

2020 | 2021

## SUSTAINABILITY PROGRESS REPORT

# TAKING CARE OF A BETTER CLIMATE.

Inside each home and  
the world around it.

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## Greetings from the CEO of the Vaillant Group

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“Taking care of a better climate. Inside each home and the world around it.”

To live up to the claim of this corporate vision, the Vaillant Group offers its customers energy-efficient, environmentally friendly and resource-saving products and services for heating and hot water comfort. With a comprehensive sustainability programme, the company also contributes in its own area of responsibility to achieving the global climate protection goals.

Within the framework of its global sustainability programme SEEDS, the Vaillant Group set itself in 2011 binding, measurable sustainability targets until 2020 focusing on the areas of Environment, Employees, Development & Solutions and Society. Significant progress has been made in all areas over the past 10 years.

For the revision of SEEDS in 2020, the Vaillant Group has developed an ambitious climate strategy and defined new sustainability targets in all focus areas until 2030. By 2030, the company will have reduced CO<sub>2</sub> emissions from its own production and business operations by 50 per cent. Key reduction measures are the company-wide use of electrical energy from renewable sources, significantly lower energy consumption in production processes and buildings, and investments in an environmentally friendly vehicle fleet. In this way, the Vaillant Group is making its contribution to limiting global warming to 1.5 degrees. Since 2020, the remaining emissions have been fully offset by certificates from a Gold Standard-certified afforestation project in Panama, which actively removes CO<sub>2</sub> from the atmosphere. Within the framework of long-term projects, the Vaillant Group will in future plant additional forest areas in emerging countries with the aim of being able to offset the entire remaining emissions through its own afforestation projects by 2030.

An important component of SEEDS is the Vaillant Group's membership in the UN Global Compact, the world's largest and most important sustainability initiative. Its goal is to strengthen the commitment of companies in the areas of human rights, labour standards, environmental protection and anti-corruption. The following report contains key sustainability figures as well as the annual Communication on Progress on the Global Compact and information on our SEEDS programme.

Remscheid, December 2021



Dr.-Ing. Norbert Schiedeck  
CEO of the Vaillant Group



# THIS REPORT

offers an overview of the progress made by the Vaillant Group with regard to sustainability in 2020/2021. It covers all the essentials in terms of our management approach and defined focus areas, which form the basis of all our sustainability activities, as well as the sustainability targets until 2030 and the extent to which they have been met. Furthermore, the report presents additional key figures that act as control variables in the field of sustainability. Last but not least it provides the annual progress update, outlining how the ten principles of the UN Global Compact are implemented in the day-to-day operations of our company.

The reporting period for this progress update covers the ninth year of the Vaillant Group's involvement in the Global Compact, from 1 January 2021 to 31 December 2021.

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

[www.vaillant-group.com](http://www.vaillant-group.com)



## THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

The United Nations has defined ten principles of socially and environmentally responsible action in its Global Compact. Upon signing up to the Global Compact, the Vaillant Group pledged its commitment to support the implementation of these principles and to publish an annual statement on the progress and milestones we have achieved in this regard.

### HUMAN RIGHTS

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.

**Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

### LABOUR STANDARDS

**Principle 3:** Businesses should uphold the freedom of association and effective recognition of the right to collective bargaining.

**Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour.

**Principle 5:** Businesses should uphold the effective abolition of child labour.

**Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENTAL PROTECTION

**Principle 7:** Businesses should support a precautionary approach to environmental challenges.

**Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.

**Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.

### FIGHT AGAINST CORRUPTION

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



## SEEDS – The Vaillant Group's Sustainability Programme

In order to ensure that the company will continue to enjoy economic success, we also consider environmental and social aspects of our business activities. Our customers have clear-cut expectations regarding the energy and resource efficiency of our devices. For us, however, sustainability means more than just marketing particularly energy-efficient products. It means that the strategic and operational decisions taken by a company must consider factors

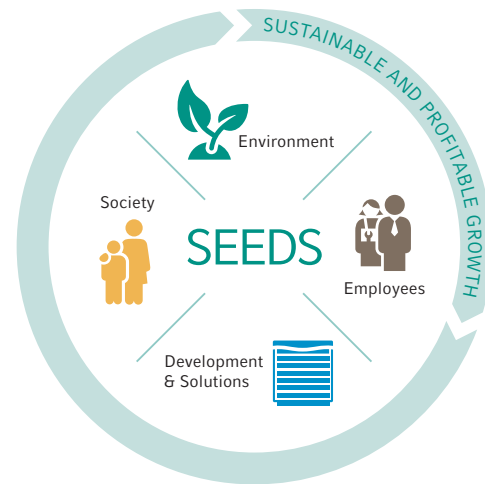
related to sustainability. We therefore always have to ask ourselves what direct and indirect effects a business decision or the company's actions will have on people and the environment

### SUSTAINABILITY PROGRAMME

The Vaillant Group concentrates its sustainability activities in the strategic programme SEEDS. The name SEEDS identifies the four focus fields Environment, Employees, Development & Solutions and Society, in which binding, quantifiable targets have been set. We develop specific measures based on these targets and continuously 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.

Vaillant Group's Sustainability Management is allocated within the Corporate Communications, Sustainability Management & Politics department. The department as a whole reports directly to the CEO of the Vaillant Group. The team sets sustainability targets in close consultation with the Management Board and the company's individual operational departments and business units, systematically monitors their progress and provides impetus for improving company-wide sustainability performance. In addition, the Groupwide environmental management system, which is compliant with the DIN EN ISO 14001 standard, is also controlled centrally from here.



### FOCUS AREAS

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



### ORGANISATIONAL STRUCTURE

The Vaillant Group has a Group-wide sustainability management function which is firmly anchored in its corporate structure.

## SEEDS Management System

### MANAGEMENT APPROACH

We manage our sustainability performance using an established standard: the classic control circle applied to corporate management systems. On the basis of the sustainability strategy, binding and verifiable targets are set for all four fields of focus in the SEEDS programme. For example, reducing the company's CO<sub>2</sub> emissions (Scopes 1 and 2) by 50 per cent until 2030 in the field of environment. In order to meet these targets we define and implement operational measures in all relevant areas of the company. In order to test how effective these measures are, key performance indicators (KPIs) and a target figure are established for all targets. On a regular basis, we survey all relevant data Group-

wide to calculate the individual KPIs. These are brought together in a central control tool, the Vaillant Group Sustainability Scorecard. The scorecard is updated quarterly and communicated internally. When interpreting the figures, we take into account specific factors such as changes to production capacities and current production. By comparing figures from the same period in the previous year against the long-term targets during the annual review, we are able to gain an accurate picture of the current state of our sustainability performance.

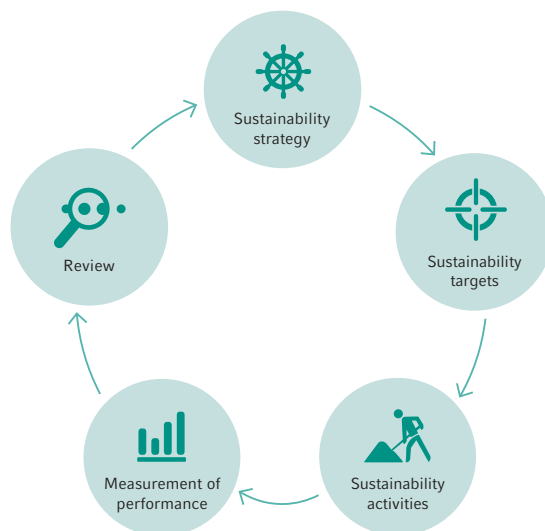
### MATERIALITY ANALYSIS

There are few business-related topics that affect more areas than sustainability does. In order to successfully implement comprehensive sustainability management, a clear strategy is required, the success of which is measured against binding targets. We must also be clear about which areas of activity are particularly important – from the point of view of

both the company and its stakeholders. As part of a materiality analysis we carried out another systematic survey of customers, partners, suppliers, employees, owners and other relevant stakeholders in 2019 and thus defined the sustainability-related topics that are most important for our business activities. These topics are aggregated into fields of focus in the Vaillant Group Materiality Matrix. Climate- and environmentally friendly products, resource conservation and the ability to meet our customers' ever-growing demands on comfort lie at the heart of our activities. Alongside climate protection and the respective 1.5-degree global target, topics such as promoting sustainability along the supply chain and protecting human rights are also gaining in significance

## SYSTEMS AND PROCESSES

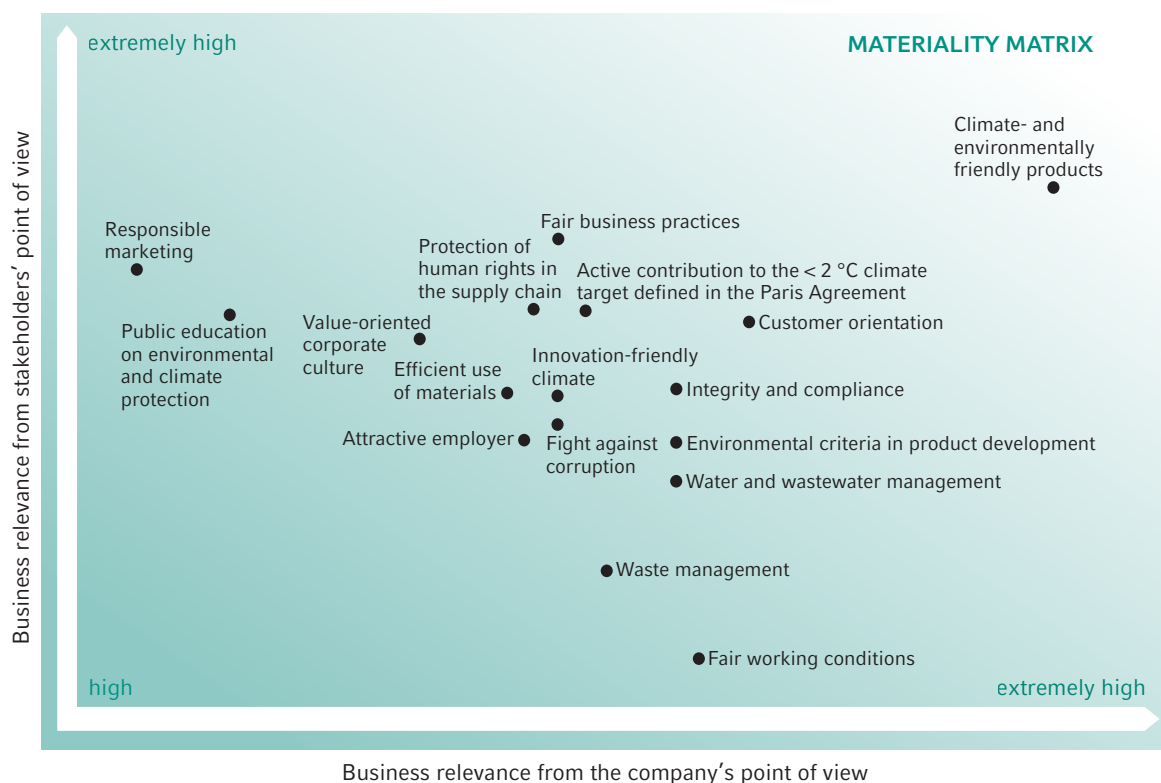
In order to improve the sustainability balance in an international company, uniform, company-wide processes are necessary. This is because Group-wide processes are needed to lay down standards that ensure sustainability aspects are taken into account throughout the value chain. The topic of „sustainability“ is firmly anchored in the product development processes, from product strategy to market launch. To manage company performance in terms of environmental protection, occupational health and quality, the Vaillant Group uses differentiated management systems that are determined by stan-



### CONTROL CIRCLE

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

dards valid internationally. The Vaillant Group regularly has the implementation of these systems audited by independent institutes as part of certification processes. All of our production and development sites have been certified as compliant with quality standard DIN EN ISO 9001, environmental standard DIN EN ISO 14001 and international health and safety standard DIN EN ISO 45001.





# SEEDS SUSTAINABILITY TARGETS

Since the implementation of the Group-wide sustainability programme SEEDS, the Vaillant Group has achieved many of the targets it set out to achieve. For example, in the period from 2010 to 2018, absolute energy consumption fell by about 14 per cent despite sales growth and significantly increased production volumes. CO<sub>2</sub> emissions were reduced by 16 per cent. In relation to production minutes, energy consumption and CO<sub>2</sub> emissions were reduced by around 30 per cent.

With the SEEDS revision, the Vaillant Group is setting itself new sustainability goals in the four focus areas up to the year 2030. The base year for the new targets is 2018. The presentation of the following key figures in this Progress Report has been adjusted accordingly.

A comprehensive climate strategy forms the basis for achieving the defined environmental goals. The basis for calculating and balancing our greenhouse gas emissions is the internationally recognised standard of the Greenhouse Gas Protocol.

Specifically, the climate strategy aims to gradually halve Vaillant Group's own CO<sub>2</sub> emissions from around 56,000 tonnes per year in 2018 to less than 28,000 tonnes by 2030. In the Greenhouse Gas Protocol, these emissions fall into Scope 1 and Scope 2. This will be achieved with the consistent use of electricity from renewable energy sources, efficiency measures in buildings and production and a switch to an electric vehicle fleet. In addition to CO<sub>2</sub>, the Vaillant Group also considers all other relevant greenhouse gases of the Kyoto Protocol in accordance with the Greenhouse Gas Protocol. Emissions of these gases are converted into so-called CO<sub>2</sub> equivalents and taken into account when determining the Vaillant Group's CO<sub>2</sub> footprint.

By the end of 2020, the company has already reduced its CO<sub>2</sub> emissions by 35 per cent compared to the base year 2018. The remaining approximately 36,000 tonnes of CO<sub>2</sub> for 2020 were offset by certificates from a Gold Standard-certified afforestation project in Panama. The Vaillant Group has thus been climate-neutral in its own operational business activities (Scopes 1 and 2) since 2020.

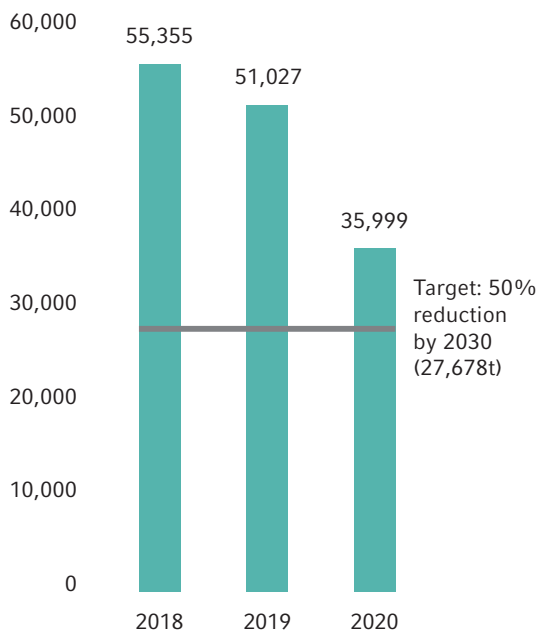
All key sustainability figures from 2010 onwards are included in the Sustainability Progress Report 2019 | 2020, which is available on the corporate website.

<https://www.vaillant-group.com/news-centre/publications/>





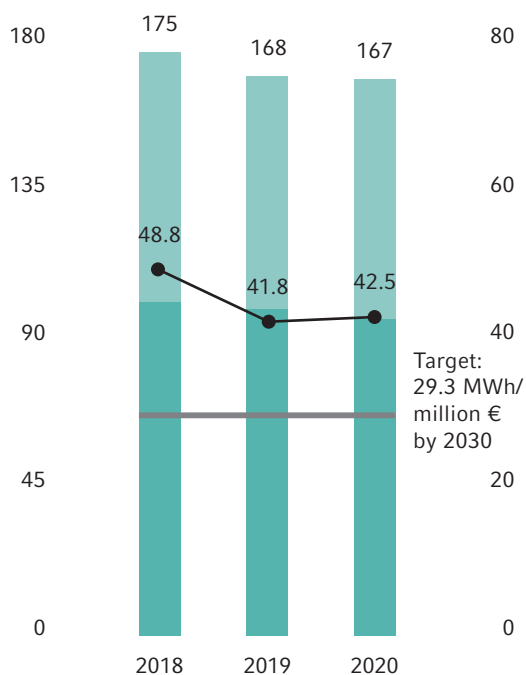
## Greenhouse gas emissions in the company's own area of responsibility (Scope 1 and 2)



As a basis for its climate strategy, the Vaillant Group has been recording its greenhouse gas emissions in accordance with the internationally recognised Greenhouse Gas Protocol standard since 2018. This systematically registers all relevant greenhouse gas emissions of the company. Since 2020, only electricity from renewable energy sources has been used. The largest remaining levers are the vehicle fleet and emissions from gas consumption in production and for heating buildings. Due to lower mileage during the COVID 19 pandemic, emissions from the vehicle fleet in 2020 were significantly lower than in previous years.

■ CO<sub>2</sub> emissions in tonnes  
— Target until 2030

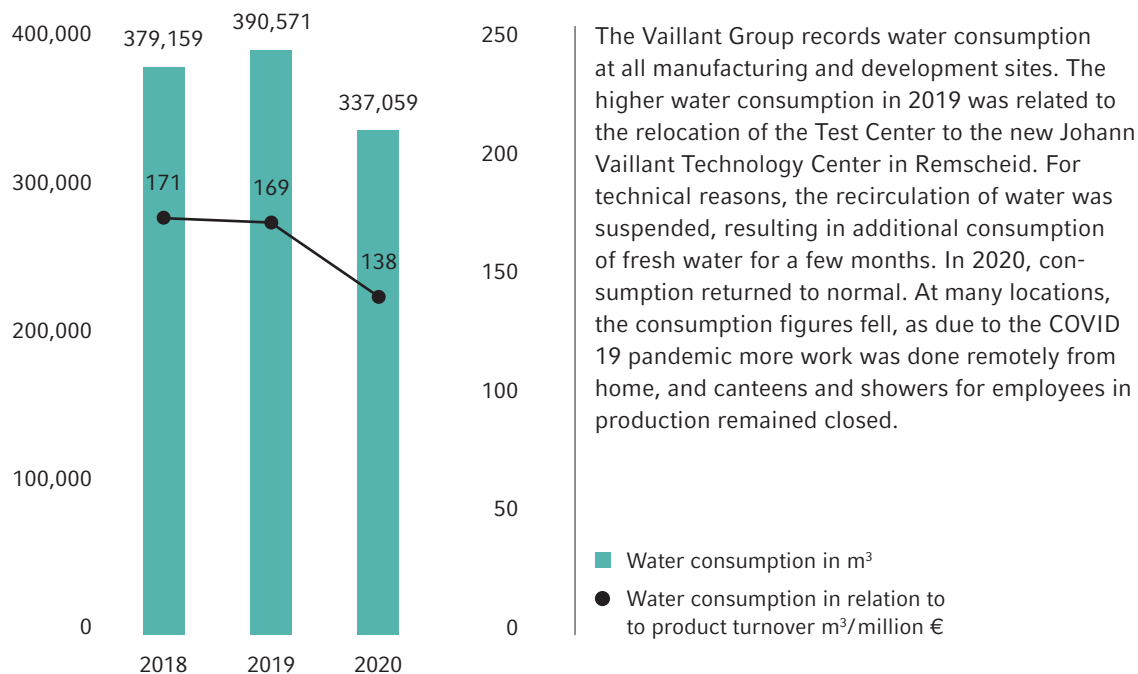
## Energy consumption



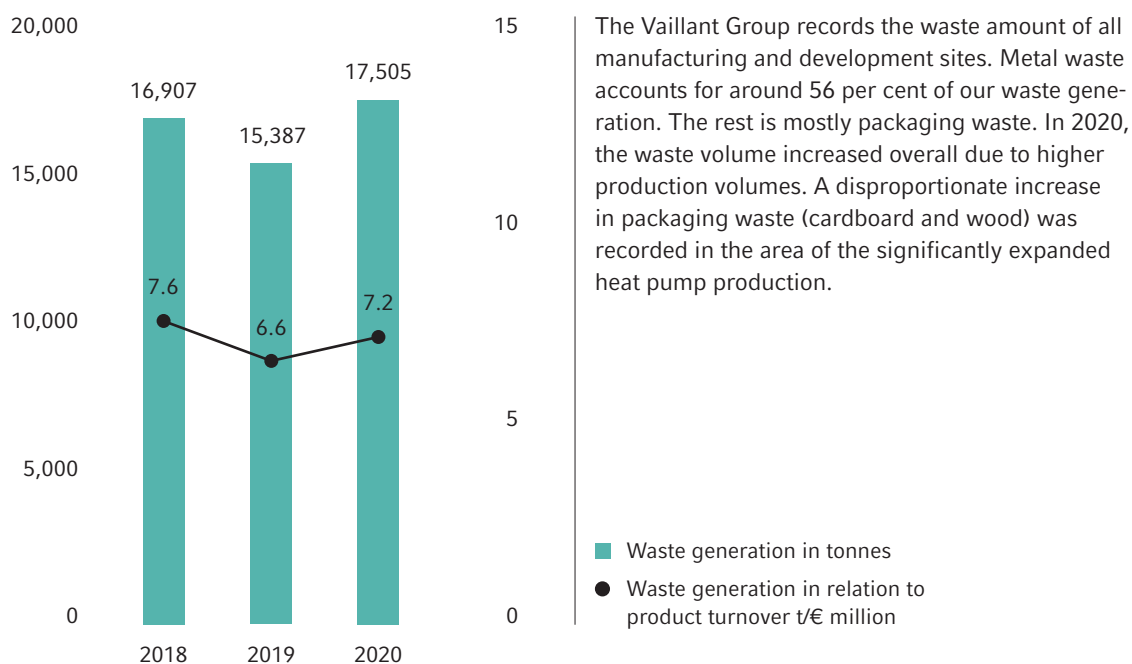
The total energy consumption includes the electricity and gas consumption of the production sites. Since 2018, the consumption of the Vaillant sales companies has also been determined. Overall, energy consumption has slightly decreased in 2020. Electricity consumption increased minimally in 2020 due to higher production volumes. New production lines were commissioned in the plants in Remscheid and Bozüyük. Savings in gas consumption were achieved through improved building insulation in the R&D building in Nantes.

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

## Water consumption



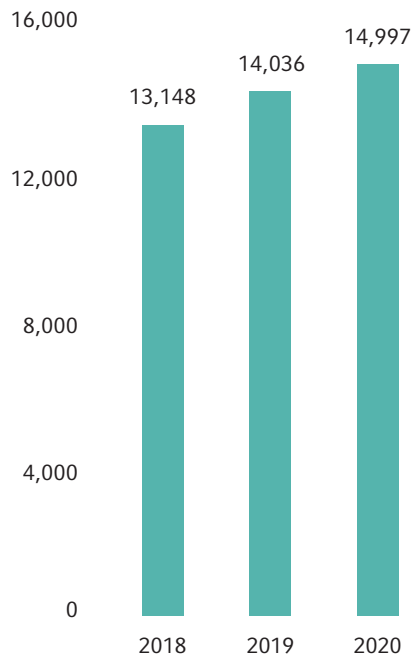
## Waste volumes





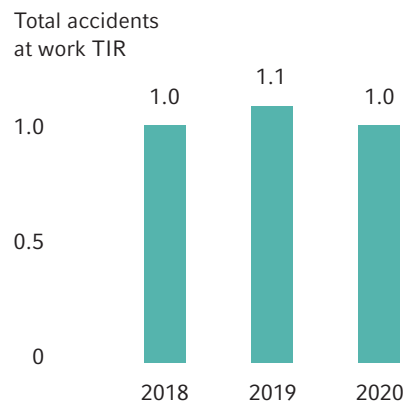
## EMPLOYEES

### Number of employees



### Occupational accidents

The key figure for occupational accidents is the Total Injury Rate (TIR, accidents per 200,000 working hours). The number of accidents in the Group has been declining for years. Our occupational health and safety management system is certified according to DIN EN ISO 45001. All employees are actively involved in occupational safety.



### Internationality

**73** nationalities

The Vaillant Group is an internationally operating company with national sales companies in more than 20 countries and business activities in more than 60 countries. This is also manifested in the cultural diversity of our staff. People from a total of 73 nationalities work at the Vaillant Group.

### Recommendation rate

**84%**

The last employee survey "SENSOR" in 2021 showed an increased recommendation rate of 84%. In the last survey in 2018, the value was at 80%. The goal is that at least 85% of all employees would recommend the Vaillant Group as an employer.

### Internal appointment to management positions

**72%**

It is the goal of the Vaillant Group to fill about two-thirds of management positions from within our own ranks. In 2020, as many as 72 per cent of such positions could be filled internally.





## DEVELOPMENT & SOLUTIONS

### Efficient use of raw materials

94%

It is important to the Vaillant Group to make efficient use of the materials we use. The high ratio of 94 per cent shows the good ratio of raw materials used to offcuts and metal waste in our production.



## SOCIETY

### Support "SOS Children's Villages"

16

"SOS Children's Villages"

In 2020, 16 children's villages were equipped with efficient heating technology. In addition, 7 social projects were carried out, including employee fundraising runs in France or the spare cent donation campaign in Germany.

### Social checks in supplier audits

104

Supplier audits

We check compliance with our sustainability requirements for suppliers and service providers on a random basis in "social checks" as part of supplier audits. The audits are based on a standardised questionnaire on the topics of human rights and labour standards, occupational health and safety, environmental protection, anti-corruption and mechanisms for dealing with complaints. A total of 104 supplier audits were conducted in 2020. A social check was carried out in 56 per cent of these audits. Due to the COVID 19 pandemic, audits have taken place virtually in many countries since 2020. Our goal is to conduct a social check in 100 per cent of regular supplier audits in the future.

### Supplier Code of Conduct

66%

In 2020, we developed a Supplier Code of Conduct that defines our requirements on human rights, working conditions, health and safety, the environment, responsible and ethical business conduct and critical raw materials. The rollout of the Supplier Code of Conduct started at the end of 2020. 489 suppliers had accepted our guidelines by October 2021, covering approximately 66 per cent of our purchasing volume.

### Anti-corruption training

6,800

employees

It is important to us to train our employees on the topic of compliance. In 2020, over 6,800 employees participated in trainings that included the topic of anti-corruption. The trainings took place online or physically.

# UN GLOBAL COMPACT PROGRESS REPORT 2020 | 2021

The focus fields of our SEEDS sustainability strategy correlate with the ten principles of the UN Global Compact. All ten principles are of equal importance to our company. Vaillant Group offers its customers energy-saving, resource-efficient products for heating and hot water supply. For this reason, the company has the largest number of sustainability measures in the area of environmental protection. In terms of labour standards and the fight against corruption, we have continuously developed the applicable standards within our organisation. The Vaillant Group promotes and ensures the protection of human rights within its immediate sphere of influence.

The following chapters focus on the UN Global Compact fields of human rights and labour standards, environmental protection and the fight against corruption. With reference to the individual Global Compact principles, we present key corporate principles, requirements and guidelines as the basis for our actions. We also report on the resulting measures and the progress achieved in the reporting period.

21.0 °C

Current room temperature 19°C

## Human Rights and Labour Standards

### GLOBAL-COMPACT-PRINZIPIEN

- 1 Supporting human rights
- 2 Eliminating human rights abuses
- 3 Upholding the freedom of association and right to collective bargaining
- 4 Elimination of all forms of forced and compulsory labour
- 5 Abolition of child labour
- 6 Elimination of discrimination

### CORPORATE PRINCIPLES, REQUIREMENTS AND GUIDELINES

- Strategic sustainability programme SEEDS
- Vaillant Group Code of Conduct
- Vaillant Group Policy Statement on respect for human rights
- Vaillant Group Spirit corporate values (entrepreneurship, trust, integrity, passion)
- UK Modern Slavery Act Statement
- Supplier management system (supplier screening, supplier assessment, general purchasing terms, contractual terms, Supplier Code of Conduct)

### MEASURES

- The companies of the Vaillant Group respect human rights and labour standards and sensitise employees to issues such as diversity and equal treatment.
- We oblige our suppliers to comply with the Global Compact criteria through our general terms and conditions of purchase.
- We expect our larger suppliers to sign our Supplier Code of Conduct. This also contains requirements on the topics of working conditions and human rights.

- As part of supplier audits, we conduct random "social checks" to examine the sustainability of our suppliers. This is done on the basis of a questionnaire and takes social standards into account.
- We use risk analyses to identify potential violations of human rights.
- We have implemented an electronic whistle-blowing system for employees, customers and business partners to enable them to report violations of laws and internal guidelines.
- Salaries are benchmarked to ensure that they are fair and in line with the market. In Germany, more than 80% of the Vaillant GmbH employees are furthermore covered by collective bargaining agreements.
- Works councils are recognised and supported. There are works councils at various levels, from local works councils to a general works council, Group Works Council and European Works Council. The latter was already founded in April 2001, which makes it clear that the Vaillant Group has been committed to employee co-determination for 20 years.

### PROGRESS IN THE REPORTING PERIOD

The Vaillant Group is committed to respecting human rights. As an expression of our corporate responsibility, we have formulated a policy statement on respect for human rights, which was published at the beginning of 2020. In connection with the policy statement, we have analysed the impact of our actions on human rights in order to identify potential violations and those affected. Using assessment criteria, we evaluate the probability of occurrence of human rights violations, the severity of possible human rights violations and the possibility of counteractive or preventive influence by Vaillant Group.

We conducted this risk analysis with the help of internal, interdisciplinary working groups. The participants of the working groups came from different departments of the company - including the functional areas of sustainability, purchasing and human resources – as well as the works council. As part of the analysis, we assessed the human rights that are currently most relevant for the Vaillant Group. These include:



- the right of all to life, to liberty and to (social) security,
- the prohibition of forced labour and child labour,
- the prohibition of slavery and the slave trade,
- the exclusion of illegal employment and
- the recognition of every human being as a legal person, and
- a right to private life,
- the right to freedom of association and collective bargaining,
- the prohibition of discrimination,
- the right to work and equal pay, and
- the right to rest and leisure.

We will repeat this analysis at regular intervals in order to be able to observe possible changes. The management is responsible for the implementation of and compliance with the Vaillant Group Statement of Principles on Respect for Human Rights. All employees are required to integrate the principles for respecting human rights into their daily work and to take them into account in their behaviour.

Vaillant Group raises awareness among employees on topics such as diversity and equal treatment. To this end, since 2019 / 2020 there have been campaigns and initiatives such as posters, intranet articles, videos with employees expressing why diversity is important to them. To ensure that these messages reach people, individual questions in the employee survey, which was conducted again in 2021, relate to this area. For example, the statement "I feel valued regardless of my background" was answered very positively. 82 percent of employees took part and the result has developed positively over a three-year period.

In order to fulfil our duty of care to respect human rights also in our supply chain, we regularly assess our sourcing countries with regard to possible risks. The identification of risk countries is based on the World Bank's Worldwide Governance Indicators (WGI) and our purchasing volume from risk countries. Using an internationally recognised online risk assessment system ("MVO<sup>1</sup> risk checker<sup>2</sup>"), we assess the local human rights situation in our sourcing countries, as well as social, environmental and gov-

ernance issues. We updated this sourcing country risk assessment in 2021 and compared the results with the previous assessment in 2018.

In 2020, we developed a Supplier Code of Conduct that defines our policies on human rights, labour conditions, health and safety, the environment, responsible and ethical business conduct and critical raw materials. The rollout of the Supplier Code of Conduct started at the end of 2020

We check compliance with our sustainability requirements on a random basis in "social checks" as part of supplier audits. We have adapted the standardised questionnaire used for this purpose to the content of the Supplier Code of Conduct in the chapters on human rights and labour standards, occupational health and safety, environmental protection, anti-corruption and complaint mechanisms. New auditors are continuously introduced to the methodology of the "Social Checks". In 2021, we organised a training session in China for auditors on the topic of "Social Audits at Suppliers". A total of 104 supplier audits were conducted in 2020. Due to the Corona pandemic, audits have been taking place virtually in many countries since 2020. We ensure that our auditors are also trained to conduct virtual "social checks".

In addition to the progress report for the UN Global Compact, the Vaillant Group publishes an annual declaration on the UK Modern Slavery Act. This declaration was published for the fifth time in 2021.

## Environmental Protection

### GLOBAL COMPACT PRINCIPLES

- 7 Taking a precautionary approach to environmental challenges
- 8 Promoting greater environmental responsibility
- 9 Developing and diffusing environmentally friendly technologies

### CORPORATE PRINCIPLES, REQUIREMENTS AND GUIDELINES

- Vaillant Group vision "Taking care of a better climate. Inside each home and the world around it."

<sup>1</sup> MVO Nederland is the movement for entrepreneurs in the New Economy (<https://www.mvonederland.nl/en/about-mvo-nederland/who-we-are/>)

<sup>2</sup> <https://www.mvorisicochecker.nl/en/start-check>

- Strategic sustainability programme SEEDS
- Multi-site certification pursuant to DIN EN ISO 14001 and DIN EN ISO 45001
- Vaillant Group environmental policy
- Group-wide, binding sustainability targets in the focus field Environment
- Group-wide, binding sustainability targets in the focus field Development & Solutions
- Integrating environmentally relevant aspects into processes
- Vaillant Group product strategy with a focus on high-efficiency technologies, renewable energies, system technology and digital services

## MEASURES

- Energy efficiency: We systematically analyse potential for increasing energy efficiency at our production and development sites. The focus is on the energy consumption of production processes and buildings.
- Renewable energies: We check at all Vaillant Group sites whether it is possible to generate our own electrical energy using photovoltaic systems. Electricity that cannot be self-generated is sourced 100 per cent from renewable energy sources (wind power and photovoltaics).
- Vehicle fleet: We are planning measures to improve the environmental friendliness of our vehicle fleet (passenger cars and commercial vehicles). This includes, in particular, the switch from vehicles with combustion engines to electrically powered vehicles.
- Compensation of greenhouse gas emissions: We offset all remaining greenhouse gas emissions that occur despite significant CO<sub>2</sub> savings in our own area of responsibility (Scopes 1 and 2) by purchasing high-quality CO<sub>2</sub> certificates from a land use and afforestation project in Central America. In addition, we are participating in the design and implementation of a new landscape and afforestation project in South America.
- Environmental management system: As part of the DIN EN ISO 14001 certified environmental management system, we implement further measures at our production and development sites to reduce energy and water consumption as well as waste volumes. Where possible, water is recycled and recyclable packaging is used for production materials. We conduct annual internal and external audits of our environmental management system.
- Reporting: All sustainability performance indicators are continuously recorded throughout the company and summarised in a central reporting tool, the Vaillant Group Sustainability Scorecard.
- Networks: We maintain an internal international network of sustainability officers (SEEDS Ambassadors) who record and evaluate sustainability aspects in the respective central areas on an annual basis. We are committed to the responsible use of natural resources in several initiatives and networks. Among others, we are a member of the Alliance for Development and Climate, B.A.U.M. e.V. and the Sustainability Leadership Forum of B.A.U.M. e.V./Nordakademie.
- Suppliers: We require our suppliers to comply with applicable legal environmental standards and, according to their capabilities, to establish and further develop an environmental management system in accordance with DIN EN ISO 14001. In addition, since the end of 2020, we have required our largest suppliers to sign our Supplier Code of Conduct. This contains extensive guidelines on the topic of environmental protection. Within the scope of supplier audits, we randomly check whether our suppliers have an environmental management system.
- Training courses: We train new employees on the topic of "Sustainability in the Vaillant Group". We offer technology training for installers.
- Technologies and products: We are continuously expanding the portfolio of highly efficient and environmentally friendly product technologies. The Vaillant Group has a business unit that specialises in expanding and strengthening the heat pump and renewable energy business. In order to systematically take sustainability criteria into account right from the start of product development, we drew up the "6 Green Rules" for sustainable product development in 2017 and anchored them in the product development processes. All product development projects must demonstrate compliance with these sustainability criteria.

- Commitment: We are a strategic partner of “SOS Children’s Villages Worldwide” and support the international children’s aid organisation with environmentally friendly and energy-efficient heating technology.

## PROGRESS IN THE REPORTING PERIOD

New Vaillant Group employees in Germany take part in a one-hour introductory event on the company’s sustainability management as part of their induction. This training has also been open to all other employees since 2021 and can be booked via the Learning Management System of the Human Resources department.

Since February 2021, we have switched to green electricity at the production site in Bozüyük, which has the highest electricity consumption in the Vaillant Group. The Vaillant Group has retroactively acquired certificates of origin for electricity from renewable energies for 2020 for all sites that have not previously used green electricity. The company has thus been using 100 per cent green electricity at all its sites since 2020.

For the largest vehicle fleets of the Vaillant Group, we have determined the potential to switch to electrically powered vehicles by 2030. Further potentials such as route optimisation, weight reduction and the avoidance of multiple trips to the customer were evaluated. Pilot projects for the use of electric vehicles were initiated in several countries. In addition, the Vaillant Group has invested in the corresponding charging infrastructure: for example, 46 charging points were put into operation at the company headquarters in Remscheid.

In 2021, an energy efficiency measure was analysed at the Bozüyük production site to enable the use of waste heat from a production area. In Bergheim, a heat recovery system was installed on an enamelling furnace, which reduces energy consumption by several hundred thousand kilowatt hours of energy per year.

As part of its environmental management system, the Vaillant Group has implemented a large number of environmental protection measures at its production and development sites. In Wuxi, a storage area for chemicals was redesigned. In Bozüyük, it was analysed how the waste water treatment can be optimised and the amount of sewage sludge produced can be minimised. In order to better evaluate the development of environmental performance, we in-

troduced gross value added as a new benchmark for our environmental indicators in 2021.

As part of its climate strategy, the Vaillant Group has retroactively offset unreduced greenhouse gas emissions from its own business operations (Scopes 1 and 2) for the year 2020 with CO<sub>2</sub> certificates from an afforestation project in Panama. We are also involved in the planning of a new afforestation project in South America, which will follow the so-called Landscape Approach and combine sustainable cocoa cultivation with the planting and protection of natural forest. At our headquarters, in cooperation with the Remscheid Forest Cooperative, we are exclusively committed to an approximately 13-hectare piece of forest in the Bergisches Land region that has been damaged by environmental impacts.

The annual SEEDS Ambassador Meeting took place in October 2021. Due to the COVID 19 pandemic, the meeting was held purely virtually for the second time. The meeting was attended by employees who take responsibility for sustainability activities in their functional areas or national sales companies.

Heat pumps make a major contribution to decarbonisation and thus to achieving climate protection targets in the building sector. In particular, the new aroTHERM plus heat pump, which uses a natural refrigerant, has enjoyed sustained strong demand since its market launch in 2020. The refrigerant used is particularly environmentally friendly due to its low global warming potential and enables high flow temperatures. As a result, these heat pumps can provide heating and hot water comfort not only in new buildings, but also in older, less insulated existing buildings.

In the course of 2021, the heat pump portfolio was expanded to include models in higher output sizes. This means that solutions are also available for larger new construction and renovation projects as well as for the needs of the housing industry and commercial properties.

During the reporting period, we conducted ongoing training on the application of the “6 Green Rules” sustainability criteria in product development and supported their application in product development projects. In addition, an e-learning programme on the “6 Green Rules” is available on the intranet.

The partnership with the international children’s aid organisation “SOS Children’s Villages Worldwide” has been an integral part of our company’s



social commitment for years. The Vaillant Group equips the children's villages with environmentally friendly and energy-efficient heating technology. In 2020, 16 SOS Children's Villages received modern heating technology. In addition, the Vaillant Group supported the SOS Children's Villages with seven social initiatives.

## Fight Against Corruption

### GLOBAL COMPACT PRINCIPLE

#### 10 Measures to fight corruption

### CORPORATE PRINCIPLES, REQUIREMENTS AND GUIDELINES

- Vaillant Group Corporate Governance Policy
- Vaillant Group Code of Conduct
- Vaillant Group Compliance Management System
- Vaillant Group Anti-Corruption Policy
- Vaillant Group Spirit corporate values (entrepreneurship, trust, integrity, passion)
- Vaillant Group Supplier Code of Conduct

### MEASURES

- The company conducts Group-wide compliance training on the topic of fighting corruption.
- Group-wide, internal approval is required for gifts and benefits above a certain threshold that are to be granted to individuals.
- Adherence to the Group Anti-Corruption Policy is reviewed and monitored by the Internal Audit department and the Group Compliance Committee.
- The company has put an electronic violation reporting system in place for employees, customers and business partners, which helps them to report violations of laws and internal regulations.

- Communicating the fundamental corporate values forms a firm part of welcome and induction events for new employees.
- We expect our larger suppliers to sign our Supplier Code of Conduct. This also includes guidelines on corruption and responsible and ethical business practices.

### PROGRESS IN THE REPORTING PERIOD

In order to protect and promote mutual corporate targets, the Vaillant Group launched a new, Group-wide compliance management system on 1 July 2019. The system launch was accompanied by an internal information and communication campaign to raise awareness among employees.

The new Compliance Management System is binding for all Vaillant Group employees and companies.

A key part of the Compliance Management System is the comprehensive Code of Conduct. This is based in particular on two of the Vaillant Group's corporate values: trust and integrity. The Code of Conduct helps our company make sure that everyone acts in accordance with the rules, in keeping with all applicable laws and company regulations.

In addition to the publication of a Code of Conduct, Group guidelines were published on all compliance-relevant areas. These include "Anti-Corruption", "Anti-Trust", "Data Protection" and "Anti-Money Laundering". These internal guidelines serve both to protect our employees and to protect the entire company from penal consequences and other disadvantages.

Instructions, further information and e-learning programmes on the subject of compliance are available to all employees via the Vaillant Group intranet. By combining group guidelines, e-learning offers and classroom training, the workforce is provided with the necessary knowledge about the contents of the regulations and the corresponding contact persons in the company. In this way, employees are empowered to better assess situations from their daily work and, if necessary, to seek advice from the responsible compliance officer.

Our Compliance Management System (CMS) has additionally been certified by an independent auditing firm for our main companies in Germany, France, Spain, the UK and in Turkey for the areas of anti-corruption and antitrust law. The basis for this certification is the leading compliance standard IDW PS 980.



# TAKING CARE OF A BETTER CLIMATE

INSIDE EACH HOME  
AND THE WORLD AROUND IT

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