



**Villeroy & Boch**  
1748

# Sustainability Report 2022

Note:

Please be aware that we are still working on the final layout of the 2022 sustainability report. It will presumably be available for download at [www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports](http://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports) at the end of March 2023.

## ABOUT THIS REPORT

▼ This report comprises the sustainability report of the Villeroy & Boch Group for the financial year from 1 January to 31 December 2022. The latest version of the sustainability report, published annually in German and English, is available to download from the company's website at [www.villeroy-boch-group.com/en/investor-relations/publications/sustainability-reports](http://www.villeroy-boch-group.com/en/investor-relations/publications/sustainability-reports). The Group companies included in the report are the same as the basis of consolidation in the 2022 consolidated financial statements.

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 notes to this report. The figures in Table 1 of the Annex are explained in the **glossary** in this report.

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 Ernst & Young assists the Supervisory Board in the performance of its statutory audit duty. → **Independent Auditor's Limited Assurance Report**

We opted not to use a framework to prepare the sustainability report or the non-financial report it contains. Our reporting focuses on the reportable aspects in accordance with sections 289c and 315c 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 this 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.

Further information on our company (not a component of the non-financial report) can be found at [www.villeroyboch-group.com](http://www.villeroyboch-group.com) and in the 2022 annual report. → **Annual Report**



Mettlach, 17 February 2023



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## 1. STRATEGY AND INTEGRITY

### 1.1 Our business model

▼ The Villeroy & Boch Group, headquartered in Mettlach in the German federal state of Saarland, is a leading international ceramics manufacturer with around 6,759 employees in total and has a history stretching back 275 years. Almost no other premium brand<sup>1</sup> with a global reputation can claim such a lengthy history of consistent success. 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 products. As a full-service provider for the bathroom and for high-quality tableware and living accessories, our operating business is divided into the Bathroom & Wellness Division and the Dining & Lifestyle Division. We sell our products in around 125 countries. In addition to our global main brand, Villeroy & Boch, we also use local brands such as Gustavsberg for sanitary ware products in Scandinavia and secondary brands for certain sales channels in the Dining & Lifestyle Division. When it comes to manufacturing our products, we currently have 13 production and assembly sites, comprising two for the Dining & Lifestyle Division (both in Germany) and eleven for the Bathroom & Wellness Division: two in Germany, two in Sweden and one each in Netherland, Belgium, France, Austria, Romania, Hungary and Thailand. Further information on Villeroy & Boch's procurement and production activities can be found in this report.

→ "Supply chain"

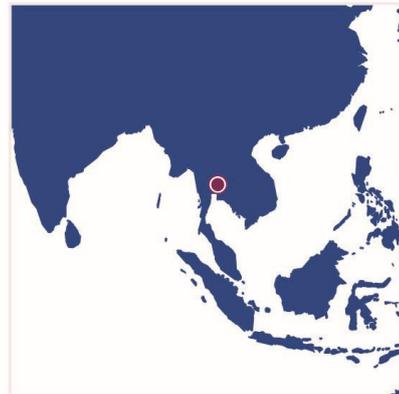
#### PRODUCTION SITES BY REGION

##### EUROPE



Gustavsberg and Vårgårda (Sweden)  
 Hódmezvásárhely (Hungary)  
 Lugoj (Romania)  
 Merzig, Mettlach, Torgau and Treuchtlingen (Germany)  
 Mondsee (Austria)  
 Roden (Netherland)  
 Roeselare (Belgium)

##### APAC



Saraburi (Thailand)

<sup>1</sup> According to a 2021 representative survey on awareness and perception of Villeroy & Boch conducted in nine countries with 500 participants per division.

We generated consolidated revenue of € 994.5 million in the 2022 financial year. The operating result before interest and taxes (EBIT) amounted to € 96.8 million, up 7.0 % on the previous year's figure of € 90.5 million. The return on net operating assets was 31.5 % after 32.9 % on 31 December 2021.

Our product range in the Bathroom & Wellness Division encompasses ceramic bathroom collections, bathroom furniture, shower, bathtub and whirlpool systems, tap fittings, ceramic kitchen sinks and 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, craftsmen, architects, interior designers and planning specialists. Our Bathroom and Wellness products are exhibited at more than 12,000 showrooms around the world.

Even 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 84 Villeroy & Boch stores, more than 500 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 4,200 points of sale worldwide. In addition, our project business addresses hotel and restaurant operators.

Porcelain is made from natural raw materials, is free from harmful substances and is neutral in taste. Crockery made from Villeroy & Boch porcelain is particularly long-lasting and can be used again and again for years. Beside this general sustainable aspect, the To Go & To Stay collections with lunchboxes made of porcelain and glass as well as scented candles in reusable porcelain mugs also reflect sustainability concepts.

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

## 1.2 Sustainability at Villeroy & Boch at a glance

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. → **"Corporate governance and compliance" and "Employees"**

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”**

At an operational level, we have pursued specific targets in the areas of the environment, employees, the supply chain, product responsibility and compliance. 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.

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.

### 1.3 Sustainability strategy

Sustainability is reflected in our history as a family company. With our traditions going back 275 years, we have learned to always adapt to political, economic and social circumstances to remain successful in the long term. Today, we aspire to continue writing the story of our company’s success and to make a contribution to the handling of social and ecological challenges. In order to counter the global problems and to continue refining Villeroy & Boch’s approach in this context, we are devising a holistic sustainability strategy to guide us in the future.

To define the action areas relevant to us, we have identified sustainability issues specific to the company and derived strategic options from these that represent a future course of action for the issue. This was done in various internal workshops and then assessed and prioritised in a multi-dimensional analysis stage. In addition to the potential sustainability impact, current statutory and social developments as well as the expectations of different stakeholder groups were also taken into account. For example, we incorporated experts into the strategy process through external facilitation, quantitative surveys and qualitative interviews. The results were then condensed into strategic focal areas of the sustainability strategy and discussed and coordinated with the Management Board in two workshops. The results of these surveys were also used as a basis for preparing the materiality analysis in the sustainability report.

The systematic decarbonisation of operations and production, the development of sustainable products and the consolidation of our position as a responsible employer were defined by the Management Board as central action areas for the strategic orientation and will thus be the focus of our sustainability strategy. For reducing CO<sub>2e</sub> emissions and the transition to a zero emissions firing process, there is already a roadmap leading to planned climate-neutrality in 2040. The reduction of emissions

will essentially be achieved by means of technological measures. → “Energy and CO<sub>2e</sub> emissions”  
The “sustainable products” and “responsible employer” action areas will be worked on more in the coming months and practical objectives will be put in place.

In addition to the strategic focus, we have defined circular processes and products as well as transparent product communication and raising customer awareness as strategic development areas. These aspects are of growing relevance to Villeroy & Boch and are to be incorporated more into our strategy work in the medium term. Villeroy & Boch is aware of its impact and its responsibility for protecting biodiversity, upholding human rights, sustainable resource management and guaranteeing fair working conditions. These action areas are to be embedded in day-to-day business practices in conjunction with responsible management at Villeroy & Boch.

### Villeroy & Boch strategic action areas

<b>Strategic focus</b>	Systematic decarbonisation
	Sustainable products
	Responsible employer
<b>Strategic development</b>	Circular processes
	Circular products
	Transparent product communication and raising customer awareness

In the next step, the action areas of the sustainability strategy are to be integrated into Villeroy & Boch’s organisational structure and responsibilities defined by the 2023 financial year. Working groups from the departments will then work further on the holistic and company-wide sustainability strategy and develop targeted measures – above all as regards the action areas of the strategic focus.

#### 1.4 Stakeholder dialogue and materiality analysis

▼ As a globally active company, we engage in a regular 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.

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. As in the previous year, we earned a “silver” scorecard rating in the EcoVadis overall assessment, and thus rank among the top 25 % of performers rated by EcoVadis.

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 this context, we identified the most important sustainability issues for our industry and for our company. The 2022 materiality analysis is consistent with the sustainability strategy and was carried out based on the same issues. → **“Sustainability strategy”**

In order to comply with the requirements of Germany’s CSR Directive Implementation Act for non-financial reporting, sustainability issues were analysed in terms of their effects on the environment, employees and society and assessed regarding their relevance to Villeroy & Boch’s business success. 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. The results were then discussed, validated and finally confirmed in external consultation between relevant players from Environmental Management, Group Reporting and Sustainability Management. This was then approved by our Management Board.

Since the last analysis carried out in the 2019 financial year, there has been a shift in some material issues in the updated materiality analysis. While human rights due diligence and combating corruption are still considered significant, there are no longer reporting requirements relating to personnel development or occupational health and safety – though these subjects will still be covered by our voluntary reporting. Instead of energy and raw material efficiency, climate protection (energy and CO<sub>2e</sub> emissions) and the responsible use of water resources are now considered more material in terms of environmental issues. Working conditions and pay as well as product transparency were identified as new issues material to Villeroy & Boch. They cover the aspects required by law of “environmental and employee concerns”, “human rights”, “anti-corruption” and “social concerns”. The reporting content no longer considered material under the CSR Directive Implementation Act is still reported on beyond the current statutory requirements.

In the context of the development of our sustainability strategy, it is intended that corresponding objectives will be defined for all relevant sustainability issues, the achievement of which will be monitored using key performance indicators. For example, for the sustainability issues “energy and CO<sub>2e</sub> emissions” and “human rights in the supply chain”, the goals already defined are currently monitored and controlled using the key performance indicators for CO<sub>2e</sub> emissions ceramics/net production volume and the degree to which the procurement volume is covered by the Code of Conduct. Work on fully defining our sustainability objectives and the associated KPIs in relation to the key strategic issues will continue as a priority in the 2023 financial year. Furthermore, we will continue to develop additional strategic development issues as the project progresses moving ahead. ▲

## Non-financial report index

Non-financial aspect	Associated reportable sustainability issue	Key figure	Section
Environmental concerns	Energy and CO <sub>2e</sub> emissions	Ceramics CO <sub>2e</sub> emissions / net production volume	Environment
	Water and waste water	-	
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
Anti-corruption	Compliance and anti-corruption	Coverage ratio of anti-corruption training and antitrust law training	Corporate governance and compliance
Product responsibility / transparency	Product transparency	Environmental certificates	Product responsibility and product transparency

## 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“
- Personnel development → “Employees“
- Corporate Citizenship → “Strategy and integrity“
- Quality management and product compliance → “Product responsibility and product transparency“

## 1.5 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 clearly define “environmentally sustainable” economic activities 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 six following 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.

As the EU Commission has published only the relevant activities for the objectives “climate change mitigation” and “climate change adaptation” to date, only these two environmental objectives are covered by the commentary below. The other four environmental objectives will be taken into account in future reporting as soon as they have been finalised and published.

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. In 2021, when the EU Taxonomy was applied for the first time, only the economic activities covered by the EU Taxonomy and thus Taxonomy-eligible were reported on. In the 2022 financial year, in addition to Taxonomy eligibility, Taxonomy alignment will also be reported on for the first time. Economic activities are considered Taxonomy-aligned when they satisfy 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.

We assessed the draft FAQs on matters of interpretation of the EU Taxonomy published by the EU Commission on 19 December 2022 (Climate Delegated Acts on the interpretation and implementation of legal provisions of the EU, Climate Delegated Acts on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8) in conjunction with preparing the EU Taxonomy disclosures for the 2022 financial year. The publications did not result in any changes to our approach.

### **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:

Building on the results from the previous year, the first phase involved analysing the economic activities in relation to the two relevant environmental objectives and whether they are considered Taxonomy-eligible in line with the EU Taxonomy. 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.

Based on the “Considerations on Reporting in accordance with Article 8 of the Taxonomy Regulation” published by the *Institut der Wirtschaftsprüfer* (IDW – Institute of Public Auditors in Germany), we elected not to disclose prior-year values.

### **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

	Absolute total value (denominator) in k €	Proportion of taxonomy-eligible economic activities in %	Proportion of taxonomy-non-eligible economic activities in %	Proportion of taxonomy-aligned economic activities in %
Turnover	994,468	0 %	100 %	0 %
Capital expenditure (CapEx)	58,224	51 %	49 %	0 %
Operating expenditure (OpEx)	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.

\*\* No enumerator was calculated for OpEx, therefore this was not determined in accordance with item 1.1.3.2 a) Annex 1 to the supplementing Delegated Regulation (EU) 2021/2178.

**Turnover**

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

As in the previous year, revenue from products or services is not covered by the environmental objectives “climate change mitigation” or “climate change adaptation” of the EU Taxonomy Regulation and therefore cannot be classified as either Taxonomy-eligible or Taxonomy-aligned.

Further figures on turnover can be found in Table 2a 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 with turnover, investment in production does not contain any CapEx as referred to by the EU Taxonomy. However, when considering CapEx, Taxonomy-eligible non-turnover-generating activities must also be taken into account.

There was no Taxonomy-eligible CapEx for the environmental objective of climate change adaptation in the 2022 financial year. All CapEx identified as Taxonomy-eligible in the 2022 financial year is Taxonomy-eligible for the environmental objective of climate change mitigation.

In particular, this relates to the following economic activities in the 2022 financial year:

- 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 M1232, N1233, 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 2022 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 2022 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 2022 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, according to current debate. Taxonomy-eligible CapEx has risen significantly since the previous year as a result of the first-time inclusion of capitalised right-of-use assets from leases in accordance with IFRS 16.

The economic activities relevant to CapEx in the 2022 financial year can be found in Table 2b of this report. To avoid double counting, economic activities were allocated at the level of the individual CapEx. Currently, all CapEx is allocated uniquely to one activity.

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 2022 financial year is exclusively CapEx in Taxonomy-eligible products. According to current interpretation of the EU Taxonomy Regulation, the burden of proof for alignment currently lies with the respective manufacturers of these products. As suppliers are not yet providing such proof in relation to the Taxonomy for the 2022 financial year, it cannot be conclusively assessed whether CapEx is Taxonomy-aligned or not.

Further figures on CapEx can be found in Table 2b 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 regarding Article 8 of the EU Taxonomy Regulation in conjunction with the Regulation's supplementation (see 1.1.3.2.). In particular, this is because no Taxonomy-eligible turnover-generating activities were identified. Essentially no Taxonomy-eligible economic activities were identified in the research and development expenses looked at either. Accordingly, exclusively the total value of the OpEx denominator in accordance with the EU Taxonomy is shown for the 2022 financial year.

Further figures on OpEx can be found in Table 2c of this report. ▲

## **1.6 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 have already been defined in the past 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 2022 financial year, this applies for the first time to Ms Schupp and, since the beginning of 2023, also to the new members of the Management Board Dr Domma and Ms Jehle. As far as possible on an individual basis, non-financial performance criteria are still taken into account for the bonus system in conjunction with their short-term variable remuneration. Specifically, for the 2022 financial year, these were the ratio of ceramics CO<sub>2e</sub> 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** 2022 for detailed information on the remuneration system for the Management Board. → [Annual Report](#)

## 1.7 Corporate governance and compliance

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.

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 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 strategic goals already defined by the Management Board as central action areas should be embedded in day-to-day business practices. In the next step, the action areas of the sustainability strategy are to be integrated into Villeroy & Boch's organisational structure and responsibilities defined. A sustainability manager who reports on her work directly to the CEO was already appointed in the 2022 reporting year. In the financial year, working

groups consisting of employees from various departments, in some cases with the assistance of external experts, continued to work on the holistic and company-wide sustainability strategy and to develop targeted activities. In doing so, they are reviewing and discussing the practical challenges in implementing the strategic objectives in the divisions, the sustainability initiatives already established and also the content and figures in conjunction with the non-financial reporting. The working groups will maintain a close dialogue with their colleagues and form a network of sustainability experts. This is intended to guarantee that all measures and initiatives are implemented within the Villeroy & Boch Group and that a uniform company-wide concept of sustainability is created.

Furthermore, 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. → [Declaration of compliance](#) A detailed presentation of the tasks and responsibilities of the committees can be found in the 2022 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.

### **Compliance management at a glance**

▼ The aim of the Villeroy & Boch compliance management system is to minimise compliance risks (prevention), identify and investigate potential compliance breaches (detection) and initiate appropriate countermeasures (response). 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. → **Code of Conduct** Among other things, it provides regulations for the areas of anti-corruption and antitrust law. Available in 20 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 40 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. In the reporting year, we worked on our ongoing evolution and adaptation in line with changing processes and legal frameworks and process-oriented compliance. Furthermore, there was a focus on the ongoing digitalisation of the compliance regulations applicable to these processes and the associated security and control mechanisms, building on the foregoing transition from purely policy-based compliance to process-oriented compliance from 2017 to 2020.

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, for example, administrative employees. These employees therefore receive more comprehensive and more frequent training. We use class-room-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, data protection 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 set up completely new in 2021. This includes nine different training modules that will be rolled out to our employees in different combinations according to the risk exposure of individual employee groups.

As at the reporting date, 94 % of relevant employees worldwide completed anti-corruption training, while the antitrust training module was completed by 92 %. In addition, 98 % of store employees around the world completed the “Compliance” module via our International Sales Academy. ▲

### ***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 whistleblowing policy that informs every employee how to make reports and how events could then unfold. 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 Compliance 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 at [whistleblowing@villeroy-boch.com](mailto:whistleblowing@villeroy-boch.com) or by post to Villeroy & Boch AG, Compliance, Saaruferstrasse 1-3, 66693 Mettlach, Germany). There is also an external, impartial arbitrator who serves as an independent confidant and mediator (contact data available at [www.villeroyboch-group.com/en/investor-relations/corporate-governance/compliance](http://www.villeroyboch-group.com/en/investor-relations/corporate-governance/compliance)).

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, eight internal investigations were required in the 2022 financial year, five of which did not lead to disciplinary consequences. ▲

### ***Antitrust law and association work***

▼ In all the approximately 50 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. ▲

### ***Auditing and improvement***

▼ We work to permanently improve our compliance management system using external audits and internal reviews of our compliance processes. The effectiveness of our compliance management system was certified in 2016 by an external auditor in the sub-areas of antitrust law and anti-corruption in Germany in accordance with Assurance Standard IDW PS 980. There have been no material changes that would necessitate a new review since certification. ▲

## 1.8 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 2022 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 2022. → [Annual Report](#)

## 1.9 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.

The war in Ukraine triggered a great wave in people wishing to help, including at Villeroy & Boch and among its employees. In various comprehensive aid campaigns, relief supplies for the people in Ukraine for their private personal use, non-perishable food and hygiene products, as well as medical supplies such as first-aid kits and materials, were collected and transported to the Ukrainian border in several aid convoys. Villeroy & Boch sponsored trucks and transport vehicles, in some cases taking care of the food, accommodation and fuel. Cash and non-cash donations were also collected in other campaigns.

Villeroy & Boch supported a social project in West African Ghana in the reporting year. Together with the start-up Washking, new sanitary facilities were created with a sustainable technology specifically for the national requirements. Using bacteria, earthworms and a simple carbon filter, faecal matter is converted into odourless, harmless wastewater and organic fertiliser. The associated tank has to be emptied only every five years and does not contaminate the drinking water; the waste materials benefit agriculture in the form of fertiliser and water. In total, 153 combination WC packs with full WCs, including cisterns, mounting hardware and seats as well as hand sinks and spare toilet seats were delivered to Africa.

Since 2007, Villeroy & Boch has been supporting Reha GmbH, Saarbrücken, a social services company that wants to improve the participation of people with handicaps in working life, for example with jobs such as assembling, packing and sending tableware sets, and it has received a certificate for this special, ongoing social engagement and responsibility.

In conjunction with a donation, we decided to support the restoration and reforestation of woodlands at a local level, and thus to plant 2,000 beech trees in Hinterweidenthal (in the Südwestpfalz district

in Rhineland-Palatinate) together with our partner Bergwaldprojekt, Würzburg. The trees native to the region were planted to stabilise the area characterised by old spruce trees.

For International Women's Day this year as well, Villeroy & Boch donated € 1 for every female employee working in Germany to the Plan International humanitarian organisation.

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. For example, Villeroy & Boch helped out with the renovation of the sanitary facilities at Sámuel Szeremlei Playschool at our Hungarian location of Hódmezővásárhely. Our employees take part in a variety of activities in support of the Merzig Family Centre, the Merzig-Hilbringen SOS Children's Village with its "Christmas Tree Wish" campaign, making wishes come true for children, and food banks in Merzig.

## **2. PRODUCT RESPONSIBILITY AND PRODUCT TRANSPARENCY**

### **2.1 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 and cutlery. 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.

A key example in terms of hygiene innovation is our DirectFlush rimless WC product family, of which we currently offer more than 50 models for all common collections: Instead of a conventional rim, DirectFlush rimless WCs feature an ideal water flow that completely flushes the interior of the bowl for a maximum flushing effect with low water consumption. At the same time, the rimless design enables fast and easy cleaning.

As the next step in our DirectFlush technology, the new TwistFlush technology was launched with two models of the new Subway 3.0 collection in 2021 and a further Subway 3.0 model and multi-collection Universo TwistFlush model were added in the reporting year. TwistFlush technology (patent pending) uses the physical power of a water vortex to achieve an especially thorough flush result with low water consumption. An outstanding feature of this system is the smooth, funnel-shaped interior, which significantly reduces sediments. Repeat flushing or tedious scrubbing with a brush after flushing can typically be dispensed with. 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). The open rim also guarantees that cleaning is especially easy.

As part of a research cooperation (which included the Technical University of Braunschweig), new concepts, designs and materials were developed for wet rooms in highly frequented areas with very high hygiene standards, such as hospitals or care facilities. An example of the wet room developed was presented to the public for the opening of the “patient room of the future” in Braunschweig. The main points of this are the ongoing development of our dirt-repellent ceramic finish CeramicPlus that minimises the use of cleaning products and daily maintenance thanks to its water- and oil-repellent properties, and the use of Antibac technology that is proven to reduce bacteria growth by 99.9 %.

The Dining & Lifestyle Division focused on the refinement of ceramic formulas and developed a new process for applying reactive glazes (effect glazes) to fine china porcelain. The composition of the glaze causes random colour effects to emerge when the products are being fired. This process merely requires firing and is used to produce new Perlemor Sand and Perlemor Coral products. In the areas of ceramic development and production, the combination of ceramics and other materials (e.g. silicon) is another challenge in guaranteeing the precision of functional articles, such as the lunchboxes of the To Go & To Stay series.

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 € 19.8 million in research and development projects, including design development, in the 2022 financial year (previous year: € 18.7 million), € 15.1 million of which (previous year: € 13.8 million) related to the Bathroom & Wellness Division.

## **2.2 Quality management and product compliance**

### **Basic principles of our quality management systems**

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 even 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. In the reporting year, we continued to harmonise the certification of the management systems for quality, occupational health and safety, the environment and energy, in particular also in conjunction with the ongoing expansion of ISO 45001 certification at the locations.

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 launched in 2019 was supplemented further in the reporting year. An e-learning module on the compliance of the materials was prepared for the Bathroom & Wellness Division and there was an e-learning class on the general principles of product compliance in the Dining & Lifestyle Division. Further e-learning sessions to raise awareness of specific issues (e.g. certifications and registrations) are in planning.

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.

The ceramics product properties testing laboratory in Merzig was organisationally assigned to Quality Management in the Dining & Lifestyle Division already in 2020. Thus, Quality Management not only coordinates the testing of products in external laboratories, but also the testing of product properties in the internal production workflow. Product properties that used to be tested externally (performance characteristics such as oven stability) can now be tested on-site alongside in-house production and at the same time as (external) chemical analysis. The laboratory is being refined all the time, new procedural instructions are being produced and more and more tests are also being recorded digitally and modelled in the system.

### ***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 66 new products were examined externally in the 2022 financial year. Items that are assessed negatively are analysed in order to establish whether the defects – e.g. incorrect product labelling or threshold exceedance – can be resolved. No Villeroy & Boch product reaches the market without being approved by Quality Management.

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 188 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 database. The advances in digitalisation also include the inspection processes, which now systematically map the product compliance requirements.

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.

### ***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.

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. Over the past two 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 have been developed for all property testing.

#### ***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. Environmental product declarations were produced for further items and materials (acrylic and Quaryl) in the reporting year. In total, we currently have 14 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). The goal is to produce even more environmental declarations in future and to implement these more at product level.

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. These fittings reduce water consumption to a maximum of 5 l/min - with no loss of performance - thanks to ecological water restriction.

In our innovative AntiBac surface technology, 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 the reporting year, new disposal and materials labels for packaging materials for multiple European countries (including France and Italy) were tested and implemented. The use of the SCIP database of the European Chemicals Agency (ECHA) for Substances of Very High Concern (REACH), required by law in the European Union from 2021, was implemented to provide information for the sustainable and safe use of our products. 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. For example, a new structure was implemented for China, in which dynamic water efficiency labels can be generated for different markets, which means that product compliance is guaranteed by the system.

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. 31 external 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). ▲

### 3. SUPPLY CHAIN

#### 3.1 Basic principles of our procurement

The Villeroy & Boch brand has always stood for 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 and cutlery. 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.

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.

If 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.

#### 3.2 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. → [Code of Conduct](#)

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. At the reporting date, the criteria were met by 2,821 suppliers (previous year: 2,771<sup>2</sup> suppliers) accounting for a total procurement volume of € 598.9 million, i.e. 95 % of the Group's total volume. The intended coverage of the procurement volume by the Code of Conduct of more than 90 % was achieved again in 2022, and was at the reporting date at 93 %.

In the context of supply chain management, all key suppliers (suppliers with a 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>3</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 2022 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 were 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.

The *Lieferkettensorgfaltspflichtengesetz* (LkSG - German Supply Chain Due Diligence Act) requires 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. To implement the Supply Chain Due Diligence Act, Villeroy & Boch devised an action plan in 2022 to take a structured snapshot of the existing processes and to implement the new processes to be set up in conjunction with risk management. This allowed us to plan and implement the measures required by the new law early on, well before 1 January 2024 when it will first apply to us directly. The risk management consisting of the processes and assignments developed has since been established by 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 Supply Chain Due Diligence Act status quo survey was conducted in the business area in 2022. Also, all direct suppliers were subjected to a risk assessment for potential violations of the legal interests protected by the Supply Chain Due

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<sup>2</sup> previous year changed

<sup>3</sup> Country of the supplier of goods/service provider

Diligence Act and risk prioritisation in accordance with the adequacy principle of section 3(1) and (2) LkSG, which is reviewed on an ongoing basis. ▲

## 4. ENVIRONMENT

### 4.1 Basic principles of our environmental and energy management

▼ We operate a total of thirteen production and assembly sites 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>2e</sub> emissions and non-recyclable waste. This way we reduce costs and improve our life cycle assessment and energy footprint.

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, 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. The procedure for internal audits, in which we verify compliance with norms at a given location, has been changed since 2020 owing to COVID-19, in that the internal audits are no longer carried out across several countries. In total, 45 internal audits were performed in the 2022 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>2e</sub> 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.

→ “Energy and CO<sub>2e</sub> emissions”

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 three-year 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.

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>2e</sub> 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. In 2021, a multi-departmental project team worked in depth with an energy sector consultancy to produce a technologically sound decarbonisation roadmap. 2040 is the target for the Group to achieve CO<sub>2e</sub> neutrality, and climate neutrality by 2030 is considered a realistic target for our non-ceramic sites. ▲

#### ***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.

In the 2022 financial year, for example, the kiln heat recovery project was completed in Torgau, which can reduce gas consumption for the kiln process by around 20 %. Furthermore, a project using the latest generation of driers has been initiated at our French ceramic sanitary ware plant. In addition, the waste heat from the firing process is to be used in the heating cycle for the dryers. These measures will allow a significant reduction of gas consumption and CO<sub>2e</sub> emissions at this location. Regarding the buildings, further investments were made in the energy-efficient roof insulation at the logistics centre in Merzig and head office in Mettlach.

Villeroy & Boch holds internal cross-site energy management conferences to enable the sharing of information on best practice solutions and to intensify future projects. The regularly held event is attended by the energy management officers from all the ISO 50001-certified production sites and members of the Management Board. Since the end of 2021, the focus of the cross-site information exchange has been widened to include decarbonisation. ▲

### **Measures to reduce CO<sub>2e</sub> emissions**

▼ Based on the decarbonisation strategy, 2022 was used as the formation year to take readings, to carry out data engineering and to plan investments so that the measures can be implemented in the following years.

While the current decarbonisation strategy is to be retained, in view of the extreme rise in energy prices efforts will be made to implement the energy efficiency projects as quickly as possible and to further intensify research work to enable a transition within the firing process at an earlier date if possible.

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

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>2e</sub>). ▲

In the reporting year, we launched a project to calculate material Scope 3 emissions and to identify suitable recommendations for reducing them. When the Scope 3 CO<sub>2e</sub> 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>2e</sub>, 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, whereby a reduction potential in excess of 20 % is anticipated.

The transition in firing processes is the biggest challenge in reducing CO<sub>2e</sub> 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. In addition, there are plans to install an electric test kiln in 2023 to perform test firings on a larger scale. Moreover, an existing laboratory kiln will be converted into a hydrogen kiln to allow further test firings in 2023.

In addition to the transition of the firing process, energy efficiency measures offer savings potential of around 20 % of gas consumption, hence these are also to be implemented as a top priority. An EnerViT system has been installed at our location in Torgau (Germany). The burner will be converted to energy-saving operation, and the associated change in the air quantities supplied and the air flow within the kiln will reduce gas consumption and thereby CO<sub>2e</sub> emissions as well. There are plans to

implement heat recovery with heat accumulators at our location in Valence d'Agen (France). In addition, investments were approved for the implementation of the EnerViT system at the locations in Mettlach (Germany) and Lugoj (Romania) that will be realised in 2023 and 2024.

The use of renewable energy naturally also plays a significant role in achieving climate-neutrality. A solar power system with a planned total area of 6,800 m<sup>2</sup> and an output of 920 kilowatt-peak (kWp) is undergoing construction at the location in Merzig. As a result, 8 % of the site's total electricity consumption will be self-generated in future, thereby reducing emissions by 417 tonnes CO<sub>2e</sub>/year. This is equivalent to approximately 3 % of CO<sub>2e</sub> emissions at the site. At the Belgian production location, another solar power system will be installed on 2,130 m<sup>2</sup> of roof and outdoor areas in total, which is expected to generate 21 % of total electricity consumption in future. Work is currently underway on a solar power facility at our Hungarian production location as well. An internal electricity consumption of 6 % is planned for the first step. Several other solar power facilities are in the planning phase, which entails a structural analysis and a review of the roof design. In 2019, more than 1,800 solar panels were 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>2e</sub> emissions.

### **Energy consumption**

▼ Our reporting on energy consumption focuses on our production locations. In the 2022 financial year, consumption of natural gas – our most important form of energy – amounted to 446.6 GWh in total (previous year: 453.4 GWh). The gas-intensive firing process meant that 99.0 % of this figure was attributable to the ceramic factories in both divisions around the world. Electricity consumption in production amounted to 92.8 GWh (previous year: 93.8 million GWh) in the period under review, below the previous year. Our ceramic production sites accounted for 85.1 % 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 5.9 % for gas and 4.4 % for electricity. The reduction of both forms of energy is due to the increased output since the previous year.

Direct and indirect CO<sub>2e</sub> emissions (Scope 1 and 2) can be calculated on the basis of our electricity, gas and oil consumption data and the CO<sub>2e</sub> emissions factors. We have used the location-based approach to do so. In total, such emissions fell to 115,964 tonnes in the 2022 financial year (previous year: 120,799 tonnes) as a result of more efficient production compared to 2021. The ratio of CO<sub>2e</sub> emissions for our ceramic locations per tonne to the net production volume per tonne was 1.6 and could be reduced compared to the previous year (1.7). ▲

## **4.2 Energy and CO<sub>2e</sub> emissions**

▼ 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.

Considerable potential for improving raw material and energy efficiency is presented by a further reduction in reject rates. 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 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 so-called “burned 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 2022 financial year, we prepared and used a total of 103,466 tonnes (previous year: 101,880 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 has declined by 3.0 % year-on-year as a result of the higher output. The amount of glaze used reduced to 10,089 tonnes in absolute terms in the reporting period (previous year: 9,622 tonnes); the specific consumption amounts to -10.4 %.



### 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 drinking 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 drinking water. Fortunately, we are continuing to benefit from measures already implemented to reduce drinking 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 drinking 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 reporting year, 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 drinking water required at the location.

Our production locations used 1,131,246 m<sup>3</sup> of drinking water in total in the 2022 financial year (previous year: 1,122,638 m<sup>3</sup>). However, consumption was reduced by 2.3 % in relation to the quantity of saleable goods in tonnes. In particular, this is as a result of the more efficient production and the rising output. Furthermore, the wastewater treatment plant built at our Thai site in the previous year is also contributing to the reduction. In 2022, 34.6 % of water consumption here was covered by internally recycled water. ▲

#### 4.4 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 at our bathroom furniture production site in Mondsee (Austria) for heat generation, 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 German bathroom furniture factory in Treuchtlingen. 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 16.3 % year-on-year to 41,253 tonnes in the 2022 financial year. Among other things, this is thanks to the improvement in production efficiency at the ceramics plants. Furthermore, a customer was found for fired breakage at the production site in Thailand. Approximately 7,500 tonnes of material are thus recycled externally as a secondary raw material.

Gratifyingly, our waste volumes have declined since the previous year and Villeroy & Boch is aiming to reduce them further moving ahead. "Circular economy" is becoming more important at the Villeroy & Boch Group, even though it was not possible to identify further points that can be implemented given the longevity of our products. In future, we will take this into account more intensively from a strategic perspective and integrate the issue into our business model, existing processes and the development of our products. Accordingly, more attention is to be paid to the internal recycling of raw materials in production and the recyclability of our products as well as the circularity of our processes. Similarly, the expansion of possible circular economy concepts to supply chains is being investigated.

## 5. EMPLOYEES

### 5.1 Basic principles of our HR management

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. As at the end of the reporting year, it was resolved to expand the Management Board by adding an officer in charge of HR/organisational development and an officer in charge of digitalisation. The member of the Management Board responsible for HR/organisational development will also perform the role of Chief Human Resources Officer. In addition to the efficient design, standardisation and controlling of HR processes, the HR organisation also focuses on 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 the reporting year as well, we have therefore been working intensively on the digitalisation of our HR and organisation management processes. At the end of 2021, we successfully implemented a state-of-the-art human capital management system (HCM system). We improved this in 2022 to optimise both its use and its handling for our managers, employees and the global HR team. While the focus was on introducing global processes, for instance in employee master data management and recruitment, in the early days of its implementation, the task at hand in the reporting year was to evaluate salary structures around the world and to digitalise them in a global salary and bonus planning process. Furthermore, we optimised our e-learning portfolio via the system platform and made it more interesting to use (e.g. with the active communication of news as well as the documentation of key information and policies for employees). In conjunction with the analysis of HR data for the optimisation of decision-making processes, informative visualisations were produced to establish organisational analysis as a component of state-of-the-art organisational management specifically in the areas of headcount management, recruitment, performance management and diversity. In the coming years, we will continue to work on the optimisation and technical use of the HCM system, with issues such as time management, HR planning and employee surveys.

The Villeroy & Boch Group had 6,759 employees as at the end of 2022 (previous year: 6,907). 37.6 % of the total workforce was employed at our German locations. Further key figures on the employee structure can be found in the annual report. → [Annual Report](#)

## 5.2 Fair working conditions

### Human and labour rights

▼ As a global company with production, sales and administrative locations in a variety of 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. → **Code of Conduct** 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 compliance”**

No events with significant negative repercussions affecting our goal of honouring human and labour rights became known at our locations in the 2022 financial year or the previous year. → **“Responsibility in the supply chain” ▲**

### Co-determination and remuneration

▼ Maintaining a good social partnership is a key component of our HR policy. Employee participation in the context of co-determination 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, uniformly around the world and 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.

Given the recent sharp rise in the cost of living as a result of inflation, in the reporting year we implemented shopping vouchers that can be widely used in Germany to help out our commercial employees and those employees covered by collective wage agreements. The cards are electronically credited with a fixed budget and can be used to pay in a number of shops. ▲

In November 2021, our employees were offered the chance to purchase Villeroy & Boch preference shares on special, concessionary terms for the first time. Given the positive response, it was decided that this offer will be repeated, and expanded, again at a future date.

### 5.3 Occupational health and safety

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. Despite all the obstacles thrown at us by the ongoing COVID-19 pandemic, we were able to successfully recertify all the locations that were previously ISO 45001 certified in the reporting year. Three more locations were certified for the first time in 2022 as well. Furthermore, a ceramic plant abroad was certified in January 2023. Our quality and work safety policy provides the basis for a successful first-time 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 lifting aids in Mettlach, Romania, Thailand and Hungary, the optimisation of fire safety in Romania and Thailand, technical measures to reduce noise and emissions by cooling lubricants from machinery in Sweden and the optimisation of air quality around kilns in France and Romania.

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 regular 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 period under review, the training focus continued to be on protecting the health of our employees and on defining and implementing COVID-19 protective measures.

A general pandemic team, consisting of representatives from H & S, HR, the company doctor, the Works Council, the Press department and Facility Management among others, ensured that the necessary measures were devised, communicated and implemented in good time. This is mainly based on the statutory requirements. Several protective measures were implemented and, in accordance with the German COVID-19 Regulation and the occupational health and safety rules, combined to form hygiene concepts and risk assessments. These included mask requirements, compliance with social distancing and hygiene rules, the separation of teams, by both space and time and remote working. Continuous daily self-administered testing was made available for all people working in-house to protect employees, external service provider and third companies and to break infection chains. Sales representatives and employees at shops and all plants in Germany and Europe were provided with rapid tests as necessary and in line with national regulations to ensure an adequate safety level when on the road or at work. In January 2022, the booster vaccinations available since the fourth quarter of 2021 continued to be provided at our Saarland locations and in Romania and Thailand, a move that was very well received by staff despite the public availability of vaccines. COVID-19 boosters were also offered for risk groups at the Saarland locations from October 2022. Flu vaccinations were distributed internally by company doctors at the locations in Germany and Austria in the 2022 winter season.

Thanks to this range of measures, we were able to guarantee effective infection protection for our employees and to maintain operational continuity at all locations. Despite high infection rates among the population, 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 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.

Despite various protection, prevention and training activities, we observed a negative accident trend at some plants in the period under review.

The accident severity index rose from 37.8 in the previous year to 43.0 in the reporting period, while the TRI rate climbed from 2.2 to 3.3 as at 31 December 2022. It should be noted that the number of hours worked was close to full capacity at nearly all locations, and increased by 62,058 hours in the Group (up 0.7 % year-on-year).

In the 2022 financial year, there were a total of 113 (previous year: 74) occupational accidents and 27 (previous year: 14) 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 1,891 work days lost (previous year: 1,548 work days lost).

Accidents are usually caused by behavioural factors, such as carelessness. According to the experts, the impending energy crisis with a shorter holiday period in the summer, plants operating at full capacity and the added strain of waves of COVID-19 and flu all contributed to this. The shorter break times implemented in the first half of the year were largely offset at the plants concerned by longer holidays in December. In particular, accident numbers were very stable at the locations in Belgium, the Netherlands, Austria, Romania and Sweden. There were no occupational or area accidents with fatal consequences throughout the Group in the reporting period or the previous years.

To counteract the trend in accident numbers, the operative deployment of work safety specialists and managers was intensified at plants. Employee awareness training, for instance in the form of regular safety training, emergency and evacuation drills, internal inspections and external audits, monitoring the implementation of measures and investment in large and small projects to optimise working conditions are carried out continuously and intensively to keep driving the safety culture forwards. The ongoing development of the occupational safety management system is being supported and harmonised throughout the Group by the steady expansion and maintenance of ISO 45001 certifications.

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. While there was an increase of 1.1 %, our sick rate has nonetheless remained at a low level for years. The increase from 4.3 % in the previous year to 5.4 % in 2022 can mainly be attributed to increased absences due to COVID-19 and other respiratory diseases, and reflects the progression of infection waves in society.

In the field of health promotion, we use the fitnessRAUM.de platform to offer online sports programmes, which are being very well received by users. In conjunction with hybrid and remote working, this platform allows all employees to take advantage of the training offered by a location flexibly and independently. Also, around 100 participants once again took place in the corporate fun run.

There were two gold medals for sporting achievements, one for the best apprentice and one for the fastest women's team.

The supplementary health insurance FEELfree has been available to our employees covered by collective bargaining agreements 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.

Also, as in 2021, the healthcare implications of the pandemic for our employees were focused on in the period under review. Consultations with the company doctor and regular occupational health screenings provide our employees at the Saarland locations with professional care tailored to their needs. The 'Healthy Mind' project that began in 2021 was continued for all employees at the German locations in the reporting year. 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 conjunction with prevention, various health campaigns in cooperation with health insurance companies and private institutions were offered at the Saarland locations to counteract the consequences of the long-term isolation required by law owing to COVID-19. The preventive motto 'Healthy living in the new normal' was reflected in presentations, workshops, cookery courses and cardiovascular monitoring stations. This gave employees a useful tool for stress management and for building resistance, for healthy diets and more exercise on a day-to-day basis. At our plants in Romania and Sweden, the health focus was on the 'Healthy back' and 'Ergonomic lifting' campaigns in the reporting year. Cardiovascular exams and cancer screening was offered for employees in Romania and Hungary as additional health recommendations. 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. The medical equipment acquired in 2021 was used for health screenings and the results were sent directly to subjects' files.

#### **5.4 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.

With employees from 84 different nations, cultural diversity is a part of everyday life at the Villeroy & Boch Group. Our German locations alone had employees with 52 different nationalities at the reporting date. The number of foreign employees in Germany increased from 379 in the previous year to 479 as at 31 December 2021.

The advancement of women, particularly in management positions, is a strategic objective. At the reporting date, 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 31.1 %. Our long-term target for Villeroy & Boch AG is still 40 %.

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 use 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 48.0 %, followed by the over 50s at 36.5 % and the under 30s at 15.5 %.

We offer flexible working time models at various locations to promote work-life balance. In the past year, we have implemented up to 40 % remote working per week as standard in non-operating areas. Furthermore, our employees can take advantage of flexitime models and we are testing and using flexible shift systems. Among other things, we piloted a six-shift model at one of our production facilities in 2022 to reduce stress for older employees and to attract new specialists for roles in production. Furthermore, we are currently testing 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, 14.3 % of the Group's workforce (previous year: 15.3 %) was employed on a part-time basis as at 31 December 2022. 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. In line with the trend, demand is rising for paternity leave, which we are happy to offer.

Expanding our co-working space in central Cologne for employees in areas such as analytics, e-commerce, online-marketing and data science and the use of our locations around the world to fill global specialist and management roles are allowing us to attract and develop employees for whom relocating to our corporate headquarters is not an option. With our new boarding house soon to be completed in Mettlach, we are also increasing flexibility to provide employees from other countries working on projects or short-term secondment a home at our corporate headquarters.

Showing appreciation for our employees and informal opportunities to come together and talk are important to us. To boost team cohesion around the world, this is why we are offering our managers a team-building budget that they can use within set parameters. From bridge building to escape rooms to virtual city tours, more and more events that capture the zeitgeist are happening. Furthermore, after-work events, summer, St Nicholas and Christmas celebrations are important opportunities for the company to say 'thank you' to employees throughout the year. For example, we were able to welcome more than 600 employees from Germany and abroad at our after-work event in Mettlach in summer 2022. Another unusual and creative example was initiated by our employees from Belgium, who organised their own funfair with homemade games and attractions. These events primarily let individual team members get to know each other better, so that everybody's strengths can be used even better within the team. Also, there was a variety of work parties at German and international

plants; from an after-work roadshow in Germany to summer teambuilding events in Sweden and ceramics day events in Romania and Hungary.

## 5.5 Personnel 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. We expanded our range of project internships in the reporting year. 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. We continue to focus on the training and further development of technical specialists in order to combat the skills shortage in this sector in particular. Here we are increasingly using social media channels to reach out to candidates as well as for employer branding.

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. The junior management programmes for the digital unit, marketing and online marketing were combined to create a single development programme with close links to sales in the reporting year. At the same time, the number of junior management candidates was doubled in the areas of production, supply chain management and sales to allow us to respond more effectively to changing market situations. 31 talented young employees were being prepared to assume specialist and management functions in various departments as at the reporting date (previous year: 24). 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 is another key pillar in conjunction with demographic change, especially in our production areas. Accordingly, we have increased the total number of technical and commercial apprenticeships at our Saarland plants to 44. Unfortunately, we were unable to fill all apprenticeship spots in 2022. We therefore recently entered into a cooperation with saaris (saarland.innovation & standort e. V.), the Saarland state government marketing team, to advertise vocational apprenticeships as well as specialist and management positions in the region together. In addition to our main training locations in Mettlach and Merzig, we use regional Group locations and organisational units for the development of talented young employees. As at 31 December 2022, we employed a total of 147 young people throughout the Group in vocational training or as part of dual study programmes (previous year: 178), 96 of whom (previous year: 96) in Germany and 51 (previous year: 82) were employed at our international locations.

### Further and advanced training

Villeroy & Boch's growth and success are essentially based on the commitment and skills of our 6,759 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. In 2022, in addition to the management training launched in 2021, we set up an initial train-the-trainer concept, where co-workers from different areas were trained alongside HR employees in applying the Gallup Strengths Finder concept. The concept is focused on recognising, challenging and promoting employees' strengths within the team and growing their skills and capabilities.

The established global performance process also focuses on the issues 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. In the reporting year, based on our corporate values, we rolled out the 360° leadership questionnaire for all managers at the first and second management level. In the 360° leadership evaluation, our managers receive feedback on their leadership skills from their managers, employees and colleagues. Also, our HR software offers employees around the world the chance to receive or obtain feedback for themselves or others at any time.

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. To date, all commercial employees in Hungary, Romania and Germany have been enabled to make more active use of our HR software by using digital payroll accounting. 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 200 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 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.

A total of 2,094 employees at our German locations participated in training measures in the 2022 financial year.

## Fleet management

The Villeroy & Boch fleet, which is assigned to HR for organisational purposes, is also run sustainably. More and more diesel hybrid vehicles are gradually being acquired. What initially began as a pilot project has now become a fixed component of the company car policy. The use of clever charging options at work and privately at employees' homes reduced fuel consumption by this user group by around 40 %. Some users can make the journey from home to work almost entirely electrically, which not only saves on fuel but thus also reduces CO<sub>2e</sub> by a great deal. Purely electric vehicles are even more sustainable. This fleet is growing all the time as well, and more and more company vehicles are being ordered that do not use a conventional combustion engine at all, which is why electric vehicles have also been made a permanent fixture of our policy.

Our fully electric small cars at our Saarland locations are still a popular means of travelling between Saarland locations quickly and easily. Our employees value this option immensely, and so are losing any possible inhibitions regarding fully electric mobility. In summer 2022, we installed several charging stations in Merzig and Mettlach for employees with private hybrid or electric vehicles, where our employees can charge up at cost price. After registering once, users initiate the charging processing using their work IDs and pay for the electricity used at the end of the month. Thus, as an employer we are promoting the private transition from conventional combustion systems to greener alternatives.

The electrification of the fleet is continuing to gain in significance internationally as well. In this regard, special mention should be made of our colleagues in the UK, where the fleet is steadily and enthusiastically being converted from conventional combustion engines to fully electric vehicles.

## NOTES

Table 1

## Non-financial report: Overview of reported key figures and performance indicators

Key figure	Villeroy & Boch Group		Villeroy & Boch AG	
	2022	2021	2022	2021
<b>▼ Business model</b>				
Revenue	€ 994.5 m	€ 945.0 m	€ 633.0 m	€ 603.0 m
Operating EBIT	€ 98.2 m	€ 92.8 m	–	–
EBIT (IFRS)	€ 96.8 m	€ 90.5 m	–	–
Net income (HGB)	–	–	€ 53.5 m	€ 27.5 m
Return on net operating assets <sup>(1)</sup>	31.5 %	32.9 %	–	–
<sup>(1)</sup> For management purposes, the return on net operating assets is calculated at Group level only. ▲				
<b>▼ Anti-corruption and antitrust law</b>				
Coverage ratio of anti-corruption training <sup>(2)</sup>	94 %	97 %	96 %	98 %
Coverage ratio of antitrust law training <sup>(2)</sup>	92 %	96 %	94 %	97 %
<sup>(2)</sup> Declining ratio due to increase in the employees to be trained as a result of greater risk exposure ▲				
<b>Product responsibility</b>				
Externally tested articles in the Dining&Lifestyle Division	254	563	254	563
- New products <sup>(3)</sup>	66	183	66	183
- Existing range <sup>(4)</sup>	188	380	188	380
<sup>(3)</sup> Reduction in externally tested articles due to lower number of new products.				
<sup>(4)</sup> Reduction in externally tested articles due to different test cycles.				
<b>▼ Responsibility in the supply chain</b>				
Procurement volume, total <sup>(5)</sup>	€ 631.9 m	€ 569.2 m *	€ 285.7 m	€ 256.6 m *
Suppliers classified as material	2,821	2,771 *	1,097	1,036 *
- Associated procurement volume	€ 598.9 m	€ 537.7 m *	€ 278.2 m	€ 249.9 m *
- Coverage of procurement volume by Code of Conduct	93 %	90 %	95 %	91 %

<sup>(5)</sup> previous year changed; optimisation of attribution ▲

\* previous year changed

Key figure	Villeroy & Boch Group		Villeroy & Boch AG	
	2022	2021	2022	2021
<b>▼ Energy and CO<sub>2e</sub> emissions in production</b>				
Natural gas consumption	446.6 GWh	453.4 GWh *	153.2 GWh	156.6 GWh
Electricity consumption	92.8 GWh	93.8 GWh	30.1 GWh	30.6 GWh
CO <sub>2e</sub> emissions scope 1 <sup>(6)</sup>	91,324 t	93,110 t	31,103 t	31,917 t
CO <sub>2e</sub> emissions scope 2 <sup>(6)</sup>	24,640 t	27,689 t	7,070 t	7,665 t
CO <sub>2e</sub> emissions scope 1 and scope 2 <sup>(6)</sup>	115,964 t	120,799 t	38,173 t	39,582 t
Ceramics CO <sub>2e</sub> emissions (t) / net production volume (t) <sup>(6)</sup>	1.6	1.7	2.1	2.3
<sup>(6)</sup> Based on the Greenhouse Gas Protocol (location-based approach); on the basis of AIB, DEFRA, IGES and UBA emissions factors ▲				
<b>▼ Raw material efficiency in production</b>				
Quantity of ceramic slip used	103,466 t	101,880 t	26,820 t	27,047 t
Quantity of glaze used	10,089 t	10,745 t	3,168 t	3,381 t
				▲
<b>Employees/personnel development</b>				
Employees	6,759	6,907	2,191	2,203
- of which in Germany	2,543	2,565	2,189	2,201
Trainees and dual students	147	178	96	89
Juniors	31	24	30	24
Employees participating in continuing professional development <sup>(7)</sup>	–	–	1,907	868
<sup>(7)</sup> This figure is calculated at a local level and not consolidated at Group level.				
<b>Occupational health and safety</b>				
Occupational accidents	113	74 *	47	30
- Resulting work days lost	1,440	1,403 *	272	405
Area accidents	27	14	19	4
- Resulting work days lost	451	145	325	42
Sick rate	5.4 %	4.3 %	5.4 %	6.3 %

\* previous year changed

Table 2a

## ▼ EU-Taxonomy: Turnover

Economic activities	Code(s) (2)	Absolute turnover (3) in k€	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category (enabling activity or) (20)	Category ‘(transitional activity)’ (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	--	--	--	--	--	--								0%	--		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														0%	--		
Total (A.1 + A.2)		0	0%														0%	--		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Turnover of Taxonomy-non-eligible activities (B)		994,468	100%																	
Total (A+B)		994,468	100%																	

1 Percentages refer to total (A+B) amount

2 Percentages refer to the environmentally sustainable activities

3 Currently not reported; relevance expected for the financial year 2023

-- Points not applicable or not currently applicable



Table 2b

▼ EU-Taxonomy: CapEx

Economic activities	Code(s) (2)	Absolute CapEx (3) in k€	Proportion of CapEx (4) % <sup>1</sup>	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)					Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of CapEx, year 2022 (18) % <sup>1</sup>	Taxonomy-aligned proportion of CapEx, year 2021 (19) % <sup>1</sup>	Category (enabling activity) (20) E	Category ‘(transitional activity)’ (21) T
				Climate change mitigation (5) % <sup>2</sup>	Climate change adaptation (6) % <sup>2</sup>	Water and marine resources (7) % <sup>3</sup>	Circular economy (8) % <sup>3</sup>	Pollution (9) % <sup>3</sup>	Biodiversity and ecosystems (10) % <sup>3</sup>	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N					
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																			
5.1 Construction, extension and operation of water collection, treatment and supply systems	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	--	--
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	--	T
7.2 Renovation of existing buildings	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	--	T
7.3 Installation, maintenance and repair of energy efficiency equipment	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	E	--
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	E	--
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	E	--
7.6 Installation, maintenance and repair of renewable energy technologies	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	E	--
7.7 Acquisition and ownership of buildings	--	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	0%	--	--	--
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>0</b>	<b>0%</b>	--	--	--	--	--	--	--	--	--	--	--	--	<b>0%</b>	--	--	--
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
5.1 Construction, extension and operation of water collection, treatment and supply systems	--	53	0%																
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	--	2,300	4%																
7.2 Renovation of existing buildings	--	7,224	12%																
7.3 Installation, maintenance and repair of energy efficiency equipment	--	548	1%																
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	--	22	0%																
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	--	6	0%																
7.6 Installation, maintenance and repair of renewable energy technologies	--	1,184	2%																
7.7 Acquisition and ownership of buildings	--	18,402	32%																
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>29,739</b>	<b>51%</b>													<b>0%</b>	<b>--</b>		
<b>Total (A.1 + A.2)</b>		<b>29,739</b>	<b>51%</b>													<b>0%</b>	<b>--</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
<b>CapEx of Taxonomy-non-eligible activities (B)</b>		<b>28,485</b>	<b>49%</b>																
<b>Total (A+B)</b>		<b>58,224</b>	<b>100%</b>																

1 Percentages refer to total (A+B) amount

2 Percentages refer to the environmentally sustainable activities

3 Currently not reported; relevance expected for the financial year 2023

-- Points not applicable or not currently applicable



Table 2c

▼ EU-Taxonomy: OpEx

Economic activities	Code(s) (2)	Absolute OpEx (3) in k€	Proportion of OpEx (4) % <sup>1</sup>	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx, year 2022 (18) % <sup>1</sup>	Taxonomy-aligned proportion of OpEx, year 2021 (19) % <sup>1</sup>	Category (enabling activity) (20) E	Category ‘(transitional activity)’ (21) T
				Climate change mitigation (5) % <sup>2</sup>	Climate change adaptation (6) % <sup>2</sup>	Water and marine resources (7) % <sup>3</sup>	Circular economy (8) % <sup>3</sup>	Pollution (9) % <sup>3</sup>	Biodiversity and ecosystems (10) % <sup>3</sup>	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0 <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0 <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	-	
Total (A.1 + A.2)		0 <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	-	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
OpEx of Taxonomy-non-eligible activities (B)		0 <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total (A+B)		54.108	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

1 Percentages refer to total (A+B) amount

2 Percentages refer to the environmentally sustainable activities

3 Currently not reported; relevance expected for the financial year 2023

4 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.

-- Points not applicable or not currently applicable



## GLOSSARY

Notes on figures in Table 1 of the Annex:

### **Business model**

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#### **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**

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**

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#### **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**

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#### **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 (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 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 und CO<sub>2e</sub> 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>2e</sub> 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>2e</sub> emissions). CO<sub>2e</sub> 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>2e</sub> emissions (t) / net production volume (t)**

Quantity of CO<sub>2e</sub> 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**

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**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.

## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

### Independent auditor's report on a limited assurance engagement

To Villeroy & Boch AG, Mettlach

We have performed a limited assurance engagement on the separate non-financial report of Villeroy & Boch AG, Mettlach, (hereinafter the "Company"), which is combined with the separate non-financial report of the Group, which comprises the disclosures marked with a "blue triangle at the beginning (▼) and the end (▲)" in the Sustainability Report 2022, for the period from January 1, 2022 to December 31, 2022 (hereinafter the "non-financial report").

Our engagement exclusively refers to the disclosures marked with a "blue triangle at the beginning (▼) and the end (▲)" in the German pdf version of the sustainability report. Not subject to our assurance engagement are other references to disclosures made outside the separate non-financial report as well as prior-year disclosures. Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the separate non-financial report, which are marked as unassured.

### Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the separate non-financial report in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU Taxonomy" of the separate non-financial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate separate non-financial reporting methods and making assumptions and estimates about individual separate non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a separate non-financial report that is free from material misstatement, whether due to fraud (manipulation of the separate non-financial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder 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 the Delegated Acts adopted thereunder in section "EU Taxonomy" of the separate non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

### **Independence and quality assurance of the auditor's firm**

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW *Standard on Quality Management* issued by the Institute of Public Auditors in Germany (IDW): *Requirements for Quality Management in the Audit Firm (IDW QS 1)* and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

### **Responsibilities of the auditor**

Our responsibility is to express a conclusion with limited assurance on the separate non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with 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 to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's separate non-financial report is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the separate non-financial report. Not subject to our assurance engagement are other references to disclosures made outside the separate non-financial report, prior-year disclosures as well as the external sources of documentation or expert opinions mentioned in the separate non-financial report, which are marked as unassured.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the relevant employees involved in the preparation of the separate non-financial report about the preparation process, about the internal control system related to this process, and about disclosures in the separate non-financial report,
- Inquiries of the employees regarding the selection of topics for the separate non-financial report, the risk assessment and the policies of the Group for the topics identified as material,
- Inquiries of employees of the Group responsible for data capture and consolidation as well as the preparation of the separate non-financial report, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the separate non-financial report,
- Identification of likely risks of material misstatement in the separate non-financial report,
- Analytical procedures on selected disclosures in the separate non-financial report at the level of the Group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible or taxonomy-compliant and the corresponding disclosures in the separate non-financial report,
- Evaluation of the presentation of the separate non-financial report.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

**Assurance conclusion**

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial report of the Company for the period from January 1, 2022 to December 31, 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU Taxonomy" of the separate non-financial report.

We do not express an assurance conclusion on the other references to disclosures made outside the separate non-financial report, prior-year disclosures or the external sources of documentation or expert opinions mentioned in the separate non-financial report, which are marked unassured.

**Restriction of use**

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

**General Engagement Terms and Liability**

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 20 February 2023

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Richter

Hauschildt

Wirtschaftsprüferin

Wirtschaftsprüferin

[German Public Auditor][German Public Auditor]