
Entrepreneurship
for sustainable
prosperity



Since the founding of Verzinkerei Zug in 1913, our company has been firmly rooted in Zug society. Not only do we take our corporate responsibility seriously when it comes to our employees, we also put it into practice in our relationships with our neighbours, civil society and the authorities. V-ZUG is making future-oriented investments in its location, thereby sustainably strengthening the economic ecosystem. Our business relationships are founded on principles of ethical governance, focusing on integrity, quality and sustainability. And we are convinced that economic success and sustainable development go hand in hand. Only by flourishing in the long term can V-ZUG make the greatest possible contribution to society.

New standards for Zug and V-ZUG

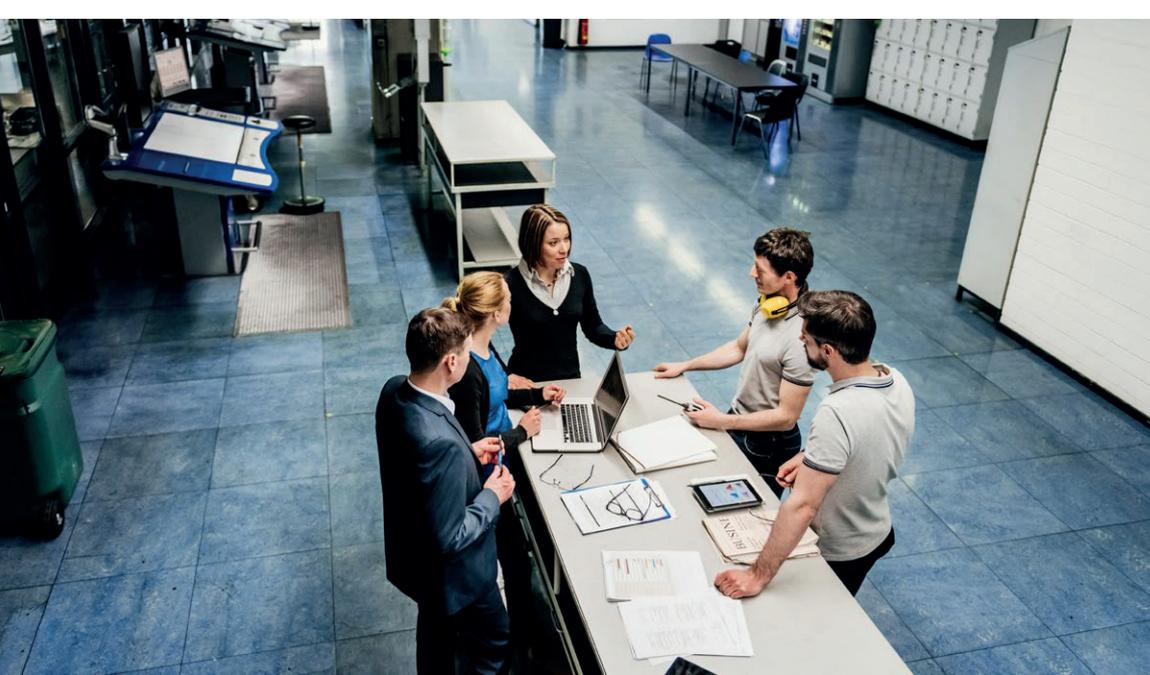
Our company has a vital interest in an innovative site in Zug and in a future-oriented Swiss economy. V-ZUG is therefore determined to be a leading light in the sustainable transformation of the local workplace. Our investments also bear witness to this fact. In the past three years, we have invested over CHF 50 million per year in new fixed assets, particularly production facilities and buildings. The centrepiece is the transformation of the original Zug site in collaboration with Tech Cluster Zug (Metall Zug Group). With state-of-the-art factory and working spaces, an integrated mobility strategy plus environmentally friendly and affordable housing in the planned avant-garde timber house "Project Pi", the Tech Cluster can be likened to a "laboratory" for sustainable living and working ("Planning and building for the future", page 65). The hall built from Swiss wood on the upper floor of the "Zephyr Hangar" building filled up with production equipment during the reporting year. Construction work also started on the "Zephyr East" assembly building scheduled for 2023, which will be built partly from recycled concrete. This will optimize the logistics and manufacturing processes, and complete uninterrupted vertical production at the Zug site. Since summer 2021, operations have also gradually commenced in the new refrigerator factory building in Sulgen, in the canton of Thurgau ("Energy from the sun and the ground", page 56). As our company's success has always been closely linked with the strengths of our Swiss locations, we want to safeguard these locations in the long term with further investments. Over the coming years, V-ZUG has plans for additional capital investments likely to total around CHF 50 million per year.

Multifaceted commitment

Our understanding of corporate responsibility is broad. Alongside our core business, we support a society that is fit for the future in many different ways. For instance, the investment strategy of our own V-ZUG pension fund, which manages capital of over CHF 700 million, factors in carbon-neutral and “low carbon” investments, the reduction of climate risks and additional ESG issues. It is compatible with the widely regarded SVVK - ASIR exclusion list, and is checked against MSCI’s ESG ratings each year. As a result, we support investments in sustainable fields of business, from which society as a whole benefits. In addition, we regularly sponsor cultural and sporting events (“Our commitment”) At Tech Cluster Zug, we are creating new public interaction zones and green spaces. We also support civic and non-profit organizations that are active in the region. In the reporting year, several employees implemented a social project as part of our talent programme. This project also acted as a pilot for new business models in the field of circular economy (“Refurbishing appliances for a good cause”, page 66). And finally, with our V-ZUG products we help customers to have healthier and more sustainable eating habits (“A food coach for sustainable consumption”, page 30).

Integral value creation

V-ZUG’s supplier network is of strategic significance. Around 60 percent of our suppliers are based in Switzerland, and another 30 percent or so are located in nearby European countries. We obtain most of our electronics components from highly specialized markets in Asia. Through our international procurement office in Shanghai, we are in direct contact with these suppliers, which is helpful, not least during the turmoil of the COVID pandemic. V-ZUG’s supplier management is based on its procurement strategy, which follows clear quality and sustainability standards. We consider the inclusion of a supplier into our portfolio to be an investment. The onboarding process for each supplier entails self-assessments, confidentiality agreements, obtaining financial information and, if applicable, conducting pre-audits. We take our responsibility within the entire chain seriously and, together with our suppliers, endeavour to regularly monitor and improve their ESG and compliance performance. When selecting and auditing suppliers, we take account of social and



environmental factors such as working conditions, the use of reusable packaging and geographical proximity. We have a zero-tolerance attitude towards forced labour and child labour ("Together we are strong", page 68). Via regular audits, most of which we conduct ourselves, we check whether our requirements are being adhered to. In 2021, due to pandemic-related travel restrictions, we depended on the services of leading audit and certification provider SGS for audits abroad. If our standards are not adhered to, we draw up action plans together with our suppliers. These joint efforts generate trust and form resilient partnerships. In the future, we want to strengthen strategic supplier relations and further consolidate our network. Based on our Code of Conduct, we are currently drawing up a supplier code.

Value-based business operations

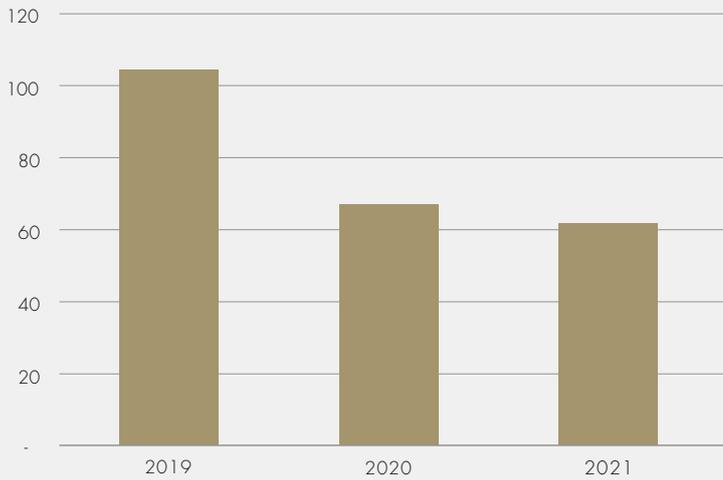
Our business activities are always guided by strong core values. We firmly believe that we can only achieve sustainable, long-term value creation as well as excellence and innovation through integrity. We take responsibility, act fairly, communicate transparently and protect our customers' privacy and data in accordance with current legal regulations. V-ZUG's core values are laid down in its Code of Conduct, which is binding for all employees, including members of the Board of Directors. Particularly during our strategic transformation, this set of values serves as a guiding light. We all have a duty to live out our vision, mission and core values, both internally and externally. To ensure the Code of Conduct is observed, we conduct training sessions for managers. Employees must report improper behaviour to their own manager, the internal legal department or the external reporting point of the Stiftung Krisenintervention Schweiz [The Swiss Crisis Intervention Foundation]. During the reporting year, we established a partnership with them for reporting serious grievances. Such reports are always treated in confidence. Employees who make a report in good faith need not fear that this will have any negative repercussions for their employment at the company.

Targets, facts and figures

Targets	Baseline and target years	2021 results	Status	Key figures
To generate a significant two-digit EBIT margin in the medium term, in order to be able to invest sustainably and thereby maintain our future viability	Annually	EBIT margin 2020: 8.6% EBIT margin 2021: 10% See 2021 Annual Report for background and details	Achieved	EBIT margin as a percentage as per Annual Report
To achieve organic sales growth of 2-3%	Annually	Sales growth 2020: +4.7% Sales growth 2021: +9.5% See 2021 Annual Report for background and details	Achieved	Sales growth as a percentage as per Annual Report
To have audited all our key suppliers (covering at least 80% of our sales volume) in line with sustainability criteria	-; 2025	Initial target defined, tools and process under development. Specific measures from 2022 onwards Regular supplier audits conducted, including sustainability aspects. Scope reduced due to pandemic.	Initiated	Procurement volumes and number of suppliers
To account for one core element per product category, with a transparent supply chain down to the lowest possible level	-; 2025	New subject - initial target defined, tools and process under development. Specific measures from 2022 onwards	Initiated	Core element per product category

Possible statuses: Achieved, On track, Delayed, Not achieved (if new target: Initiated)

Table 6 Targets, results and status in relation to the focus topic "Entrepreneurship for sustainable prosperity"



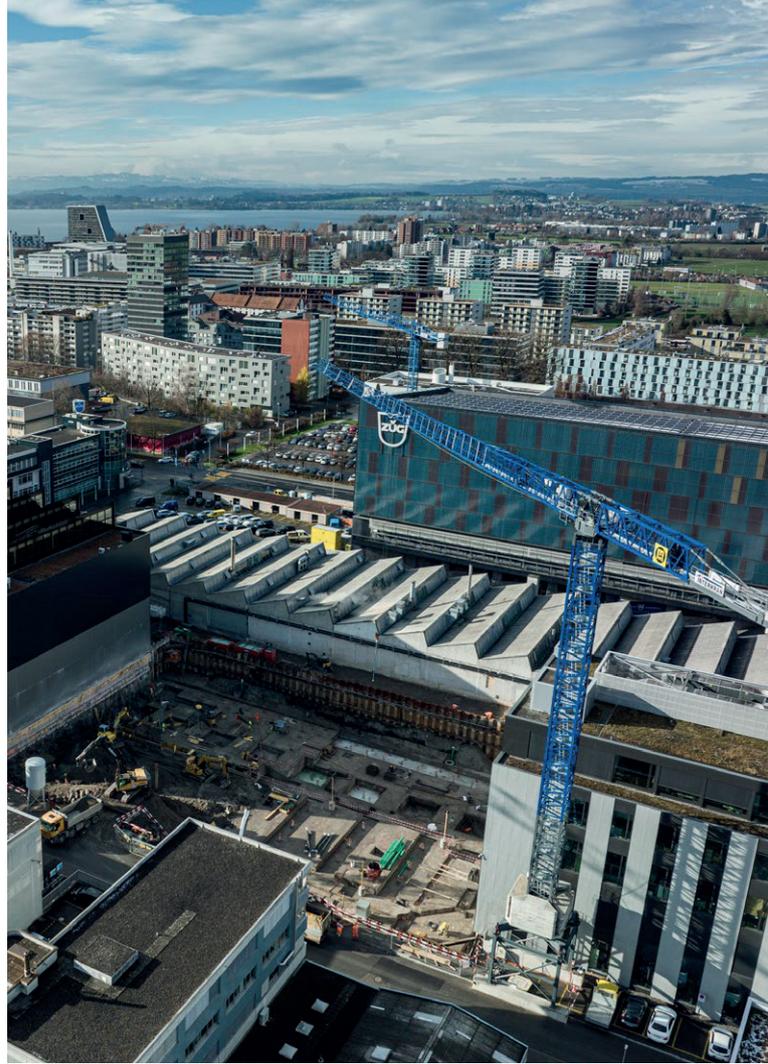
Decline in supplier audits due to COVID-19 pandemic

V-ZUG audits its suppliers regularly. Due to our suppliers' more stringent access regulations and restricted travel during the COVID-19 pandemic, significantly fewer audits took place in 2020 and 2021.

Fig. 20 Number of supplier audits involving social and environmental criteria

Planning and building for the future

Building site for the "Zephyr East" production and assembly building



"Tech Cluster Zug is the basis upon which V-ZUG will continue to exist at its historic site in the long term, with economic success and while using resources efficiently, within an ecosystem of innovative companies and services," concludes Beat Weiss, CEO of Tech Cluster Zug AG. Under his leadership, the industrial district of Zug will be structurally transformed, with a focus on holistic solutions. "When we are planning and building, we are constantly fathoming out where and how we can take the next step towards a world that is fit for the future. That's the only way to stay ahead of the game," declares Weiss, whether it be in infrastructure, operations, mobility, or in planning and constructing buildings.

To achieve long-term improvements, just a few principles apply for on-site construction: the buildings are designed compactly, without making any architectural compromises. The preferred material for the framework is timber. Concrete, which is a resource-intensive and emission-intensive building material, will either be replaced by other materials or manufactured more resource-efficiently. The largest construction project in Switzerland to date in which CO₂-enriched concrete and high-quality recycled concrete will be used is the new "Zephyr East" production and assembly building.

Tech Cluster Zug is a networked location for innovation, production, education and living, right in the middle of the town. This orientation suits V-ZUG, and it is one of a kind in Switzerland. Thanks to the Cluster's attractive allure, Weiss has some strong reasons why other ambitious companies should move in too. There is a good chance that this "laboratory", as Weiss calls it, will gradually and astutely develop into a pioneering showcase district.

Refurbishing appliances for a good cause

Appliances that are returned to our technicians as a result of early exchanges are usually recycled appropriately. In line with our commitment to greater sustainability, we wondered how we could continue to use the resources tied up in our appliances for longer before they were recycled. So as part of our 2021 talent programme, three employees got to grips with the subject of the circular economy. "As a team, we looked at the idea of refurbishing returned appliances and donating them to a local social or non-profit organization," explains Mauro Odoni, Head HR Business Partner and HR Services at V-ZUG.



Delivering and installing the refurbished fridge at the Bad Knutwil Youth Centre

Consequently, two V-ZUG service technicians refurbished a CombiCooler V4000 refrigerator in the "Refurbishment for charity" project, and in November 2021 they delivered it to the Bad Knutwil Youth Centre. For almost a hundred years, this social institution been implementing civil and criminal measures for young men with behavioural problems - and helping them to live independent lives.

Everyone involved was delighted with the successful donation. The youngsters now have an appliance with lots of room for their food. And the V-ZUG project team is satisfied too. "While working together, we've learned a lot from each other and about the market in used appliances. It absolutely makes sense to recycle second-hand models by giving them a second life," explains Odoni. The "Refurbishment for charity" project will therefore continue in 2022 and be expanded to become a business model.



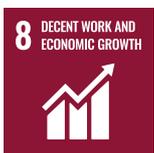
"I really appreciate the fact that this project has come about. For us as a social institution finances can be tight, so we're especially pleased that V-ZUG has chosen to support us. It's a huge help for us."

Gilbert Henzen, Head of the Bad Knutwil Youth Centre

“Together we are strong”

Since the outbreak of the COVID pandemic, Virginie Erny, Head of Procurement at V-ZUG, and her team have faced particular difficulties. In light of these unprecedented challenges, her department’s motto became “Make the impossible possible”. The aim was to maintain the security of production and supplies despite global supplier bottlenecks – while adhering to sustainability standards. Once again, V-ZUG’s long-standing supplier relationships are paying off. “Although we had to adapt our production schedules, we never had to interrupt production,” says Erny.

Alongside tried and tested partnerships, integrated risk management is key for procurement – as it is for sustainability too. So V-ZUG introduced two new tools in the reporting year. Firstly, the service provider *riskmethods* is giving us real-time information about the possible ESG risks of suppliers. This allows us to carry out proactive supplier management. Thanks to this warning system, we were able to take measures speedily during the pandemic, such as when we anticipated supply bottlenecks in China. Secondly, we want to supplement our audits with a solution provided by *IntegrityNext*. This platform offers customer-specific reviews of suppliers relating to sustainability and compliance. For example, we can determine how they deal with conflict minerals, hazardous chemicals, energy and adherence to the EU RoHS guideline. Combined with the monitoring of critical messages on social media, systematic supplier self-assessments help to provide greater transparency. In 2021, a questionnaire was developed that we have rolled out in a pilot involving 50 key suppliers in the first quarter of 2022. “This approach will help us to develop strategic supplier relationships and achieve our sustainability ambitions,” explains Erny.



Contribution to SDGs 8, 9 and 12

Innovative solutions are the drivers for our future viability. We are purposefully boosting our internal innovative energy and strengthening it with external partnerships. This is also illustrated in the fact that we are investing in a modern, resource-efficient industry. At our sites, we are developing a sustainable, integrated infrastructure in dialogue with local stakeholder groups for the benefit of society, business and the environment. We are creating attractive industrial jobs and supporting local

businesses by buying regional goods and services wherever possible. With our cooperative relations, we are promoting environmental and social standards along the entire length of the supply chain. We are also committed to a sustainable business model. Via transparent product information, we are facilitating sustainable consumption, raising customer awareness of environmental protection via our appliances, helping to reduce food waste and promoting healthy eating.