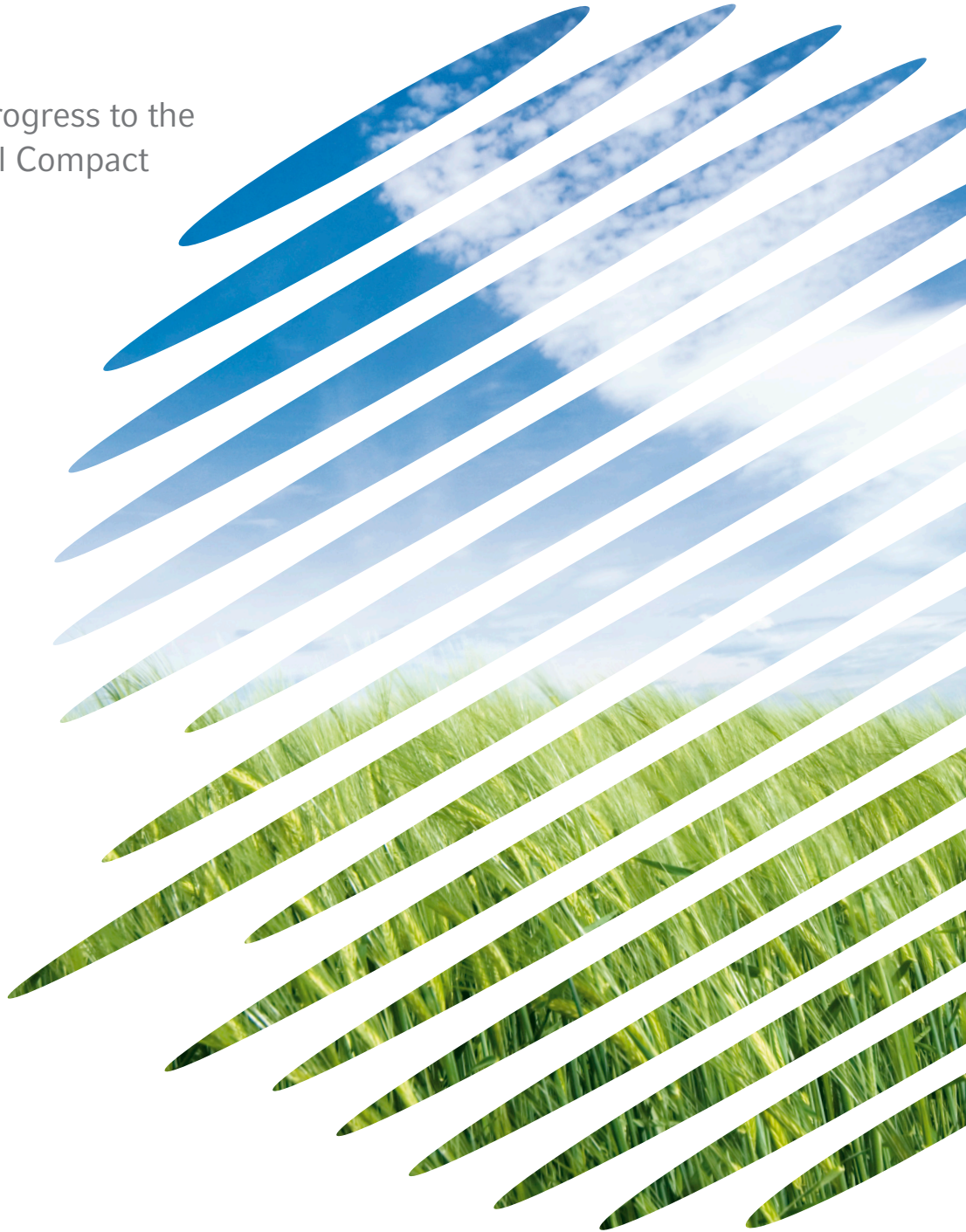


VAILLANT GROUP

Communication on Progress to the
United Nations Global Compact

2017





VAILLANT GROUP

PREFACE BY THE CEO

The Vaillant Group combines its sustainability activities to form a strategic programme – S.E.E.D.S. This involves setting binding, measurable targets, deriving specific measures and continuously reviewing the results obtained in relation to four fields of focus: Environment, Employees, Development & Products, and Society. All activities are Group-wide and transparent.

In view of the above, our membership of the United Nations Global Compact represents a conscious step towards increased transparency and visible corporate responsibility. The initiative, founded by former UN Secretary-General Kofi Annan, aims to strengthen the social commitment of businesses by inviting them to affirm a catalogue of basic values.

The Vaillant Group is explicitly committed to the Ten Principles of the Global Compact in the fields of human rights, labour standards, environmental protection and the fight against corruption, and undertakes to continue fostering and supporting them in its sphere of influence. We report annually on our progress in implementing the Global Compact in our day-to-day business in the form of a Communication on Progress. Furthermore, we will detail significant developments in the implementation of the Ten Principles in the Vaillant Group Sustainability Report.

Remscheid, 11 October 2017

A handwritten signature in black ink, appearing to read 'C. Voigtländer', written in a cursive style.

Dr Carsten Voigtländer, CEO

ABOUT THIS COMMUNICATION ON PROGRESS

This document's purpose is to provide information on the Vaillant Group's progress with respect to the implementation of the Ten Principles enshrined in the Global Compact in the day-to-day practice of our business. The action we have taken in this field is founded on our expressed corporate principles and our management systems. The reporting period for this Communication on Progress encompasses the Vaillant Group's sixth year of Global Compact membership, from 15 October 2016 to 11 October 2017.

HUMAN RIGHTS

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
Principle 1: Support of human rights	<ul style="list-style-type: none"> • S.E.E.D.S. strategic sustainability programme • Vaillant Group Guideline on the Global Compact • Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions, contractual conditions) • Vaillant Group Social Accountability Policy 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to comply with the principles of the Global Compact • Implementation of supplier audits on the basis of questionnaires on social criteria 	<ul style="list-style-type: none"> • We source 100% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Global Compact's principles. The target which had originally been aimed for by 2020 has therefore already been achieved. • Approx. 180 audits conducted in the supply chain during the reporting period
Principle 2: Non-complicity in human rights abuses			

LABOUR STANDARDS

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
Principle 3: Upholding freedom of association and recognition of the right to collective bargaining	<ul style="list-style-type: none"> • S.E.E.D.S. strategic sustainability programme • Vaillant Group Guideline on the Global Compact • Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions) • UK Modern Slavery Act 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to comply with the principles of the Global Compact • Supplier audits • At the main sites of the Vaillant Group, we are bound by collective agreements. Where minimum wages exist, they are not undercut by us in remuneration. • The Group has about 70% of employees covered by collective bargaining agreements, in Germany about 80%. • UK Modern Slavery Act statement 	<ul style="list-style-type: none"> • We source 100% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Global Compact's principles. The target which had originally been aimed for by 2020 has therefore already been achieved. • Approx. 180 audits conducted in the supply chain during the reporting period • For the first time a written statement has been issued in which the company commits to the measures of the UK Modern Slavery Act.
Principle 4: Elimination of forced and compulsory labour			
Principle 5: Abolition of child labour			
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> • Vaillant Group Spirit → Our company values <i>entrepreneurship, trust, integrity, passion</i> 	<ul style="list-style-type: none"> • In-house campaign on the Vaillant Group Spirit, promoting the company's Group-wide values • Vaillant supports the Fair Company initiative, which requires members to commit to treating interns fairly. 	<ul style="list-style-type: none"> • Continuous communication campaign addressing all employees • HR measures adopted towards implementation of the Group values (management training, employee/team workshops, Spirit weeks) • Podium discussion in the Turkish national company on International Women's Day 2017

ENVIRONMENTAL PROTECTION

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
<p>Principle 7: Precautionary approach to environmental challenges</p>	<ul style="list-style-type: none"> • Multi-site certification pursuant to EN ISO 14001 and OHSAS 18001 • S.E.E.D.S. strategic sustainability programme • Vaillant Group Environmental Policy • Group-wide sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO₂ emissions, 25% increase in energy efficiency, 50% cut in water consumption and 20% in waste • Group-wide sustainability targets for 2020 in the Development & Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency • Process integration of environmental issues 	<ul style="list-style-type: none"> • Annual environmental audits • Binding environmental targets to be agreed and degree of target achievement to be measured • All sustainability indicators to be incorporated into a central reporting tool, the Vaillant Group Sustainability Scorecard • Waste reduction: Expanded use of reusable packaging for production materials • Energy efficiency: New heating systems in our buildings to be run only on highly efficient condensing devices, CHPs and technologies based on renewable energies. Existing systems and lighting technology to be successively modernised. • Sustainability standards to be integrated into Vaillant Group processes • Consideration of sustainability criteria within the scope of the Sustainable Building Guideline 	<ul style="list-style-type: none"> • All Vaillant Group production and R&D sites are certified or part of a multi-site certification, approx. 10 system audits conducted. • Realisation of energy efficiency and environmental projects at a range of locations (e.g. use of green electricity at all German locations, increased CO₂ reduction of approx. 12,000 tons in 2017, daylight and T5 fluorescent tubes in Bozüyük, saving 228,000 kWh of electricity, paperless office at the Viennese site) • Sustainability issues further incorporated into Vaillant Group process map • Process integration of the 6 Green Rules to assist the development of sustainable heating technology • Improvements in key environmental indicators and heightened 2020 environmental targets (see key indicators section in the current Sustainability Report) • Locally adapting S.E.E.D.S. for the Austrian sales company

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
<p>Principle 8: Promoting environmental responsibility</p>	<ul style="list-style-type: none"> • Group-wide sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO₂ emissions, 25% increase in energy efficiency, 50% cut in water consumption and 20% in waste • Group-wide sustainability targets for 2020 in the Development & Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency • Vaillant Group Corporate Responsibility Framework • Vaillant Group vision "Taking care of a better climate. Inside each home and the world around it." 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to adhere to environmental standards • Supplier audits • Environmental responsibility taken into account to a greater extent when selecting suppliers and service providers • Internal, Group-wide competition for the S.E.E.D.S. Award • Sustainability to be a compulsory part of vocational training and of Corporate Basics induction training for new employees • Vaillant Group is involved in a range of initiatives and networks whose purpose is to work towards responsible management of natural resources. For example, the company is a partner organisation of German sustainability conference, "Deutscher Nachhaltigkeitstag", and is a member of the German Association of Environmental Management (B.A.U.M. e.V.) and of the Sustainability Leadership Forum convened by B.A.U.M. e.V. / Centre for Sustainability Management at Leuphana University, Lüneburg. 	<ul style="list-style-type: none"> • We source 100% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Global Compact's principles. The target which had originally been aimed for by 2020 has therefore already been achieved. • Approx. 180 audits conducted in the supply chain during the reporting period • Sustainability Brochure reissued and distributed via customer forums, sales partners and industry fairs • We have worked with installers to hold workshops on sustainable corporate governance. • Support provided to environmental community projects at a range of company locations (examples: fitting technology in the SOS Children's Villages in Germany, Austria, Macedonia in line with a Group-wide strategic partnership) • Integrating improvement suggestions concerning sustainability into idea management • Internal network of international Sustainability Ambassadors to promote

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
		<ul style="list-style-type: none"> The Vaillant Group is a strategic partner of SOS Children's Villages Intl. S.E.E.D.S. Ambassadors network 	<p>the objective of using sustainable practices in all company divisions set up</p> <ul style="list-style-type: none"> Sustainability survey of 140 suppliers carried out
<p>Principle 9: Development and diffusion of environmentally-friendly technologies</p>	<ul style="list-style-type: none"> S.E.E.D.S. strategic sustainability programme Vaillant Group product strategy focusing on high-efficiency technologies, synced-up systems and renewable energies Group-wide sustainability targets for 2020 in the Development & Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency 	<ul style="list-style-type: none"> Expansion of our portfolio of high-efficiency products Training to be provided for installers 	<ul style="list-style-type: none"> In 2016, the majority – 66.9% – of the Vaillant Group's product sales revenues were generated with high-efficiency technologies and renewable energy systems. Expansion of sales of Green iQ products, extension of product range Ongoing training on environmentally-friendly technologies for partner installers

ANTI-CORRUPTION

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2016/2017
<p>Principle 10: Action against corruption</p>	<ul style="list-style-type: none"> • Vaillant Group “Corporate Governance Code” • Vaillant Group “Code of Behaviour” • Vaillant Group “Anti-Corruption” Directive • Vaillant Group “Fraud Response” Directive <ul style="list-style-type: none"> • Vaillant Group Spirit → Our company values <i>entrepreneurship, trust, integrity, passion</i> 	<ul style="list-style-type: none"> • Group-wide compliance training in the field of anti-corruption • Group-wide internal approval required for gifts and benefits that are to be granted to individuals above a certain threshold • Reviewing compliance with the Group “Anti-Corruption” Directive by means of an internal Group audit • Application of the Group “Fraud Response” Directive <ul style="list-style-type: none"> • In-house campaign on the Vaillant Group Spirit, promoting the company’s Group-wide values 	<ul style="list-style-type: none"> • Compliance training sessions conducted in the field of anti-corruption: during the period 15.10.2016 to 11.10.2017, no training sessions were conducted in Germany; 4 training sessions were attended by 29 participants abroad. <ul style="list-style-type: none"> • Vaillant Group Spirit: Group-wide communication campaign addressing all employees • HR measures adopted continuously towards implementation of the Group values