

# The road to sustainability

VAT believes long-term economic success cannot be achieved without considering social and environmental success as well. Companies are a part of the local and global communities in which they operate and can only thrive in the long term by contributing to the overall well-being of those communities.

VAT announced in 2018 its ambition to build a sustainability culture and sought guidance and support through membership in the Responsible Business Alliance (RBA) and the adoption of the RBA Code of Conduct. This established standards on social, environmental and ethical issues especially aimed at the electronics industry supply chain. These include the Universal Declaration of Human Rights, ILO International Labor Standards, OECD Guidelines for Multi-national Enterprises, ISO and SA standards, and many more. We also obtained certificates in quality management with ISO 9001 and environmental management through ISO 14001.

These are the basic tools needed to assess our performance, measure it against our peers and set

goals for improvement. The next step is to build principles of sustainability into the company's business strategy by identifying ways in which economic, social and environmental values overlap and reinforce one another. This, in turn, leads to a business model for sustainable value creation for all of the company's stakeholders.

## The role of economic value

Business success is the foundation that enables a company to deliver on its social and environmental commitments. This can be measured in many ways, including in terms of financial returns, the value of a product on society, or the well-being of the communities and people where a company operates.

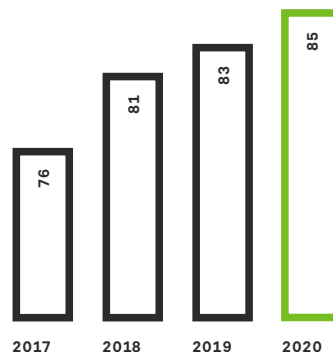
At VAT, one of the financial measures of success is an attractive return on invested capital (ROIC) and long-term capital appreciation. Between 2015 and 2020, our ROIC ranged between 29–48%. Net sales increased at a compound annual growth rate (CAGR) of approximately 11% a year, while the EBITDA margin\* over the period amounted to between 27–31%

\* Earnings before interest, taxes, depreciation and amortization as a percentage of net sales

## Employee Engagement Survey Participation in %

85

2017 (FIRST SURVEY) 76%



despite the cyclical downturn in 2019. Total shareholder return (share price increase plus dividends) over the period amounted to more than 400%.

In addition, VAT's products generate both social and environmental benefits along with economic value. VAT valves are key components in the high-vacuum processes used to make high-performance semiconductors and digital displays. It would be no exaggeration to say that achieving global economic, social and environmental sustainability would not be possible without the technology behind digitalization.

Renewable energy is another area where VAT valves make a difference. Increasing the conversion of sunlight to electricity in photovoltaic solar panels requires high-precision manufacturing within the purest possible vacuum chambers. VAT valves are also used in the ITER project to develop clean energy through nuclear fusion.

#### **Social responsibility and the COVID-19 pandemic**

VAT's contribution to social sustainability starts with its presence and activities in the communities where it operates. As an employer to more than 2,000 peo-

ple around the world, VAT contributes to the prosperity of communities in Switzerland, Romania, Malaysia, the United States and other countries.

In 2020, a major focus was addressing the global COVID-19 pandemic. VAT acted quickly to implement measures to keep its workplaces healthy and safe, and to ensure compliance with orders and restrictions set out by government authorities. Our top priority during the pandemic remains the health and safety of our employees and their families, customers and communities. We provide the flexibility of home office where feasible and are following enhanced health and safety protocols, such as the use of personal protective equipment and social distancing, to reduce the risk of transmission at work.

#### **Building a global value chain**

Since VAT went public through an initial public offering (IPO) on the SIX Swiss Exchange in 2016, VAT has expanded and strengthened its global value chain. The economic aim has been to bring the business closer to its customers and to tap into global supply chains in order to reduce costs and increase operational flexibility. But these steps also bring significant benefits to the people and economies where we operate.

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**CO<sub>2</sub> reduction from using solar PV at VAT Malaysia**  
in tons per year

**1,300**

In the past four years, VAT has invested more than CHF 50 million to expand its production facility in Penang, Malaysia, which employs close to 400 people. This includes a solar photovoltaic energy installation that will generate more than 1,700 megawatt-hours of electricity per year. By feeding some of the energy into the local power grid, the solar panels are expected to contribute to a CO<sub>2</sub> reduction of more than 1,300 tons a year.

VAT's operations in Malaysia also drive the growth of regional suppliers for both components and services. This supports the adoption of global environmental and social standards along the entire value chain and shortens delivery transportation distances, thus reducing the associated emissions.

#### **Engaging our employees**

VAT also strives to become a far-sighted employer that not only provides jobs, but also career and personal development opportunities. The company promotes open communication among employees at all levels and regularly seeks employee input through surveys carried out by an external advisor. These cover issues such as employee engagement as well as our employees' views on, for example, the company's handling of the COVID-19 pandemic. The results of these surveys are used to steer employee engagement policies and improve communication. In 2020, the response rate to our annual employee engagement survey was 85%, an increase of around 10 percentage points over the first survey in 2017.

VAT also endeavors to conserve and protect resources, minimize emissions, and improve energy efficiency along the entire value chain, from product design and procurement to production, logistics and delivery. These measures include increasing recycling rates for waste materials, currently more than 1,500 tons a year. We are also reducing energy and water consumption, for example, with a project to cut electricity consumption and expanding the use of solar power at our manufacturing facilities.

We see significant opportunities to do more in all these areas. We are committed to creating a sustainability culture in VAT, knowing that success in social and environmental sustainability will also enhance our business success, making us a preferred partner for our employees, customers, suppliers, local communities and shareholders.