

VAT's approach to sustainability

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. It is VAT's core belief that business success can only be sustained by integrating a broad range of values into strategic and operational planning. These values include the responsibility to ensure the company 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.

VAT has always paid attention to the impact of its manufacturing activities on the environment, reflecting its origins in Switzerland where environmental protection has a long tradition. However, VAT has more recently also begun to address specific environmental challenges, such as climate change, in a more systematic and rigorous way as it is, clear businesses can – and should – play a more active role in managing these risks.

In addition, VAT recognizes that business success also depends on providing employees with opportunities to grow and develop, and on playing a positive role in the communities in which it operates. Building a solid framework within which the company can integrate all these issues into a comprehensive ESG strategy has been a management goal since the company went public in 2016.

One of the first steps came in 2018 when VAT adopted the Responsible Business Alliance (RBA) Code of Conduct. This sets standards on social, environmental and ethical issues and is specifically aimed at the electronics industry. VAT has also adopted other international standards, such as the Universal Declaration of Human Rights, the International Labor Organization's (ILO) conventions, the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, several ISO standards, the UN's Sustainable Development Goals and the Global Reporting Initiative.

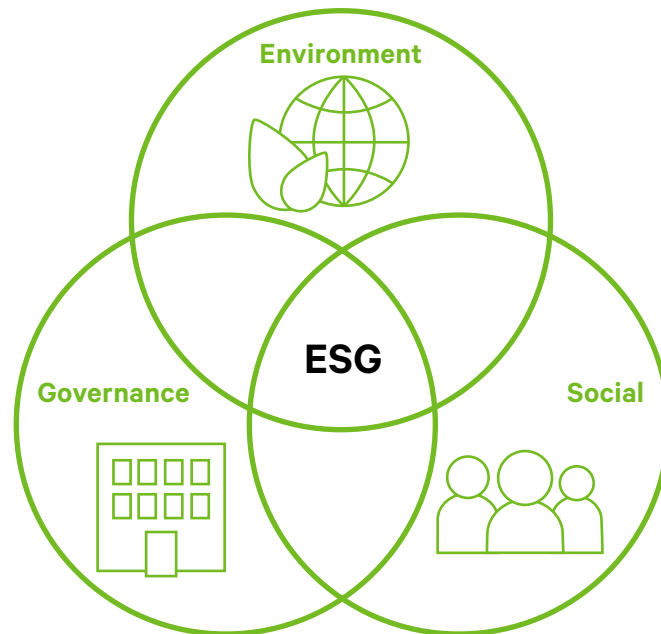
Within this framework of standards and principles, VAT then began building sustainability into the company's business strategy, using an ESG framework, based on the company's performance in the areas of environmental impact, social responsibility and governance. This process culminated in 2022 with the integration of sustainability elements to the mid-term strategic plan that the company presented to the financial community at its Capital Markets Day in December. This included the allocation of supervisory oversight of sustainability within the Board of Directors and the formal amendment to its Articles of Association in May 2023, that established sustainable development as central to its corporate purpose.

Operationally, several steps were taken. These include a first Materiality Assessment, improved processes for measuring emissions – assisted by external experts and which are more in line with industry standards – and participation in an independent third-party RBA Code of Conduct audit that assessed VAT's corporate social responsibility performance. At the same time, VAT continued to drive ongoing initiatives, such as the annual Employee Engagement Survey, the VAT Cares program to support projects that help people in need around the world and a variety of individual projects in areas such as increased recycling, reducing waste and promoting the use of renewable energy.

Looking ahead, VAT recognizes that strengthened performance in social responsibility and corporate governance and lowering environmental impacts support business success and make VAT a preferred partner for our employees, customers, suppliers, local communities, and shareholders.

VAT's products contribute to a sustainable economy

The maintenance of high-purity vacuums, an area in which VAT is the technology leader, is vital to many of the products and processes needed to address critical issues such as global climate change and natural resource depletion.



E

- Define emission targets
- Complete materiality assessment
- Expand and improve reporting on emissions, waste and water use

S

- Define and implement diversity targets
- Build community engagement
- Improve employer-of-choice status

G

- Change articles of association to line up with ESG goals
- Link executive pay to ESG performance

In many cases, vacuum valves play an indirect role, such as in the manufacture of semiconductors, which are needed, for example, to store energy in a modern smart grid, to operate electric vehicles and to vastly improve the energy and resource efficiency of a wide variety of industrial processes. VAT valves are also needed in the increasingly complex processes of manufacturing the most efficient solar photovoltaic cells, which convert sunlight to electricity and are essential in the successful transition to low carbon power generation. Ongoing efforts to make these solar panels more efficient require more vacuum deposition steps in the production process. VAT valves allow for the extremely high precision and quality required to apply thin films to passivate surfaces, control interfaces and deposit conductive layers of solar

cells, all of which are needed to achieve further increases in solar cell efficiency. As the race towards higher cell efficiency continues, lowering the levelized cost of solar energy through more efficient use of space available for panel installation, VAT will be a key partner in these efforts.

A leader in Environment, Social and Governance (ESG)

VAT aims to adhere to the highest sustainability standards. To achieve this goal, and based on the company's first materiality assessment started in late 2022 and concluded in 2023, opportunities were identified to improve measurement of greenhouse gas emissions and other impacts, together with the integration of ESG performance into mid-term strategic and

Climate protection

50%

reduction in CO₂ emissions
by 2025 (vs. 2022)

Leadership diversity

25%

share of women
in leadership positions
by 2027

Workforce diversity

23%

share of women
among new
hires by 2027

25%

share of women
among new hires
by 2030

operational planning. As a result, the company has established its first ESG targets for the period 2022–2030. These targets have been announced in the second VAT Sustainability report published in July 2023. The key targets were on climate protection, leadership and workforce diversity.

During 2023, VAT not only laid the foundation for the ESG targets, but also initiated key efforts to ensure these targets can be successfully realized. One focus was clearly on further measures to be implemented related to Scope 3 greenhouse gas (GHG) emissions. The Board of Directors has decided that by the end of 2024 VAT should be able to commit to the Science based Target Initiative (SBTi) on future GHG reductions.

Social responsibility is the basis for sustainable success

VAT's efforts in social responsibility continue to focus on investing in the local communities in which it operates. In Penang, Malaysia, for example, the company has invested heavily to double its existing world-

class manufacturing capacity and engineering facility serving its customers in Asia by building a second large production facility, which will be operational in late 2024. Work continued on existing initiatives there, like the build-out of the apprentice training center at the site which, together with local vocational institutes, encourages skills development by offering both on-the-job training as well as employment. In addition to directly providing jobs, training and advanced technology, these investments have significant other 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 participate in, and benefit from VAT's global value chain.

During 2023, VAT also continued to invest in its main production site in Switzerland, including the start of the CHF 40-million construction of a new R&D campus to bring its Swiss-based innovation teams together under a single roof. The investment includes the potential addition of about 100 new jobs for scientists and engineers.

Engagement score at all-time high

The company has also prioritized engaging with employees and conducted its seventh annual employee engagement survey to measure how well VAT communicates goals, manages specific issues, and provides open feedback channels for people to participate more actively in decision-making. VAT not only achieved the highest response rate ever with 92% of employees answering the survey, but overall engagement again showed a significant upward trend, crossing the four point mark (out of a maximum of five) for the first time at 4.09.

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 2023, VAT renewed the Fair-ON-Pay Advanced certificate, recognizing VAT for its commitment to ensure equal pay for equal work for men and women. Providing a fair, inclusive, 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

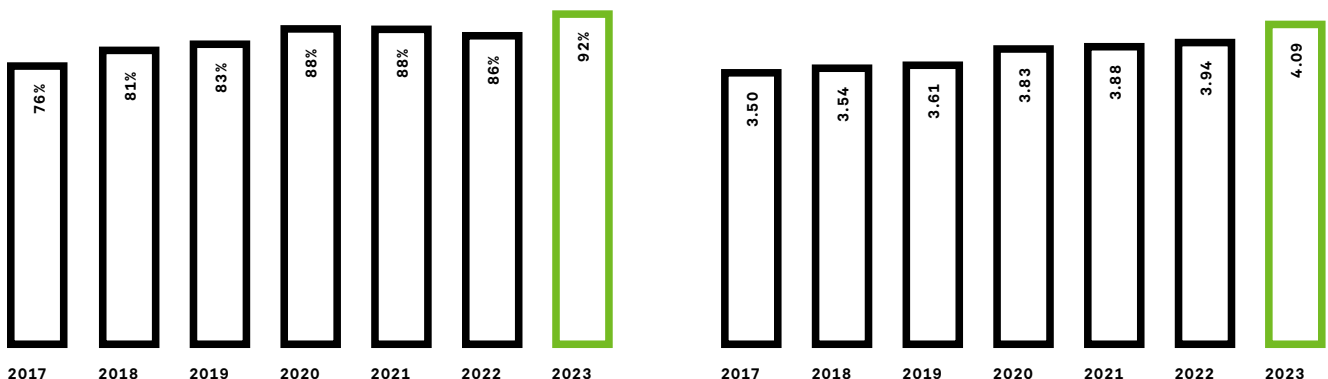
to ensure the company adheres to the highest principles of good corporate governance. The company aims to ensure transparency, achieve the proper balance between management and control, while safeguarding the interests of a broad base of stakeholders. Ultimately, VAT intends to achieve the same level 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.

At the Annual General Meeting held in May 2023, VAT submitted several changes to its Articles of Association to its shareholders. Some of these adjustments were driven by changes in the Swiss company law, while others aimed at modernizing the overall articles to reflect the current governance standards. One of these changes included sustainability in the company purpose to reflect its importance for VAT.

One key governance pillar is VAT’s Code of Conduct – which was thoroughly revised and adjusted during 2023 – based on international standards set out by the UN, the ILO, the OECD, 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, suppli-

2,208
employees made their
voices heard in 2023

Engagement trend



Gallup Average = 81%

ers, 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 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 second Sustainability Report in July 2023, VAT took a number of concrete steps to strengthen its ESG capabilities. Based on the initial materiality assessment, VAT identified and prioritized the ESG issues that are most critical to the company's business and stakeholders. Such assessments enable 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. These efforts were for the first time augmented through participation in several key sustainability ratings, such as CDP, Sustainalytics, EcoVadis and RBA. In addition, and to be implemented in 2024, VAT re-designed its employment principles in Switzerland, making VAT a more attractive employer, while at the same time increasing the focus on the wellbeing of its employees. Cornerstones of these new principles include a higher vacation allowance and a simplified short term incentive scheme applicable to all employees.

First Sustainability Report under the Swiss Responsible Business Initiative (RBI)

In mid-April 2024, VAT will publish its third Sustainability Report, in accordance with the changes in the Swiss Law regarding the reporting of non-financial disclosure. Like all listed companies in Switzerland, the Report then will be submitted to the 2024 Annual General Meeting on May 14, 2024.