

SUSTAINABILITY
PROGRESS REPORT
2022 | 2023





TAKING CARE OF A BETTER CLIMATE.

Inside each home and
the world around it.

ABOUT THIS REPORT

The Sustainability Progress Report 2022 | 2023 provides information on the Vaillant Group's activities in the area of sustainability. It covers our management approach, strategic focus areas, sustainability activities and the sustainability targets for 2030 derived from them. Key performance indicators used within the Vaillant Group supplement this information.

In previous years, our Sustainability Progress Report also included the section "The Ten Principles of the UN Global Compact". As of this year, the Communication on Progress (CoP) for the United Nations Global Compact (UNGC) can be accessed on the UNGC website. With that in mind, we have not included this section in the 2022 | 2023 Progress Report and the reporting is more heavily focused on our SEEDS sustainability programme.

Further information on our sustainability activities and in particular the relaunch of our SEEDS sustainability programme can be found on our website:

www.vaillant-group.com

The key figures presented in this report relate to the 2022 financial year, and the information on some of our sustainability activities also relates to 2023. This is explicitly mentioned in the text where relevant. All key sustainability indicators from the first period of our sustainability programme (2010–2019) are included in the Sustainability Progress Report 2019 | 2020, which is available on the company's website.

<https://www.vaillant-group.com/news-stories/media-downloads/overview.html>



SEEDS – the Vaillant Group’s sustainability programme

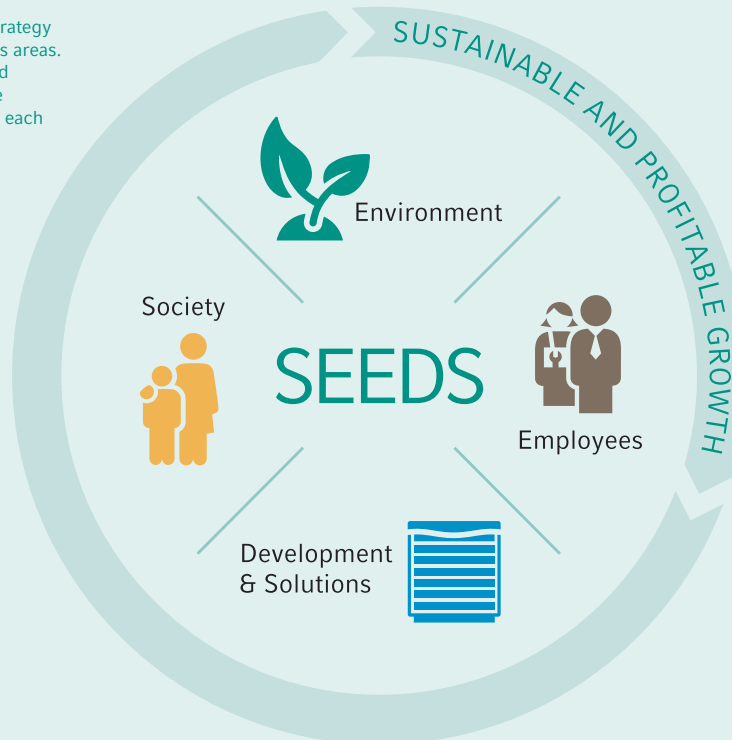
In order to secure the long-term economic success of the company, the Vaillant Group focuses on ecological and social aspects as well as economic ones. Our customers have clear-cut expectations regarding the energy and resource efficiency of our devices. For us, however, sustainability means more than developing and selling particularly energy-saving products. It means that the strategic and operational decisions taken by a company must consider factors related to sustainability. We therefore always have to ask ourselves what direct and indirect effects business decisions and the company’s actions will have on people and the environment.

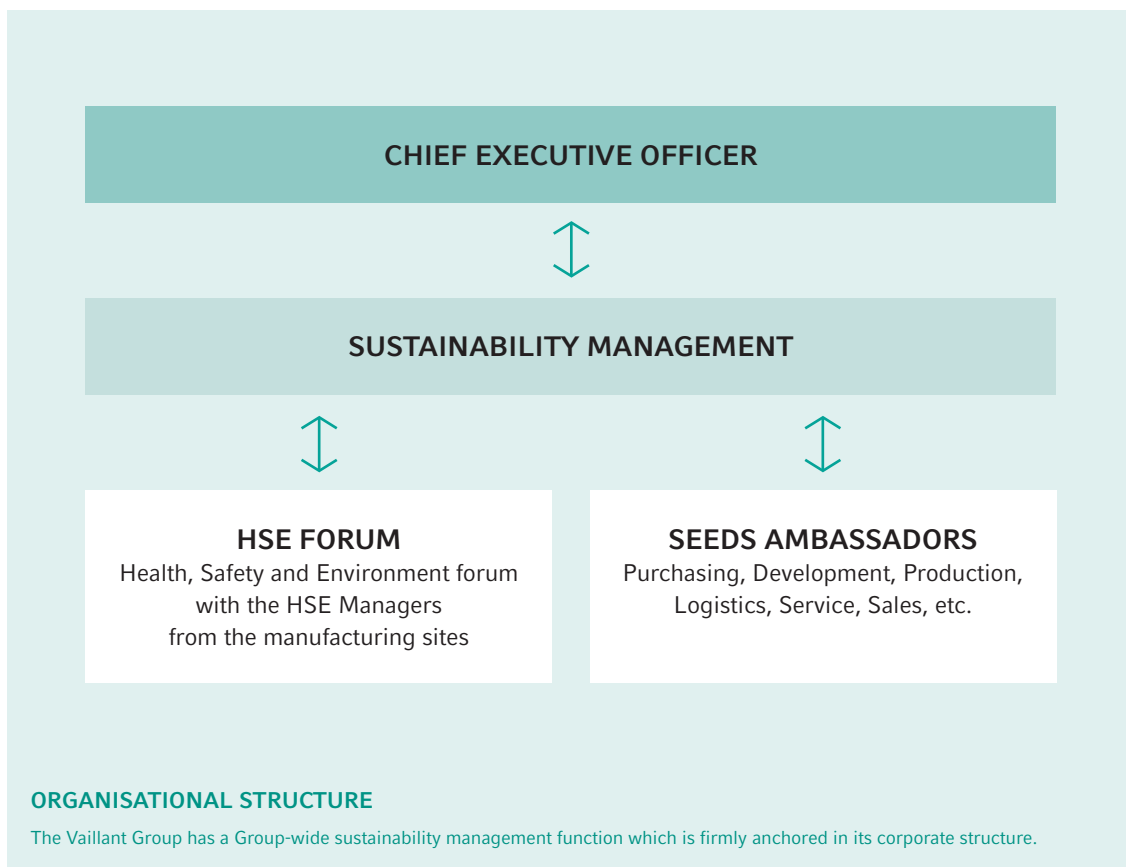
SUSTAINABILITY PROGRAMME

The Vaillant Group consolidates its sustainability activities in the strategic programme SEEDS. The name of the programme stands for Sustainability in Environment, Employees, Development & Solutions and Society. Binding, quantifiable targets have been set in the following focus areas: Environment, Employees, Development & Solutions and Society. We develop specific measures based on these targets and regularly monitor the results. SEEDS forms the ethical foundation of the Vaillant Group. The programme is based on a holistic understanding of sustainability and supports the Vaillant Group’s corporate vision “Taking care of a better climate. Inside each home and the world around it”. All activities in the area of sustainability are related to the company’s core business and thus contribute to the long-term success of the company.

FOCUS AREAS

Our sustainability strategy comprises four focus areas. We have defined and continuously pursue long-term targets in each of these areas.





SUSTAINABILITY ORGANISATION

The Sustainability Management department is assigned to the Corporate Communications, Sustainability & Government Relations division. It reports directly to the CEO of the Vaillant Group. The team sets sustainability targets in close consultation with the Management Board, the individual departments and the company's business units, systematically monitors their progress and provides impetus for improving company-wide sustainability performance. In addition, the Group-wide environmental management system, which is certified in accordance with the DIN EN ISO 14001 standard, is also controlled centrally from here.

In order to ensure that sustainability is enshrined within the organisation on an ongoing basis, we operate an international network of internal sustainability representatives (SEEDS Ambassadors) who record and assess sustainability aspects in the respective core areas and international subsidiaries of the company. The recent developments relating to various sustainability topics are presented and discussed as part of an annual meeting of the SEEDS Ambassadors. Beyond our own business activities,

we support responsible business practices as part of several initiatives. Among others, we are a member of the Development and Climate Alliance and B.A.U.M. e.V. In that context, we are particularly involved in the B.A.U.M. e.V./Nordakademie Sustainability Leadership Forum. In 2023, we took another important step in terms of networking and the exchange of know-how by joining econsense's Sustainability Competence Programme.

We endeavour to raise awareness of sustainability issues among our employees. New Vaillant Group employees in Germany take part in an introductory event on the company's sustainability management as part of their induction. Since 2021, this training has also been open to all other employees and can be booked by anyone interested via an online system. In addition, sustainability is a focal point of the Vaillant Group's international graduate programme "SustainabiliTeam".

SEEDS management system

MANAGEMENT APPROACH

We manage our sustainability performance using an established standard: the classic management circle applied to corporate management systems. On the basis of the sustainability strategy, binding and verifiable targets are set for all four focus areas in the SEEDS programme. To meet these targets, operational measures are defined and implemented together with the relevant divisions. In order to test how effective these measures are, key performance indicators (KPIs) and a target figure are established for all targets. We regularly monitor all relevant data on a Group-wide basis to calculate the individual KPIs. These are brought together in a central management tool, the Vaillant Group Sustainability Scorecard. The scorecard is updated quarterly and made available internally. When analysing the figures, we take into account specific factors such as changes to production capacities and current production volumes. In the annual review, we compare the current values with the same periods in the previous year and the long-term targets in order to establish a reliable picture of our sustainability performance.

PRIORITISATION

Sustainability affects many different topics, functions and processes in a company. In order to successfully implement comprehensive sustainability management, a clear strategy is required which success is measured against binding targets. This includes a shared understanding of which fields of action are particularly important – from the point of view of both the company and its stakeholders. To establish this, we conducted a systematic survey of customers, partners, suppliers, employees, shareholders and other relevant stakeholders. This has allowed us to identify and define the sustainability topics that are material to our business activities. The results have

shown that climate-friendly and environmentally friendly products and services, resource conservation and the fulfilment of our customers' ever-growing requirements for comfort are particularly significant to us. In addition to climate protection and the associated international target of limiting global warming to a maximum of 1.5 degrees Celsius, we prioritise the promotion of sustainability in the supply chain and the protection of human rights. The sustainability topics that are material to us and their prioritisation are regularly reviewed.

The Vaillant Group will be subject to the future reporting requirements of the European Corporate Sustainability Reporting Directive (CSRD). The fulfilment of the associated reporting obligations also involves a materiality analysis. The criteria and specifications of the CSRD differ from previous commonly used methods. With that in mind, we will adapt our analysis to the new future requirements.

SYSTEMS AND PROCESSES

Uniform, company-wide processes are necessary to improve the sustainability performance in an international company. This is because Group-wide processes are needed to set standards that ensure sustainability aspects are taken into account throughout the value chain. We take this approach both in relation to our products and to our own business activities. For example, sustainability aspects are anchored in the product development processes, from product strategy to market launch, by defined criteria. To manage company performance in terms of environmental protection, occupational health and safety as well as quality, the Vaillant Group uses differentiated management systems that are based on internationally recognised standards. The Vaillant Group regularly has the implementation of these systems audited by independent institutes as part of certification processes. Our production and development sites have been certified in accordance with quality standard DIN EN ISO 9001, environmental standard DIN EN ISO 14001 and international health and safety standard DIN EN ISO 45001.

SEEDS MANAGEMENT CIRCLE

We manage our sustainability performance using an established approach: the classic management circle applied to corporate management systems.



Environment
focus area



Employees
focus area



Development & Solutions
focus area



Society
focus area

SEEDS SUSTAINABILITY TARGETS FOR 2030

Since the introduction of the Group-wide SEEDS sustainability programme, the Vaillant Group has achieved many of the targets it has set itself. In the period from 2010 to 2018, absolute energy consumption decreased by around 14 per cent despite sales growth and significantly higher production volumes. In the same period, CO₂ emissions were reduced by 16 per cent.

With the relaunch of SEEDS, the Vaillant Group has set new sustainability targets for 2030 in its four focus areas. These are presented below. The base year of most new targets is 2018. The base year for our Scope 3 climate protection targets is 2019.

All sustainability indicators are continuously recorded across the company and consolidated in a central reporting tool, the Vaillant Group Sustainability Scorecard. Since 2022, sustainability software has supported the analysis, management and reporting of key sustainability indicators.



100%

social checks
in supplier audits



Min. 2

projects with
SOS Children's Villages

¹ In production plants, in relation to product turnover, base year 2018

² Per million euros value added, base year 2019



-50%

CO₂ emissions
(Scope 1+2)



100%

electricity from renewable
energy sources



-40%¹

energy
consumption



85%

net promoter score
(SENSOR)



0

work related
incidents



-55%²

CO₂-Emissionen
(Scope 3)



65%

internally filled
management positions



ENVIRONMENT FOCUS AREA

CONCEPT

Our corporate vision includes a strong link to environmental sustainability: "Taking care of a better climate. Inside each home and the world around it." The basis for the implementation of this vision is our environmental policy, in which we have defined the key principles of our actions. This framework is supported by Group-wide, binding environmental targets in the two SEEDS focus areas Development & Solutions and Environment. When it comes to climate protection, we follow science-based targets. Since 2020, 100 per cent of the electricity that cannot be generated internally by the company has been acquired from renewable energy sources. Since 2020, we have been offsetting all remaining greenhouse gas emissions that arise within our own business activities (Scopes 1 and 2) despite intensive CO₂ reduction measures with high-quality CO₂ certificates from a land use and afforestation project in Panama. In addition, in 2022, together with other partners, we initiated our own afforestation project in the north of Costa Rica. The newly emerging forest was planted on an area of over 1,000 hectares that was formerly used as pasture. The aim of this afforestation is to restore the near-natural rainforest. This supports biodiversity and improves water quality in the region. The project offers local people long-term employment opportunities through new jobs. The afforestation activities were certified according to the internationally recognised Gold Standard. In addition, we regularly analyse our internal processes and, if necessary, supplement them with environmental criteria. To ensure that our management approach has a sound basis, we have established multi-site certification in accordance with DIN EN ISO 14001.

As part of the environmental management system certified according to DIN EN ISO 14001, we implement measures on an ongoing basis at our production and development sites to reduce energy and water consumption, as well as waste volume. To this end, we systematically analyse potential to increase energy efficiency at our sites, among other things. The focus is on the consumption of energy and in particular gas in the production processes and the buildings. The expansion of the regulations on mobile work a few years ago has created opportunities to reduce office space and thus save energy. The office space at the headquarters in Remscheid, which is still in use, is mainly located in buildings with low energy requirements. We recirculate the required water, if possible. In addition, we use recyclable packaging for production materials. Environ-

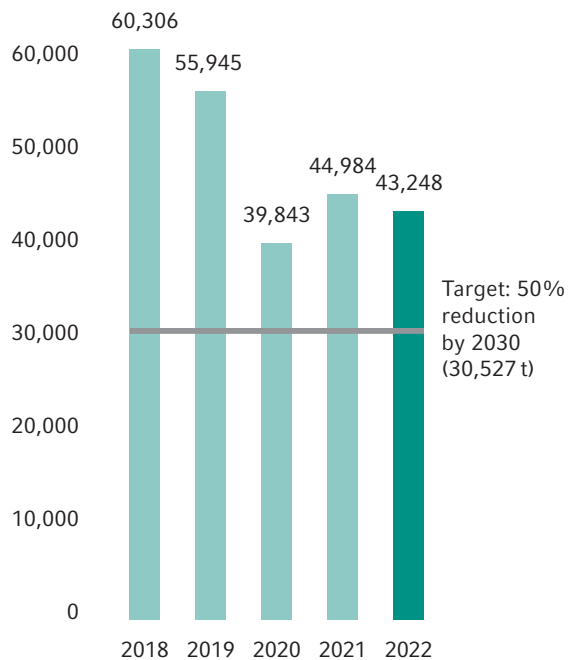
mental training including job-specific content is carried out regularly, especially in production. We check the compliance with and effectiveness of our environmental management system through annual internal and external audits. We also expect our suppliers to comply with applicable legal environmental standards and, where possible, to establish and further develop a certified environmental management system.

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Climate targets: the Vaillant Group set itself ambitious climate targets in accordance with the requirements of the Science Based Targets initiative (SBTi) in order to substantially reduce CO₂ emissions within its own area of business responsibility (Scopes 1 and 2) and in the value chain (Scope 3) and thus make a significant contribution to compliance with the global climate protection targets set out in the Paris Agreement. In concrete terms, the Vaillant Group will gradually halve CO₂ emissions of its own business activities from around 60,000 tonnes per year in 2018 to around 30,000 tonnes by 2030. In the Greenhouse Gas Protocol, these emissions fall within Scope 1 and Scope 2. This will be achieved through the consistent use of electricity from renewable energy sources, efficiency measures in buildings and production and switching to an electric vehicle fleet. In accordance with the Greenhouse Gas Protocol, the Vaillant Group factors in all other relevant greenhouse gases under the Kyoto Protocol alongside CO₂. Emissions of these gases are converted into so-called CO₂ equivalents and included in the calculation of the Vaillant Group's carbon footprint.

Vehicle fleet: we are planning measures to improve the environmental sustainability of our vehicle fleet (passenger cars and commercial vehicles). This includes, in particular, switching from vehicles with combustion engines to electrically powered vehicles. In the Vaillant Group national sales companies with the seven largest vehicle fleets, more than 150 electric vehicles have been ordered thus far. In addition, we are further expanding the charging infrastructure at our company locations.

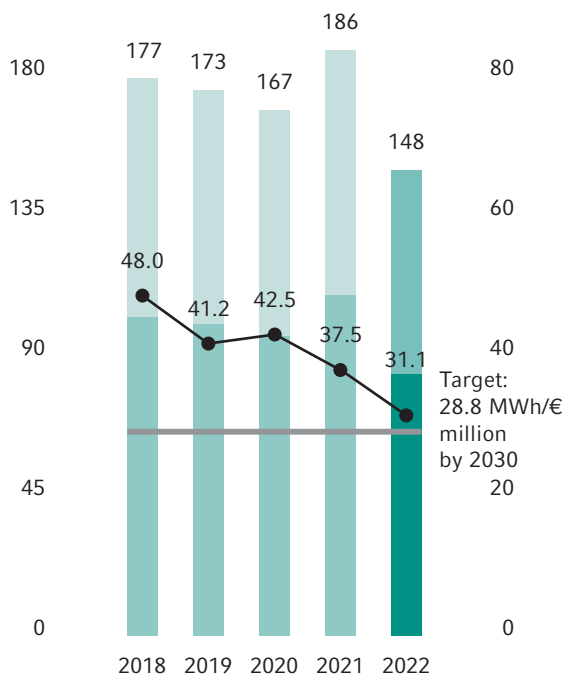
Greenhouse gas emissions from our own business activities (Scopes 1 and 2)



As the basis for its climate strategy, the Vaillant Group has been monitoring its greenhouse gas emissions in accordance with the internationally recognised Greenhouse Gas Protocol standard since 2018. Since 2020, only electricity from renewable energy sources has been used. The biggest remaining areas of leverage to reduce our greenhouse gas emissions are the vehicle fleet and gas consumption in production and for heating buildings. Following significantly lower vehicle mileage and emissions during the COVID-19 pandemic in 2020 and 2021, there was a renewed increase in 2022. The emissions from our vehicles are now back to the level of 2019. At the Vaillant Group's production sites, natural gas consumption was significantly reduced in 2022 with the help of efficiency and savings measures in production and heating energy consumption, which led to an overall reduction in Scope 1 greenhouse gas emissions. Compared to the base year 2018, we had reduced our CO₂ emissions by 25 per cent by the end of 2022. The remaining approximately 43,250 tonnes of CO₂ from 2022 were offset by certificates from a Gold Standard-certified afforestation project in Panama.

■ CO₂ emissions in metric tons
— Target for 2030

Energy consumption

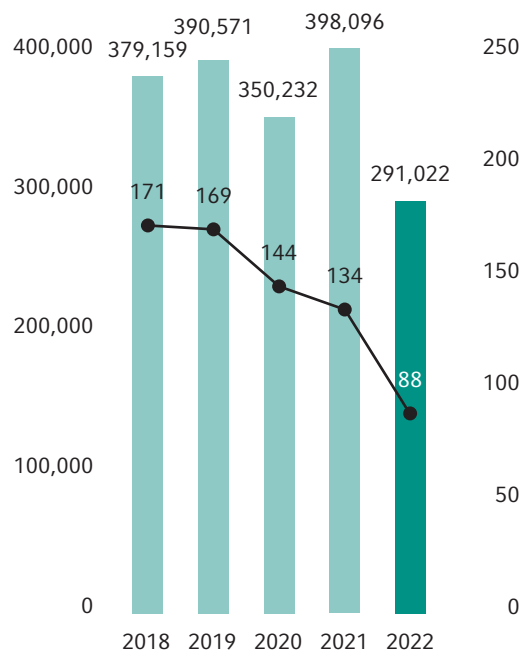


The total energy consumption includes the electricity and gas consumption of the production sites. Since 2018, the consumption of the sales companies has also been calculated. After an increase in the previous year, gas and electricity consumption has now been reduced again. Energy consumption in relation to product sales is still considerably below the linear target achievement path for 2030.

■ Electricity consumption in GWh
■ Gas consumption in GWh
● Energy consumption in production in relation to product sales, MWh/€ million
— Target for 2030



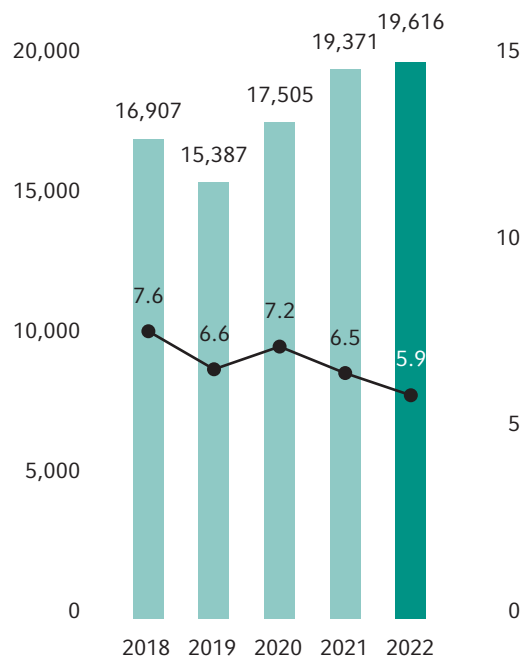
Water consumption



The significant decrease in water consumption in 2022 compared to the previous year is due to the conversion of water-intensive production processes and the targeted implementation of savings measures at our sites.

■ Water consumption in m³
● Water consumption in relation to product sales, m³/€ million

Waste volume



Since 2019, we have been perceiving an increasing amount of waste. One of the main reasons for this is the growing share of heat pumps in the total production volume. As a result, waste volumes and streams are changing, especially with regard to packaging waste. With that in mind, we are continuously identifying and analysing potential levers and measures to reduce the amount of waste.

■ Waste volume in metric tons
● Waste volume in relation to product sales, t/€ million



EMPLOYEES FOCUS AREA

CONCEPT

We cultivate an open and friendly corporate culture, in which we treat each other fairly and offer mutual respect and support. Our employees see themselves as part of a large, international family and feel at home in the Vaillant Group. Many of them have been with the company for a long time and pass on their knowledge and experience to younger colleagues. This culture of partnership is supported by one of the Vaillant Group's five strategic priorities, "We Make It Happen" (WMIH). It is an important prerequisite for the success of the other four strategic goals and a key driver in uniting our employees worldwide into a strong community that ensures that the Vaillant Group successfully implements its vision and goals. Core elements of WMIH are cross-functional collaboration and open communication so that we act as ONE team, and anchoring a customer-focused, innovative and results-oriented approach within the company.

Continuous learning is key in this day and age. New knowledge and skills are required to keep up with the ever-accelerating pace of change. That's why we at the Vaillant Group use state-of-the-art methods to provide high-quality training worldwide. We support our employees in their targeted development: starting with vocational training, which 27 cooperative degree students and 35 trainees are currently taking part in across five apprenticeships and six cooperative study courses in Germany – in line with our motto: "The best skilled workers? Let's do it ourselves!". The company brings together job-specific qualifications and comprehensive measures to strengthen and develop interdisciplinary and social skills as well as professional skills under the umbrella of the Vaillant Group Academy. As a whole, we give our utmost to support the continuous learning of our employees and cross-departmental networking as best as possible. Our international transformation and the associated change in working environments is also supported by various functional academies. In this way, the respective employees gain the required knowledge in good time.

This is not only proven by official accreditations such as the "Investors in People" Gold Award in the UK, but also by our employees themselves when they give the company good ratings on websites like Kununu or Glassdoor and in the regular employee survey "SENSOR". The Vaillant Group was named a Kununu Top Company in 2023.

The development and retention of our talented employees are also close to our hearts. In addition to the global development opportunities for experts and managers, we have established a Group Talent Pool to support career planning and the targeted development of our top talents. The Group Talent Pool also helps them expand their network beyond their own function and country and increase their visibility within the Vaillant Group. In this way, we further train both our prospective and experienced managers and systematically prepare them for more complex tasks. Through targeted succession planning, this means we are often able to fill management positions from within our own ranks.

In 2021, we developed a comprehensive Diversity & Inclusion (D&I) strategy, which we have been implementing since 2022. It includes, among other things, methods to promote international exchange and cooperation, awareness-raising measures and targeted D&I activities with top management. Processes are also being reviewed and adapted accordingly: the recruitment training that all managers complete, for example, addresses the topic of unconscious bias.

The Vaillant Group attaches great importance to the safety and health of its employees. To this end, it maintains an effective occupational health and safety management system in which the active involvement and participation of employees plays an important role. Hazards are identified and assessed preventively in order to derive and implement the necessary protective measures. If an incident does occur, an accident analysis with appropriate measures to safeguard against the identified risk in the future is carried out as soon as possible. Learnings from accidents, as well as best practices from the various Vaillant Group sites, are systematically shared internationally. This is an example of effective knowledge management and makes an important contribution to our continuous improvement. At the production sites and our headquarters in Remscheid, the occupational health and safety management system is certified in accordance with ISO 45001.

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Increasing digitalisation is an important factor in informing and connecting all our employees and providing them with easy and secure access to HR self-services such as submitting holiday requests



and accessing digital payslips or the employee appraisal form. Since 2023, all employees in production and service also have been able to access the above-mentioned services – further services are currently being rolled out gradually, country by country.

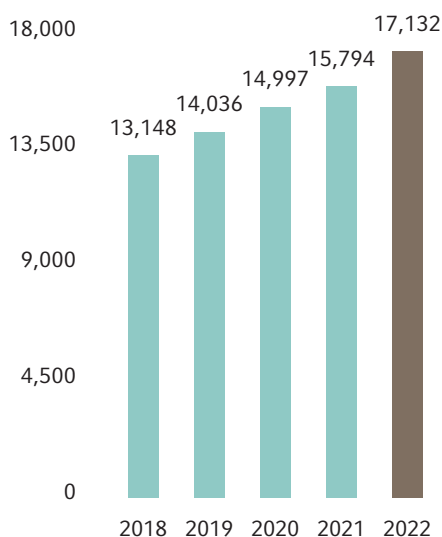
An app, which is now filled with country-specific content, has been introduced in order to get new employees onboarded quickly and to provide them with comprehensive information even before their first day at work. This allows new staff members to get to know us as an employer as soon as they have signed their contract.

The topic of reporting is also of great importance to us. Virtual dashboards are making it ever easier to process the latest data at the touch of a button, making KPIs simpler to track and creating transparency.

The possibilities offered by mobile working and virtual collaboration have exploded in recent years. This includes the expansion of the digital infrastructure and the introduction of virtual meetings, which make a completely new type of international cooperation possible. This was accompanied, for example, by special training courses for managers on how to lead virtual teams. In this way, mobile working (including from other European countries) and flexible working hours to balance work, family and leisure time have now become part of everyday life and provide fresh impetus for employees and managers.

Various programmes and measures are being implemented at the Vaillant Group's production sites in order to positively develop the corporate culture in terms of occupational health and safety. This includes measures for leadership development, as well as the use of various methods and tools to more firmly establish the importance of compliance with occupational health and safety requirements and generate the necessary awareness.

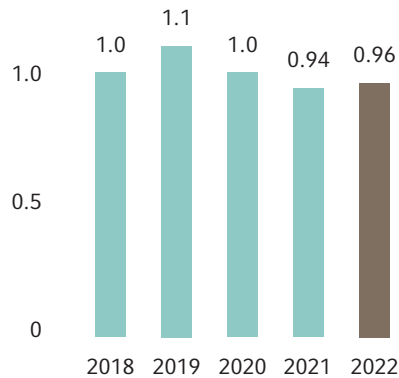
Number of employees



The number of employees has risen steadily in recent years and stood at 17,132 as of 31 December 2022. We are an internationally oriented company that has sales companies in more than 20 countries and is active in over 60. This is also reflected in the cultural diversity of our employees. In 2022, we employed people from a total of 76 nations.

Accident rate

Accidents at work total, TIR



The indicator for accidents at work is known as the total injury rate (TIR, accidents per 200,000 hours worked). The number of accidents at the company has been on the decline for years. In 2022, the value was 0.96. Our long-term aim is to reduce the number of work-related accidents to zero.

Recommendation rate and Employee Engagement Index

85%

The "SENSOR" employee survey in 2021 showed that 84 per cent of employees would recommend the Vaillant Group as an employer. In the last survey in 2018, the value was 80 per cent. The target of the planned survey in 2024 is to increase the recommendation rate to at least 85 per cent.

84%

Another indicator is the Employee Engagement Index, which measures the long-term loyalty of employees to their job/the Vaillant Group as an employer based on five criteria. These evaluate the motivation, pride and enthusiasm of employees at work. This figure was also 84 per cent in 2021.

Internal filling of management vacancies

64%

Our aim is to fill about two-thirds of management positions from within our own ranks. In 2022, it was possible to fill around 64 per cent of these positions internally on average.



DEVELOPMENT & SOLUTIONS FOCUS AREA

CONCEPT

The Vaillant Group develops energy-efficient and resource-saving products for heating, cooling and hot-water supply. In this way, we make an important contribution to the energy transition in the buildings sector. To this end, the Vaillant Group develops and produces future-oriented solutions, including heat pumps, solar thermal or photovoltaic systems, ventilation units for low-energy buildings, split air-conditioning units and hybrid systems. This portfolio is complemented by digital service offerings that enable contactless remote monitoring and diagnostics as well as energy management of the devices.

In the field of heating technology, the Vaillant Group is increasingly putting its faith in heat pump systems, which cover around 75 per cent of its energy requirements with environmental heat. Heat pumps can be connected with photovoltaic modules and battery storage systems to form intelligent systems that can increase the share of renewable energies. The portfolio comprises heat pumps for all types of buildings, which can be used for both renovation and new constructions.

We are reducing the environmental footprint of our existing products on an ongoing basis. As of 2025, Vaillant plans to only launch heat pumps with the natural, environmentally friendly coolant R290 on the market. Back in 2019, Vaillant was one of the first manufacturers to introduce a heat pump based on this natural coolant. The greenhouse gas potential of R290 is significantly lower than that of conventional coolants. Nevertheless, R290 still allows high flow temperatures. As a result, these heat pumps can not only provide heating energy and hot water in new buildings, but also in older existing buildings with poorer insulation, and can thus support the decarbonisation of the buildings sector.

The Vaillant Group is driving forward its transformation into a leading manufacturer of heat pumps. This development has a positive impact on our carbon footprint, as the use phase of our products accounts for the largest share of the Vaillant Group's Scope 3 CO₂ emissions. The establishment of a science-based climate target for Scope 3 greenhouse gas emissions underlines our ambitions to successfully help shape the heating transition in Europe. In terms of value creation, our aim is to reduce our Scope 3 emissions by 55 per cent by 2030.* The starting point is the base year 2019. This ambitious target has been validated by the SBTi and will thus support the inter-

national goal to limit global warming to a maximum of 1.5 degrees Celsius.

In order to allow sustainability criteria to be systematically observed from the very start of product development, we compiled the "6 Green Rules" in 2017, which are firmly anchored in our product development processes. These are criteria that set standards for the following product aspects: energy efficiency, durability, responsibility, service, handling and end of life. The consideration of these sustainability criteria must be documented in the development process.

We are driving forward the development of sustainable packaging concepts on the basis of our packaging strategy. Our goal is to save packaging material and avoid single-use plastics.

In order to promote the market ramp-up of heat pumps and drive the transformation in the heating sector, the Vaillant Group offers its installers a wide range of training courses. These include the customer journey, training, planning and installation as well as system support for heat pumps.

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In 2023, series production started in a new mega factory in Slovakia, where only heat pumps will be produced. Together with the three existing heat pump factories in Europe, this will double the Vaillant Group's production capacity to well over 500,000 heat pumps per year.

In the reporting period, employees in product development were continuously trained in the application of the sustainability criteria in product development – "6 Green Rules" – and regularly received support from the Sustainability department with their product development projects.

In 2022, Vaillant trained more than 45,000 installers across Europe. In addition, installers can continue their training with 500 digital learning courses that are available around the clock.

* The Vaillant Group has committed itself to reducing its Scope 3 emissions by 55 per cent from 2019 to 2030, based on one million euros of value creation.

Efficient use of raw materials

95%

It is important to the Vaillant Group to use materials efficiently. The proportion of offcuts and scrap metal in our production is demonstrably very low. At 95 per cent, the efficiency rate of the raw material used was at a very high level again in 2022.



SOCIETY FOCUS AREA

CONCEPT

As an internationally oriented family-owned company, social responsibility is a matter of course for us. Social sustainability aspects, such as acting responsibly within our sphere of influence and partnering with non-profit organisations, form a part of this.

Observing and strengthening human rights is a fundamental part of our corporate ethos. Our aim is to ensure respect for human rights within our company, work towards compliance across our global supply and value chains within our scope of influence, achieve transparency in respect of potential risks and take action wherever human rights have been breached. As a way of expressing our corporate responsibility, we drafted a declaration of principles to respect human rights, which was published in early 2020. The senior management team is responsible for the implementation of, and compliance with, the Vaillant Group human rights policy statement. All employees are obligated to incorporate the human rights policy statement within their day-to-day work and to observe it in their behaviour. In addition to standards for environmental protection, we have also enshrined respect for human rights in our Code of Conduct.

The aim of our Social Compliance Management System is to firmly establish human rights and environmental due diligence obligations within the Vaillant Group. This is derived from the legal obligations of the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz – LkSG*) and recognised frameworks such as the UN Guiding

Principles on Business and Human Rights. The associated Group policy contains guidelines on elements of due diligence such as our social compliance governance, risk-related responsibilities, risk management and a complaints mechanism. In addition, a Human Rights Officer has been appointed to coordinate, support and monitor the due diligence processes.

Since 2020, we have been systematically analysing the impact of our actions on human rights and the environment in order to identify potential violations and those affected. On the basis of evaluation criteria, we analyse the probability of occurrence of violations, the severity of possible legal infringements, the reparability of potential damage and the possibility of counteracting or preventive action from the Vaillant Group. To this end, we use, among other things, risk-specific country indices and the CSR Risk Check. In Purchasing, we have also implemented a tool that supports risk analysis through an automated risk assessment and a questionnaire for suppliers considered to carry risk. The risk analysis is repeated at least annually and its methodology is developed on an ongoing basis.

With regard to the supply chain, in 2020 the Vaillant Group developed a Supplier Code of Conduct that defines our guidelines on human rights, working conditions, health and safety, the environment, responsible and ethical business conduct and critical raw materials. The roll-out of the Supplier Code of Conduct began in late 2020 and is being continuously expanded to other strategic suppliers. We place special focus on suppliers from high-risk countries.



In addition, we oblige our suppliers to comply with the Global Compact criteria through our General Purchasing Terms.

We randomly check compliance with our sustainability requirements for suppliers in “social checks” as part of supplier audits. The standardised questionnaire used here is derived from the contents of the Supplier Code of Conduct in the areas of human rights and labour standards, occupational safety, environmental protection, anti-corruption and grievance mechanisms. New auditors are being introduced to the methodology of social checks on an ongoing basis. Our aim is to carry out a social check as part of 100 per cent of regular supplier audits.

As part of the Social Compliance Management System, the Vaillant Group has an electronic whistleblowing system for employees, customers and business partners to enable them to report violations of laws and internal guidelines. This explicitly includes human rights and environmental aspects. Rules of procedure have been published in the whistleblowing system for this purpose. Complaints can be made anonymously if required and are reviewed by an independent company-internal authority without mandate. We effectively protect complainants from any potential unreasonable disadvantages and investigate any possible violations of human rights and environmental standards.

Works councils are recognised and supported. There are works councils at different levels, from the local works council to the general works council and Group works council to the European Works Council. The latter was founded in April 2001, which makes it clear that we have been committed to employee participation also at international level for over 20 years. Our constructive cooperation with the works councils in Germany goes back even further than that.

The Vaillant Group enters into targeted partnerships with non-profit organisations in order to make a contribution to society that goes beyond its own business activities. In this context, we have been a strategic partner of “SOS Children’s Villages worldwide” since 2013. We support the international children’s charity with environmentally friendly and energy-efficient heating technology. This partnership has long been a key part of our company’s social engagement. The aim behind our cooperation with WWF is to work together for the benefit of the heating transition and to add weight to the topic of climate-friendly heating in the energy and climate

debate by drawing attention to the relevance of heat pumps as a particularly environmentally friendly and energy-saving heating technology. In addition, the Vaillant Group supports WWF nature conservation projects to preserve biodiversity and protect endangered species.

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We adopted a revised human rights policy statement in 2023. This allowed us to formally enshrine binding standards for our actions within the organisation and make them visible to the outside world.

We introduced a Social Compliance Management System in 2023 to ensure our environmental and human rights due diligence obligations are adhered to. It lays down internal responsibilities and processes, such as regular risk analyses.

In 2023, the Vaillant Group revised its Supplier Code of Conduct, specifically with regulatory requirements in mind.

Since 2023, stakeholders have also been able to submit reports on human rights and environmental aspects via an existing violation reporting system.

The Vaillant Group entered into a partnership with WWF in 2022. This cooperation comprises three core elements: raising the profile of the heating transition among the public and in political discourse, supporting local projects to protect the environment and promote biodiversity, and further developing our SEEDS sustainability programme with the expertise of WWF.

Support for SOS Children's Villages

15

heating technology
projects

As part of the international partnership with the charitable organisation SOS Children's Villages, a total of 15 heating technology projects were carried out in 2022. The Vaillant Group also supported SOS Children's Villages with 13 social projects, including charity runs in France and the Spare Cents fundraising campaign in Germany.

Supplier acceptance of our Supplier Code of Conduct

620

suppliers

By the end of 2022, around 620 suppliers, covering around 70 per cent of our purchase volume, had accepted our guidelines. In relation to the purchasing volume with suppliers operating in countries classified as risk countries by the Vaillant Group, the share is 80 per cent.

Implementation of supplier checks

110

supplier audits

A total of 110 supplier audits were carried out in 2022. In 67 percent of these audits, a social check was also carried out. In total, 74 social checks were carried out in 2022.

TAKING CARE OF A BETTER CLIMATE

INSIDE EACH HOME
AND THE WORLD AROUND IT

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The sustainability progress report is a
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which remains definitive.