

Corporate Governance Report

VAT Group AG is committed to the highest principles of good corporate governance, aimed at ensuring transparency, achieving a balanced relationship between management and control, and safeguarding shareholder interests. VAT Group AG regularly reviews its corporate governance framework and discloses information on corporate governance in accordance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the Swiss Code of Best Practice for Corporate Governance, and the corporate governance provision of the Swiss Code of Obligations. In addition, VAT Group has implemented a Code of Conduct, setting out VAT Group's key principles.

To avoid duplication, some sections contain cross-references, in particular to the Articles of Association of VAT Group AG, published at https://ir.vatvalve.com/fileadmin/user_upload/corporate_governance/en/articles-of-association---vat-group-ag.pdf, Committee Charters published at <https://ir.vatvalve.com/en/corporate-governance> and the Organizational Regulations of VAT Group AG published at https://ir.vatvalve.com/fileadmin/user_upload/corporate_governance/en/VAT_Organizational_Regulations_2022.pdf.

For those disclosures under the SIX Swiss Exchange Directive on Information relating to Corporate Governance that are included in the notes to the consolidated financial statements, please consult the Consolidated Financial Statements 2022 of VAT Group AG within this document. The financial year of VAT Group AG ends on December 31 of each calendar year.

1. Group structure and shareholders

1.1 Group structure

VAT Group AG, a stock corporation, was founded on February 25, 2016 (registration number CHE- 202.223.983, LEI: 529900MVFK7NVALR7Y83) and its registered seat is at Seelistrasse 1, 9469 Haag, Switzerland. VAT Group consists of VAT Group AG (the ultimate holding company) and its subsidiaries in Switzerland and abroad: four production companies that can also hold a distribution function in Switzerland, Romania, and Malaysia; ten distribution companies in Europe, North America and Asia; and three holding and financing companies. An overview of this structure, with company names, place of incorporation, share capital and VAT Group AG's participation is provided in the Consolidated Financial Statements 2022 of VAT Group AG on page 118.

VAT Group's operational structure is organized into two business segments aimed at delivering maximum value to customers: Valves and Global Service. This structure is described in more detail in the segment information in the notes to the financial statements on pages 85–87.

1.2 Significant shareholders

As of December 31, 2022, 20,516 shareholders were registered in VAT Group AG's share register, holding 18,423,165 shares (as defined below under 2.1).

Disclosure notifications of significant shareholdings in VAT Group AG that were filed in 2022 with VAT Group AG and the SIX Swiss Exchange are available from the online publication platform of the SIX Swiss Exchange: <http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

As of December 31, 2022 (or as per the date indicated), VAT Group AG was notified of the following shareholders, representing 3% or more of the share capital of VAT Group AG:

Name of shareholder

	In % of total share capital
Rudolf Maag, Switzerland ¹	10.00%
BlackRock, Inc. ²	5.72%
Capital Group Companies, Inc. ³	5.95%

¹ Position of Rudolf Maag as per VAT share register dated December 31, 2022
² Position for BlackRock, Inc. as per filing dated April 28, 2021
³ Position for Capital Group Companies, Inc. as per filing dated February 13, 2023

VAT was informed by Allianz SE on February 9, 2022, that it had reduced its position in VAT shares to below the threshold of 3%. Further details are available from the online publication platform of the SIX Swiss Exchange: <http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

VAT Group AG is not aware of any other person or institution holding, at the date of this report, directly or indirectly, on its own account or in concert with third parties, 3% or more of VAT Group AG's share capital.

1.3 Cross-shareholdings

VAT Group AG does not have any cross-shareholdings exceeding 5% of capital holdings or voting rights.

2. Capital structure

2.1 Company's share capital

The share capital of VAT Group AG amounts to CHF 3,000,000 divided into 30,000,000 registered shares with a nominal value of CHF 0.10 each. The shares are fully paid in. The shares have been listed on the SIX Swiss Exchange since the company's Initial Public Offering on April 14, 2016. The VAT Group AG's International Securities Identification Number (ISIN) is CH0311864901, its market capitalization as of December 31, 2022, was CHF 7.58 billion with a free float as defined by SIX Swiss Exchange of approximately 90%. During 2022, the free float remained unchanged compared to a year ago.

VAT Group AG issues its registered shares only as uncertificated securities and registers them as book-entry securities. Shareholders have no right to request conversion of the form in which the registered shares are issued into another form. Shareholders may, however, at any time require from VAT Group AG the delivery of an attestation certifying their current shareholdings. Uncertificated securities may only be transferred by way of assignment, provided that they are not registered as book-entry securities. The transfer of book-entry securities and grants of security rights on book-entry securities have to be compliant with the Book Entry Securities Act. The transfer of book-entry securities or grants of security rights on book-entry securities by way of assignment are excluded.

2.2 Conditional and authorized capital

According to art. 3a of the Articles of Association¹, VAT Group AG's share capital of CHF 3,000,000 may be increased by a conditional capital of up to CHF 150,000, i.e. up to 5% of the share capital, by issuing up to 1,500,000 fully paid-in registered shares with a nominal value of CHF 0.10 each, upon the exercise of option rights or in connection with similar rights regarding shares (including restricted stock units) granted to officers and employees at all levels of the company. The preemptive rights and the advance subscription rights of the shareholders are excluded. The acquisition and subsequent transfer of registered shares is limited under art. 5 of the Articles of Association. The conditions for the allocation and exercise of the option rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price.

VAT Group AG does not have any authorized share capital.

2.3 Changes in share capital

There have been no changes in the share capital during the reporting year.

2.4 Participation certificates, profit-sharing certificates, preference shares and modified voting rights

As of December 31, 2022, VAT Group AG has not issued any participation certificates or profit-sharing certificates, nor has it issued any preference shares or shares with increased, limited, privileged or restricted voting rights.

2.5 Own shares

As of December 31, 2022, VAT Group AG held 18,082 of its own shares. None of its subsidiaries held any shares in VAT Group AG.

2.6 Transfer restrictions and nominee registrations

Persons acquiring registered shares will on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirement stipulated by the Swiss Financial Market Infrastructure Act (FMIA). Entry in the share register as shareholder with voting rights is subject to the approval of VAT Group AG and may be refused if the applicant fails to declare expressly that he/she has acquired and will hold the shares on his/her own behalf and for his/her own account.

A resolution of the shareholders' meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required for the easement or abolition of the restriction of the transferability of the registered shares.

Persons not expressly declaring themselves to be holding shares for their own account (nominees) will be entered in the share register with voting rights without further inquiry up to a maximum of 3% of the share capital outstanding at that time. Above this limit, registered shares held by nominees will be entered in the share register with voting rights only if the nominee in question makes known the names, addresses and shareholdings of the persons for whose account he is holding 0.5% or more of the share capital outstanding at that time and provided that the disclosure requirement stipulated by the FMIA is complied with. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements. Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to circumvent the entry restriction are considered as one shareholder or nominee. VAT Group AG may in special cases approve exceptions to these restrictions. No such cases were approved in 2022.

2.7 Convertible bonds and options

VAT Group AG has neither convertible bonds nor options regarding its shares outstanding.

¹ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3. Board of Directors

3.1 Members of the Board of Directors

The Articles of Association² provide that the Board of Directors shall consist of a minimum of three members, including the Chairman of the Board of Directors who is appointed by the meeting of shareholders. The Board of Directors currently consists of seven non-executive members (including the Chairman).

None of the members of the Board of Directors has or had any significant business connection with VAT Group AG or any of its Group companies during the three years prior to December 31, 2022.

Board of Directors¹

Name	Age ²	Position	Year of 1 st election
Martin Komischke	65	Chairman	2017
Urs Leinhäuser	63	Vice Chairman	2016
Hermann Gerlinger	69	Member	2017
Karl Schlegel	69	Member	2016
Libo Zhang	52	Member	2018
Daniel Lippuner	53	Member	2020
Maria Heriz	45	Member	2022

¹ Heinz Kundert served as Vice Chairman until the AGM held on May 17, 2022, but did not stand for re-election
² as of December 31, 2022

3.2 Background, other activities and functions

As of December 31, 2022, the members of the Board of Directors were:

Dr. Martin Komischke, Chairman, was born in 1957 and is a German citizen. Martin Komischke became the Chairman of the Board of Directors of VAT Group AG in May 2017 and was re-elected as Chairman of the Board of Directors at the Annual General Meeting (AGM) in May 2018 and since then annually.

From 2004 to 2016, Martin Komischke served as CEO of HOERBIGER Holding AG, following his function as Head of the Strategic Business Unit Drive Technology and member of the Executive Board from 1996 to 2003. Before that, he held various functions at Kolbenschmidt AG and Mannesmann-Sachs AG.

In 2022, Martin Komischke served as Chairman of the Board of HOERBIGER Holding AG (since 2016). He was also a member of the Board of Directors of Stäubli Holding AG (since 2016), Aixtron SE (2013 until May 2019) and the Vice President of the Board of Trustees of HOERBIGER Foundation (since 2016).

Martin Komischke holds a degree and a doctorate in electrotechnics and mechanical engineering from the University of Aachen.

² The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

Urs Leinhäuser, Vice Chairman, was born in 1959 and is a Swiss citizen. Urs Leinhäuser became a member of the Board of Directors of VAT Group AG in March 2016 and was since then re-elected annually. He became Vice Chairman in May 2022.

From 1995 to 1999, Urs Leinhäuser was Head of Corporate Controlling at Georg Fischer AG and later CFO of Georg Fischer's Piping Systems Division. Between 1999 and 2003, he was CFO of Mövenpick Holding AG. From 2003 until 2011, he was CFO and Head Corporate Center at Rieter Holding AG. After the spin-off of Autoneum Holding AG from Rieter Holding AG in 2011, Urs Leinhäuser was CFO and Deputy CEO of Autoneum Holding AG until 2014.

Since 2014, Urs Leinhäuser is self-employed and since 2016 he is managing partner at ADULCO GmbH.

Currently, Urs Leinhäuser serves on the Board of Directors of Ammann Group Holding AG (since 2013), Burckhardt Compression Holding AG (since 2007) and Liechtensteinische Landesbank AG (since 2014). Since 2017, he is Chairman of the Board of Directors of Avesco AG and since 2019 he is also member of the Board of Directors of PENSADOR Partner AG.

Urs Leinhäuser holds a degree in business administration from the University of Applied Sciences Zurich.

Dr. Hermann Gerlinger was born in 1953 and is a German citizen. Hermann Gerlinger became a member of the Board of Directors of VAT in May 2017 and was since then re-elected annually.

Between 2001 and 2016, Hermann Gerlinger was CEO of Carl Zeiss SMT GmbH and from 2006 to 2016 also member of the Executive Board of Carl Zeiss AG. Before that, he held various functions for Carl Zeiss AG. Hermann Gerlinger served as member of the Advisory Board of the German National Metrology Institute (PTB) (2015 until May 2020) and is a member of the Supervisory Board of Siltronic AG since 2011 and guest member of the Technology Committee of the ASML Board of Directors since 2018.

Hermann Gerlinger holds a degree and a doctorate in physics and astronomy from the University of Würzburg.

Karl Schlegel was born in 1953 and is a Swiss citizen. He became a member of the Board of Directors of VAT Group AG in March 2016 and was since then re-elected annually.

Karl Schlegel served as CEO of Hamilton Medical AG between 1997 and 2003. Between 2004 and 2013, he was the CEO of VAT Group. From 2014 to 2016, he was a member of the Board of Directors of VAT Holding AG.

Karl Schlegel was a member of the Foundation Board of Stiftung Arwole (a charity for individuals with disabilities from 2014 to 2018)

Karl Schlegel holds a Bachelor of Science degree from the medical engineering department of the University of Applied Sciences and Technology Buchs (NTB) and an Executive MBA from the University of St. Gallen.

Dr. Libo Zhang was born in 1970 and is a German citizen. She became a member of the Board of Directors of VAT Group AG in May 2018 and was since then re-elected annually.

Libo Zhang is an independent senior consultant of finance, controlling and corporate structuring. She has been the CFO of FFG Europa & Americas, MAG IAS GmbH, a German machine manufacturer, and Borgward Group AG, a German auto manufacturer. From 2010 to 2015, she held various senior financial management positions in Germany and Asia at SGL Group, a leading global manufacturer of carbon-based products, including regional CFO and senior manager of corporate development, mergers and acquisitions. Prior to that, for more than ten years, she held senior positions in finance and commercial operations in the German engineering and aerospace sector.

Currently, Libo Zhang serves on the Scientific Advisory Board of CIC Controlling GmbH in Dortmund, Germany, and on the SPT Roth AG Advisory Board in Lyss, Switzerland.

Libo Zhang holds a degree and a doctorate in economics and an MBA from Georg-August University Göttingen, Germany.

Daniel Lippuner was born in 1969 and is a Swiss citizen. He became a member of the Board of Directors of VAT Group AG in May 2020.

From 2017 to 2019, Mr. Lippuner was the Chief Operating Officer at Meyer Burger Group, a global technology leader in the solar photovoltaic industry. Prior to that, he was CEO of Saurer AG, and over the course of more than 25 years has held senior management positions at a number of other international companies, including OC Oerlikon, Hilti Group and Rieter Automotive.

Daniel Lippuner is currently Managing Director of Liquidtool Systems AG in Hasle-Rüegsau, Switzerland. He further serves as a member of the Boards of Directors for the Remnex Foundation, 3S Solar Plus AG, Juice Services AG and, until 2022, Cargopack Tägi AG. Daniel Lippuner holds a degree in economics and business administration from the University of Applied Sciences, St. Gallen, Switzerland.

Maria Heriz was born in 1977 and has dual Spanish-French citizenship. She became a member of the Board of Directors of VAT Group AG in May 2022.

Mrs. Heriz is currently Vice President EMEA & India Global Sales Operations at Tektronix Inc., an American company best known for manufacturing test and measurement devices. From 2015 - 2018, she held senior management positions at NXP Semiconductors, a Dutch semiconductor designer and manufacturer. Prior to that, Maria Heriz worked at Texas Instruments for nearly 14 years, where she managed key accounts and held senior management positions in global sales.

Maria Heriz holds degrees from the Polytechnic University of Madrid, Spain, and the École nationale supérieure des telecommunications ENST Paris, France.

3.3 Mandates and other permitted activities

According to art. 23 of the Articles of Association³, the members of the Board of Directors may have, as a member of the Board of Directors or any other superior management or administrative body, up to six mandates in publicly traded companies, up to ten mandates in private companies and up to 20 mandates in other commercial legal entities. Mandates are activities in the superior management or administrative bodies in legal entities that are obliged to register themselves in a Swiss commercial register or a foreign equivalent and which are not controlled by VAT Group AG, do not control VAT Group AG or do not constitute pension funds insuring employees of the VAT Group. Board members may also exercise up to ten mandates of any function in associations, charity foundations and employee assistance foundations.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

3.4 Election and term of office

Each member of the Board of Directors, including the Chairman, has to be elected, and may only be removed by a shareholders' resolution. The maximum term of office for a member of the Board of Directors is one year. In this context, a year means the time period between one ordinary shareholders' meeting and the next or, if a member is elected at an extraordinary shareholders' meeting, between such extraordinary shareholders' meeting and the next ordinary shareholders' meeting. Re-election is allowed as long as the relevant member has not completed the age of 72 at the time of re-election and has not served on the Board of Directors for more than nine years. The Board of Directors appoints the secretary who does not need to be a member of the Board of Directors.

³ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3.5 Powers and duties

The Board of Directors is entrusted with the ultimate direction of VAT Group AG's business and the supervision of the persons entrusted with VAT Group AG's management. It represents VAT Group AG towards third parties and manages all matters, which have not been delegated to another body of VAT Group AG by law, the Articles of Association³ or by other regulations.

The Board of Directors has the following non-transferable and irrevocable duties:

- ultimately directing VAT Group AG and issuing the necessary directives,
- determining the organization,
- organizing the accounting, the Internal Control System (ICS), the financial control and the financial planning as well as performing a risk assessment,
- appointing and recalling the persons entrusted with the management and representation of VAT Group AG and granting signatory power, ultimately supervising the persons entrusted with the management, in particular with respect to compliance with the law, the Articles of Association, regulations and directives,
- preparing the annual report, as well as the shareholders' meeting and implementing the latter's resolutions,
- preparing the compensation report and the report on non-financial matters pursuant to art. 964c Swiss Code of Obligation,
- submitting a petition for a debt-restructuring moratorium and informing the court in the event of over-indebtedness,
- passing resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares and regarding the amendments to the Articles of Association entailed thereby,
- passing resolutions confirming changes in share capital, preparing the corresponding report and the amendments to the Articles of Association entailed accordingly,
- examining compliance with the legal requirements regarding the appointment, election and the professional qualifications of the auditors,
- executing the agreements pursuant to Articles 12, 36 and 70 of the Swiss Merger Act.

If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint, for the time period until the conclusion of the next ordinary General Meeting, a substitute who must be a member of the Board of Directors.

3.6 Meetings of the Board of Directors

According to the Organizational Regulations⁴, the Board of Directors meets at the invitation of the Chairman as often as required to fulfill its duties and responsibilities, but at least quarterly, or whenever a member or the CEO indicating the reasons requests so in writing. If the Chairman of the Board of Directors does not comply with such a request within ten working days, the Vice Chairman of the Board of Directors will be entitled to convene such meetings.

Resolutions of the Board of Directors are passed with the majority of the votes cast. In the case of a tie, the Chairman has a casting vote. To validly pass a resolution, at least the majority of the members of the Board of Directors must attend the meeting or be present by telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Absent members cannot be represented. A resolution in writing is permitted, provided that no member of the Board of Directors requests oral deliberation. No quorum is required for confirmation resolutions and amendments of the Articles of Association⁵ in connection with capital increases or measures related thereto pursuant to Articles 652e, 652g, 653g, 653t and 653u of the Swiss Code of Obligations. If a conflict of interest is believed to exist, a member of the Board of Directors shall abstain from voting upon all matters involving the interest at stake.

The members of the Group Executive Committee attend the meetings of the Board of Directors in an advisory capacity. The members of the Group Management Board can attend the meetings of the Board of Directors at which the strategy of VAT Group or other specific topics related to their responsibilities are on the agenda.

⁴ The Organizational Regulations of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

⁵ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3.7 Committees of the Board of Directors

In compliance with the Articles of Association⁵, the Board of Directors issued Organizational Regulations⁴ that govern tasks and areas of responsibility of the Board of Directors and its Committees as described in this section 3. They are regularly reviewed and updated.

The Board of Directors established the Audit Committee (AC) and the Nomination and Compensation Committee (NCC) which aim to strengthen and support VAT Group AG's corporate governance structure. In addition, the VATmotion Committee and the Technology Committee (TC) were introduced in 2017. The Board of Directors decided to dissolve the VATmotion Committee, as the additional advice from the Board of Directors was no longer necessary. This is due to the current management and professionalism of the Operational Excellence processes. The VATmotion Committee therefore ceased its activities following a final meeting in February 2022.

The Committees may conduct or authorize investigations within their areas of responsibility; if necessary, they may involve external experts. The table below outlines the Committee memberships of the current members of the Board of Directors as of December 31, 2022.

Board of Directors

	Audit Committee (AC)	Nomination and Compensation Committee (NCC)	Technology Committee
Martin Komischke	–	Member	–
Libo Zhang	Member	Chairperson	–
Hermann Gerlinger	–	Member	Chairperson
Urs Leinhäuser	Chairperson	Member	–
Karl Schlegel	–	–	Member
Daniel Lippuner	Member	–	Member
Maria Heriz	–	–	–

3.8 Audit Committee (AC)

In accordance with the AC charter⁶, the AC consists of at least two members of the Board of Directors. The members of the AC and the AC Chairperson are appointed by the Board of Directors. The term of office of the members of the AC is one year. Re-appointment is possible.

The AC is currently chaired by Urs Leinhäuser who is supported by Libo Zhang and Daniel Lippuner.

The AC assists the Board of Directors in fulfilling its duties to supervise management. In particular, the AC has the following duties:

- Assessing the statutory and consolidated annual and interim financial statements.
- Proposing to the Board of Directors changes or amendments of accounting principles (e.g., the implementation of new accounting standards) at the request of the CFO.
- Discussing the results of the audits pro-actively with the external auditor and the CFO and issuing proposals or recommendations to the Board of Directors.
- Evaluating the external auditors and submitting a proposal to the Board of Directors for the election of the auditors at the Annual General Meeting.
- (I) Approving the audit plan as well as the respective budgets and fees of the external auditors; approving any non-audit services provided by the external auditor if the fee on an individual basis is equivalent to more than 10% of the total annual audit fees, or if all non-audit service fees taken together amount to more than 40% of the total annual audit fees; assessing the performance and effectiveness of the external auditors during the year.
- (II) Approving the audit plan as well as the respective budgets and fees of the internal auditors; assessing the performance and effectiveness of the internal auditors during the year.

⁶ The AC charter of VAT Group AG is published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

- Assessing the Internal Control System (ICS).
- Assessing the Enterprise Risk Management System and Report (ERM).
- Assessing compliance with statutory and regulatory provisions, organizational rules and corporate governance within the Group (compliance).
- Overseeing the Group's whistleblower process.
- Ensuring and monitoring that the Group is properly funded and financed.
- Assessing the annual business expenses incurred by the members of the Group Executive Committee.
- Reviewing talent development in the finance and corporate organizations.
- Periodically checking the performance and effectiveness of the AC and submitting proposals to the Board of Directors regarding any changes that may be needed.

3.9 Nomination and Compensation Committee (NCC)

In accordance with the NCC charter⁷, the NCC consists of at least three members of the Board of Directors. The members of the NCC are each elected by the shareholders' meeting. The term of office of the members of the NCC is one year. In this context, a year means the time period between one ordinary shareholders' meeting and the next or, if a member is elected at an extraordinary shareholders' meeting, between such extraordinary shareholders' meeting and the next ordinary shareholders' meeting. Re-election is possible. If there are vacancies on the NCC, the Board of Directors shall appoint substitutes from amongst its members for the remaining term of office.

The NCC is currently chaired by Libo Zhang who is supported by Martin Komischke, Urs Leinhäuser and Hermann Gerlinger.

The function of the NCC is to support the Board of Directors in establishing and reviewing a compensation strategy as well as in preparing the proposals to the shareholders' meeting regarding the compensation of the Board of Directors and the Group Executive Committee.

The NCC is responsible for preparing proposals to the full Board of Directors regarding:

- the compensation of the executive management,
- the compensation scheme of the VAT Group pursuant to the principles of art. 25 and 26 of the Articles of Association⁸,
- the determination of compensation-related targets for the executive management,
- the approval of the individual compensation of the Chairman of the Board of Directors, the other members of the Board of Directors as well as the maximum individual aggregate compensation of the CEO,
- the individual compensation (fixed and variable compensation) of the members of the executive management as well as their further terms of employment and titles,
- amendments to the Articles of Association with respect to the compensation scheme for members of the executive management,
- mandates pursuant to art. 23 of the Articles of Association and further additional occupation of the members of the executive management.

Further duties and responsibilities may be provided in the Articles of Association, the Organizational Regulations⁹ such as the NCC charter⁷ or law.

Further information about the NCC and its duties is provided in the Compensation Report on pages 64 to 65.

⁷ The NCC charter of VAT Group AG is published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

⁸ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

⁹ The Organizational Regulations of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3.10 VATmotion Committee and Technology Committee

In accordance with the Organizational Regulations⁹, the Board of Directors can appoint committees to prepare and execute its resolutions and to supervise the company. In 2017, the Board of Directors established the VATmotion Committee and the Technology Committee (TC).

In accordance with the TC Charter¹⁰, the TC consists of at least two members of the Board of Directors. It provides advice to the full Board of Directors in technological terms. It supports the management team in the development of the technology strategy and the evaluation of the company's research, development and product portfolio. The TC is currently chaired by Hermann Gerlinger who is supported by Karl Schlegel and Daniel Lippuner.

The Board of Directors decided to dissolve the VATmotion Committee, as the additional advice from the Board of Directors was no longer necessary. This is due to the current management and professionalism of the Operational Excellence processes. The VATmotion Committee therefore ceased its activities following a final meeting in February 2022.

3.11 Meetings of the Committees of the Board of Directors

According to the Organizational Regulations¹¹, the meetings of the Committees are convened by their Chairperson, usually ahead of each ordinary Board of Directors meeting, and are held as often as required but in general at least three times a year.

In order to perform their duties, at least half of the Committee members have to be present in person or participate in electronic communications. In any case, a minimum attendance of two is required. Resolutions or motions to the Board of Directors must be passed by a majority of the votes cast. Abstentions from voting are regarded as non-delivered votes.

Resolutions and motions to the Board of Directors may also be made in writing, unless a member requires oral deliberation. Upon the invitation of its Chairman and in consultation with the Chairman of the Board of Directors and, if applicable, the CEO, other representatives of the Group Executive Committee and other persons may participate in the Committee's meetings. If a conflict of interest is believed to exist, a member of the Committee shall abstain from voting upon all matters involving the interest at stake.

The Committees inform the Board of Directors about the essential parts of discussion, decisions and proposals at the following regular meeting of the Board of Directors, in case of urgency also immediately.

¹⁰ The TC charter of VAT Group AG is published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

¹¹ The Organizational Regulations of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3.12 Overview of meetings in 2022

During 2022, the Board of Directors and the Committees conducted regular formal meetings and conference calls.

Formal meetings and conference calls

	BoD	AC	NCC	VATmotion	Technology Committee
Total number of meetings/calls in 2022	6/7	5/6	4/0	1/0	5/0
Usual average duration, approx. (in hours)	4/1	2/1	2/0	2/0	2/0
Martin Komischke	6/7	–	4/0	1/0	–
Heinz Kundert	2/3	–	1/0	–	–
Libo Zhang	6/7	5/6	2/0	–	–
Hermann Gerlinger	6/6	–	2/0	1/0	5/0
Urs Leinhäuser	6/6	5/6	2/0	1/0	–
Karl Schlegel	6/6	–	2/0	1/0	5/0
Daniel Lippuner	6/7	3/3	–	1/0	3/0
Maria Heriz	4/4	–	–	–	–
Internal Audit, PwC	–	3/0	–	–	–
External Audit, KPMG	–	5/5	–	–	–
External Advisors	4/0	–	4/0	–	–

The members of the Group Executive Committee attended all meetings and calls of the Board of Directors and the meetings of the Committees if necessary. The CFO joined all meetings of the AC. The Head of Legal and Compliance attended all but one meeting of the Board of Directors, all of the AC and the NCC meetings and acted as secretary. VAT employees were invited to the respective meetings and calls occasionally as required.

In addition, the Board of Directors and the Committees held several informal meetings and calls with and without VAT management and/or guests to discuss current subjects between formal meetings and calls.

3.13 Determination of areas of responsibility of Board of Directors and Group Executive Committee

The Board of Directors is responsible for the ultimate direction of VAT Group AG as well as the supervision of the Group Executive Committee. The Board of Directors attends to all matters which are not delegated to or reserved for another corporate body of VAT Group AG by applicable laws, the Articles of Association¹² or the Organizational Regulations¹³. The Board of Directors is regularly informed about developments of VAT Group AG and the VAT Group and decides upon proposals and reports provided by the Committees or the Group Executive Committee.

The Board of Directors delegated the executive management of VAT Group AG and of the VAT Group to the Group Executive Committee acting under the leadership of the CEO, subject to applicable laws and the Articles of Association¹². Further, the Board of Directors may delegate the preparation, proposal and execution of its resolutions or the supervision of certain projects and topics to one or several members of the Board of Directors, to a Committee, to the CEO, or to one of the members of the Group Executive Committee.

¹² The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

¹³ The Organizational Regulations of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

3.14 Information and control instruments vis-à-vis the Group Executive Committee

Each member of the Board of Directors can anytime require any information on each and all matters relating to VAT Group AG and its Group companies.

Meetings of the Board of Directors are attended by the CEO, COO, CFO and the EVP SSG. At each meeting, the Board of Directors is to be informed by the attending members of the Group Executive Committee on the current course of business and significant business transactions. This includes, but is not limited to, a consolidated annual budget, monthly financial reporting, quarterly financial projections, profit and loss forecasts, monthly KPI reports and strategic risk management reports. Extraordinary events have to be reported immediately to the members of the Board of Directors by circular, if necessary after prior information by phone or e-mail. Any member of the Board of Directors may, anytime, require information or disclosure of business documents. Such requests are to be addressed in writing to the Chairman of the Board of Directors. As far as necessary for the completion of a task, each member of the Board of Directors may request the Chairman to provide him/her with accounts and files. Financial reports are submitted to the Board of Directors on a monthly basis. Full financial consolidation, including the cash flow statement, is performed on a monthly basis.

Based on the Organizational Regulations¹³ of the Board of Directors, the AC has implemented a comprehensive system for monitoring and controlling the risks linked to the company's business activities. This includes risk identification, analysis, control and periodical reporting to the AC. Operationally, the Group Executive Committee is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks and control activities, such as periodic internal audits of internal control systems (more details can be found in Section 8.1 herein).

4. Group Executive Committee

Subject to those affairs, which lie within the responsibility of the Board of Directors according to Swiss law, the Articles of Association¹⁴ and the Organizational Regulations¹⁵, the Board of Directors has delegated the executive management of VAT Group AG to the Group Executive Committee acting under the leadership of the CEO. The Group Executive Committee is mainly responsible for the financial and operational management and for the efficiency of the corporate structure and organization of the VAT Group AG.

4.1 Members of the Group Executive Committee

As of December 31, 2022, the members of the Group Executive Committee were:

Michael (Mike) Allison, CEO, born in 1962, British citizen, joined VAT on January 1, 2018 and succeeded Heinz Kundert as CEO on March 13, 2018.

Mike Allison joined Edwards in 2008 as Vice President of Global Sales & Services and, after the acquisition by Atlas Copco in 2014, became President of the Semiconductor division at Edwards/Atlas Copco. In this role, Mike Allison helped transform Edwards into one of the leading companies in the Semiconductor Vacuum sector. In addition to his responsibilities at Edwards/Atlas Copco, Mike Allison also spent 20 years at KLA-Tencor, where he held many key positions, including Executive Vice President and General Manager of Global Services, based in San Jose, USA.

Other roles included significant positions in business strategy, sales, marketing and technical positions in Germany, UK and the USA.

Mike Allison is a member of the International Board of SEMI, the global industry association for the semiconductor equipment and material suppliers.

He holds a BSc Honors in Electrical & Electronic Engineering from Glasgow University.

¹⁴ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

¹⁵ The Organizational Regulations of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

Fabian Chiozza, born in 1981, Swiss citizen, was appointed Chief Financial Officer of VAT Group AG in April 2021.

Fabian Chiozza joined VAT Group AG from Autoneum Group, the global leader in acoustic and thermal management for the automotive industry, where he was the divisional CFO for the Business Group South America, Middle East and Africa. Before that, Fabian Chiozza held a variety of senior finance positions at Rieter Group, including Group Controller, and established a successful track record in corporate development and mergers and acquisitions.

Fabian Chiozza holds a Master's degree in Accounting and Finance from the University of St. Gallen (HSG), Switzerland.

Dr. Thomas Berden, born in 1971, German citizen, was appointed Chief Operating Officer of VAT Group AG in October 2020.

Thomas Berden joined VAT Group AG from the Swedish bearing and seal manufacturer AB SKF, where he headed the international spherical roller bearings business. Previously, Thomas Berden was Head of Global Manufacturing for the building and construction products company Hilti in Kaufering, Germany. He has also held management positions at BSH Bosch Siemens Hausgeräte and Siemens AG, Germany.

Thomas Berden holds a PhD in mechanical engineering from the Rheinisch-Westfälische Technische Hochschule (RWTH) in Aachen, Germany, and a degree in business economics from the University of Hagen, Germany.

Urs Gantner, born in 1970, Swiss citizen, was appointed Executive Vice President Semiconductor Solutions Group (EVP SSG) in August 2022

Urs Gantner joined VAT in 2004 as a product manager for customized transfer valve solutions. He was named head of the Semiconductor business unit in 2015, helping to grow the business while improving its operational structure and performance by taking advantage of the company's growing global footprint. Mr. Gantner also played a central role in the development and growth of VAT's manufacturing facility in Malaysia, including the localization of engineering and product management, and has led the expansion of VAT's valves business into adjacent product markets.

Urs Gantner, who holds a Master of Science degree in mechanical engineering from the Federal Institute of Technology (ETH).

4.2 Mandates and other permitted activities

According to art. 23 of the Articles of Association¹⁶, with the approval of the NCC, the members of the Group Executive Committee may have, as a member of the Board of Directors or any other superior management or administrative body, up to three mandates in publicly listed companies, up to five mandates in companies pursuant to art. 727 para. 1 number 2 of the Swiss Code of Obligations, and up to five mandates in other legal entities. Mandates are activities in the superior management or administrative bodies in legal entities with an economic purpose that are obliged to register themselves in a Swiss commercial register or a foreign equivalent and which are not controlled by VAT Group AG, do not control VAT Group AG or do not constitute pension funds insuring employees of the VAT Group.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

4.3 Management contracts

There are no management contracts with companies not belonging to the VAT Group.

4.4 Transactions of members of the Board of Directors or the Group Executive Committee

Detailed information regarding related-party transactions with members of the Board of Directors and Group Executive Committee is provided on the website of SIX Swiss Exchange: <http://www.six-exchange-regulation.com/en/home/publications/management-transactions.html>.

¹⁶ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

5. Compensation of the Board of Directors and Group Executive Committee

5.1 Compensation, shareholdings and loans

Information on compensation and shareholdings of the members of the Board of Directors and the Group Executive Committee can be found in the Compensation Report starting on page 61. The provisions regarding the principles of performance-related compensation, the allocation of equity securities, participation plans, the additional amount for payments to members of the Group Executive Committee appointed after the vote on remuneration by the shareholders' meeting, as well as regarding loans, credits and pension benefits are set in art. 25 to 29 of the Articles of Association¹⁷.

The rules regarding the approval of the remuneration by the shareholders' meeting are set out in art. 12 of the Articles of Association¹⁷.

According to the Articles of Association¹⁷, VAT Group AG may not grant loans, credits, pension benefits other than from occupational pension funds or securities to members of the Board of Directors or the Group Executive Committee; advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum of CHF 1,000,000 are not subject to this provision. See also information provided in the Compensation Report on page 64, 65, 66 and 72.

6. Shareholders' participation

6.1 Voting rights restrictions

The identity of the owners or beneficiaries shall be entered in the share register stating first/last name (company name), domicile (registered seat), address and citizenship.

Voting rights may be exercised only after a shareholder has been registered in VAT Group AG's share register as a shareholder with voting rights. In shareholders' meetings, each shareholder has equal rights, including equal voting rights. According to the Articles of Association¹⁷, each share carries one vote. All shares are entitled to dividends. At shareholders' meetings, shareholders may be represented by a proxy appointed in writing, a representative by law or the independent proxy. The proxy need not be a shareholder. Under the Articles of Association¹⁷ and after due consultation with the persons concerned, VAT Group AG is authorized to delete entries in the share register with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information. The person concerned has to be immediately informed about the deletion.

6.2 Independent proxy

Art. 689c para. 4 Swiss Code of Obligation provide that the Board of Directors must ensure that the shareholders are able to grant proxies and instruct the independent proxy on (i) agenda items included in the invitation to the shareholders' meeting, and (ii) new motions which were not disclosed in the invitation to the shareholders' meeting. The independent proxy is required to exercise the voting rights granted by shareholders only in accordance with shareholder instructions. Further, absent express voting instructions, the independent proxy is required to abstain from voting. If VAT Group AG does not have an independent proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next ordinary shareholders' meeting.

At the ordinary shareholders' meeting held on May 17, 2022, Mr. Roger Föhn of ADROIT, Kalchbühlstrasse 4, 8038 Zurich, Switzerland, was elected as the independent proxy for the term ending at the conclusion of the next ordinary shareholders' meeting.

6.3 Quorums required

No statutory quorums other than those defined by Swiss corporate law and the Swiss Federal Merger Act apply. Any article of the Articles of Association¹⁸ providing for a greater voting requirement than is prescribed by law or the existing Articles of Association must be adopted by a qualified majority of at least two thirds of the represented share votes and the absolute majority of the represented shares par value. The Articles of Association do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting.

¹⁷ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

¹⁸ The Articles of Association of VAT Group AG are published at <https://ir.vatvalve.com/en/corporate-governance/articles-regulations-charters>.

6.4 Convocation of shareholders' meetings

Shareholders may be convened by the Board of Directors or, if necessary, by a company's statutory auditor or liquidator. The Board of Directors is further required to convene an extraordinary shareholders' meeting within 60 days if requested by one or more shareholders representing in aggregate at least 5% of VAT Group AG's nominal share capital or votes.

Registered shareholders with voting rights individually or jointly representing at least 0.5% of the nominal share capital or votes of VAT Group AG may demand that items be put on the agenda or that a motion relating to an agenda item be included in the notice convening the General Meeting. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 days before the date of the shareholders' meeting and shall be in writing, specifying the items and the proposals.

A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. To the extent the postal or e-mail addresses of the shareholders are known, notice shall be sent simultaneously by post or e-mail. The notice shall state the date, beginning, mode and venue of the Meeting, the agenda items, the proposals of the Board of Directors together with a brief statement of the reasons, if applicable, the proposals of the shareholders together with a brief statement of the reasons and the name and address of the independent proxy.

6.5 Entry in the share register

The Articles of Association¹⁸ do not specify the date by when shareholders have to be entered into the share register to participate in the shareholders' meeting. For organizational reasons, no shareholders will be registered 12 calendar days prior to the shareholders' meeting.

7. Change of control provisions

7.1 Duty to make an offer/Opting-out, opting-up

Under the Swiss Financial Market Infrastructure Act (FMIA), if a person acquires shares of a listed Swiss company exceeding more than 33⅓% of the voting rights, that person must make a takeover bid to acquire all of the other listed shares of that company. A company's Articles of Association may either eliminate this provision (opting-out) or may raise the relevant threshold to 49% (opting-up).

Art. 33 of VAT Group AG's Articles of Association¹⁸ provides for a selective "opting-out" for the stated entities of Partners Group¹⁹ and Capvis²⁰, which are, when acting alone or in concert, exempted from the duties pursuant to the FMIA. This opting-out provision expired December 31, 2020, meaning that if following such date any of the exempted persons (alone or acting in concert) newly exceeds the threshold of 33⅓% of the voting rights (whether exercisable or not), art. 135 FMIA will apply to that person as well.

7.2 Change of control

There are no change of control clauses for the members of the Board of Directors, except for the restricted shares, for which the three-year blocking period will be released in case of a successful takeover bid or the delisting of VAT Group AG. Information on the restricted shares is provided in the Compensation Report, page 72.

There are no change of control clauses for the members of VAT Group AG's Group Executive Committee or of senior management.

¹⁹ Comprising Partners Group Client Access 8, L.P. Inc., Partners Group Barrier Reef, L.P., Partners Group Direct Inv. 2012 (EUR), L.P. Inc., St Peter Port, Guernsey GY1 1BT, Channel Islands, and Partners Group Private Equity (Master Fund), LLC, New York, NY 10036, USA, all of whose ultimate sole shareholder is Partners Group Holding AG, Zugerstrasse 57, CH-6341 Baar.

²⁰ Comprising Capvis Equity III L.P., Capvis III Limmat L.P. (both acting through its general partner Capvis General Partner III Limited), and Capvis Equity IV L.P. (acting through its general partner Capvis General Partner IV Limited), St. Helier, Jersey JE2 3TE, Channel Islands.

8. Audits

8.1 Internal Audit

Internal Audit is an independent function acting on behalf of the Board of Directors under the guidance and oversight of the AC. VAT Group AG chose to co-source with PricewaterhouseCoopers (PwC) in order to execute the individual audits and PwC has the responsibility to plan, execute and report the audits. According to the audit plan approved by the AC, the internal audit function conducts three audits a year and yearly issues a risk report to the Board of Directors. Due to the COVID pandemic and the related restrictions, only two internal audits were conducted in 2022.

8.2 External Audit

The external auditor is elected for a period of one year at the shareholders' meeting. KPMG AG, St. Gallen, was appointed as statutory auditor and group auditor in 2016 (and re-elected since then annually), auditing the consolidated financial statements and the individual financial statements of VAT Group AG. Mr. Simon Niklaus was named lead auditor in 2021. The holder of this office changes every seven years, in accordance with Swiss law.

In 2022, aggregate audit fees for KPMG's audit of VAT Group AG and the VAT Group amounted to about CHF 383,000.

KPMG rendered in 2022 additional services, in respect to compliance, tax returns and tax advice amounting to aggregate fees of about CHF 90,000.

Included in these fees are costs for multi-year projects to optimize the Group's legal and tax structures following the IPO in 2016. VAT expects these projects to be largely concluded and therefore expects future non-audits fees to stay below 50% of the KPMG audit fees.

The Board of Directors is responsible for the supervision and control of the external audit process. Its remit includes reviewing internal and external audit reports; it is assisted by the AC when discharging this duty. The AC discusses the audit report results and evaluates their quality and comprehensiveness. The lead auditor in charge who represents the external auditor attended ten meetings and calls (in person or by telephone/video conference) of the AC in the year under review. An overview of meetings and attendance can be found in Section 3.12 herein.

Once per year, the Board of Directors verifies the selection of potential auditors, in order to propose the preferred audit firm for election at the annual shareholders' meeting. Evaluating the effectiveness of the auditors, the AC considers in particular the following criteria: independence of both the audit firm and the lead auditor, qualification, including technical and operational competence, focus on significant risk areas, effectiveness and practicability of recommendations, efficiency of collaboration and transparency of communication.

The AC also examines the proportion between the external audit fees for the annual financial statements and the fees for additional non-audit services performed by the auditors quarterly.

9. Blackout Periods

VAT Group AG has adopted an Insider Dealing and Market Manipulation Policy ("Trading Policy"). In addition to the members of the Board of Directors, the Group Executive Board, the Group Management Board, their assistants, secretaries and other personal employees, the Trading Policy applies to all other persons who have access to inside information and for whom the CEO or the CFO declares the Trading Policy to be applicable. This designated group of addressees ("Blocked Persons") must not deal in VAT securities (shares of VAT Group AG, any other securities issued by VAT Group AG and any derivatives and other financial instruments from the afore-mentioned securities) or make recommendations to any other person while in possession of inside information. Inside information is defined as confidential information which, if made public, can have a significant effect on the trading price of VAT securities.

In order to avoid any appearance of improper use of inside information, blackout periods have been defined in the Trading Policy. Blackout periods are specific periods of time before the publication of confidential and potentially price-sensitive information. Regardless of whether a Blocked Person is in the possession of inside information, Blocked Persons are barred from dealing in VAT securities

- from December 31 until the lapse of one SIX trading day following the public release of the annual results;
- from March 31 until the lapse of one SIX trading day following the public release of the Q1 trading up-date;
- from June 30 until the lapse of one SIX trading day following the public release of the semi-annual results;
- from September 30 until lapse of one SIX trading day following the public release of the Q3 trading up-date.

Exceptions from this ban may only be granted upon prior request in the form of written approval by the Board of Directors or the CEO/CFO, as applicable.

10. Information policy

VAT Group AG engages in transparent, timely and regular communication with its shareholders, the capital markets and the general public.

VAT Group AG publishes its annual results, interim reports (semi-annually) and quarterly trading updates on the dates listed in the financial calendar published on the Investor Relations website at <https://ir.vatvalve.com/en/event-calendar>. The financial statements are prepared according to the International Financial Reporting Standards (IFRS). Printed annual reports are available upon request. All interim reports, company press releases and ad hoc publications are also available on the VAT Group AG's website, as are subscription services for all such publications. VAT Group AG convenes media and investor conferences on a regular basis. Press releases and ad hoc publications containing potentially price-sensitive information are published regularly and in accordance with the rules of the SIX Swiss Exchange. The SIX Swiss Exchange regulations can be found at <http://www.six-exchange-regulation.com>.

Information about the share price, annual results and interim reports, financial calendar, minutes of the annual shareholders' meeting, press releases as well as the Articles of Association are available at <https://ir.vatvalve.com>.

All upcoming dates can be found in the financial calendar on page 138 of this annual report.

Contact information:

VAT Group AG
Investor Relations & Sustainability
Mr. Michel R. Gerber
Seelistrasse 1
CH-9469 Haag
T +41 81 772 42 55
E-mail: investors@vat.ch
VAT Group AG's website: www.vatvalve.com

Ad hoc messages: <https://ir.vatvalve.com/en/news>
Financial reports: <https://ir.vatvalve.com/en/financial-reports>
Newsletter subscription: <https://ir.vatvalve.com/en/news-service>

Notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). The Board of Directors may designate further means for official publications. Notices of VAT Group AG to shareholders are to be made by official publications of VAT Group AG. Notices to shareholders may also be made in writing to the addresses of the shareholders recorded in the share register.