

# Planning a sustainable future

VAT's products play an important role in the technological shifts that will lead to a more sustainable society. That's because they are critical components in the equipment used to manufacture semiconductors which, in turn, make possible many of the innovations needed to address issues such as climate change, efficient resource use, and sustainable economic growth. While the company takes great pride in this role, VAT also recognizes its responsibilities to ensure that it operates in a way that minimizes its impacts on the environment, supports its people and the communities in which they work, and manages its business with the highest ethical standards.

## Products for a sustainable world

Vacuum valves are used to make a wide variety of products that allow more efficient use of resources. Semiconductors, for example, are at the heart of industrial automation and help manufacturers produce more while reducing their energy and raw material consumption. Power semiconductors are used to integrate intermittent renewable energies such as wind and solar power into conventional electrical grids that were designed to transmit power at constant loads. They are making possible the spread of e-vehicles that improve urban air quality. Perhaps most importantly, semiconductors connect people in real time and on a global scale, driving the innovation needed to address challenges such as climate change. Vacuum technology is also key to manufacturing solar photovoltaic equipment and is central to research into nuclear fusion energy.

## Broader value creation

But the semiconductor value chain itself also has direct impacts on the environment and VAT has committed to doing its part to mitigate these effects and, more generally, to develop and implement a best-in-class sustainability strategy that prioritizes value creation for a broad stakeholder base.

In August 2022, VAT published its inaugural Sustainability Review, reiterating its commitment to building a sustainability culture in the company and establishing a base line for setting targets, measuring results, and publicly reporting on its environment, social and governance (ESG) performance.

The Review described a number of initiatives the company has undertaken in the areas of CO<sub>2</sub> reduction and shifting to renewable energy sources, as well as recycling and waste management, at its main facilities in Switzerland and Malaysia. These include replacing electricity generated from fossil fuels with hydro power and with electricity generated from the company's own solar photovoltaic installations. A cooling system using groundwater in a heat exchanger has replaced a conventional air conditioning system at the company's plant in Haag, Switzerland, resulting in both a 75% reduction in energy costs and a healthier work environment.

Redesigned packaging that is almost 100% recyclable and using new and less harmful cleaning agents have led to improvements in resource use. Collaboration with suppliers and logistics partners have also played a role in reducing VAT's environmental impact through the re-use of shipping materials and supporting the use of zero-emission hydrogen-fueled transport.

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## Founding member of the Semiconductor Climate Consortium

While semiconductors play a big role in reducing CO<sub>2</sub> emissions, their production is also a source of greenhouse gases. In the fourth quarter of 2022, VAT joined the newly formed Semiconductor Climate Consortium, an industry association focused on reducing greenhouse gas (GHG) emissions among its 65 member companies and other sectors of the industry value chain. The group has agreed to pool its technology expertise and knowledge of the semiconductor value chain with the aim of continuously reducing greenhouse gas emissions, reporting progress annually according to the guidelines and principles in the GHG Protocol, and setting near-term and long-term targets in accordance with best available science, with the aim to reach net zero GHG emissions no later than 2050.

## ESG



### Social responsibility

VAT's efforts in the area of social responsibility have focused on investing in the local communities in which it operates. In Penang, Malaysia, for example, the company has invested more than CHF 70 million to build a world-class manufacturing and engineering facility serving its customers in Asia. This includes the establishment of a new apprentice training center at the site to encourage skills development with local vocational institutes by offering both on-the-job training as well as employment. In addition to providing jobs, training and advanced technology, these investments have significant carry-over benefits for the region through the build-up of local supply chains, recruitment of local technical and engineering talent and providing local people with opportunities to take part in and benefit from VAT's global value chain.

At the same time, VAT continues to invest in its main production site in Switzerland, including a CHF 40-million investment in a new R&D campus to bring its Swiss-based innovation teams together under a single roof. The investment includes the addition of about 100 new jobs for scientists and engineers.

The company has also prioritized employee engagement and conducts an annual employee survey to measure how well VAT communicates goals, manages specific issues—such as the COVID-19 pandemic—and provides open feedback channels for people to participate more actively in decision-making.

VAT also recognizes the value of employee diversity as a contributor to innovation and employee satisfaction. This includes making sure that people are recognized and fairly compensated for their contributions to the company, and in 2021, VAT received the Fair-ON-Pay+ certificate, recognizing VAT for its commitment to ensure equal pay for equal work between men and women. Providing a fair, equitable and rewarding work environment is key to attracting the talent VAT needs to remain competitive in a highly demanding business.

### Good corporate governance

Since VAT was taken public in 2016 on the Swiss SIX Exchange, considerable investments have been made to ensure the company adheres to the highest principles of good corporate governance. The company aims to ensure transparency, achieve the proper balance between management and control, and safeguard the interests of a broad base of stakeholders. Ultimately, VAT intends to achieve the same level of industry leadership in corporate governance and all other areas of ESG performance as it has built in the development of the world's most advanced vacuum valve technologies.

Among the main pillars of VAT's governance program is its Code of Conduct, based on international standards set out by the United Nations, the International Labor Organization, the Organization for Economic Cooperation and Development, and other global industry organizations. The Code provides employees with a clear understanding of VAT's core values and the standards that govern our business, and lays the groundwork for how we treat our customers, suppliers, investors, employees, the communities where we operate, and each other. The Code is supplemented by whistleblower safeguards and strictly enforced anti-bribery and anti-corruption rules which are also applied to the selection and monitoring of suppliers.

The company's ESG and sustainability strategy is also being developed with a governance structure that allocates management and oversight accountability at the appropriate levels of the organization. In this regard, strategy development is taking place under the supervisory oversight of a Sustainability Council, chaired by two members of the Board of Directors. Additional members include one Group Executive Committee member, the Vice President of Sustainability and other contributors.

### Moving forward

In addition to publishing its first-ever Sustainability Review in August 2022, VAT also took a number of concrete steps to build its ESG capabilities. Among these was a systematic materiality assessment to identify and prioritize the ESG issues that are most critical to VAT's business and stakeholders. Such assessments allow the company to address non-financial impacts, allocate resources to the most important issues, and align value creation more clearly with a broader stakeholder base.

In addition, a CO<sub>2</sub> accounting project is under way to measure greenhouse gas emissions, broadening measurement from Scope 1 and Scope 2 emissions (those generated directly by the company's operations as well as emissions generated from purchased electricity, steam, heating and cooling) to Scope 3 emissions, which cover all other indirect emissions that occur in a company's value chain.

The company launched its "VAT cares" program in 2022 to support projects that help people in need around the world. VAT partnered with the UN Refugee Agency, UNHCR, to safeguard the rights and well-being of people who have been forced to flee, with International Committee of the Red Cross (ICRC) to protect the lives and dignity of victims of armed conflict and other situations of violence, and with Médecins sans frontières to help fund their emergency projects around the world. VAT also took additional steps to build community engagement around its facilities in Haag and Malaysia.

For 2023, VAT intends to focus on improving its ESG target setting processes, which will be augmented through participation in key sustainability ratings, such as CDP, EcoVadis or RBA. Emission goals are to be defined and the materiality assessment completed. VAT plans to set diversity targets across key levels of the organization and the company's articles of association will be aligned with best practice in Switzerland.

VAT also intends to publish its second Sustainability Review in May of 2023, reporting on its performance in 2022 across the entire spectrum of ESG measures, such as CO<sub>2</sub> emissions, waste and recycling, community activities and its updated ESG governance structure.

### Creating a sustainability culture

Business success can only be sustained by integrating a broad range of values into strategic and operational planning. These values go beyond strictly economic measures and must include other factors, such as providing employees with opportunities to grow and develop, playing a positive role in the communities in which it operates, reducing environmental impacts, and adhering to the highest ethical and governance standards. Ultimately, VAT's ambition is to transform itself into an enterprise that puts sustainable value creation for all its stakeholders at the core of its strategy and business model.