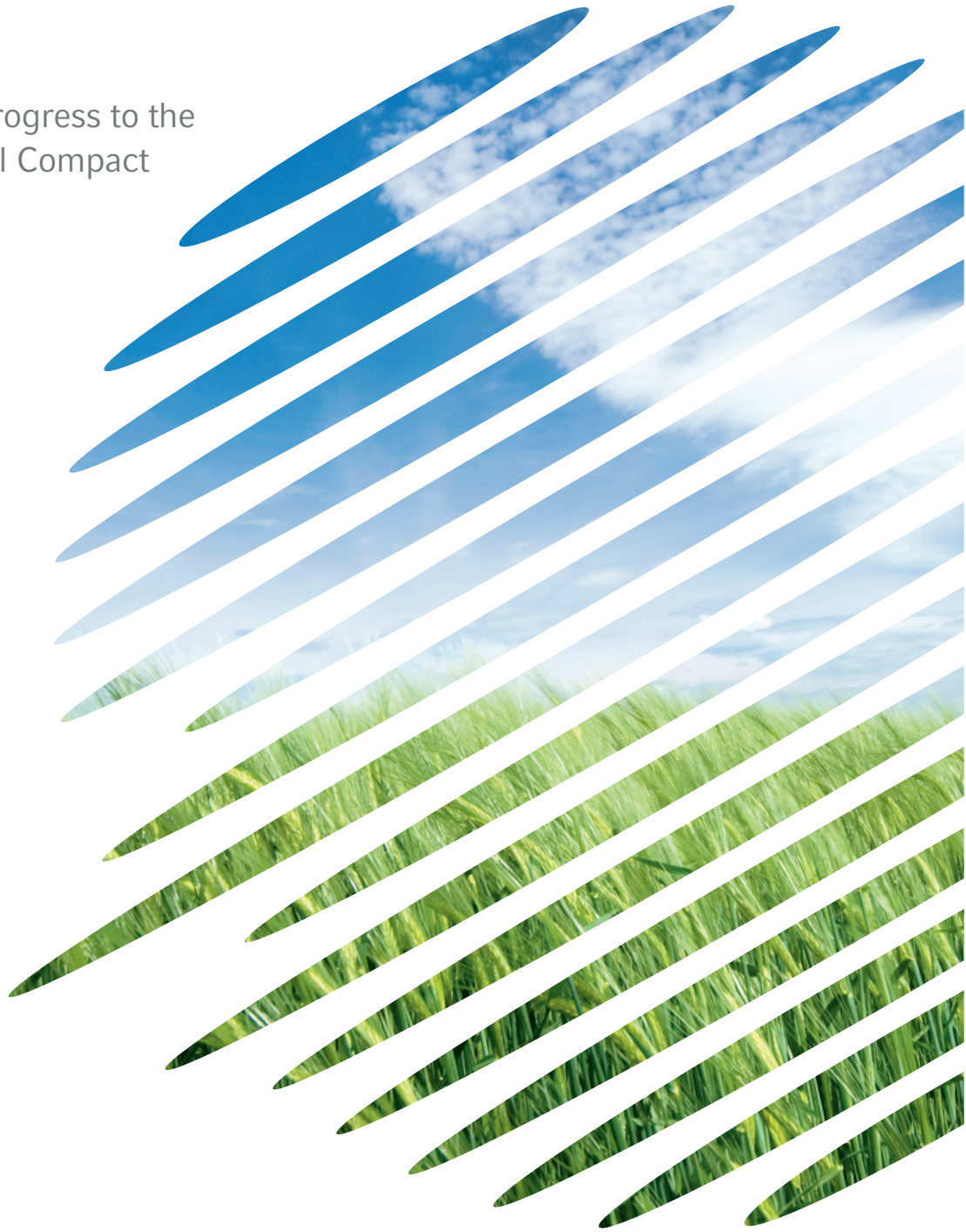


Communication on Progress to the  
United Nations Global Compact  
2018





# VAILLANT GROUP

## **PREFACE BY THE CEO**

The Vaillant Group combines its sustainability activities to form a strategic programme – S.E.E.D.S. This involves setting measurable targets, deriving specific measures and continuously reviewing the results obtained in relation to four fields of focus: Environment, Employees, Development & Products, and Society.

The UN initiative aims to strengthen the social commitment of businesses. Our membership of the Global Compact of the United Nations sends a signal that we take corporate responsibility seriously – including for future generations.

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 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 and on our website at [www.vaillant-group.com](http://www.vaillant-group.com).

Remscheid, 10 October 2018

A handwritten signature in black ink, appearing to read 'Norbert Schiedeck', written in a cursive style.

Dr.-Ing. Norbert Schiedeck

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 seventh year of Global Compact membership, from 12 October 2017 to 10 October 2018.

**HUMAN RIGHTS**

<b>GLOBAL COMPACT PRINCIPLE</b>	<b>OUR PRINCIPLES AND SYSTEMS</b>	<b>MEASURES</b>	<b>PROGRESS IN 2017/2018</b>
<b>Principle 1:</b> <b>Support of human rights</b>	<ul style="list-style-type: none"> <li>• S.E.E.D.S. strategic sustainability programme</li> <li>• Vaillant Group Guideline on the Global Compact</li> <li>• Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions, contractual conditions)</li> <li>• Vaillant Group Social Accountability Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers to provide a written commitment to comply with the principles of the Global Compact</li> <li>• Implementation of supplier audits on the basis of questionnaires on social criteria</li> <li>• Campaign to donate Christmas gift parcels to child refugees in Remscheid</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to the standard questionnaire for supplier audits</li> <li>• Approx. 200 audits conducted in the supply chain during the reporting period</li> </ul>
<b>Principle 2:</b> <b>Non-complicity in human rights abuses</b>			

**LABOUR STANDARDS**

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2017/2018
<b>Principle 3:</b> <b>Upholding freedom of association and recognition of the right to collective bargaining</b>	<ul style="list-style-type: none"> <li>• S.E.E.D.S. strategic sustainability programme</li> <li>• Vaillant Group Guideline on the Global Compact</li> <li>• Supplier management system (pre-selection of suppliers, assessment of suppliers, purchasing terms and conditions)</li> <li>• UK Modern Slavery Act</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers to provide a written commitment to comply with the principles of the Global Compact</li> <li>• Supplier audits</li> <li>• 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.</li> <li>• 80% of Vaillant GmbH employees in Germany are covered by collective bargaining agreements.</li> <li>• UK Modern Slavery Act statement</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to the standard questionnaire for supplier audits</li> <li>• Approx. 200 audits conducted in the supply chain during the reporting period</li> <li>• Reissuing of a written statement in which the company commits to the measures of the UK Modern Slavery Act</li> </ul>
<b>Principle 4:</b> <b>Elimination of forced and compulsory labour</b>			
<b>Principle 5:</b> <b>Abolition of child labour</b>			
<b>Principle 6:</b> <b>Elimination of discrimination</b>	<ul style="list-style-type: none"> <li>• Vaillant Group Spirit  → Our company values <i>entrepreneurship, trust, integrity, passion</i></li> </ul>	<ul style="list-style-type: none"> <li>• Vaillant supports the Fair Company initiative, which requires members to commit to treating interns fairly.</li> </ul>	<ul style="list-style-type: none"> <li>• The Vaillant Group Spirit company values are the basis of Group-wide HR and management development work.</li> <li>• Telephone hotline that employees can use to anonymously report breaches of the Vaillant Code of Conduct</li> </ul>

**ENVIRONMENTAL PROTECTION**

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2017/2018
<p><b>Principle 7:</b> <b>Precautionary approach to environmental challenges</b></p>	<ul style="list-style-type: none"> <li>• Multi-site certification pursuant to EN ISO 14001 and OHSAS 18001</li> <li>• S.E.E.D.S. strategic sustainability programme</li> <li>• Vaillant Group Environmental Policy</li> <li>• Group-wide, binding sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO<sub>2</sub> emissions, 25% increase in energy efficiency, 50% cut in water consumption and 20% in waste</li> <li>• Group-wide sustainability targets for 2020 in the Development &amp; Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency</li> <li>• Process integration of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>• Annual environmental audits</li> <li>• Review of the environmental targets and measurement of achievement</li> <li>• All sustainability indicators to be incorporated into a central reporting tool, the Vaillant Group Sustainability Scorecard</li> <li>• Waste reduction: Expanded use of reusable packaging for production materials</li> <li>• Energy efficiency: New heating systems in our buildings to be run only on highly efficient condensing devices and technologies based on renewable energies. Existing systems and lighting technology to be successively modernised.</li> <li>• Sustainability standards have been integrated into Vaillant Group processes.</li> </ul>	<ul style="list-style-type: none"> <li>• All Vaillant Group production and R&amp;D sites are certified or part of a multi-site certification, approx. 15 internal system audits conducted.</li> <li>• Realisation of energy efficiency and environmental projects at a range of locations (e.g. use of green electricity at the Nantes site since January 2018, installation of a more efficient heating system at the Skalica site, switchover to LED lighting at several sites, roll-out of a returns system to ensure the continued use of non-used spare parts from the vehicles of customer service technicians in several countries)</li> <li>• Sustainability issues further incorporated into Vaillant Group process map</li> <li>• Process integration of the "6 Green Rules" to assist the development of sustainable heating technology</li> <li>• Improvements in key environmental indicators and attainment of the 2020 environmental targets (see key indicators section in the current Sustainability Report)</li> </ul>

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2017/2018
			<ul style="list-style-type: none"> <li>Locally adapting S.E.E.D.S. for the Austrian sales company</li> </ul>
<b>Principle 8: Promoting environmental responsibility</b>	<ul style="list-style-type: none"> <li>Vaillant Group vision “Taking care of a better climate. Inside each home and the world around it.”</li> <li>Group-wide sustainability targets for 2020 in the Environment field of focus: 25% reduction in CO<sub>2</sub> emissions, 25% increase in energy efficiency, 50% cut in water consumption and 20% in waste</li> <li>Group-wide sustainability targets for 2020 in the Development &amp; Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency</li> <li>Vaillant Group Corporate Responsibility Framework</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers to provide a written commitment to adhere to environmental standards</li> <li>Supplier audits</li> <li>Environmental responsibility taken into account to a greater extent when selecting suppliers and service providers</li> <li>New employees given training on sustainability at the Vaillant Group</li> <li>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 Forum convened by B.A.U.M. e.V. / Centre for Sustainability Management at Leuphana University, Lüneburg.</li> </ul>	<ul style="list-style-type: none"> <li>Amendments to the standard questionnaire for supplier audits</li> <li>Approx. 200 audits conducted in the supply chain during the reporting period</li> <li>Support provided to environmental community projects at a range of company locations (examples: fitting technology in 7 SOS Children’s Villages in line with a Group-wide strategic partnership; campaign to increase participation in the “spare cents” fund-raising initiative for SOS Children’s Villages</li> <li>Internal network of international Sustainability Ambassadors to promote the objective of using sustainable practices in all company divisions set up</li> </ul>

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2017/2018
		<ul style="list-style-type: none"> <li>• Hosted a delegation from the COP 23 global climate change conference</li> <li>• Seat on the Steering Committee of "Wirtschaft macht Klimaschutz" (a climate protection forum for German companies) and moderation of the "Company-related environmental targets" working group</li> <li>• The Vaillant Group is a strategic partner of SOS Children's Villages Intl.</li> <li>• S.E.E.D.S. Ambassadors network</li> </ul>	
<b>Principle 9: Development and diffusion of environmentally-friendly technologies</b>	<ul style="list-style-type: none"> <li>• S.E.E.D.S. strategic sustainability programme</li> <li>• Vaillant Group product strategy focusing on high-efficiency technologies, synced-up systems and renewable energies</li> <li>• Group-wide sustainability targets for 2020 in the Development &amp; Products field of focus: 80% of our sales revenues to be generated with highly efficient products; a 15% reduction in greenhouse gases emitted by our product portfolio; 15% increase in material efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a business unit to strengthen the heat pump business</li> <li>• Expansion of our portfolio of high-efficiency products</li> <li>• Training to be provided for installers</li> </ul>	<ul style="list-style-type: none"> <li>• In 2017, the majority – 65.5% – of the Vaillant Group's product sales revenues were generated with high-efficiency technologies and renewable energy systems.</li> <li>• Expansion of sales of Green iQ products</li> <li>• Ongoing training on environmentally-friendly technologies for partner installers</li> </ul>

**ANTI-CORRUPTION**

GLOBAL COMPACT PRINCIPLE	OUR PRINCIPLES AND SYSTEMS	MEASURES	PROGRESS IN 2017/2018
<b>Principle 10: Action against corruption</b>	<ul style="list-style-type: none"> <li>• Vaillant Group "Corporate Governance Code"</li> <li>• Vaillant Group "Code of Behaviour"</li> <li>• Vaillant Group "Anti-Corruption" Directive</li> <li>• Vaillant Group "Fraud Response" Directive</li>   <li>• Vaillant Group Spirit → Our company values <i>entrepreneurship, trust, integrity, passion</i></li> </ul>	<ul style="list-style-type: none"> <li>• Group-wide compliance training in the field of anti-corruption</li> <li>• Group-wide internal approval required for gifts and benefits that are to be granted to individuals above a certain threshold</li> <li>• Reviewing compliance with the Group "Anti-Corruption" Directive by means of an internal Group audit</li> <li>• Application of the Group "Fraud Response" Directive</li>   <li>• In-house campaign on the Vaillant Group Spirit, promoting the company's Group-wide values</li> <li>• Vaillant Group Spirit made an integral part of the one-day welcome event for new employees</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance training sessions conducted in the field of anti-corruption: during the period 12.10.2017 to 10.10.2018; at least 5 training sessions in Germany with 78 participations, at least 23 training sessions elsewhere with 249 participants</li>   <li>• The Vaillant Group Spirit company values are the basis of Group-wide HR and management development work.</li> <li>• Telephone hotline that employees can use to anonymously report breaches of the Vaillant Code of Conduct</li> </ul>