

Creating value sustainably

VAT believes long-term business success is not just a matter of economic value creation. Business success can only be sustained by integrating a broad range of values into strategic and operational planning. These go beyond strictly economic measures and include other factors, such as providing employees with opportunities to grow and develop, playing a positive role in the communities in which we operate, and reducing our impacts on the environment.

VAT established the basic tools needed to assess its performance in 2016 when it joined the Responsible Business Alliance (RBA) and adopted the RBA Code of Conduct. This sets standards on social, environmental and ethical issues especially aimed at the electronics industry. These include the Universal Declaration of Human Rights, ILO International Labor Standards, OECD Guidelines for Multinational Enterprises, ISO Standards and the UN's Sustainable Development Goals.

Within this framework, VAT has implemented a number of programs to address specific environmental issues, such as energy use, waste and recycling, as well as initiatives to promote employee engagement and workplace safety and diversity.

Recycling and logistics

Our recycling efforts are focused not only on increasing the amount of material for recycling, but also redesigning the way we work in order to reduce the amount of non-recyclable materials used in the first place.

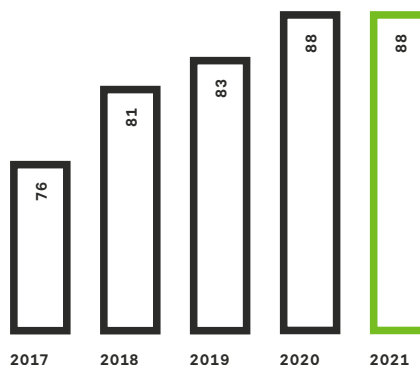
As part of a recent environmental audit, VAT published the results of its recycling efforts in both Switzerland and Malaysia. In 2020, for example, VAT recycled more than 1,800 tons of metal – such as stainless steel, aluminum, and copper – some 550 tons of electronic and hazardous chemical waste, approximately 20 tons of paper and cardboard, and more than 350 tons of residual waste and office materials.

At the same time, VAT has redesigned much of its packaging to reduce the amount of non-recyclable material used, primarily foam. The challenge is to reduce packaging volume while still ensuring that our high-precision and often custom-built products arrive at the customer's facility in exactly the same condition in which they left the factory. Where once only about 20% of VAT's packaging materials were recyclable, today that share is more than 90%. Most foam has been replaced by reinforced pressed cardboard and wood.

Employee Engagement Survey Participation in %

88

2017 (first survey): 76%



VAT's CO₂ reduction in 2021 in tons

~5,000

We have also designed a system of standardized and re-usable shipping trays for suppliers to further reduce packaging disposal or recycling while improving supply chain efficiency.

Through this measure and others like it, VAT strives to integrate its suppliers into its environmental efforts and to ensure that suppliers follow the environmental and safety principles defined by the ISO 14001 guidelines.

Energy

VAT has actively pursued a low-carbon energy policy for many years. This includes switching to more sustainable energy sources, such as hydro, solar and geothermal, as well as improving the energy efficiency of its operations.

For example, VAT has installed solar photovoltaic panels on its manufacturing facilities in both Switzerland and Malaysia. The installation in Malaysia generates more than 1,700 megawatt-hours of electricity per year. By feeding some of the power into the local grid, the solar panels contribute to a CO₂ reduction of more than 1,300 tons a year.

In addition, starting in 2021, all of the electricity that VAT draws from the grid in Switzerland is generated using renewable hydro resources. By doing so, the total electricity consumption of about 15 million kilowatt-hours has been converted to CO₂ neutral.

The company has also installed groundwater heat-exchanger systems in all of its production facilities in Switzerland and plans to roll out the same solution at its plants in Romania and Malaysia. In the new system, cold groundwater is circulated through a heat exchanger and pumped to the production area. There it is piped directly to cool the machines and has replaced air conditioning to create more stable ambient temperatures for production employees and nearby office workers. It has made working conditions in the plant safer as fewer aerosols are released. Energy costs related to cooling have been cut by 75%.

In total, VAT's efforts to reduce its carbon footprint led to an absolute CO₂ reduction in 2021 of approximately 5,000 tons in a year where VAT grew its business volume by 30%.

Employee engagement

VAT encourages open communication among employees across all levels and measures employee engagement through surveys carried out by an external advisor. These encourage employees to provide general feedback on overall levels of satisfaction as well as specific inputs on topics such as communication of the company's goals, the level of support from managers and the company's commitment to quality.

The results are used to steer employee engagement policies and improve communication. In 2021, the survey response rate remained at a healthy 88%. A number of improvement areas were identified which will help the company keep its people better informed about VAT's business goals and their roles in the company's success.

VAT also recognizes the value of employee diversity. It contributes to innovation, makes us a more attractive employer, and improves customer orientation and employee satisfaction. One step in this direction is to ensure that people are recognized and compensated for their contributions to the company, regardless of gender. In 2021 VAT received the Fair ON Pay+ certificate from SGS Société Générale de Surveillance for being compliant with the equal pay provisions of the Swiss Federal Act on Gender Equality. The Fair ON Pay+ certificate recognizes VAT as a fair employer and underlines its ongoing commitment to equal pay.

In addition, we aim to provide our people with career and personal development opportunities. In Malaysia, for example, VAT collaborates with local institutions like the Penang Skills Development Centre and the Malaysian German Chamber of Commerce & Industry to sponsor students in a mechatronics program. VAT is also setting up a new apprentice training center in Malaysia to encourage skills development with local vocational institutes by offering both on-the-job training as well as employment after training, and operates a similar center at its head office in Switzerland.

Positive impact of VAT products

VAT's business success has other positive impacts on society. VAT valves are key components in the high-vacuum processes used to make the high-performance semiconductors that drive the Digital Revolution. This, in turn, is enabling society to get far more from our natural resources.

One example is the development of solar photovoltaic power that is efficient enough to be commercially viable. The power electronics behind smart power grids that can utilize these energy sources is another. The Internet of Things brings enormous productivity and efficiency improvements to a wide variety of industries, while semiconductors – and the vacuum valves used to manufacture them – are key to the roll-out of e-vehicles and the promise of better urban air quality around the world.

VAT's investments to grow its production capabilities also result in benefits to the communities in which we operate. They open up new opportunities for local suppliers to join in VAT's business success, to share technology, broaden employee skills and lift the competitiveness of the regions where we do business.

Creating a sustainability culture

Ultimately, our aim is to create a culture in the company in which all of our employees understand that long-term business success can only be built on a commitment to social responsibility and environmental stewardship as well. This is a long journey, and we have many more milestones to pass. But we are convinced that this approach, by making us a preferred partner for our employees, customers, suppliers, local communities and shareholders, is the key to sustainable value creation for all of our stakeholders.