

# SUSTAINABILITY REPORT 2021



# EDITORIAL



*Jean Neuberger,*

2021 was an especially successful financial year in which we were able to significantly outperform our business goals while at the same time satisfying our environmental and social responsibility.

In the past year, in which life increasingly relocated back to our own homes due to COVID-19, we successfully implemented our vision of “making houses a home” with many sustainable product innovations. One example is the TwistFlush technology, which earned the German Innovation Award. TwistFlush uses the physical power of a controlled water vortex to flush more thoroughly, while at the same time reducing the quantity of water used.

The main focus of our sustainability activities is the energy-intensive production process, the optimisation and ongoing evolution of which is the key to the path to decarbonisation. We defined ambitious targets and milestones for this in 2021. Based on technologically sound analysis, we have set 2040 as our target for achieving carbon neutrality in the Group. In line with our bold decarbonisation roadmap, our non-ceramics locations are expected to achieve climate-neutrality in their manufacturing operations by 2030. We have used systematic location analysis to identify 150 technically possible decarbonisation measures. By optimizing energy efficiency at the plants and by installing photovoltaic systems, we are aiming to reduce the Group’s emissions by approximately 50 % between now and 2030. The biggest challenge for the next decade will be to develop a radically new firing process that does not rely on fossil fuels. We are already involved in research today.

In addition to significant price hikes for raw materials, attention also increasingly shifted to the issue of supply security and stable supply chains. Long-term supplier relationships with a foundation in trust were particularly valuable in avoiding

production disruptions and ensuring our delivery capability this year. The high rate of acceptance of our Code of Conduct for 90 % of the procurement volume is a solid foundation in this regard.

We added the EU Taxonomy as an area of reporting for the first time this year on account of the new statutory requirements. We examined our business activities for the two relevant environmental objectives of “climate change mitigation” and “climate change adaptation” for Taxonomy eligibility and identified CapEx in connection with energy insulation measures for buildings and the use of energy-efficient lighting as relevant to reporting.

Naturally, the COVID-19 pandemic remained omnipresent throughout the year. The interdisciplinary pandemic team established in the previous year ensured the optimal protection of employees in terms of the rapid implementation of the COVID-19 protection measures possible at any given time. The internal vaccination centres speedily set up in Mettlach, Romania and Thailand in 2021 were particularly well received by staff.

We want to leverage the extraordinarily positive business performance in 2021 to take up the various forthcoming challenges and to continue proactively shaping our path to a sustainable future.

We hope that you enjoy reading this report.

**Dr Markus Warncke, Chief Financial Officer**  
Mettlach, February 2022

# ABOUT THIS REPORT

This report comprises the sustainability report of the Villeroy & Boch Group for the financial year from 1 January to 31 December 2021. The latest version of the sustainability report, published annually in German and English, is available to download from the company's website at [www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports](http://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports). The Group companies included in the report are the same as the basis of consolidation in the 2021 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. 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 sustainability report has been approved by the Management Board of Villeroy & Boch AG.

The EU Taxonomy and – as environmental protection is an issue of great importance in the Villeroy & Boch Group – measures to reduce CO<sub>2</sub> emissions were reported on for the first time in the reporting year. For further details please refer to the sections “EU Taxonomy” and “Measures to reduce CO<sub>2</sub> emissions”.

The integrated content of the non-financial report was most recently voluntarily audited for limited assurance in accordance with the International Standard for Assurance Engagements (ISAE) 3000 (Revised) by the audit firm Ernst & Young in 2018. The sustainability report for the 2021 reporting year has not been audited externally. The need to engage an auditing firm to assist the Supervisory Board in the performance of its statutory audit duty is reviewed annually.

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 as defined by 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 2021 annual report. ► [Annual Report](#)

Mettlach, 7 February 2022



Frank Göring



Gabriele Schupp



Georg Lörz



Dr Markus Warncke

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# STRATEGY AND INTEGRITY

## 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 6,900 employees. As a full-service provider for the bathroom and for high-quality tableware and living accessories, our operating business is divided into the Bathroom and Wellness Division and the Dining & Lifestyle Division. We sell our products in around 125 countries. In addition to our 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 and Wellness Division: two in Germany, two in Sweden and one each in the Netherlands, Belgium, France, Austria, Romania, Hungary and Thailand. In conjunction with the adjustment of our production capacity in line with existing market requirements, we sold our production facilities in Ramos, Mexico, at the end of December 2020. 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)  
 Hódmezővásárhely (Hungary)  
 Lugoj (Romania)  
 Merzig, Mettlach, Torgau and Treuchtlingen (Germany)  
 Mondsee (Austria)  
 Roden (The Netherlands)  
 Roeselare (Belgium)  
 Valence d'Agen (France)

### APAC



Saraburi (Thailand)

We generated consolidated revenue of €945.0 million in the 2021 financial year. The operating result before interest and taxes amounted to €92.8 million, significantly higher than the previous year's figure of €49.7 million. The return on net operating assets was 32.9 % after 14.7 % on 31 December 2020.

Our product range in the Bathroom and 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. The new TwistFlush technology has been a particular highlight for our Bathroom and Wellness Division in the reporting year.

► Section “Technological progress in products”

Even today, our Dining & Lifestyle Division offers far more than 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 90 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 4,100 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 high-quality Villeroy & Boch porcelain is particularly long-lasting and can be used again and again for years. The new To Go & To Stay collection with lunchboxes made of porcelain and glass, multifunctional porcelain mugs and matching glass drinking bottles guarantee plastic-free, hygienic storage at home and environmentally friendly enjoyment out and about. All the articles in this collection are dishwasher safe, microwave safe and can be used in ovens or freezers, making them suitable for all the requirements of day-to-day use.

In addition, we supplement our range with licence-based products from the “Living” area. In particular, this includes lighting, flooring, bathroom and kitchen textiles and furniture for living, dining and sleeping areas as well as kitchen furniture.

#### **SUSTAINABILITY AT VILLEROY & BOCH AT A GLANCE**

For us, achieving our goals as a company 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. In particular, the instruments we use to communicate our approach include the Code of Conduct, the corporate guidelines and our management

principles. We endeavour to provide our employees with a great deal of scope and the best possible support when it comes to achieving their own goals. Since only a creative and motivated workforce can ensure the company's success in the long term, we attach great importance to respectful treatment, fair pay, targeted training opportunities and diversity in practice.

► “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 technically superior products and sustainable value creation. This is why the requirements we make of our suppliers and our in-house production are so stringent. Alongside compliance with the law as well as labour and environmental standards, our aim is to achieve our outstanding 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”, “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 for a number of years. 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.

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. Villeroy & Boch thus provided aid for households damaged by flooding in Rhineland-Palatinate and North Rhine-Westphalia in the middle of July 2021 with a comprehensive package consisting of cash and non-cash donations of more than €100,000. We donated to the St. Vincent's Mission, which provided practical help in the Trier-Ehrang region, and to Aktion Deutschland Hilft,

an alliance of German aid organisations. Furthermore, our divisions also provided household products such as tableware, cutlery and glasses as well as sanitary ware products. For International Women's Day, Villeroy & Boch donated €1 for every female employee working in Germany to the Plan International humanitarian organisation. In Romania, we donated €150,000 in total to "Save the Children Romania, Timișoara", which is part of the global Save the Children charity organisation. The money will be used to extend the accident and emergency wing of the Louis Țurcanu children's hospital in Timișoara and for the paediatric department of the Lugoj City Hospital. Villeroy & Boch was also involved in several other smaller fundraising events in the reporting year. For example, Villeroy & Boch supported the Jean-François-Boch-School (vocational training centre in Merzig) by donating crockery for a new cooking and teaching area, the Saar SOS Children's Village and the Merzig Family Centre with its "Christmas Tree Wish" campaign, making wishes come true for children, and the food bank in Merzig.

## EU TAXONOMY

As part of its climate policy positioning following the Paris Agreement, the European Commission presented the European Green Deal in December 2019. The European Commission's stated aim in the Green Deal is to reduce net greenhouse gas emissions in the European Union to zero by 2050, thereby becoming climate-neutral. To assist in the alignment and financing of the Green Deal, cash flows are to be redirected into "environmentally sustainable" activities. The EU Taxonomy, a classification system to clearly define "environmentally sustainable" economic activities, was developed to enhance the transparency of corporate sustainability and to counteract greenwashing.

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.

The introduction of the EU Taxonomy and the more extensive reporting requirement is a significant next step in linking financial and non-financial disclosures in corporate reporting. The intention is to report the share of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that relates to environmentally sustainable economic activities. To date, the EU Commission has published only the relevant activities for the objectives "climate change mitigation" and

"climate change adaptation". The other four environmental objectives will therefore become relevant only in the reporting from the 2022 financial year. Qualitative disclosures are also required to supplement and explain these key performance indicators.

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. These state that only Taxonomy eligibility in relation to the first two environmental objectives is reportable on initial application for the 2021 financial year. The fulfilment of the technical screening criteria, i.e. whether an activity is considered environmentally sustainable under the EU Taxonomy, does not yet have to be reported on in this financial year.

In processing the necessary Taxonomy disclosures for the Villeroy & Boch Group and Villeroy & Boch AG, we set up a project with the assistance of an expert external service provider. This involved two steps:

**In phase 1** of the project, we examined our business activities for the two relevant environmental objectives to determine whether they are considered Taxonomy-eligible in line with the EU Taxonomy. Interviews were conducted with the relevant business units.

**In phase 2**, we examined all economic activities in terms of their turnover, CapEx and OpEx. The entirety of consolidated revenue, including additions to property, plant and equipment and intangible assets in consolidated non-current financial assets were used as the basis for identifying and calculating these metrics.

Qualitative disclosures were then developed to explain these key performance indicators.

The result of the analysis is that Villeroy & Boch does not generate any turnover from products or services that are currently covered by the environmental objectives of "climate change mitigation" and "climate change adaptation".

Accordingly, our investments in production do not contain any CapEx as referred to by the EU Taxonomy. However, activities that do not generate turnover must also be considered when looking at CapEx (e.g. Annex I to the Delegated Regulation regarding the objective of climate change mitigation C (2021) 2800; activity 7.3. Installation, maintenance and repair of energy efficiency equipment). Here we identified Taxonomy-eligible CapEx - in connection with building energy insulation activities and the use of energy efficiency light sources - amounting to around 6 % of our total investment.

We have dispensed with an analysis of OpEx in relation to Article 8 of the Taxonomy Regulation (see 1.1.3.2.). In particular, this

is because no Taxonomy-eligible turnover-generating activities were identified at Villeroy & Boch. Also, the non-turnover-generating activities to be considered are currently insignificant. No Taxonomy-eligible economic activities were identified in the research and development expenses under consideration either.

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

Environmental protection is an issue of great importance to Villeroy & Boch, which is why we are working intensively to develop measures that reduce CO<sub>2</sub> emissions.

A key aspect of this is the development of a radically new firing process to transition away from gas, the fossil fuel used to date. In the reporting year 2021, a multi-departmental project team worked in depth with an energy sector consultancy to produce a technologically sound decarbonisation roadmap. 2040 is currently considered a realistic target for the Group to achieve CO<sub>2</sub> neutrality. Our non-ceramics locations should be able to achieve climate-neutrality by 2030.

The first step in defining this goal was to align Villeroy & Boch's climate footprint with the Green-house Gas Protocol. Systematic location analysis was then carried out and emissions were clustered by energy type. In total, more than 150 technically possible decarbonisation measures were identified and placed on a timeline according to whether they can be implemented in the short to medium term or in the long term.

The measures that can be implemented in the short to medium term include energy efficiency measures (heat recovery, waste heat conversion, etc.) and the installation of photovoltaic systems. By implementing these measures, the Group's emissions are expected to be reduced by approximately 50 % between now and 2030.

Substantial research efforts are still needed before long-term measures can be decided, planned in detail and made a reality. Two technologies are considered the most promising to develop a new firing process, firstly the substitution of natural gas with green hydrogen and secondly the electrification of the firing process.

To help achieve the stated goals, the decarbonisation strategy will be supported by a comprehensive investment programme (€143 million in total by 2040, around 10 % of which by 2024 inclusively) and further research activities entitled "decarbonisation of the firing process".

### 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, interests 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. We have significantly improved our rating over the past four years and most recently performed better than 92 % of all the companies rated by EcoVadis.

The reporting on Villeroy & Boch's non-financial performance is based on a materiality analysis last conducted in the 2019 financial year. The aim of this analysis was to identify the most important sustainability issues for our industry in general and our company in particular. The relevance of various individual issues in the areas of the environment, employees, supply chain, product responsibility and sustainable corporate management was assessed as part of an internal employee survey conducted at home and abroad. The issues were assessed firstly from an internal perspective, reflecting their relevance to Villeroy & Boch's corporate success (business relevance), and secondly from an external perspective, reflecting their relevance to stakeholders.

In this non-financial report, details are provided on those aspects that are necessary for an understanding of the business performance, results and position of the Group and Villeroy & Boch AG and of the impact of business activities on the non-financial aspects referred to in the law. Villeroy & Boch covers the statutory aspects of environmental and employee concerns, human rights and anti-corruption with these issues. However, no issues classified as significant to social concerns were identified. Nonetheless, we are continuing to work on the positive ongoing development of this issue with our social partners, and have reported on this under "Employees". Other issues are summarised in the additional aspect we have defined of product responsibility.

## NON-FINANCIAL REPORT INDEX

Non-financial aspect	Reportable issues	Section
<b>Environmental concerns</b>	Energy efficiency in production	Environment
	Raw material efficiency in production	
<b>Human rights/ employee concerns</b>	Human and labour rights	Employees
	Occupational health and safety	
	Personnel development	
<b>Environmental concerns/ human rights/ anti-corruption</b> (in relation to the supply chain)	Responsibility in the supply chain	Supply chain
<b>Anti-corruption</b>	Anti-corruption and antitrust law	Corporate governance and compliance
<b>Product responsibility</b> (reported on in addition to statutory aspects)	Quality management and product compliance	Product responsibility

### 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, individual 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. For the first time, non-financial performance criteria were also defined for long-term variable remuneration (long-term incentive (LTI)) in addition to the financial earnings components. These can be derived from the following six subject areas: employee concerns, compliance, customer relationships, environmental and climate protection, responsibility in the supply chain and social responsibility. Targets in the selected areas of environmental and climate protection as well as compliance will be used in all Management Board contracts to be signed or renewed after the adoption of the new remuneration system. This will apply for the first time to Ms Schupp's second term of office from the 2022 financial year. As far as possible on an individual basis, non-financial performance criteria are still taken into account for the bonus system for the other members of the Management Board in conjunction with their short-term variable remuneration. Specifically, these are the ratio of ceramics CO<sub>2</sub> emissions (in tonne) to the net production volume (in tonne) and the coverage

of the procurement volume by the Code of Conduct. Please refer to the [remuneration report](#) in the 2021 management report for detailed information on the remuneration system for the Management Board. ► [Annual Report](#)

### 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.

The Management Board and the Supervisory Board of Villeroy & Boch AG have undertaken to uphold the principles of modern corporate governance. The company complies with the main requirements of the German Corporate Governance Code (GCGC) and issues an annual [declaration of compliance](#). A detailed presentation of the tasks and responsibilities of the committees can be found in the 2021 [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 ensuring 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 and are therefore strictly regulated. For this reason, business integrity is a guiding principle that we regard as a basic requirement for trustful cooperation and the equally sustainable and successful development of our business relationships.

The Villeroy & Boch Group's [Code of Conduct](#), which is binding for all employees, is the central standard for responsible and ethical conduct at all levels of our company and each stage of its value chain.

Among other things, it provides regulations for the areas of anti-corruption and antitrust law. Available in 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 42 functional compliance officers and 63 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 years from 2017 to 2020, we had transitioned from purely policy-based compliance to process-oriented compliance. In the 2021 financial year, we worked on our ongoing evolution and adaptation in line with changing processes and legal frameworks. Another key area is the ongoing digitalisation of the compliance rules applicable to processes and the associated security and control mechanisms.

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

#### **COMPLIANCE TRAINING**

Information and communication are a key instrument for preventing compliance breaches, particularly regarding our employees who are exposed to risk, such as those who work in sales, marketing and purchasing. Given their functions, these employee groups tend to be more exposed to potential corruption, bribery or antitrust risks in their day-to-day work than, for example, administrative employees. These employees therefore receive more comprehensive and more frequent training. We use class-room-based training, 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. We continued the development of our training system and created a completely new e-learning programme in the reporting year. 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, 97 % of relevant employees worldwide completed anti-corruption training, while the antitrust training module was completed by 96 %. In addition, 93 % 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. To this end, we have implemented a Group-wide whistle-blowing 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 whistleblower 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 at Villeroy & Boch AG, Compliance, Saar- uferstrasse 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.villeroy-boch-group.com/en/investor-relations/corporate-governance/compliance](http://www.villeroy-boch-group.com/en/investor-relations/corporate-governance/compliance)).

Our Compliance organisation carefully investigates all reports. 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 2021 financial year, four of which did not lead to disciplinary consequences.

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

As a member of around 50 associations with anti-trust relevance, Villeroy & Boch requires that an antitrust compliance programme is established and actively pursued within the respective organisations. 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 has been certified by an external auditor since 2016 in the areas of antitrust law and combating corruption in Germany in accordance with audit standard IDW PS 980. There have been no material changes since certification.

#### **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 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 2021 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 2021.

► [Annual Report](#)

# PRODUCT RESPONSIBILITY

## TECHNOLOGICAL PROGRESS IN PRODUCTS

Innovation at Villeroy & Boch is a key component for the company's future viability. Product development in the Dining & Lifestyle Division focuses on product design and the functionality of crockery, glass and cutlery. In the Bathroom and 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 prominent 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 total interior of the bowl. The innovative flushing technology requires just 3 or 4.5 litres of water for maximum flushing effect. At the same time, the rimless design enables fast and easy cleaning.

In the shower toilet segment, we have developed the ViClean-I 100, a product whose technology is integrated inside the WC and no longer in the seat, as was previously commonplace. In 2018, we became the first provider to launch this new solution for what is currently the most innovative WC category. The ViClean-I 100 is an elegant, state-of-the-art shower toilet that cleans gently but thoroughly and that comes with a whole host of practical functions. For example, the water temperature, the strength of the water jet and the position of the shower nozzle can be set individually using the remote control or an app. The self-cleaning shower nozzles also ensure optimal hygiene. As the water in the ViClean-I 100 is heated using a flow heater, there is no need for hot water storage, meaning it uses significantly less electricity than models with water tanks. Cleaning with a particularly gentle and thorough water jet means that less toilet paper is required. Other variants of the ViClean product family have been on the market since 2019 (such as the ViClean-A add-on variant or the integrated ViClean-IH and -IE models launched in the reporting year), which are intended for the Chinese market in particular.

The new TwistFlush technology with two new models in the new Subway 3.0 collection was launched in the reporting year. The TwistFlush technology 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 uses just 3 or 4.5 litres. 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.

The AntiBac surface technology that we developed is still proving its value. This is a silver ion glaze that is safe for the environment and for health, and that has been proven to reduce bacterial growth on ceramic surfaces and toilet seats by more than 99.9%, which makes it especially suitable for use in highly frequented areas with very high hygiene standards, such as hospitals or care facilities. In addition to this, for our full range of branded bathroom ceramics and ceramic sinks, we offer CeramicPlus – a dirt-repellent ceramic finish that minimises the use of cleaning products and daily maintenance thanks to its water- and oil-repellent properties.

As innovation goes hand in hand with research and development, we are constantly investing in these activities to further enhance our competitive capability, and to create a foundation for long-term corporate success. We invested €18.7 million in research and development projects, including design development, in the 2021 financial year (previous year: €15.2 million), €13.8 million of which (previous year: €11.5 million) related to the Bathroom and Wellness Division.

Work on the ongoing enhancement of our ceramic materials, products and production technologies continued in the reporting period, and further washbasins were switched to TitanCeram, which allows greater stability in the production of intricately designed and thin-walled products. We cooperate with various research institutes and universities on such issues and are working to integrate methods from the areas of artificial intelligence and machine learning.

The Dining & Lifestyle Division focused especially on the ongoing development of existing production technologies. For example, in the year under review, an isostatic press was successfully integrated into production at our Torgau location for the manufacture of hollowware items such as cups. A shuttle picking system purchased in the previous year was and is still being continuously extended and improved in the central warehouse in Merzig to cope with the rising demands on logistics, which are being driven in particular by the successful growth of e-commerce as a sales channel.

## 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 high 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 and 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.

In 2019, face-to-face training was launched in several instances throughout the Group to raise awareness of the rules of product compliance in the functional areas. Departments such as product marketing, development and procurement are trained on manufacturers' duties at all stages of the product lifecycle. An e-learning module on the legal principles of the product development process for the Bathroom and Wellness Division was rolled out in the reporting year and there was an e-learning class on the general principles of product compliance in the Dining & Lifestyle Division. Further e-learning classes on material compliance are planned moving ahead.

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, further progress was made in the expansion of the testing laboratory for fittings in the reporting year, thereby growing expertise in the area of fittings. The testing equipment for various Villeroy & Boch products was integrated into a joint testing laboratory. Visitor groups and

business partners now have the chance to witness many internal quality audits in one place.

### PRODUCT SAFETY AND CUSTOMER HEALTH

We offer products for our customers' everyday lives, from wash-basins 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). In in-house production, products are tested based on the pilot series manufactured for the first time under mass production conditions. At this stage (or, if there are high risks, already in the pre-production stage) extensive tests are conducted to ensure that the product is not hazardous or harmful to the user's health. The requirements are becoming increasingly complex due to the growing combination of different materials and international variations in the legislation for products that come into direct contact with food or the skin.

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 183 new products were examined externally in the 2021 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. As a general rule, no product reaches the market without being approved by Villeroy & Boch's 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 563 different articles from the existing range, including new products, were tested in external laboratories in the reporting period. For documentation purposes, all of the test reports and their current validity 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 and Wellness Division primarily focuses on the security-relevant aspects of products. To prevent a risk to customer health as a result of systematic product faults, every single ceramic product manufactured by Villeroy & Boch is visually inspected by a qualified member of staff following the firing process. In addition, central quality management has developed a catalogue of tests that requires each model to be subjected to regular, systematic safety and functional checks. New product models are tested more frequently in the first year of production. 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. In the Bathroom and Wellness Division, the previous risk analysis was aligned more closely to the standard of the European Union's rapid alert system for unsafe consumer products and consumer protection (RAPEX). The timely introduction of measures as a result of the risk analysis reduces development expense and enables product optimisation even before approval for series production. 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. 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, we are continuing to work on the digitalisation of the entire stage gate process. The ceramics quality audits were thus digitalised in the reporting year. This digital process was successfully tested and is now being rolled out in our ceramics production facilities.

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 COMPLIANCE AND PRODUCT CERTIFICATES**

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. Both national and international material compliance has been and is still being developed on an ongoing basis. The resulting changes were integrated into the existing workflows. For example, the European Union's new energy labelling and ecodesign requirements for electrical products were reviewed and processed throughout the Group and with suppliers in interdisciplinary teams. No product adjustments were required as the existing design already fulfilled the functional requirements. 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 already 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 therefore endeavour to comply with environmental regulations such as BattG (German Battery Act), BiozidV (Biocides Regulation), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances Directive), TSCA (Toxic Substances Control Act) and WEEE (Waste of Electrical and Electronic Equipment Directive). Internal compliance audits ensure random checks on the implementation of these regulations in our corporate processes.

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 Thailand, in which dynamic product labels can be generated for different markets, which means that product compliance is guaranteed by the system. To ensure the compliance of exports even during COVID-19, external product audits and ISO 9001 audits were conducted in person and remotely to safeguard the necessary protective measures. 35 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. KIWA, IAPMO, IKRAM). Furthermore, environmental product declarations were created for various articles and materials in the reporting year, enabling the presentation of the product carbon footprint along the entire value chain.

# SUPPLY CHAIN

## 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 and Wellness Division, we purchase items such as toilet seats, bathroom mirrors 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.

## RESPONSIBILITY IN THE SUPPLY CHAIN

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

The aim is to ensure that as many suppliers as possible sign up to this Code of Conduct or demonstrate the application of their own

at least equivalent Code of Conduct. In this context, we require both existing suppliers and new business partners in virtually all supplier industries to make a systematic commitment to compliance with our Code of Conduct – and to provide written confirmation. As in the previous year, an annual procurement volume of more than € 10,000 per supplier is currently applied as the materiality threshold. As at 31 December 2021, the criteria were met by 2,760 suppliers (previous year: 2,481 suppliers) accounting for a total procurement volume of € 531.9 million, i.e. 84 % of the Group's total volume. The intended coverage of the procurement volume by the Code of Conduct of more than 85 % was achieved again in 2021 at 90 %.

In the context of supply chain management, all key suppliers 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 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. Supply relationships with suppliers from blacklisted nations must be avoided and, as previously, we did not have any such relationships in the 2021 financial year. 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. An action plan is currently being devised regarding the Lieferkettensorgfaltspflichtengesetz (LkSG – German Supply Chain Due Diligence Act) so that we can comply with the canon of requirements. This will allow 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. In conjunction with this planning, a comprehensive risk analysis of our own processes and those of our immediate suppliers will be carried out and risk-mitigating measures designed on this basis. This will focus on establishing transparency regarding the actual production locations for goods that we source through agents. Stock will then be taken of the existing social audits.

# ENVIRONMENT

## **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>2</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 management and track 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. The introduction of an environmental management system for certification at one site, which began in 2020, was successfully completed in the year under review. 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 had to be changed since last year for COVID-19-related reasons so that the internal audits are no longer carried out across several countries. 17 internal audits in total were performed in the 2021 financial year.

Across all production locations, we pursue strategic goals aimed at the continuous reduction of our specific gas and electricity consumption, as expressed in kilowatt hours per tonne of

saleable goods or CO<sub>2</sub> emissions in tonnes. The strategic 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 efficiency in production” and “Resource efficiency in production”

## **ENERGY CONSUMPTION**

### **ENERGY EFFICIENCY IN PRODUCTION**

The ceramic industry is traditionally energy-intensive. 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.

We permanently work on measures to improve the energy footprint of our production sites. 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.

In addition, we are working on projects for heat recovery at our energy-intensive ceramic factories. In cooperation with renowned research institutions, we are also pursuing ideas for optimising and digitalising the firing process. In this context, the three-year project launched in June 2020 to simulate thermal processes for energy efficiency is still ongoing.

### **EFFICIENCY ENHANCEMENT MEASURES IN DETAIL**

Heat recovery in various forms has been used successfully at the Dining & Lifestyle sites in Merzig and Torgau for a number of years. In Merzig, for example, ceramic pipes are used to dissipate the radiant heat generated by the firing process in order to pre-heat other products and heat the surrounding buildings. Since the start of 2018, the plant has also been running a heat recovery system that uses the waste heat generated by the compressors in compressed air generation to directly preheat the combustion air in the two glost firing kilns. Various heat recovery concepts are also already established practice at our sanitary ceramic ware plants. Thus, a new and efficient recirculation kiln has been reducing energy consumption in Mettlach since 2019. Since last year, our location in Hungary has been using the waste heat generated by kilns for dryers. Furthermore, as part of the “Mettlach 2.0” location development project, the buildings of the local fire brigade have been connected to the combined heat and power plant for heat generation since last year.

In the 2021 financial year, for example, a heat recovery project for a kiln was launched in Torgau, which is hoped to reduce gas consumption for the kiln process by around 20%. Furthermore, several heat recovery measures were implemented at our French ceramic sanitary ware plant. In addition, other measures contribute to a smaller extent to the use of waste heat, and modernisations to efficiency enhancement, such as the transition to modern, more effective power units. Within the property portfolio, there was investment in the roof energy insulation at the logistics centre in Merzig and head office in Mettlach. Also, the gradual changeover of lighting to more efficient LED technology is continuing at all locations.

Sustainable energy generation using solar collectors at our Dutch location in Roden is still seen as a major success. More than 1,800 solar panels were installed on a roof surface of 6,000 sqm in 2019, generating around 20% of the location's annual electricity requirements while simultaneously reducing its CO<sub>2</sub> emissions. A system review was carried out at all sites to make further progress in the Group's use of solar energy. For example, a project was commissioned for our location in Merzig in the reporting year. Furthermore, studies have been initiated to investigate sustainable energy generation using solar collectors for the ceramic plant in Hungary and the plant in Belgium.

Cross-site energy management conferences have been held since 2014 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. This event was held virtually in October 2021 because of COVID-19.

### **ENERGY CONSUMPTION**

Our reporting on energy consumption focuses on our production locations. In the 2021 financial year, consumption of natural gas - our most important form of energy - amounted to 450.3 GWh in total (previous year: 413.2 GWh). The gas-intensive firing process meant that 99.7% of this figure was attributable to the ceramic factories in both divisions around the world. Electricity consumption in production amounted to 93.8 GWh (previous year: 88.8 million GWh) in the period under review, above the previous year as a result of halted production. Our ceramic production sites accounted for 84.1% of this figure. Specific energy consumption, i.e. in relation to the quantity of saleable goods produced in tonnes, across all ceramic sites remained identical for natural gas and decreased for electricity (-3.9%). The key figures cannot be easily compared against those for the previous year on account of the long production shut-downs due to COVID-19 in 2020. However, several efficiency projects were implemented in the area of electricity in particular, such as the optimisation

of compressed air generation or the systematic repair of compressed air leaks.

Direct and indirect CO<sub>2</sub> emissions can be calculated on the basis of our electricity, gas and oil consumption data and the respective CO<sub>2</sub> emission factors. In total, such emissions rose to 120,122 tonnes in the 2021 financial year (previous year: 103,953 tonnes) as a result of the significant increase in production compared to 2020. The ratio of CO<sub>2</sub> emissions for our ceramic locations per tonne to the net production volume per tonne was 1.7 (previous year: 1.7).

### **RESOURCE EFFICIENCY IN PRODUCTION**

Manufacturing ceramic products - particularly in the Bathroom and 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 2021 financial year, we prepared and used a total of 101,880 tonnes (previous year: 91,710 tonnes) of ceramic

slip across all of our ceramic plants in both divisions. The lower mass preparation in the previous year was caused by the production stoppages due to COVID-19. However, in relation to the quantity of saleable goods produced (in tonnes), specific slip consumption has increased slightly year-on-year, which is mainly due to the use of new coloured slip. The amount of glaze used increased to 10,745 tonnes in absolute terms in the reporting period (previous year: 9,622 tonnes); the specific consumption amounts to +2.6 %.

### **WATER AND WASTE WATER**

The resource of water is also extremely important to the ceramic production process. As a matter of principle, we strive to reduce our freshwater 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 freshwater. For example, to reduce freshwater consumption at our Dining & Lifestyle production location in Torgau, the installation of a water recycling system that began in 2017 is being gradually expanded. The system installed in Merzig last year to treat production waste water so that it can be reused for cleaning processes can reduce freshwater consumption by up to 5,000 m<sup>3</sup> per year.

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 1,081,396 m<sup>3</sup> of fresh water in total in the 2021 financial year (previous year: 985,697 m<sup>3</sup>). The lower consumption in the previous year is due to the production shut-downs on account of COVID-19. However, consumption was reduced considerably in relation to the quantity of saleable goods in tonnes, in particular by the wastewater treatment plant built at our Thai site in the previous year.

### **WASTE**

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 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 increased by 28.1 % year-on-year to 38,712 tonnes in the 2021 financial year. This is partly as a result of the ramp-up of production following the production shut-downs due to COVID-19 in the previous year.

# EMPLOYEES

## BASIC PRINCIPLES OF OUR HR MANAGEMENT

Villeroy & Boch's growth and success are essentially based on the commitment of our approximately 6,900 employees around the world. Their performance and their professional qualifications set them apart. In return, we offer our employees interesting and challenging tasks and a varied, safe working environment that gives them the opportunity to realise their development potential and take even more responsibility. We see this as the basis for retaining our employees and attracting qualified specialists and managers at all locations.

In particular, this includes our three-year trainee programme and our training and development programme for our technical specialists and managers, which the market can only offer to a limited extent.

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. The local HR departments are led directly by the Head of HR based in Mettlach, who is also responsible for and manages the strategic HR policies relevant to the Group. She reports directly to the responsible member of the Management Board.

In terms of the statutory non-financial aspect of employee concerns, the areas of human and labour rights, occupational health and safety and personnel development are considered the most important. ▶ “Stakeholder dialogue and materiality analysis”

In addition to the disclosures of the non-financial report, we have also provided an overview of other HR policy issues that are to be managed with an increasing strategic focus in the medium term regarding introducing Group-wide standards and processes.

In the past year, we have been working intensively on the digitalisation, standardisation, globalisation and simplification of our HR and organisation management processes. As at the end of the reporting year, we implemented a state-of-the-art human capital management system that allows us to digitally map operating activities in HR, master data management, analysis, recruitment and onboarding, salary management, personnel development and training worldwide.

The Villeroy & Boch Group had 6,907 employees as at the end of 2021 (previous year: 7,107). The change relates to adjustments in line with the current market situation and is mainly due to the sale of our Mexican sanitary ware plant and the implementation of our transformation and efficiency enhancement programme. 37.1% of the total workforce was

employed at our German locations. Further key figures on the employee structure can be found in the [annual report](#).

## 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.

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 material negative repercussions affecting our goal of honouring human and labour rights became known at our locations in the 2021 financial year or the previous year.

### CO-DETERMINATION AND REMUNERATION

The involvement of employees in the context of co-determination is self-evident at Villeroy & Boch, and is a valuable instrument for balancing management and employee interests and preserving industrial peace. We therefore respect the right of employees to organise in associations and unions at company and industry 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, transparently 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.

The supplementary health insurance FEELfree has been available to our employees covered by collective agreements under the demographic fund since the spring of 2021. This supplementary health insurance covers many aspects of preventive healthcare, such as the costs of professional dental cleaning and additional contributions to physiotherapy and non-medical practitioners, etc.

## 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, and a full-time company doctor 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 pandemic, we were able to successfully recertify all locations that were previously certified to ISO 45001 in the year under review. Five more locations were certified for the first time as well. 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 implementation of additional lifting aids in Hungary and Romania, the optimisation of the work atmosphere thanks to

improved air flow management in Thailand, new filters in glazing areas in France and new dust filters in Hungary. In addition, as part of the continuous improvement at the Mettlach plant, the pressure casting presses were improved both technologically and in terms of occupational health and safety.

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 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. 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, remote working and the acquisition and use of air exchangers.

More than 90,000 tests were carried out throughout the Group in 2021, around 10,000 of which by Villeroy & Boch AG's in-house medical service to protect employees, external service providers and third-party companies and to break the chains of infection. Daily testing at this level was made possible by our own company doctor, three paramedics and the support of qualified temporary staff and employees. Furthermore, more than 41,300 high-quality self-tests were performed under supervision or distributed at multiple locations to reduce invasive testing and to offer a painless alternative for employees. Daily self-testing was aided by the introduction of the Test@Home option. Sales representatives and employees at shops and all plants in Germany and Europe were provided with rapid tests to ensure an adequate safety level when on the road or at work. Testing was stepped up even further following the introduction of legislation requiring tested, vaccinated or recovered status (3G) to enter internal work premises in November 2021. Firstly, to satisfy legal requirements, and secondly on a voluntary basis as well to provide greater protection for the employees present under the "2Gplus" rule (vaccinated or recovered and tested). 34,000 more tests were used for this at our German and international locations.

From June 2021, our Saarland locations began a vaccination campaign that was very well received by staff despite the public availability of vaccines. These employees received more than 1,370 jobs using the Pfizer, Johnson & Johnson and Moderna vaccines. In preparation for the vaccination campaign, several employees were trained as vaccination assistants to provide active support at the company's own vaccination centre. Furthermore, more than 290 employees at the Romanian plant were vaccinated entirely using the Pfizer and Johnson & Johnson vaccines. Comprehensive safeguards were implemented at our site in Thailand as well. There, the local H&S team has carried out more than 6,100 rapid tests since July 2021, and more than 710 people have been fully vaccinated using the Sinopharm and AstraZeneca vaccines.

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 without disruptions.

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 now 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 focuses on the quantitative accident data for our locations with the highest headcounts, i.e. our production plants and our 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.

The accident severity index as at 31 December 2021 was down significantly at 37.3 after 40.9 in the previous year, though the TRI rate rose from 1.8 to 2.3. It should be noted that, by contrast to the previous year, the number of hours worked was close to full capacity at nearly all locations. The measures to improve the safety culture and employee safety consciousness at the Group's locations introduced in 2019 and continued since then are clearly still having a positive effect.

In the 2021 financial year, there were a total of 75 (previous year: 58) reportable occupational accidents 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 activity within the plant or place of work. These accidents resulted in a total of 1,475 work days lost (previous year: 1,551 work days lost). There were no occupational or area accidents with fatal consequences throughout the Group in the reporting period or the previous years.

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. One example of this is our sick rate, which has been low for years and, was 4.3% across the Group in the 2021 reporting period (previous year: 4.1%). The healthcare implications of the pandemic for our employees were the primary focus in the period under review. The focus was on digital consultation hours with the company doctor, targeted awareness measures for COVID-19 (e.g. in the form of information sheets and e-learning) as well as intensive advice and support from the company doctor for the risk groups defined by the Robert Koch Institute. Furthermore, a "Healthy Mind" project was implemented in the reporting year to counteract the effects of isolation due to COVID-19 and long-term, legally mandated remote working. Here, support programmes for employees have been and are still being offered, including stress management seminars, seminars on works integration management for the HR department and H&S, and a cooperation with a psychosomatic clinic in quick diagnostics. Also, access to a professional psychological hotline was provided for the employees at all German locations, offering comprehensive and anonymous help round the clock for all of life's difficulties. The costs of this programme are covered by Villeroy & Boch to allow its employees to get fast, professional help and to learn how to build, or improve, their own defences in the context of prevention. Progress was also made in the digitalisation of occupational health and safety, for example thanks to the use of specialised medical practice software for the in-house medical service (Ergonomed). The first steps towards the digitalisation of patient files were taken, allowing an overall improvement in the coordination of screenings in combination with the Ergonoflex software. In conjunction with the modernisation of instrumental diagnostics, several new items of medical equipment were acquired. These new instruments are state-of-the-art and support digitalisation, and are needed to guarantee modern and performance-driven medical care in the workplace, including the necessary check-ups and possible emergency response operations in the long term.

## 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 78 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 345 in the previous year to 379 as at 31 December 2021.

The advancement of women, particularly in management positions, is a strategic objective. At the reporting date, 35.5 % 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 33.1 %. 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 48.1 %, followed by the over 50s at 35.7 % and the under 30s at 16.2 %.

We offer flexible working time models at various locations to promote work-life balance. This includes flexible working hours for salaried employees and flexible shift systems, as well as part-time and partial retirement models. As at 31 December 2021, 15.3 % of the Group's workforce (previous year: 14.7 %) was employed on a part-time basis. 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.

Villeroy & Boch is also increasingly making use of virtual or mobile working methods to bring together employees with different abilities from all over the world, so that together they can work on our goal of 'making houses a home'.

As a result of the COVID-19 pandemic, we have necessarily greatly stepped up the availability of mobile working, and we have had good results. There were many advantages that benefit both the employees and the company as well. In addition to positive environmental effects, mobile working can also contribute to a better work-life balance. As we would

like to continue remote working after the pandemic as well, the General Works Agreement on Remote Working was agreed in 2021. This agreement will allow our workforce to work remotely up to two days per week. To attract employees who we would otherwise be unable to reach, we opened a co-working space in central Cologne in August 2021. This is mainly used by employees in the areas of analytics, e-commerce, online-marketing and data science.

Furthermore, an electronic shift planning system is currently being tested at our plants that gives employees the chance to assign their own shifts.

## 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 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 to employer branding. 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. At 31 December 2021, we employed a total of 178 young people throughout the Group in vocational training or as part of dual study programmes (previous year: 161), 82 of whom (previous year: 62) were employed at our international locations.

Villeroy & Boch AG offers a 36-month junior programme to inspire successful graduates with commercial and technical degrees to consider a career at Villeroy & Boch. 24 talented young employees were being prepared to assume specialist and management functions in various departments as at the reporting date.

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. There is also a junior project on sustainability with the aim of using a stakeholder survey and more in-depth analysis of Villeroy & Boch AG's sustainability performance to gather detailed information on which sustainability issues will be especially important to the company moving ahead. The results of the project are to be used for the ongoing development of sustainability initiatives.

To facilitate even closer contact with universities and students, we have been a gold sponsor of the Enactus student organisation since 2016. The international network has almost 72,000 student members in more than 35 countries, around 1,700 of whom at more than 35 universities in Germany alone. Based on the United Nations' Sustainable Development Goals (SDGs), these students are involved in sustainability projects all over the world.

#### **FURTHER AND ADVANCED TRAINING**

Continuous development - both individually and within the team - is a fundamental requirement for successfully mastering the challenges of a business environment characterised by rapid change and remaining competitive in the long term.

First of all, this is achieved by enabling our employees to learn as part of their day-to-day work and in projects and by ensuring they have varied areas of activity with opportunities to take on new tasks at home and abroad. Modern digital communication channels are used to facilitate the internal exchange of information. Secondly, we want to get even better at utilising the skills of all our employees, and systematically and purposefully promote employees with training requirements, experts in key functions, high potentials and top performers in particular. Various interdisciplinary or subject-specific programmes and measures for training and continuing professional development are therefore being developed by our central Talent Management department and offered at various Group locations. We use both classroom-based events and digital learning formats (interactive e-learning, videos and webinars) as our medium, with the assistance of selected employees from our own ranks or external training providers depending on the subject matter. Digital transformation and modern work and management methods are another key area in the continuing professional development of our employees.

Management training was expanded further in the reporting year, primarily in the form of webinars and e-learning or blended learning courses in Germany and abroad with a focus on modern management.

Since this year, this has gone hand-in-hand with the use of the 360° Leadership Assessment to further empower our managers in an environment of constant change. Also, HR and management have been empowered to carry out regular talent reviews using a clear methodology based on performance and potential evaluation, coupled with structured succession planning focused on critical professional and management positions in Germany and abroad.

The introduction of the state-of-the-art human capital management system allows us to easily communicate learning content to management and employees. It also allows learning content to be accessed at any time. Employees can decide for themselves when and where to continue studying. Also, every employee can create their own learning content to share their knowledge. It is easier to sign up for the seminars on offer and the range is transparent for everyone all over the world. Furthermore, new cooperations with digital learning platforms offer a good supplement to our internal training range.

A total of 897 employees at our German locations participated in training measures in the 2021 financial year.

Villeroy & Boch also uses sustainable fleet management. According to an intensive analysis of the diesel hybrid vehicles acquired in conjunction with a pilot project, the fuel consumption of the test vehicles was demonstrably reduced by around 40%. CO<sub>2</sub> emissions also declined significantly thanks to this efficiency. This is made possible in part by using the electricity produced by Villeroy & Boch itself from its own combined heat and power plant. The pilot users deliberately selected following a careful analysis of their driving profiles charge their vehicles each day during office hours to power their journeys to and from work, mostly relying entirely on electricity and thus avoiding the use of conventional fuels. Based on the positive results of this pilot phase, we added the option of using hybrid vehicles to our company car policy. The share of hybrid vehicles within the fleet of company cars is therefore rising all the time.

The first fully electric company cars were also ordered as our new pilot vehicles. These operate entirely without a conventional combustion engine and therefore also produce no CO<sub>2</sub> emissions. Thanks to a clever charging concept consisting of a charging card for drivers on the road, a home charging station and the option of charging the vehicle at our Villeroy & Boch quick charging stations, we are hoping for a positive result in this area as well, so that we can continue to expand our portfolio. We also keep fully electric small cars on hand at our Saarland locations. These can be used by all employees for shorter business trips and reserved with no fuss using a booking tool.

The electrification of the fleet is continuing to gain in significance internationally as well. In the UK and Sweden, further test programmes are underway for partially or fully electric vehicles.

# NOTES

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

Key figure	Villeroy & Boch Group		Villeroy & Boch AG	
	2021	2020	2021	2020
<b>Business model</b>				
Revenue	€ 945.0 m	€ 800.9 m	€ 603.0 m	€ 498.2 m
Operating EBIT	€ 92.8 m	€ 49.7 m	-	-
EBIT (IFRS)	€ 90.5 m	€ 40.7 m	-	-
Net income (HGB)	-	-	€ 27.5 m	€ -28.1 m
Return on net operating assets <sup>1)</sup>	32.9%	14.7%	-	-
<b>Anti-corruption and antitrust law</b>				
Coverage ratio of anti-corruption training	97%	96%	98%	97%
Coverage ratio of antitrust law training	96%	94%	97%	95%
<b>Product responsibility</b>				
Externally tested articles in the Dining & Lifestyle Division	563	279	563	279
■ New products	183	85	183	85
■ Existing range	380	194	380	194
<b>Responsibility in the supply chain</b>				
Procurement volume, total	€ 636.1m	€ 490.1 m	€ 270.1 m	€ 206.2 m
Suppliers classified as material	2,760	2,481	1,032	900
■ Associated procurement volume	€ 531.9 m	€ 406.6 m	€ 248.1 m	€ 189.8 m
■ Coverage of procurement volume by Code of Conduct	90%	88%	91%	86%
<b>Energy efficiency in production</b>				
Natural gas consumption	450.3 GWh	404.8 GWh	156.6 GWh	127.9 GWh
Electricity consumption	93.8 GWh	88.8 GWh	30.6 GWh	26.7 GWh
CO <sub>2</sub> emissions	120,122 t	114,490 t	39,582 t	38,967 t
Ceramics CO <sub>2</sub> emissions (t)/net production volume (t)	1.7	1.7	2.3	2.1
<b>Raw material efficiency in production</b>				
Quantity of ceramic slip used	101,880 t	91,710 t	27,047 t	21,803 t
Quantity of glaze used	10,745 t	9,622 t	3,381 t	2,825 t
<b>Employees / personnel development</b>				
Employees	6,907	7,107	2,203	2,205
■ of which in Germany	2,565	2,577	2,201	2,202
Trainees and dual students	178	161	89	92
Juniors	24	34	24	33
Employees participating in continuing professional development <sup>2)</sup>	-	-	868	1,165
<b>Occupational health and safety</b>				
Occupational accidents	75	58	30	24
■ Resulting work days lost	1,330	1,304	405	295
Area accidents	14	12	4	8
■ Resulting work days lost	145	247	42	28
Sick rate	4.3%	4.1%	6.3%	5.8%

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

<sup>2)</sup> This figure is calculated at a local level and not consolidated at Group level.

# IMPRINT

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## **EDITORIAL DEADLINE**

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## **DISCLAIMER**

### **FORWARD-LOOKING STATEMENTS**

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

### **ROUNDING DIFFERENCES**

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



**Villeroy & Boch**

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