

VAILLANT GROUP

Communication on Progress to the
United Nations Global Compact

2012



PREFACE BY THE CEO

At the beginning of 2011, we refocused the Vaillant Group's strategic sustainability management by launching our comprehensive S.E.E.D.S. programme, setting the Group's direction for the years to come by formulating clearly defined, Group-wide objectives in four fields of focus: Environment, Employees, Development & Products, and Society.

In October 2011, we signed up to the United Nations Global Compact. In the context of our sustainability strategy, this represents a conscious step towards increased transparency and visible corporate responsibility. The initiative, founded by former UN Secretary-General Kofi Annan, aims to strengthen the social commitment of businesses by inviting them to affirm a catalogue of basic values.

The Vaillant Group is explicitly committed to the Ten Principles of the Global Compact in the fields of human rights, labour standards, environmental protection and the fight against corruption, and undertakes to continue fostering and supporting them in its sphere of influence. We will report annually on our progress in implementing the Global Compact in our day-to-day business in the form of a Communication on Progress. Furthermore, we will detail significant developments in the implementation of the Ten Principles in the Vaillant Group Sustainability Report.

Remscheid, 23 October 2012



Dr Carsten Voigtländer, CEO

ABOUT THIS COMMUNICATION ON PROGRESS

This document's purpose is to provide information on the Vaillant Group's progress with respect to the implementation of the Ten Principles enshrined in the Global Compact in the day-to-day practice of our business. The action we have taken in this field is founded on our expressed corporate principles and our management systems. The reporting period for this Communication on Progress encompasses the Vaillant Group's first year of Global Compact membership, from 24 October 2011 to 23 October 2012.

HUMAN RIGHTS

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2011
Principle 1: Support of human rights	<ul style="list-style-type: none"> • S.E.E.D.S. strategic sustainability programme • Vaillant Group Guideline on the Global Compact 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to comply with the principles of the Global Compact 	<ul style="list-style-type: none"> • Written approach made to 407 suppliers, representing 80% of Vaillant Group's purchasing volume. By 30 September 2012, 351 suppliers had confirmed that they comply with the Global Compact's principles.
Principle 2: Non-complicity in human rights abuses	<ul style="list-style-type: none"> • Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions, contractual conditions) • Vaillant Group Social Accountability Policy 	<ul style="list-style-type: none"> • Implementation of supplier audits • Organisation of workshops with Group purchasers • Sustainability workshop as part of the Vaillant Group Supplier Day 2012 	<ul style="list-style-type: none"> • Approx. 300 audits conducted in the supply chain. • Workshops on implementation of the Global Compact principles held with Group purchasers. • Supplier Day 2012 with 250 top suppliers in attendance: raising awareness of issues of responsibility in the supply chain and working with attendees to identify and discuss significant success factors in corporate responsibility. • Vaillant Group Social Accountability Policy drawn up

LABOUR STANDARDS

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2011
Principle 3: Upholding freedom of association and recognition of the right to collective bargaining	<ul style="list-style-type: none"> • S.E.E.D.S. strategic sustainability programme • Vaillant Group Guideline on the Global Compact • Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions) 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to comply with the principles of the Global Compact • Supplier audits • Organisation of workshops with Group purchasers • Sustainability workshop as part of the Vaillant Group Supplier Day 2012 • At the main sites of the Vaillant Group, we are bound by collective agreements. Where minimum wages exist, they are not undercut by us in remuneration. • The Group has about 70% of employees covered by collective bargaining agreements, in Germany about 80%. 	<ul style="list-style-type: none"> • Written approach made to 407 suppliers, representing 80% of Vaillant Group's purchasing volume. By 30 September 2012, 351 suppliers had confirmed that they comply with the Global Compact's principles. • Approx. 300 audits conducted in the supply chain. • Workshops on implementation of the Global Compact principles held with Group purchasers. • Supplier Day 2012 with 250 top suppliers in attendance: raising awareness of issues of responsibility in the supply chain and working with attendees to identify and discuss significant success factors in corporate responsibility.
Principle 4: Elimination of forced and compulsory labour			
Principle 5: Abolition of child labour			
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> • Vaillant Group Spirit → Our company values <i>entrepreneurship, trust, integrity, passion</i> 	<ul style="list-style-type: none"> • In-house campaign on the Vaillant Group Spirit, promoting the company's Group-wide values • Vaillant supports the Fair Company initiative, which requires members to commit to treating interns fairly. 	<ul style="list-style-type: none"> • Group-wide communication campaign addressing all employees • HR measures adopted towards implementation of the Group values

ENVIRONMENTAL PROTECTION

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2011
<p>Principle 7: Precautionary approach to environmental challenges</p>	<ul style="list-style-type: none"> • Multi-site certification pursuant to EN ISO 14001 and OHSAS 18001 • S.E.E.D.S. strategic sustainability programme • Vaillant Group Environmental Policy • Group-wide sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO₂ emissions, 20% increase in energy efficiency, 20% cut in water consumption and waste • Process integration of environmental issues 	<ul style="list-style-type: none"> • Annual environmental audits • Binding environmental targets to be agreed • All sustainability indicators to be incorporated into a central reporting tool, the Vaillant Group Sustainability Scorecard • Waste reduction: Expanded use of reusable packaging for production materials • Energy efficiency: New heating systems in our buildings to be run only on highly efficient condensing devices, CHPs and technologies based on renewable energies. Existing systems to be successively modernised. • Sustainability standards to be integrated into Vaillant Group processes. 	<ul style="list-style-type: none"> • 4 Vaillant Group sites are part of a multi-site certification, while two are being prepared for certification • 22 system audits conducted • Site-specific standards for reusable packaging defined • Realisation of energy efficiency projects at a range of locations (e.g. installation of a photovoltaic system on the fleet at Vaillant Group's Remscheid location; opening of new administrative offices, built to the highest environmental and social standards, at Vaillant Group's Belper location; installation of a waste heat recovery system at Vaillant Group's Trencin location) • Sustainability issues incorporated into the Vaillant Group process map. • Adoption of a Sustainable Building Guideline setting out standards for new buildings • Improvements in key environmental indicators (see key indicators section in the current Sustainability Report)

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<p>Principle 8: Promoting environmental responsibility</p>	<ul style="list-style-type: none"> • Group-wide sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO₂ emissions, 20% increase in energy efficiency, 20% cut in water consumption and waste • Group Market Process • Vaillant Group Corporate Responsibility Framework 	<ul style="list-style-type: none"> • Suppliers to provide a written commitment to adhere to environmental standards • Supplier audits • Environmental responsibility taken into account to a greater extent when selecting suppliers and service providers. • Sustainability workshop as part of the Vaillant Group Supplier Day 2012 • Sustainability standards to be incorporated into the Group Market Process • Group-wide internal competition for the S.E.E.D.S. Award • Sustainability to be a compulsory part of vocational training and of Corporate Basics induction training for new employees • Vaillant Group is involved in a range of initiatives and networks whose purpose is to work towards responsible management of natural resources. For example, the company is a partner organisation of German sustainability conference, "Deutscher Nachhaltigkeitstag", and is a member of the German Association of Environmental Management (B.A.U.M. e.V.) and of the Sustainability Leadership 	<ul style="list-style-type: none"> • Written approach made to 407 suppliers, representing 80% of Vaillant Group's purchasing volume. By 30 September 2012, 351 suppliers had confirmed that they comply with the Global Compact's principles. • Approx. 300 audits conducted in the supply chain. • Suppliers contacted and requested to inform Vaillant Group of product innovations and substitutions which improve environmental performance. • Supplier Day 2012 with 250 top suppliers in attendance: raising awareness of issues of responsibility in the supply chain and working with attendees to identify and discuss significant success factors in corporate responsibility. • Brochure "Responsibility as a principle", whose purpose is to communicate our commitment to sustainability, reissued and distributed via customer forums, sales partners and industry fairs • The first competition for the S.E.E.D.S. Award attracted over 40 applications detailing ideas for innovative projects in the

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		<p>Forum convened by B.A.U.M. e.V. / Centre for Sustainability Management at Leuphana University, Lüneburg.</p>	<p>four fields of focus covered by the S.E.E.D.S. programme. The winners were selected by an in-house panel consisting of the company's CEO, the Managing Director Technology and a number of other top managers from the Group.</p> <ul style="list-style-type: none"> • We have worked with installers to hold workshops on sustainable corporate governance. • Support provided to environmental community projects at a range of company locations (examples: the Fair Future education campaign at the Remscheid location, focusing on the ecological footprint; fitting up-to-the-minute heating technology in the SOS Children's Village in Battonya, Hungary)
<p>Principle 9: Development and diffusion of environmentally-friendly technologies</p>	<ul style="list-style-type: none"> • S.E.E.D.S. strategic sustainability programme • Vaillant Group product strategy focusing on high-efficiency technologies, synced-up systems and renewable energies • Group-wide sustainability targets for 2020 in the Development & Products field of focus: 80% of our sales revenues to be generated with highly 	<ul style="list-style-type: none"> • Expansion of our portfolio of high-efficiency products • Training to be provided for installers 	<ul style="list-style-type: none"> • In 2011, the majority – almost 58% - of Vaillant Group's product sales revenues were generated with high-efficiency technologies and renewable energy systems. • Field test of the first wall-mounted fuel cell heating system. By 2013, Vaillant plans to have tested approximately 120 devices using this new technology.

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	<p>efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency</p> <ul style="list-style-type: none"> • Group Market Process 		<ul style="list-style-type: none"> • Ongoing training on environmentally-friendly technologies for partner installers. • The ecoPOWER 1.0 CHP system has received the German Sustainability Award for “Germany’s most sustainable product”.

ANTI-CORRUPTION

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2011
<p>Principle 10: Action against corruption</p>	<ul style="list-style-type: none"> • Vaillant Group Corporate Governance Directive • Vaillant Group Spirit → Our company values <i>entrepreneurship, trust, integrity, passion</i> 	<ul style="list-style-type: none"> • Group-wide training on compliance and anti-trust law • In-house campaign on the Vaillant Group Spirit, promoting the company's Group-wide values 	<ul style="list-style-type: none"> • 29 training units with 397 participants on compliance, anti-trust law and data protection carried out • Vaillant Group Spirit: Group-wide communication campaign addressing all employees • HR measures adopted towards implementation of the Group values