to renewable energy sources
- Launch of new Solar PVE programme
- Factory Carbon Neutral Plans developed on first two sites and global implementation started

What's next

- Continue to work with the Natural Gas Fuel Switch Programme
- Continue full implementation of carbon neutral plans on all factory sites
- Expand onsite solar PVE programme globally
- Secure documented renewable electricity for remaining marginal consumption outside Europe and USA
- Develop and start implementing carbon neutral programme for smaller VELUX sites, such as sales offices

Contribution to SDGs

We are preparing and executing projects which lead to energy efficiency improvements, and replacing fossil-based energy sources with renewables.

We are sourcing and investing to add additional renewable electricity generation.



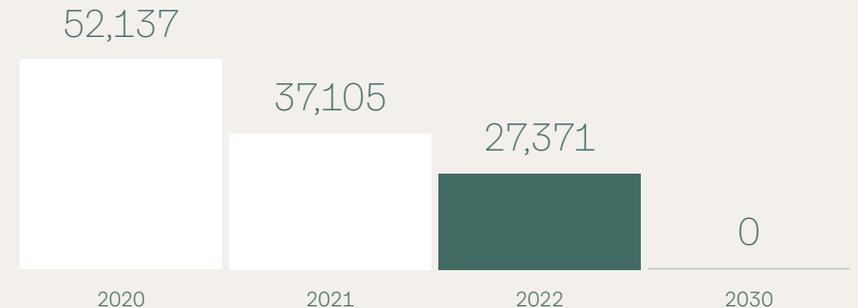
Exceeding expectations for carbon reductions

In 2022 we started our global Company Carbon Neutral Programme to increase our energy efficiency, secure procurement of 100% renewable electricity by 2023, and enable a transition to 100% renewable energy by 2030.

We are now developing and implementing action plans to reach carbon neutrality across all VELUX Group's sites by 2030. We started by focusing on our factories, our most significant energy-consuming sites, and making comprehensive carbon neutral plans. These will enable them to successfully reduce their energy use and scale renewable capacity. We delivered the first carbon neutral plans for two major pilot factories in Germany and Poland and have plans in progress for eight more factories. All remaining factories will have similar plans and start implementation in 2023-2024.

Scope 1 and scope 2 market-based emissions

[t CO₂e]





As a result of these plans, we will invest significantly in energy monitoring, better heat recovery, more energy efficient production equipment, onsite solar PVe plants and switching from fossil fuels to renewable energy.

During 2022, the supply instability of European gas caused by the war in Ukraine further accelerated the transitioning of business-critical sites reliant on natural gas to alternative renewable fuel sources. Possible alternative energy sources include using our own wood waste in new bio boilers or using renewable electricity to power heat pumps and back-up electrical boilers. In partnership with Schneider Electric, we are working on this transitioning. Our factory in Partizánske, Slovakia, less than 400 km from the Ukrainian border, is one of our fast-track priorities

due to its dependence on natural gas. As a consequence of our efforts 58.7% of our total energy consumption in 2022 came from renewable sources compared to 54.2% in 2021.

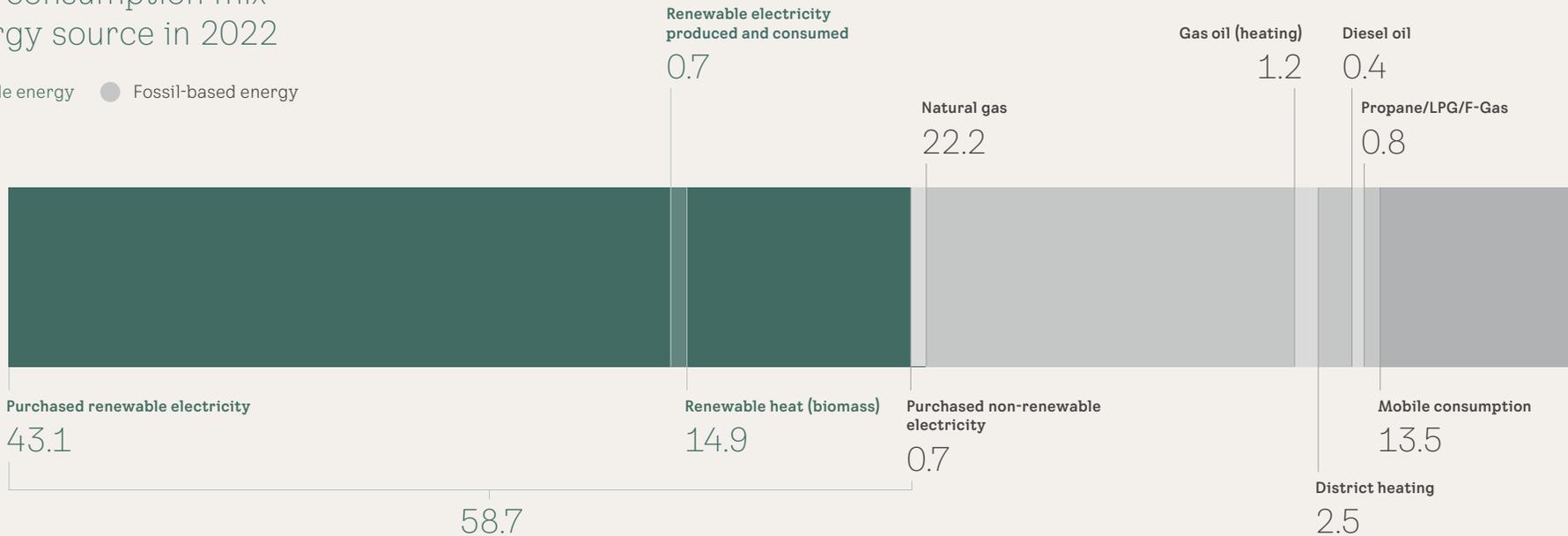
In June 2022, the VELUX Group signed two new Renewable Virtual Power Purchase Agreements enabling two new major solar PVe plants in Southern Spain. Once completed in 2023/2025, these two plants will produce enough power for all VELUX Group European operations plus a buffer in total 167 GWh of renewable energy annually. In this way we will avoid the need to purchase RE certificates in the market. The plants can be considered to be additional as we set up agreement criteria to secure new capacity, without subsidisation and with agreements made prior to the final investment decision.

The solar PVe plant sites are intended to improve biodiversity compared to a baseline. To achieve this, we are using a new concept 'Solar Plant Symbiosis' that combines solar power production with agriculture and consideration of biodiversity and community engagement for the mutual benefit of all parties involved. We also launched a new global onsite Solar PVe Programme to map out the potential at all factory and warehouse sites and accelerate implementation.

In partnership with Schneider Electric, a global energy monitoring system was rolled out at four pilot sites. All other factories are preparing to join this new platform in 2023. Using this system, we can now collect data to reveal how energy savings can be made so we can improve our overall energy efficiency.

Energy consumption mix by energy source in 2022

● Renewable energy ● Fossil-based energy
[%]



CASE

Investing in a pioneering renewable energy concept

In 2022, the VELUX Group signed new Virtual Power Purchase Agreements (VPPAs) with BayWa r.e. that will enable two solar PVe plants in southern Spain. When completed in 2023 and 2025, these plants will generate 167 GWh of renewable electricity annually. That is enough to power all of the VELUX Group's European operations.

Solar Plant Symbiosis

In alignment with our dual focus on climate and biodiversity, together with BayWa r.e. – a pioneer and leader in Agri-PV installations – we are planning to combine solar power production with agriculture, biodiversity and community for the mutual benefit of all parties involved. We have named the concept 'Solar Plant Symbiosis'.

The Virtual Power Purchase Agreements (VPPAs) will drive the development of two new solar parks in Gerena (60 MWp) and Alhendín (56 MWp) in Southern Spain. The Alhendín park includes BayWa r.e.'s first installation of innovative Agri-PV technology in Spain, which will allow crops to grow in between the solar panels. This is made possible using rows of rotational solar panels with wider spacing between them to enable farming

machinery to pass. In this way the crops are grown with better climate resilience as they are shaded by the solar panels and more protected against extreme weather conditions. Furthermore, water can be collected to save valuable water resources.

Reaffirming our commitment to climate and nature action

Signing these VPPAs and enabling new solar plants is part of the VELUX Group's ongoing work to support the transition to renewable energy and remove all emissions from our own operations by 2030. It also supports our strategic ambitions to pioneer climate and nature action and support local communities.

To ensure that the parks prioritise the local nature, the environment and their communities, BayWa r.e. is working with two nearby universities in Madrid and Cordoba to form an interdisciplinary research group. The findings produced by this group will be used to create comprehensive and bespoke site strategies and action plans for long-term Solar Plant Symbiosis engagement that can increase biodiversity and the involvement of the local community.



What is Solar Plant Symbiosis?

This pioneering new concept combines solar PVe plants with agriculture. Its ambitions stretch further than regulatory requirements with investments in improved biodiversity and collaboration with the local community and specialists.

CASE

Removing fossil fuels in production – and creating a healthier working environment

Thanks to a new bioboiler and two new extraction systems, our production plant in Gniezno, Poland is reducing its carbon footprint and improving the working environment. These investments are part of the long-term VELUX Group Carbon Neutral Strategy that is eliminating reliance on fossil fuels in production processes.

Wood for windows – and heat

The new bioboiler in the Polish window production plant runs solely on biomass, in the form of wood waste, from our FSC/PEFC certified wood, generated during production of the wooden windows. Estimates show that the new bioboiler will lead to a reduction in CO₂e emissions of more than 800 tonnes annually – depending on the outside temperature and the volume of production.

Extracting energy savings

Alongside the investment in the new bioboiler, the plant also invested in two new extraction systems. The first is designed to suck up the wood chips during production processes so they can be collected and used in the bioboiler, while the second

removes paint particles from the air during the lacquering and drying process. Both systems are highly energy intensive because of the suction processes involved. In the new systems, a control mechanism has been introduced to ensure only the suction pipes in use are powered. This improvement has already resulted in a large energy saving.

Smart heat reuse

Furthermore, by improving the filtering system on both extraction systems and implementing heat exchangers outside the building, the fresh air that is sent back into the building can

retain some of its heat and be free from traces of harmful dust and particles. In the case of the extraction system used on the paint line for the oven dryers, the heat exchangers can capture 80% of the heat energy. This reduces the demand for additional heating, thereby creating further energy savings and ensuring employees work in a comfortable and well-ventilated space.

Once operational, the new extraction systems are expected to save over 1,500 tonnes of CO₂e annually from the reduced need for energy and heating capacity.





Reduce our future carbon footprint Scope 3

By 2030 50% reduction of CO₂e from value chain

2022 in brief

- Announced strategic partnerships with aluminium suppliers Hydro and Novelis
- Continued to work with Carbon Disclosure Project (CDP), requesting carbon-related information from suppliers
- Obtained approval from SBTi on our re-submitted baseline, moving from a 2018 to a 2020 baseline
- Trained product development and procurement teams in carbon impact of activities

What's next

- Prepare for EU regulation on carbon import taxation
- Scale our partnering activities
- Set up functional annual targets and adjust processes accordingly
- Continue to improve our carbon emission data model
- Mature our work in procurement teams addressing improvement projects on a broad scale

Contribution to SDGs

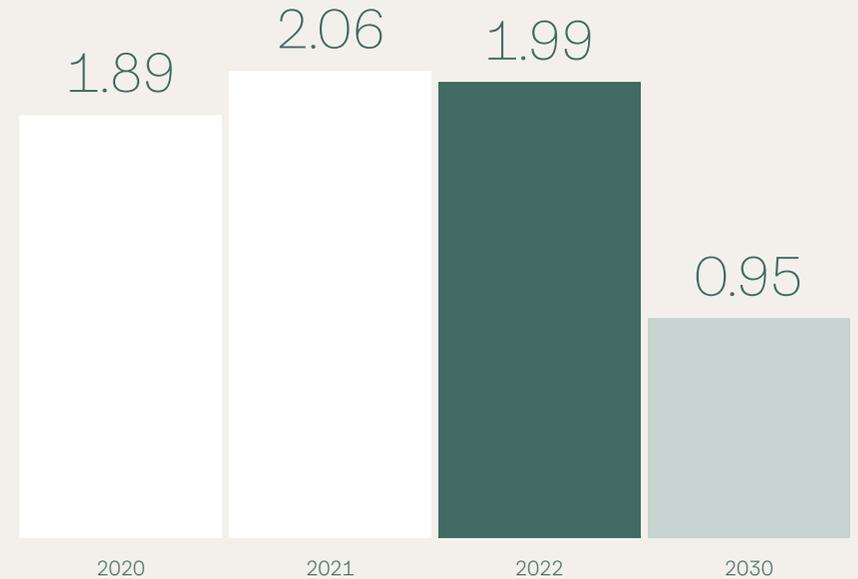
We are working to increase the proportion of our suppliers who are measuring and reporting their carbon footprint and setting reduction targets in line with science. We are sourcing materials with

a lower carbon footprint and forming strategic partnerships to decarbonise materials used in our products.



Scope 3 emissions

[M t CO₂e]



Scope 3 emissions breakdown

○ Materials ● Operations

Share [%]



Glass

9.6

Plastics

6.0

Transport upstream

11.8

Purchased goods and services

11.2

Metal

5.4

Use of sold products

1.5

Packaging

1.1

Business travel

3.7

Downstream transportation and distribution

0.6

Upstream leased assets

0.6

Fuels and energy-related activities

1.1

Employee commuting

0.6

Waste

0.1

Electrics and electronics

7.2

Coatings, filling and foam

3.0

Wood

1.6

End of life treatment

9.1

Capital goods

2.9

Aluminium

23.0



Working with suppliers to drive change

In the VELUX Group, 98.6% of our carbon footprint relates to scope 3 emissions and comes from outside our own operations. The majority of our total carbon footprint (56.1%) relates to the materials used in our products and an additional 11.0% from equipment and other goods that we purchase for use in our operations.

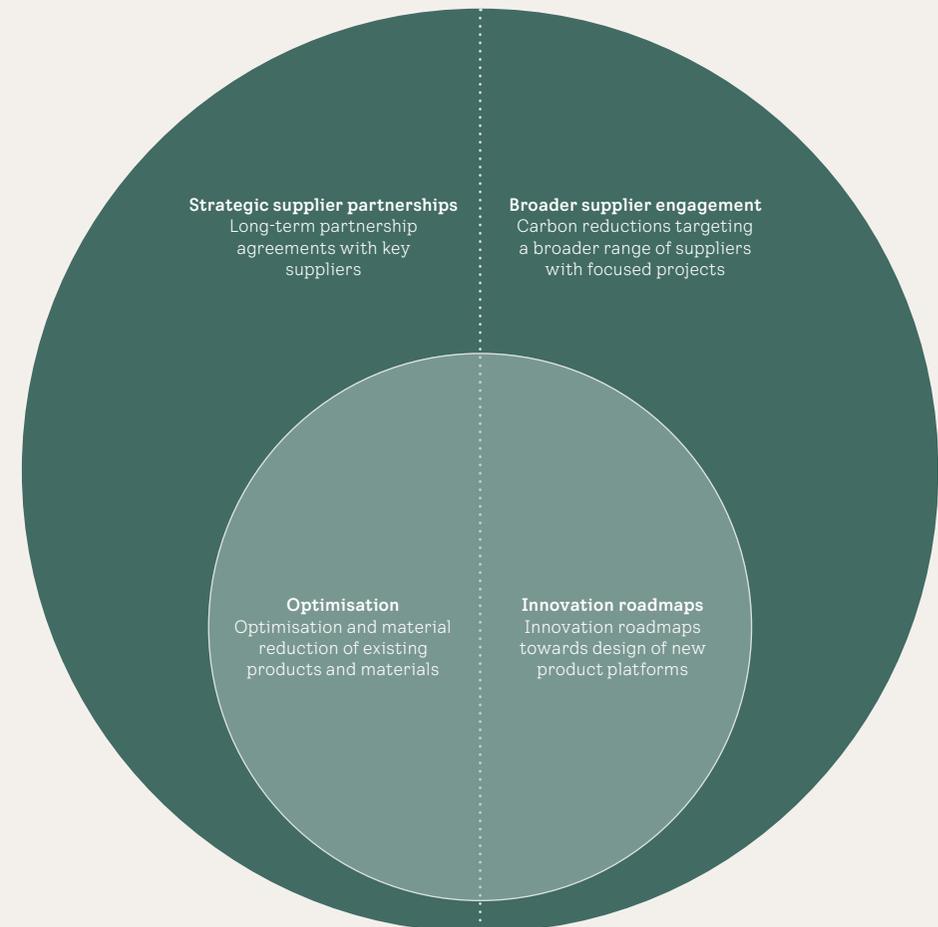
Given the period of time it takes to develop new products, the majority of emission reductions in the short term will be achieved by working with suppliers to reduce emissions. In the medium term, significant reductions will need to be implemented through new product platforms (see figure).

Focusing on suppliers, which represent the majority of our product-related spend, we are working systematically to improve measurement and reporting of emissions and to encourage the setting of targets aligned with science. We ask suppliers to report data through the CDP, which provides us with an independent rating of the supplier maturity within the area of carbon disclosure. It currently targets around 134 suppliers representing at least 70% of our spend on materials directly relating to our products.

Strategy on scope 3 carbon reduction

In the VELUX Group we work on both external and internal levers in order to reach our ambitious targets of reducing our product carbon footprint and reducing CO₂e from our value chain.

● External levers ● Internal levers





Obtaining and using supplier-specific data gives us a more accurate picture of our footprint and enables us to see the effect of our reduction activities. Replacing industry average data used in our scope 3 model with supplier-specific data will result in some variation in our footprint.

Strategic partnerships

We are forming strategic partnerships with suppliers to source materials with a lower carbon footprint and to agree on joint

roadmaps towards 2030. We are focusing on aluminium, glass, steel and plastic as these materials have the highest impact on our scope 3 upstream emissions.

We have made the most progress with aluminium, which accounts for 23.0% of our scope 3 emissions, by establishing partnerships with two suppliers Hydro and Novelis.

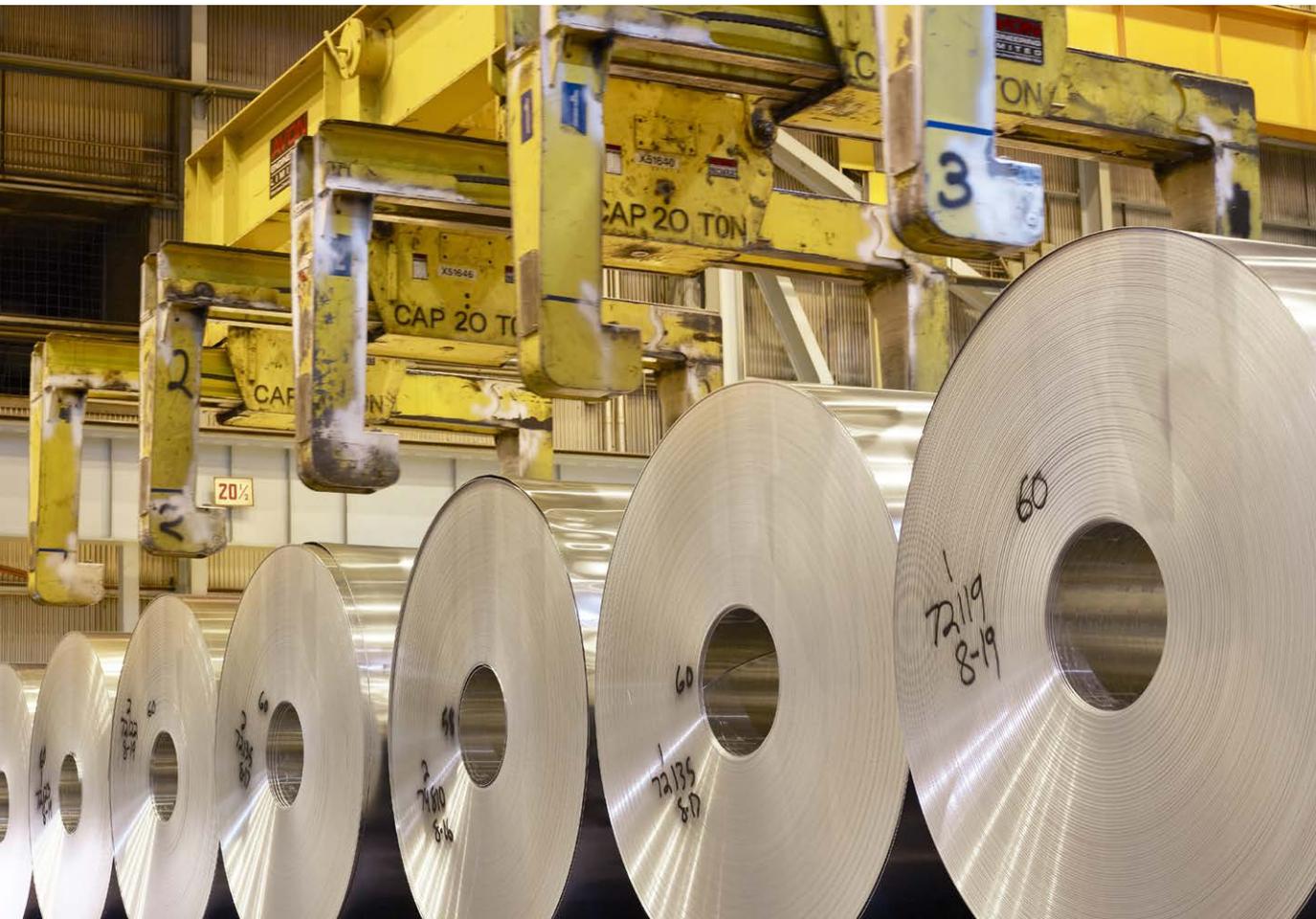
The partnership with Hydro will enable us to source aluminium with a reduced carbon footprint and we will work towards a joint goal of below two kilogrammes of carbon per kilogramme of aluminium by 2030, less than one fifth of the current European average.

Furthermore, the partnership with Novelis will provide high-recycled content of around 70%, with the aim of reaching below four kilogrammes carbon emitted per kilogramme supplied flat-rolled aluminum by the end of 2024. Recycling aluminium requires only 5% of the energy and results in up to 95% fewer carbon emissions than manufacturing primary aluminium. VELUX Group and Novelis will work together to optimise carbon emission reductions and develop more sustainable coating systems with the aim to help cultivate a more circular materials industry.

These types of partnership programmes are effective but require focused effort and working groups that include both internal and external members to secure quality, implementation and documentation of the new materials. In the coming year, we plan to establish similar partnerships with other strategic suppliers so they can support us to reduce our carbon footprint, and we can support them to bring more sustainable products to market.

Our work on this target is closely linked to the work on our target to Reduce our product carbon footprint. For this reason, our procurement and product development teams continue to collaborate on initiatives and methodologies that enable us to move towards reaching the targets.

Data quality and integrity, both in our internal processes and in the data we receive from suppliers, affect our work on this target and we are still growing our capabilities in this area.





Show how to build sustainably

Advocate for sustainable buildings and communities to leverage the green transition and quality of life

2022 in brief

- Living Places prototype construction started and indicated to have the lowest carbon footprint for newbuild in Denmark with a typical market cost per m²
- Build for Life Compass now used as an open source model for partnerships supported by a knowledge dissemination campaign
- Assessed sustainability performance in preparation to turn an existing warehouse in Østbirk into 'LKR Innovation House' our new innovation centre

What's next

- Opening of Copenhagen Living Places
- Benchmarking Living Places in a European context
- Living Places community development
- Continue working on LKR Innovation House
- Build for Life Plenary at UIA Congress 2023

Contribution to SDGs

The ambition of the VELUX Group is to create awareness of the impact of daylight and fresh air and support people to optimise energy consumption and live a sustainable lifestyle. We are working to

demonstrate that the building industry is capable of developing quality housing using fewer resources that are managed in a better way and with a low life cycle carbon footprint.

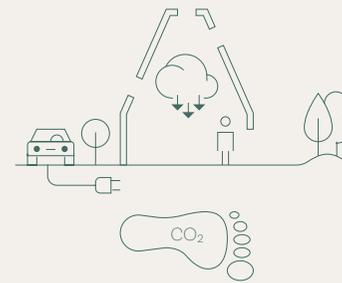


3x better building performance

Environmental impact and indoor climate in Living Places

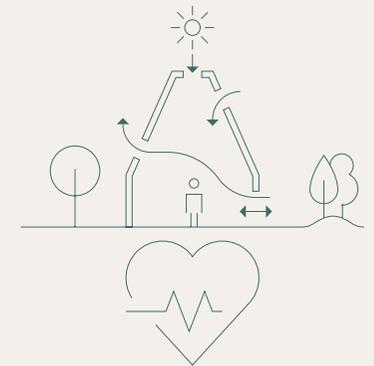
Living Places

Environmental impact



3.8 kg. CO₂ e./m²/year

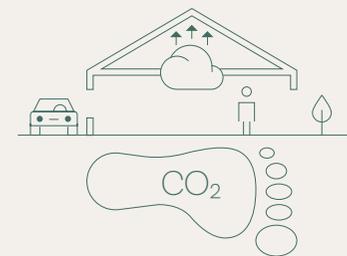
Health impact



Class 1 indoor climate

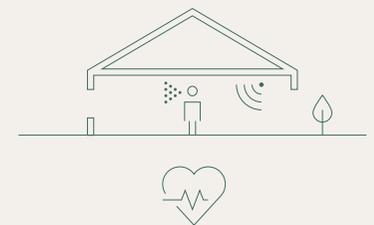
Benchmark house

Environmental impact



12 kg. CO₂ e./m²/year

Health impact



Class 3 indoor climate

From concept to showcase

In 2022 we made progress with our Build for Life concept. Build for Life is founded on an understanding that the way we build and transform buildings today has an enormous impact on people, communities and the ecosystems that will sustain us tomorrow.

In the building industry, knowledge is experience and evidence based, not proprietary. At the same time, the industry is highly fragmented. To be able to visibly lead the way towards low carbon buildings with an excellent indoor climate, and make a regional and global impact, we are working in partnership with likeminded and ambitious partners. The first result of these partnerships was the Compass model developed in 2021. This is a framework of sustainable principles to guide the design and development process. We used the framework to disseminate knowledge and research presented in the Build for Life conference. It has also been used by our partners to win an urban district tender.

Significantly more sustainable

Living Places was developed as a concept for homes with three times lower carbon footprint and three times better indoor climate compared to the standard Danish market offering. The life cycle calculation is third party verified by BUILD department at Aalborg University.

In August 2022, the construction of the first Living Places prototype in Copenhagen started.

As a part of this target we are also working on transforming an existing warehouse building in Østbirk into the LKR Innovation House, a new innovation centre. This will showcase how to renovate with a focus on sustainability, healthy workspaces and indoor climate. This year we have assessed and presented the sustainability performance of the project.

Lowest carbon footprint in Denmark

With our partners, we submitted the Living Places concept in response to a call for low carbon footprint cases in Denmark under the 4 to 1 planet initiative*.

Out of a total of 27 cases chosen, Living Places was ranked as having the lowest carbon footprint in Denmark. To test the business case and scalability of the concept, the partnership worked with a contractor to define cost and carbon impact in different scales and typologies. The result indicates that Living Places can be built within the typical cost of public housing in Denmark with a low carbon footprint.

* In Denmark, we annually use resources at a rate that would require four planets rather than one. The aim of the 4 to 1 planet project is to inspire and challenge designers, contractors and builders to build a number of examples of homes that can reduce the embedded energy (CO₂e / m²) from new housing construction in Denmark by 75% by 2030 – in other words, just one planet earth.



CASE

Living Places Copenhagen

On 30th August 2022, VELUX together with partners officially started the construction process of Living Places Copenhagen. This experimental project aims to show how low carbon housing that is regenerative for the planet can be built using existing technologies – and in a way that does not incur any additional costs in construction and without compromising on quality, architecture and indoor climate.

Working with partners EFFEKT architects, the engineering consultancy MOE and contractor Enemærke & Petersen, this project provides the opportunity to test new techniques and gain valuable insights and learnings for how we can develop new solutions for construction and living. It includes seven full-scale prototypes – five open pavilions and two completed houses. Each prototype is curated to show the synergy between how we live in homes and communities.

Dramatic carbon reductions

Although it is still under construction, the project has received a lot of attention and achieved some outstanding results. In 2022, an independent third party verified that the concept Living Places has a carbon footprint that is three times smaller

than a typical Danish home. What's more, calculations show that this way of building will reduce the environmental footprint by approximately 60% from extraction of raw materials to end of life. At the same time, the indoor climate in the Living Places homes has achieved the highest European rating of class 1. The benchmark – a typical Danish reference home – has a class 3 indoor climate.

In the coming years, the project will be scaled into affordable and sustainable housing that can reduce CO₂e and support

the goals of the Paris Agreement to limit global warming to 1.5 degree celsius. We are already working with a developer to create a community of low carbon housing and test the principles used in Living Places project on a larger scale. When built, the community of housing will show and test in real life how sustainable homes can be built for the same price as social housing with an optimal indoor climate and sloped roofs.

Living Places Copenhagen will open for the public in spring 2023 when Copenhagen will be World Capital of Architecture.





Learnings from pioneering the building industry

In the process of building Living Places Copenhagen we encountered challenges and gained valuable insights that will help us strengthen our concept. We held a mid-term workshop to share insights and learnings, and will make these available for the industry. Here are some of our key learnings to date:

- The Living Places concept is not about inventing new materials or technologies; it is about changing the way we work and including sustainability as a currency and parameter when designing and choosing materials. All used materials and technologies are readily available on the market today.
- Working in new ways requires open dialogue, especially when facing challenges and realising errors have been made.

We have to be able to experiment, make mistakes and discuss them openly to create real innovation and change how we build in the future.

- When designing the prototype, our Life Cycle Assessment analysis showed that using screw pile foundations would lead to significant CO₂e savings. However, ground conditions required foundation screws that were four times longer, which meant more materials and increased CO₂e emissions and cost. The learning is to evaluate potential CO₂e savings from this new type of foundation with new technologies in slim concrete foundations. Our engineering partner, Moe, will use and share this knowledge in their future work.

Building principles for the Living Places concept

The building work is based on five key principles that can be applied to any home, community or city.



Healthy

Healthy for people and the planet



Shared

Strengthen sense of community



Simple

Easy upgrades and longer lifespan



Adaptive

Respond to more ways of living



Scalable

Rethink the design, plan and finance of homes

Innovate
sustainable products





Innovate digital products for sustainable living

By 2030 30% of windows with sensor-driven automation to bring daylight and fresh air into buildings

2022 in brief

- Launched VELUX app to control our digital products
- Upgraded VELUX ACTIVE
- Continued the development of new products enabling sensor-driven automation, to be launched in 2023 and beyond
- Collaborated on the 'Smart Indoor Climate Manager' project to understand the potential of combining sensor-enabled roof windows with other building controls and mechanical ventilation

What's next

- Continue to emphasise the features and benefits of digital and electrical products towards customers
- Continue to support the common standards based on Matter open protocol for automated products
- Launch of new digital and electrically motorised products

Contribution to SDGs

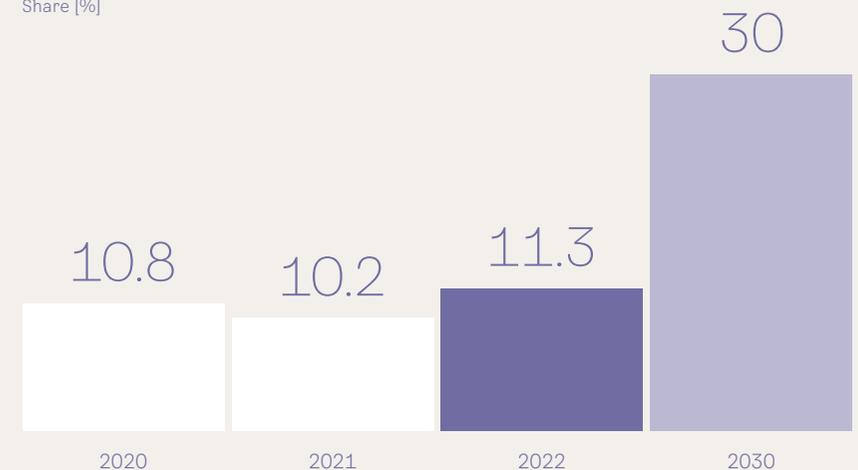
By providing more ways to control the windows and set up the optimal use patterns, we will contribute to healthier and more convenient living spaces. VELUX smart products will also contribute

to growing awareness of the impact of daylight and fresh air and support people to optimise energy consumption and live a sustainable lifestyle.



Sales share of VELUX Residential electrified roof windows in Europe

Share [%]



The potential of digitalisation

There is an urgent need to improve existing and new buildings to avoid the worst effects of climate change and to improve people's health and well-being.

By integrating technology that combines sensors and motors to operate windows, blinds and shutters, the benefits derived from daylight and fresh air can be automated throughout the day and over the seasons. This drives a more energy-efficient, convenient and comfort-enhancing use of VELUX residential products. Specifically, sensors can be used to measure factors such as temperature, humidity and CO₂ levels, enabling an intelligently regulated indoor environment.

We have a set a target for 30% of VELUX Residential windows to include sensor-driven automation by 2030. A window is defined as including sensor-driven automation when it includes electronics and motors that enable it to be sensor-driven.

Achieving this target relies to a large extent on further developing our product range, primarily within soft- and hardware development, as well as our ability to demonstrate and communicate the benefits of digital and motorised products to our customers.

Full control

During 2022, we launched the VELUX app. The app is an important element for the digitalisation of our products and it



enables basic smart phone operations of windows and accessories, including basic opening and closing scenarios.

The product is part of the VELUX ACTIVE product family, the fully automated digital offering launched in 2018 and regularly upgraded to meet customer requirements.

In addition to product launches, in 2022 we continued the ongoing development of products for the coming years, including an intent to ensure compatibility to future technological standards such as Matter.*

Furthermore, we worked on communicating and emphasising the benefits of digitalisation and automation to our customers. However, progress was to a large degree slowed down by disruptions to global supply chains for microchips.

* Matter is a single, unified, application-layer connectivity standard designed to enable developers to connect and build reliable, secure IoT ecosystems and increase compatibility among Smart Home and Building devices.



CASE

Indoor comfort with energy savings

What's the best way to create a healthy and comfortable indoor climate and save on energy? This is the question VELUX and other partners are trying to address through the technology development and demonstration project Smart Green Indoor Climate Manager, supported by the Danish Energy Agency via the EUDP programme.

Working with NILAN – a manufacturer of ventilation and heat pump solutions, and the Danish Technological Institute, we are designing a smart integrated system. This system uses automation and sensors to control electrical roof windows and accessories, and heating, ventilation and air-conditioning units to create a comfortable and healthy indoor climate in an energy-efficient way.

Through this integrated system, all products work together to create a comfortable indoor climate. By taking a holistic approach to the heating, cooling and ventilation devices, the system can minimise issues such as overheating by proactively cooling the room with fresh air in the morning, applying shutters to block the heat during the day, and combining electrical windows and mechanical ventilation to efficiently cool the room again in the evening. The Danish Technological Institute

has calculated that this type of integrated system can save up to 25% of the total energy consumption of a standard European family house*.

Designing data collection

During 2022, the project team worked on testing the sensors that will be positioned in different rooms to measure temperature, indoor air quality and energy consumption of the house. Alongside these sensors, the system will also integrate measurements of the outside climate by applying weather data such as wind and solar irradiance to examine the impact of external factors on energy consumption and indoor climate.

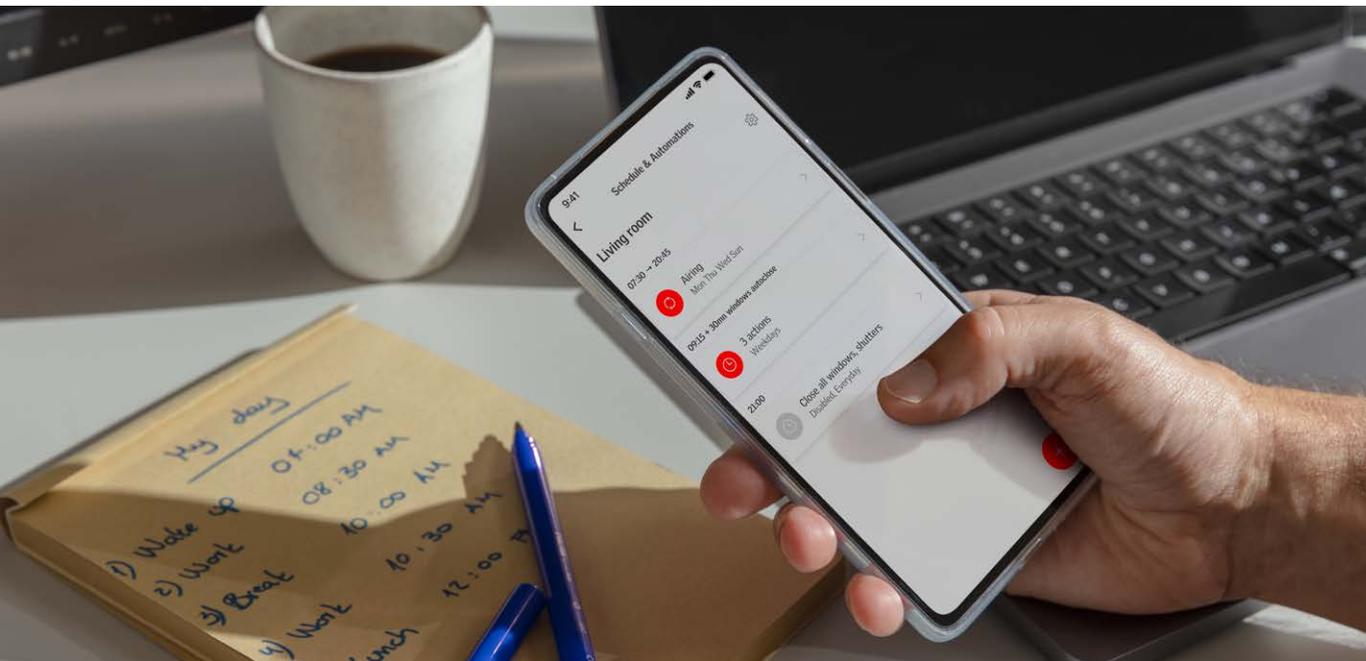
The system will be designed to improve indoor climate and minimise energy consumption by combining artificial intelligence and data from multiple sources, also including inputs from the user, provided via a user-friendly app.

Testing by European families

The system will be installed and demonstrated in 2023 in a number of single-family homes located across Europe. During the trial, the families living in these homes will use the app and take part in face-to-face interviews to provide feedback on how they perceive the system and its impact on their homes.

The data collected from this project will be used to document energy savings and improvements to indoor climate, and build knowledge on intelligent home control systems that can be applied to new product development. Findings of the project will be published in 2024.

* Danish Technological Institute, 2021





Reduce our product carbon footprint

By 2030 50% reduction of product carbon footprint

2022 in brief

- Carbon footprint reduction part of all new product development projects
- Established strong collaboration between product development and procurement

What's next

- Reduction pathways to be closely aligned with the planned material sourcing activities
- Continue the development of product innovation roadmaps of VELUX products

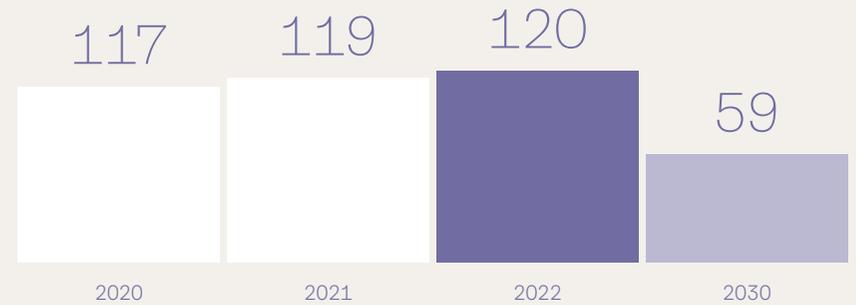
Contribution to SDGs

We are working to source a higher proportion of recycled and lower carbon materials and integrate them into our existing products. We are designing new products to optimise material use and to achieve a lower carbon footprint per product.



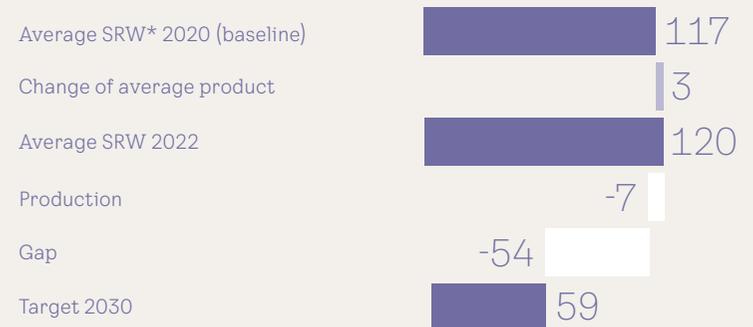
Product carbon footprint for average Residential window

[kg CO₂e]



Product footprint change drivers

[kg CO₂e]



To close the gap, we are working on multiple levers including sourcing low carbon materials and optimising product design.

* Average sloped roof window



Strong collaboration between product design and purchasing teams

Approximately 78% of the product carbon footprint comes from materials used. For this reason, this target is closely linked to our work to reduce scope 3 emissions from across the supply chain, which is a part of the target Reduce our future carbon footprint – Scope 3 (see page 22).

As we started working with this target, we focused on identifying incremental improvements to the existing products in order to reduce the carbon footprint. It became clear to us that the changes came with a financial cost and did not deliver significant reductions. As all new material alternatives need to be validated by our product teams before they can be used in our products, we have refocused the efforts of product teams to secure this. We have intensified collaboration between our product development and procurement teams to share knowledge, learnings and data collection methodologies. In the short term, this will enable us to source low carbon materials. This collaboration will also ensure that we design to enable the use of low carbon materials for future products.

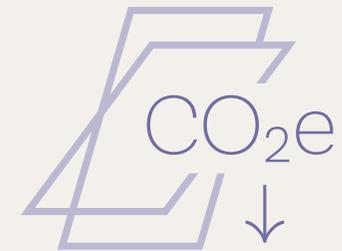
We continue to work with product design-related reduction of carbon footprint in all new product development projects. We have introduced sustainability as a development driver,

alongside our traditional drivers such as “time to market”, “cost” and “quality”. This change has been integrated in all product development teams.

We have intensified collaboration between our product development and procurement teams

We anticipate that the most significant opportunities for carbon reduction in products will come from implementing a wider change to our product platform.

As expected, our product carbon footprint continues to rise because of the higher amount of used materials per window. A demand for greater insulation in roof window products (triple glazing) and an increased share of electrified roof windows are the main reason behind the slight increase in the overall product carbon footprint.



Reduce our product carbon footprint

The target ‘Reduce our product carbon footprint’ focuses on the embodied carbon footprint of our most common product, i.e., the average residential VELUX Sloped Roof Window as sold to our customers without accessories or installation products.

It follows a ‘cradle to gate’ approach including the embodied carbon footprint of the raw materials, transport to VELUX and manufacturing. The average residential VELUX sloped roof window had an average carbon footprint of 120 kilogrammes CO₂e per produced unit in 2022. Our ‘Reduce our future carbon footprint’ target covers the total emissions from activities across the VELUX value chain.

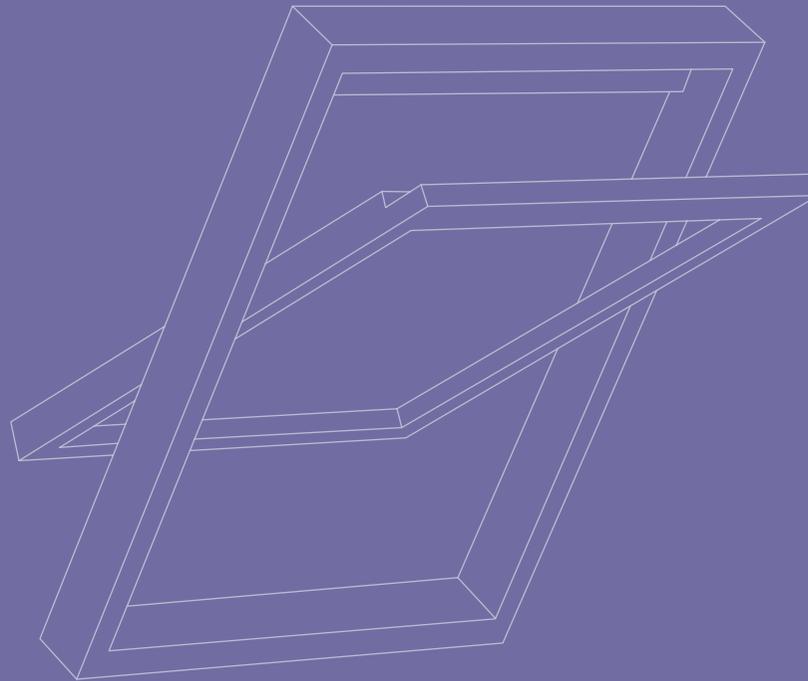


The carbon footprint of a generic VELUX roof window

Today
120 kg CO₂e



2030
59 kg CO₂e



78%

of a window's carbon footprint is materials

Operations

8%
Transport

6%
Production

8%
Other

Materials

26%
Glass

19%
Aluminium

14%
Polyurethane

10%
Other metals

4%
Wood

3%
Plastic

2%
Packaging



Green our packaging

By 2030 ensure single material packaging.
Zero Plastic. 100% recyclable.

2022 in brief

- More than 98% of our packaging for VELUX Residential roof windows in Europe is now paper-based
- Plastic-free packaging now implemented for main roof window products
- New paper-based packaging demonstrates no reduction in performance
- Alignment of the packaging definitions up against the latest update of the EU Directive 94/62/EC on packaging and packaging waste

Contribution to SDGs

Fulfilling this target makes recycling easier by moving to a single material recyclable solution. The materials used are responsibly sourced paper and cardboard.

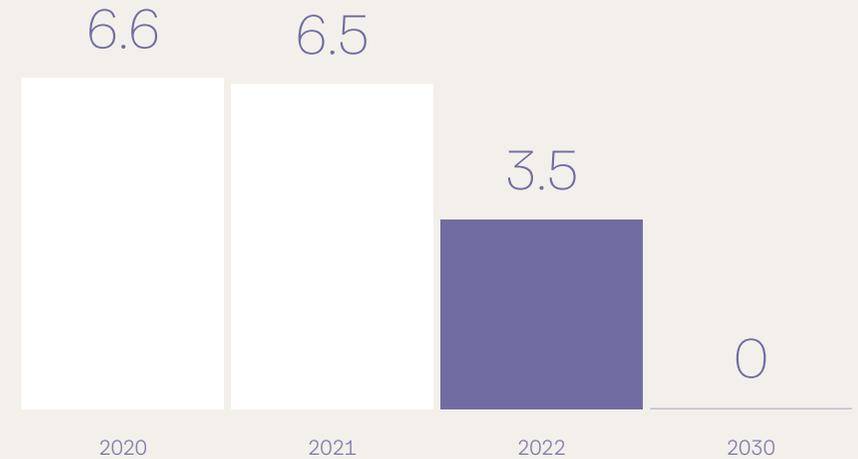


What's next

- Launch of paper-based packaging for flashings in European countries
- Next product category for the European market to be worked on in relation to packaging is VELUX roller shutters and awnings planned to be launched in 2025
- For our US residential products, we expect to start the launch of paper-based packaging solutions for our main flashing type, EDL, during 2023. Other product categories will follow from 2025

Share of plastics in all VELUX Residential primary packagings in Europe

Share [%]



98%

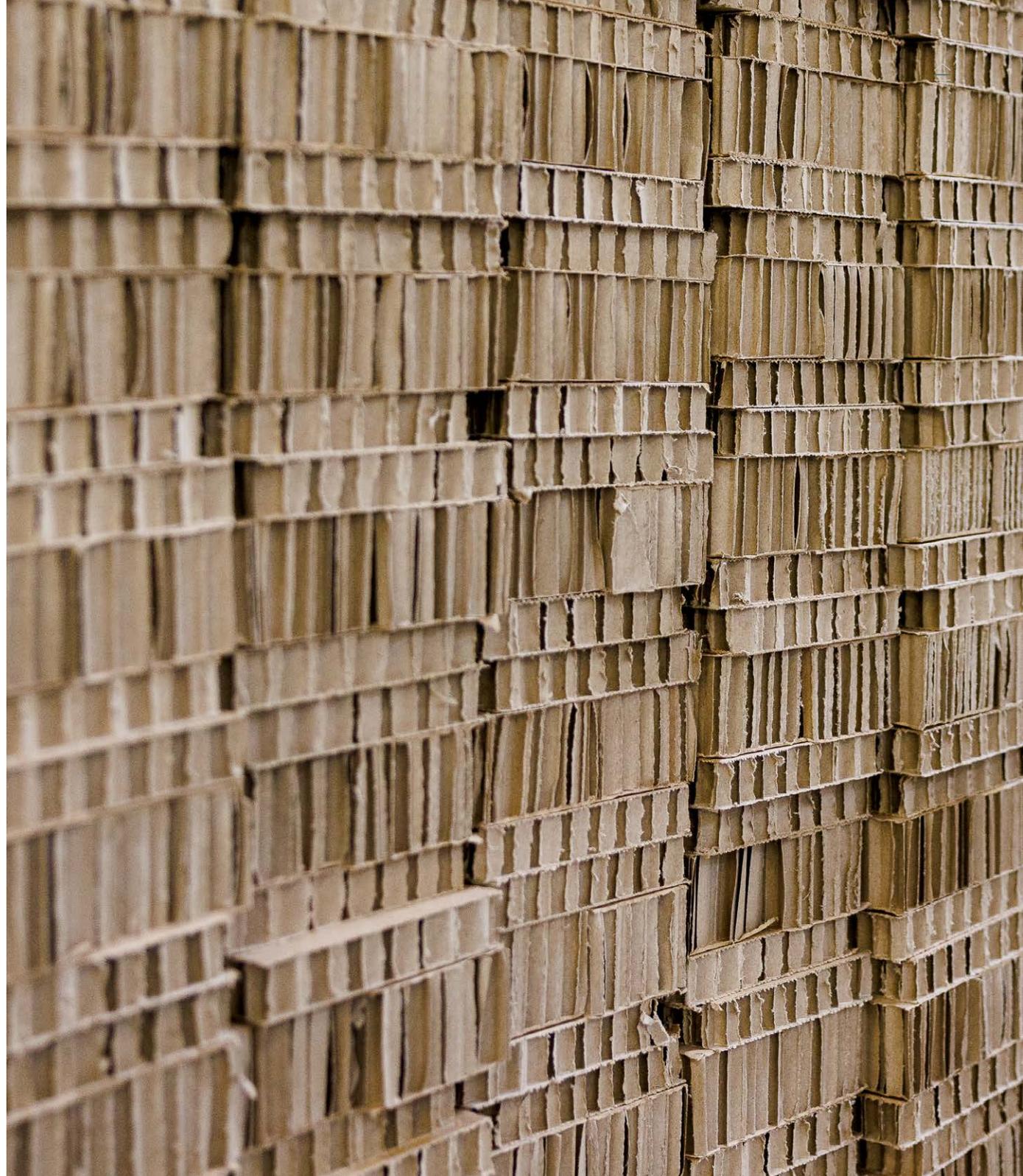
of our packaging for VELUX Residential roof windows in Europe is now paper-based

A switch to paper-based packaging

In 2022 we continued the work started in 2021 to roll out fully recyclable plastic-free paper- and cardboard-based packaging. The new packaging material, made of responsibly sourced paper and cardboard, is now fully implemented for all standard residential windows sold in Europe.

After extensive testing during the development of the new packaging, we were confident that it would perform as well as the previous solution. Based on eight months of data from 2022, we can see that it delivers the same level of protection as the former packaging with no increase in incidents of product damage caused by packaging failure.

We also worked on introducing paper-based packaging for our range of flashing products. This was unfortunately postponed from Q4 2022 to Q1 2023 because implementation in production is taking longer than in the initial plan. Once the paper-based packaging for flashings is implemented in production in Q1 2023, installers will be able to dispose of all packaging needed for window installation – the window and the flashings – in one waste stream.





CASE

Removing plastic packaging – an engineering challenge

Switching from plastic to paper-based packaging might sound simple. However, it has been a complex process that has taken more than two years and involved design professionals, engineers and production companies from across the VELUX organisation.

The new paper-based packaging material faced two main demands: Firstly it had to deliver the same high levels of protection as the previous EPS (expanded polystyrene) packaging and secondly it had to be able to be used in existing packaging equipment.

Drops, vibrations, humidity and more

To assess protection, various paper-based materials – including several layers of cardboard side by side, moulded fibre similar to egg trays and also paper honeycomb panels – were subjected to extensive testing. These tests were designed to simulate the knocks and blows VELUX windows can experience during transport, stacking pressure, as well as humidity and temperature changes in storage.

Following these tests, the paper honeycomb panels proved able to deliver the strength needed to protect the window during transport and in storage – and without making any marks on

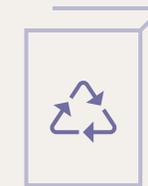
the window itself. This material is now used in many of the new components in the new packaging.

Maintaining production efficiency

Another demand for the new material was that it could run in the existing packing equipment and be introduced with minimal disruption. To do this, the new paper-based packaging items were implemented individually to ensure one item would work before the next part was introduced. This also ensured that the VELUX factories, suppliers and development were not overloaded by introducing all new packaging elements at the same time. The first element to be switched was the tape followed by the glass support packaging element. Eighteen months later all the plastic parts had been replaced by paper-based versions without any impact on production line efficiency.

This new packaging has saved us more than 600 tonnes of EPS/plastic in 2022 compared to 2021. This is equivalent to a 10% reduction of carbon footprint for the main components of the packaging.

We are now using the new plastic-free solution in the majority of VELUX residential windows and by 2030 we plan to make all VELUX sales packaging plastic-free.



↓ 600 tonnes

This new packaging has saved us more than 600 tonnes of EPS/plastic in 2022 compared to 2021.



Secure a
responsible business



Ensure diversity and an inclusive culture

Increase representation of under-represented groups with an emphasis on leadership, and increase equity and inclusion in our business practices

2022 in brief

- VELUX Diversity, Equity and Inclusion (DEI) Policy approved by our Board
- Updated the Code of Conduct for VELUX employees
- Delivered introductory session on DEI for HR Business Partners and Recruitment Partners
- Revised the sub-target to align with the VELUX DEI policy and standard practice for DEI
- Launched internal communication tools

What's next

- Implementation of DEI policy
- Create voluntary Employee Resource Groups to enable inclusion and be part of DEI internal structure
- Integrate inclusive leadership skills into management training
- Include a section in the Global Employee Survey asking employees to voluntarily and confidentially self-identify in relation to diversity to identify patterns in perceptions of inclusion
- Utilise Develop Diverse software to decrease bias in job advertisements

Contribution to SDGs

We take actions to create an inclusive working environment by committing to a DEI policy that supports a shared understanding of DEI at

VELUX. This policy lays the foundation to ensure equal opportunities and promote inclusion of all employees.



Setting the foundation for progress

Increasing equity and inclusion takes strong and consistent leadership focus, as well as a strong foundation in policies and processes to promote long-term organisational cultural change.

In 2022 we focused on building the necessary foundations, including developing a new DEI policy to anchor our commitment and to assign clear responsibility with functional leaders at the VELUX Group.

A policy to guide the organisation

The DEI policy covers our objectives and forms the basis for our work with DEI. As every VELUX employee is responsible for fostering a culture that supports diversity, equity and inclusion, the DEI policy includes a shared understanding of what this means that can be used to guide decisions and actions. The policy assigns accountability and implements integration of basic DEI content in the onboarding process of all new VELUX employees. In alignment with the new policy, we have updated the VELUX Code of Conduct for Employees and we will fully implement the new policy and Code of Conduct next year. The VELUX values were also revised this year, and the lens of DEI was applied throughout the revision process so that the updated VELUX values align with our DEI policy.

In June we launched new internal communications channels, including an internal SharePoint site and a community site in order to communicate transparently about plans for DEI in VELUX and provide avenues for VELUX employees to find out more, ask questions and connect. We also updated the VELUX

global Human Resources (HR) system, Workday, to include 'non-binary' as one of the self-identification options for gender. This acknowledges the diversity of genders in VELUX and is a step toward greater inclusion.

Adjusting how we measure

During the year, we took the decision to adjust the target in this area and to retire the similarity index by end of 2022, which we previously used to measure management diversity. While the similarity index can provide a helpful reflection point for specific senior management teams by measuring diversity in relation to a narrow set of categories, it does not measure inclusion as defined in the new VELUX DEI policy, as well as standard practice in this area. In place of the similarity index, we defined a qualitative target, which we will follow up on through progress against our strategic initiatives in this area, as well as supporting key performance indicators.

The Global DEI Steering Committee, established in 2021, met quarterly and reviewed proposals for the DEI Policy, Code of Conduct revisions, sub-target revisions, internal communication tools and Global Employee Survey.



DEI policy

As every VELUX employee is responsible for fostering a culture that supports diversity, equity and inclusion, the DEI policy includes a shared understanding of what this means that can be used to guide decisions and actions.



Employ people with disabilities

Increase representation of employees with visible and non-visible disabilities, including through greater accessibility in physical and virtual working environments.

2022 in brief

During the year we experienced a number of issues with gathering data on this target. To a large degree this is because disability covers such a diverse range of issues – ranging from mobility to mental health to chronic illnesses and hearing and vision disabilities. The challenges in defining disabilities have been further compounded by European GDPR legislation that prevents us from collecting data from employees around disability. For this reason, we changed how we assess the target so that it is now measured qualitatively. This allows us to collect self-reported data on the target.

Even though work on this target remains at a low level of maturity, there are a number of initiatives already taking place. For example, at two VELUX factories in Østbirk and Brædstrup, we implemented the VELUX Care programme to support employees returning to work following illness or surgery, or employees looking to adapt their work as they approach retirement. This programme gives them the chance to work at a slower pace to suit their needs.

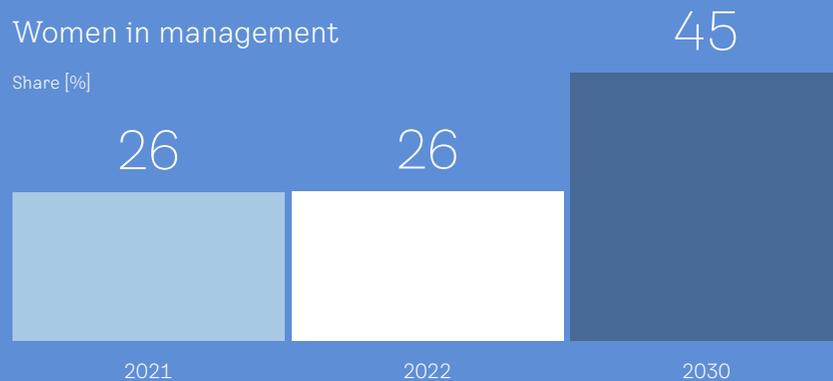


Increase number of women in management positions

By 2030 40% of senior management positions and 45% of all management positions held by women

Women in management

Share [%]



Women in senior management

Share [%]



Addressing a systemic issue in construction

In VELUX we define diversity broadly to include a variety of social identities and experiences. In the VELUX Sustainability Strategy 2030 we have a target focusing specifically on women in management positions. We chose this target because we believe that underrepresentation of women – and specifically women in leadership – is a systemic issue in the construction industry.

During 2022 we continued to lay the foundation for working with this target. While slight improvements were registered, there continue to be large discrepancies in different parts of the business.

Collecting data

We improved our ability to assess progress and set process goals in support of the target by including information on the representation of women in our Organisational Review Dashboard. This tool provides data that is updated monthly in relation to headcounts, new hires and terminations. This data can then be analysed on parameters that include specific regions, sub-units, leadership levels and job types.

In 2022 we focused on putting the foundation in place for DEI overall and we will be taking coordinated action specifically on this target in 2023. In preparing for action, we completed the UN Global Compact Target Gender Equality Programme and participated in panels for two UN Global Compact events for International Women's Day. At regional and local levels, a number of actions driven by VELUX country offices are taking place. For example, the LKR-H factory in VELUX Hungary established a women's network group. This network gives female employees a forum for exchanging advice and building strong peer-to-peer support. Networks of this kind have been shown to be crucial for development as they offer a safe space for women to discuss the issues that are most important to them in the workplace.



CASE

Our journey towards equity starts with understanding

Until about a decade ago, equity was not a term in use in the business community in relation to diversity and inclusion. Today it is widely accepted that a commitment to equity leads to a diverse workforce with higher-performing and profitable teams. At VELUX, we are at the start of our journey and working to raise awareness and create a shared understanding of the concept of equity.

From equality to equity

To do this, and visualise why we need this approach, we adapted an illustration that shows how equity differs from equality using bicycles. This shows that just giving people the same bicycle, while equal, does not benefit everyone. However, by providing everyone with the bicycles they need, they have equal access to cycling.

Putting equity into practice in the working day means asking the question: does a process or working practice treat differences fairly or are there disparate impacts on people based on an element of their identity or experience? For many people, this is a mindset shift from treating everyone equally to embracing equity, where the workplace gives everyone equal access.

Implementing the equity lens

At VELUX, we are starting to use the equity mindset.

- We used it when we **updated our values**. Previously, the value of Mutual Respect used to be described as 'treat others as you want to be treated'. However, this assumes that everyone

wants to be treated the same. The description has now been modified to 'treat others as they want to be treated'. This takes account of our diverse workforce and removes the assumption that everyone wants to be treated exactly the same. Rewording the description allows for the reality that different people have different needs depending on their culture, identity and personality.

- Another example of this is **the use of safety goggles** at our NB-PL factory. Here employees with corrective lenses found that safety goggles did not work as well for them as for their other colleagues. We have started to address this by providing safety goggles that work with corrective lenses for the people that need them most during their shifts.
- Sometimes the barriers to equity are unconscious and we are simply unaware that we are biased or socially conditioned. For example, studies have shown how recruitment advertisements appeal to different groups of people from the wordings they use. To overcome this bias in recruitment, we are using a new software tool Develop Diverse that uses artificial intelligence to **reveal any bias in the wording of our recruitment ads** and provide alternative phrasings. By working to remove words that have been shown to have a negative impact on the application rates of underrepresented groups, we are proactively removing a barrier to equity. At the same time, this expands the appeal of our recruitment and helps us attract talent from a much wider and more diverse pool.

As with all new ideas, working to increase equity comes with its own set of challenges. These include the difficulties that arise from being a global company where each workplace is bound by cultural norms and local legislation, which does not allow for standard solutions. At the same time, Diversity, Equity and Inclusion is a dynamic area with new research continually published. This will impact our work in the years to come.

Equality



Equity





Strive for zero accidents

By 2030 less than 1 accident per 1 million working hours.
0.2 lost working hours per 1,000 working hours.

2022 in brief

- Changed from biannual to monthly reporting for all business areas
- Launched new VELUX Group Monthly HSE* Report with management summary, data insights and inspirational material
- Relunched the Visible Safety Leadership programme
- Held HSE workshops for training and knowledge sharing

What's next

- Implementation of new HSE reporting system with real time dashboards
- Training programme for HSE professionals
- Safety to be included in onboarding process for all employees

Contribution to SDGs

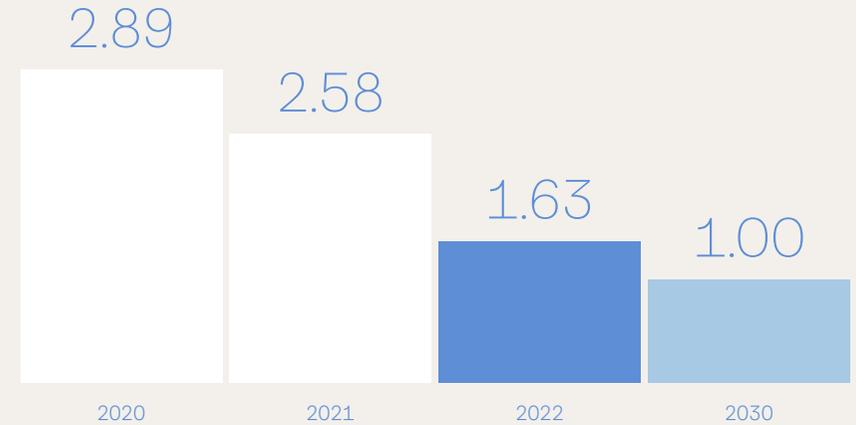
We work actively to promote a safe and secure working environment for all workers in VELUX by maintaining a constant focus on preventing accidents.



* Health, Safety, Environment

Accidents per 1 million working hours

Accidents [LWC] per 1 mill wh



Absence hours per 1,000 working hours

Hours of absence per 1,000 wh



Prioritising safety

The prioritised focus on safety throughout the VELUX Group resulted in an improved lost workday case rate dropping from 2.58 in 2021 to 1.63 in 2022. This result compares favourably with the average of Danish production companies from 2017-2021 of 13.7 lost workday cases per million working hours.*

Our goal is to achieve and maintain an excellent level of safety performance across the VELUX Group. After many years of continual focus, our production companies are the most advanced when it comes to safety. We are now working on spreading the knowledge and good practice to all areas of the business.

During 2022 we continued to enhance our data collection, and began collecting accident data from all business areas on a monthly basis. With a unified and comparable dataset from across the organisation, we now have a clearer overview that allows us to take action quickly and effectively to prevent similar incidents from occurring.

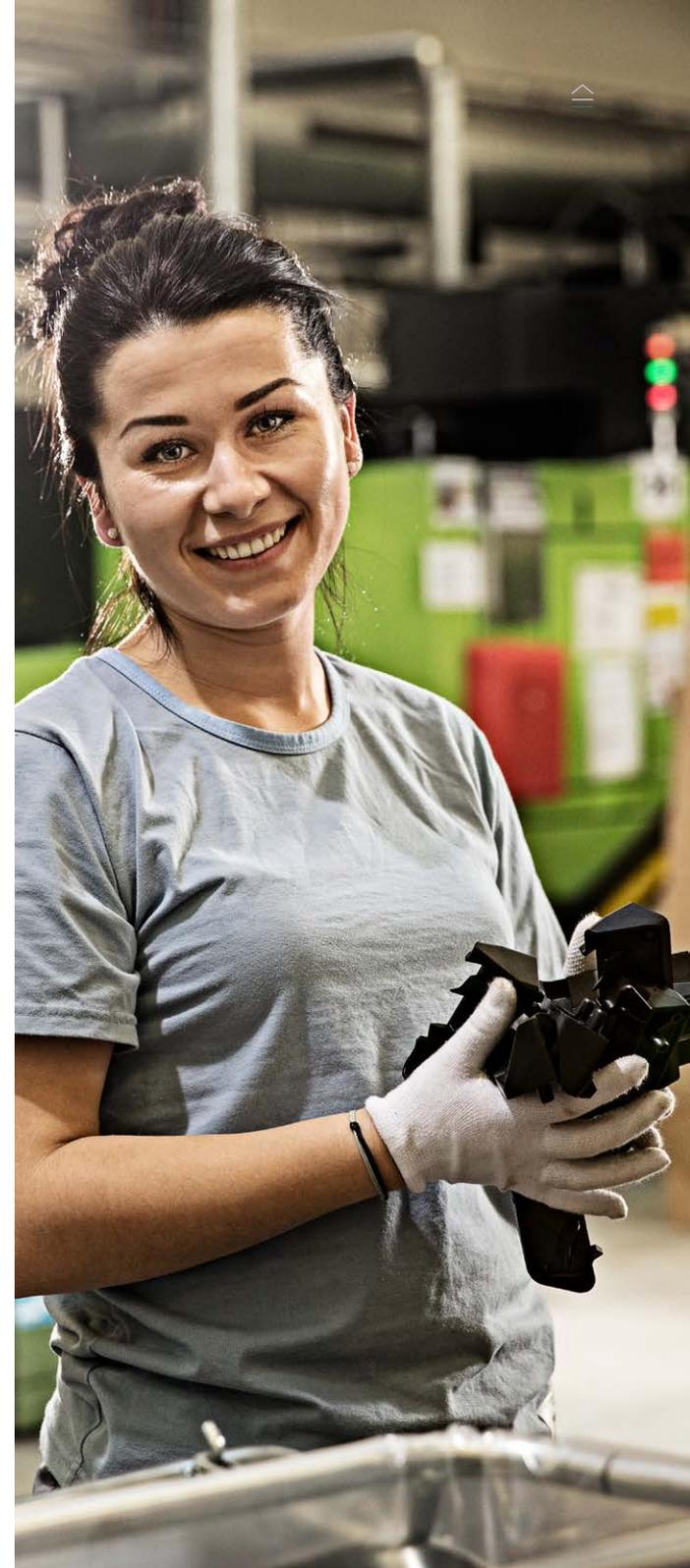
Improving reporting at all sites

As the VELUX Group has operations all over the world, there are local variances in the legal requirements for safety incident

reporting. We are working continually to implement the VELUX standard for internal incident reporting and the outcome of this process might be that we will see an increase in our accident reporting, resulting in a higher lost workday case rate. Should this happen, it is a reflection of our improved reporting rather than a decrease in our safety performance. The introduction of a new HSE system is a crucial part of this effort.

The roll out of the new HSE System is planned to take place in residential supply in 2023. This will simplify registrations, support correct workflow, and limit the possibility of human errors and unhandled hazards. It will also create an easy overview of data in pre-defined and user-customised dashboards and reports.

* NetStat, Dansk Industri





Provide healthy workspaces

Good daylight conditions and fresh air
in all new build and renovations

2022 in brief

- Data collection to form baseline for indoor comfort standards
- Renovated Paris office
- Started work on catalogue of improvements

What's next

- Ensure healthy workplace targets are met in all renovations
- Incorporate new criteria for healthy workspaces in the new VELUX innovation centre, LKR innovation house

Contribution to SDGs

We work to ensure that our facilities are safe. In all building renovations we have a special focus on ensuring daylight and fresh air to support the health and well-being of the people working

there. We constantly work to share knowledge and create awareness of the impact of a healthy indoor environment.



Improving the working environment

At VELUX Group, working to create a healthy indoor climate is a key part of our DNA. This focus also applies to our own buildings and we strive to ensure the highest standards in our planned new buildings and in any renovation work.

During the year we worked on establishing a set up that can provide us with insights on the current status of indoor climate in our buildings. To do this, we installed two different types of sensors that collect indoor climate data from our sites in Hørsholm and Østbirk in Denmark, and a site in Hungary. These measurements cover air quality, noise and temperature in both offices and at our factory facilities. We are processing the data and evaluating both types of sensors on the installation process and the quality of data received. In this evaluation we will also look into when and where to measure our indoor climate going forward.

During 2022, we renovated our Paris office. The building renovation was completed in the summer of 2022 and now meets the highest standards and requirements for indoor CO₂ levels and daylight using the Active House* standards. We also invested in two new extraction systems in our largest Polish factory to improve working conditions for employees there.

Although many VELUX buildings need updating, total renovations take time and resources to carry out. For this reason, we started work on creating a catalogue of improvements. This covers smaller improvements that can be implemented to create a healthy workspace while waiting for a total renovation to take place.

* An Active House is a building that offers a healthier and comfortable indoor climate for the occupants without negative impact on the climate – measured in terms of energy, fresh water consumption and the use of more sustainable materials.



Reduce work-related travel and switch to zero emission cars

By 2030 30% reduction in flights.
100% zero emission cars.

2022 in brief

- Created a new global travel policy
- Implemented Global Electric Vehicle (EV) Policy in several countries
- Progress with the switch to electric vehicles was affected by supply chain disruption
- Charging stations for electric vehicles installed at VELUX locations

What's next

- Implement global travel policy
- All countries to be part of our global travel agency (to be able to track the remaining approximately 20% of travel activities)
- Analyse VELUX car fleet and country EV readiness
- Decide which countries to implement EV policy as next step
- Ensure aligned policies on electric vehicles

Contribution to SDGs

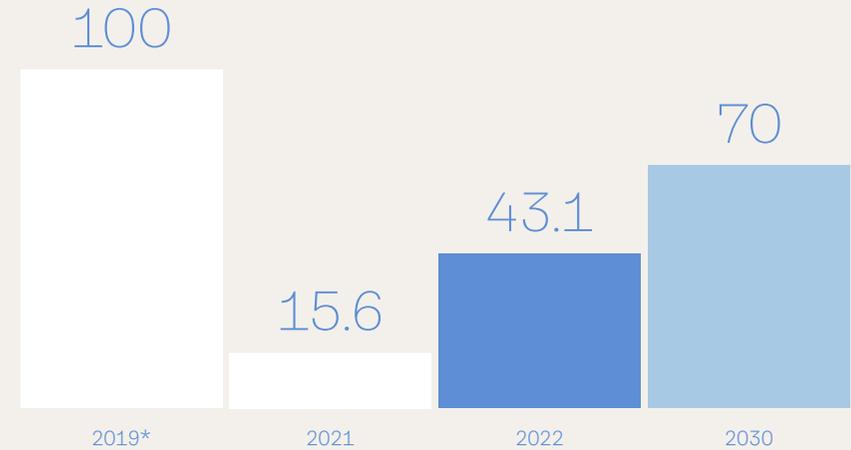
We are updating our travel policies and processes to adopt sustainability practices. These encourage colleagues to consider the environmental impact in

all aspects of travel. We are also making information about more sustainable travelling available.



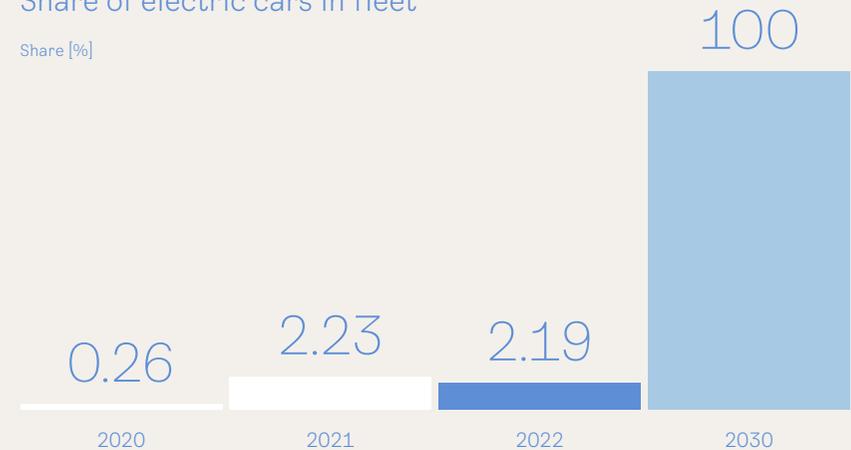
Air travel – travel distance compared to baseline year

Index [%]



Share of electric cars in fleet

Share [%]



* 2019 is used as baseline year due to limited air travelling in 2020.



Continued strong commitment in spite of challenges

We continue to work to reduce air travel and switch to zero emission electric cars. In 2022 we saw that the world reopened for travel following the Covid-19 pandemic.

Despite this reopening we made good progress and travelled less compared to our baseline year. However, the supply chain disruptions in the wake of Covid-19 continue to affect the supply of electric vehicles, slowing down our progress on the car fleet transition target.

Reducing air travel

In 2022, we worked to collect data on air mileage from our global travel agency. This has now been done for 20 countries, covering approximately 80% of our travel activities. The remaining percentages come from other sources with lower consistency and transparency. We are looking into the possibility of expanding the reach of the global travel agency.

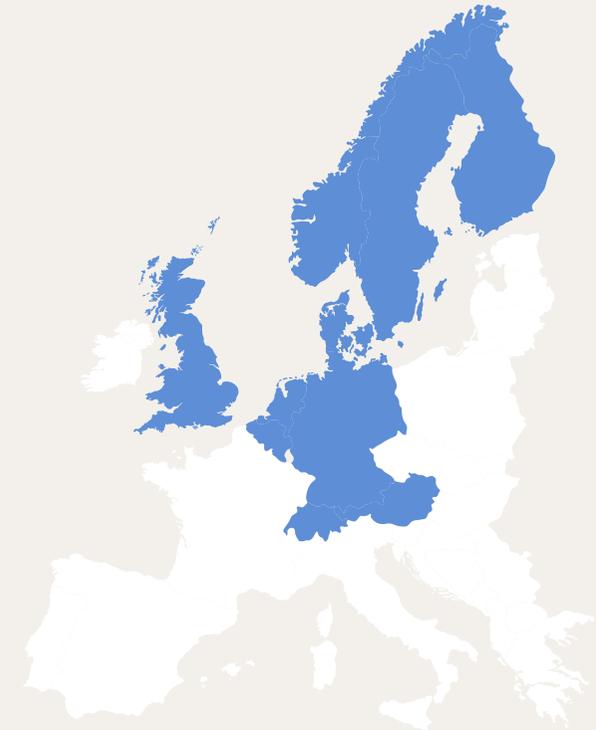
We also worked on a new global travel policy. This new policy pays special attention to sustainable travel and contains guidelines designed to promote behavioural change, such as considering an online meeting, arranging more meetings during one trip, packing less to reduce the weight of luggage and staying in hotels close to meeting venues to limit local transportation. The policy will be implemented in 2023.

Going electric

The switch to electric cars continues and we have created and started to implement a Global EV policy. The policy was implemented in Denmark in May 2022 and in Germany, Austria, Switzerland, Belgium, Netherlands, UK and the Nordics at the end of 2022. However, long delivery times for electric vehicles mean that we have been unable to replace as many cars as expected. Other regions are temporarily following local policies until they adopt the new policy according to the roll out plan.

At the current time, the new policy applies only to cars and not vans. This is because fewer relevant electric van models are available, and because the range will be significantly reduced if a van is loaded with work items, such as tools and products. This is a challenge faced by many companies and we are working with others to share knowledge and find an appropriate solution.

In some countries, introducing this change has led to challenges as many employees have to drive considerable distances in connection with their job. This requires them to plan more before they undertake their journey. To address any concerns regarding switching to an electric vehicle, we are engaging in dialogue to understand and break down perceived barriers. In some cases, we have made exceptions to the policy in consideration of the local infrastructure and individual limitations. We will regularly validate these exceptions to ensure that they are still needed.



● Implementation of
VELUX Global EV Policy



Achieve zero waste

By 2030 50% reduction in average non-utilised waste* per produced window

2022 in brief

- Launched waste reduction programme for non-utilised waste
- Implemented standardised data reporting in Residential division
- Created baseline figures for waste reduction in Commercial division

What's next

- Implement waste reduction initiatives and reporting in Commercial division
- Ensure compliance with upcoming EU legislation on waste handling

Contribution to SDGs

We aim to minimise any negative impact on people and environment related to the waste from our own operations by ensuring proper on-site waste management, collaboration with local municipalities

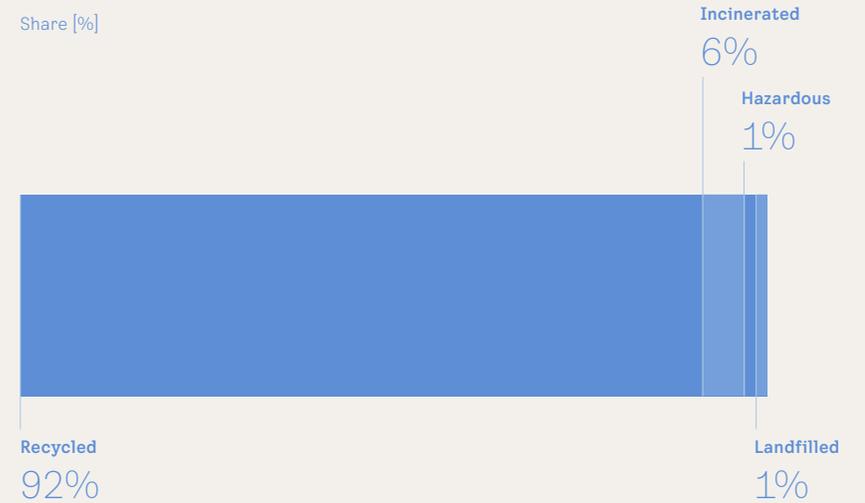
and other authorities, regular monitoring and adoption of best practices on information management.



* Non-utilised production waste consists of landfill and hazardous waste.

Waste handling methods 2022

Share [%]



Non-utilised production waste per VELUX roof window

[kg. per unit]



Tracking progress on reducing waste

The focus of this target is to reduce production waste that ends up in landfill, as well as the amount of hazardous waste generated. During the year we made progress by; appointing a new programme team to analyse waste handling methods, starting a waste reduction programme for landfill waste, and implementing a waste reporting manual for the production companies.

Our new waste reporting system has made a great difference to the way we work with the disposal of production waste in the Residential division, our largest division. Previously, data on waste was too general to allow us to plan any specific actions and reports were only available annually. The new reporting system splits the waste into a number of different standard categories and gives us quarterly reports with figures that are comparable across the entire Residential division. This allows us to track our progress and respond faster if necessary.

Towards one reporting structure

During Q3 of 2022 we defined the key performance indicators and baseline figures for reducing waste from the Commercial division. In the coming year, we will continue this work and implement the same reporting structure as the Residential division.



Our work with waste is heavily affected by the different legislation and practices that exist in the countries in which we operate. For example, in Germany municipal waste must be incinerated for energy recovery, while in other countries it is allowed to be sent to landfill. Regardless of the market in which we operate, we always comply with the strictest standards for waste handling and strive to reuse and recycle waste wherever possible.



Share sustainable innovations

Innovate and work with partners for more sustainable products and solutions

2022 in brief

- Scaled the Lighthouse project 'Zero plastic in packaging'
- Second Lighthouse project started

What's next

- Define and start 2025 Lighthouse project
- Launch of second Lighthouse project

Contribution to SDGs

The capability to develop sustainable innovations is strongly correlated with awareness and knowledge. Therefore, we encourage our colleagues to be active in sustainability initiatives and contribute

with their ideas. We create a framework to test the environmental and business benefits of innovations.



First Lighthouse project launched

To help us achieve the goals of this target, we work with Lighthouse projects. These projects are characterised by supporting our product sustainability targets and our existing portfolio or markets.

Lighthouse projects have to create the learnings we need to meet the following corporate targets: carbon emission reductions, digital automation, circularity and sustainability in general.

These projects are used to test the sustainability potential of a concept and whether or not it can be scaled throughout the business. Working in this way gives us information and learnings that help us to work with sustainable innovation in a more formalised way.

Learnings from our first Lighthouse project

In 2022 the first Lighthouse project 'Zero Plastic in Packaging' was completed and rolled out in production sites. This project has removed all plastic from selected packaging and replaced it with a paper-based packaging solution that is now used for 98% of VELUX Residential roof windows in Europe

This was the first time that a Lighthouse project was scaled to commercial level. Although the new packaging was extensively tested, there were still a number of challenges involved in using it at the high volumes needed and at the different production sites and warehouses. For example, we had to investigate, test and optimise in iterations so we could get the new material to work in the existing production flow and equipment.

Learnings and knowledge from this project, such as the strength and weaknesses of working with different paper-based materials, will help us work with improving our packaging even further. We have also gained valuable insights into our ways of working that can help us in our work with upcoming Lighthouse projects and their scalability.



Upcoming Lighthouse project

The next Lighthouse project is a new accessory range that has been developed with a clear focus on sustainability in the materials and components used. Testing started in 2022 and it is expected that the new range of accessories will be launched in 2023.





Promote a circular economy

Decouple resource use from value creation

2022 in brief

- Revisited our approach to the circular economy (CE) and defined a strategic approach covering our value chain
- Mapped local activities and assessed scalability of ongoing CE activities
- Defined governance and workstreams

What's next

- Implement governance, establish workstreams and define implementation roadmap
- Report on progress in 2023 Sustainability Report

Contribution to SDGs

Our ambition is to introduce CE principles and thereby contribute to decoupling economic and business growth from environmental impact.

We aim to continuously reduce generated waste throughout the product life cycle.



Developing our approach to the circular economy

Since the last reporting period, we have broadened our approach and understanding of the circular economy (CE).

During 2022 we mapped activities across the VELUX Group and identified more than 18 existing or projected activities that are closely connected to circular thinking and the CE transition.

These activities range from increasing the share of recycled materials in our products to trialling solutions to increase recycling at product end of life. Building on these actions, we are now defining a more coordinated and systematic approach to the CE.

At the end of 2022, we agreed a revised strategic approach to the CE that defines four focus areas:

Supply chain – Achieve more circular and low carbon material and component supply.

Product design – Design to increase the circularity of VELUX products, components and material use to reduce full life cycle impacts.

Customers – Develop a customer-centric and market-based approach to CE.

The building sector – Contribute to the transformation of the building sector towards a more circular ecosystem.



Ensuring action

We have allocated senior management responsibility for the deliverables under each focus area, as well as defined cross-functional governance to set direction and coordinate across focus areas.

During 2023 we will implement the agreed governance, define a roadmap for implementation and report on progress in our 2023 Sustainability Report.



CASE

Turning old VELUX windows into resources

As a part of our work to integrate circularity into our operations, we are exploring different ways to keep materials in use for as long as possible. For example, in the Netherlands we are running a pilot project that takes back our roof windows after end of life.

Every year 23 million tonnes of construction waste is generated in the Netherlands. The take-back service keeps VELUX roof windows out of the waste stream and gives us the potential to achieve a 28% CO₂e reduction per roof window over its total life cycle.

Any VELUX roof windows that are no longer useful as windows are taken to a dismantling company, many of which are run as social enterprises. The window is taken apart and disassembled into its various materials for reuse. The most important of these materials are glass, wood, aluminium and plastics. The purpose of this service is not to create an additional revenue stream but to create a model that breaks even.

The pilot has now been running for three years. In 2022 we collected 4,500 end of life windows and in total we have prevented over six thousand windows becoming waste.

↓ 28%

Potential CO₂e reduction per roof window over its total life cycle.*

* From the VELUX take-back service in the Netherlands

Standardising data to drive improvement

During 2022 we continued the journey towards obtaining reasonable assurance from our auditors on our Sustainability Report from 2024. We are highly satisfied that we, as planned, obtained reasonable assurance on the following six indicators in the ESG data table.

- **Increase number of women in management**
- **Share of certified wood**
- **Board diversity**
- **Full-time equivalents / Headcount**
- **Employee turnover**
- **Age distribution**

In the Sustainability Report 2023, we expect to add several more indicators with reasonable assurance and follow the projected pathway. This started with no assurance on our 2020 Sustainability Report, progressed to limited assurance by our auditors on the 2021 Sustainability Report, and has moved to a combined assurance level in 2022. In 2023 we still expect to have a combined assurance opinion from our auditors, with the majority of the indicators provided with reasonable assurance and the rest of the indicators with limited assurance.

During 2022 we expanded the ESG Finance Team to five full-time employees. This shows the enormity of the task of ensuring

our sustainability report reflects our commitment to sustainability. As VELUX is a Model Company, we aim for the best – also regarding the level of assurance from our auditors. Furthermore, we have started to engage the rest of the global finance organisation to strengthen the control setup including local validation of figures where possible.

As expected, the move from limited to reasonable assurance has been big. We are building up solid and anchored processes and controls and are ensuring evidence for our conclusions so the auditors can express their opinion on our sustainability reports. This requires a significant amount of documentation. Our goal remains for our sustainability data to be subject to the same level of scrutiny as our financial data by the spring of 2025. However, this is challenging and as we get deeper into the data, past reporting may prove not to be entirely correct.

Internally we are planning on including more of the indicators in our reporting to top management and they will be part of how we measure progress in VELUX – both on financial and non-financial data. In terms of governance, the Audit Committee continues to discuss progress of the ESG Data journey three times a year.

Increasing the governance standards for our sustainability reporting to the level of our financial reporting comes with its own challenges. Unlike financial data that is collected and audited in a standard way, which has been rigorously developed during the company's 80-year history, there are many different standards regarding sustainability data. We look forward to working with the EU's initiatives to standardise sustainability reporting (see page 58), which will introduce greater clarity on best practices. The absence of clear guidelines means that we are in many ways starting from scratch.

EU legislation within sustainability and our journey towards Reasonable assurance

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

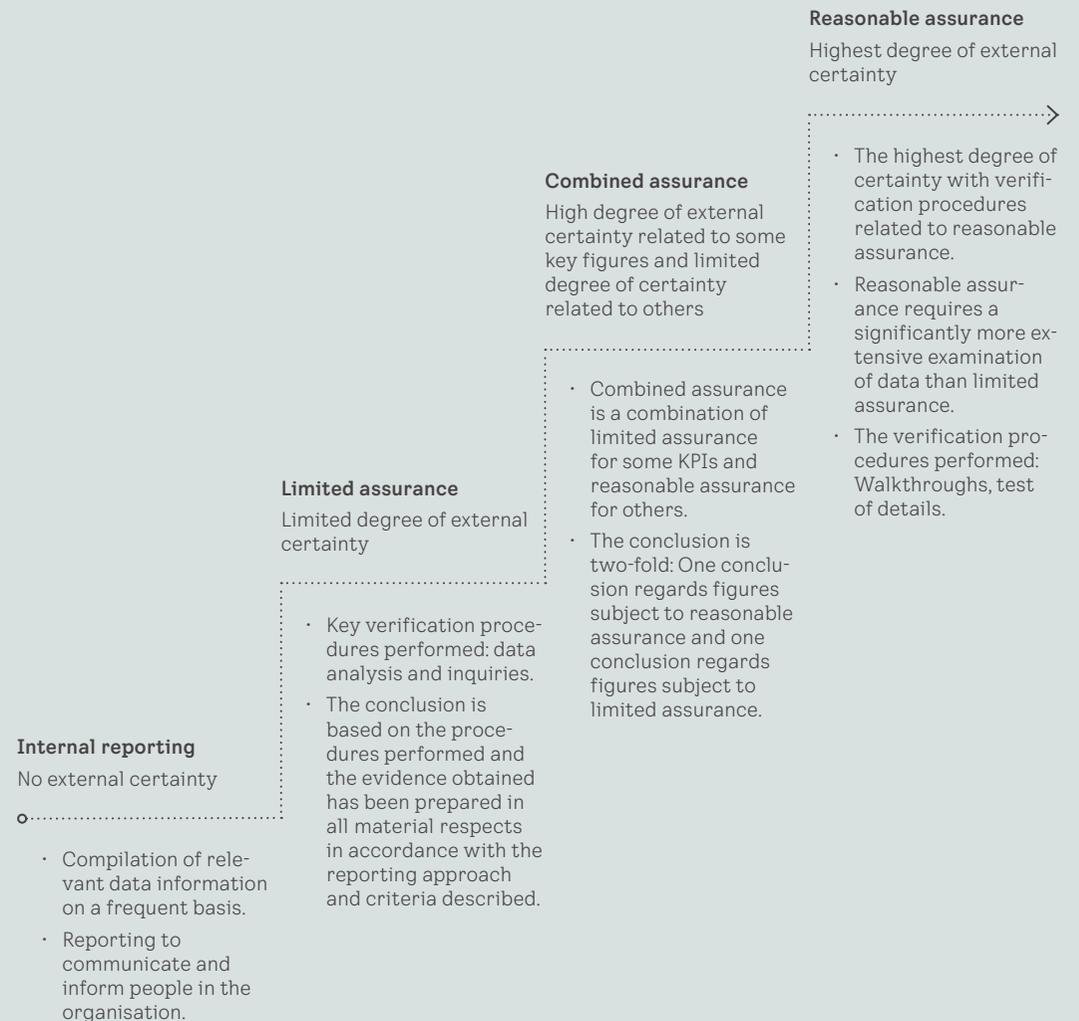
Fair competition

The VELUX Group Legal Policy and the VELUX Group Competition Law Compliance Policy laid down by our owner, VKR Holding A/S, describe our approach to customers and competitors and also address our approach to mergers, acquisitions and other relevant cases. The Group General Counsel issues sub-policies to the Competition Law Compliance Policy when necessary.

Furthermore, the VELUX Group runs a comprehensive Competition law compliance programme to ensure that all our companies adhere to international and national regulations to prevent any form of anti-competitive behaviour. Our leading position in the market makes this programme critical to our business.

All relevant general and sales managers sign a declaration annually to confirm that all necessary measures to secure full compliance with competition laws applicable to the VELUX Group have been duly implemented. For example, the measures include informing all relevant employees of the content of the Competition law compliance policy and the above compliance programme.

The journey from limited to reasonable assurance



A Group competition law compliance officer, the “Head of Competition Law Policy & Compliance”, reporting directly to the Group General Counsel, monitors compliance and identifies potential significant competition law issues in relation to the business activities of the VELUX Group. The Head of Competition Law Policy & Compliance advises on competition law matters, informs the VKR Group companies of significant changes in competition law legislation, and performs compliance reviews. The Head of Competition Law Policy & Compliance also trains directors, general managers, sales managers, and other relevant employees of the VELUX Group and informs them of relevant changes to competition law in order to ensure compliance with the VELUX Group Competition Law Compliance Policy on an ongoing basis.

Tax

The VELUX Group acts with integrity and transparency in tax matters. Our approach is guided by the VELUX Tax Guidelines and the Group Policy, which applies to employees as well as consultants and advisors involved in tax issues. We are committed to respecting both the wording and spirit of tax legislation and we are also committed to properly reflecting our commercial and organisational reality in the tax we pay. We do not engage in artificial non-business driven transactions or business structures solely for the purpose of reducing tax. Our co-operation and communication with the tax authorities is timely, honest and appropriate.

Assurance going from limited to reasonable

As part of being a model company, VELUX has decided that all ESG-related figures and statements are to be verified by an independent external assurance services provider. Assurance, in this case, is an engagement in which the auditor aims to obtain sufficient and appropriate evidence about the ESG-related figures and statements of the VELUX Group, including the data processes and control measures leading to these types of information.

VELUX obtained limited assurance for the 2021 Sustainability Report, and towards 2025 VELUX aims towards obtaining reasonable assurance for the KPIs in the ESG table. In the years in between, VELUX will acquire combined assurance, meaning some of the KPIs will acquire limited assurance while others will acquire reasonable assurance. See figure on previous page.

The difference between limited and reasonable assurance regards the level of engagement risk as assessed by the auditor; and the risk is reduced to a lower level in reasonable assurance. In a reasonable assurance engagement, the level of risk is reduced by the auditor by performing measures such as taking more samples and assessing VELUX’s internal controls. This includes, among other assessments, evaluating the design of those controls relevant to the engagement, and determining whether they have been implemented and have been working effectively throughout the year.

In order to meet the requirements associated with reasonable assurance, VELUX will in 2023 implement a set of standardised and to some extent also automatised checks and controls to create the necessary level of visibility and accountability.

The impact of the approved CSRD

In November 2022, the EU Council gave its final approval to the Corporate Sustainability Reporting Directive (CSRD) and finalised the legislative process enabling adoption of this directive by member states and affected companies.

CSRD strengthens the existing rules defined in the NFRD (Non-Financial Reporting Directive) and increases the number of companies which must report according to the new directive. VELUX will be obliged to implement this new directive into own reporting procedures from 2026 on the financial year 2025.

The Directive will be strongly linked to the European Sustainability Reporting Standards (ESRS) recently drafted by EFRAG

– the European Financial Reporting Advisory Group. These standards will bridge different parts of EU sustainability legislation, such as the already adopted Taxonomy and Sustainable Finance Disclosure Regulation (SFDR) with CSRD. The new directive also adds some specific requirements to sustainability reporting such as a double materiality assessment, an obligation to include sustainability information in management reports, defining the format in which data is accessible, and introducing mandatory independent third-party verification of sustainability reports (cf. the section above regarding assurance). VELUX is taking all relevant steps in implementing the CSRD and preparing the adoption of new requirements and adjustments in existing reporting processes where necessary.

Introducing the ESG consolidation model

The range of existing software solutions on the market for reporting ESG data that meet VELUX’s needs is limited. To harvest the synergies from an integrated platform for the financial- and non-financial reporting, we will roll out SAP Business Planning and Consolidation (BPC) for ESG data in 2023. This audit-proof consolidation model enables “one truth” in indicator performance, which ensures reliable, timely tracking on the outcome of our initiatives in the Sustainability Strategy 2030. Successful implementation is crucial for enhancing the completeness and accuracy of the ESG data to achieve our ambition of reaching reasonable assurance.

Our commitment to human rights

The VELUX Group is committed to respecting human rights in line with the UN Guiding Principles for Business and Human Rights both in our own operations and our value chain.

Protection of human rights is integrated into various VELUX policies. Our sustainability policy provides high-level guidance on how we conduct business and outlines how we meet expectations set out in international standards. We take a clear stance against forced labour, human trafficking and child labour in and beyond our value chain. We also acknowledge our responsibility to respect freedom of association and collective bargaining and to ensure proper working conditions, non-discrimination and diversity in our entire organisation.

Update of policies and procedures

A number of VELUX Group policies set our position and requirements connected to human rights and working conditions. These policies are developed based on the principles set forth in the International Bill of Human Rights and the core labour conventions of the ILO and with reference to the principles of the UN Global Compact and the UN Sustainable Development Goals. The VELUX Group Sustainability Policy provides overall high-level guidance on how we conduct a sustainable responsible business performance.

The VELUX Code of conduct for employees complements the Sustainability policy and outlines the main principles of ethical behaviour for employees with respect for both human and labour rights. It builds on the ten principles of the UN Global

Compact. In 2022, we adopted a new diversity, equity and inclusion (DEI) policy. This outlines our vision for DEI and serves as a guiding principle to foster a diverse, equitable and inclusive company culture that enables everyone to thrive.

In the VELUX Group we are also aware that responsibility goes beyond our own operations. In 2022, we updated our code of conduct for suppliers. We are also improving our due diligence system for preventing human rights violations in our supply chain. In 2022, we updated our code of conduct for suppliers and improved our supplier due diligence procedures. This includes strengthening our assessment of suppliers' policies and procedures to mitigate human and labour rights risks.

Human rights risk management

Our materiality assessment and risk management tools include risk mitigation for human rights violations. We will update this assessment in 2023. However, sometimes unforeseen events take place which require rapid actions that can influence our impact assessment. Russia's invasion of Ukraine was such an event. In 2022 the VELUX Group decided to permanently close our operations in Russia and Belarus due to Russia's invasion of Ukraine. The subsequent war has led to an unprecedented humanitarian and refugee crisis not seen for many decades in Europe. Though VELUX had neither production facilities nor properties in these countries, we unfortunately had to say goodbye to dedicated people in our sales offices in the two countries. This decision was taken by the VELUX Management Group and the Board. In Ukraine VELUX colleagues moved to

safer regions, however, as the situation around Kyiv stabilised, they chose to move back and resume work. When war broke out in Ukraine, the Employee Foundation established a fast-track emergency fund for colleagues in Ukraine.

We are currently updating our human rights risk assessment and expect to complete this work during the first half of 2023. This is part of our preparation for new regulatory development on mandatory due diligence for human rights based on the UN Guiding Principles for Business and Human Rights.

Policies that ensure responsible and sustainable business practices

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

Sustainability policy

The VELUX Group is committed to visibly lead the way on sustainability for both our own operations and throughout the entire value chain. Our sustainability policy provides high-level guidance on how we conduct a responsible and sustainable business. It builds on the ten principles of the UN Global Compact and the UN Sustainable Development Goals.

Anti-corruption

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

Code of conduct and basic working conditions for suppliers

The Code of conduct and basic working conditions for suppliers outlines our expectations to our suppliers. In 2022 we updated the document to incorporate the UN Global Compact and the UN Sustainable Development Goals.

Substance compliance for suppliers

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

Code of conduct for employees

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

Modern slavery act

We are committed to respecting human rights and preventing any form of modern slavery, forced labour, child labour and human trafficking in our own business as well as in our supply chain. We take great care to avoid infringing the rights of individuals, groups and communities through our business activities and relationships. We communicate our preventive actions in the annual Modern slavery act statement.

Diversity, equity, and inclusion (DEI)

We are committed to fostering a diverse, equitable, and inclusive workplace that enables everyone to thrive. The VELUX Group DEI policy provides high-level guidance for how we approach DEI at VELUX, outlines our vision, and serves as a guiding principle for our company culture together with the VELUX Employee code of conduct and Sustainability policy. The policy is built on the principles of the UN Global Compact and the UN Sustainable Development Goals.

Respecting privacy

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

Summary of all targets

	2022 in brief	Progress in 2022	Progress towards 2030 target	What's next?	Note
Pioneer climate and nature actions					
 <p>Capture our historical carbon footprint</p> <p>Read more on page 16-17</p>	<ul style="list-style-type: none"> Scoping and selection process to complete the forest portfolio Uganda forest project validation continued, and first trees planted, project office set up and livelihood support to the local community initiated Myanmar project discontinued due to changes in operating conditions following a military coup in 2021 	Internal reporting	<ul style="list-style-type: none"> First trees have been planted in our project in the Northern Albertine Rift in Uganda This is the first high impact forest project that will go through the validation process, which is expected to be completed in 2023 	<ul style="list-style-type: none"> Launch and kick-off of new forest projects to complete the portfolio Uganda forest project validation completed First carbon capture figures from Uganda project* 	
 <p>Reduce our future carbon footprint</p> <p>Read more on page 18-25</p>	<p>Scope 1+2</p> <ul style="list-style-type: none"> Two new Renewable Virtual Power Purchase Agreements signed covering our total European consumption Acceleration of transition from natural gas and oil to renewable energy sources Launch of new Solar PVE programme Factory Carbon Neutral Plans developed on first two sites and global implementation started 	<p>-26.2% point reduction of scope 1+2 (market-based) related CO₂e emissions</p> <p>+26.6% point increase of share of renewable electricity</p>	<ul style="list-style-type: none"> Positive development in terms of lower CO₂e emissions and higher data quality, where limited assurance has been granted since 2021 To continue strengthening reporting and governance, initiatives have been launched to ensure data completeness Improvements expected in 2023 from the implementation of Resource Advisor that will establish automated data collection for European sites Key activities with focus on fast tracking energy excellence programmes and switching from natural gas and global onsite solar PVE programme 	<ul style="list-style-type: none"> Continue to work with the Natural Gas Fuel Switch Programme Continue full implementation of carbon neutral plans on all factory sites Expand onsite solar PVE programme globally Secure documented renewable electricity for remaining marginal consumption outside Europe and USA Develop and start implementing carbon neutral programme for smaller VELUX sites, such as sales offices 	1.1 – 1.2
	<p>Scope 3</p> <ul style="list-style-type: none"> Announced strategic partnerships with aluminium suppliers Hydro and Novelis Continued to work with Carbon Disclosure Project (CDP**), requesting carbon-related information from suppliers Obtained approval from SBTi on our resubmitted baseline, moving from a 2018 to a 2020 baseline Trained product development and procurement teams in carbon impact of activities 	<p>-3.2% point reduction of scope 3 related CO₂e emissions</p>	<ul style="list-style-type: none"> Development in reported scope 3 emissions was broadly flat from 2020 to 2022. There are three main reasons for the development in 2022. Firstly, the macroeconomic environment led to a reduction in sales and thereby reduced need for raw materials during 2022. Secondly, we made progress in engaging our suppliers with CDP (Carbon Disclosure Project), which has given us more precise data and, thirdly, we increased our sourcing of low carbon materials. 	<ul style="list-style-type: none"> Preparation for EU regulation on carbon import taxation Scale our partnering activities Set up functional annual targets and adjust processes accordingly Continue to improve our carbon emission data model Mature our work in procurement teams addressing improvement projects on a broad scale 	1.3

The ringed targets are included in our ESG reporting.

* The initial figures will not be verified by VERRA.

** <https://www.cdp.net/en>

Continued →

	2022 in brief	Progress in 2022	Progress towards 2030 target	What's next?	Note
 <p>Show how to build sustainably</p> <p>Read more on page 26-29</p>	<ul style="list-style-type: none"> Living Places prototype construction started and indicated to have the lowest carbon footprint for newbuild in Denmark with a typical market cost per m² Build for Life Compass now used as an open source model for partnerships supported by a knowledge dissemination campaign Assessed sustainability performance in preparation to turn an existing warehouse in Ostbirk into 'LKR Innovation House' our new innovation centre 	<p>Engagement with key partners and focus on LCA calculations</p>	<ul style="list-style-type: none"> Strengthened global and regional partnerships Published the Healthy Homes Barometer 2022 Progress slowed down as a consequence of lower activity level in the building sector in the autumn 2022 	<ul style="list-style-type: none"> Opening of Copenhagen Living Places Benchmarking Living Places in a European context Living Places community development Continue working on LKR Innovation House Build for Life Plenary at UIA Congress 2023 	
Innovate sustainable products					
 <p>Innovate digital products for sustainable living</p> <p>Read more on page 31-33</p>	<ul style="list-style-type: none"> Launched VELUX app to control our digital products Upgraded VELUX ACTIVE Continued the development of new products enabling sensor-driven automation, to be launched in 2023 and beyond Collaborated on the 'Smart Indoor Climate Manager' project to understand the potential of combining sensor enabled roof windows with other building controls and mechanical ventilation. 	<p>Internal reporting</p>	<ul style="list-style-type: none"> Continued disruption in global supply chains for microchips resulted in very limited progress 	<ul style="list-style-type: none"> Continue to emphasise the features and benefits of digital and electrical products towards customers Continue to support the common standards based on Matter open protocol for automated products Launches of new digital and electrically motorised products 	
 <p>Reduce our product carbon footprint</p> <p>Read more on page 34-36</p>	<ul style="list-style-type: none"> Carbon footprint reduction part of all new product development projects Established strong collaboration between product development and procurement 	<p>+0.7 % point increase in CO₂e emissions</p>	<ul style="list-style-type: none"> Development of CO₂e emissions is on par with 2021 and 2020 Improvements in the assurance quality of the calculation model have been made 	<ul style="list-style-type: none"> Reduction pathways to be closely aligned with the planned material sourcing activities Continue the development of product innovation roadmaps of VELUX products 	1.5
 <p>Green our packaging</p> <p>Read more on page 37-39</p>	<ul style="list-style-type: none"> More than 98% of our packaging for VELUX Residential roof windows in Europe is now paper-based Plastic-free packaging now implemented for main roof window products New paper-based packaging demonstrates no reduction in performance Alignment of the packaging definitions up against the latest update of the EU Directive 94/62/EC on packaging and packaging waste 	<p>+3% point overall improvement in use of plastic-free on primary packaging</p>	<ul style="list-style-type: none"> Plastic-free packaging proven to provide the same protection level as former EPS/plastic packaging Roll-out of paper-based packaging planned for more product groups and markets 	<ul style="list-style-type: none"> Launch of paper-based packaging for flashings in European countries Next product category for the European market to be worked on in relation to packaging is VELUX roller shutters and awnings planned to be launched in 2025 For our US residential products, we expect to start the launch of paper-based packaging solutions for our main flashing type, EDL, during 2023. Other product categories will follow from 2025 	

2022 in brief	Progress in 2022	Progress towards 2030 target	What's next?	Note
Secure a responsible business				
 <p>Ensure diversity and an inclusive culture</p> <p>Read more on page 41-44</p>	<ul style="list-style-type: none"> • VELUX Diversity, Equity and Inclusion (DEI) Policy approved by our Board • Updated the Code of Conduct for VELUX employees • Delivered introductory session on DEI for HR Business Partners and Recruitment Partners • Revised the sub target to align with the VELUX DEI policy and standard practice for DEI. • Launched internal communication tools 	<p>+2% point improvement</p>	<ul style="list-style-type: none"> • Minor fluctuations spread over all measuring points (gender, education, age and nationality) • This quantitative target will be retired after 2022 and then progress on DEI will be broadened from senior management to all employees in VELUX supported by the new DEI policy and update of CoC for employees 	<ul style="list-style-type: none"> • Implementation of DEI policy • Create voluntary Employee Resource Groups to enable inclusion and be part of DEI internal structure • Integrate inclusive leadership skills into management training • Include a section in the Global Employee Survey asking employees to voluntarily and confidentially self-identify in relation to diversity to identify patterns in perceptions of inclusion • Utilise Develop Diverse software to decrease bias in job advertisements <p>2.5</p>
 <p>Increase number of women in management positions</p> <p>Read more on page 41-44</p>	<p>See "Ensure diversity and an inclusive culture"</p>	<p>+2% point increase in women in senior management</p> <p>No change in women in management</p> <p>+1% point increase in women in total</p>	<ul style="list-style-type: none"> • Representation of women in general, women in management and women in senior management is similar or only slightly increased since 2021 • Introduced foundation for changing the target with DEI policy • More significant increases expected in 2023 as foundation will be in place to enable action 	<p>See "Ensure diversity and an inclusive culture"</p> <p>2.6</p>
 <p>Employ people with disabilities</p> <p>Read more on page 41-44</p>	<p>See "Ensure diversity and an inclusive culture"</p>	<p>Internal qualitative reporting</p>	<ul style="list-style-type: none"> • Implemented the VELUX Care programme to support employees returning to work after sickness leave and employees approaching retirement in two VELUX locations. 	<p>See "Ensure diversity and an inclusive culture"</p>
 <p>Strive for zero accidents</p> <p>Read more on page 45-46</p>	<ul style="list-style-type: none"> • Changed from biannual to monthly reporting for all business areas • Launched new VELUX Group Monthly HSE* Report with management summary, data insights and inspirational material • Relunched the Visible Safety Leadership programme • Held HSE workshops for training and knowledge sharing 	<p>-0.95 LWC per 1 mill wh</p> <p>-0.04 Hours of absence per 1,000 wh</p>	<ul style="list-style-type: none"> • Significant improvement of accident rate • Main contribution from Residential supply due to high number of working hours and increased safety focus and training in all production companies (PCo) • Commercial supply safety performance improved with no accidents at all in 2022 • Increased safety focus and training in all PCOs 	<ul style="list-style-type: none"> • Implementation of new HSE reporting system with real time dashboards • Training programme for HSE professionals • Safety to be included in onboarding process for all employees <p>2.7</p>

The ringed targets are included in our ESG reporting.
* Health, Safety, Environment

	2022 in brief	Progress in 2022	Progress towards 2030 target	What's next?	Note
 <p>Provide healthy workspaces</p> <p>Read more on page 47</p>	<ul style="list-style-type: none"> • Data collection to form baseline for indoor comfort standards • Renovated Paris office • Started work on catalogue of improvements 	Internal reporting	<ul style="list-style-type: none"> • Established baseline and set-up that can provide insights on indoor climate • Sensors installed in selected VELUX facilities to assess indoor climate quality to Active House standards, agreed by the International Active House Alliance, of which VELUX is part 	<ul style="list-style-type: none"> • Ensure healthy workplace targets are met in all renovations • Incorporate new criteria for healthy workspaces in the new VELUX innovation centre, LKR innovation house 	
 <p>Reduce work-related air travel and switch to zero emission cars</p> <p>Read more on page 48-49</p>	<ul style="list-style-type: none"> • Created a new global travel policy • Implemented Global Electric Vehicle Policy in several countries • Progress with the switch to electric vehicles was affected by supply chain disruption • Charging stations for electric vehicles installed at VELUX locations 	<p>-0.04% point decrease in electric cars</p> <p>Air travel: Internal reporting with focus on expanding data scope</p>	<ul style="list-style-type: none"> • Despite implementation of the EV policy in two regions, share of electric cars remains unchanged because these actions take time to have an impact • Existing company cars will not be changed to electric cars until current contract expires • Long delivery times on ordered electric cars, which are still pending delivery 	<ul style="list-style-type: none"> • Implement global travel policy • All countries to be part of our global travel agency (to be able to track the remaining approximately 20% of travel activities) • Analyse VELUX car fleet and country EV readiness • Decide which countries to implement EV policy as next step • Ensure aligned policies on electric vehicles 	1.6
 <p>Achieve zero waste</p> <p>Read more on page 50-51</p>	<ul style="list-style-type: none"> • Launch of waste reduction programme for non-utilised waste • Implemented standardised data reporting in Residential division • Created baseline figures for waste reduction in Commercial division 	Internal reporting improving data quality and baseline for Commercial	<ul style="list-style-type: none"> • Completed some reclassifications of waste due to changes from waste handlers and alignment to new requirements in country-specific waste management legislation. • Generally, data reporting for hazardous waste is aligned 	<ul style="list-style-type: none"> • Implement waste reduction initiatives and reporting in Commercial division • Ensure compliance with upcoming EU legislation on waste handling 	
 <p>Share sustainable Innovations</p> <p>Read more on page 52-53</p>	<ul style="list-style-type: none"> • Scaling the Lighthouse project 'Zero plastic in packaging' • Second Lighthouse project started 	Internal reporting	<ul style="list-style-type: none"> • Focused on launch of sustainable innovation (Lighthouse) projects and first Lighthouse project rolled out in 2022 • Mid-term ambition is to launch minimum three sustainable innovation projects by 2025 	<ul style="list-style-type: none"> • Define and start 2025 Lighthouse project • Launch of second Lighthouse project 	
 <p>Promote a circular economy</p> <p>Read more on page 54-55</p>	<ul style="list-style-type: none"> • Revisited our approach to the circular economy (CE) and defined a strategic approach covering our value chain • Mapped local activities and assessed scalability of ongoing CE activities • Defined governance and workstreams 	Internal reporting	<ul style="list-style-type: none"> • Revised CE strategy approach and mapping of CE projects across VELUX Group • Defined four focus areas within supply chain, product design customers and building industry 	<ul style="list-style-type: none"> • Implement governance, establish workstreams and define implementation roadmap • Report on progress in 2023 Sustainability Report 	

The ringed targets are included in our ESG reporting.

ESG accounting table

◐ Limited assurance ● Reasonable assurance

Note	Environmental	Unit	Target ^a	2022	Assurance level	2021 ^b	2020 ^a
	Reduce our future carbon footprint:						
1.1	Scope 1 emissions	'000 t CO ₂ e	100% (2030)	26	◐	28	24
1.1.a	Biobased emissions (outside scope)	'000 t CO ₂		16	◐	14	16
1.2	Scope 2 emissions:						
	Scope 2 emissions (location-based)	'000 t CO ₂ e	100% (2030)	41	◐	45	42
	Scope 2 emissions (market-based)	'000 t CO ₂ e	100% (2030)	2	◐	9	28
1.3	Scope 3 emissions (total):	'000 t CO ₂ e	50% (2030)	1,991	◐	2,056	1,894
	Category 1a: Purchased goods and services (product)	'000 t CO ₂ e		1,132	◐	1,298	1,206
	Category 1b: Purchased goods and services (non-product)	'000 t CO ₂ e		222	◐	230	195
	Category 2: Capital goods	'000 t CO ₂ e		58	◐	19	19
	Category 3: Fuel and energy-related activities	'000 t CO ₂ e		21	◐	16	13
	Category 4: Upstream transportation	'000 t CO ₂ e		235	◐	226	203
	Category 5: Waste generated in operations	'000 t CO ₂ e		2	◐	3	2
	Category 6: Business travel	'000 t CO ₂ e		75	◐	36	47
	Category 7: Employee commuting	'000 t CO ₂ e		12	◐	12	10
	Category 8: Upstream leased assets	'000 t CO ₂ e		11	◐	13	9
	Category 9: Downstream transportation	'000 t CO ₂ e		12	◐	12	12
	Category 11: Use of sold products	'000 t CO ₂ e		31	◐	19	21
	Category 12: End of life treatment of sold products	'000 t CO ₂ e		180	◐	172	157
1.4	Share of renewable electricity	%	100% (2023)	98	◐	78	39
1.5	Reduce our product carbon footprint	Kg CO ₂ e pr. window	50% (2030)	120	◐	119	117
1.6	Switch to zero emission cars	%	100% (2030)	2.19	◐	2.23	0.26
1.7	Share of certified wood	%	100% (2030)	96	●	96	95

^a These figures have not been subject to assurance

^b Subject to limited assurance procedures, in accordance with the Independent Assurance Report 2021 included in the VELUX Sustainability Report 2021.

Note	Social	Unit	Target ^a	2022	Assurance level	2021 ^b	2020 ^a
2.1	Full-time equivalent (FTE)	FTE		12,608	●	12,211	11,160
2.2	Headcount (HC)	HC		12,861	●	12,493	11,511
2.3	Employee turnover	% HC		15	●	13	8
2.4	Age distribution:						
	<30 years	% HC		15	●	17	15
	30-50 years	% HC		54	●	53	55
	>50 years	% HC		31	●	30	30
2.5	Ensure diversity and an inclusive culture	%	<70% (2030)	58	◐	56	-
2.6	Increase number of women in management positions:						
	Women in senior management	f %	40% (2030)	30	●	28	23
	Women in management	f %	45% (2030)	26	●	26	-
	Women in total	f %		36	●	35	35
2.7	Strive for zero accidents:						
	Work-related accidents	Accidents (LWC) per 1 mill wh	<1,00 (2030)	1.63	◐	2.58 ^c	2.89 ^c
	Accident-related absence hours	Hours of absence per 1000 wh	<0,20 (2030)	0.45	◐	0.49 ^c	0.39 ^c
Governance							
3.1	Gender diversity in board of directors	f % / m %		33/67	●	29/71	33/67
3.2	Supplier quality audits completed at year-end	# completed audits		71	◐	76	80
3.3	Code of conduct for suppliers signatures	%		98	◐	100^d	100^d
3.4	Anti-corruption e-learning completion	%		77	◐	76	86

^a These figures have not been subject to assurance

^b Subject to limited assurance procedures, in accordance with the Independent Assurance Report 2021 included in the VELUX Sustainability Report 2021.

^c Restated, see details in the accounting practice.

^d The figure does not include the supplier segment with low criticality and annual spend.

Accounting practices

About this report

This sustainability report covers the period 1 January 2022 – 31 December 2022, following the calendar year-end aligned with our financial reporting. The ESG figures can be either consumption or year-end at 31 December 2022 which is stated under each indicator. The following accounting practices cover disclosures made in relation to our 2030 Sustainability Strategy, which is based on 15 'strategic targets' that have been approved by the VELUX Management Group and Board. The target owners have defined strategic roadmaps and indicators to drive implementation and enable follow up against the targets. The strategic indicators cover the issues we have identified as material to VELUX Group, in terms of importance to our business and to stakeholders. In addition, we report on our 'running indicators', which are important targets that we measure continuously. For an overview of our ESG indicators and 2022 progress, please see the ESG table. At the current time, some of the 15 strategic targets described in the report are not easily quantifiable or measurable. For this reason, they have not been included in this year's ESG table. All the strategic and running indicators that are quantitative and computationally mature are contained in the ESG table and the calculation methods are described in the specific accounting practice, see the note reference in the ESG table.

All figures in the ESG table have been audited by external auditors, and have been given either limited or reasonable assurance for 2022. The two different assurance levels are marked by different icons. The figures for 2021 have been subject to limited assurance procedures, in accordance with the Independent Assurance Report 2021 included in the VELUX Sustainability Report 2021.

Maturing our data collection process and going from limited to reasonable assurance means that some of our ESG figures

need to be restated. These restatements reflect improvements in data, scope and quantification methods. We refer to the specific accounting practices for further details regarding data that has been restated.

Organisational scope

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

Environmental

Future carbon footprint

VELUX Group reports its carbon footprint (CO₂ equivalents), which represents VELUX Group's total greenhouse gas (GHG) emissions consisting of scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol (GHGP) based on an operational control approach.

In January 2022, we resubmitted an application to the Science Based Targets initiative (SBTi) to update figures from the VELUX Group. The application was approved in September 2022. By resubmitting our application, we are committing to an even more ambitious reduction of CO₂e emissions across our entire value chain. See below for further information on our scope 3 footprint.

1.1 Scope 1

Organisational scope: VELUX Group

Assurance level: Limited

Scope 1 emissions result from the combustion of energy across our operations, i.e. natural gas, gas oil, propane, fuel for company cars and biomass. Biobased CO₂ emission from biomass, diesel and petrol are not included in scope 1. N₂O and CH₄ emissions from diesel and petrol are included in scope 1. See also '1.1.a Biobased emissions' (out of scope) below. Energy consumption is based on invoices and/or metre readings and is registered in our SAP Business Planning and Consolidation system (BPC) and covers consumption from material activities within operational control, i.e. production, warehouses, administration and sales & marketing. Emission factors for the respective energy types are the most recent (2022) from the Department for Business and Industrial Strategy (BEIS previously DEFRA).

1.1.a Biobased emissions (outside scope)

In line with the GHG Protocol, direct CO₂ emissions resulting from the combustion of biobased products are reported separately. This includes wood chips (a by-product of the production) used in our bioboilers and the share of biobased fuel found in petrol and diesel. While other greenhouse gas emissions covered by the Kyoto Protocol are included under scope 1 emissions, only CO₂ emissions are accounted as out of scope. Hence, the unit used for reporting is CO₂ and not CO₂e.

1.2 Scope 2

Organisational scope: VELUX Group

Assurance level: Limited

Scope 2 emissions are based on purchased energy, i.e. electricity and district heating, and reported according to both location- and market-based methods in line with the Greenhouse Gas Protocol. Location-based emissions are calculated based on the International Energy Agency's (IEA) most recent

emission factors (2020), while market-based emission factors are based on the most recent residual mix emission factors from the Association of Issuing Bodies (AIB) (2022), unless Renewable Electricity Certificates (REC) or Renewable Energy Guarantees of Origin (REGOs) have been purchased.

1.3 Scope 3

Organisational scope: VELUX Group

Assurance level: Limited

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

The majority of the data consists of supplier-specific data or spend data from the VELUX SAP Solution for the VELUX Residential division. Because of our operational scope, data for Altaterra are included but handled manually. To report a total VELUX Group figure, we have extrapolated data for the VELUX Commercial division based on net sales except for sub-categories C3, C4, C5, C7, C9, and C11 where VELUX Commercial data can be extracted directly from VELUX SAP. During the coming years, we will be working on obtaining more activity data from our suppliers, including VELUX Commercial.

Where the EEIO emission factors have been applied, these are retrieved from the annual update published by Carbon Trust. The raw data provided is obtained from a database provided by University of Arkansas and contains the cradle through to consumer climate change impacts in terms of kg CO₂e per 2002 \$ by life cycle stage and purchasing sector. The different lifecycle impacts from the raw data are, then broken down into more specific life cycle stages using a breakdown obtained from the University of Arkansas model. Finally, an adjustment factor is developed, which takes into consideration global decarbonisation, US inflation and the switch of the global economy towards services as a percentage of GDP since 2002.

Quantifications of VELUX value chain emissions are based on the Greenhouse Gas Protocols (GHGP), except sub-category C8 and C9 which are based on an average data method and a fixed SBTi percentage rate respectively. The scope 3 inventory is divided into 15 subcategories (C1-C15). 11 of these categories are determined as applicable to the VELUX business model and activities; see details below. The four excluded categories are: C10: Processing of sold products, C13: Downstream leased assets, C14: Franchises and C15: Investments. C10 and C13 are excluded due to irrelevance, as VELUX does not sell any partially finished products that need further processing and does not act a lessor. C14 and C15 are excluded as VELUX neither has franchises nor material investments.

Emissions from the remaining categories are quantified, as follows:

C1 Purchased goods and services are separated into:

1a Emissions from purchased goods and services (product-related emissions, e.g. from raw materials) are calculated using a mass based approach: Mass of purchased material multiplied by product subgroup mass-specific emission factors. Where available, supplier-specific emission factors are applied; if not,

industry average emission factors collected from ecoinvent database (2022) are applied.

1b Emissions from purchased goods and services (non-product related emissions, e.g. services) are calculated based on financial data: Spend data multiplied by spend product-specific emission factors collected from the Department of Business, Energy and Industrial Strategy BEIS (2021) database.*

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

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

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

4a Product-related (PR) emissions are calculated based on activity data multiplied by relevant emission factors by major transport type. Emission factors are from BEIS (2021).

4b Emissions from non-product related transport and distribution are primarily calculated based on financial spend data multiplied by transport-specific EEIO emission factors. A minor part is calculated based on warehouse activity data multiplied by relevant emission factors from GLEC (2021).

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

* Emission factors are used in accordance with Department for Business, Energy & Industrial Strategy – GOV.UK (2021).

C6 Business travel emissions are calculated by allocating 2022 spend data into truck, air, rail and private car multiplied by transport-specific emission factors from EEIO (2021).

C7 Employee commuting emissions are calculated using the number of employees in each country multiplied by transport-specific emission factors. Emission factors are based on specific country and specific commuting assumptions from BEIS (2021).*

C8 Upstream leased assets are all emissions related to the embedded carbon footprint from the lease of assets that are leased and not included in scope 1 and 2. It is calculated by financial spend data multiplied by product-specific spend emission factors EEIO (2021). Input data is based on 2022 financial spend data from leased assets.

C9 Downstream transport and distribution emissions are estimated as a percentage of category 4 – upstream transport and distribution emission. As VELUX has no access to actual data for the downstream emission, this percentage is determined based on experience from Carbon Trust and verified by a VELUX estimation.

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

* Commuting assumptions are divided into country classification (high income to middle income) and the following types of transport: car, train, metro, bus, motor-cycle, and walking/cycling, where the latter is considered zero emission transport.

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

1.4 Share of renewable electricity

Organisational scope: VELUX Group

Assurance level: Limited

The indicator includes all renewable electricity produced at owned locations from solar cells (photo-voltaic (PV)), purchased Renewable Electricity Certificates (REC) and Renewable Energy Guarantees of Origin (REGO). Note that electricity produced from own solar cells which are not consumed by VELUX but sold to the grid, are not included in the share of renewable electricity.

1.5 Reduce our product carbon footprint

Organisational scope: VELUX Residential

Assurance level: Limited

To keep track of production efficiency, while still working to reduce our carbon footprint, we track our product carbon footprint, which is calculated as kg CO₂ equivalents per average window. Due to the major product deviations across Residential and Commercial products in terms of size and material composition, VELUX Group reports on our product carbon footprint relative to an average Residential Roof Window. The average is based on a weighted average of the four most sold residential roof window types (GGL, GPL, GGU and GPU), with a weighted average pane from all sold units. The indicator is based on a cradle to gate approach, i.e. selected scope 1 and 2 emissions (energy consumption from production) and scope 3 categories (mainly cradle to gate emissions from supplied raw materials represented by the industry standard carbon footprint database ecoinvent, unless

specific supplier carbon footprint information in line with SBTi principles is available) from the financial year 2022. Note that all end of life emissions are not included in this indicator.

1.6 Switch to zero emission cars

Organisational scope: VELUX Group

Assurance level: Limited

This indicator tracks progress towards the target of achieving a 100% electric car fleet by 2030 and reports the share of zero emission cars out of the total number of company cars, owned or leased by VELUX. Zero emission cars only include fully electric vehicles such as cars and vans. Hybrid cars are not considered to be zero emission cars. Truck, forklifts, and other electric vehicles used in in operations, are currently not included in the calculation. Data is based on a global internal annual survey, combined with statements from leasing companies.

1.7 Share of certified wood

Organisational scope: VELUX Group

Assurance level: Reasonable

Certified wood is defined as sourced wood for products certified according to the 'Program for the Endorsement of Forest Certification' (PEFC) or 'Forest Stewardship Council' (FSC). Chain of Custody (CoC) certification links the origin of the wood through the supply chain to the finished goods made of wood (the roof windows). With the CoC certification, VELUX products can be sold using either PEFC or FSC trademarks.

Data for the consumption of certified wood at European production sites for European Residential products is based on data collected in the VELUX SAP solution, while data for the US-based production is collected manually. Wood used in Chinese production is sourced from our Hungarian factory. Commercial products do not contain wood, but all VELUX Group companies are included in the reporting for completeness.

Social

2.1 Full-time equivalents (FTE)

Organisational scope: VELUX Group

Assurance level: Reasonable

Full-time equivalents (FTE) is measured at year-end. The number of FTE is a measure of the 'number of scheduled contractual working hours' divided by 'the full-time equivalent number of default working hours according to local legislation'. Both scheduled weekly hours and default weekly hours are maintained in VELUX workday, which is the VELUX global Human Resources (HR) system.

Employees include: regular, temporary and seasonal employees, as well as interns, apprentices and students. Temporary and seasonal workers are employees who have a fixed-term contract. All expatriates are included as regular workers.

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

2.2 Headcount

Organisational scope: VELUX Group

Assurance level: Reasonable

Headcount at year-end

Headcount reflects the number of employees in VELUX who have the employee type: 'Employee' in the VELUX global HR system Workday. Headcount is the count of the unique Employee IDs and reflects the total number of people employed. This includes regular, temporary and seasonal employees, as well as interns, apprentices and students. All expatriates are included as regular workers. Employees that are excluded in the headcount are those on long term leave >12 months, garden leave and contingent workers.

Headcount average

The average headcount is the average of how many employees have been working over a 12-month period. The calculation is based on end-month headcount figures for 12 months. This figure is used in the turnover calculation.

2.3 Employee turnover

Organisational scope: VELUX Group

Assurance level: Reasonable

The term 'employee turnover rate' refers to the percentage share of employees who leave the organisation during the calendar year relative to the average headcount over 12 months. The turnover rate thereby includes employees, who leave the VELUX Group both voluntarily and involuntarily and employees who retire. All data are stored in VELUX Workday.

2.4 Age distribution

Organisational scope: VELUX Group

Assurance level: Reasonable

The age distribution of VELUX employees is based on the headcount figure (see definition above) and reported in percentages. Our age distribution categories are aligned with Global Reporting Initiatives (GRI) disclosure 401-1: Employment (2021). Data is extracted from VELUX Workday and calculated based on the employees' date of birth and the headcount at year-end.

2.5 Ensure Diversity and an inclusive culture

Organisational scope: VELUX Group

Assurance level: Limited

The indicator for diversity and inclusion in senior management teams is defined through a 'similarity index' (%). The target is that no senior management teams should have more than 70% of selected diversity attributes in common. Senior management are the supervisory organisational levels 1-3. VELUX uses

a similarity index, which is a measure between 0 and 100 that measures the proportion of shared traits in a senior management team across the diversity attributes: gender, education, nationality and age. All attributes are weighted equally. All management headcounts are registered in VELUX Workday, based on the unique Employee ID at year-end (see details under 'Headcount').

All diversity information is voluntary. Gender, nationality and age group are recorded in Workday upon hiring. Gender, age, nationality and education are not mandatory and are self-declared by employees.

Note that this indicator was retired in 2022 due to insufficient scope and the new Diversity policy, and it will not be displayed in the ESG table for 2023.

2.6 Increase number of women in management positions

Organisational scope: VELUX Group

Assurance level: Reasonable

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

Women in senior management

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

Women in management

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

Women in total

This figure is the number of women among all employees in the VELUX Group, including temporary, expatriate, interns, apprentices and students, but excluding contingent workers, those on garden leave and on long-term leave >12 months.

2.7 Strive for zero accidents

Organisational scope: VELUX Group

Assurance level: Limited

Work-related accidents (LWC per million working hours)

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

Working hours are calculated as the sum of working hours for the total Head Count of VELUX Group employees. This excludes overtime.

Accidents are recorded locally by all VELUX Group companies and reported monthly via our BPC system.

Restatement

In 2022, there was a change in calculation of working hours. Previously working hours for blue collar employees were based on actual working hours from time registrations systems to same calculation method as for white collar people. This has been done from a completeness perspective and consistency perspective for the 2 job classification types. The comparative figure for 2021 and 2020 has therefore also been changed.

Accident-related absence hours

Hours of absence per 1,000 working hours

Absence hours include the total hours lost due to lost workday cases (LWC). Accidents and absence hours are reported in the same year the accident took place. If absence is related to an accident that continues into a new financial period, the absence hours will be included in the new financial period, and the actual accident will not be carried forward. Once the total length of absence for a single LWC exceeds 12 months, it is excluded from the calculation.

Absence hours are recorded locally by all VELUX Group companies and reported monthly via VELUX BPC system. Working hours are calculated as the sum of working hours for the total Head Count of VELUX Group employees. This excludes overtime.

Restatement

In 2022, there was a change in calculation of working hours. Previously working hours for blue collar employees were based on actual working hours from time registrations systems using the same calculation method as for white collar people. This has been done from a completeness perspective and consistency perspective for the 2 job classification types. The comparative figure for 2021 and 2020 has therefore also been changed.

Governance

3.1 Gender diversity in board of directors

Organisational scope: VELUX A/S

Assurance level: Reasonable

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

3.2 Supplier quality audits completed at year-end

Organisational scope: VELUX Residential

Assurance level: Limited

The Supplier Evaluation and Approval Process (SEAP) is applied to all new suppliers for direct materials. All new suppliers must undergo an on-site audit before approval. Existing suppliers from before 1st January 2022 undergo periodical self-assessments and onsite audits in line with the VELUX Global Audit Execution Process. Direct material suppliers are defined as those delivering materials and components to our production, i.e. wood, glass, packaging, electronics, chemicals, aluminium and metal parts. This definition is defined in VELUX Group's SAP Bill of Material (BOM).

VELUX Group's audit System VAS is part of VELUX Group's QHSE Management System. It provides the total number of audits and self-assessments conducted during the year. On-site audits are conducted by VELUX whereas self-assessments are written responses provided by the supplier followed by a review by VELUX. On-site audits and self-assessments are equally counted and the total number of completed audits are reported at year-end. The reported figure consists of suppliers that provide goods for Residential suppliers, including those suppliers who also provide to Commercial.

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

3.3 Code of conduct for supplier signatures

Organisational scope: VELUX Residential

Assurance level: Limited

This indicator includes all suppliers of direct materials for locations that produce VELUX Residential products. Direct material suppliers are defined as those delivering materials, components and services to our production, i.e. wood, glass, packaging, electronics, chemicals, aluminum and metal parts. All Commercial suppliers are excluded, as they have a separate process, which is in process to be aligned.

Data is processed and collected through VELUX SAP Ariba procurement platform. All suppliers in scope must sign the Code of conduct, but there may be exceptions in cases where suppliers have similar or more thorough codes of conduct in place. All exceptions are documented. The Supplier code of conduct was revised and approved during 2022 and implementation has started.

Restatement

In 2022, there was an extension of scope to include all VELUX suppliers for direct material suppliers including suppliers with low criticality and annual spend. In 2020 and 2021 these suppliers were not included. This extension has been done from a completeness perspective to report on a total scope of all VELUX suppliers for direct material.

3.4 Anti-corruption e-learning completion

Organisational scope: VELUX Group

Assurance level: Limited

This indicator is part of VELUX communication and training about anti-corruption policies and procedures. The percentage relates to completion rate of anti-corruption training for selected employees based on their risk of exposure to corruption and bribery. This includes employees referring to Vice President Procurement and Vice President External Relations and Sustainability, as well as all level 1-3 senior managers and relevant sales and marketing employees. The indicator is based on the rate of completion of the anti-corruption e-learning module available in our e-learning platform Workday at year-end.

The completion rate is not as high as anticipated due to technical difficulties in transferring completion rate data from one system to another.

Management statement

The Board of Directors and the Executive Board of VELUX A/S including affiliates (hereafter the VELUX Group) have considered and adopted the Sustainability Report of the VELUX Group for the period 1 January to 31 December 2022.

The Sustainability Report 2022 has been prepared in accordance with the accounting practices and the sustainability governance.

In our opinion, the Sustainability Report provides a true and fair view of the VELUX Group's impact on society for the period 1 January to 31 December 2022. Further, in our opinion, the accounting principles applied are appropriate and the information given in the Sustainability Report is consistent with these accounting policies.

11 April, 2023

Management

Lars Petersson
CEO

Anders Götzsche
Executive Vice President, CFO

Jørgen Jensen
Chairman of the board

Henrik Lange
Vice Chairman of the board

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

Jean-Marc Lechêne
Member of the board

Eva Birgitte Bisgaard
Member of the board

Mads Kann-Rasmussen
Member of the board

Jimmy B. Laursen
Employee board member

Kurt Emil Eriksen
Employee board member

Finn W. Christiansen
Employee board member

Board of Directors

Independent auditor's Assurance Report

To the shareholders of VELUX A/S

As agreed, we have performed an examination with a combined reasonable and limited assurance, as defined by the International Standards on Assurance Engagements, on the ESG accounting table in VELUX A/S' Sustainability Report 2022 (the 'Sustainability Report') for the period from 1 January to 31 December 2022.

Specifically, we are to conclude on the marked Key Performance Indicators in the ESG accounting table on page 65-66 in the Sustainability Report 2022 (the 'ESG accounting table'):

- Reasonable assurance over the Key Performance Indicators identified in the ESG accounting table for 2022 on pages 65-66, marked with a "Reasonable Assurance Icon". ●
- Limited assurance over the Key Performance Indicators identified in the ESG accounting table for 2022 on pages 65-66, marked with a "Limited Assurance Icon". ○

In preparing the ESG accounting table, VELUX applied the Accounting practices described on pages 67-72. The ESG accounting table needs to be read and understood together with the Accounting practices, which management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate and measure the ESG accounting table allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Sustainability Report, and accordingly, we do not express an opinion on this information.

Management's responsibilities

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

Auditor's responsibilities

Our responsibility is to express a conclusion based on our examinations on the presentation of the ESG accounting table in accordance with the scope defined above.

We conducted our examinations in accordance with 'ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information' and additional requirements under Danish audit regulation to obtain assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence

and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed

In reaching reasonable assurance over the Key Performance Indicators identified in the ESG accounting table on pages 65-66, marked with a "Reasonable Assurance Icon", our objective was to perform such procedures, on a sample basis, as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express an opinion with reasonable assurance.

In reaching limited assurance over the Key Performance Indicators identified in the ESG accounting table on pages 65-66, marked with a "Limited Assurance Icon", our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance.

Procedures performed in reaching limited assurance opinion vary in nature and timing and are less in extent than for a reasonable assurance opinion. Consequently, the level of assurance obtained in reaching a limited assurance opinion is substantially lower than the assurance obtained in reaching our reasonable assurance opinion.

As part of our examination and based on our professional judgement, we have performed the below, procedures:

- Interviewed those in charge of ESG accounting table to develop an understanding of the process for the preparation of the Sustainability Report and for carrying out internal control procedures.

- Performed analytical review of the data and trends to identify areas of the ESG accounting table with a higher risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries we evaluated the appropriateness of Accounting practices used, their consistent application and related disclosures in the ESG accounting table. This includes the reasonableness of estimates made by management.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our opinion.
- In connection with our procedures, we read the other sustainability information in the Sustainability Report of VELUX and, in doing so, considered whether the other sustainability information is materially inconsistent with the ESG accounting table or our knowledge obtained in the review or otherwise appear to be materially misstated.

In addition to the above we performed the following procedures for the Key Performance Indicators identified ESG accounting table subject to reasonable assurance:

- Agreed key items and representative samples based on generally accepted sampling methodology to source information to check accuracy and completeness of the data.
- Site visits to conduct walkthroughs of data gathering, calculation and consolidation processes related to the reasonable assurance of metrics.

In our opinion, the examinations performed provide a sufficient basis for our conclusion.

Conclusion

In our opinion the sustainability information for the Key Performance Indicators identified in the ESG accounting table for on pages 65-66, marked with a “Reasonable Assurance Icon” in

VELUX A/S’ Sustainability Report for the period from 1 January to 31 December 2022 which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the Accounting practices on pages 67-72.

Based on the limited assurance procedures we have performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Key Performance Indicators identified in the ESG accounting table on pages 65-66, marked with a “Limited Assurance Icon” in VELUX’s Sustainability Report for the period 1 January to 31 December 2022 subject to our limited assurance procedures, have not been prepared, in all material respects, in accordance with the Accounting practices described on pages 67-72.

København, April 11 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Lars Fermann
State Authorised Public Accountant
mne45879



Read more

[VELUX.com/what-we-do/sustainability](https://www.velux.com/what-we-do/sustainability)

[VELUX.com](https://www.velux.com)

[press@VELUX.com](mailto:press@velux.com)

Photographers

Adam Mørk (1, 27) / Ole Ziegler (15)

WWF Denmark Jonas Lysholdt Ejderskov (17)

BayWa re. (20) / Adam Mørk (27)

Living Places by EFFEKT architects, MOE and VELUX (28, 29)

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