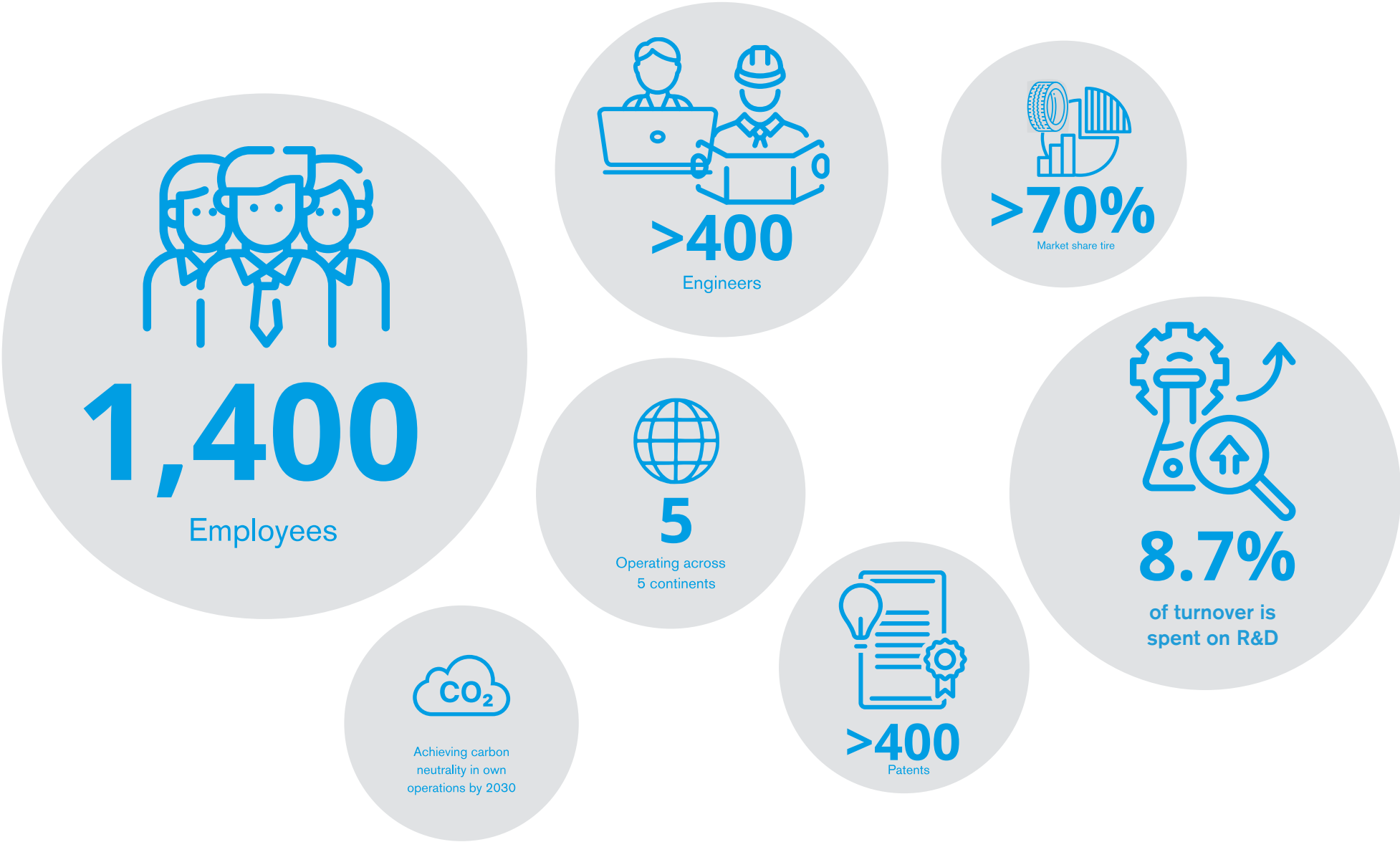


Global sustainability report

2022/2023

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About this report

This VMI Group Annual Sustainability Report 2022/2023 addresses the sustainability approach, position and performance of VMI Group, a subsidiary of TKH Group NV. It is meant for everyone with an interest in VMI's environmental, social, and economic performance. As a part of the TKH Group, VMI follows the sustainability goals and ESG objectives of the TKH Group.

This sustainability report refers to the fiscal year 2022 and encompasses the reporting period spanning from January 1st through December 31st 2022. Some important developments from 2023 are also covered in this report.

This report provides an in-depth look at three aspects: Environmental sustainability, Social sustainability, and Governance. It offers a comprehensive analysis of these key dimensions, presenting a wealth of information, assessments, and insights that highlight VMI's dedication to sustainability and its multifaceted strategies for addressing environmental, social, and governance issues. The report is intended to inform, inspire, and catalyze positive changes both within the organization and among its stakeholders.

The report is based on data of the year 2022, specifically focusing on sustainability. This dataset was acquired through a diverse range of research methodologies, including in-depth studies, interviews with relevant stakeholders, extensive surveys and thorough desk research. These research efforts ensure that the report provides a comprehensive overview.



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Foreword

Exceptionally turbulent year

Reflecting upon an exceptionally turbulent year, VMI was marked by both amazing successes and huge challenges. In 2022 VMI recovered very well from the COVID-19 period and had a record order intake. These great business results were achieved thanks to enormous commitment, a successful strategy, and having the right technology at the right time.

Challenges

That is all great news. However, these gratifying successes across the board also come with two enormous challenges. The first is a serious disruption in parts deliveries, which has its spin-off in difficulties in machine assembly and timely delivery to our customers. Another major challenge is the rapidly rising cost of energy, raw materials, labor and parts. With such large numbers of orders and high hopes for the near future based on our strong market position, we will also need to expand our production capacity significantly. In 2022 we heavily invested in these expansions, starting with the construction of four new production buildings at VMI's site in Leszno, Poland. At the moment, these buildings are operational.

People Make the Difference

Thanks to the drive and ambition of our people VMI is able to offer our international customers the best solution available. VMI employs talented people with an entrepreneurial spirit – who aren't afraid to take initiative when needed, and willing to share their knowledge and experiences with colleagues and customers. In a world of technology, VMI believes in people to add value and be aligned with our strategic goals. As a consequence, VMI has invested in good employer-employee relationships, including good cooperation with the Works Council.

Sustainability

The extreme climate change impacts and shortage on resources call for drastic action on a huge scale. VMI has made sustainability a key component of its activities. Sustainability is an integral part of VMI's corporate strategy, and it provides a strong, long-term basis for doing good business with our customers and making a commitment to our people and the planet. One aspect is developing new innovative technologies, resulting in lower resource consumption, lower fuel consumption and CO2 emission levels. We are proud of the recent launch of our innovative UNIXX Belt Maker, VMI's renowned gear pump extrusion technology combined with patented innovative features. This allows our customers to use new materials to reduce tire weight and reduce rolling resistance, new cords construction to save materials and thus create thinner belt material without compromising on tire performance.

Furthermore, VMI has the goal to be carbon neutral in 2030 in our own operations. Starting from 2024, significant investments will be made to our heating systems to reach this ambitious goal.

Together

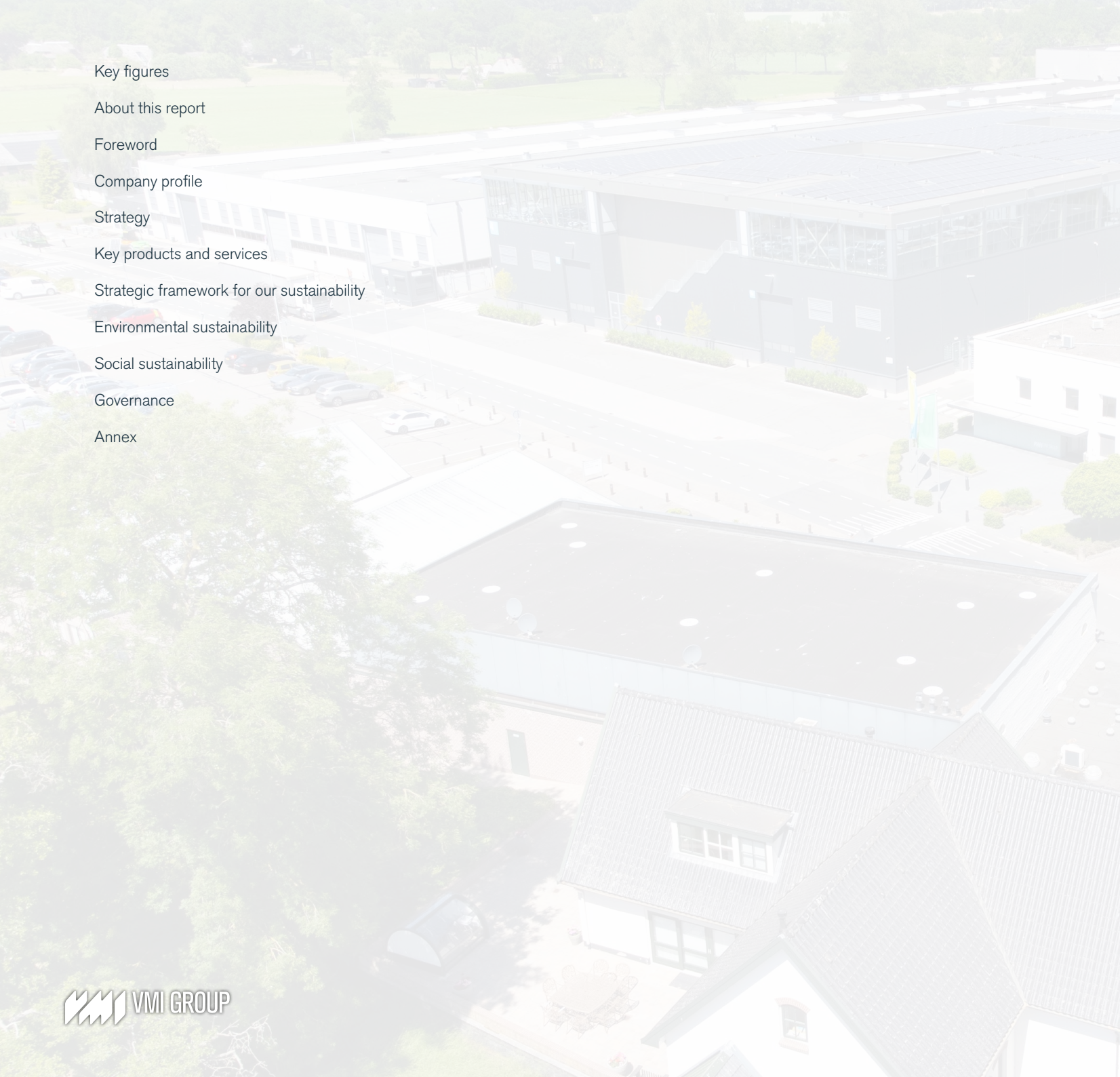
These ambitions can only be successful if we collaborate and work towards our shared success together. After more than two years of COVID restrictions and the hybrid working arrangements we have meanwhile introduced, it is even more important for us to truly invest in collaborating with each other, seeking each other out and achieving goals together. That's why it was so amazing and inspiring



that under the motto "Together we are VMI" we were finally able to celebrate our postponed 75th anniversary at all our locations.

It is the ambition of VMI group to contribute to building a sustainable society. Together we can achieve this!

VMI Group
Harm Voortman MSc
President & CEO



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Company Description

We are a leading Dutch manufacturer of high-quality machinery and equipment, serving a diverse range of industries worldwide. With over seven decades of experience and innovation, VMI has established itself as a trusted partner for businesses seeking cutting-edge solutions for their production needs.

Locations

VMI is a global company with facilities all over the world. We have VMI Netherlands in Europe, VMI China in Asia, VMI Poland in Central Europe, and VMI Thailand in Southeast Asia. We're also present in USA with VMI Americas, VMI Malaysia in Southeast Asia, and VMI South America in Brazil. Each branch helps us connect with our customers and understand their needs better, no matter where they are.

Certifications

Over the past decade, VMI has achieved several important certifications and recognitions, demonstrating our commitment to excellence and sustainability in our operations. These include ISO 9001, ISO 14001, and ISO 45001 certifications, which demonstrate our commitment to quality management, environmental sustainability, and occupational health and safety. Additionally, we have been awarded the EcoVadis Bronze rating, which acknowledges our efforts in sustainable and responsible business practices.

History

Founded in 1945, our journey began with contributions to the post-World War II reconstruction of the Dutch railways. Over time, we diversified and ventured into new industries,

including rubber, tires, cans, and care. Nowadays, VMI is regarded market leader in most of its industries.

During the early 1970s, VMI achieved a significant milestone by installing the first washers and ovens in Europe. This marked the beginning of our pioneering journey, characterized by technological advancements and innovations that empower our customers to remain competitive and ahead of the market.

In 1985, VMI took a strategic step forward by becoming a subsidiary of TKH Group NV, further strengthening our position in the industry.

Today, VMI has evolved into a modern global company with nine facilities spread across four continents. Throughout our history, we have been dedicated to providing proven, reliable equipment, services, and solutions to meet the evolving needs of our valued clients.



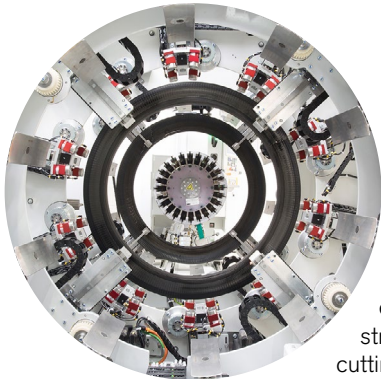
- Production site
- Support site (sales and/or maintenance)

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In today's rapidly evolving world, the key to achieving long-term success and creating a positive impact lies in embracing a sustainable, multi-faceted strategy. Central to our ethos is leveraging cutting-edge **Innovative Technology**. We constantly invest in research and development, keeping an eye on emerging technological trends. By forming partnerships with tech startups and innovation hubs, we infuse technological advancements into our operations, driving efficiency and presenting innovative solutions to global challenges.



Transitioning to a **Circular Economy** is another key aspect of our strategy. By adopting a model where resources find a new life - whether they are reused, repurposed, or recycled - we are taking significant steps to reduce wastage and promote sustainable consumption. We're actively incorporating circular design principles in our products.



At the core of our efforts lie our **People**. We believe that a motivated and diverse workforce is the backbone of any successful enterprise. With this in mind, we've established comprehensive training programs that don't just focus on skills but also generate a deep understanding of sustainable practices. Our aim is to encourage a culture where continuous learning, innovation, and the well-being of our employees go hand in hand.



Our commitment to the environment is further expressed in our stance on **Climate and Energy**. We are keenly aware of the urgent need to reduce our carbon footprint. By adopting energy-saving measures and investing heavily in renewable energy sources such as solar and geothermal energy, we're actively combating climate change.



Lastly, the integrity of our **Supply Chain** remains predominant. We believe in a transparent and responsible supply chain where every stage is aligned with our sustainability objectives. Through regular surveys, we ensure our suppliers resonate with our environmental and ethical standards.

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Business's mission
At VMI, our mission is to design and manufacture innovative machinery that empowers our customers to achieve higher levels of productivity, efficiency, and sustainability. We are dedicated to delivering exceptional value through our expertise, high-quality products, and outstanding customer service.

Vision
In all of VMI's industries, drivers for investment are automation, higher flexibility and quality. Therefore we create sustainable innovations to enable our customers to reduce their footprint.

Technology driven
VMI is acknowledged as a respected market leader offering innovative machinery that is continuously developed and further enhanced. It's our mission to make our customers more successful through innovative technology. Therefore, VMI has an ongoing commitment to technological innovation, assigning key roles to sustainability and safety, and striving to continue to fulfill each customer's specific needs in this rapidly changing market. Continuous improvement is a daily practice at VMI – in design, materials, and the process flow. We do aim to be a good partner to our customers and suppliers and do not want to burden the environment unnecessarily.

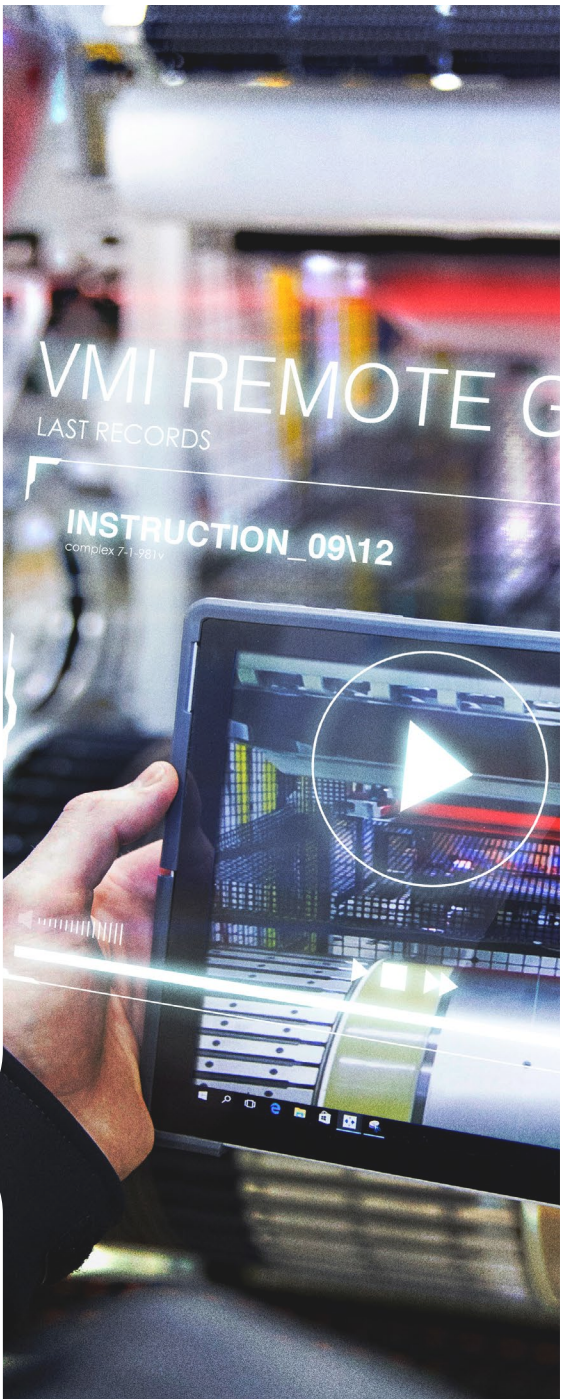
Market developments
VMI is currently benefiting from several mega-trends in the tire industry. One is the shift of production to the major European and North American markets. Production closer to the end market has proven its benefits since COVID-19: transportation costs are lower, response to changes in demand is quicker, and trade restrictions and supply chain disruptions have less of an impact. It does require extensive automation, as workers are scarce, and the costs are high.

VMI's technology is a great fit here. Another important trend is the explicit desire of large tire manufacturers to make their products more sustainable, in increasingly responsible ways. This can be achieved by reducing energy consumption and production waste, but also through the development of new technologies to lower the rolling resistance of tires, making tires for electric cars, or making tires from more environmentally friendly materials. This all requires the implementation of new production technologies, which VMI is well positioned to do.

And finally, there is a need for more production flexibility due to the ever-increasing variety of tires available, resulting in smaller production runs. VMI new UNIXX Belt Maker should help address this need, and VMI has invested heavily in R&D for this technology in recent years. The first machines using UNIXX technology are currently in operation at some of Europe's leading tire manufacturers.

Other new products such as MILEXX and REVOLUTE have also made their way to commercial success. Due to the desire to use less and less plastic packaging, we are seeing major investments in can production and VMI has been able to order a very large number of can washers and ovens. In addition, our products for the technical rubber industry also had an excellent year.

Service
The growth in our service activities is also noteworthy. We have ambitious plans to offer customers even better support through the provision of spare parts and retrofits, maintenance plans, and training and consulting services. The roll-out of these plans is progressing excellently. We have set a new sales record this year and are well on track to continue growing in the years ahead.



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Key products and services

VMI Group specializes in the design and production of advanced manufacturing machinery for the industries tire, rubber, cans, and care, while also providing a range of accompanying services.



Tire
VMI Tire is the leading supplier of technology for the manufacture of superior radial passenger vehicle, light truck, all-steel truck and bus tires. With a vast, in-depth knowledge of the market, VMI has pioneered numerous new technologies that have led the way in single stage tire building.



Rubber
VMI Rubber solutions are tailored to customer specific needs and offer precisely the combination that your process requires. Solutions include optimization of rubber compound handling such as cooling, stacking, cutting and feeding; flexible solutions for rubber extrusion; and innovative automation for highest quality retreading of tires. Retreading offers several advantages, including cost savings, reduced environmental impact (as it extends the life of tires), and resource conservation.



Can
VMI Can delivers the highest quality can washers, washer-ovens, wash coaters and hot water boilers for the two-piece beer, beverage and food can industry. VMI Can solutions are characterized by their low energy, water and gas consumption, making your process not only highly cost efficient, but also contributing to a sustainable environment.



Care
VMI Care creates automatic systems for the pharmaceutical and cosmetics industry. VMI Care Pharma enables a true step-change in quality, speed, cost and above all accuracy through its Automated Dose Packaging System. VMI Care systems automatically convert rolls of cotton web into neatly bagged cotton pads, ready for sale. With the highest capacity available on the market, VMI Care cotton pad systems produce high quality hygienic products.



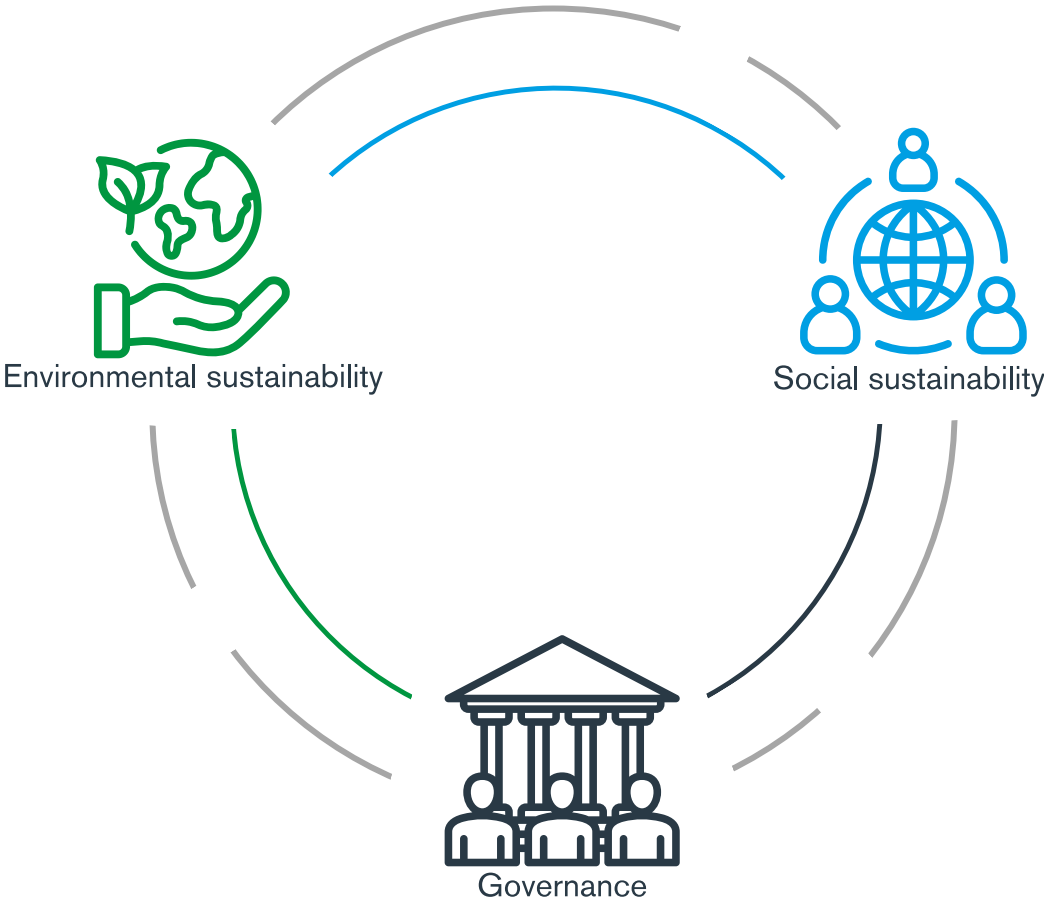
Services
The VMI Services organization works closely with you to determine your maintenance maturity and requirements. Ranging from regular equipment check-ups with recommendations to complete service packages that include overhauls, upgrades, training or more, our aim is to always optimize the performance of your equipment at predictable costs. Together with our VMI's advisors, a tailor made VMI maintenance support program can be determined, continuously helping you to improve your process.

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Strategic framework for our sustainability

VMI has made sustainability a key component of its activities. Sustainability is an integral part of VMI's corporate strategy, and it provides a strong, long-term basis for doing good business with our customers and making a commitment to our people and the planet. It is the ambition of VMI group to contribute to building a sustainable society. Every business decision will be assessed on the effect of profitability as well as the consequence and effects on our employees, stakeholders, the environment and our reputation. VMI wants to take a leading position in sustainability, being innovative and showing initiative. This means that VMI is on par with the sustainability ambitions of our leading customers and is staying ahead of our competitors. This report outlines our overall philosophy, actions and results by which we will further strengthen our approach.

We make use of the Environmental, Social, and Governance (ESG) model to assess and enhance our performance in areas like the environment, society, and how we manage our company. This framework assists us in making informed, responsible decisions, ultimately contributing to our long-term success and reputation.



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- VMI strives to be carbon neutral in the own operations by 2030 (scope 1 and scope 2)
- VMI develops innovative machines and concepts that enable customers to reduce their environmental footprint
- VMI makes a global positive impact by enabling our customers to make tires that have less rolling resistance and therefore use less energy, and simultaneously use less material to make a tire.
- VMI operates actively to develop a more environmentally responsible supply chain and to contribute to a more circular economy.

At VMI, we are committed to driving positive change in the machinery industry by placing environmental sustainability at the core of our operations. As a global leader in tire manufacturing machinery and solutions, we recognize our responsibility to reduce our ecological footprint and contribute to a more sustainable planet.

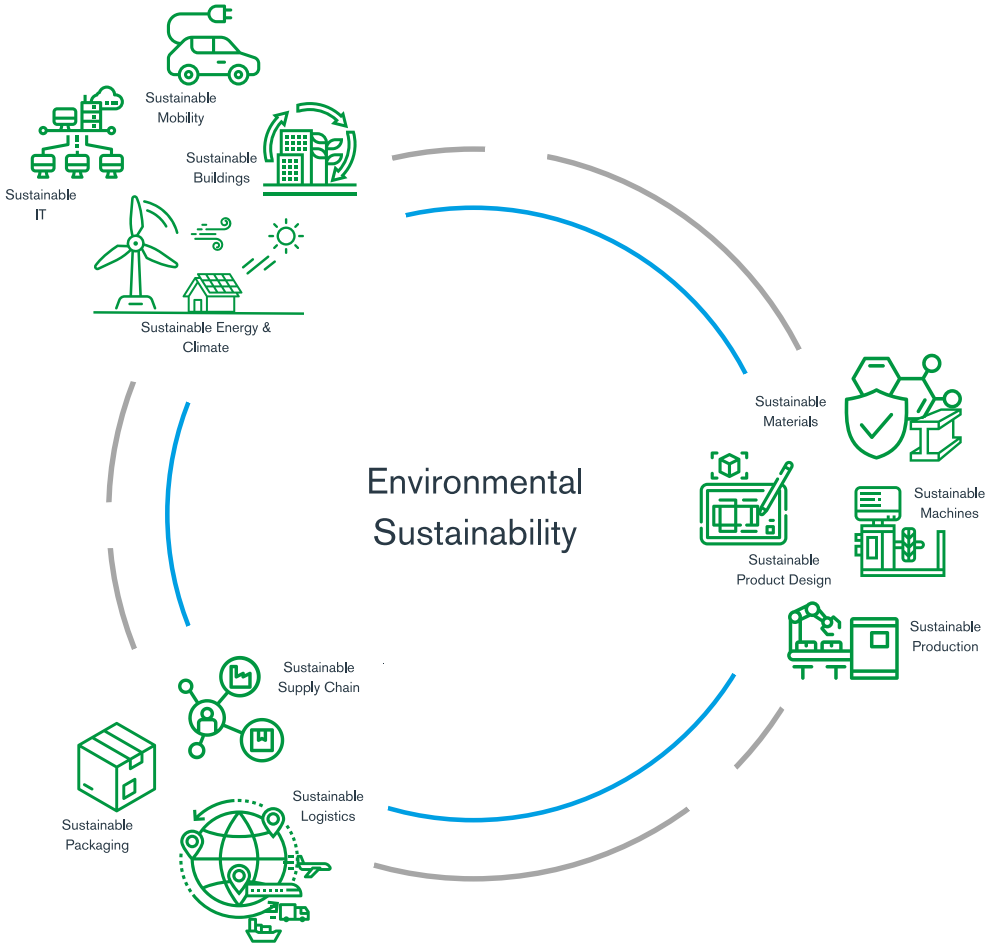
One of our primary objectives is to develop and provide cutting-edge technologies that enable our customers to optimize their processes while minimizing environmental impact. Through our machines and other innovations, we empower our customers to become more sustainable. These advancements not only benefit the end-users but also align with global efforts to combat climate change.

Important fields of action in environmental sustainability
Environmental sustainability encompasses a wide range of topics. VMI has determined the following important fields of action in environmental sustainability and highlighted these as the most significant areas of focus for the organization.



Jeroen Slobbe
Chief Operating Officer

“We believe that true progress in environmental sustainability can only be achieved through collaboration. VMI actively engages with industry stakeholders, governmental bodies, environmental organizations and their employees to drive innovation, set standards, and advocate for sustainable practices in the tire and rubber sector.”



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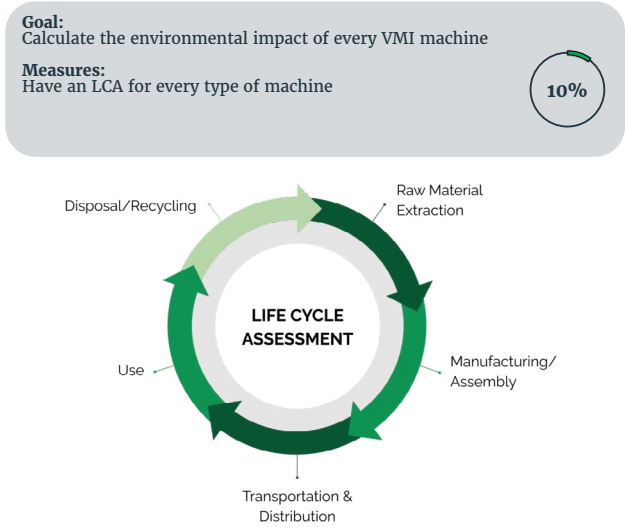


Sustainable Product Design

VMI product design is highly innovative, resulting in highly efficient machines. The benefits are lower operating costs as well as a lower impact on the environment.

LCA

In 2022, VMI achieved a remarkable milestone by conducting a comprehensive Life Cycle Assessment (LCA) for their MAXX tire building machine. This accomplishment marked a pioneering effort in the tire manufacturing industry, as VMI became the first manufacturer to undertake such an analysis specifically for tire building machines. This cradle-to-grave analysis examined the entire lifecycle of the machine, emphasizing aspects under VMI's control.



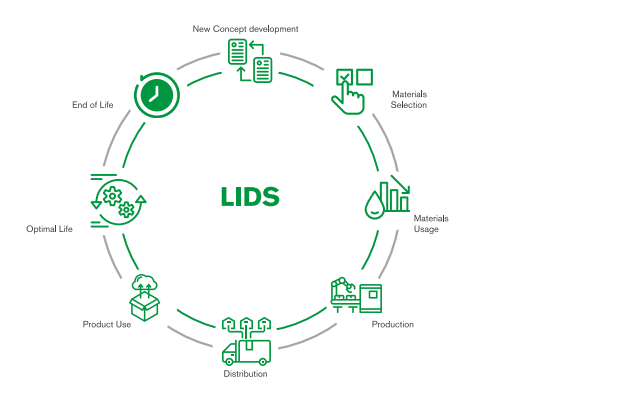
The objective of this LCA was to evaluate and enhance sustainability at various crucial stages of the tire building machine's life cycle. The study covered raw material extraction, component manufacturing, machine assembly, distribution, and the end-of-life phase. At each stage, it meticulously assessed the environmental impact, aiming to pinpoint areas for sustainability improvements.

This evaluation wasn't just about understanding; it translated insights into actionable steps to reduce the machine's environmental footprint. It forms VMI's commitment to responsible and sustainable practices throughout the machine's lifecycle, ensuring an eco-friendly approach without compromising performance.

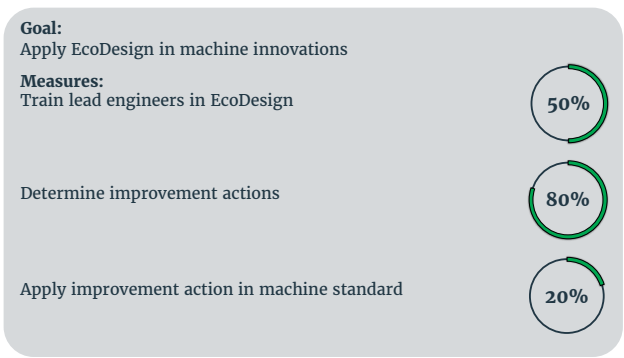
EcoDesign

EcoDesign is a crucial approach that VMI values, and VMI provides training on it to their lead engineers. This training equips engineers with the knowledge and tools to seamlessly incorporate environmental considerations into the product development process.

EcoDesign essentially means finding a balance between environmental and economic factors. It's about making sure that environmental concerns are a fundamental part of every step in developing a product. This approach aims to create products that have the least possible negative impact on the environment throughout their entire life cycle, from the initial idea to when they're no longer in use.

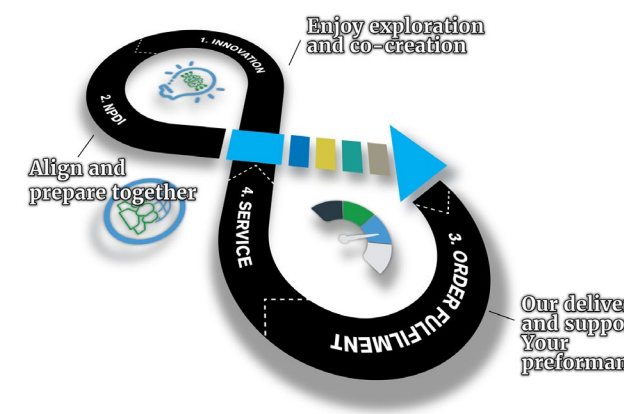


During the training, engineers focus on a strategy called life cycle design using a tool called the LIDS wheel (see figure).



This strategy encourages engineers to think about a product's entire life cycle, including how it's made, how it's used, how it's maintained, and what happens to it when it's no longer needed.

By embracing EcoDesign principles and using the LIDS wheel, VMI's lead engineers are better equipped to develop products that not only work well and make economic sense but also contribute positively to environmental sustainability. This commitment not only benefits VMI but also aligns with global efforts to make products that have a smaller impact on the environment.



NPDI process

New product development and introduction (NPDI) encompasses all of the processes that are needed to bring a new product to market. New product development (NPD) focuses on conceptualizing, designing, and planning a new product, whereas new product introduction (NPI) focuses on producing, launching, and selling the product to consumers.

By including environmental impacts of the VMI machines in the NPDI process, VMI ensures that environmental impacts of VMI machines are considered when the machine is being designed on the drawing board.

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Sustainable Materials

VMI primarily acquires half-fabricates products from our suppliers. In our commitment to sustainability, we hold our suppliers to high

standards regarding the responsible treatment of raw materials. Both in the selection of new suppliers and in our ongoing evaluation of existing ones, we place a significant emphasis on the utilization of recycled materials and the availability of recyclable products.

In addition to evaluating the use of recycled materials and the availability of recycled products, we also assess, in alignment with the Responsible Minerals Initiative (RMI), the responsible sourcing of minerals within our supply chain.

By doing so, we not only strive to reduce the environmental footprint of our supply chain but also actively support the circular economy. Our aim is to ensure that the materials used in the products we purchase are sourced and handled in an environmentally responsible manner, contributing to a more sustainable approach throughout our production processes.

Goal:

Ensure responsible minerals in our supply chain and our products

Measures:

Send questionnaire to relevant suppliers

100%

Request CMRT statement from relevant suppliers

100%

Evaluate received CMRT statements from relevant suppliers

70%



Sustainable Production

VMI's production process mainly consists of assembling half-fabricates. Hardly any raw materials are used, water consumption is low

and energy consumption is predominantly caused by the heating and lighting of the production halls and offices. Most activities concern labor by hand, use of electrical hand tools, internal transport with electric staplers and forklifts. Occasionally more energy intensive activities occur, like the testing of a VMI machine.

Our main goal is to reduce any environmental impact related to the use of substances like adhesives and cleaning agents that can be harmful. We're also focused on making sure we handle waste separation as efficiently as possible.

Goal:

Use environmentally friendly substances in our production process

Measures:

Fase out high risk glues and degreasers

90%

Switch to waterbased paint

90%

Ensure proper waste separation

90%

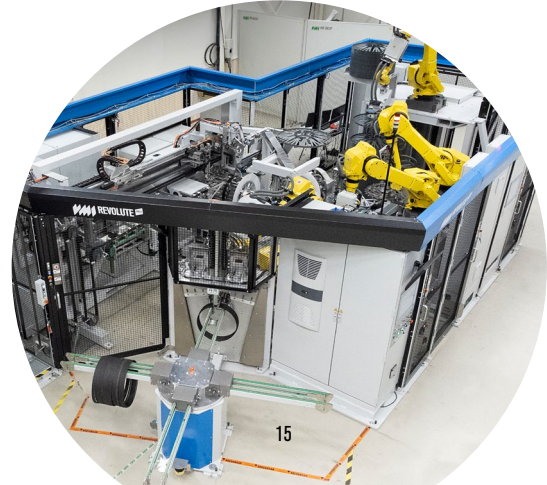


Sustainable Machines
REVOLUTE

VMI's groundbreaking revolute machine is reshaping tire manufacturing with a strong

focus on sustainability. It's revolutionizing Bead Apex production while significantly reducing energy consumption per bead, thereby contributing to a more environmentally friendly manufacturing process. This innovative machine minimizes waste, making tire production more efficient and eco-conscious.

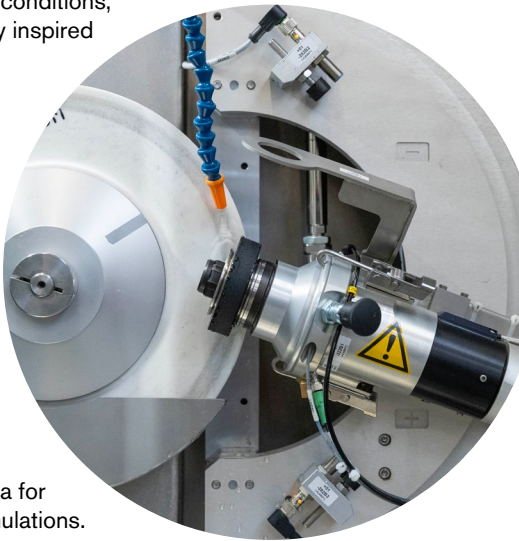
Additionally, it allows for the use of sustainable compounds, reducing rolling resistance and improving overall sustainability performance. In essence, VMI's revolute not only boosts efficiency and quality but also plays a vital role in advancing the tire industry's sustainability efforts.



LAT 100

The VMI Laboratory Abrasion Tester (LAT100) is a cutting-edge device that predicts tire performance through simulated tire-road conditions,

which was originally inspired by Dr. Karl Alfred Grosch's award-winning work. Its primary use is to test the abrasion resistance and frictional forces of tire treads under varying conditions. Importantly, it offers manufacturers, especially top-tier ones like VMI's key customers, vital data for tire models and simulations.



Given rising environmental concerns, there's a push for improved tire energy labeling and more rigorous testing. The LAT100 offers a more sustainable and cost-effective alternative to traditionally expensive, time-consuming outdoor tests. Its focus on tread compound, which is crucial for grip and abrasion, allows manufacturers to evaluate tire performance without producing a full tire.

In 2023, VMI introduced a dynamic testing feature to the LAT100. This development was driven by environmental concerns, specifically the need to reduce Tire Road Wear Particles (TRWP) emissions, a growing environmental challenge. By emphasizing laboratory measurements of rubber abrasion, VMI aims to cut down on tire wear measurements, contributing to sustainability.

The LAT100 typically measures abrasion, grip (in various conditions), and rolling resistance. While traditional tests only vary the traveling distance over time, the new dynamic testing capability lets operators adjust multiple parameters simultaneously during the test. In essence, the LAT100 facilitates a more sustainable and efficient approach to tire testing and development.

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UNIXX Belt Maker
VMI's UNIXX Belt Maker, a standout in VMI's Smart Manufacturing technology suite, is redefining the standards of tire production. This innovative system is a testament to VMI's commitment to both sustainability and quality. By employing a controlled extrusion process, it crafts high-quality steel belts while drastically minimizing waste, especially during production changes.

Its integrated approach, merging the calendar and cutting processes, leads to significant reductions in energy consumption, air pollution, and operational costs. Moreover, its advanced automation guarantees uniform belt quality and heightened efficiency, translating to tangible cost savings for customers.

One of its remarkable features is the ability to produce thinner belts with optimized rubber layers that fully encapsulate the wire mesh. This design innovation not only lightens the tire but also curbs its rolling resistance, paving the way for diminished fuel consumption and CO2 emissions.



Furthermore, transitions between tire specifications have been made more efficient, resulting in up to a 50% reduction in material waste.

In summary, the UNIXX Belt Maker is not just an environmentally conscious solution; it's a paradigm shift, making tire manufacturing both sustainable and cost-effective.

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By LAWRENCE BUTCHER22nd March 2023No Comments

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VMI Group launched its new UNIXX belt maker at Tire Technology Expo 2023. In this video, the company's CEO, Harm Voortman, explains how the UNIXX produces high-quality belts using less energy and compound material, leading to lighter tires with better rolling resistance.

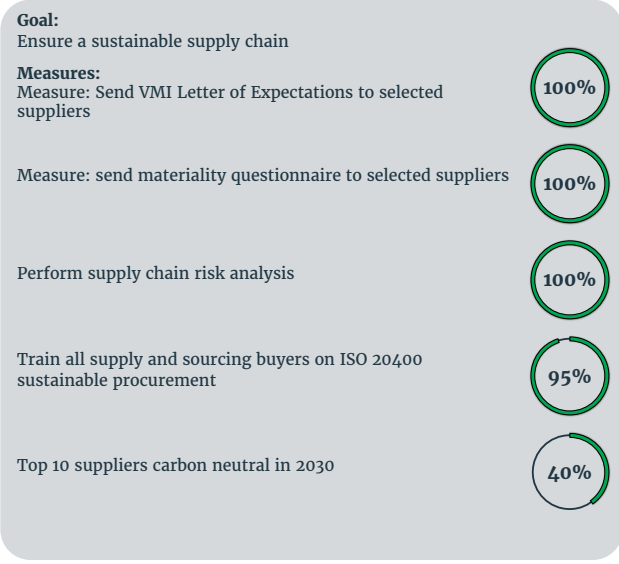
[Link to video](#)

Sustainable Supply Chain
In the life cycle of a machine, a large part of the environmental impact occurs during the production, processing and transport of raw materials and half fabricates with which the machine is built. Therefore, the supply chain with its suppliers and suppliers as well as transport between the individual suppliers - is important for achieving our sustainability goals.

VMI's supply chain is characterized by a high mix of different articles with low volumes. As a result, we have a complex supply chain with relatively little influence. Our actions to work towards a sustainable supply chain are dedicated to the relevant environmental issues along our supply chain as well as the environmental practices of our suppliers. For

example, we maintain close communication with our supply chain and conduct surveys to continuously evaluate their sustainability performance. This include aspects such as the use of recycled materials, the availability of recycled products, their dedication to environmentally responsible business practices, and the responsible sourcing of minerals.

In 2022, VMI developed her policy for Sustainable procurement. This policy focusses on a step by step approach towards the supply chain, driving for carbon neutrality and circular products. VMI strives to work together with her suppliers to discover opportunities for improvement and to pursue these opportunities in a joint effort. All sourcing and supply buyers have completed a 3-day training based on ISO 20400 standards, ensuring they are well-equipped with the latest sustainable procurement practices.



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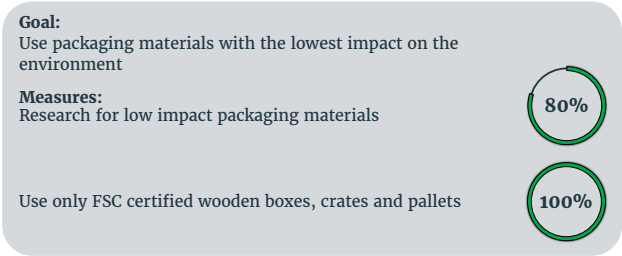


Sustainable Packaging

In our commitment to sustainable packaging solutions, we prioritize the use of environmentally friendly materials. This includes

substituting plastics with alternatives such as cardboard or paper, or opting for recycled plastics and renewable raw materials like wood sourced from sustainable forestry practices. Additionally, we are dedicated to an ongoing effort to reduce both packaging volumes and the weight of plastic and paper packaging, minimizing our environmental footprint in the process.

Furthermore, we actively collaborate with our suppliers to implement eco-conscious packaging for incoming goods, working together to minimize the environmental impact throughout our entire supply chain.



Sustainable Logistics

At VMI, our logistics operations include two key aspects. Firstly, there's the intracompany transport of machine modules during

the manufacturing process. Secondly, we handle the transportation of finished products to customer locations.

To enhance the sustainability of our logistics, we've established a partnership with our parent company, TKH, to optimize warehouse capacity and streamline transport operations across Europe. This strategic collaboration not only promotes efficiency but also significantly reduces emissions.

In our logistics approach, we prioritize selecting transportation methods that reduce environmental impact. We prioritize options such as sea transport, which significantly reduces emissions compared to other methods. We also utilize road transport (trucks) for more localized shipments, striving for efficiency and sustainability in every step of the journey.



Sustainable Mobility

At VMI, sustainable mobility is a key focus area in our commitment to reducing carbon dioxide (CO2) emissions resulting from both employee

commuting and business travel.

Vehicle fleet

To address this, we have embarked on an ambitious journey to electrify our entire company vehicle fleet. Starting in 2022, any new vehicles added to our fleet will be exclusively electric. This proactive approach aligns with our dedication to cleaner transportation and a greener future. Additionally, we are investing in the essential charging infrastructure and continuously expanding our network of electric vehicle charging stations, conveniently including those within our employee and visitor parking areas.

Innovative Tire Pump Initiative:

In 2012, VMI introduced an innovative tire pump initiative right within our parking lot, emphasizing the importance of maintaining proper tire inflation. The success of this initiative has been substantial, benefiting 1,747 users. Beside the financial savings, totaling €40,123 and nearly €23 per user, it had a positive environmental impact. Through this initiative, we collectively reduced CO2 emissions by



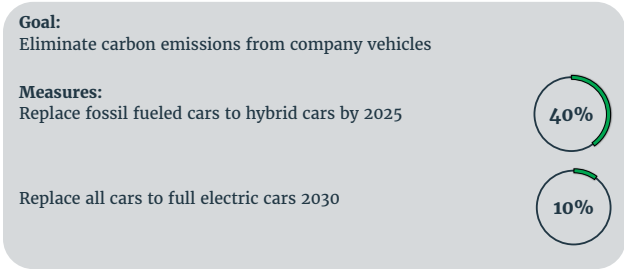
33 tonnes and conserved 9,096 litres of fuel. It's a testament to how small changes can yield significant environmental and financial benefits.

Reducing travel

Recognizing our global presence and the necessity of travel for meetings and machine maintenance at customer sites, we actively promote alternatives such as telephone and video conferences whenever feasible. This approach allows us to reduce the environmental footprint associated with travel while still ensuring effective communication with our customers on a global scale.

Shuttle bus & loan bicycles

We use shuttle buses to make our company accessible via public transportation, contributing to sustainability by reducing individual car usage and promoting eco-friendly commuting options. Additionally, we provide VMI loaner bicycles for employees, further encouraging sustainable transportation choices and reducing the environmental impact of daily commutes.



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Sustainable Buildings

Buildings have long service lives; therefore, it is essential to invest in energy efficiency and sustainable building materials in order to minimize the adverse effects on the environment.

VMI optimizes the energy efficiency of existing buildings. New buildings are planned to achieve energy consumption that is as low as possible.

Almost all VMI offices have energy label A or higher.

- The main measures that are implemented, consist of:
- use of heat pumps
 - user photovoltaic energy
 - presence and daylight controlled LED illumination
 - energy management system that continually monitors and optimizes energy usage
 - Automatic shading systems

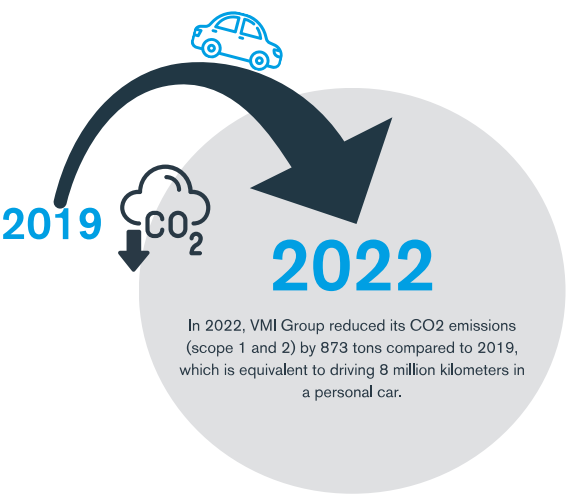


Sustainable Energy & Climate

At VMI, we view climate change as one of the most critical challenges facing our world today. Consequently, we have embraced a sense of responsibility and set forth ambitious objectives to reduce our greenhouse gas emissions.

Our strategy to counteract climate change is multifaceted. We prioritize energy efficiency as a means to reduce our energy consumption, prevent energy wastage, and operate more sustainably. Additionally, we actively seek opportunities to transition to renewable energy sources whenever possible, aligning our practices with environmental sustainability principles. In instances where greenhouse gas emissions are unavoidable, we are committed to balance these emissions, effectively striving for a net-zero impact on our overall greenhouse gas emissions.

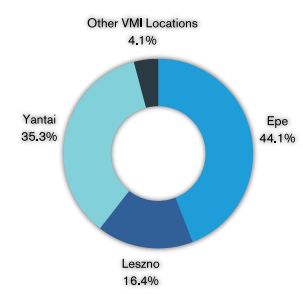
In line with TKH, we are dedicated to achieving carbon-neutral operations by 2030. To progress towards this goal, we initiated a technical study in 2022 aimed at eliminating out all fossil fuel heating systems at our headquarters in the Netherlands by 2030.




VMI's scope 3 emissions primarily include emissions from business travel, downstream emissions related to VMI machines in operation at customer sites, and upstream emissions originating from our suppliers.

To address the reduction of downstream emissions from VMI machines, we carried out a comprehensive Life Cycle Assessment (LCA) study on our most frequently sold machine. Based on the study's outcomes, we have devised an action plan to curtail the machine's energy consumption and minimize the waste of raw materials it processes.

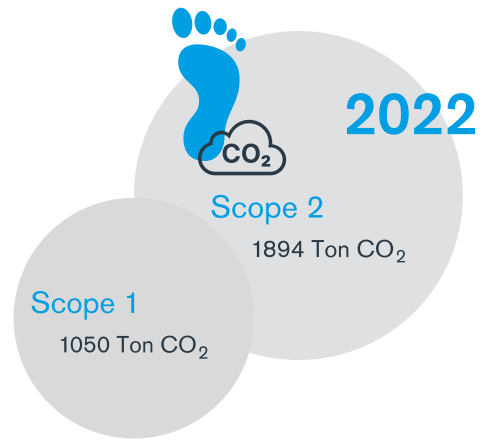
In our commitment to reducing upstream emissions stemming from our suppliers, we have initiated dialogues with these stakeholders to express our expectations for establishing a carbon-neutral supply chain. This holistic approach underscores our dedication to sustainability and environmental responsibility, as we actively work towards a more sustainable and environmentally friendly future.





VMI actively participates in the initiative led by CDP, a not-for-profit charity. Over the past two decades, CDP has been administering a global disclosure system, enabling investors, companies, cities, states, and regions to effectively manage their CO2 emissions. Through this system, CDP has fostered unmatched global engagement on environmental issues, creating a substantial impact in addressing climate change.

Carbon footprint



Scope 1 (Ton CO2)	Epe	Leszno	Yantai	Other VMI Locations	VMI Group
Car gasoline	-	-	-	-	183
Car diesel	-	-	-	-	35
Diesel for heating/generators	-	-	78	-	78
Natural gas	469	27	247	10	753
CO2 footprint scope 1	469	27	326	10	1050

Scope 2 (Ton CO2)	Epe	Leszno	Yantai	Other VMI Locations	Group
Electricity	732	420	638	104	1894
CO2 footprint scope 2	732	420	638	104	1894

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Sustainable IT

From an IT perspective, cloud computing can significantly contribute to achieving various Corporate Social Responsibility (CSR) benefits. This is primarily driven by the “economy of scale” and sustainability initiatives adopted by major cloud providers like Microsoft and AWS to enhance their sustainability practices. They are committed to achieving goals such as 100% renewable energy for their public cloud offerings and a transition to carbon-free energy sources, along with reducing water consumption.

Several aspects highlight the CSR benefits of cloud computing. Firstly, it leads to reduced energy consumption. Companies can lower their energy consumption by utilizing cloud computing, relying on the infrastructure of cloud providers rather than maintaining their own data centers. Cloud providers often employ more energy-efficient technologies and can capitalize on economies of scale to reduce energy consumption related to cooling, lighting, and power provisioning systems.

Secondly, cloud computing contributes to a reduced carbon footprint. By curbing energy consumption, cloud computing helps companies reduce their carbon footprint. Cloud providers can tap into renewable energy sources like solar or wind power to operate their data centers, further diminishing their carbon emissions.

Moreover, cloud computing minimizes the generation of electronic waste (e-waste) within companies. Instead of procuring and managing their hardware, businesses can opt for cloud computing services that can be easily scaled up or down as needed. This reduces the necessity to dispose of obsolete hardware, a significant source of e-waste.

Lastly, cloud computing promotes improved resource utilization. It enables companies to optimize resource usage by sharing resources among multiple users. This promotes the efficient utilization of resources and helps decrease the overall resource requirements.

At VMI, several cloud platforms are already in use to reap these CSR benefits. This includes Microsoft M365 for global collaboration, a middleware framework for application integration, Talentsoft eLearning, Cobra HR, and MobileExpense. Additionally, VMI has plans to migrate several applications to the cloud in its roadmap. These include moving the ERP system (Infor LN) to the AWS cloud, implementing time registration for VMI Epe, further utilizing the M365 platform (including a global intranet and document management), enhancing the Business Intelligence platform (for reports, information dashboards, data analysis, and KPIs), and deploying the MS CRM application.

Beyond the benefits for VMI Group, such as fostering a globally consistent way of working, these initiatives also contribute to improving sustainability practices.



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VMI China has effectively monitored various environmental factors, including exhaust gas, wastewater, and noise levels. As a result, our emissions to the environment consistently remain below the local regulatory limits. Our commitment to environmental sustainability is evident in our Environmental Impact Register, where we have successfully reduced the number of identified environmental aspects by 2.9% compared to 2021. This achievement is the result of various improvement actions we have undertaken.

In our continuous efforts to reduce our environmental footprint, we took several noteworthy steps in 2022. We replaced two heating boilers, resulting in a reduction in NOx emissions. Additionally, we prioritized recycling of all raw materials and achieved a significant 47% reduction in hazardous waste. Furthermore, we conducted a feasibility study for the installation of solar panels, exploring clean energy alternatives. Moreover, we took significant strides in our fleet management by replacing two diesel oil forklifts with electric ones, contributing to reduced emissions.

These collective achievements reflect our dedication to building a more sustainable society and are indicative of our ongoing commitment to environmental responsibility.

All VMI China sourcing and supply buyers have undergone a 1-day training on sustainable procurement, ensuring they are aligned with current best practices in the field.



VMI Poland achieved re-certification for its ISO 14001 environmental management system, underscoring its commitment to environmental stewardship. To improve environmental awareness among employees, the company introduced a system for reporting environmental incidents, resulting in the identification of nine incidents that year.

As part of its ongoing sustainability efforts, VMI Poland started with several initiatives within its facilities. New halls were constructed with a focus on energy efficiency and reduced environmental impact. LED lamps equipped with the DALI System were installed, allowing for the optimization of lighting intensity in areas not currently in use or adequately lit by daylight, ultimately reducing operational costs.

Moreover, the company adopted a heat pump as the primary source of heating in one of the newly built factory buildings, contributing to a greener and more energy-efficient heating solution. Roof insulation was also enhanced in specific buildings to improve energy conservation, using 24 cm of rockwool compared to the previous 20 cm.

The introduction of new gates in these halls marked a significant improvement, boasting superior insulation properties and faster opening and closing times, resulting in reduced heat loss and energy savings. Skylights in the new halls were upgraded as well, providing better temperature control and minimizing solar heat influx, further enhancing energy efficiency.

Looking ahead, VMI Poland has plans for a photovoltaic panel installation in 2023, with an initial capacity of 50 kW, set to increase to 200 kW by the following year. Additionally, the company intends to replace lighting systems with energy-efficient LED alternatives in older halls to reduce energy consumption and lower overall operational expenses. These initiatives underscore VMI Poland's steadfast commitment to sustainability and responsible energy management.

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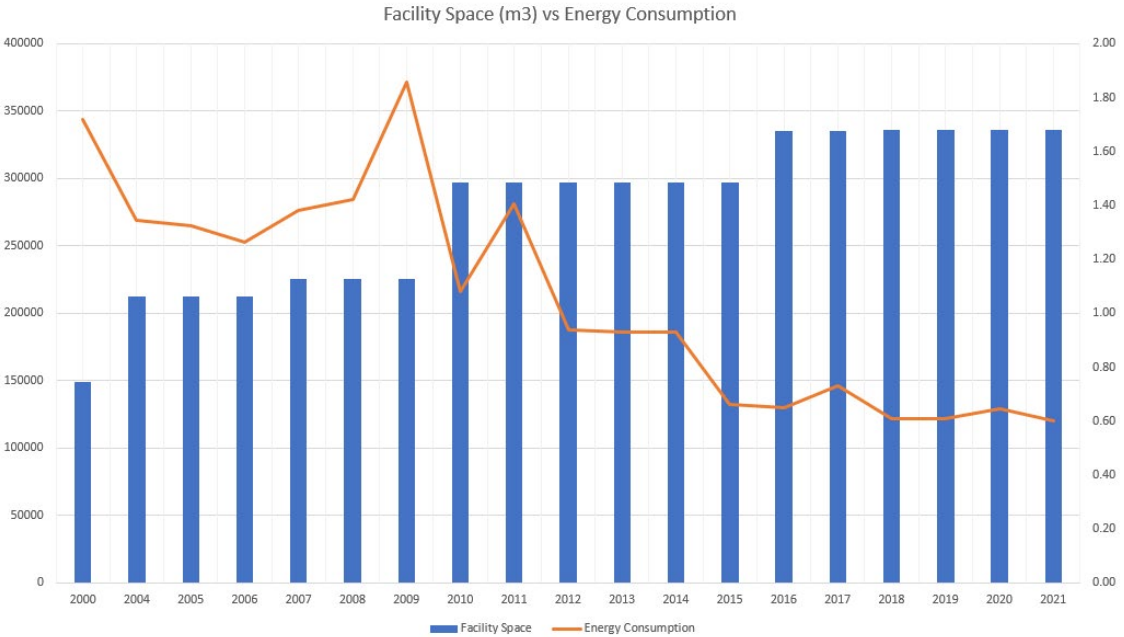
VMI Netherlands

VMI Netherlands is fully committed to sustainability, and we've made it an integral part of our daily operations. We strongly believe in taking tangible steps to align ourselves with global environmental goals and do our part in making the world a better place.

One of our key sustainability efforts involves investing in advanced machinery. These modern machines not only make the manufacturing processes more efficient but also prioritize sustainability by using less energy and resources.

Additionally, we have ambitious plans to change the way we source our energy. We're in the process of shifting our entire factory away from natural gas. This move not only reduces our carbon footprint but also sets an example for cleaner energy choices in the industrial sector. VMI initiated an investigation by an external expert consultancy to determine options for sustainable heating systems. In 2024, the first two halls will be fitted with heat pumps.

As shown in Figure 1, over the past twenty years, measures have resulted in a halving of gas consumption, while the facility space has doubled. This reflects a fourfold improvement in efficiency.



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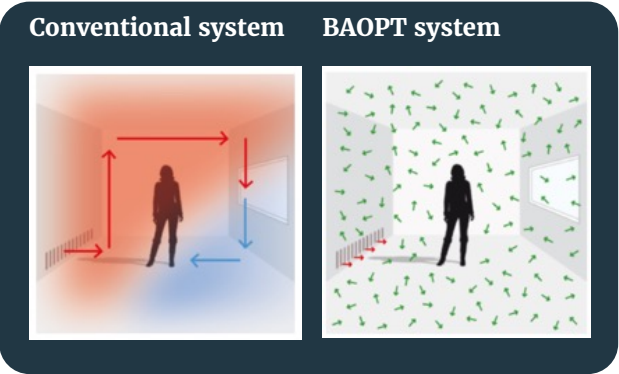
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BAOPT
All office buildings are equipped with the BAOPT system. This system ensures that when ventilating, heating and cooling the offices, the air flows throughout the room (diffusion). The extreme corners are also reached, allowing VMI employees to enjoy healthy, fresh air everywhere without significant temperature differences.



IonAir
IonAir's purification system is a significant step forward in achieving enhanced indoor air quality. By employing its technology, we see a remarkable 50% reduction in odor-causing volatile organic compounds (VOCs). Moreover, it eliminates approximately 95% of bacteria, germs, and mold spores, enhancing the healthfulness of indoor environments.

Further benefits encompass a halving of airborne particulates, coupled with a 10-25% decrease in the necessity for regular air exchanges. This efficiency facilitates a greater air recirculation rate, diminishing the dependency on continuous external air intake. And impressively, IonAir's system can effectively replace conventional activated carbon filters, making it a comprehensive solution for pristine indoor air.

EcoDesign
To ensure that our products are designed with sustainability in mind, our team has received special training in EcoDesign. This training equips us to consider the environment at every step when creating new products.

Sustainable Procurement
Furthermore, we've integrated Sustainable Procurement practices into our operations. This means we choose materials and suppliers that have a strong focus on environmental responsibility. It's our way of making eco-friendly choices and encouraging others in the supply chain to do the same.

Lastly, we've conducted a thorough environmental assessment of our VMI MAXX product's entire life cycle. This helps us understand and reduce its impact on the environment.

In summary, VMI Netherlands is taking active steps toward sustainability in various aspects of our work, from using efficient machinery and cleaner energy to eco-conscious product development, responsible procurement, and comprehensive environmental assessments. Our commitment to sustainability is clear, and we're dedicated to contributing to a greener and more sustainable future in every way we can.

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People Make the Difference - Together we are VMI

At VMI we see our employees as family. We are all committed to serve our customers with technology leading machines that allow our customers to obtain their sustainability goals.

To continue to be the technology leader, training and education is essential. The VMI Academy is the central venue for developing skills and managing careers for our employees as well as for our customers.

Next to ensure high quality jobs and training opportunities for all employees worldwide, we equally value the mental well-being of our employees. VMI has an active vitality program which covers both mental well-being and physical fitness.

We monitor employee satisfaction through regular surveys. We are very pleased to report this more than 90% of our employees are proud of their work and their employer.

The year 2022 was special because we finally could celebrate the 75-year anniversary of VMI. This was two years delayed due to the pandemic. In all VMI offices worldwide large parties were held for all employees with their spouses. We also had an open day where all VMI employees could show their family and friends where they work and what products they work on.

As well as doing good for our employees, VMI also wants to do good for society in general. We focus on supporting charities by raising money through sporting events. And we focus on providing education regarding technology to people outside VMI, for example for children leaving primary school and cooperating with schools and universities.

Important fields of action in social sustainability

In the era of continuous technological evolution and innovation, we wholeheartedly recognize that our most valuable asset consists of the individuals shaping our company.

As a dedicated high-tech company, our commitment extends beyond technological advancement to the well-being of our

employees. Our vitality policy, emphasis on training, and involvement in societal causes are just a few facets of the unique social culture that characterizes VMI. Additionally, we're committed to upholding and promoting human rights, not only within our organization but also throughout our value chain. We recognize the importance of ensuring fair and ethical treatment for all individuals and entities associated with our business. By actively engaging with our suppliers and partners, we strive to create a responsible and transparent value chain where human rights are respected and upheld at every level.

Together, we are building a company that excels not only in innovation but also in creating a positive impact on individuals and society as a whole.



Arend Buter
Chief Financial Officer

"At VMI, we understand that our success hinges on the knowledge, skills, and well-being of our employees. Therefore, we embrace a progressive social policy that not only meets the requirements of collective labor agreements and/or what is legally required but goes further to promote sustainable employability."



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Working conditions

Health and Safety

VMI's H&S Policy encompasses measures and guidelines that ensure the health, safety, and well-being of our employees in the workplace. It covers all aspects of the work environment, including physical conditions, working hours, workload, ergonomics, and psychocial factors.

Our primary goal with our H&S Policy is to prevent health problems and work-related accidents. We aim to identify, assess, and take appropriate preventive measures against risks. These measures include implementing safety procedures, providing personal protective equipment, and offering training and education. By implementing these measures, we reduce the likelihood of injuries, illnesses, and health issues among our employees.

VMI has a safety management system that complies with ISO 45001 standards. The safety management system undergoes annual audits by Lloyds (LQRA). The scope of this policy applies to all permanent and temporary employees, on-site contractors, on-site subcontractors, and visitors to VMI.

Safety First

Safety First is within the DNA of VMI. This resulted in zero Lost Time Incidents (LTI's) in 2022 our production plants abroad.

The table below shows a brief summary of the safety statistics. These numbers are calculated with only direct hours, i.e. working hours from production and warehouse only.

It is common to calculate safety statistics with all worked hours, including office employees. VMI has decided to calculate with only direct hours of production, warehouse and field employees to get a more focused picture where improvements are needed.

In all 3 production locations, the incidents are reported according to procedure O.05-12 Global Safety Incident Reporting. The LTIF and the TRIF are calculated in the same way. Lost Time Incident Frequency before LTIF. Total Recordable Incident Frequency before TRIF.

Some remarks on the numbers:

- In VMI China all plaster incidents are registered, so the TRIF in VMI China is higher than in the other branches. Accidents with injury is therefore considerably higher in VMI China, which gives a slightly distorted picture.
- In VMI Netherlands and in VMI China, all findings from the Safety Walk tours are reported as a Safety Issue. (Safety Check Findings) that is why the numbers are higher than in VMI Poland.

The VMI China production location has scored very well on the LTI: 2 million hours without LTI.

2022	VMI Netherlands	VMI China	VMI Poland	VMI Group
Accidents with injury	31	83	8	122
First Aid Case	21	79	7	107
Medical treatment case	6	4	0	10
Lost time injury	4	0	1	5
Material Damage Only	14	0	0	14
Near MIss	14	0	15	29
Safety Issue	439	260	10	709
Not work related incident	8	1	2	11
LTIF	7.3	0	3.7	4.1
TRIF	57	102	26	65

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Safety awareness training

To create a safe working environment, safety awareness needs to be refreshed periodically. In 2022, all personnel of VMI participated in an in-depth safety awareness training. The format of this training focused on 2-way communication, from the employees to the management and vice versa, to get the perspective from both the work floor and the management. This resulted in a comprehensive opportunities list with follow up actions.

TIER boards

Throughout VMI, the TIER system is used to manage issues that arise in day to day operations. VMI applies 5 levels: TIER 1&2 for the employee level and team level to solve issues within the team; when the team cannot solve the issue independently, than the issue is escalated to TIER 3. On TIER 3 level, a multi-disciplinary team is assembled to solve this issue. When the multi-disciplinary team cannot solve the issue, than the issue is escalated to the senior management level TIER 4. Ultimately, when Board input is needed, the issue is escalated to TIER 5 level.

Within VMI, both Health & Safety and environmental issues are actively addressed through the TIER system. The TIER system incorporated all production locations, on a daily basis. So when an issue arises in one location, it will immediately be assessed if the issue also applies for another location of VMI.



Anti-Harassment Policy

VMI considers it its responsibility to ensure working conditions that provide a safe, healthy, and pleasant working environment for its employees, benefiting both employees and the organization as a whole.

Our anti-harassment policy states that we do not tolerate unwanted behaviors such as (sexual) harassment, aggression and violence, bullying, discrimination, and stalking within VMI. Unwanted behaviors pose risks to our employees' working conditions. Besides affecting the work atmosphere, productivity, and work quality, unwanted behaviors also impact employees' personal lives.

To further this commitment, we have instituted a comprehensive training program on anti-harassment for all our employees. This training not only educates our workforce about recognizing and addressing harassment but also promotes a culture of respect and inclusivity. We believe that through awareness and proactive measures, we can foster a work environment where everyone feels valued and protected.

We strive to take all possible measures to prevent and counteract unwanted behaviors at work. This includes measures that provide protection against such behaviors and their adverse effects.

Confidential Advisor

A confidential advisor is an independent and neutral individual within an organization who serves as a point of contact for employees facing unwanted behavior or other workplace issues. The confidential advisor provides a safe environment where employees can share their concerns confidentially and without fear of reprisals. The confidential advisor can offer advice on possible next steps, such as filing a formal complaint or involving other internal or external entities.

VMI aims to promote an inclusive and respectful working climate and to take all necessary measures to prevent and address unwanted behaviors and psychosocial work-related stress. Our goal is to implement protective measures that ensure our employees' well-being and minimize the negative consequences. In case of any issues, VMI has two confidential advisors whom employees can turn to. Having confidential advisors benefits not only our employees' well-being but also contributes to the overall success of our organization.

Periodic Medical Examination (PME)

At VMI, our aim is to offer PME to all our employees every three years. This allows us to regularly assess the health and well-being of our team members and take preventive measures in a timely manner. The PME results provide valuable information for our vitality plan. It enables us to develop targeted initiatives to improve the health and well-being of our workforce while creating a supportive and healthy working environment.

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Employment Conditions

Employment Handbook

Within VMI, we have an Employee Conditions Handbook. This handbook includes all formal agreements and arrangements concerning VMI's employment terms, such as compensations, leave arrangements, and codes of conduct. The primary aim of the Employee Conditions Handbook is to provide employees with information about the formal agreements and arrangements concerning the employment conditions within VMI. This handbook serves as a guide enabling employees to stay informed about all essential aspects of their employment conditions.

With this, VMI wants to express appreciation and recognition to employees who have been working at the company for a long time. These employees make a substantial contribution to the success and stability of the organization. Granting extra holiday days is a tangible way to acknowledge and appreciate the commitment and loyalty of these employees.

In addition to appreciation and recognition, talent retention is also a reason to grant employees with a prolonged service extra vacation days. Retaining experienced and knowledgeable employees is often more cost-effective than attracting and training new forces. By offering extra holiday days, the company creates an incentive for employees to stay and continue sharing their expertise.

Appreciation and talent retention are strong arguments to reward loyal employees with extra holiday days. Moreover, working for a long time without adequate rest can lead to burnout and reduced productivity. Extra vacation days can give employees the chance to recover, reduce stress, and promote their physical and mental health.

Employee Satisfaction Survey (ESS)

The Employee Satisfaction Survey is a way to measure the satisfaction of employees within an organization. It includes collecting feedback from employees about various aspects of their work experience, such as employment conditions, working environment, leadership, communication, development opportunities, and work-life balance. VMI organizes this survey every 3-4 years.

The purpose of the Employee Satisfaction Survey at VMI is to gain insight into the satisfaction and needs of employees so that the organization can take targeted measures to improve the working environment and employment conditions. It also provides insight into factors that may influence the performance, productivity, and loyalty of employees. By understanding what motivates employees and what hinders them in their work, the organization can develop strategies to increase engagement and motivation, which ultimately leads to improved performance and higher employee satisfaction.

Following the feedback from the last Employee Satisfaction Survey (ESS), a vitality policy was introduced to address the well-being of employees. This policy outlined guidelines for promoting work-life balance and overall well-being. To supplement the policy, vitality workshops were organized. Recognizing individual needs, the organization also offered one-on-one coaching sessions, where employees could discuss personal challenges and receive tailored guidance. These initiatives reflected the organization's commitment to enhancing employee vitality and well-being.

Works Council

A Works Council (WC) is a legally established participatory body within an organization. It comprises elected representatives from the workforce and is tasked with representing employee interests and enhancing communication and collaboration between employers and employees.

The WC serves as a crucial link between management and employees within VMI. VMI aspires to maintain a positive relationship with the WC, contributing to a positive working climate where employees feel heard and valued.

The VMI works council actively participates in the TKH Group Works Council, ensuring VMI employees' interests are represented at the group level. This collaboration fosters transparent dialogue and strengthens decision-making processes within the TKH Group. It also facilitates a two-way flow of information between VMI and the broader group.

VMI Academy

We also made great progress in Learning & Development in 2022. We put a lot of effort into the further expansion of VMI Academy, our own in-house Learning Management System, which uses a specially implemented software tool to offer a wide range of (E-)training courses. These include training courses for VMI employees and increasingly, for our customers too. Trainings vary from health & safety topics, mental health topics, personal development programs, human right topics to Business Ethics training.



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Human rights

Child Labor, Forced Labor

VMI is committed to upholding the highest standards of human rights in all our activities and business operations. We acknowledge that as a global company, we bear the responsibility to respect and protect the rights of all individuals impacted by our company, including our employees, suppliers, and community members.

In line with international human rights standards, our company does not tolerate any form of discrimination, including based on race, gender, religion, national origin, sexual orientation, or any other characteristic protected by law. We ensure that all employees are treated with dignity and respect, and are not subjected to any form of harassment or abuse.

We also ensure that our suppliers and business partners adhere to our human rights policy. We routinely conduct audits of our supply chain to ensure that suppliers comply with relevant laws and regulations, and do not engage in any form of forced or child labor.

At VMI, we adhere to specific rules from the Working Hours Act and the Working Conditions Decree applicable to young workers. Below are the main points from the above legislation:

Age Limit

Children under the age of 16 (14 and 15) are generally not allowed to work with machinery or dangerous equipment. Only light office work is allowed. There are also restrictions regarding working hours. (Maximum 7 hours per day and maximum 35 hours per week, where school hours are equal to working hours). Interns in this age must have an internship agreement signed by the school, the company and by the child's parents/caretakers.

Youth workers fall into the age category of 16 or 17 years old. These are, for example, students of the BBL training who follow a learning-work path, or on-call workers and warehouse employees engaged in order picking or goods receiving. The working hours for youthful employees are capped at 45 hours per week, with school time counted as working hours.

There are certain activities that are prohibited for youthful employees to ensure their safety. They are not allowed to work with products that could cause organ damage, impair fertility, or are identified as long-term harmful or toxic. They are also prohibited from working in environments where they would be exposed to higher noise levels of 85 dB(A) or more, or peak sound pressure of 140 dB(A) or more. Exposure to harmful vibrations is not allowed. Additionally, working with hazardous machinery, such as forklifts, stackers, or overhead cranes is off-limits for them. These measures are put in place to ensure the safety and well-being of young employees as they navigate the early stages of their working lives.

Supervision and instruction

In companies employing youth, an employer must designate an experienced employee, aged 18 or older, to provide expert supervision, ensuring safety and proper task assignment. This supervisor has the authority to intervene for safety and should consider the young worker's characteristics when assigning tasks. Working hours for those under 18 are regulated, with no night shifts allowed. At VMI, the workday is 8 hours long with limited overtime, aligning with these guidelines. Labor Inspection: The Dutch Labor Inspection (Inspection SZW) oversees labor conditions and compliance with laws and regulations regarding young workers.

Training: Young employees have the right to education and guidance to safely and competently perform their work.

We also recognize the importance of protecting the rights of employees in all our activities and will ensure access to fair wages and safe working conditions. We will take steps to prevent and address any form of labor exploitation, including withholding wages or imposing excessive working hours.

In all our activities, we will comply with all applicable laws and regulations and work towards continuously improving our human rights performance. We will also be transparent about our human rights practices and make information about our policies and procedures available to the public.

In particular, in Poland and China, we will ensure compliance with all local laws and regulations and work closely with local communities to ensure that our activities do not adversely impact their human rights.

We will take immediate action to address any violations of this policy and will not tolerate retaliation against an employee for reporting a violation or cooperating with an investigation.

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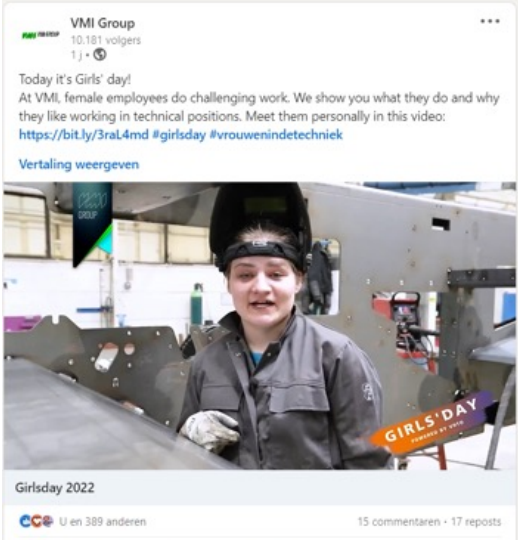
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Diversity, Equality, Inclusion
VMI actively works to encourage women to work in technology. We recognize the importance of gender equality and diversity in our organization and strive to create an inclusive working environment where women have opportunities to grow and excel in technical roles.



[Link to article](#)

In addition, we aim to encourage women to advance to managerial positions. We believe that promoting gender diversity in leadership roles is not only just, but also has a positive impact on decision-making and creates a balanced work culture.

Alongside our commitment to gender equality, we also offer opportunities to employees with a distance to the labor market. We believe that everyone, regardless of their background or limitations, can make valuable contributions. We aim to promote inclusivity by providing appropriate support, training, and workplace adjustments.

At VMI, we have set up a special department where people with a distance to the labor market find a valuable place. This initiative stems from our endeavor to be an inclusive organization. Not only does this strengthen our corporate culture, but it also offers benefits. Thanks to job carving, we can tailor tasks and assign simple tasks to employees with a

distance to the labor market, while relieving other colleagues of such duties.

By ensuring the work seamlessly matches the skills and capabilities of each employee, we not only save costs but more importantly, relieve our highly qualified technical staff of repetitive tasks, allowing them to focus on more complex tasks. This approach enhances our technical employees' job satisfaction, thereby enhancing their long-term connection with our organization.

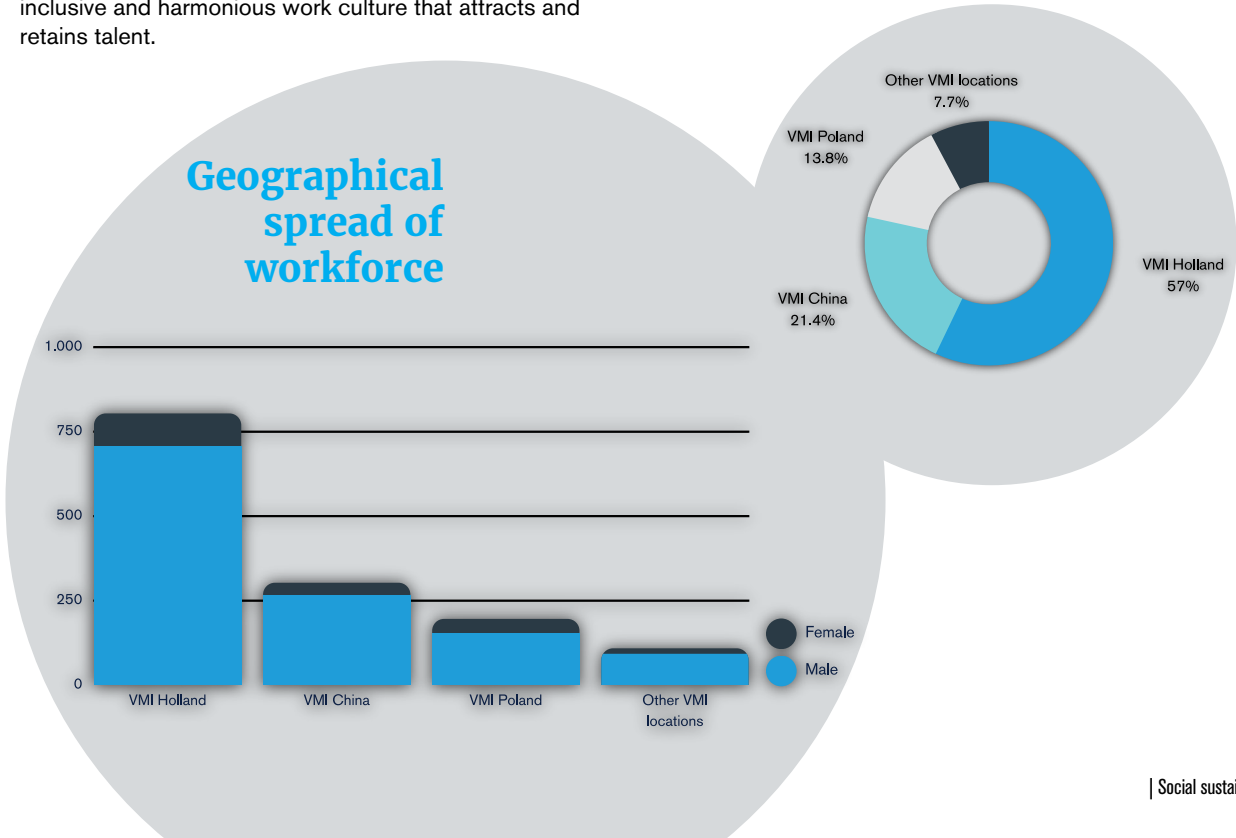
For the group of employees with a distance to the labor market, we have employed a job coach, who has extensive experience with this target group and guides and supports them in their work and professional development.

We cherish our culture of equality and inclusivity, where rewards and recognition are based on individual performance and commitment, not influenced by gender, origin, or other personal characteristics. By focusing on individual performance, we promote a fair and objective appreciation of each team member's contributions, regardless of their background, and contribute to an inclusive and harmonious work culture that attracts and retains talent.

By actively seeking the engagement and participation of women in technology, promoting gender diversity in managerial positions, and offering opportunities to employees with a distance to the labor market, we aim to create an inclusive and diverse working environment where all individuals have the opportunity to reach their full potential.

Human Rights in the supply chain
VMI wants to provide a safe working place for her employees. Likewise, VMI expect her suppliers to provide a safe working place for their employees. VMI has a zero tolerance policy for corruption, bribery and unethical acts. VMI applies a zero tolerance policy for Child labor or Modern Slavery in our Supply Chain. VMI promotes Freedom of association and Collective Bargaining in our supply Chain. VMI promotes equal rights, equal pay and equal opportunities for everybody.

VMI started to develop an awareness training program on these issues for employees that have a chance to encounter these malpractices in our value chain, in particular our sales and purchase employees.



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Charitable Causes

VMI places great importance on our company's participation in charitable causes. Annually, a decision is made regarding which charity we would like to support in the coming year, with the goal of making a positive impact on society and enhancing community involvement within the organization.

To raise funds for the chosen charity, we participate in a sporting event or organize a sports challenge ourselves. We believe this not only contributes to fundraising but also promotes team building and a healthy lifestyle within our company. Additionally, we organize various activities to raise money, such as a sale of Easter bread, car wash action, and a raffle of Christmas gifts during our annual Christmas drinks. These initiatives not only provide financial support to charitable causes but also contribute to raising employee awareness of societal issues and encourage them to actively participate in supporting charitable causes. Through our joint efforts, we hope to have a positive impact on others' well-being and contribute to a better world.

Education / Information

VMI highly values education and information in the field of technology. We believe it is essential to expose children, students, and interested individuals to the wonders of technology. To this end, we regularly organize tours for primary schools and students from vocational, higher vocational, and university education. Additionally, we frequently invite interested parties to get acquainted with VMI and its employees to truly grasp the work we do within our company.

An example of an event in which VMI participates by giving a factory tour is for example the TechniekWeek. The Science Weekend in October is a Dutch event. VMI joins this by

giving factory tours allowing people to see the importance and fun of technology.

A significant aspect of our commitment to technological education and awareness is our partnership with Solar Team Twente. This team of ambitious students from the University of Twente, Saxion University of Applied Sciences, and ROC van Twente, aims to design and build the world's most efficient solar-powered vehicle. Their dedication to pushing the boundaries of what's possible with solar technology aligns seamlessly with our mission at VMI. By supporting and collaborating with Solar Team Twente, we aim to further spotlight the importance of sustainable technological innovations and inspire the next generation of tech enthusiasts.

Our primary goal remains to raise awareness about technology, with the aspiration of motivating individuals to pursue careers in the technological field, ideally within our own company. We firmly believe that a robust foundation in technological knowledge and skills is vital for future generations. Through our educational initiatives, partnerships like the one with Solar Team Twente, and information dissemination, we hope to contribute positively to the nurturing of young talent in the realm of technology. Together, we are shaping the future of technological advancements.

Energiekoplopers Apeldoorn en Epe

VMI The Netherlands participates in a regional partnership called "Energiekoplopers Apeldoorn en Epe" (Energy reduction champions). This is a network of more than 20 companies from the process and manufacturing industry working together to reduce energy. This partnership is sponsored by the province of Gelderland.

Perron038

Perron is the place for the innovative manufacturing industry in the region, located in Zwolle. In this open innovation center we work together on the future of the high-tech manufacturing industry. Technicians and enthusiastic students work together, research and experiment to make technological innovation possible. By continuously innovating, learning and inspiring. To create the future together. VMI is a partner of Perron038 from the beginning. [Perron038 website](#)

Platform Techniek

Platform Techniek, a regional partnership between the business community and educational institutions, has been committed to encouraging young people to choose a technical profession since 2001. There is a powerful collaboration between education, entrepreneurs, government. This collaboration creates dynamics and allows beautiful things to arise. On behalf of VMI, Jeroen Hofstra is a member of the executive board of Platform Techniek as chairman of companies. In addition VMI is involved in the making of the magazine TechTalk. [Platform Techniek website](#)

The Techniek Academie

The Techniek Academie was set up by technical companies, Platform Techniek Noordwest-Veluwe and Landstede MBO with the intention that more students would choose a career in technical jobs. Moreover, they planned to ensure that students receive a good education that matches the demand of the companies. VMI was one of the founders of the Techniek Academie and fulfills a board function. The Techniek Academie now counts 140 member companies and that number continues to grow. The Techniek Academie provides their students a job guarantee. VMI also recruits students from the Techniek Academie. See also [detekniekacademie.nl](#)

OBM (Metal Training Company) East

VMI is an active member of OBM Oost. OBM Oost ensures the influx and training of (new) employees of metal companies in the East of the Netherlands. In collaboration with Regional Educations Centers, they provide vocational training that is relevant to practice. A large group of companies have now joined OBM Oost. They are also co-owners of the OBM through share ownership. They support OBM's mission and invest in the future of their company by training students. VMI is one of these companies. See also [obm-opleidingen.nl](#)



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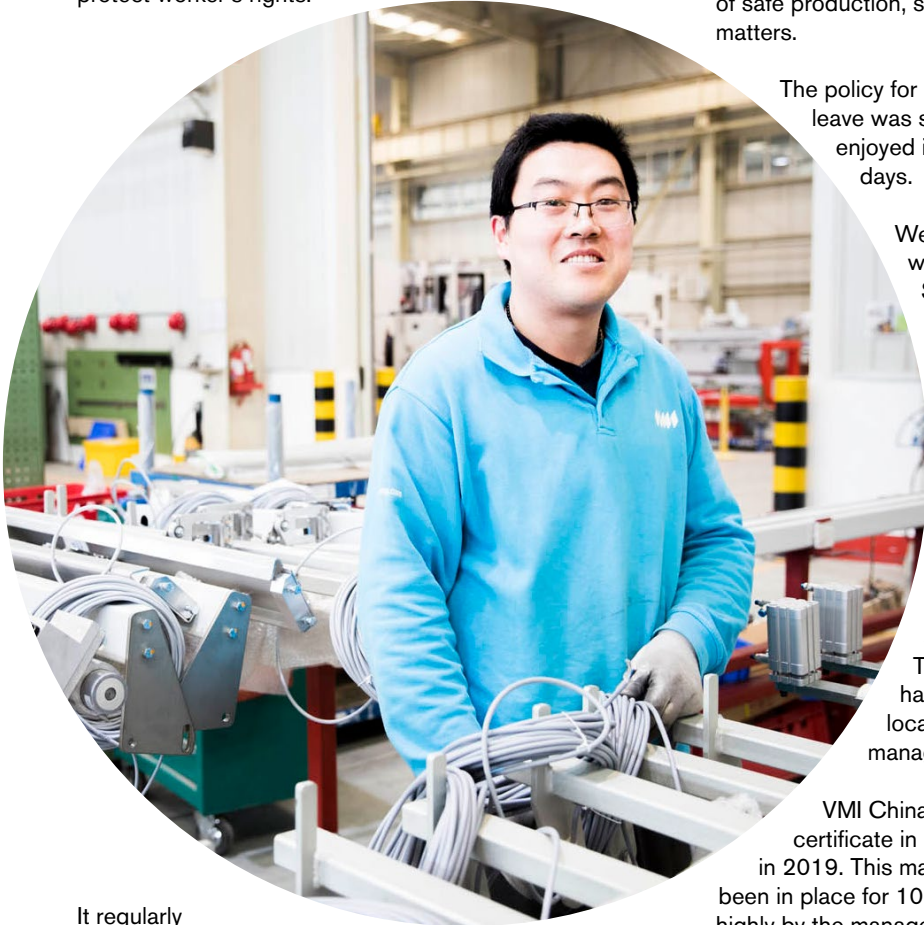
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VMI China

The VMI China labor union (which is a works council) is the Workforce organized according to the Chinese laws to protect worker's rights.



It regularly provides welfare benefits for employees, so that employees can enjoy the warmth as "Family". To stimulate and protect workers' initiative and creativeness, encourage them to put forward rationalization proposals, and make technical innovations, the union organized skills competitions of welding, assembly, forklift driving etc. in 2022.

To enrich the construction of sports culture of employees and exercise the physical fitness of employees, setup the VMI badminton teams, table tennis teams etc., organize various competition activities, actively take apart in the work of safe production, supervise and recommend safety related matters.

The policy for childcare leave and parent nursing leave was started in 2022. In 2022, 36 employees enjoyed in total more than 58 childcare leave days.

We always try to make sure that our working environment is clean and tidy. Special emphasis is made on 6S management. In summer or winter, we have taken measures to keep a comfortable temperature in the workshop. Versatile culture building activities were organized to release our employees from working pressure and help the team to build trust and cohesion. During COVID-19 period, VMI China cooperated with local government and did best to organize a healthy and sanitary environment for employees. This resulted that no serious health case happened, which was complimented by local government, employees and VMI Epe management.

VMI China obtained the OHSAS 18001 certificate in 2013 and the ISO 45001 certificate in 2019. This mature health and safety system now has been in place for 10 years. Health and safety are focused highly by the management, employee's awareness is kept at a high level.

Every year the company will organize physical checks for all employees to help them care for the physical condition of their bodies. Personal Protection Equipment (PPE) are issued to employees according to the local regulation. We value much on the safety management job, offered regular training to employees to make sure that people put safety in the first place from bottom of their hearts.

Yearly we monitor the working environment in workshops and offices by testing noise, temperature, air etc. to ensure employees have a good working environment.

As a responsible enterprise, VMI always adheres to the occupational health and safety management system specifications, prevents occupational hazards, protects workers' health, enhances employees' awareness of safe production, ensures production safety, and strives to minimize the accidents and work injuries.

In 2022, VMI China achieved all targets related to safety and healthy, including the reduction of Lost Time Injury Frequency, Total Recordable Incident Frequency and safety cost, and safety training hours. We are proud to report that our LTI reached the level of 0 in 2 million working hours.

VMI Poland

VMI Poland has been operating since 2015 and is a relatively new production site for VMI Group. VMI Poland managers care about friendly working conditions so that every employee feels at home. A good social policy is considered of strategic importance to keep the staff satisfied.

Together we are VMI

On October 2022 VMI Poland celebrated 75th anniversary of VMI Group. The celebration was held under the slogan "Together we are VMI". In this way, we wanted to show that we have created one large community working for our common success.

VMI Poland supports charity

In 2022 we collected gifts for refugees from Ukraine. In 2022, 7 VMI Poland employees took part in international charity event called "Stelvio for life". To collect money our employees have prepared numerous actions like: Football competition, bake sale and run around the facility.

Quality champions

In 2022 VMI Poland kept Quality champions competition for production departments. The winning department got a voucher for integration and a big gold cup as a sign of their success. The idea of the competition is to reward the department that had the best quality achievements during the year.

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ISO Quiz 2022

On the occasion of ISO re – certification VMI Poland organized quiz about the ISO Systems knowledge for all employees. The competition lasted 3 days, each day another ISO system quiz took place. The 1st day – ISO 9001 quiz, The 2nd day – ISO 14001 quiz and the 3rd day – ISO 45001 quiz. Teamwork and individual work were assessed. The winning team won the pizza. Three individual winners received book prizes. After the audit all VMI Poland employees got big chocolate as a thanks for involvement in the audit.

Diversity, equity, inclusion

At the end of the 2022 year, 195 employees worked in VMI Poland. Out of 195 employees, 44 were women (23%) and 151 were men (77%). VMI Poland employs 3 people with a moderate level of disability.

In 2022, 11 students of technical schools completed an internship at VMI Poland.

Career management and training

At VMI Poland, we support the education and training of all employees to enable a high level of performance and high-quality work. In 2022 fourteen (14) external training blocks covering the development of soft and hard skills were carried out. An external training plan is developed every year.

TWI (Training Within Industry)

To improve work quality of VMI Poland employees TWI trainings are invariably conducted. In 2022, 788 training sessions for new and experienced employees have been carried out at VMI Poland.

Production trainers

At the turn of May and June 2022, a group of 24 production employees participated in the Production Trainer training. The aim of the three intensive training sessions was to impart practical learning skills to adults. This competence is of great importance in the situation of introducing new employees to a new work environment.

Social dialogue

At VMI Poland, we follow the principle that working hours comply with local law and respective industry standards. We ensure that safe and healthy working conditions prevail,

that work breaks, appropriate limitations of working hours and regular, paid extra hours and vacation are guaranteed, in accordance with applicable local law.

Works Council

In 2022, the 5-year term of office was started by the new works council. The point of contact for VMI employees is the VMI Works Council, the successor to the interests of VMI Poland employees before VMI management. Works council helps VMI branches and contributes to a solid, future-proof organization whose performance is guaranteed and useful for all employees.

On 20 October 2022, VMI Poland took part in a job fair for students in the Academy of Applied Sciences in Leszno. The principal aim of this event was to familiarize students with job offers, internships, and opportunities for self-development in the local market.

In 2022, VMI Poland hosted 30 local council officials and mayors from local council. The purpose of the visits was to present companies operating in the IDEA investment zone, where VMI Poland is located. Business Partner function was established since June 2022.

VMI Poland conducts an annual assessment of employee performance.

Working conditions

At VMI Poland we strive to provide the best possible working environment. We believe that it is essential to ensure safe, effective and ergonomic work. To achieve the best working environment, we use professional equipment and tools assigned individually to employees. We take care of the allocation of all required personal protective equipment. We ensure thermal comfort throughout the year.

We organize work areas taking into account fire safety and ergonomics. Each employee has access to water in his area. Activities performed by employees depend strictly on the qualifications held or training completed. The work consists mainly of assembly activities performed in teams or individually. The variety of activities performed allows you to avoid monotony and monotone of work and reduces overloading of selected parts of the body.



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Health & Safety
At VMI Poland we ensure health and safety at work within the framework of the applicable law and support the continuous improvement of working conditions, with the objective of having no occupational accidents and illnesses. In 2022, VMI Poland obtained re-certification of the ISO standard in the field of occupational health and safety, ISO 45001.

Occupational health
All new employees are referred for an initial examination. In addition, employees regularly pass periodic or control examinations in accordance with the referral for research, taking into account the nature of their work.

Crane operator training
In 2022, 27 VMI Poland employees were licensed to operate cranes. Employees completed a practical and theoretical course, and then successfully completed the state exam - consisting of a written and practical part. During the training and exam, employees must demonstrate knowledge and skills on the operation and safety during work related to the operation of overhead cranes.

NEN3140
In 2022, intensive work was underway to complete the implementation of the NEN3140 policy at VMI Poland. The NEN 3140 policy applies to the performance of electrical work by properly educated persons. The main objectives of the policy are to improve the safety of employees and machines and to improve the quality of manufactured machines. Depending on the required level of advancement of a given electrical activity, only a properly educated and trained person can proceed to its performance. The implementation of the policy involves additional supervision over the safety of the work performed and the use of additional security measures, such as the LOTOTO system (Lock out - Tag Out - Try Out). In 2022, 18 employees have finished NEN 3140 training.

ERT
An Emergency Response Team was appointed (to provide first aid, as well as firefighting and evacuation activities). ERT consists of a group of 25 employees.

Safety education programs
In accordance with Polish legal requirements, VMI Poland conducts training in occupational health and safety. Newly hired employees participate in introductory training on the first day of work, before starting work in the position. Then, they undergo on-the-job training, which aims to familiarize them with the workplace and duties, as well as to present how to perform work correctly and safely. In 2022 VMI Poland hired 70 new employees.

After working for an appropriate period of time, employees participate in periodic health and safety training, which is intended to consolidate knowledge and remember the applicable rules. Such training is completed with a knowledge test.

VMI aims to create a safe and trustworthy workplace with an open and professional business culture where employees are valued and listened to. A culture that respects and encourages them to grow and gives them the space to grow.

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Vitality Policy

VMI's vitality policy focuses on various aspects of employee well-being, including healthy nutrition, physical activity, stress management, work-life balance, and financial fitness. The activities offered in the Vitality Policy include workshops, low-threshold sports activities, and support for financial fitness.

Promoting the health and well-being of our employees is a priority. We strive to create a working environment that is both healthy and supportive, allowing our employees to better cope with stress, maintain their energy levels, and develop healthy lifestyle habits. This results in increased productivity, reduced absenteeism, and higher job satisfaction.

Collective Labour Agreement (CLA)

A collective labor agreement (CLA) is a written agreement between an employer's organization and a trade union, governing employment terms for a specific sector, branch, or company. It is a legally binding document outlining the rights and responsibilities of both employers and employees.

VMI is affiliated with the Metalektro CLA. By joining this CLA, we commit to the balanced and fair treatment of our employees, aiming for suitable remunerations, appropriate working conditions, and equal opportunities for all employees.

Salary Structure

VMI falls under the Metalektro Collective Labour Agreement (CLA). This CLA serves as a guideline that our employment conditions and regulations must at least comply with. VMI positively deviates from the CLA on a number of important aspects. First, the salary structure at VMI has more steps, allowing employees to grow for a longer period. Employees who start at VMI earn on average 6% more than the CLA scales. The average difference when employees reach the end of their scale is almost 15% more than the Metalektro CLA wages, due to the longer growth trajectory.

As we aim to develop technically advanced machines, lead in innovation, and deal with a competitive labor market, it's essential to go beyond the CLA wage standards to maintain our competitive position as an employer and remain attractive.

Regeling vervroegd uittreden (RVU)

The 'Regeling Vervroegd Uittreden' (RVU), which is the early retirement program in the Metalektro sector, has been established as a result of the implementation of the National Pension Agreement. The main goal of the RVU is to offer employees the opportunity to retire early, focusing on those who could not sufficiently prepare for the increase in the retirement age and may not be able to continue working in good health until the official retirement age. As an organization, we recognize the significance of this scheme as a tool to assist our employees in a balanced transition to the next phase of their lives.

Generation Pact

Employees falling under the Metalektro CAO can utilize the Generation Pact. Depending on the salary level and whether someone works in regular shift service, employees from the age of 60 can participate. The core idea is that the released hours will be filled by young entrants on a permanent contract. This ensures the preservation of valuable experience and expertise while gradually being transferred to new colleagues.

Long Service Leave

In addition to the generous holiday and ADV days scheme within VMI, employees with a long service receive extra vacation days. When an employee has a service of 5 years, the employee receives one extra day above the basic holiday days. At a service of 15 years, this becomes 2 extra days, and an employee with a service of 25 years receives 3 extra vacation days every year.



With this, VMI wants to express appreciation and recognition to employees who have been working at the company for a long time. These employees make a substantial contribution to the success and stability of the organization. Granting extra holiday days is a tangible way to acknowledge and appreciate the commitment and loyalty of these employees.

In addition to appreciation and recognition, talent retention is also a reason to grant employees with a prolonged service extra holiday days. Retaining experienced and knowledgeable employees is often more cost-effective than attracting and training new forces. By offering extra holiday days, the company creates an incentive for employees to stay and continue sharing their expertise.

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Employee Fund (Medical Expenses)

The Employee Fund provides reimbursements to VMI employees and their family members upon request, particularly for medical expenses not covered by health insurance. Every VMI employee automatically becomes a member of the Employee Fund upon employment. A monthly contribution of 3 euros is deducted, and VMI matches the same amount. This approach aims to create a safety net for our employees, providing financial support for uncovered medical expenses.

Company Physiotherapy

Within VMI, an exercise therapist works two mornings a week. Her activities include advising and treating musculoskeletal complaints, implementing preventive measures, conducting workplace assessments, and providing training and coaching.

Company physiotherapy aims to support employees and provide treatment to prevent musculoskeletal complaints, optimize their workstations, and strengthen their physical and mental well-being. This helps employees maintain their health and productivity, contributing to their sustainable employability within the organization.

VMI Onboarding program

Finding the right candidate is a huge challenge in the current labor market, but integrating and retaining new staff may be an even bigger one. That's why the HR department has taken the initiative to create an onboarding program intended for new staff with a VMI contract or who intend to have a permanent contract. Depending on the number of employees, the program will run three to four times a year in groups of up to 15 members of staff. The first round of the program took place in October.

The Onboarding Program will give employees more tools and make them feel more confident. It also contributes to a better understanding of the organization, the forming of relationships between new employees, and helps to obtain feedback that enables HR to make improvements, identify problems and provide better support.

The program has been well received by the first participants.

Career Management and Training

Boost Program

BOOST is a recurring, in-house program specifically targeted at a selected group of employees, aiming to give them an extra incentive in realizing their ambitions. The program is geared towards deepening technical knowledge and skills or aspiring for a future leadership position. Each participant is guided by an experienced employee in the role of mentor.

BOOST does this by connecting a senior employee with an eager to learn employee. In this way we create a beneficial exchange of knowledge between the two employees.

By offering this opportunity, we aim to elevate knowledge and skills, enhancing VMI's performance, and promoting motivation and loyalty among employees.

Leadership Program

Our annual ongoing Leadership Program focuses on developing leadership competencies within both the management team (MT) and middle management. Leaders annually go through a learning trajectory of the leadership program. New leaders enter through a special onboarding program annually and can then join the regular leadership program. VMI leadership encompasses:

Directive

Leaders shape the company's vision, strategy, and added value, keeping their focus on customers, the environment, and the future. They are dedicated to translating VMI's objectives to their own business unit.

Mobilizing

Leaders inspire and motivate employees. They are passionate and reliable role models actively involving employees in future changes.

Facilitating

Leaders establish a healthy, challenging, and innovative work and learning environment where employees can excel.

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Dealing with Neighbors

VMI is aware that the organization is part of a rural environment where other people live and recognizes that the growing organization can potentially cause inconvenience for the immediate environment in which it is located.

To maintain a positive and constructive relationship with our neighbors, we aim to actively inform them about future changes and developments that could affect their living environment. Whether it's building a new hall or the possible arrival of a roundabout, we believe it's essential to be transparent and promote open communication. By providing timely and clear information, we want to alleviate concerns and uncertainties among residents and reassure them that we take their interests seriously.

VMI also contributes to promoting a safe living environment for our neighbors by actively being involved in the installation of speed bumps and speed meters. We acknowledge that our activities have an impact on the environment due to the associated traffic. Therefore, we have proactively taken steps to improve safety by implementing various measures that enhance traffic safety.

In addition, we show our appreciation for our neighbors by giving them a Christmas package annually. In this way, we want to demonstrate that we are not just an organization, but also a good neighbor. Through this gesture, we want to express our gratitude and recognition for the community in which we operate and contribute to creating a positive atmosphere and connection.

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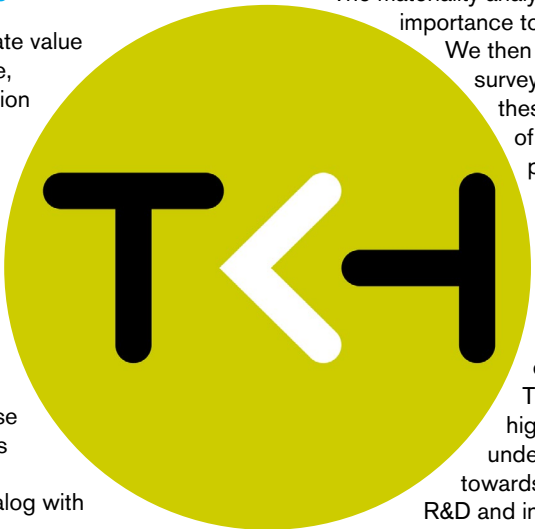
It's VMI's starting point to create value for our stakeholders. Therefore, maintaining good communication with stakeholders worldwide is essential for VMI: governments, shareholders, lenders, employees, suppliers, customers, TKH Group sister companies, trade groups, communities and community organizations. Our suppliers and customers are VMI's strategic stakeholders, because of their impact on VMI or VMI's impact on them. It is of great importance to continue the dialog with them.

The knowledge, skills, and passion of our employees and partners provide us with confidence in VMI's contribution to sustainability, as described in this report.

Stakeholder survey

VMI carries out a yearly assessment of critical elements within the context of ISO 9001, ISO 14001, and ISO 45001. We track laws, standards, and regulations, conducting annual analyses to assess their relevance to our business. This assessment is based on the impact on the environment, society, and our stakeholders.

To focus our sustainability efforts more effectively, besides our annual assessments of critical elements within the context of ISO certificates, we executed a materiality analysis. This has provided us with insights into the themes that hold the greatest importance for our organization, allowing us to concentrate our efforts on those areas. Our aim is not only to meet standards but also to make a positive impact on our environment, society, and stakeholders.



The materiality analysis started by identifying 12 topics of importance to VMI through extensive desk research. We then engaged with stakeholders through surveys and interviews to gain their insights on these topics. This led to the development of a materiality matrix, which helps us prioritize and address the most important topics issues based on input from both our organization and stakeholders.

Topping the list of our sustainability priorities is Research & Development (R&D) and innovation, which have emerged as the most significant areas. These themes have obtained notably higher scores compared to others, underlining their central role in our journey towards growth and sustainable development. R&D and innovation serve as the driving forces behind the development of advanced technologies that enhance our products and services, enabling us to adapt to changing customer needs and maintain our competitive edge.

Following closely behind are the themes of safe and sustainable products and services, as well as energy and climate change, securing the second and third positions in our ranking. We recognize the necessity of providing products and services that prioritize safety and environmental sustainability, in line with our commitment to minimizing negative environmental impacts. Simultaneously, our dedication to energy efficiency and greenhouse gas emissions reduction reflects our proactive stance in addressing the global challenge of climate change.

Based on this stakeholder survey, we defined KPI's that measure our performance on these most important topics. This helps us to focus our efforts to meet the expectations and requirements of our stakeholders.

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Risk Management
For a leading machinery production company such as VMI Group, risk management is not just about identifying potential problems but also about creating strategies to counteract or mitigate the following risks.

Operational Risks
For VMI, with its global footprint, there's an intricate web of suppliers spanning across various regions. A single hiccup in this expansive supply chain can disrupt the rhythm of production. To safeguard against this, VMI finds it beneficial to collaborate with a diverse range of suppliers and maintain a backup of crucial components.

One of VMI's core strengths is its pool of skilled professionals. The departure of pivotal team members or a temporary shortage of expertise could pose challenges. Recognizing this, VMI emphasizes continuous training for its team, offers competitive salaries, and has strategies in place to ensure leadership roles are always filled by competent individuals.

Furthermore, VMI's infrastructure, encompassing new machinery and well-maintained facilities, is foundational to its success. By committing to regular maintenance and periodic upgrades, VMI ensures a seamless operational flow. Through proactive planning and early problem detection, VMI remains ahead, minimizing potential disruptions.

Technological Risks
In the dynamic world of machinery, VMI stands as a beacon of innovation. Yet, this advanced stance brings its set of technological challenges. The rapid pace of the industry means today's top-tier technology might be outdated tomorrow, posing a risk of obsolescence for VMI's offerings. As they introduce new technologies, smooth integration with existing systems becomes essential to avoid operational disruptions.

Furthermore, as digital operations expand, cybersecurity emerges as a pivotal concern. Protecting VMI's intellectual assets and data is crucial to maintain trust and safeguard financial interests. Relying too heavily on specific tech vendors can also be precarious, emphasizing the need for flexibility and contingency plans.

Financial Risks
Operating globally, VMI grapples with financial challenges. Currency fluctuations can impact profits, given the company's diverse geographic operations. Changes in commodity prices might squeeze production costs, while economic downturns can decrease demand for VMI's offerings. On the client side, credit risks arise when payments are delayed or defaulted, affecting cash flow. And, as VMI ventures into new markets or innovations, investment risks are ever-present. These financial intricacies underscore the need for prudent planning and proactive financial strategies.

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Environmental and Social Risks

VMI, operating in the machinery landscape, isn't immune to the environmental and social challenges affecting businesses globally. Environmentally, there's the pressure of ensuring that manufacturing processes are sustainable and have minimal ecological impact. Regulatory bodies are increasingly stringent, and non-compliance can result in financial penalties and reputational damage. Moreover, efficient use of resources and waste management are vital not just for compliance but for corporate responsibility.

Socially, VMI operates in a world that's ever-conscious of ethical operations. Stakeholder expectations revolve around fair labor practices, positive community relations, and inclusive workplace policies. Any missteps or perceived negligence can lead to public relations challenges, consumer backlash, or even boycotts. In an age of social media and instant news, VMI's reputation, built over years, can be questioned overnight.

VMI's commitment to sustainability extends to its supply chain, but this brings challenges. If a supplier falls short in ethical or environmental standards, VMI's reputation could suffer, even if the lapse is external. Tightening global regulations mean any supplier's non-compliance could result in penalties for VMI. Additionally, consumers now demand supply chain transparency and can shift loyalty if they perceive unsustainable practices. While sourcing sustainably might increase costs, not doing so can compromise VMI's standing. Balancing sustainability with efficiency and cost in the supply chain is thus critical for VMI's continued success.

Ethics and Compliance

As a part of the TKH Group, VMI strictly follows the Code of Conduct established by TKH, our parent company. This code underpins our ethical and compliance-related endeavors, ensuring we uphold the principles and guidelines set forth to safeguard both VMI's and the broader TKH Group's integrity and reputation.

VMI places a high value on ethical behavior and adhering to all relevant laws and regulations. The Executive Board ensures that every VMI employee is familiar with the rules stipulated in TKH's Code of Conduct and recognizes their significance. Regular training sessions, workshops, and internal audits are conducted to maintain awareness and to rectify potential areas of concern.

Stakeholder Engagement

VMI believes that proactive and meaningful engagement with stakeholders offers valuable insights. Whether it's feedback from customers on product functionality, suggestions from employees on operational improvements, or community perspectives on VMI's local impact, such interactions often lead to innovative solutions and strategic decisions.

To ensure that stakeholders can freely communicate their concerns, aspirations, and feedback, VMI has established multiple channels for open dialogue. These range from regular meetings and feedback sessions to digital platforms and community forums. This two-way communication ensures that stakeholders not only receive information from VMI but also have platforms to voice their thoughts.

One of the pillars of effective stakeholder engagement is transparency. By sharing both successes and challenges, VMI fosters an environment of trust. Regular updates, annual reports, and stakeholder meetings are some of the ways through which VMI maintains transparency.

VMI recognizes that its long-term success is intricately tied to its alignment with stakeholder values. Whether it's environmental concerns, ethical sourcing, community involvement, or employee welfare, VMI continually evaluates and adjusts its operations to resonate with stakeholder priorities.

For VMI, stakeholder engagement isn't just about communication; it's about results. Regular evaluations are conducted to measure the effectiveness of engagement strategies, ensuring that the company's efforts lead to tangible benefits both for VMI and its stakeholders.

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Supply Chain Due Diligence

VMI recognizes the critical importance of ensuring a transparent, ethical, and sustainable supply chain. Due diligence is not just a risk mitigation strategy; it's an approach to enhance the value chain, ensuring ethical and responsible sourcing, production, and delivery.

Transparency and Reporting

VMI is dedicated to open communication with its stakeholders, ranging from customers, employees, and investors to the communities where it operates. Regularly sharing both successes and challenges underscores the organization's commitment to integrity and genuine stakeholder engagement.

Endorsements

Endorsements for VMI, such as participation in the United Nations Global Compact, CDP, SMETA and RMI, demonstrate the company's commitment to aligning its operations with globally recognized principles and standards in areas like human rights, labor, environmental sustainability, and anti-corruption. These endorsements not only reflect VMI's responsible business practices but also its proactive engagement in fostering a sustainable and ethical operational framework.

Supply Chain Due Diligence

This involves evaluating each tier of the supply chain, understanding potential vulnerabilities, whether they are related to labor practices, environmental standards, political instabilities, or other operational aspects. To ascertain the reliability and integrity of suppliers, VMI conducts regular audits and evaluations. These assessments ensure that suppliers adhere to the same high standards of quality, ethics, and sustainability that VMI itself upholds.

VMI aligns its supply chain due diligence processes with recognized international standards and frameworks. This ensures that the company's practices are not just compliant at a regional level but also resonate with global benchmarks of excellence.

Being transparent about supply chain practices is a core value of VMI's due diligence approach. Regular reporting, whether through annual sustainability reports or other platforms, keeps stakeholders informed and underscores VMI's commitment to ethical operations.

UN Global Compact

VMI is a participant in the United Nations Global Compact (UNGC), demonstrating its endorsement of this initiative by committing to align its operations and strategies with ten universally acknowledged principles in areas such as of human rights, labor, environment, and anti-corruption.

SMETA

VMI has recently undergone a SMETA (Sedex Members Ethical Trade Audit) audit, which represents a significant stride towards ensuring ethical business practices within its operational framework. SMETA is a globally recognized audit procedure that examines companies on various aspects including labor rights, health and safety, the environment, and business ethics. By participating in the SMETA audit, VMI demonstrates a robust commitment to maintaining a high standard of ethical conduct in its business operations.

Sustainalytics

TKH Group, the parent company of VMI, has received an ESG risk score of 21.1 from Sustainalytics. This is a notable achievement, as Sustainalytics is a globally recognized leader in ESG evaluations. The assessment by Sustainalytics is also an indicator of VMI's dedication to sustainable and responsible business practices.

The Carbon Disclosure Project (CDP) and the Responsible Minerals Initiative (RMI) also act as endorsements for VMI. For additional details, read the sections on Sustainable Energy & Climate and Sustainable Materials under Environmental Sustainability. TKH also obtained a AA MSCI score.

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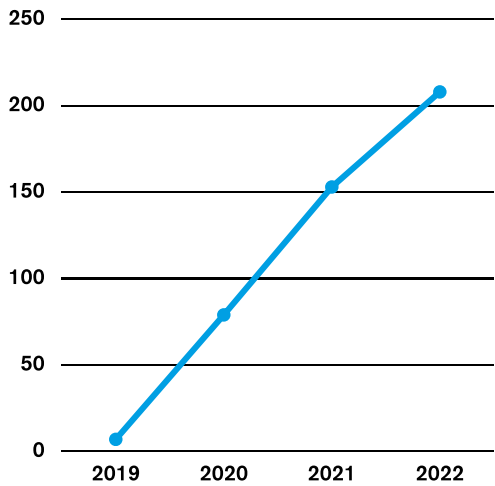
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In this annex, a detailed account of the scope 1 and scope 2 emissions for the VMI Group is provided, covering the period from 2019 through 2022 across all locations. Scope 1 emissions refer to the direct emissions originating from sources owned or controlled by the organization, such as emissions from combustion in owned or controlled boilers, generators, vehicles, etc. Scope 2 emissions, on the other hand, refer to indirect emissions from the generation of purchased electricity and cooling consumed by the organization.

The annex also contains a graph which illustrates the avoided CO2 emissions through the utilization of renewable energy. By harnessing renewable energy sources, the VMI Group has effectively reduced its carbon footprint, contributing to global efforts in combating climate change. The graph provides a visual representation of the amount of CO2 emissions avoided each year within the specified period, thus showcasing the positive environmental impact of the VMI Group's transition towards more sustainable energy solutions. Through this data, stakeholders can gain insight into the progress and the environmental commitment of the VMI Group.

Avoided CO2 emissions in Ton CO2 (Renewable energy)



Scope 1 (Ton CO2)	2019	2020	2021	2022
Car gasoline	157	125	98	183
Car diesel	86	56	34	35
Diesel for heating/generators	256	68	80	78
Natural gas	876	665	895	753
CO2 footprint scope 1	1,375	914	1,107	1,050

Scope 2 (Ton CO2)	2019	2020	2021	2022
Electricity	2442	2027	2380	1894
CO2 footprint scope 2	2442	2027	2380	1894

Scope 1 & 2 (Ton CO2)	2019	2020	2021	2022
Total scope 1 & 2	3817	2941	3488	2944

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This section presents the historical data concerning water usage and waste produced by the VMI Group from the years 2019 to 2022. This data forms a critical part of our environmental management system and is reflective of our commitment to sustainable water management and waste reduction strategies

Water (m3)	2019	2020	2021	2022
Water	19,969	16,636	17,836	17,114

Waste (kg)	2019	2020	2021	2022
Residual waste	164,460	158,960	129,780	118,400
Paper and carton	102,966	116,545	98,457	109,948
Paper	29,893	36,926	38,826	27,507
Plastic	40,668	34,443	20,754	17,665
Wood	228,173	213,165	204,204	203,171
Rubber	42,814	61,173	58,287	54,146
Copper	17,053	19,133	17,125	19,005
Aluminium	2,600	1,630	2,224	4,201
Steel	100,903	83,748	64,427	80,762
RVS	9,159	5,395	7,163	5,218
Chemical waste	26,192	2,836	9,816	3,660
Cleaning cloths	510	390	480	540