



Villeroy & Boch

1748



SUSTAINABILITY REPORT  
2023

## EDITORIAL



*Jean Neuberger,*

I am delighted to be able to give you a comprehensive insight into our sustainability activities once again this year.

As a family company with a history dating back over 275 years, one of our intrinsic aspirations is to help keep our world a home worth living in for future generations. That is why we work continuously to reduce our environmental footprint, manufacture sustainable products, and grow and learn along with our employees in order to address new challenges proactively and in a spirit of innovation. The foundations for future-oriented solutions to existing challenges are provided by our sustainability strategy, which we adopted in 2023. The cornerstone of this strategy is our sustainability vision, “Creating Sustainable Homes”, which reflects our objective of making the world a sustainable home for everyone.

Starting from the 17 United Nations Sustainable Development Goals, we have identified eleven sustainability issues that we are pursuing and three focal areas that embody our efforts to make a specific and measurable contribution to a more sustainable world. We are working tirelessly to become a climate-neutral company by 2040, to make our product portfolio sustainable and to promote responsibility in the business community. The title photograph of this year’s sustainability report underlines our commitment and our ambitions in these three areas.

We are making extensive investments in sustainable production in order to achieve our CO<sub>2</sub>e emissions targets. Along with initiatives to reduce emissions in the supply chain, we are adopting measures for the more efficient use of resources in production. We are also working to convert our energy-intensive firing processes to renewable energy sources. Following the Torgau site, Mettlach became the second production site to successfully install the EnerViT system in autumn 2023 – an investment that will reduce gas consumption in the firing process by around 16 %. The use of renewable energy naturally also plays a significant role in achieving climate neutrality. Photovoltaic systems covering more than 9,000 square metres were installed at our locations in Germany and abroad in 2023. In the 2023 financial year, our in-house solar power systems generated a total of 978 MWh of electricity that was used internally (previous year: 248 MWh).

In the 2023 financial year, we made considerable efforts to gradually achieve the “green” transition of our product portfolio in line with the EU Taxonomy, the Ecodesign Directive and internal strategies. Our aim is to minimise the environmental footprint throughout the entire life cycle of our products. Various products are already having a positive impact thanks to water-saving features, high hygiene and safety standards and a long service life with subsequent reusability.

We are strategically enhancing our product innovations, packaging, services and solutions under the motto “design & develop sustainable products”. To this end, 2024 will see the introduction of sustainable design principles (SDP) for all product categories and a packaging guideline based on the three Rs (reduce, reuse, recycle). The first products and collections based on these principles will be launched in both divisions by 2026, and we will gradually convert our packaging over the same period.

We firmly believe that people are an important driver of sustainable transformation. We promote a healthy, inclusive and learning community in which employees are challenged and supported individually and can contribute autonomously and with equal rights - irrespective of their gender, age, education or other personal characteristics. Our approach in this respect gives rise to our three focal areas: “learning organisation”, “occupational health and safety” and “diversity, equality and inclusion”. A number of different measures are already being implemented in each of these areas or are planned for the coming years. They range from the establishment of professional learning paths for key functions and the implementation of a global health programme to investments in prevention, safety standards and work ergonomics at our plants.

The demands we make of our suppliers are just as high. This requires effective supply chain management. Our Code of Conduct is the binding foundation for adherence to our minimum requirements for working with business partners. Our suppliers share our demanding sustainability and social

standards. This is reflected in the high rate of acceptance of our Code of Conduct in 2023 - an outstanding 95 % as at the reporting date.

Sustainability reporting is also evolving. In 2023, the EU adopted the Corporate Sustainability Reporting Directive (CSRD), which introduces binding reporting standards for ESG data in order to improve the transparency and comparability of sustainability information. We are already making intensive preparations to ensure compliance with the new reporting standards in future, including the mandatory “double materiality” assessment.

Moving forward, our efforts will continue to focus on the challenge of transforming every area of life while ensuring a balance between economic, environmental and social value creation. We are aware that sustainability is a continuous process and we are always working to develop our defined targets further and integrate new aspects of sustainability. We invite you to join us on this journey and are grateful for your interest and your support.

We hope you enjoy reading this sustainability report.



**Dr Markus Warncke, Chief Financial Officer**  
Mettlach, February 2024

## ABOUT THIS REPORT

▼ This report comprises the sustainability report of the Villeroy & Boch Group for the financial year from 1 January to 31 December 2023. The latest version of the sustainability report, published annually in German and English, is available to download from the company's website at [www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports](http://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports). The Group companies included in the report are generally the same as the basis of consolidation in the 2023 consolidated financial statements with the exception of the areas of "environment" and "occupational safety", where reporting is focused on key locations.

The combined, separate non-financial report for the Villeroy & Boch Group and Villeroy & Boch AG in accordance with sections 289b and 315b of the Handelsgesetzbuch (HGB - German Commercial Code) has been integrated into this sustainability report. The disclosures required by law in the non-financial report are indicated by a blue triangle at the start (▼) and end (▲) of the respective passage. Qualitative information provided in the non-financial report relates to both the Group and Villeroy & Boch AG. Unless stated otherwise, the key figures and performance indicators contained in the non-financial report relate to the Group and are reported separately for Villeroy & Boch AG in the Key figures to this report. → "Key figures" The key figures are explained in the glossary in this report → "Glossary"

The sustainability report has been approved by the Management Board of Villeroy & Boch AG. The integrated content of the non-financial report was audited for limited assurance in accordance with the International Standard for

Assurance Engagements (ISAE) 3000 (Revised). The external audit by the audit company Deloitte assists the Supervisory Board in the performance of its statutory audit duty. → "Limited assurance report of the independent practitioner"

In preparing the sustainability report and the non-financial report contained therein, we have opted not to apply any frameworks such as the Global Reporting Initiative (GRI) on account of the company's structure and the complexity these frameworks entail in terms of content and scope. Our reporting applies the statutory provisions and focuses on the reportable aspects in accordance with sections 289c and 315c of the German Commercial Code (HGB). We also report on other non-financial issues that are relevant for our company and our industry.

This sustainability report contains forward-looking statements based on management estimates of future developments at the time this report was prepared. These statements are subject to risks and uncertainties that Villeroy & Boch is largely unable to influence or precisely evaluate. This includes the future economic and legal conditions and the behaviour of other market participants. If these or other uncertainties occur or the assumptions on which the forward-looking statements are based prove to be incorrect, the actual results could deviate from the expected results described in this report. ▲

Mettlach, 23 February 2024



Gabriele Schupp



Dr Peter Domma



Esther Jehle



Georg Lörz



Dr Markus Warncke

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# COMPANY – BUSINESS MODEL, SUSTAINABILITY STRATEGY

## OUR BUSINESS MODEL

▼ The Villeroy & Boch Group (hereinafter referred to as Villeroy & Boch or the Group) with its headquarters in Mettlach in Saarland (Germany) has around 6,400 employees in total and is a leading international ceramic manufacturer. Almost no other premium brand<sup>1</sup> with a global reputation can look back on such a lengthy history of consistent success dating back more than 275 years. On its journey from a small workshop founded in 1748 to the international group it is today, Villeroy & Boch has evolved from a production-oriented ceramics specialist into a comprehensive lifestyle provider. Today, the brand shapes and defines the homes of its customers around the world with its high-quality products. Drawing on its ceramic and design expertise, Villeroy & Boch is now a full-service provider for the bathroom and for high-quality tableware and living accessories. Its operating business is broken down into two divisions: Bathroom & Wellness and Dining & Lifestyle.

Villeroy & Boch sells products in around 125 countries. In addition to the main global brand, Villeroy & Boch, it uses local brands such as Gustavsberg for sanitary ware products in Scandinavia and secondary brands for certain sales channels in the Dining & Lifestyle Division. We manufactured our products at thirteen locations in the reporting year, comprising twelve production sites and one assembly site (in Sweden). We sold our production site in Mondsee, Austria, effective 31 December 2023. Of the twelve remaining locations, two sites in Germany manufacture our products for the Dining & Lifestyle Division. A total of ten sites are dedicated to the Bathroom & Wellness Division. In addition to the assembly plant in Sweden, our Bathroom & Wellness product portfolio is manufactured at nine locations – in Germany (two plants), Sweden, the Netherlands, Belgium, France, Romania, Hungary and Thailand. Further information on Villeroy & Boch's procurement and production activities can be found in this report. → "Supply chain"

## PRODUKTION SITES BY REGION

### EUROPE



Gustavsberg and Vårgårda (Sweden)  
 Hódmezővásárhely (Hungary)  
 Lugoj (Romania)  
 Merzig, Mettlach, Torgau and Treuchtlingen (Germany)  
 Roden (Netherlands)  
 Roeselare (Belgium)  
 Valence d'Agen (France)

### APAC



Saraburi (Thailand)

<sup>1</sup> According to a representative survey on awareness and perception of the Villeroy & Boch brand, conducted by an independent market research institute with 500 participants per division in nine different countries.

In the 2023 financial year, we generated consolidated revenue of € 901.9 million (previous year: € 994.5 million). The operating result before interest and taxes (EBIT) amounted to € 89.0 million, down 8.1 % on the previous year's figure of € 96.8 million. The return on net operating assets was 24.8 % after 31.5 % on 31 December 2022. Further information on the course of business in 2023 can be found in the Group management report.

The product range in the Bathroom & Wellness Division extends from ceramic bathroom collections, bathroom furniture, shower, tub and whirlpool systems, fittings and ceramic kitchen sinks to the accompanying accessories. These products typically find their way to consumers or project customers via a two-stage or three-stage sales channel. Our core target groups are dealers, craftspersons, architects, interior designers and planning specialists. Our Bathroom & Wellness products are exhibited at more than 11,000 showrooms around the world.

Today, our Dining & Lifestyle Division offers far more than traditional tableware with its product ranges such as high-quality crockery, glasses, cutlery and corresponding accessories, kitchen and table textiles and gifts. We reach end consumers through specialist retailers and our own retail activities, which include 83 Villeroy & Boch stores, more than 600 points of sale at high-profile department stores, and dedicated online shops in more than 15 countries. All in all, our products are available at around 3,700 points of sale worldwide. Our project business is mainly aimed at the investors and operators of four-star and five-star hotels.

In addition, we supplement our range with licence-based products from the "Living" area. In particular, this includes lighting, bathroom and kitchen textiles, blankets and plaids, cabinet furniture for living and dining rooms, kitchen furniture as well as tiles. ▲

## SUSTAINABILITY AT VILLEROY & BOCH AT A GLANCE

▼ In its sustainability activities, Villeroy & Boch seeks to achieve a balance between environmental, social and economic targets for the benefit of future generations. This is based on a triple bottom line approach encompassing the dimensions of environmental, social and governance (ESG). As a company, we support societal development, environmental protection and social justice.

The sustainable development of Villeroy & Boch AG and all of its subsidiaries is synonymous with future-oriented transformation and progress. In addition to the future, it is often closely tied to our company's history and tradition. Our aspiration is to maintain the competitiveness of our operations

for the long term while also increasing our ecological efficiency and meeting our social responsibility. Various projects, initiatives and processes are already contributing to the ESG dimensions. Villeroy & Boch is establishing a holistic, company-wide sustainability strategy for the coming years.

→ "Sustainability strategy"

Transparency regarding our non-financial performance is ensured by regular Group reporting. Data and figures from areas such as environmental performance, procurement, employees and compliance are collected to allow us to measure the success of defined actions, including on a short-term and medium-term basis, and make adjustments as necessary. The basis for the external and internal reporting of non-financial performance indicators is data management for the sustainability performance indicators of these areas, which is integrated into our Group-wide consolidation software and is enhanced continuously.

Since 2017, key figures, strategies and measures of Villeroy & Boch's sustainability work have been analysed by EcoVadis, a sustainability rating platform for global supply chains. Villeroy & Boch's performance in the areas of the environment, social topics, ethics and procurement is evaluated on the basis of scorecards. The latest overall assessment by EcoVadis resulted in a "silver" scorecard rating. This means Villeroy & Boch was one of the top 25 % companies rated by EcoVadis in the period from 8 November 2022 to 8 November 2023. A new scorecard is issued following the final assessment by the EcoVadis experts.

## SUSTAINABILITY ACTIVITIES WITH A VIEW TO ESG CRITERIA (ENVIRONMENTAL, SOCIAL, GOVERNANCE)

E (= Environment) - Our customers place their confidence in the high quality of our products with a stylish design, impressive durability and maximum product safety. We intend to maintain this confidence in future with products of the highest possible quality and sustainable value creation. Alongside compliance with the law as well as labour and environmental standards, our aim is to achieve a good to very good product quality with a high degree of resource and energy efficiency. The use of management systems and standardised processes helps us to achieve this. → "Product responsibility and product transparency", "Supply chain" and "Environment"

S (= Social) - Achieving the company's goals is closely linked to various aspects of sustainable activity. It is important that all our employees have a common understanding of how we intend to achieve these goals. We provide various instruments for this, such as our Code of Conduct, the corporate guidelines and our management principles. At the same time, we help our employees to the best of our ability in achieving their goals and give them a great deal of creative freedom as motivated and



creative employees form the basis for our business success. We are therefore committed to the principles of respectful treatment, fair pay, targeted training and active diversity. As a member of society, we also engage in a dialogue with stakeholders and actively work to support societal and social causes in particular. → “Corporate governance”, “Corporate compliance” and “Employees”

**G (Governance)** – The Management Board of Villeroy & Boch AG manages the Group as a whole using a strictly defined management structure and operational targets whose achievement is monitored by way of prescribed key figures. The performance of the Group as a whole, and the two divisions individually, is measured using the following key financial indicators: revenue, operating earnings before interest and taxes (operating EBIT), and the rolling return on net operating assets. Information on the definition and development of the key financial indicators can be found in the Group management report.

In addition to these key financial indicators, non-financial performance indicators are becoming increasingly important, but are not currently relevant for controlling purposes. Specific sustainability targets are already enshrined in the remuneration system for the Management Board, such as the ratio of CO<sub>2</sub>e emissions attributable to ceramics (in t) to the net production volume (in t) and the degree to which the procurement volume is covered by the Code of Conduct. → “Sustainability goals in the remuneration system for the Management Board”

At an operational level, specific objectives are pursued with regard to the strategic focal areas of “Climate-neutral company”, “Sustainable products” and “Shared responsibility”. Examples include reducing the specific energy consumption of ceramic products in the manufacturing process, the gradual implementation of environmental and energy management systems and further increasing transparency in the supply chain in terms of compliance with social and environmental standards. ▲

## SUSTAINABILITY STRATEGY

▼ At a time when climate change is prompting a change of thinking in society, the transformation of our business is unavoidable. Having started in 2022, Villeroy & Boch AG is already in its second year of integrating a holistic sustainability strategy into its business activities. The sustainability strategy we have developed takes account of the economic, environmental and social dimensions of sustainability – because we consider ESG initiatives to be investments that can deliver both tangible and intangible benefits for the company and all its stakeholders in the long term. We actively exceed the regulatory requirements in order to efficiently reduce the

company’s negative footprint and increase its positive impact on the environment and society. With this development, we are working towards a concept in which sustainability forms part of our corporate strategy.

## OUR APPROACH

As a family company, we have always felt an obligation to take responsibility within our social and cultural environment. This awareness is not least documented in our corporate guidelines and the statement: “Villeroy & Boch – maintaining the tradition”. For centuries, we have supported projects and measures to improve people’s living environments, especially at our main locations. We also encourage our employees to take responsibility in their own right, and we pursue a human resources policy with a sustainable focus. Environmental protection has been equally important to us for many decades. Beginning with smaller energy efficiency measures, all of our locations now meet high environmental standards. Building on the established sustainability activities in social and environmental areas, Villeroy & Boch has set itself the goal of developing a holistic, company-wide sustainability strategy in order to comply with the growing number of ESG provisions and ensure that it is competitively positioned with a view to the future.

With its sustainability activities, Villeroy & Boch supports the achievement of the United Nations Sustainable Development Goals (SDGs). As a company, we firmly believe that the defined objectives and the associated measures provide good foundations for sustainable action. Achieving climate neutrality within the company, making our products sustainable and empowering our employees are the cornerstones of our work.

In 2022, material sustainability issues were identified as part of a comprehensive sustainability analysis covering various dimensions (→ “Stakeholder dialogue and materiality analysis”) and categorised at Management Board level in cooperation with a business consultancy specialising in sustainability. The aim was to establish relevant focal points and a strategic focus on further development. In the course of the preparation of the sustainability report, the results of the materiality analysis were also validated centrally for both the 2023 and 2022 reporting years.

## OUR SUSTAINABILITY ISSUES

Based on this sustainability analysis, eleven sustainability issues were classified as material for the purposes of Villeroy & Boch’s sustainability strategy. These can be broken down into three categories that serve as our strategic framework: “Responsible management”, “Strategic development” and “Strategic focus”.

In the reporting year, various sustainability issues that are already integrated into day-to-day business practice were assigned to the “Responsible management” category.



The cornerstone of the strategy is formed by the sustainability topics in the final category, which are being addressed as a top priority throughout the entire company on the basis of existing approaches.

### VILLEROY & BOCH'S 11 SUSTAINABILITY ISSUES IN 3 CATEGORIES

<b>Responsible management</b>	
<p>■ These issues are firmly integrated into day-to-day business practice and measures are taken to ensure that they are continuously reviewed and appropriately advanced in line with regulatory requirements and stakeholder expectations</p>	Protection of human rights along the supply chain
	Protection of biodiversity and ecosystems
	Ensuring fair working conditions
	Integrity of business practices and relationships
	Responsible production and logistics
	Corporate citizenship
<b>Strategic development</b>	
<p>■ These issues are relevant in the medium to long term and can have a significant influence on future strategic development</p>	Circular products, processes and business models
	Transparent product communication and raising customer awareness
<b>Strategic focus</b>	
<p>■ These issues are the cornerstone of our sustainability strategy. We expect them to deliver considerable transformation potential and consider them to be the biggest drivers for our company's sustainable development</p>	→ Climate-neutral company <sup>1</sup>
	→ Sustainable products
	→ Responsible community <sup>2</sup>

<sup>1</sup> Renamed since the previous year ("Systematic decarbonisation") to reflect an expanded focus on all relevant greenhouse gases.

<sup>2</sup> Renamed since the previous year ("Responsible employer") as the responsibility has been defined more precisely (joint responsibility of Villeroy & Boch as an employer including all employees).

A roadmap developed in the 2023 financial year serves as a compass for the entire company when it comes to the three strategic focal areas. It outlines our path to transformation as a company and a community and enables us to orient our day-to-day activities towards Villeroy & Boch's long-term corporate objectives. Our sustainability goals help us to measure our progress and steer our activities along the way.

#### STRATEGIC FOCAL ISSUE "CLIMATE-NEUTRAL COMPANY"

As a manufacturing company with high energy requirements, the decarbonisation of our company (Scope 1 and 2 emissions) is one of the key elements of our sustainable development. Efficient resource usage in production and initiatives to reduce Scope 3 emissions in the supply chain are important steps in achieving our goal of becoming a climate-neutral company. Measures such as the transformation of our firing process to renewable energy sources and the optimised use of energy and resources in production are also being pursued with great intensity. → "Environment"

Focal points of the sustainability issue	Sustainability target categories
<p><b>Decarbonisation of our locations</b> We are becoming a climate-neutral company.</p>	<p>Scope 1 and 2 CO<sub>2</sub>e emissions (Group as a whole) Scope 1 and 2 CO<sub>2</sub>e emissions (non-ceramic plants)</p>
<p><b>Decarbonisation along the supply chain</b> We are minimising our emissions along the supply chain.</p>	<p>Scope 3 CO<sub>2</sub>e emissions (supply chain)</p>
<p><b>Resource efficiency</b> We are optimising our production to ensure the most efficient use of resources and to prevent any ceramic waste from going to landfill.</p>	<p>Zero waste to landfill Material efficiency</p>

**STRATEGIC FOCAL ISSUE “SUSTAINABLE PRODUCTS”**

For us, sustainability begins with the development of our products and the selection of materials. As a manufacturing family company, our aim is to offer products that have the smallest possible environmental footprint across their entire life cycle. Our products are already characterised by their longevity. By using natural and refined raw materials and ensuring the highest levels of production quality, we help to

create homes that will last for many years. We are optimising resource conservation and durability in the product environment with a focus on product innovations, product services and solutions, and product packaging. Corresponding measures are being developed and the roadmap that has already been defined will be expanded in 2024 to include additional objectives.

Focal points of the sustainability issue	Sustainability target categories
<b>Product innovations</b> We are reducing our environmental footprint throughout the entire product life cycle.	<b>Sustainable design principles</b> <hr/> <b>Product portfolio</b>
<b>Product services and solutions</b> We offer services and solutions that extend the service life of our products.	<b>Diverse range</b> in our service portfolio and our business models
<b>Product packaging</b> We use environmentally friendly packaging in line with the “three Rs”.	<b>Packaging guidelines</b> (Three Rs = reduce, reuse, recycle)

**STRATEGIC FOCAL ISSUE “RESPONSIBLE COMMUNITY”**

As a family company, acting responsibly towards one another is something that is close to our heart. We want to promote an even more attractive and healthy working environment in which employees are challenged and supported individually and contribute autonomously and with equal rights - irrespective

of their gender, age or other personal characteristics. This gives rise to three sub-areas: “Learning organisation”, “Occupational health and safety” and “Diversity, equality and inclusion”. Our aim is to continue strengthening and developing our Villeroy & Boch community. → [“Employees”](#)

Focal points of the sustainability issue	Sustainability target categories
<b>Learning organisation</b> We are committed to continuous learning and growth with a view to enabling each individual to achieve their full potential.	<b>Leadership academy</b> <hr/> <b>Digital literacy</b> <hr/> <b>Professional learning paths</b>
<b>Occupational health and safety</b> We pursue our vision of zero accidents and actively promote the health and well-being of all employees.	<b>Occupational safety</b> <hr/> <b>Health protection</b>
<b>Diversity, equality and inclusion</b> We create an inclusive workplace where people feel comfortable, respected for who they are and valued for their contribution to the company.	<b>Diversity in global leadership teams</b>



## STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

▼ As a globally active company, we engage in a continuous dialogue with a wide range of different stakeholder groups. We thereby wish to ensure that the varied demands and expectations made of Villeroy & Boch are recorded and taken into account in our business decisions. Our most important partners in this dialogue are customers and suppliers, employees, the works council and union representatives, shareholders, lenders, supervisory bodies, interested members of the public, researchers and scientists, and authorities and politicians.

The materiality analysis for non-financial reporting, which was updated in the 2022 financial year, was carried out with the comprehensive involvement of relevant stakeholders. In order to meet the HGB requirements with regard to non-financial reporting, the statutory aspects of environmental, employee and social concerns, human rights and anti-corruption were analysed in terms of their impact, and their relevance to Villeroy & Boch's business success was evaluated. Building on a list of issues, experts from the worlds of science, business and NGOs (non-governmental organisations) were surveyed to identify the issues with the most pronounced sustainability impact. The assessment of business relevance was performed externally by a survey of customers and business partners and internally by a corresponding management survey at Villeroy & Boch. In this context, we identified the most important sustainability issues for our industry and for our company. The results of this

materiality analysis were centrally validated once again in the 2023 reporting year. Based on the new reporting requirements introduced by the European Commission (Corporate Sustainability Directive), an even greater focus was also placed on the topic of corporate governance. Like in the previous year, the environmental issues of climate protection (energy and CO<sub>2</sub>e emissions) and the responsible use of water resources as well as the topics of human rights due diligence, combating corruption, working conditions, pay and product transparency were classified as material.

In all, the legally required aspects of “environmental concerns”, “human rights”, “employee concerns” and “combating bribery and corruption” are covered. The material sustainability issues identified in the course of the materiality analysis were allocable to the aforementioned non-financial aspects. No issues relating to social concerns were identified as being material, so no further disclosures are made in this report. Some reporting content that is not considered material under the HGB is still reported on voluntarily beyond the current statutory requirements. This includes the areas of waste and the circular economy, occupational health and safety, personnel development, corporate citizenship, and quality management and product compliance.

The following overview allocates the non-financial aspects to the sustainability issues based on the HGB aspects:

### RECONCILING THE SUSTAINABILITY ISSUES TO THE REQUIREMENTS OF THE HGB

<b>Responsible management</b>	Protection of human rights along the supply chain	Respect for human rights
	Protection of biodiversity and ecosystems	Environmental concerns
	Ensuring fair working conditions	Employee concerns
	Integrity of business practices and relationships	Combating corruption and bribery
	Responsible production and logistics	Environmental concerns
	Corporate citizenship	_*
<b>Strategic development</b>	Circular products, processes and business models	Environmental concerns
	Transparent product communication and raising customer awareness	Environmental concerns
<b>Strategic focus</b>	Climate-neutral company	Environmental concerns
	Sustainable products	Environmental concerns
	Responsible community	Employee concerns

\* - = voluntary reporting



The following overview presents the non-financial aspects with respect to the statutory requirements in accordance with the HGB:

#### ▼ NON-FINANCIAL REPORT INDEX (IN ACCORDANCE WITH LEGAL REQUIREMENTS AS PER THE GERMAN COMMERCIAL CODE (HGB))

Non-financial aspect	Associated reportable sustainability issue	Key figure	Section
Environmental concerns	Energy and CO <sub>2</sub> e emissions in production	Ceramics CO <sub>2</sub> e emissions (t)/ net production volume (t)	Environment
	Water and waste water	-	
Respect for human rights	Human rights in the supply chain	Coverage of procurement volume by Code of Conduct	Supply chain
Employee concerns	Working conditions and remuneration	-	Employees
Combating corruption and bribery	Anti-corruption	Coverage ratio of antitrust law training and anti-corruption training	Corporate compliance
Product responsibility / transparency	Product transparency	-	Product transparency, product compliance and Environmental certificates
Social concerns	-	-	-



#### SUPPLEMENTARY VOLUNTARY REPORTING

In addition to the reportable sustainability issues, we are still voluntarily reporting on the following subject areas:

- Waste and circular economy → “Environment”
- Occupational health and safety → “Employees”
- Diversity and equal opportunities → “Employees”
- Personnel recruitment and development → “Employees”
- Employer branding - strengthening a sustainable employer brand → “Employees”
- Corporate citizenship → “Company - business model, sustainability strategy”
- Quality management and product compliance\* → “Product responsibility and product transparency”

\* concerns only unaudited parts of the chapter

#### CORPORATE GOVERNANCE

▼ Sustainability is closely linked to responsible corporate governance. Accordingly, good and transparent corporate governance is extremely important for Villeroy & Boch’s long-term business success. It fosters the confidence of shareholders, customers, employees, business partners and interested members of the public.

The implementation of our sustainability strategy requires a strong community as well as standardised global policies, standards for integrated management systems and an organisational structure with clearly defined responsibilities. Within Villeroy & Boch, efficient processes are already making a contribution to environmental protection, occupational health and safety and the supply chain. We are also working effectively with partners along the supply chain and beyond to drive the necessary change. We will integrate sustainability as a fixed element of our day-to-day interactions with each other and in additional structures and processes. As a highly dynamic issue, sustainability calls for flexible management. The continuous evaluation of our strategy is one of the permanent tasks of sustainability management, from assessing the performance of the measures for target attainment (using KPIs) through to the regular review of the strategic focal points. ▲

#### SUSTAINABILITY GOALS IN THE REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD

▼ The remuneration system for the Management Board of Villeroy & Boch AG provides incentives for the sustainable and successful development of the company while at the same time avoiding excessive risks by linking the remuneration for

members of the Management Board to both the company's short-term and long-term performance. In conjunction with the short-term variable remuneration of members of the Management Board, non-financial performance criteria are also defined as part of the bonus system for members of the Management Board. In line with Villeroy & Boch's sustainable and strategic outlook especially, significant changes were implemented in this regard in the new remuneration system for the members of the Management Board. The changes were resolved by the Supervisory Board in February 2021 and approved by the General Meeting of Shareholders on 26 March 2021. Non-financial performance criteria were defined for long-term variable remuneration (long-term incentive - LTI) in addition to the financial earnings components in Management Board remuneration. The non-financial performance criteria can be derived from the following six areas: employee concerns, compliance, customer relationships, environmental and climate protection, responsibility in the supply chain and social responsibility. For long-term variable remuneration (LTI), targets from these areas are used in all Management Board contracts to be entered into or renewed since the adoption of the new remuneration system. In the 2023 financial year, this applied to Dr Domma, Ms Jehle and Ms Schupp from 1 January and to Mr Lörz from 1 August following his reappointment. As far as possible on an individual basis, non-financial performance criteria are taken into account for the bonus system for the other members of the Management Board as part of their short-term variable remuneration. Specifically, for the 2023 financial year, these were the ratio of ceramics CO<sub>2</sub>e emissions (in t) to the net production volume (in t) and the degree to which the procurement volume is covered by the Code of Conduct. Please refer to the [Remuneration report 2023](#) for detailed information on the remuneration system for the Management Board. ▲

#### ORGANISATIONAL STRUCTURE

▼ Villeroy & Boch AG is subject to German stock corporation law and therefore has a dual management system, comprising the Management Board and the Supervisory Board. As the management body, the Management Board is bound by the interests of the company and has a commitment to increasing its long-term enterprise value. The members of the Management Board bear joint responsibility for overall management and make decisions on basic matters of business policy and corporate strategy as well as annual and multi-year planning. The Supervisory Board monitors and advises the Management Board in its management work. At regular intervals, the Supervisory Board discusses business performance and planning as well as the strategy and its implementation. The Management Board and the Supervisory Board consider the development and tracking of the sustainability strategy to be one of Villeroy & Boch's central responsibilities.

Sustainability management is integrated into our organisational structure vertically, horizontally and cross-functionally. The CEO bears overall responsibility for our sustainability strategy in order to ensure compliance with the applicable laws and internal policies. The Sustainability Council, composed of the full Management Board and internal experts, is the central decision-making body for our global sustainability activities and our strategic orientation. It collectively performs coordination, initiating and control functions with regard to sustainability issues. Sustainability is implemented in the Group by the members of the Management Board, who are responsible for the strategic consideration of sustainability aspects along the entire value chain in their business activities. The business risks and opportunities in relation to sustainability must be systematically taken into account in decisions, strategies, processes and systems. The sustainability issues allocated to the "Responsible management" category already form part of day-to-day business practice. In the 2023 financial year, working groups consisting of employees from various departments were defined and tasked with working on the holistic company-wide sustainability strategy and developing targeted activities. They received targeted assistance from external experts. These cross-border, cross-departmental and cross-functional Sustainability Coordination Teams are responsible for coordinating the implementation of the measures and examining and discussing the practical challenges arising as a result. The teams are ultimately critical to the measurable process of the achievement of the sustainability targets and will form a network of sustainability experts in close cooperation with their colleagues. This is intended to ensure that all defined measures and initiatives are implemented within the Villeroy & Boch Group as planned and that a uniform company-wide understanding of sustainability is established. ▲

#### CORPORATE CITIZENSHIP

As a company with a long tradition dating back to 1748, we have also been active in our social and cultural environment for many generations. At our corporate locations, we want to be a strong and reliable regional partner by actively supporting charities and local initiatives.

To mark the company's 275th anniversary, donations for a good cause were collected at an employee party in July 2023. The proceeds from a tombola were doubled by Villeroy & Boch and donated to the charitable relief organisation *Herzensengel e. V., Merzig*. Visitors also had the option of donating their food and drink vouchers for a good cause. Villeroy & Boch again doubled the amount raised and donated it to the *SOS Children's Village Saar in Merzig*.

In the 2023 financial year, Villeroy & Boch participated in the "Türen auf mit der Maus" day for the first time, opening the doors to the sanitary ware plant in Mettlach to around

100 young visitors aged between 6 and 13. On an entertaining tour of the plant, they found out about the production and innovation involved in making a toilet and how the technology works.

A donation to mark the company's 275th anniversary was used to plant exactly 275 trees in cooperation with a regional association for the protection, conservation and maintenance of a local forest.

On the occasion of International Women's Day, Villeroy & Boch made donations to UNICEF for aid in Turkey and Syria. Villeroy & Boch was also involved in several other smaller fundraising events in the reporting year. As in previous years, Villeroy & Boch supported charities in Germany and abroad by providing tableware or toilet facilities. Among other things, Villeroy & Boch helped to equip the new sanitary facilities at Therapiezentrum Osterhof e. V. in Baiersbronn with accessible toilets and washbasins. Our employees took part in a variety of activities in support of social projects. As in previous years, these included the Merzig-Hilbringen SOS Children's Village and its "Christmas Tree Wish" campaign, which makes wishes come true for children.

### **CORPORATE COMPLIANCE**

▼ The Management Board and the Supervisory Board of Villeroy & Boch AG have undertaken to uphold the principles of modern corporate governance. The company complies with the main requirements of the German Corporate Governance Code (GCGC) and issues an annual declaration of compliance. A detailed presentation of the tasks and responsibilities of the committees can be found in the 2023 Annual Report. [➤ Annual Report](#)

For Villeroy & Boch, acting with integrity and in compliance with the law is a fundamental element of good corporate governance in order to achieve economic success in the long term. Compliance with statutory and official provisions and internal regulations is ensured by a Group-wide compliance management system.

### **MANAGEMENT APPROACH**

The aim of Villeroy & Boch's compliance management system is to prevent violations of the law in the areas listed below through process-oriented preventive measures and to identify and remedy any such violations internally at an early stage. This includes the fields of business ethics, antitrust law, data protection, combating corruption, fraud and money laundering prevention. Our central Compliance department also supports the specialist departments when it comes to overarching topics such as observing compliance in the context of our product responsibility (product compliance), upholding social standards in the supply chain (social compliance) and foreign trade issues (trade compliance).

Compliance with statutory regulations in other specific areas such as the environment, occupational health and safety, capital market law and sanctions list screening is handled directly by specialist officers or the competent departments.

The reportable issues of anti-corruption and antitrust law are presented separately in the sections below.

### **ANTI-CORRUPTION AND ANTITRUST LAW**

#### ***BUSINESS INTEGRITY AND THE CODE OF CONDUCT***

As an international group, Villeroy & Boch is in regular contact with business partners, companies and authorities in a number of different places in the world. The wide range of points of contact or business relationships this entails increases the need to stop and prevent possible illegal conduct. Corruption, bribery, unfair influence on the competition and the formation of cartels cause unfair market conditions, which is why compliance with internal regulations is monitored continuously, thereby ruling out unacceptable contravention. For this reason, business integrity is a guiding principle that we regard as a basic requirement for trustful cooperation and the equally sustainable and successful development of our business relationships.

The Villeroy & Boch Group's Code of Conduct, which is binding for all employees, is the central standard for responsible and ethical conduct at all levels of our company and each stage of its value chain. Among other things, it provides regulations for the areas of anti-corruption and antitrust law. Available in 21 languages in total, the Code of Conduct can be accessed by all employees on the intranet or on our corporate website for external business partners. The document is a worldwide component of employment agreements and therefore must be accepted by all employees in writing. As an aid to implementing our principles of conduct in our day-to-day work, detailed application guidance is provided in specific internal Group policies, including for the areas of anti-corruption and antitrust law. We also expect our business partners to comply with our Code of Conduct or provide evidence that they use an equivalent code. → "Supply chain"

### **COMPLIANCE ORGANISATION AND RISK MANAGEMENT**

Compliance at Group companies is the responsibility of the Villeroy & Boch compliance organisation, which is integrated at all levels of the Group, from the Management Board of Villeroy & Boch AG to the central functions and the two divisions, including all local Group companies. The Chief Compliance Officer and the central Compliance department are supported by 42 functional compliance officers and 61 local compliance managers at operating Group companies.

Risks in relation to corruption, antitrust violations and other compliance risks are analysed systematically and continuously throughout the Group to ascertain the scope and intensity

of preventive action and countermeasures. We continuously work on the ongoing evolution and adaptation of process-oriented compliance to reflect changing processes and statutory conditions. In the reporting year, we also worked to improve the readiness of our digital systems, e.g. by converting some compliance processes to more modern IT solutions. We focused on the necessary compliance rules for the respective process and the resulting security and control mechanisms.

In the context of regular, “bottom-up” reporting throughout our compliance organisation, compliance risks are identified and evaluated on an ongoing basis so as to define and implement suitable countermeasures. There is also an ad hoc reporting requirement.

#### **COMPLIANCE TRAINING**

Information and communication are a key instrument for preventing compliance breaches, particularly regarding our employees who are exposed to risk, such as those who work in sales, marketing and purchasing. Given their functions, these employee groups tend to be more exposed to potential corruption, bribery or antitrust risks in their day-to-day work than administrative employees, for example. These employees therefore receive more comprehensive and more frequent training. We use mandatory classroom-based training via Microsoft Teams, online training, software-based e-learning and in-house training videos not just to convey a common understanding of compliance and to raise employee awareness of the risks and consequences of corruption, money laundering, and data protection, human rights and antitrust violations, but also to ensure that knowledge is shared in a manner appropriate to the respective function. In the reporting year, we continued to improve and refine the e-learning programme which was launched in 2021 through the use of new interactive software. Employees receive training across nine training modules in different combinations depending on the risk exposure of the individual employee groups.

As at the reporting date, 97 % (previous year: 94 %) of relevant employees worldwide completed anti-corruption training, while the antitrust training module was completed by 97 % (previous year: 92 %). In addition, 86 % (previous year: 98 %) of store employees around the world completed the “compliance” module via our International Sales Academy. The lower figure compared with the previous year is because training for the employees recruited for Christmas business had to be postponed until January 2024 due to scheduling issues.

#### **INVESTIGATING BREACHES**

Information on possible compliance violations helps us to counteract them early on, and thus prevent damage to the parties and persons concerned. The process is detailed in a Group-wide whistle-blowing policy that informs employees

about how to make reports and what the next steps entail. The goal is to create an environment in which violations can be reported by achieving the greatest possible procedural transparency and by protecting whistle-blowers. Such reports are handled confidentially by the Compliance department and, if so desired, anonymously using our internal whistle-blower system. Suppliers, customers and other third parties can also provide tips and inform us of potential violations directly (by e-mail or by post). There is also an external, impartial arbitrator who serves as an independent confidant and mediator.

In addition to this Group-wide whistle-blowing system, foreign subsidiaries have local whistle-blowing systems where there is a corresponding statutory requirement for them to do so.

Our compliance organisation investigates every report applying a standardised process set out in instructions. In our investigations and prosecutions, we are guided by the principle of legality enshrined in law. On the basis of the relevant information received by the Group on possible compliance violations and in line with the principle of legality, one internal investigation was required in the 2023 financial year; this investigation did not lead to disciplinary consequences (previous year: five internal investigations, four of which did not lead to disciplinary consequences).

#### **ANTITRUST LAW AND ASSOCIATION WORK**

In the 45 associations of significance in terms of antitrust law of which Villeroy & Boch is a member, we verify that there is an antitrust compliance programme within the respective organisation. All employees who represent us in these associations are given special training on the potential compliance risks of this activity. ▲

#### **RISK MANAGEMENT**

▼ The long-term achievement of the company’s targets is supported by Group-wide risk management in order to safeguard the company’s continued existence as far as possible. As ecological and social aspects are also important for the realisation of economic success, our risk management takes these areas into account. Relevant risks are systematically recorded and evaluated in the annual Group-wide risk inventory.

In the 2023 financial year, there were no significant risks within the meaning of section 289c (3) no. 3 and 4 of the German Commercial Code (HGB), i.e. risks relating to the business activities, business relations and products of the Villeroy & Boch Group that are extremely likely to occur and that could have a serious negative impact on sustainability-related aspects of this report. ▲

Details of our assessment of the individual risks can be found in the risk report in our Group management report for 2023.



# PRODUCT RESPONSIBILITY AND PRODUCT TRANSPARENCY

## MANAGEMENT APPROACH

Villeroy & Boch offers an extensive range of products. Our products are long-lasting companions for the home. We aim to increase the sustainability of our products throughout their entire life cycle – from procurement and production through to their use and subsequent recycling, including the possibility of reuse. In this way, we reduce the resource consumption of our products and their CO<sub>2</sub>e footprint, while also avoiding potential risks with regard to compliance with environmental and social standards.

Design is the key to sustainable products. We endeavour to rethink the way in which our products are designed, constructed and used. For all of the products we manufacture and purchase, we look into options for satisfying our high performance and quality requirements while simultaneously consuming fewer resources across the entire product life cycle. Our aim is to offer products that are environmentally friendly, socially responsible and economically viable. To achieve this, our product development, product management, production, procurement, quality management, marketing and sales teams work hand in hand.

The innovations of the past have made our company what it is today. And the innovations of today and tomorrow will ensure that Villeroy & Boch continues to set standards. From the development of new products to production technology and the prospects for a more sustainable future, an overarching culture of innovation is one of the most important factors for success at Villeroy & Boch. It forms part of the company's history and has helped the company to continuously reinvent itself – while also delivering crucial momentum for the brand and the markets it serves. Whether it is optimising ceramic materials, product features, product designs or production processes, Villeroy & Boch's aspiration is to preserve the best aspects while creating something new. The company focuses on technical progress and product responsibility.

## TECHNOLOGICAL PROGRESS IN PRODUCTS

Innovation at Villeroy & Boch is a key component for the company's future viability. Product development in the Dining & Lifestyle Division focuses on product design and the functionality of crockery, glass, cutlery and gifts. In the Bathroom & Wellness Division, technological innovations in particular are proven to give a major competitive edge, whether with the aim of increasing customer benefit through innovations in material, design, comfort and hygiene or improving the environmental compatibility of our products.

Hygiene has always been a key factor in Villeroy & Boch's product development. This is reflected in the extensive range of 62 models featuring the rimless DirectFlush WC technology, where the water flow combined with an open rim completely flushes the interior of the bowl for a maximum flushing effect.

With the development of the TwistFlush technology in 2021, Villeroy & Boch took hygiene and water conservation to a new level. TwistFlush technology (patent pending) uses the physical power of a water vortex to achieve an especially thorough flush result with low water consumption. One outstanding feature of this system is the smooth, funnel-shaped interior, which prevents sediments. The WC needs just 3 or 4.5 litres of water for a flush. A four-person family therefore saves up to 19,700 litres of water per year (for a four-person household, compared to a conventional 6-litre flush. Average use: 5 times per person per day, based on information from the Germany Federal Environment Agency) – and with a flush performance that significantly exceeds current norms (according to European Norm EN997). TwistFlush technology is available in three models of the best-selling Subway 3.0 collection as well as a multi-collection Universo TwistFlush model. In the 2023 reporting year, this technology expanded into the premium segment with Antao.

The research cooperation on the “patient room of the future” (with partners including the Technical University of Braunschweig) continued in the 2023 financial year. New concepts, designs and materials were developed for wet rooms in highly frequented areas with very high hygiene standards, such as in hospitals or care facilities. Series of field tests are being carried out to examine the improved hygiene properties of new product designs both qualitatively and quantitatively. These comprehensive test series focus on our dirt-repellent ceramic finish CeramicPlus and our shower toilets. The consortium presented itself and its work at the SPACE FOR HEALTH symposium at the Technical University of Braunschweig in November 2023. The innovative and sustainable healthcare facilities, smart materials and surfaces were exhibited as part of an interdisciplinary exchange of information with experts from the areas of architecture, equipment, material science, hygiene and medicine.

With the anti-slip surface CeraSoft for ceramic shower trays, a product was launched on the market that combines sustainable production with improved performance characteristics. It uses

sustainably produced raw materials by combining specially designed material combinations with modified and automated process steps using glazing robots. At the same time, the benefit to customers has increased considerably thanks to the anti-slip properties of the surface, which have been confirmed in standard tests by independent test institutes.

As innovation goes hand in hand with research and development, we are constantly investing to further enhance our competitive capability, and to create a foundation for long-term corporate success. We invested € 18.9 million in research and development projects, including design development, in the 2023 financial year (previous year: € 19.8 million), € 14.0 million of which (previous year: € 15.1 million) related to the Bathroom & Wellness Division.

## **QUALITY MANAGEMENT AND PRODUCT COMPLIANCE**

### **BASIC PRINCIPLES OF OUR QUALITY MANAGEMENT SYSTEMS**

Our quality aspirations serve as a framework for our actions while also constituting one of Villeroy & Boch's central brand promises. Our products are characterised by outstanding quality and reliability regardless of where they are produced or what they are used for. Successful quality management is the foundation of the trust that our customers place in the quality of Villeroy & Boch products. We focus on continuously improving the quality of our product processes and thereby the quality of our products as well. The basis for product and process quality is the quality standard ISO 9001:2015, on which the quality management systems in both divisions are based.

In the Bathroom & Wellness Division, we have been continuously certified according to ISO 9001 since the quality management system was launched in 1995; the effectiveness of the system is audited internally and externally each year. The harmonisation of the certification of the management systems for quality, occupational health and safety, the environment and energy was completed in the reporting year.

A fundamental task of our quality management is to ensure the compliance of our products with internal quality standards and external regulations. Given the wide variety of laws, guidelines and standards that apply to product requirements and the rate at which they change, we therefore have a Group-wide product compliance organisation into which all departments involved in product development, manufacture and distribution are integrated within their areas of responsibility. It is operationalised by interdisciplinary project teams and is the responsibility of the respective Product Compliance Officer in the two divisions as part of their line function. It is the duty of the Product Compliance Officer to report relevant risks to the member of the Management Board in charge of the division.

The Group-wide product compliance training in functional areas that was launched in 2019 has been supplemented further in the meantime. An e-learning module on the general principles of product compliance and the conformity of the materials used is available for the Bathroom & Wellness Division. Since the end of 2023, two additional e-learning modules have been completed for the Dining & Lifestyle Division that aim to raise awareness of product monitoring subsequent to market launch and the handling of faulty products. Furthermore, an e-learning module on product liability is being prepared in the Bathroom & Wellness Division.

There are various measures within the quality organisations specific to each division with which we implement the quality requirements in sustainability areas such as product safety and customer health, the durability of ceramic products or material compliance. For example, prior to product approval, ceramics are tested according to international standards to ensure that they satisfy the latest technical requirements.

### **PRODUCT SAFETY AND CUSTOMER HEALTH**

We offer products for our customers' everyday lives, from washbasins and toilets for the bathroom through to plates, cups and cutlery. We are proud that our products are an integral part of the daily routine for millions of people and are aware of our responsibility to ensure products that can be used safely, comfortably and healthily.

In the Dining & Lifestyle Division, the product requirements are analysed in line with statutory requirements (product compliance) and product properties. The focus is on the risk-based approach to detect and thus avoid usage risks at an early stage. To achieve this, product development, product management and quality management work in close cooperation throughout the entire product engineering process.

The implementation of risk management along the product development process means that articles can be assigned to different risk classes early on. A specific audit approach is selected for a product depending on its identified risk, which is derived from the combination of manufacturing, materials and designated use (e.g. food contact, heat, decorations or children's articles).

Chemical analysis and sensory laboratory tests are conducted externally in order to check that products developed in-house and purchased items demonstrate exemplary product safety and comply with all of the relevant guidelines and regulations prior to market launch. A total of 51 new products were examined externally in the 2023 financial year.

Once an item has successfully completed the development and quality process and has been launched on the market, it is retested at intervals of 18 to 30 months to monitor continuous ongoing product quality and safety in addition to compliance with legal requirements at all times. To this end, a total of 245 different articles from the existing range, including new products, were tested in external laboratories in the reporting period. For documentation purposes, all test reports are stored in a test report database.

In addition to complying with national and international technical standards and regulations, quality management in the Bathroom & Wellness Division primarily focuses on the security-relevant aspects of products. Central quality management has developed a catalogue of tests for ceramics products that requires each model to be subjected to regular, systematic safety and functional tests to prevent harm to customer health. New product models are tested more frequently in the first year of production. In addition, every single ceramic product manufactured by Villeroy & Boch is visually inspected by a qualified member of staff following the firing process. The requirements at each production site include the inspection of all fired ceramics and an additional inspection of goods marked as error-free based on defined sampling prior to their addition to the warehouse. All relevant test results are documented using a defined template and stored for at least ten years.

Product and quality management in both divisions also work in close cooperation when performing a design- and production-based risk analysis and when preparing consumer information. Using various types of documents and communication channels, we provide consumers with comprehensive information on how to use and care for their products, while warning notices required by law that may have to be observed when using a product are always packaged together with it.

The new EU General Product Safety Regulation that came into force in 2023 with a transition period to December 2024 sets out expanded screening criteria for product safety and specifies the manufacturer's obligation to perform internal risk analyses for its products, among other things. Thanks to its established quality and product compliance systems, the Bathroom & Wellness Division already satisfied almost all of the requirements of the new EU regulation as of the publication date. Final adjustments, particularly with regard to technical documentation, are planned for 2024.

#### **DURABILITY OF CERAMIC PRODUCTS**

One of the main characteristics of ceramic products is their extreme durability. This applies to products from both the Bathroom & Wellness Division and the Dining & Lifestyle Division.

Villeroy & Boch toilets and washbasins are designed to be capable of standing up to many years of use. The (minimum) requirements for our products in terms of durability and resistance to wear are set by specific laws and international standards. For instance, a properly installed WC must withstand a static load of more than 400 kilogrammes. Such specifications are extensively tested in the product development process, also known as the stage gate process, and products are not approved until all relevant requirements are met.

The test lab in Mettlach has been expanded to enable product testing for toilets as well as washbasins and fittings. A new flush test bench with additional connections for the efficient testing of our ViClean products was put into operation in the reporting year. Additionally, testing equipment was installed that allows fittings to be tested for flow rate, sensitivity, durability and load-bearing capacity.

In order to be able to work even more efficiently and with more transparent data availability during product testing, work is continuing on the digitalisation of the entire stage gate process. In recent years, virtually all ceramics quality assurance has been digitalised and successfully tested and rolled out at the international ceramics production facilities. The results of quality control can be viewed centrally as a result.

In the Dining & Lifestyle Division, there is a focus on the product properties in addition to the statutory requirements. These mainly concern the longevity and resilience of our porcelain products. These are requirements that our customers expect and properties that we guarantee. In addition to dishwasher testing, this also includes testing for scratch resistance and thermal shock resistance. Internal testing methods that are performed in our own laboratory are used for all property tests.

#### **PRODUCT TRANSPARENCY, PRODUCT COMPLIANCE AND PRODUCT CERTIFICATES**

▼ To enable sustainable consumption decisions, customers are increasingly demanding information on our products so as to have the utmost possible transparency before making a purchase decision. Customer-friendly product transparency is to be achieved at the Villeroy & Boch Group, amongst other means, by providing environmental certificates for materials and products. In total, we currently have 15 of these materials and product environmental certificates that are certified according to ISO 14025 and EN 15804:2012+A2:2019. These can be viewed on the website [www.environdec.com](http://www.environdec.com). We aim to further expand our environmental certifications in the coming years and implement them at product level to an even greater extent.

Furthermore, our product portfolio includes fittings that can help to conserve energy. We have had this confirmed by the

SP Technical Research Institute of Sweden in the year 2022. These fittings reduce water consumption to a maximum of 5 l/min – with no loss of performance – thanks to ecological water restriction.

With the innovative AntiBac surface technology developed by us, we have created the ideal solution for consumers for whom perfect bathroom hygiene is particularly important. AntiBac is proven to reduce bacteria growth by more than 99.9 %. Its antibacterial effect allows a significant reduction in the use of chemical cleaning materials. Naturally, AntiBac is completely safe for health and offers reliable protection and security throughout the products' service life. The logo is branded onto the side of the product so that you can see all the time that the product was manufactured with AntiBac. Furthermore, a special AntiBac sticker is affixed to the product as well.

Product compliance at Villeroy & Boch means product safety in close connection with material safety, which is why our department responsible for material compliance is embedded in the Group-wide product compliance organisation in the context of our quality management. For our products, we want to exclusively use materials that satisfy the relevant specifications imposed by laws, standards and guidelines in order to ensure that hazardous or inadmissible substances are never used.

In conjunction with material compliance, requirements for materials and products deriving from national and international regulations are constantly being monitored. Necessary changes are integrated into the existing workflows. In 2023, we addressed several of the draft EU regulations that were newly discussed and published, including the Packaging Regulation, the Construction Products Regulation and the REACH Regulation. A project was conducted and completed in the Dining & Lifestyle Division in connection with the Packaging Regulation. One aspect is ensuring the necessary organisational structure to implement the requirements of the respective regulation in the future. We also began analysing the impact of the EU Deforestation Regulation, which has

come into force and will introduce demanding due diligence obligations for supply chains from the end of 2024. In addition to timber products (e.g. furniture, cutting boards), the legislation covers caoutchouc (seals) and leather products that are relevant to us. This allows us to plan and implement the necessary measures at an early stage and well before the legislation applies to us. In both our in-house production and for goods manufactured by our suppliers, we endeavour to comply with environmental regulations such as BiozidV (Biocides Regulation), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances Directive) and WEEE (Waste of Electrical and Electronic Equipment Directive).

Compliance features and certificates are shown in the master data of our products. The continuous expansion of the master data concepts helps to optimise order handling processes and minimises risks when exporting to third countries. In the reporting period, the fittings product group was integrated into the SAP classification system in order to reflect the differing national requirements with regard to drinking water products and to allow the clear allocation of country-specific product ranges.

The preparation of declarations of performance for ceramic products in the necessary official languages of all EU member states was partially automated in the reporting year. These are available to customers via the professional portal.

Following the widespread easing of the protective measures implemented on account of the COVID-19 pandemic, in some cases it was possible for external audits to be conducted in person again, alongside remote procedures, to ensure the compliance of exported goods. A total of 15 external audits and 16 supplier quality audits were performed worldwide in the reporting year. The product certificates relevant to sales were extended before their expiry date in coordination with the certification institutes (e.g. NF, IKRAM, Intertek SAI Global, TÜV Rheinland). ▲

# SUPPLY CHAIN

## MANAGEMENT APPROACH

To achieve excellence in its supply chains, Villeroy & Boch relies on close cooperation across company and national boundaries. The aim is to increase resilience while also driving change within the organisation by ensuring supply chains that encourage competition and innovation. Sustainability and compliance are critical to success in this respect. The company works with suppliers to minimise risks, prevent bottlenecks and increase economic performance wherever possible. We maintain global, regional and local supplier relationships, emphasise the strategic importance of sustainable supply chains and have established the conditions for implementing the German Supply Chain Due Diligence Act (LkSG).

The Villeroy & Boch brand has always been synonymous with ceramics expertise. The vast majority of our toilets, washbasins, kitchen sinks, plates and cups are manufactured at our eight ceramic production sites. The most important raw materials used in ceramic production are kaolin, quartz, feldspar and clay. We also possess product expertise for bathroom furniture, plastic-based wellness products such as bathtubs, and tap fittings and installation accessories using brass as the main material. In addition to raw materials for in-house production, we purchase merchandise from suppliers. In the Dining & Lifestyle Division, this relates primarily to glasses, cutlery and high-quality home accessories. In the Bathroom & Wellness Division, we purchase items such as toilet seats, shower toilets and outdoor whirlpools in order to round off our product range.

Wherever available, we prefer to source raw materials for in-house production from local suppliers. This typically means rapid availability and short transportation routes, which is also positive for the environment. In other cases, we are unable to use local suppliers due to limited resources, substantial quality fluctuations, uncompetitive prices, or the need for standardisation across our sites.

## PROCUREMENT ORGANISATION

The procurement organisation is actively involved in the entire product development process, from the information phase to the transition to series production and after-series supply. The overarching aim of our procurement strategy is to select reliable suppliers that can provide the required materials and services in the required quality and volume at the right time and at the right price. We firmly believe that long-term relationships with suppliers in a spirit of mutual trust are an important factor in the success of our procurement organisation. We continuously refine our cooperation through regular feedback discussions and evaluations using a standardised catalogue of criteria

including an assessment of environmental performance as well as quality, logistics, service and cost aspects. We aim to avoid or minimise potential procurement risks in connection with quality defects, supplier insolvency, supply disruptions or single sourcing. As part of our risk management, we permanently monitor the procurement markets and the financial position of key suppliers.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY IN THE SUPPLY CHAIN

▼ We are committed to upholding high standards when it comes to employment rights, human rights, health and safety, environmental protection and legal compliance, including in the context of antitrust law and combating bribery and corruption. We examine and monitor compliance with these standards at our own locations every single day. The demands we make of our suppliers are just as high. This requires effective supply chain management. Our Code of Conduct is the binding foundation for adherence to our minimum requirements for working with business partners.

The aim is to ensure that as many suppliers as possible sign up to this Code of Conduct or demonstrate the application of their own at least equivalent Code of Conduct. In this context, we require both existing suppliers and new business partners in virtually all supplier industries to make a systematic commitment to compliance with our Code of Conduct – and to provide written confirmation. An annual procurement volume of more than € 10,000 per supplier is applied as the materiality threshold. As at 31 December 2023, the criteria were met by 2,728 suppliers (previous year: 2,821 suppliers) accounting for a total procurement volume of € 491.5 million, i.e. 93 % of the Group's total volume (€ 530.7 million). The intended coverage of the procurement volume by the Code of Conduct of more than 90 % was achieved again in 2023, and was at the reporting date at 95 %, as at 31 December 2023. ▲

National laws, including the German Supply Chain Due Diligence Act (LkSG) and the Norwegian Transparency Act, require companies to appropriately comply with human rights and environmental due diligence within their own operations and along supply chains, in particular by identifying and analysing risks and addressing them with mitigating measures. In 2023, the action plan to take a structured snapshot of the existing processes and implement the new processes to be set up in conjunction with risk management in order to meet the legal requirements was carried out. Measures set out in the LkSG, such as the annual risk analysis of all suppliers and the introduction of the first mitigation measures, were performed or initiated well in advance of 1 January 2024, the date from

which the legislation applies to us. The corresponding risk management, consisting of the processes and assignments developed, was established in 2022 with the adoption of an internal policy. The operation of this risk management is organised under the responsibility of the appointed Human Rights Officer.

▼ In addition to this establishment of risk management, a Group-wide status quo survey in the area of human rights and environmental law was conducted within the company's own operations in 2022 and has been continuously updated ever since. Furthermore, all direct suppliers were subjected to a risk assessment for potential violations of the legal interests protected by the LkSG as well as risk prioritisation in accordance with the adequacy principle of section 3 (1) and (2) LkSG, which is reviewed on an ongoing basis. ▲

#### SUPPLIER ASSESSMENT

▼ In the context of supply chain management, all key suppliers (suppliers with an annual procurement volume > € 10,000) have also been divided into four risk classes on the basis of the Corruption Perception Index (CPI) published by Transparency International. Based on the CPI score of the supplier's home state<sup>2</sup> on a scale of 0 (highly corrupt)

to 100 (very clean), the associated supplier risk – validated by individual assessments by our strategic purchasers – is classified as “low”, “medium”, “high” or “blacklist”, indicating appropriate due diligence measures of varying intensity. In the 2023 financial year, as in the previous year, there were no supply relationships of any kind with suppliers from blacklist nations. We consider signing the Code of Conduct to be sufficient to cover risk in connection with suppliers from low-risk countries (e.g. Germany). In selected cases, individual suppliers from high-risk countries are visited by our employees and assessed on the basis of a visit report containing questions on compliance with employment rights, human rights, health and safety and environmental protection, among other things. We also reserve the right to perform audits in suspicious cases. These social audits are performed by an external service provider according to the Workplace Conditions Assessment standard (WCA). Taking into account country-specific laws and regulations, the aspects of work, wages and hours, health and safety, management systems and the environment are assessed for suppliers from high-risk countries. In addition to the internally preferred WCA standard, the social audit standards we recognise include amfori BSCI, the SA8000 standard, Initiative Clause Sociale (ICS), Ethical Audit (QIMA) and SMETA audits. ▲

## ENVIRONMENT

#### MANAGEMENT APPROACH

Since the 1990s, we have sought to minimise our impact on the environment through our activities in the area of global environmental management. With a clear strategy and specific objectives derived from this strategy, our work concentrates on protecting the climate, ensuring the optimal use of the energy, material and water resources, and establishing a reliable waste and circular economy.

▼ In the reporting year, we operated a total of 13 production and assembly sites worldwide in Europe and Asia – eight of which are used to manufacture ceramic products. We are aware that this goes hand in hand with responsibility for the environment and climate protection. We are continuously improving our production processes in order to reduce production-related energy, raw material and water consumption, CO<sub>2</sub>e emissions and non-recyclable waste. This way we reduce costs and improve our life cycle assessment and energy footprint. The following report on energy consumption and CO<sub>2</sub>e emissions relates solely to the Group's production sites.

Acting responsibly with regard to our ecosystem and the available resources forms part of our corporate culture. This is based on structured environmental and energy management which is coordinated for the Group as a whole by the central Environment and Energy department. At our production sites, we also employ specialists who develop and implement measures together with the respective plant managers and track their target attainment. We use internationally recognised management systems in order to establish cross-site standards and enable comparability. As at the reporting date, all production sites were certified in accordance with the environmental management standard ISO 14001 and twelve production sites to the energy management standard ISO 50001. Four locations also fulfil the more extensive requirements of EMAS III, a voluntary instrument instituted by the European Union for the continuous improvement of environmental performance.

In addition to the external audits conducted at regular intervals to confirm ISO certifications and EMAS validations,

<sup>2</sup> Country of the supplier of goods or services



we have established a pool of internal auditors in recent years with responsibility for examining the environmental and energy management systems at local sites. The audit approach requires an annual audit of all production sites certified in accordance with ISO 14001 or ISO 50001, or validated in accordance with EMAS III. The audit programme and the aspects to be audited are prescribed by central environmental and energy management. In total, 51 internal audits were performed in the 2023 financial year, covering all production locations.

Since 2019, we have been using strategic environmental and energy targets across all production locations aimed at the continuous reduction of our specific gas and electricity consumption, as expressed in kilowatt hours per tonne of saleable goods or CO<sub>2</sub>e emissions in tonnes. The strategic environmental and energy objectives at our ceramic plants also include an increase in glaze recovery and a reduction in specific glaze and slip consumption. Target attainment is regularly reviewed. → “Resource and material efficiency”

The ceramic industry is energy-intensive on account of the necessary firing processes. From the preparation of raw materials to the finished product, it involves processes that require a high level of energy consumption. The sub-processes with the largest energy consumption are firing and – depending on the production technology used – casting and drying.

At our production sites, we are continuously working on measures to improve our energy footprint. High priority is given to the modernisation of existing plant and equipment, such as drying chambers and kilns, and the acquisition of new plant and equipment. Energy efficiency is a key factor when deciding on these investments, as this can allow us to reduce gas consumption, emissions and costs. We are constantly working on projects for heat recovery at our energy-intensive ceramic factories. In addition, we are investigating ways to optimise and digitalise the firing process in cooperation with renowned research institutes. In this context, the project launched in June 2020 to simulate thermal processes for energy efficiency is still ongoing. In this research project, sintering processes are simulated by characterising the ceramics slips and integrating kiln parameters specific to the process in order to achieve an energy-efficient firing curve. Digital twins<sup>3</sup> were generated using computer simulations based on key material and process data. The aim is to increase energy efficiency while also continuing to improve quality and productivity. This is also intended to make a significant contribution to the more sustainable use of energy sources and mineral raw materials alike.

<sup>3</sup> A digital twin is a replica that is used to simulate, control and improve a physical asset (e.g. a kiln) at a real factory.

Climate protection is an issue of great importance to Villeroy & Boch, which is why we are working intensively to develop measures to reduce CO<sub>2</sub>e emissions. A key aspect of our decarbonisation strategy is the development of a radically new firing process that would use alternative energy sources rather than gas, the fossil fuel used to date. We remain on schedule with regard to our target of achieving CO<sub>2</sub>e neutrality for the Group in 2040 and climate neutrality at our non-ceramic sites by 2030. This is based on the decarbonisation roadmap that was produced in 2021 by a multi-departmental project team with the support of an energy sector consultancy. ▲

#### EFFICIENCY ENHANCEMENT MEASURES IN DETAIL

▼ Various heat recovery concepts have already been established practice at our Dining & Lifestyle locations in Merzig and Torgau as well as our sanitary ceramic ware plants for several years now.

At our sanitary ware plant in France, the project using the latest generation of driers that was initiated in 2022 was successfully completed at the end of the reporting year. This also includes storing the waste heat from the firing process in a high-temperature heat accumulator and using it in the heating cycle for the dryers. These measures will enable a significant reduction in gas consumption and CO<sub>2</sub>e emissions at this location.

The Group-wide net zero team meets at regular intervals to share information on best practice solutions and the current status of decarbonisation measures. The team mainly consists of the Management Board, the technical directors, the development, procurement and controlling departments, and representatives from marketing, the production sites and environmental and quality management. Subject-specific working groups also meet at regular intervals to advance operational implementation. ▲

#### MEASURES TO REDUCE CO<sub>2</sub>e EMISSIONS

▼ The decarbonisation strategy that was developed in 2021 continued to be implemented in accordance with the defined schedule in 2023. Given the rise in energy prices, we are seeking to transition the firing process as quickly as possible.

For the purpose of greenhouse gas reporting based on the Greenhouse Gas Protocol, emissions can be allocated to one of the three scopes listed below:

Scope 1: Greenhouse gas emissions incurred directly in the company, e.g. emissions from combustion in boilers and vehicles.



Scope 2: Greenhouse gas emissions indirectly arising from a company's external energy supply, e.g. from purchasing electricity and heat.

Scope 3: Indirect greenhouse gas emissions arising before or after operations by the company, e.g. along the supply chain or from employee commuting.

Greenhouse gases are the gases in the Earth's atmosphere that cause the greenhouse effect. The best-known greenhouse gases are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). In calculating emissions, we take all considered greenhouse gases into account and report all emissions as CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

In 2022, we launched a project to calculate material Scope 3 emissions and to identify suitable recommendations for reducing them. When the Scope 3 CO<sub>2</sub>e emissions were calculated at the Villeroy & Boch Group for the first time in the baseline year of 2021, they amounted to 313,638 tonnes of CO<sub>2</sub>e, accounting for more than 70 % of total emissions. The Scope 3 emissions of the Villeroy & Boch Group essentially relate to the categories of purchased goods and services as well as leased facilities. Furthermore, initial courses of action have been developed to reduce emissions in supply chains. This is expected to deliver potential reductions in excess of 20 %. We plan to update the time-consuming calculation of Scope 3 CO<sub>2</sub>e emissions every three years.

The transition in firing processes is the biggest challenge in reducing CO<sub>2</sub>e emissions. For this reason, test firings in a laboratory-scale hydrogen kiln are being initiated to allow us to evaluate how our ceramics will respond. At the Mettlach site, an existing chamber kiln was converted to run on hydrogen to allow further test firings in the reporting year.

In addition to the transition of the firing process, energy efficiency measures offer savings potential of around 20 % of gas consumption, which is why these continue to be implemented as a top priority. An EnerViT system was already installed at our location in Torgau in 2022. The burner is converted to energy-saving operation, and the associated change in the air quantities supplied and the air flow within the kiln reduces gas consumption and thereby CO<sub>2</sub>e emissions as well. This system was also implemented for a kiln at the Mettlach production site in autumn 2023, reducing natural gas consumption in the firing process by around 16 %. Furthermore, the energy optimisation of two glost kilns at the Merzig site resulted in savings of 10 % in each case. In addition, investments were approved for the implementation of the EnerViT system at the production site in Lugoj (Romania), which will be realised in 2024.

The use of renewable energy naturally also plays a significant role in achieving climate-neutrality. In the 2023 financial year, a solar power system with an output of 920 kilowatt-peak (kWp)<sup>4</sup> was realised at the Merzig plant. As a result, 8 % of the site's total electricity consumption is now self-generated, thereby reducing emissions by 417 tonnes CO<sub>2</sub>e/year. At the Belgian production location, another solar power system was installed on around 1,000 m<sup>2</sup> of roof space. This is expected to generate 10 % of the site's total electricity consumption in future. Work also progressed on the expansion of solar power at our Hungarian production location. Internally generated electricity consumption amounted to 6 % in the reporting year. Another solar power system with an output of 616 kWp was realised at the Torgau site. This system will cover 8 % of the site's electricity requirements in future. Additional solar power facilities at the Group's locations are in the planning phase, which entails a structural analysis and a review of the roof design. Since 2019, more than 1,800 solar panels are installed on a roof surface of 6,000 m<sup>2</sup> at our Dutch site, generating around 20 % of the location's annual electricity requirements while simultaneously reducing its CO<sub>2</sub>e emissions. In the 2023 financial year, our in-house solar power systems generated a total of 978 MWh of electricity that was used internally (previous year: 248 MWh). ▲

#### ENERGY CONSUMPTION

▼ Our reporting on energy consumption focuses on our production locations. In the 2023 financial year, consumption of natural gas – our most important form of energy – amounted to 350.1 GWh in total (previous year: 446.6 GWh). The gas-intensive firing process meant that 98.8 % of this figure was attributable to the ceramic factories in both divisions around the world. Electricity consumption in production decreased to 78.1 GWh in the reporting period (previous year: 92.8 GWh). This was due among other things to plant shutdowns. Our ceramic production sites accounted for 83.6 % of this figure. Across all ceramic sites, specific energy consumption, i.e. in relation to the quantity of saleable goods produced in tonnes, declined by 8.0 % for gas and 2.6 % for electricity. The reduction in both forms of energy is the result of improved energy efficiency thanks to various projects, including EnerViT in Torgau and heat recovery in Valence d'Agen.

Direct and indirect CO<sub>2</sub>e emissions (Scope 1 and 2) can be calculated on the basis of our electricity, gas and oil consumption data and the CO<sub>2</sub>e emissions factors. We have used the location-based approach to do so. We are currently also working to calculate emissions using the market-based approach so that we can determine our CO<sub>2</sub>e emissions with even greater accuracy. In total, such emissions fell to 90,805 tonnes in the 2023 financial year (previous year:

<sup>4</sup> kWp is the nominal output of a solar power system under standard test conditions; as a rough guide, a solar power system in Germany typically generates around 1,000 kWh of electricity a year for each kWp of nominal output.

115,964 tonnes). This was mainly due to plant shutdowns as well as more efficient production compared to 2022. CO<sub>2</sub>e emissions are not broken down by individual energy source, as the other forms of consumption (heating oil, diesel, wood, liquid gas, district heating) are insignificant compared with our gas and electricity consumption. The ratio of CO<sub>2</sub>e emissions for our ceramic locations per tonne to the net production volume per tonne was 1.5, a slight reduction compared with the previous year (1.6). ▲

### RESOURCE AND MATERIAL EFFICIENCY

▼ Manufacturing ceramic products – particularly in the Bathroom & Wellness Division – involves a high degree of process complexity. Drying and firing reduces the size of a toilet or washbasin by around 15 %. Handling natural materials and their inherent quality fluctuations, as well as factors such as process speed, product size and air humidity and temperature, lead to considerable complexity in the manufacturing process and can result in high reject rates.

A further reduction in these reject rates offers considerable potential for improving raw material and energy efficiency. Digitisation can help in the form of statistical fault analysis and the stabilisation of process parameters. The basis for leveraging the resulting potential is provided by recording and collecting all of the relevant data for a product within the manufacturing process. Measurement stations have been installed at all sanitary ware factories for this purpose. The aim is to combine data in such a way as to identify influences, critical ranges and interactions between the parameters in order to enable reliable predictions about the risk of a faulty product (predictive analytics). If the probability of error in a threshold-controlled process exceeds a defined level, the product is rejected as quickly as possible in order to prevent unnecessary material and energy consumption in the subsequent thermal processes. The gradual improvement of these systems is expected to lead to a material increase in efficiency and earnings in the long term.

Our aim is to minimise the use of ceramic slip and glaze. Materials collected and reused within the production process are included in the preparation processes of slip and glaze. In the case of ceramic slip, this means the excess slip from the casting process as well as fired and unfired breakage, i.e. parts that are rejected in the various quality controls prior to and after firing and subsequently recycled. For glaze recovery, the Mettlach sanitary ware factory uses a microfiltration system that gathers solids and re-adds them to the glaze preparation.

In the 2023 financial year, we prepared and used a total of 80,782 tonnes (previous year: 103,466 tonnes) of ceramic slip across all of our ceramic plants in both divisions. In relation to the quantity of saleable goods produced (in tonnes), specific slip consumption fell by 8.1 % year-on-year thanks to

the production process optimisations achieved in efficiency programmes. The amount of glaze used was reduced to 8,944 tonnes in absolute terms in the reporting period (previous year: 10,089 tonnes); the specific consumption amounts to +4.3 %. ▲

### WATER AND WASTE WATER

▼ The resource of water is also extremely important to the ceramic production process. Water plays only an immaterial role in the production process at our non-ceramic locations. As a matter of principle, we strive to reduce our fresh water consumption by using recycled water and at the Mettlach site ground water from our own well. In some cases, however, the technological requirements of the water-relevant processes are so high that we are required to use fresh water. Fortunately, we are continuing to benefit from measures already implemented to reduce fresh water consumption at our production locations in both the Bathroom & Wellness Division and the Dining & Lifestyle Division. For example, since the start of 2021, we have been operating a water recycling plant at our Bathroom & Wellness production location in Thailand. A system was installed in Merzig in 2020 to treat production waste water so that it can be reused for cleaning processes and reduce the consumption of fresh water by up to 5,000 m<sup>3</sup> per year. A water recycling system has been in use in Torgau since 2017 and is still being gradually expanded.

Our water consumption also requires responsible waste water management. To this end, we have installed a waste water treatment system at all of our ceramic production sites in order to filter ceramic and glaze residues from the waste water and recycle or dispose of them separately. The waste water is then fed into the municipal sewerage system or directly into public waters in accordance with the respective local provisions.

In the year 2022, a service water tank was installed at our furniture plant in Austria to allow water storage. This enables us to save around 40 % of the fresh water required at the location.

Our production locations used 951,690 m<sup>3</sup> of fresh water in total in the 2023 financial year (previous year: 1,131,246 m<sup>3</sup>). Consumption at our ceramic sites declined by 1.6 % in relation to the quantity of saleable goods produced. This was due in particular to more efficient production. ▲

### WASTE AND CIRCULAR ECONOMY

The best kind of waste is no waste at all. To this end, increasing material efficiency and reducing the reject rate are the biggest levers for lowering the volume of waste generated. However, no manufacturing company will ever be able to avoid waste altogether. This is why we systematically seek out ways of recycling and reusing waste. The reuse of unfired

and fired breakage in the preparation of fresh slip for ceramic production reduces waste volumes.

In addition, we use wood scraps for heat generation at our bathroom furniture production factory in Treuchtlingen, for example. A heating system fuelled by wood chips provides the majority of the location's heat requirements during the colder months. A similar concept is also used at our bathroom furniture production site in Mondsee (Austria). All waste that cannot be immediately recycled at the respective site is disposed of in accordance with the European or country-specific waste regulations. We are subject to post-disposal obligations at locations where we formerly operated landfill sites.

The waste volume at our production locations decreased by 12.4 % year-on-year to 36,131 tonnes in the 2023 financial year. In particular, this is thanks to the improvement in production efficiency at the ceramic plants.

Encouragingly, our waste volumes have declined in absolute terms since the previous year and Villeroy & Boch is aiming to reduce them further moving ahead. Despite the longevity of our products, the circular economy is becoming an increasingly important issue for the Villeroy & Boch Group. In order to take greater account of the circular economy from a strategic perspective in future, we intend to integrate the issue into our business model, our existing processes and the development of our products. Accordingly, the circularity of our products and processes and the internal recycling of raw materials in production are fixed elements of the sustainability strategy we are currently developing. We have set ourselves the target of zero waste to landfill by 2030. We are currently preparing the specific action plans to support this goal. We are also working to expand potential circular economy concepts to our supply chains. As a first step in this process, a supplier survey has been initiated to allow us to better evaluate the efforts to ensure sustainability in our supply chains.

## EMPLOYEES

### MANAGEMENT APPROACH

▼ We successfully develop and manufacture porcelain in the Dining & Lifestyle and Bathroom & Wellness Divisions in line with the current mission statement, "Shape & Create - and make it happen". Building on the commitment to ensure fair working conditions, we are working intensively to develop three areas of HR in particular: occupational health and safety, diversity and equal opportunity, and personnel recruitment and development.

The Villeroy & Boch Group had 6,358 employees as at the end of 2023 (previous year: 6,759). 38.7 % of the total workforce was employed at our German locations (previous year: 37.6 %). Further key figures on the employee structure can be found in the Group management report.

### RESPONSIBILITIES AND ORGANISATION

Corporate Human Resources (HR) at Villeroy & Boch comprises a global HR organisation in which our employees are supported at a local level by the HR department responsible for their region.

Thanks to the member of the Management Board responsible for HR/organisational development, who also serves as the Chief Human Resources Officer, the HR organisation continues to focus on the efficient design, standardisation and controlling of HR processes as well as establishing a healthy,

learning and diverse organisation in close cooperation with specialists and managers.

A standardisation and harmonisation of HR processes is necessary in order for the global HR organisation to focus more on issues such as occupational health and safety, equal opportunities and personnel development. In this reporting year, we therefore again worked intensively on the digitalisation of our HR and organisation management processes. While activities in 2022 - the first year following the implementation of our global human capital management system (HCM system) - focused on the introduction of global processes in areas such as employee master data management, recruitment, remuneration and performance management, the priority in the reporting year was to stabilise the processes and expand the functions in order to make the system more interesting and varied for employees to use. For example, our e-learning portfolio on the system platform is continuously growing, and the active communication of regular news items and the documentation of key information and policies for employees are helping to establish the system as an important element of the working environment. In the reporting year, managers were able to use the system to perform bonus and salary planning for their employees for the first time. In conjunction with the analysis of HR data for the optimisation of decision-making processes, we are working continuously to expand the availability of informative visualisations

(dashboards) in order to establish organisational analysis as a component of state-of-the-art organisational management in the areas of headcount management, recruitment, performance management, diversity and inclusion in particular. In the coming years, we will continue to work on the optimisation and technical use of the HCM system, including issues such as time management and absence management, HR planning and global employee surveys. ▲

## FAIR WORKING CONDITIONS

### HUMAN AND LABOUR RIGHTS

▼ As a global company with production, sales and administrative locations in numerous countries, Villeroy & Boch is wholly committed to human rights, in particular as codified in the United Nations Charter of Human Rights. We therefore see it as part of our corporate responsibility to ensure working conditions that are consistent with the labour laws of the countries in which we operate and internationally applicable labour standards. This includes both a zero-tolerance stance on exploitative and illegal child labour and forced labour – both at our own companies and within our supply chains – and the prohibition of discrimination with respect to employment and occupation.

Our Group-wide Code of Conduct demands respect for human and labour rights from each and every individual employee. Any risks in relation to social compliance are covered by regular risk reporting within our department-wide and company-wide integrated compliance organisation. Any violations lead to investigation, penalties and measures to be taken under the responsibility of the Chief Compliance Officer in close cooperation with the competent local HR departments and supervisors. Tips or anonymous complaints are initially received through our internal whistle-blower system. → “Corporate governance” and “Corporate compliance”

As in the previous year, no events with significant negative repercussions affecting our goal of upholding human rights and labour rights became known at our locations in the 2023 financial year. → “Social and environmental responsibility in the supply chain” ▲

### CO-DETERMINATION AND REMUNERATION

▼ Maintaining a good social partnership remains a key component of our HR policy. Employee participation in the context of codetermination is therefore self-evident at Villeroy & Boch, and is a valuable instrument for balancing management and employee interests. We respect the right of employees to organise in associations and unions at company or supra-company level. This also includes collective wage negotiations in the context of the respective national law. In line with German co-determination law, the Supervisory Board of Villeroy & Boch AG is composed of equal numbers of shareholder and employee representatives.

Fair working conditions also mean a fair and transparent remuneration policy. The remuneration systems that apply within the Group provide for remuneration for our employees that is based on performance irrespectively of gender. In many countries, especially in Europe, the amount of wages and salaries for certain employee groups is regulated by collective agreements, hence such agreements are binding for work-based pay groups for the relevant industries. Remuneration for employees not subject to collective agreements is based on a global grading system that – fairly and uniformly around the world as well as irrespectively of gender – reflects the value of a position within the organisation. The basis for this grading is the job description for the respective post in terms of organisational classification, areas of activity, responsibility and influence and the requirement profile. To help them to maintain their standard of living in old age, we offer our employees various options for participating in occupational and collectively agreed pension provision, the specifics of which vary from country to country.

As our production employees in particular faced financial shortfalls in the reporting year due to extended periods of short-time work, we used card-based shopping vouchers in Germany in 2023 as a means of supporting them. These vouchers were already successfully implemented in the previous year in order to at least partially cover the increase in the cost of living. The cards are electronically credited with a fixed budget every month and can be used to pay in a number of shops.

September 2023 also saw the first step towards participation in the INTEGRATE programme run by htw saar (University of Applied Sciences in Saarland). This project gives Villeroy & Boch employees the opportunity to voluntarily track their commute to work using a GDPR-compliant app. The anonymised data obtained as a result will be used to improve the organisation of public transportation in Saarland while also supporting decarbonisation. In this way, the pilot project in Saarland could become an important role model for other German federal states, as well as enabling Villeroy & Boch to derive various measures for making work-related travel even more sustainable in future. Employees can also find out more about the impact of their own travel and the associated environmental footprint. ▲

### OCCUPATIONAL HEALTH AND SAFETY

The following report on occupational health and safety encompasses the Group’s production sites, the logistics locations in Losheim, Merzig and Ekobacken (Sweden), and the headquarters in Mettlach.

The health of our employees and their safety in the workplace are also fundamental elements of the Villeroy & Boch Group’s sustainable HR strategy. The relevant legal standards

are binding for us at all times, but are only our minimum requirements because we believe that the company's own internal standards for occupational health and safety should be higher. The Health and Safety (H & S) unit, which operates independently within our Group headquarters, a full-time company doctor and the work safety specialists at all plants around the world contribute further key stimulus for the positive expansion of our Group-wide safety culture.

In many places, our safety standards and processes go beyond the legal requirements and are constantly being improved and monitored by internal audits or legally required inspections. All of the locations have been successfully certified in accordance with ISO 45001 as part of a defined certification strategy. Compliance with the normative specifications is verified and recertified annually by an accredited external institute. Our quality and work safety policy provides the basis for successful certification. In particular, this is defined by the guiding principle of continuous improvement and process- and employee-oriented operations, not to mention the skills and motivation of our employees including the support from management and plant managers.

Further progress was made with technical measures to boost health and safety at our production locations with investments planned over a long-term horizon. Examples of this include the ongoing implementation of additional ergonomic equipment such as lifting aids and conveyor belts in Romania, Hungary and France, the optimisation of fire safety in Thailand, Merzig and Mettlach, technical measures to reduce noise and emissions by cooling lubricants from machinery in Sweden, the optimisation of air quality by replacing filter systems in Torgau and installing new plaster work booths in Hungary. In addition, a modern cooling system was installed in Romania to improve the climate conditions in production areas, while a concept for internal traffic (roads and walkways) was implemented in Thailand. A pilot project on the use of ceramic fibres in kiln construction in France was completed. Investments in explosion protection also continued, including at the plants in Treuchtlingen, Belgium and the Netherlands.

A high degree of safety awareness and individual responsibility on the part of our employees is a basic prerequisite for identifying and removing accident risks, potential health risks and other potential dangers in our working environment. To this end, we provide our local employees with training in the form of relevant information events, workshops and training sessions. In addition, third parties working at our locations receive comprehensive instructions to ensure that they are sufficiently aware of the corresponding risks and hazards. In the reporting period, training focussed on protecting the health of our employees who use substances containing diisocyanates (relevant products are used in mould construction, varnishes and glues, for example). REACH establishes this training as a

new requirement for commercial and industrial users, and it has already been implemented at all of the relevant locations within the Villeroy & Boch Group.

A general pandemic team that has been in place since March 2020, consisting of representatives from H & S, HR, the company doctor, the Works Council, the Press department and Facility Management among others, again ensured that the necessary COVID-19 protective measures were devised, communicated and implemented in good time in the reporting year. This was mainly based on the statutory requirements. Until spring 2023, these were supplemented by numerous protective measures in accordance with the German COVID-19 Occupational Health and Safety Regulation, the German Protection Against Infection Act and the occupational health and safety rules forming part of the internal hygiene concept, as well as risk assessments. Until April 2023 and in the winter months of 2023/24, continuous self-administered testing was made available for all people working in-house (production and logistics, office areas, shops and sales) and masks were still provided free of charge in order to protect employees, external service providers and third companies and to break infection chains. In the reporting year, various vaccinations against COVID-19 and influenza as well as travel vaccinations were again offered and carried out by the in-house medical services at locations in Germany, Austria, Romania and Belgium, among others.

Thanks to this range of measures, we were able to guarantee effective infection protection for our employees and maintain operational continuity at all locations. Despite high infection rates among the population as a result of the Omicron wave and other respiratory diseases, temporary shutdowns of production lines due to illness were prevented.

In order to better and more transparently assess the quality and effectiveness of occupational health and safety practices in our organisation, we use a comprehensive and largely digital reporting system in Health and Safety that tracks the relevant data at all locations and for all employees in regular reporting cycles.

As in the previous year, our accident analysis once again focused on the quantitative accident data for our locations with the highest headcounts, i.e. our production plants and the three biggest logistics locations, supplemented by the accident data for the Group's headquarters in Mettlach as the largest administrative location. This is based on the performance indicators introduced at the Villeroy & Boch Group in the 2019 financial year: the total recordable incident rate (TRI rate, measured per 200,000 hours) and the accident severity rate (measured per 200,000 hours). The TRI rate shows the frequency of accidents in the workplace in relation to the number of hours worked. The accident severity rate

shows the severity of the accidents as the number of work days lost due to accidents divided by the total number of hours worked. All accidents are recorded and analysed from the first day of absence.

Thanks to various protective, preventive and training measures as well as discipline on the part of all employees, the accident trend in both divisions flattened during the reporting period. This positive development, which saw a 47.1 % reduction in accident numbers compared with the previous year, was observed at almost all locations.

In the 2023 financial year, there were a total of 65 (previous year: 113) occupational accidents and 9 (previous year: 27) area accidents each within the defined scope resulting in the employees affected being unable to work for at least one day. We define occupational accidents as accidents that occur in direct connection with the employee's activity, and area accidents as accidents that occur on the way to or from the employee's workplace within the plant or place of work. These accidents resulted in a total of 1,279 (previous year: 1,891) work days lost.

The accident severity rate fell from 43.0 in the previous year to 33.0 in the reporting period, while the TRI rate declined from 3.2<sup>5</sup> to 1.9 as at 31 December 2023. The number of hours worked declined at all locations and amounted to 7,752,490 for the Group as a whole in the reporting period. The decrease compared with the previous year (8,802,655 hours) amounted to 1,050,165 or 11.9 % (due to temporary short-time work at some locations).

Accidents are usually caused by behavioural factors, such as carelessness. We are continuing to focus on employee awareness training in order to reduce accident numbers, including regular safety training, emergency and evacuation drills, internal inspections and external audits, and monitoring the implementation of measures. Continuous and intensive investments in large and small projects to optimise working conditions are also made in order to ensure that the safety culture is advanced holistically through a combination of training, process-oriented application and technical optimisation. There were no occupational or area accidents with fatal consequences throughout the Group in the reporting period or the previous years.

The ongoing development of the occupational safety management system (including the first-time certification of the plant in Thailand in January 2023) is being supported and harmonised throughout the Group through the steady expansion and maintenance of certifications according to ISO 45001.

Above and beyond occupational safety, we want to offer our employees at all locations comprehensive (preventive) health care and health promotion. In addition to just being an employer, we want to enter into a trust-based health partnership especially with our employees that continues our company's tradition of social responsibility. The sick rate, which has been at a low level for many years, declined by a further 0.6 percentage points. The reduction from 5.4 % in the previous year to 4.8 % in 2023 was mainly due to the COVID-19 pandemic subsiding and reflects the typical progression of infectious diseases in society.

The supplementary health insurance FEELfree has been available to our employees covered by collective wage agreements in Germany under the demographic fund since 2021. This provides subsidies of up to a maximum of € 300 per year for visual aids, hearing aids, therapeutic treatments or even dental treatments, for example. Employees in Romania can also obtain better medical care via the Incredere supplementary health insurance scheme.

In the field of health promotion, online sports programmes were again offered via the fitnessRAUM.de platform this year. As at 31 December 2023, these programmes were used by 291 people worldwide. The platform allows all employees to take advantage of the available training flexibly and irrespective of their location. Additionally, more than 100 participants once again took part in the corporate fun run in nearby Dillingen/Saar.

At the start of the reporting period, our activities also focused on the health implications of the COVID-19 pandemic for our employees. Consultations with the company doctor and on-site occupational health screenings provide our employees at the Saarland locations with professional care tailored to their needs. The 'Healthy Mind' project that began in June 2021 was continued for all employees at the German locations in the reporting year. Thanks to growing acceptance and use, it was rolled out to the international locations in November 2023. Support programmes were offered, such as access to a professional psychological hotline that provides comprehensive and anonymous advice round the clock for all of life's difficulties.

In the area of prevention, various health campaigns in cooperation with health insurance companies and private institutions were offered at the Saarland locations in order to further strengthen the prevention mindset in the workforce. Various prevention topics were addressed in the form of presentations, workshops, cookery courses and cardiovascular monitoring stations. This gave employees a useful tool for cancer prevention, stress management, healthy eating and

<sup>5</sup> Prior-year figure restated to reflect the increase in the number of entities included



improved ergonomics in their everyday lives. At our plants in Germany and Sweden, the health focus in the reporting year was on the campaigns for back health and nutrition, which were accompanied by presentations and cookery courses with experts. Furthermore, cardiovascular examinations and skin cancer screening in cooperation with health insurance companies were again offered to employees at the Saarland locations as additional health recommendations. For example, a physiotherapist held interesting workshops on back health, providing useful tips for sedentary work and the correct way to move, lift and turn heavy loads. As the high participation rates demonstrate, these were very well received by employees. Additional blood tests (as part of the “Vorsorge PLUS” health campaign) were offered at the locations in Saarland, Sweden and Belgium to underline the importance of detecting potential illnesses at an early stage and obtaining timely advice. An awareness campaign on cancer prevention was promoted through introductory presentations by the Saarländische Krebsgesellschaft organisation (regional cancer society) and information from health insurance companies. Further progress was made with the digitalisation of occupational health and safety, for example thanks to the use of a specialised appointment planning software (Ergonoflex) that simplifies appointment planning for occupational health screenings and thus reduces the time required. Following installation and the necessary training, the medical equipment newly acquired in autumn 2023 will be used in extended health screenings (as part of the “Vorsorge ULTRA” health campaign) starting from next year.

## DIVERSITY AND EQUAL OPPORTUNITIES

The strength and innovation of Villeroy & Boch depends on diversity among our employees and the individual characteristics and perspectives they bring to their work. This also includes a working environment free from discrimination, and equal opportunities for all employees – regardless of origin, gender, religion or belief, disability, age or sexual identity.

### DIVERSITY IN THE WORKFORCE

With employees from 83 (previous year: 84) different nations, cultural diversity is a part of everyday life at the Villeroy & Boch Group. Our German locations alone had employees with 52 (previous year: 52) different nationalities at the reporting date.

When it comes to HR management, we see demographic change as a challenge and an opportunity in equal measure. In terms of the age diversity of our workforce, we seek to harness the strengths of different age groups in a targeted manner and ensure adequate preparation for age-related departures as part of strategic succession planning. Within the Group, 30- to 50-year-olds are the largest group at 46.7 % (previous year: 48.0 %), followed by the over 50s at 38.3 % (previous year: 36.5 %) and the under 30s at 15.0 % (previous year: 15.5 %).

Villeroy & Boch is also expanding its internal structures in the area of diversity. A new internal network, VB Women, was launched in Germany in January 2023, giving female employees the opportunity to discuss issues around gender equality. It is open to women from all divisions, irrespective of their role or activity. The aim of the network is to exchange valuable knowledge and experience and learn from one another in a spirit of mutual reinforcement. The kick-off event took place in early 2023 and was accompanied by a survey on the desired range of topics. A number of events were already held in the reporting year, including coffee speed dating and a talk on finance for women, and additional formats are planned for 2024.

The advancement of women, particularly in management positions, is a strategic objective. At the reporting date, 37.5 % (previous year: 36.4 %) of employees throughout the Group as a whole were female. At the parent company Villeroy & Boch AG, the proportion of women at the two management levels below the Management Board was 34.7 % (previous year: 31.1 %). Our long-term target for Villeroy & Boch AG is still 40 %.

### EQUAL OPPORTUNITIES

In addition to ensuring equal pay and equal opportunities for career advancement, Villeroy & Boch's role as a family company means it is keen to promote a healthy work-life balance. We offer flexible working time models at various locations. Already in 2021, we implemented up to 40 % remote working per week as standard in non-production areas. Furthermore, our employees can take advantage of flexitime models and we are testing flexible shift systems. At the Dining & Lifestyle location in Merzig, the reporting year saw the introduction and implementation of the six-shift model we piloted in 2022 to reduce stress for older employees. To date, the model has met with a consistently positive response from employees. Furthermore, we are continuing to test different shift planning system at our plants that give employees the chance to assign their own shifts.

Moreover, we offer our employees various part-time models and the option of early retirement. Accordingly, 15.7 % of the Group's workforce (previous year: 14.3 %) was employed on a part-time basis as at 31 December 2023. A family-friendly HR policy naturally also includes making the statutory parental leave, care periods and family care time in the various countries more accessible to employees through specific works regulations. Demand for paternity leave is rising in line with the general trend in society, and this is something we are happy to offer. Between 2022 and 2023, the proportion of men taking paternity leave increased by 19 %.

In 2023, we continued to expand our co-working space for employees in central Cologne. The number of colleagues in Cologne increased from 17 in 2022 to 22 in the reporting year,



covering areas such as analytics, e-commerce, online marketing and data science. Together with the use of our locations around the world to fill global specialist and management roles, this is allowing us to attract and develop employees for whom relocating to our corporate headquarters is not an option. The location in Cologne saves employees from having to frequently commute to the headquarters in Mettlach. As well as improving the company's carbon footprint, this enables employees in North Rhine-Westphalia to engage with their teams and advance projects more efficiently.

### **PERSONNEL RECRUITMENT AND DEVELOPMENT**

Our future business success depends on securing specialists and new talents for the company in a targeted, forward-looking manner. At Villeroy & Boch AG, we actively reach out to school pupils and students at an early stage with offers such as career and application days, internships and cooperative mentoring for degree theses. In the reporting year, the number of interns again increased considerably compared with the previous year. We offer a total of 15 project internships in the areas of product management, production, supply chain management, finance and controlling. Three of these places were taken up in December 2022. By 31 December 2023, this figure had increased to five of the 15 places. We also offer a broad range of skilled trades and dual study programmes in cooperation with regional, national and international training institutions and universities. In this context, we also take into account new or changing occupational profiles in the labour market. Furthermore, we are continuing to focus on the training and further development of technical specialists in order to combat the skills shortage in this sector in particular. This includes increasingly using social media channels to reach out to candidates as well as for employer branding.

### **EMPLOYER BRANDING – STRENGTHENING A SUSTAINABLE EMPLOYER BRAND**

In the area of employer branding, Villeroy & Boch is also concentrating on sustainable measures and actions that will help individual employees and the organisation as a whole to advance. Villeroy & Boch also participates in various projects aimed at environmental, economic and social development.

An employee party was held in the reporting year to mark the company's 275th anniversary. At the event, employees who have been with the company for 25, 40 and 45 years were honoured. The anniversary was also marked in different forms at other international plant sites, including celebrations in partnership with the local city or municipality and with our customers.

This year also saw the opening of Villeroy & Boch's boarding house, which provides employees from other locations in Germany and abroad with ten single rooms for overnight stays at the company's headquarters. This removes the need

for employees to commute from other locations to work on projects, for example. Installed in an existing factory hall, the boarding house represents a sustainable and future-oriented concept, as well as a place for employees to meet and engage with each other. The spaces are designed in such a way as to encourage active dialogue, the aim being to ideally promote intercultural exchange and increase intercultural expertise. The boarding house has proven popular since it was opened on 15 July 2023, recording more than 800 overnight stays up to and including 31 December 2023.

Together with saarland.innovation & standort e.V. (saaris), Villeroy & Boch joined a Saarland-wide recruitment campaign that seeks to promote the employment market in the region. The aim was to encourage specialists and managers from outside the region to consider roles in Saarland and to improve the promotion of local job and career opportunities throughout Germany and abroad. The novel concept involved inviting candidates to the company's headquarters in Mettlach to experience Saarland state in person and stay overnight at a "tiny house" on the company's premises. The minimalist tiny house concept represents a particularly environmentally friendly form of accommodation. As a result, the campaign enabled a sustainable and innovative form of recruitment. In terms of its broader aims, the campaign will help to strengthen Saarland as an economic location and attract talented employees to the region, as well as serving as a model for similar projects. It will also help to safeguard jobs in the region for the long term.

The houseboat event in Mettlach was another innovative opportunity for students to gain an insight into the company. Young people were given the chance to talk to employees about their career options at Villeroy & Boch and enjoy a trip along the Saar river on a solar-powered houseboat.

### **BASIC, FURTHER AND ADVANCED TRAINING**

Villeroy & Boch's growth and success are essentially based on the commitment and skills of our around 6,400 employees around the world. In Europe especially, we are facing challenges in the form of demographic change. It is therefore an essential part of our organisational strategy to establish a culture of learning within the Group defined by different learning methods and options for our different target groups as well as the active use of job rotation and job enrichment, performance management and regular feedback. We see this as the basis for challenging, supporting and retaining our qualified specialists and managers at all locations in order to successfully master the challenges of a business environment characterised by rapid change and to remain competitive in the long term.

As at 31 December 2023, we employed a total of 137 young people throughout the Group in vocational training or as part of dual study programmes (previous year: 147), 100 of

whom were employed in Germany (previous year: 96) and 37 (previous year: 51) at our international locations.

For many years, our commercial and technical training and our three-year junior management programme have been a key component in the training of specialists and management. 33 talented young employees were being prepared to assume specialist and management functions in various departments as at the reporting date (previous year: 31). Even while the juniors programme is still ongoing, participants can show that they are our creative executives of tomorrow and help to shape the company's future by initiating their own strategic projects. Furthermore, we have established a new committee of specialists and managers to safeguard the multi-departmental development of junior managers even after completing the programme.

Our training remains a key pillar in the context of demographic change and the skills shortage. To this end, we continued to offer technical and commercial apprenticeships, appointing a total of 43 trainees, dual students and interns from technical colleges in 2023. Unfortunately, we were again unable to fill all of the apprenticeship spots in the reporting year.

The performance process, which is established globally, continues to focus on the areas of expectation management and the evaluation of skills and capabilities. The process, which receives technological support from our global HR system, aims to enhance and refine these elements. Regular feedback plays an important role in this. Our HR software also gives employees the opportunity to receive regular feedback and give feedback on others. The feedback tracker, which counts how often the feedback function is used, found that 27.9 % of the 3,095 active users in white-collar roles are already using the feedback function (overall feedback rate). This new function helps employees to develop and realise their full potential through mutual feedback. Our managers receive additional feedback from their managers, employees and colleagues in the 360° leadership evaluation.

The HR system provides an international learning app as well. After being established in Germany and abroad for employees covered and not covered by collective wage agreements, it is currently being implemented around the world in the commercial sector. Furthermore, all commercial employees have been enabled to make more active use of our HR software, e.g. to view their digital pay slip. To this end, commercial staff were provided with company smartphones as necessary and some were trained as local key users to use elements of e-learning for training and briefings in future as well and thereby to promote independent learning at all levels. The training we offer is growing nearly every day. We currently

offer more than 125 different items of training content, from brief explanatory videos to multi-day programmes held on site or online. Using an innovative e-learning platform, we can also offer practical content on subjects such as digitalisation, leadership, HR and much more, allowing our employees to discover new learning paths and expand their personal interests. For example, employees of the sanitary ware plant were provided with digital training on the quality gates that are used to sort products in the various steps of the process. The reporting year also saw the implementation of a digital literacy training programme comprising four pillars: digital transformation (HR management and production systems), communication (intercultural skills and communication models), productivity (process improvements and internal workflows) and health and safety (operational regulations and healthy eating). Employee training was also provided on the topic of lean management and standard work processes. In addition we provided internal training on the use of robots so that employees will know how to operate robots for tasks involving presses and make basic corrections in future.

A total of 1,408 employees (previous year: 1,193<sup>6</sup>), at our German locations participated in training measures in the 2023 financial year.

“ViKnow”, the internal V&B knowledge database for production, supply chain management and research and development, was launched in September 2023. It is a digital repository where we can store our knowledge for the long term and make it available to all employees with these scopes. Among other things, this allows us to use modern digital aids for overcoming language barriers through the use of translation tools, as well as increasingly taking advantage of video SOPs (standard operating procedures) instead of their written counterparts. We also use artificial intelligence to recognise all of this content and compile it as topics – “our Wikipedia articles”, so to speak. An intelligent search function, a group of experts and our chatbot are at hand to ensure that users always have the support they need to find the right information.

#### **FLEET MANAGEMENT/MOBILITY**

Employee mobility is an important topic for Villeroy & Boch in light of its large number of global locations. The Villeroy & Boch fleet, which is assigned to HR for organisational purposes, is also run sustainably. Our company car policy includes alternative drives so that everyone can ideally find the right vehicle for their driving profile. In addition to our tried and tested diesel hybrid vehicles, we are increasingly purchasing fully electric vehicles both in Germany and abroad. Company cars are supplied with the aim of making journeys entirely electrically. Our fully electric small cars remain a popular means of travelling between Saarland locations quickly and

<sup>6</sup> previous year changed

easily. Some colleagues have become regular users following their initial experiences with fully electric vehicles.

Since 2022, employees who own their own hybrid or electric vehicles have been able to charge them at several locations in Mettlach and Merzig at a Villeroy & Boch cost price. The registration numbers show that this option is becoming increasingly popular, meaning that we as an employer are promoting the private transition from conventional combustion systems to greener alternatives.

The only thing that is even more environmentally friendly is a bicycle. In addition to purchasing dedicated e-bikes for guests at our Villeroy & Boch boarding house, we give our employees the option of leasing a “company bike”. Villeroy & Boch subsidises the contracts and pays the monthly comprehensive insurance premium. At present, more than 150 “company bikes” are already enabling environmentally friendly and sustainable transport on Germany’s roads.

# KEY FIGURES AND EU TAXONOMY

## KEY FIGURES

### NON-FINANCIAL REPORT: OVERVIEW OF REPORTED KEY FIGURES AND PERFORMANCE INDICATORS

Key figure	Villeroy & Boch Group		Villeroy & Boch AG	
	2023	2022	2023	2022
<b>Business model</b>				
Revenue	€ 901.9 m	€ 994.5 m	€ 557.5 m	€ 633.0 m
EBIT (IFRS)	€ 89.0 m	€ 96.8 m	–	–
Net income (HGB)	–	–	€ 28.7 m	€ 53.5 m
Return on net operating assets <sup>1)</sup>	24.8 %	31.5 %	–	–
<b>▼ Anti-corruption and antitrust law</b>				
Coverage ratio of anti-corruption training	97 %	94 %	98 %	96 %
Coverage ratio of antitrust law training	97 %	92 %	98 %	94 %
<b>▲</b>				
<b>Product responsibility</b>				
Externally tested articles in the Dining&Lifestyle Division	245	254	245	254
■ New products	51	66	51	66
■ Existing range	194	188	194	188
<b>▼ Responsibility in the supply chain</b>				
Procurement volume, total	€ 530.7 m	€ 631.9 m	€ 256.4 m	€ 285.7 m
Suppliers classified as material	2,728	2,821	1,079	1,097
■ Associated procurement volume	€ 491.5 m	€ 598.9 m	€ 229.5 m	€ 278.2 m
■ Coverage of procurement volume by Code of Conduct	95 %	93 %	97 %	95 %
<b>▲</b>				
<b>▼ Energy and CO<sub>2</sub>e emissions in production</b>				
Natural gas consumption	350.1 GWh	446.6 GWh	117.9 GWh	153.2 GWh
Electricity consumption	78.2 GWh	92.8 GWh	24.6 GWh	30.1 GWh
CO <sub>2</sub> e emissions scope 1 <sup>2)</sup>	71,543 t	91,324 t	23,888 t	31,103 t
CO <sub>2</sub> e emissions scope 2 <sup>2)</sup>	19,262 t	24,640 t	6,934 t	7,070 t
CO <sub>2</sub> e emissions scope 1 and scope 2 <sup>2)</sup>	90,805 t	115,964 t	30,821 t	38,173 t
Ceramics CO <sub>2</sub> e emissions (t) / net production volume (t) <sup>2)</sup>	1.5	1.6	2.1	2.1
<b>▲</b>				
<b>▼ Raw material efficiency in production</b>				
Quantity of ceramic slip used	80,782 t	103,466 t	19,830 t	26,820 t
Quantity of glaze used	8,944 t	10,089 t	2,874 t	3,168 t
<b>▲</b>				
<b>Employees/personnel development</b>				
Employees	6,358	6,759	2,124	2,191
■ of which in Germany	2,460	2,543	2,122	2,189
Trainees and dual students	137	147	94	96
Juniors	33	31	33	30
<b>Occupational health and safety</b>				
Occupational accidents	65	113	32	47
■ Resulting work days lost	1,129	1,440	581	272
Area accidents	9	27	9	19
■ Resulting work days lost	150	451	150	325
Sick rate	4.8 %	5.4 %	7.2 %	5.4 %

<sup>1)</sup> For management purposes, the return on net operating assets is calculated at Group level only.

<sup>2)</sup> Based on the Greenhouse Gas Protocol (location-based approach); on the basis of AIB, DEFRA, IGES and UBA emissions factors

## EU TAXONOMY

▼ In the context of its climate policy positioning and the Paris Agreement, the European Commission presented the European Green Deal in December 2019. Among other things, it published the goal of reducing greenhouse gas emissions in the European Union to zero by 2050, thereby becoming climate neutral. In order to enhance the transparency of economic activities and to facilitate sustainable investment, the EU Taxonomy was adopted as part of the Green Deal. This introduces a uniform classification system to define “environmentally sustainable” economic activities in order to enhance the transparency and comparability of sustainability disclosures and to counteract greenwashing.

Under the EU Taxonomy, companies must disclose the proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that relates to environmentally sustainable economic activities. Qualitative disclosures are also required to supplement and explain these key performance indicators.

In total, in Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (Taxonomy Regulation), the European Union set out the following six environmental objectives:

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control and
- protection and restoration of biodiversity and ecosystems.

The disclosure requirements associated with the Taxonomy Regulation are governed by Article 8 of the Taxonomy Regulation in conjunction with Article 10 of the Delegated Regulation (EU) 2021/4987 of 6 July 2021. Since the EU Taxonomy was introduced, the corresponding content and disclosure requirements have expanded continuously. To this end, the reports to date have referred solely to Taxonomy eligibility and Taxonomy alignment in the context of the first two environmental objectives. In accordance with the Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 on the EU Taxonomy, this year’s report also addresses the Taxonomy eligibility of the other four environmental objectives for the first time.

The term “Taxonomy-eligible” merely describes whether economic activities fall within the scope of the EU Taxonomy, while “Taxonomy-aligned” describes whether these activities meet the requirements of the EU Taxonomy. This means that they must satisfy all the following conditions:

- a substantial contribution to at least one of the environmental objectives by respecting the defined technical screening criteria
- compliance with the do no significant harm (DNSH) criteria (i.e. no significant harm to other EU environmental objectives)
- guarantees minimum social safeguards for occupational health and safety and human rights by complying with the stipulated requirements.

## PERFORMANCE INDICATORS IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

The performance indicators reportable under the EU Taxonomy comprise the proportion of Taxonomy-eligible and Taxonomy-aligned turnover, CapEx and OpEx. The financial data relevant for determining these performance indicators are taken from the IFRS consolidated financial statements of the Villeroy & Boch Group. As far as possible, information and data have been derived directly from the consolidated financial statements and assigned to an economic activity if possible.

The procedure in conjunction with the analysis and assessment of the Taxonomy disclosures necessary for the Villeroy & Boch Group and for Villeroy & Boch AG is the same as in the previous year and can be divided into two phases:

The first phase involved analysing the economic activities and examining whether they are Taxonomy-eligible for the purposes of the EU Taxonomy. For the first two environmental objectives, “climate change mitigation” and “climate change adaptation”, which were included in last year’s report, the analysis was based on the prior-year results. A comprehensive analytical process was also established and carried out for the other four environmental objectives that are included in reporting for the first time in the 2023 financial year. All turnover, capital expenditure (CapEx) and operating expenditure (OpEx) was carefully examined to determine whether it can be allocated to one of the new Taxonomy-relevant activities.

To ensure a reliable analysis of all activities of the company in relation to turnover, CapEx and OpEx, training was provided on how to gather data in relation to the EU Taxonomy and its content in addition to interviews with the relevant business units.

The second phase concerned assessing which of the activities classified as Taxonomy-eligible are also Taxonomy-aligned. Assessing Taxonomy alignment includes reviewing the technical screening criteria, the DNSH criteria and the minimum social safeguards.

### CALCULATION OF PERFORMANCE INDICATORS IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

The following table shows the proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in turnover, CapEx and OpEx.

#### PROPORTION OF TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Financial year	Absolute total value (denominator) in k €		Proportion of Taxonomy-eligible economic activities (including Taxonomy-aligned) in %		Proportion of Taxonomy-non-eligible economic activities in %		Proportion of Taxonomy-aligned economic activities in %	
	2023	2022	2023	2022	2023	2022	2023	2022
Turnover	901,925	994,468	0 %	0 %	100 %	100 %	0 %	0 %
Capital expenditure (CapEx)	60,201	58,224	46 %	51 %	54 %	49 %	1 %	0 %
Operating expenditure (OpEx)	53,579*	54,108*	- **	- **	- **	- **	- **	- **

\* OpEx consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease expenses, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

\*\* We have again dispensed with an analysis of OpEx in terms of eligibility and alignment with reference to Article 8 of the EU Taxonomy Regulation in conjunction with the supplemental Regulation (EU) 2021/2178 (see 1.1.3.2.) and the Draft Commission Notice of the European Commission dated 19 December 2022. In particular, this is because operating expenses are not considered to be material with a view to the business model.

#### TURNOVER

Turnover as defined by the EU Taxonomy refers to the revenue reported in the IFRS consolidated financial statements.

While no Taxonomy-eligible or Taxonomy-aligned turnover was identified in the previous years, the expansion of the EU Taxonomy to include the content of the other four environmental objectives meant that Taxonomy-eligible turnover was identified this year for the first time. Although the majority of activities generating turnover are still not covered by the EU Taxonomy and hence are not Taxonomy-eligible, revenue from the sale of spare parts for bathroom furniture is defined as falling within the scope of the “transition to a circular economy” environmental objective. Accordingly, this revenue is reported as Taxonomy-eligible under 5.2 “Sale of spare parts” - “Transition to a circular economy”.

As provided for by the Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, we have dispensed with determining the Taxonomy alignment of the activities falling under environmental objectives three to six for the current year. As the revenue identified as Taxonomy-eligible falls under environmental objective four, this means that

no further examination of the Taxonomy alignment of the turnover generated from the sale of bathroom furniture has taken place for this year.

Further figures on turnover can be found in → Table 1a of this report.

#### CAPITAL EXPENDITURE (CAPEX)

CapEx and the associated expenditure in accordance with the EU Taxonomy relate to all additions to the following items of the IFRS consolidated financial statements in the financial year:

- IAS 16 Property, plant and equipment
- IAS 38 Intangible assets
- IAS 40 Investment property
- IFRS 16 Leases.

These account for the total amount of all capital expenditure in the financial year and thus the denominator for CapEx.

As no directly allocable capital expenditure was identified in connection with the Taxonomy-eligible turnover under 5.2 “Sale of spare parts”, the production-related capital

expenditure does not constitute CapEx for the purposes of the EU Taxonomy. However, when considering CapEx, Taxonomy-eligible non-turnover-generating activities must also be taken into account.

In the 2023 financial year, this related in particular to the following economic activities under the environmental objectives “climate change mitigation” and “climate change adaptation”:

■ **6.5 Transport by motorbikes, passenger cars and light commercial vehicles**

This activity includes the purchase, financing, renting, leasing and operation of vehicles designated as category M1, N1, falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or L (2- and 3-wheel vehicles and quadricycles). In the 2023 financial year, both passenger cars and light commercial vehicles in particular were leased and, to a lesser extent, purchased, which can be allocated to the economic activity.

■ **7.2 Renovation of existing buildings**

Construction and civil engineering works or preparation thereof can be allocated to this economic activity. Essentially, two major location development projects in Mettlach and Luxembourg are allocated to this category.

■ **7.3 Installation, maintenance and repair of energy efficiency equipment**

Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment can be assigned to this category. In particular, CapEx in connection with the use of energy efficient light sources was relevant in the 2023 financial year.

■ **7.6 Installation, maintenance and repair of renewable energy technologies**

This category comprises various activities in connection with a series of renewable energy technologies. CapEx in several photovoltaic systems was allocated to this category in the 2023 financial year.

■ **7.7 Acquisition and ownership of buildings**

In addition to the acquisition and ownership of buildings, the leasing of buildings can be allocated to category 7.7 of the Taxonomy.

The publication of the Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 in the reporting year clarified the interpretation of uncertain aspects in connection with the EU Taxonomy, including the information that economic activities can be reported as Taxonomy-eligible for multiple environmental objectives. Unlike in the previous year, Taxonomy-eligible capital expenditure has therefore also been

included in the “climate change adaptation” environmental objective.

The economic activities relevant to CapEx in the 2023 financial year can be found in → [Table 1b](#) of this report.

To avoid double counting, economic activities were evaluated at the level of the individual CapEx and allocated to the economic activities for the respective environmental objectives. Where an economic activity is attributable to more than one environmental objective, only the most relevant environmental objective was applied in calculating the KPIs.

Under the EU Taxonomy, there are three types of CapEx that are Taxonomy-eligible and could therefore also be Taxonomy-aligned. These are (a) CapEx associated with Taxonomy-aligned economic activities; (b) CapEx planned to expand Taxonomy-aligned economic activities; and (c) CapEx related to the purchase of Taxonomy-aligned products or services.

The Taxonomy-eligible CapEx identified for the 2023 financial year is exclusively CapEx in Taxonomy-eligible products. According to the EU Taxonomy Regulation, the burden of proof for alignment lies with the respective manufacturers of these products. Requests for information were submitted to manufacturers in order to determine the extent to which capital expenditure corresponded to the conformity criteria as required by the EU Taxonomy Regulation. 1 % of CapEx was confirmed as being Taxonomy-aligned. The Taxonomy-aligned CapEx relates to hybrid and electric vehicles.

Further figures on CapEx can be found in → [Table 1b](#) of this report.

**OPERATING EXPENDITURE (OPEX)**

OpEx according to the EU Taxonomy consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease expenses, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

This includes research and development expenses recognised in accordance with IAS 38 in the income statement in the financial year. Short-term lease expenses for leases that do not satisfy the criteria for capitalisation under IFRS 16 are also taken into account. The recognised costs relating to maintenance and repair, building renovation measures and direct expenditure relating to the day-to-day servicing of assets of property, plant and equipment as well as other internal research and development costs were objectively calculated and allocated.

We have again dispensed with an analysis of OpEx in terms of eligibility and alignment with reference to Article



8 of the EU Taxonomy Regulation in conjunction with the supplemental Regulation (EU) 2021/2178 (see 1.1.3.2) and the Draft Commission Notice of the European Commission dated 19 December 2022. In particular, this is because operating expenses in accordance with the EU Taxonomy are not considered to be material with a view to the business model. Furthermore, the research and development expenses examined contained essentially no Taxonomy-eligible

economic activities. Accordingly, only the total value of the OpEx denominator in accordance with the EU Taxonomy is shown for the 2023 financial year, while the numerator is shown as zero.

Further figures on OpEx can be found in → [Table 1c](#) of this report. ▲



**TABLE 1b**  
**EU Taxonomy: CapEx**

Financial year 2023	Year		Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)						Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)			
	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)				Biodiversity (16)	Minimum Safeguards (17)	
	in k €	% <sup>1</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	Y/N N/EL <sup>2</sup>	% <sup>1</sup>	E <sup>3</sup>	T <sup>4</sup>	
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
Transport by motorbikes, passenger cars and light commercial vehicles																				
	CCM <sup>6</sup> 6.5./ CCA <sup>7</sup> 6.5.	354	1 %	Y	N	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	Y	0 %	-	T	
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>354</b>	<b>1 %</b>	<b>1 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>-</b>	<b>-</b>
Of which Enabling																				
Of which Transitional																				
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Storage of hydrogen																				
	CCM <sup>6</sup> 4.12./ CCA <sup>7</sup> 4.12.	111	0 %														0 %			
Production of heat/cool using waste heat																				
	CCM <sup>6</sup> 4.25./ CCA <sup>7</sup> 4.25.	45	0 %														0 %			
Construction, extension and operation of water collection, treatment and supply systems																				
	CCM <sup>6</sup> 5.1./ CCA <sup>7</sup> 5.1.	127	0 %														0 %			
Transport by motorbikes, passenger cars and light commercial vehicles																				
	CCM <sup>6</sup> 6.5./ CCA <sup>7</sup> 6.5.	2,114	4 %														4 %			
Freight transport services by road																				
	CCM <sup>6</sup> 6.6./ CCA <sup>7</sup> 6.6.	125	0 %														0 %			
Construction of new buildings																				
	CCM <sup>6</sup> 7.1./ CCA <sup>7</sup> 7.1./ CE <sup>5</sup> 3.1.	502	1 %														0 %			
Renovation of existing buildings																				
	CCM <sup>6</sup> 7.2./ CCA <sup>7</sup> 7.2./ CE <sup>5</sup> 3.2.	7063	12 %														12 %			
Installation, maintenance and repair of energy efficiency equipment																				
	CCM <sup>6</sup> 7.3./ CCA <sup>7</sup> 7.3./	2,073	3 %														3 %			
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)																				
	CCM <sup>6</sup> 7.4./ CCA <sup>7</sup> 7.4./	8	0 %														0 %			
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings																				
	CCM <sup>6</sup> 7.5./ CCA <sup>7</sup> 7.5./	107	0 %														0 %			
Installation, maintenance and repair of renewable energy technologies																				
	CCM <sup>6</sup> 7.6./ CCA <sup>7</sup> 7.6./	1,503	2 %														2 %			
Acquisition and ownership of buildings																				
	CCM <sup>6</sup> 7.7./ CCA <sup>7</sup> 7.7./	13,165	22 %														22 %			
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>26,944</b>	<b>45 %</b>														<b>45 %</b>			
<b>CapEx of Taxonomy-eligible activities (A.1 + A.2)</b>		<b>27,297</b>	<b>46 %</b>														<b>46 %</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
<b>CapEx of Taxonomy-non-eligible activities (B)</b>		<b>33,257</b>	<b>54 %</b>														<b>54 %</b>			
<b>Total (A+B)</b>		<b>60,201</b>	<b>100 %</b>														<b>100 %</b>			

<sup>1</sup> Percentages refer to total (A+B) amount

<sup>2</sup> Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective  
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL - not eligible, Taxonomy non-eligible activity for the relevant environmental objective  
E - enabling activity

<sup>3</sup> E - enabling activity

<sup>4</sup> T - transitional activity

<sup>5</sup> CE - Circular Economy

<sup>6</sup> CCM - Climate Change Mitigation

<sup>7</sup> CCA - Climate Change Adaptation

--: Items not applicable / currently not applicable or no requirements specified by the EU Taxonomy Regulation

**TABLE 1c**  
**EU Taxonomy: OPEX**

Financial year 2023	Year		Substantial contribution criteria					DNSH criteria (‘Does Not Significantly Harm’)						Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)		
	Code (2)	OpEx (3) in k €	Proportion of OpEx, year 2023 (4) %	Climate Change Mitigation (5) Y/N N/EL <sup>2</sup>	Climate Change Adaptation (6) Y/N N/EL <sup>2</sup>	Water (7) Y/N N/EL <sup>2</sup>	Pollution (8) Y/N N/EL <sup>2</sup>	Circular Economy (9) Y/N N/EL <sup>2</sup>	Biodiversity (10) Y/N N/EL <sup>2</sup>	Climate Change Mitigation (11) Y/N	Climate Change Adaptation (12) Y/N	Water (13) Y/N	Pollution (14) Y/N				Circular Economy (15) Y/N	Biodiversity (16) Y/N
<b>Economic activities (1)</b>																		
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																		
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																		
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		0 <sup>5</sup>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	Of which Enabling																	
	Of which Transitional																	
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																		
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		0 <sup>5</sup>	--															
<b>OpEx of Taxonomy-eligible activities (A.1 + A.2)</b>		0 <sup>5</sup>	--															
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
<b>OpEx of Taxonomy-non-eligible activities (B)</b>		0 <sup>5</sup>	--															
<b>Total (A+B)</b>		<b>53,579</b>	<b>100 %</b>															

1 Percentages refer to total (A+B) amount

2 Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective\*

3 E – enabling activity

4 T – transitional activity

5 No enumerator calculation was made for the OpEx, therefore these are set at 0 in accordance with point 1.1.3.2 a) of the supplement to the EU taxonomy regulation for the disclosure.

\*- Items not applicable / currently not applicable or no requirements specified by the EU Taxonomy Regulation

# GLOSSARY

Notes on key figures → Key figures

## BUSINESS MODEL

### REVENUE

The Villeroy & Boch Group generates revenue from the sale of goods and merchandise. The income generated from the licence business is also reported as a component of consolidated revenue.

### RETURN ON NET OPERATING ASSETS (ROLLING)

The rolling return on net operating assets is calculated from the operating net assets as at the end of the month as an average of the last twelve months in relation to earnings before interest and taxes (before central function expenses).

## ▼ ANTI-CORRUPTION AND ANTITRUST LAW

### COVERAGE RATIO OF ANTI-CORRUPTION TRAINING

Percentage share of employees who have received anti-corruption training among all employees who should receive anti-corruption training.

### COVERAGE RATIO OF ANTITRUST LAW TRAINING

Percentage share of employees who have received antitrust law training among all employees who should receive antitrust law training. ▲

## ▼ RESPONSIBILITY IN THE SUPPLY CHAIN

### PROCUREMENT VOLUME, TOTAL

Total procurement volume for all suppliers/service providers in € million.

### SUPPLIERS CLASSIFIED AS MATERIAL

All relevant suppliers (controlled procurement volume) with a procurement volume > € 10,000 p.a. (materiality threshold) are considered material. On the one hand, the procurement processes below this threshold are frequently one-time procurement processes. On the other, Villeroy & Boch's influence over these suppliers is too minor for it to be able to alter sustainability aspects.

### COVERAGE OF PROCUREMENT VOLUME BY CODE OF CONDUCT

This is the quota of the procurement volume with key suppliers that have signed the Villeroy & Boch Code of Conduct or a mutual acknowledgement of similar codes. ▲

## ▼ ENERGY AND CO<sub>2</sub>e EMISSIONS IN PRODUCTION

### NATURAL GAS CONSUMPTION

Gas consumption in GWh by production facilities and buildings in the reporting period.

### ELECTRICITY CONSUMPTION

Electricity consumption in GWh by production facilities and buildings in the reporting period.

### CO<sub>2</sub>e EMISSIONS

When energy is consumed in the form of electricity, gas or oil, direct or indirect greenhouse gases are incurred that are reported as CO<sub>2</sub> equivalents (CO<sub>2</sub>e emissions). CO<sub>2</sub>e emissions are calculated based on the Greenhouse Gas Protocol using the location-based approach on the basis of emissions factors according to the Association of Issuing Bodies (AIB), the Department for Environment Food and Rural Affairs (DEFRA), the Institute for Global Environmental Strategies (IGES) and the Germany Federal Environment Agency (UBA).

### CERAMICS CO<sub>2</sub>e EMISSIONS (T) /

### NET PRODUCTION VOLUME (T)

Quantity of CO<sub>2</sub>e emissions produced in ceramics production in relation to saleable goods in tonnes. ▲

## ▼ RAW MATERIAL EFFICIENCY IN PRODUCTION

### QUANTITY OF CERAMIC SLIP USED

Consumption of raw materials (dry weight in tonnes) in the ceramic slip production process.

### QUANTITY OF GLAZE USED

Consumption of raw materials (dry weight in tonnes) in the glaze production process. ▲

## EMPLOYEES/PERSONNEL DEVELOPMENT

### ▼ EMPLOYEES

Number of employees as at the balance sheet date (headcount). ▲

### TRAINEES AND DUAL STUDENTS

Number of apprentices or employees engaged in a combined work and study programme working at Villeroy & Boch as at the reporting date.

**JUNIORS**

Number of junior management candidates and management trainees working at Villeroy & Boch as at the reporting date.

**EMPLOYEES PARTICIPATING IN CONTINUING PROFESSIONAL DEVELOPMENT**

Number of employees as at the balance sheet date (headcount) who have taken part in training.

**OCCUPATIONAL HEALTH AND SAFETY****OCCUPATIONAL ACCIDENTS**

Number of occupational accidents that occurred in the respective financial year. An occupational accident is an involuntary event that suddenly and externally impacts the person employed and relates directly to their immediate work.

**AREA ACCIDENTS**

Number of area accidents that occurred in the respective financial year. An area accident is an event that occurs within the business or work site on the way to or from work or the workplace.

**SICK RATE**

Percentage share of all hours absent due to illness in relation to the total working hours of the workforce in the reporting period.

# LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER

## LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE NON-FINANCIAL REPORTING

### TO VILLEROY & BOCH AG, METTLACH OUR ENGAGEMENT

We have performed a limited assurance engagement on the separate consolidated non-financial report of Villerooy & Boch AG, Mettlach/Germany, (hereafter referred to as “the Company”), which has been combined with the non-financial report of the Company, for the financial year from 1 January to 31 December 2023 (hereafter referred to as “non-financial reporting”). This non-financial reporting will be integrated into the Company’s sustainability report. The sustainability report’s sections constituting the non-financial reporting will be marked in the sustainability report with a blue triangle at the beginning (▼) and at the end (▲) of the respective section.

Our assurance engagement did not cover the sections in the Company’s sustainability report not marked with a blue triangle. The remuneration report, which is referred to in the non-financial reporting, was not the subject of our assurance engagement, as were the references in the non-financial reporting to external sources of documentation or expert opinions, as well as websites and their contents. Furthermore, our assurance engagement did not cover the disclosures relating to prior-year periods.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the non-financial reporting in accordance with Sections 289c to 289e German Commercial Code (HGB), Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as “EU Taxonomy Regulation”) and the delegated acts adopted thereon, as well as with the executive directors’ interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as set out in the section “EU Taxonomy” of the non-financial reporting.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial reporting and the use

of assumptions and estimates for individual non-financial disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement, whether due to fraud (i.e. fraudulent non-financial reporting) or error.

The EU Taxonomy Regulation and the delegated acts adopted thereon contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section “EU Taxonomy” of the non-financial reporting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial reporting is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

### INDEPENDENCE AND QUALITY ASSURANCE OF THE AUDIT FIRM

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our audit firm applies the national statutory rules and professional announcements particularly of the “Professional Charter for German Public Auditors and German Sworn Auditors” (BS WP/vBP) and of the quality management standards promulgated by the Institut der Wirtschaftsprüfer (IDW) and therefore maintains a comprehensive quality management system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

### RESPONSIBILITIES OF THE INDEPENDENT PRACTITIONER

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.



We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting – with the exception of the remuneration report referred to in the non-financial reporting, the references in the non-financial reporting to external sources of documentation or expert opinions and websites, including the contents thereof as well as the disclosures relating to prior-year periods – has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB, Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section “EU Taxonomy” of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner’s professional judgement.

Within the scope of our limited assurance engagement, which we performed between September 2023 and February 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the Group’s sustainability organisation and of the stakeholder engagement
- Inquiries of the executive directors and relevant employees at the headquarters in Mettlach/Germany and at the production site in Saraburi/Thailand involved in the preparation process about the preparation process, about the system of internal control relating to this process, as well as about the disclosures contained in the non-financial reporting
- Identification of probable risks of material misstatements in the non-financial reporting
- Analytical evaluation of selected disclosures in the non-financial reporting
- Squaring of selected disclosures with the corresponding data in the consolidated and annual financial statements as well as in the combined management report
- Evaluation of the presentation of the non-financial reporting
- Evaluation of the process used to identify taxonomy-eligible and taxonomy-aligned economic activities and of the corresponding disclosures in the non-financial reporting

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors

to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation and, accordingly, our assurance engagement thereon, are subject to uncertainties.

#### **PRACTITIONER’S CONCLUSION**

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial reporting for the financial year from 1 January to 31 December 2023 does not comply, in all material respects, with Sections 289c to 289e HGB, Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the executive directors’ interpretation presented in the section “EU taxonomy” of the non-financial reporting.

The remuneration report, which is referred to in the non-financial reporting, was not the subject of our audit engagement, as were the references in the non-financial reporting to external sources of documentation or expert opinions, as well as websites and their contents.

#### **RESTRICTION OF USE**

We issue this report as stipulated in the engagement letter agreed with the Company (including the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)” as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for a purpose other than the aforementioned one. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are solely liable to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Stuttgart/Germany, 23 February 2024

**Deloitte GmbH**

Wirtschaftsprüfungsgesellschaft

**Daniel Oehlmann**

**Wirtschaftsprüfer**

(German Public Auditor)

**Eike Bernhard Hellmann**

# IMPRINT

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**EDITORIAL DEADLINE**

23 February 2024

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**LAYOUT**

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**DISCLAIMER****FORWARD-LOOKING STATEMENTS**

This sustainability report contains forward-looking statements based on management estimates of future developments at the time this report was prepared. These statements are subject to risks and uncertainties that Villeroy & Boch is largely unable to influence or precisely evaluate. If uncertain factors were to occur in reality or the assumptions underlying the forward-looking statements were to prove incorrect, the actual results could deviate from the expected results described herein. Villeroy & Boch does not intend to update these forward-looking statements after the reporting date in order to reflect future events or developments.

**ROUNDING DIFFERENCES**

The percentages and figures in this report may be subject to rounding differences.



Villeroy & Boch  
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