

Guidance about

- Supplier carbon footprint data reporting**
- Definition of recycling content for scrap**

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Introduction



VELUX has committed to a carbon emissions reduction target with the Science Based Targets initiative (SBTi)¹ that covers both its own operations and wider value chain. VELUX's SBTi reduction targets are as follows:

- VELUX commits to reduce absolute scope 1 and 2 (own operations) greenhouse gas emissions 100% by 2030 from a 2020 base year.
- VELUX also commits to reduce absolute scope 3 (value chain) greenhouse gas emissions 50% by 2030 from a 2020 base year.

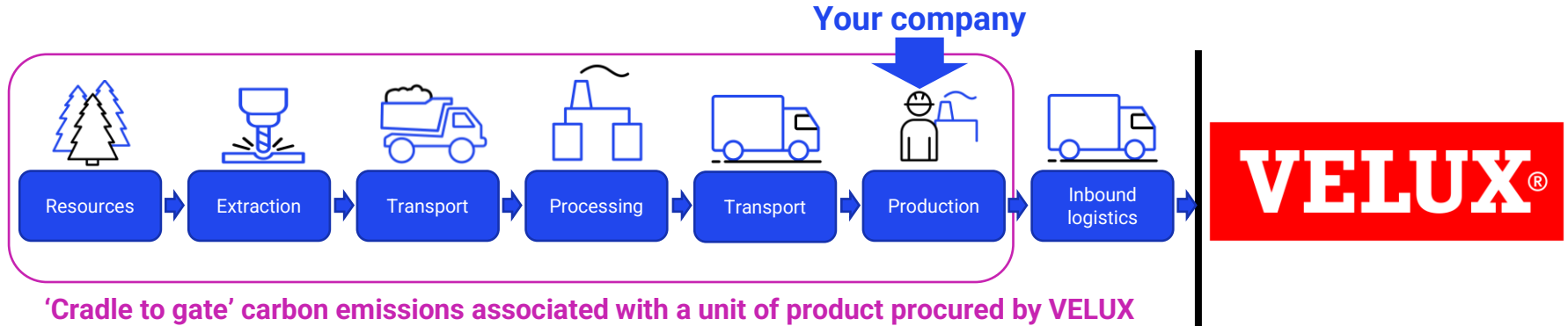
Specifically, **VELUX needs to significantly reduce the supply chain carbon emissions associated with the products and materials it purchases.**

1. Refer to appendix 1 for further information on the SBTi.

What should the carbon footprint data you provide to VELUX include and exclude?



To align with the SBTi's requirements, VELUX needs the following information:



'Cradle to gate' carbon emissions associated with a unit of product procured by VELUX

VELUX's climate commitments require decarbonisation of the 'cradle to gate' supply chain emissions related to purchased products and materials.

This **CAN** be achieved by:

- Reductions through emissions reductions initiatives (e.g. energy efficiency)
- Reductions through procurement and use of renewable energy (in line with relevant emissions accounting guidance¹)

This **CANNOT** be achieved by: (but still good practice)

- Carbon credits/carbon offsets
- Greenhouse gas removals (including biogenic removals)
- Accounting for avoided emissions



Carbon footprint data provided to VELUX should **not** include any emission reductions achieved through these actions or if it does, this needs to be highlighted

1. Accounting for renewable energy should follow the GHG Protocol's guidance found in ch.7 of the [Corporate Standard - Scope 2 Guidance](#).

Suppliers can provide VELUX with three types of carbon footprint data, with product-level data preferred



Product-related
carbon footprint data

**Option 1:
Product carbon
footprint (cradle-to-
gate)**

- Measurement of the total greenhouse gas emissions generated by a product over its life cycle stages.

**Option 2:
Environmental
Product Declaration
(EPD)**

- Standardised document that details a product's environmental impact across lifecycle stages.

Preferred – with as much supporting detail as possible (methodology, data inputs, assumptions, and calculations).

Organisational
carbon footprint data
that is attributed to a
products sold

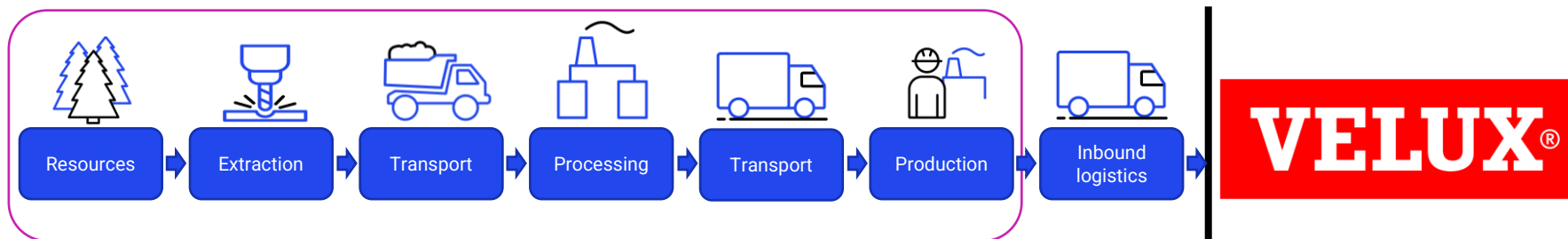
**Option 3:
Organisational Scope
1, 2 and 3 emissions
allocated to VELUX**

- Estimated proportion of supplier Scope 1, 2 and 3 emissions allocated to VELUX

Option 1: Product carbon footprint



Definition	<ul style="list-style-type: none"> Measurement of the total greenhouse gas emissions generated by a product over its life cycle stages (see diagram below).
Minimum useful information	<ul style="list-style-type: none"> Specifically report cradle-to-gate emissions, <i>stating what phases have been included or excluded within the cradle-to-gate footprint boundary.</i> Adhere to relevant standards, requirements and methodologies¹. Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	<ul style="list-style-type: none"> Provide a breakdown of each phase of cradle-to-gate emissions (see diagram below). Emission factors used for the calculation of each stage, methodology, calculations, and key assumptions. Ideally the product carbon footprint should be independently verified.



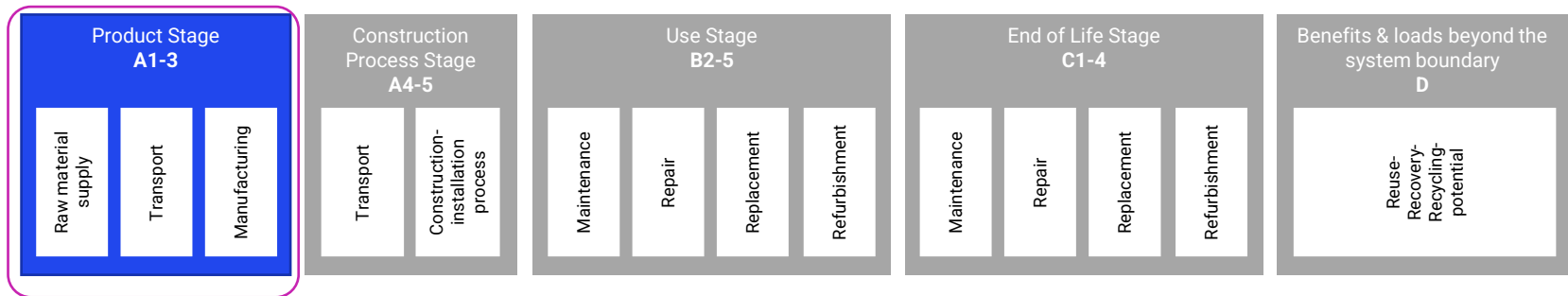
'Cradle to gate' carbon footprint

1. Product carbon footprint standards include: [GHG Protocol Product Standard](#); [PAS 2050](#); [ISO 14067:2018](#). If your product carbon footprint has been done as part of an LCA, it should adhere to the following standards include: [ISO 14040:2006](#) or [ISO 14044:2006](#)

Option 2: Environmental Product Declaration (EPD)



Definition	<ul style="list-style-type: none"> • A standardised document that details a product’s environmental impact (see diagram below). • Produced on the basis of a LCA report but contains less information (i.e. results instead of calculations). • Must be verified by an independent expert and normally has a validity of 5 years.
Minimum useful information	<ul style="list-style-type: none"> • Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	<ul style="list-style-type: none"> • Breakdown of product stage emissions, providing separate calculation of A1, A2 and A3. • Cradle-to-gate product carbon footprint (see slide above) that the EPD is based on. • Emission factors used for the calculation of each stage, as well as methodology, calculations, and key assumptions.



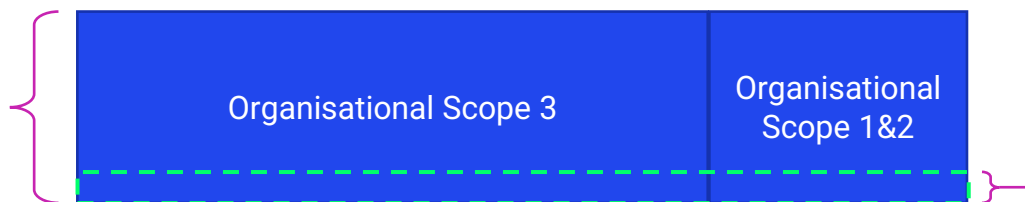
'Cradle to gate'
carbon footprint

Option 3: Organisational Scope 1, 2 and 3 emissions allocated to VELUX



Definition	<ul style="list-style-type: none"> Estimated proportion of supplier Scope 1, 2 and 3 emissions allocated to VELUX (see diagram below).
Minimum useful information	<ul style="list-style-type: none"> Calculated output based on an allocation methodology (to be provided to VELUX); OR Scope 1, 2 and 3 data with allocation factor (%) to be applied. Scope 1, 2 and 3 footprint calculations must adhere to GHG Protocol standards¹. Identification of what Scope 3 emission categories are included within the footprint³. Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	<ul style="list-style-type: none"> Organisational Scope 1, 2 and 3 footprints should be externally verified. The organisational footprints used for the basis of allocation should relate as closely as possible to the areas of the supplier's business that manufacture and sell to VELUX – e.g. specific business unit or, ideally, factory site-level.

Organisational footprint may be at the total company level, business unit level, or site level. The more specific/relevant to products sold to VELUX the better.



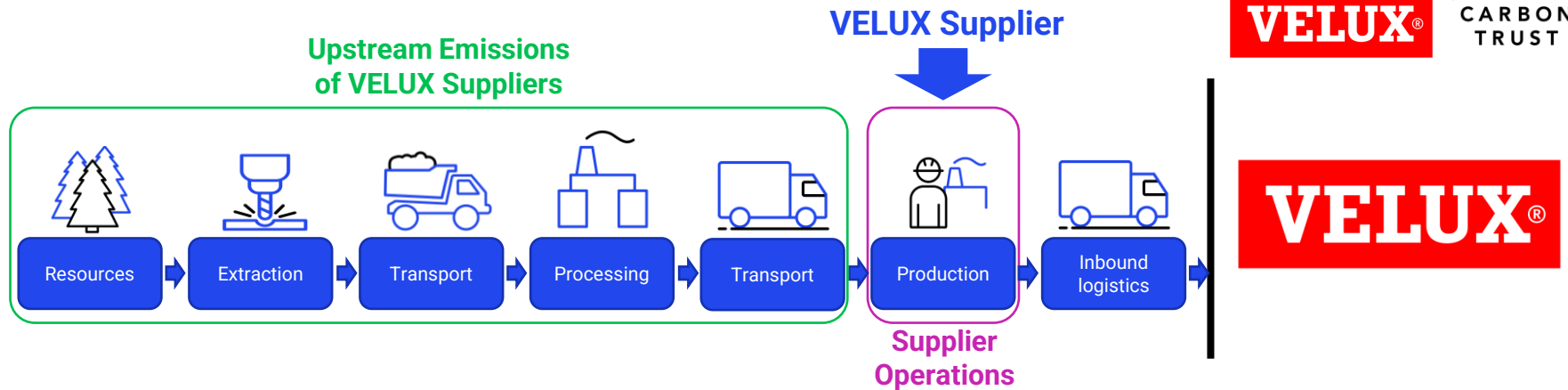
Supplier emissions related to products sold to VELUX (equivalent to cradle to gate). Calculation based on proportion of sales to VELUX vs. total sales within the period.

- [GHG Protocol Corporate Standard](#) for Scope 1&2 and [GHG Protocol Scope 3 Standard](#)
- Refer to appendix 2 for full list of Scope 3 categories.
- Alternatively, this can be calculated by the company and the portion of the footprint which relates to VELUX is provided. NOTE: it should still be specified what Scope 3 emissions categories have been included.

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Definition of recycling content for scrap

What carbon footprint related data VELUX is requesting?



Required Data:

VELUX suppliers need to provide 'Cradle to Gate' carbon emissions associated with a unit of product procured by VELUX. This should account for all emissions generated for that product along all the supply chain:

- **Upstream emissions**, e.g. the emissions associated with the materials they procure and the transport of that material to them
- **Emissions generated at the supplier's operations**, for example fuel & energy use

Accounting for recycled content:

Can be included: Recycled content in procurement.
E.g. if 50% of a procured material for this product was purchased from a recycled source then 50% of this input material can be considered recycled content.

Cannot be included: Recycled content in operations.
E.g. if 20% of a material is wasted during a process and re-used, then the recycled content of the overall material input has not changed. In this case, the energy use associated with this product should increase, since 20% of the material will need to have been processed twice.

What scrap can be considered recycled content?



Type of Scrap	Definition	GHG Protocol	Guidance
Production	Scrap generated during production and recycled on-site	“The production stage starts when the product components enter the production site of the studied product and ends when the finished studied product leaves the production gate” *	Should not be considered recycled content (it is part of production stage)
Pre-consumer	Scrap generated during the value chain between the supplier & end consumer	“Recycling occurs when a product or material exits the life cycle of the studied product to be reused or recycled as a material input into another product’s life cycle.” *	Could be considered recycled content ONLY: - IF It has passed from supplier to the final product assembler - IF it is not a return, repair or equivalent
Post-consumer	Scrap generated by consumers (end of life)	“The end-of-life stage begins when the used product is discarded by the consumer and ends when the product is returned to nature (e.g., incinerated) or allocated to another product’s life cycle (e.g., recycled).” *	Should be considered recycled content (has completed full life cycle)

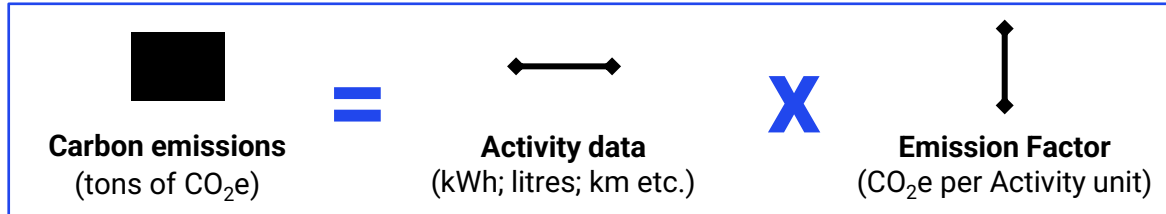
Product footprints can be certified against internationally recognised standards, such as PAS2050, GHGP Product Standard or ISO14067.

SBTi follows GHGP standards

* [Product Standard | Greenhouse Gas Protocol \(ghgprotocol.org\)](https://www.ghgprotocol.org/)

Emission Factors

Carbon emissions is the product of Activity Data and an appropriate Emission Factor



- There are a number of databases from which to source emission factors
- Emission factors should be:
 - Supplier-specific, where possible
 - Consistent with the granularity of activity data (e.g. if you have liters of diesel used, you should use a kgCO₂e per volume factor rather than estimating distance travelled and applying an average kgCO₂e per kilometer)
 - Recent, wherever possible, and as consistent as possible year-on-year (i.e. if activity data or product has not significantly changed in nature then a new type of factor or new database should only be used if justifiably more appropriate)
 - Covering the correct stages for the emissions you are representing (i.e. covering all life cycle stages the data represents)
 - Compliant with the standards you are following in your Carbon footprint balance (e.g. GHGP, ISO, PAS)

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Appendix 1

Appendix: The Science Based Targets initiative (SBTi)



WORLD
RESOURCES
INSTITUTE



The SBTi is a joint initiative between the CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI), and the WWF. The initiative does the following:

- Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.
- Develops sector guidance for setting science-based emissions reduction targets.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.
- Validates and tracks progress for science-based targets set by organisations.

Appendix:



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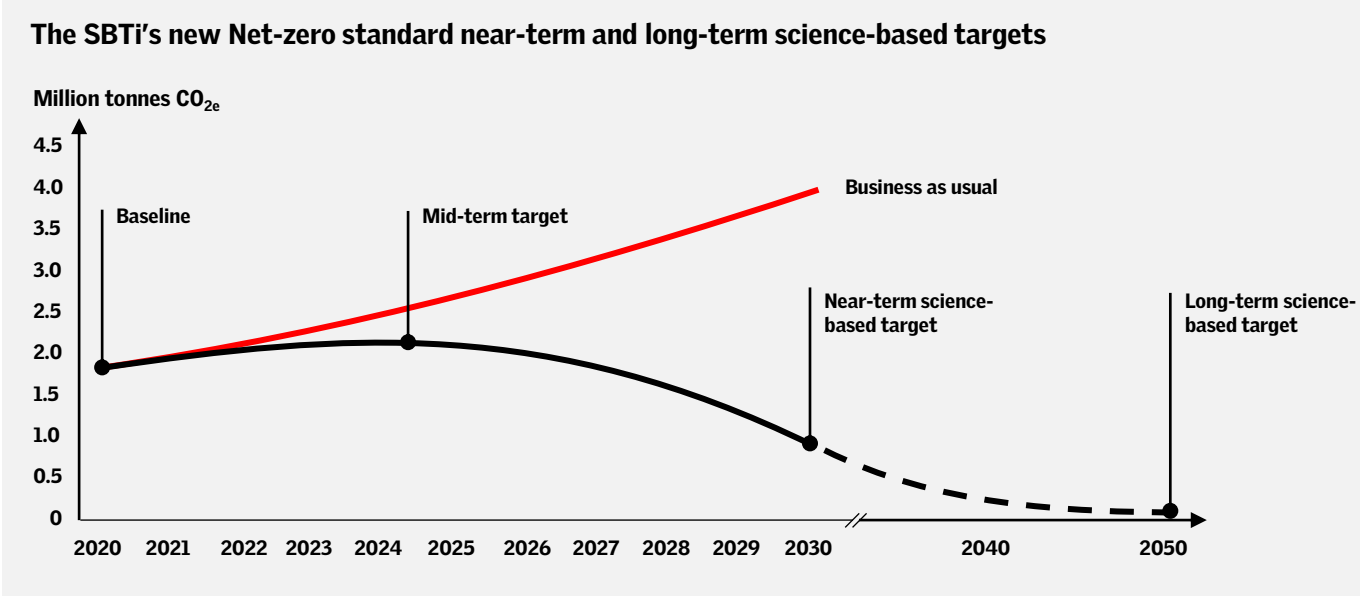


- Avoided emissions are **emission reductions that occur outside of a product's life cycle or value chain, but as a result of the use of that product.**
- A **carbon offset** is a reduction or removal of emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.
- **Carbon credit** is a generic term for any tradable certificate or permit representing the right to emit a set amount of carbon dioxide or the equivalent ...
- Greenhouse Gas Removal (GGR) Technologies (also known as Negative Emissions Technologies (NETS)) fit under the umbrella of Geo-engineering, along with Solar Radiation Management (SRM). **GGR technologies remove CO₂ from the atmosphere, either capturing it directly from the air or indirectly via biomass.**

TO MAINTAIN SBTI COMMITMENT WE MUST BREAK THE CURVE IN 2025

SBTI commitments:

- ▶ We must achieve an intermediate target for 2025
 - ▶ - We have stopped growth of CO₂ emission by end of 2024 and shown 2 negative growth points in 2025¹
- ▶ We have a near term target for 2030 at 50% reduction²
- ▶ We have to declare a strategy to achieve net zero by 2050 within 2 years (end of 2023)³



Source: Science Based Targets Initiative (20/09/2021)

¹This will be the subject of the mid-decade review with SBTi.
²In line with the 1.5-degree pathway.
³To remain on the most ambitious pathway as per our stated goal

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Appendix 2

Appendix 2: Scope 3 emissions categories 1/2



Upstream emissions categories		
Category 1.	Purchased goods and services	Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise accounted for in either Scope 1 & 2 or Categories 2 – 8.
Category 2.	Capital goods	Extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year.
Category 3.	Fuel and energy related emissions	Extraction, production, and transportation of fuels and energy purchased or acquired by the reporting company in the reporting year, not already accounted for in scope 1 or scope 2.
Category 4.	Upstream transportation and distribution	Transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics (e.g., of sold products), and transportation and distribution between a company's own facilities (in vehicles and facilities not owned or controlled by the reporting company).
Category 5.	Waste generated in operations	Disposal and treatment of waste generated in the reporting company's operations in the reporting year (in facilities not owned or controlled by the reporting company).
Category 6.	Business travel	Transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company).
Category 7.	Employee commuting	Transportation of employees between their homes and their worksites during the reporting year (in vehicles not owned or operated by the reporting company).
Category 8.	Upstream leased assets	Operation of assets leased by the reporting company (lessee) in the reporting year and not included in scope 1 and scope 2 – reported by lessee.

Appendix 2: Scope 3 emissions categories 2/2



Downstream emissions categories		
Category 9.	Downstream transportation and distribution	Transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer (if not paid for by the reporting company), including retail and storage (in vehicles and facilities not owned or controlled by the reporting company).
Category 10.	Processing of sold products	Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers).
Category 11.	Use of sold products	End use of goods and services sold by the reporting company in the reporting year.
Category 12.	End-of-life treatment of sold products	Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life.
Category 13.	Downstream leased assets	Operation of assets owned by the reporting company (lessor) and leased to other entities in the reporting year, not included in scope 1 and scope 2 – reported by lessor.
Category 14.	Franchises	Operation of franchises in the reporting year, not included in scope 1 and scope 2 – reported by franchisor.
Category 15.	Investments	Operation of investments (including equity and debt investments and project finance) in the reporting year, not included in scope 1 or scope 2.



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The logo for VELUX, consisting of the word "VELUX" in a bold, white, sans-serif font with a registered trademark symbol (®) to the right, all contained within a red rectangular background.