

# Building a sustainability culture

Since its establishment in 1965, VAT has concentrated exclusively on vacuum valve technology to become the world's leading partner to customers in this field. Various stakeholders have accompanied and supported VAT on its journey to the top – employees, customers, suppliers, the communities in which it operates and, since the successful offering of VAT shares on the SIX Swiss Exchange, its more than 15,000 shareholders.

VAT's executive management team and Board of Directors recognize the valuable contributions each of these stakeholders has made to the success of the company. They also recognize the importance of fostering continuous dialog with stakeholders on issues that are fundamental to the long-term future of the company.

One such issue is sustainability, which VAT sees as the creation of long-term stakeholder value by implementing a business strategy based not only on the economic dimensions of doing business, but also on the social and environmental dimensions. VAT's business strategy therefore is intended to foster a long-term outlook based on transparent communications and dialog with all stakeholders.

## **Economic sustainability**

VAT aims for economic sustainability with its strategy of long-term profitable growth and value creation. After all, business success is the necessary foundation that enables a company to deliver on its commitments to social and environmental sustainability. In a virtuous circle, success in the areas of social and environmental sustainability also enhances a company's business success.

Success can be measured in many ways. For example, VAT strives to generate an attractive return on invested capital and thus enable long-term capital appreciation. Its approach is deliberately geared to the long term rather than maximizing the share price in the short term. This means investing a large

portion of earnings into areas such as research and product innovation, employee training and development, production capacity and operational excellence.

One yardstick of a company's sustainability is the quality of its products. VAT's vacuum valves have been on the market for more than 50 years in one of the most demanding markets in the world. With a clear No. 1 market share, VAT valves have earned their reputation as the highest quality products available. Supporting this achievement is an industry-leading level of R&D investments along with a record number of patents to protect the company's innovation lifeblood (see also page 10).

In addition, VAT manufactures its vacuum valves in line with a zero-defect approach revolving around high-precision manufacturing processes, the commitment of employees to take personal responsibility for quality, and close collaboration along the entire value chain, from suppliers to customers. The company also implements a comprehensive quality management system based on a continual improvement process to ensure its products continue to meet all of its customers' requirements.

## **Social sustainability**

The social dimension is reflected in part through VAT's presence and activities in the communities where it operates. As an employer to around 1,000<sup>1</sup> people in Haag, Switzerland, VAT contributes significantly to the economic prosperity of the surrounding region. In 2016 and 2017, VAT expanded its production facility in Penang, Malaysia, almost fourfold with an investment of around CHF 40 million. That expansion was successfully completed in 2018 and the plant currently employs around 270 people, double the level of 2016, and further jobs additions are planned going forward. Many of those jobs require significant technical training and

<sup>1</sup> Average number of full-time employees from 2016 to 2018

knowledge transfer, as products manufactured in Penang feature exactly the same quality as those leaving the factory in Switzerland, where 25% of employees have advanced technical qualifications.

In addition to the direct economic benefits to the local region in Malaysia, the new plant is driving the development of a regional supplier base for both components and services in order to better support the company's important customers in Asia. It provides the additional benefit of shortening delivery distances and thus reducing the associated emissions.

An additional aspect of social sustainability is the approach VAT takes to developing its people. VAT sees itself as a responsible and far-sighted employer that not only provides jobs, but also offers career development opportunities through various training and management development programs. The company also strives to promote open and transparent communication among production employees, supervisors and managers at all levels.

To support this effort, in 2017 VAT commissioned an independent research institute to conduct an annual survey of staff satisfaction. The survey provides a clear picture of the areas where employees are satisfied and where they see room for improvement. By systematically conducting this survey on a regular basis, VAT hopes to create a more rewarding and motivating work environment for its employees, and to become an even more attractive employer. In 2018, the response rate was a 81%, an increase of around 5 percentage points over the first survey; there was also a slight improvement in the overall results. The focus of the program in the beginning of 2019 is to develop and implement improvement initiatives based on the input received through the survey.

**Environmental sustainability**

VAT's endeavors in the environmental dimension of sustainability consist of comprehensive efforts to conserve and protect resources, minimize emissions, and improve energy efficiency. VAT is always open to innovative technological approaches, promoting their development along the entire value chain from procurement and production to logistics and delivery (see also "Environmentally responsible packaging" on page 18).

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**Long-term investment in innovation**  
in CHF per year

**> 30 m**

On the procurement side, VAT complies with the Responsible Business Alliance (RBA) code of conduct, which contains standards on working conditions in the supply chain for electronics and associated industries. In addition, VAT has launched various green procurement initiatives of its own, documenting how VAT and its production facilities meet their responsibility to the environment and the expectations of stakeholders.

VAT sees sustainability not just in terms of reducing the negative impact of its business activities but also in terms of the sustainability benefits from the use of its products. For example, VAT valves are critically important to the high-vacuum processes needed to manufacture the latest generations of extremely energy-efficient semiconductors and displays. That's because these devices often require the assembly of nanometer-sized components or the use of new materials that can only take place in the purest manufacturing vacuums possible. In this way, VAT's products indirectly contribute to more efficient use of energy resources. VAT valves are also used to manufacture high-efficiency solar photovoltaic cells, with around 6% of VAT's revenues in 2018 generated from sales to the solar power sector. The company has also been selected as the exclusive

valve supplier for the international ITER project to demonstrate clean energy generation through nuclear fusion by 2025.

Looking ahead, VAT is determined to implement a business strategy based on sustainability principles, in collaboration and dialog with its many stakeholders. This includes the creation of a sustainability culture that reinforces the company's general strategic approach as well as guides the attitudes and behaviors of all employees on a day-to-day basis. VAT believes this approach is fundamental to the creation of long-term value for all stakeholders.

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## Share of VAT sales to solar sector in %

6

# Environmentally responsible packaging

The move towards more eco-friendly packaging is a key way for companies to reduce their impact on the environment while improving overall efficiency and quality.

In 2018, VAT launched an initiative to make its packaging more environmentally sustainable and its packaging processes less wasteful. With thousands of products shipped on a daily basis, the potential impact is significant. The company aims to use only environmentally friendly packaging materials by 2020.

Supported by investments in new technology, this effort will begin with the reduction of hard-foam fillings traditionally used to protect sensitive high-precision equipment. In 2019, VAT plans to roll out at production sites in both Switzerland and Malaysia a standardized, simplified and highly automated packaging process. Using the latest horizontal wrapping technology, the project will reduce the volume of packaging material without compromising on packaging security and quality.

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## Principal benefit

- Less packing material, especially hard-foam fillings
  - Fewer packaging steps, leading to higher energy efficiency and faster delivery
  - Standardized process resulting in less waste material
  - Smaller, more efficient packaging volumes to reduce transport footprint
  - Standardized packing materials with improved environmental characteristics, such as reusability, recyclability, etc.
  - Consistent and higher packaging quality to maintain VAT's reputation for top quality
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