



Global Sustainability Report 2023

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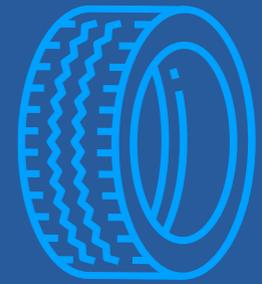
1,516

Employees



>400

Engineers



>70%

Market share tire



0

Achieving carbon neutrality
in own operations by 2030



5

Locations across
5 continents



>400

Patents



8.7%

of turnover is
spent on R&D

About this report

This VMI Group Annual Sustainability Report 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, economic performance and governance. 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 2023 and encompasses the reporting period spanning from January 1st through December 31st 2023. Some important developments from 2024 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 2023, 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.



Foreword

Exceptionally Turbulent Years

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. In 2023, this trend continued.

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 and 2023 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 of 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 its 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.

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

VMI Group
Harm Voortman MSc
President & CEO



Company Profile



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. In Europe we have VMI Holland BV in the Netherlands and VMI Extrusion in Germany, VMI Poland in Central Europe, VMI Yantai in Asia and VMI Thailand and VMI Malaysia in Southeast Asia. We are also present in North and South America with VMI Americas in the USA and VMI South America in Brazil. Each branch helps us connect with our customers and understand their needs better, no matter where they are. Operations in India were started in 2024. This report covers 2023, therefore India is not yet included.

Governance Structure

VMI Holland BV in the Netherlands is the headquarters of VMI. All other VMI entities are

controlled by VMI Holland BV. Production of VMI products is done mainly in VMI Holland, VMI China and VMI Poland.

VMI Extrusion designs and produces extruders and related products. VMI India is a customer service center as well as a center for order engineering. VMI Thailand is a customer service center. VMI Malaysia is a sales office. VMI America is a customer service center and a sales office. VMI South America is a sales center and a small production center. VMI is an operating company of TKH Group NV. TKH Group is listed on the Euronext Amsterdam stock exchange (TWEKA).

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 Silver 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 as the 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.

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.

To be successful in these increasingly more competitive markets, customers need highly innovative solutions, competitive cost of ownership and excellent services.

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 megatrends 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 received orders for 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.



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.



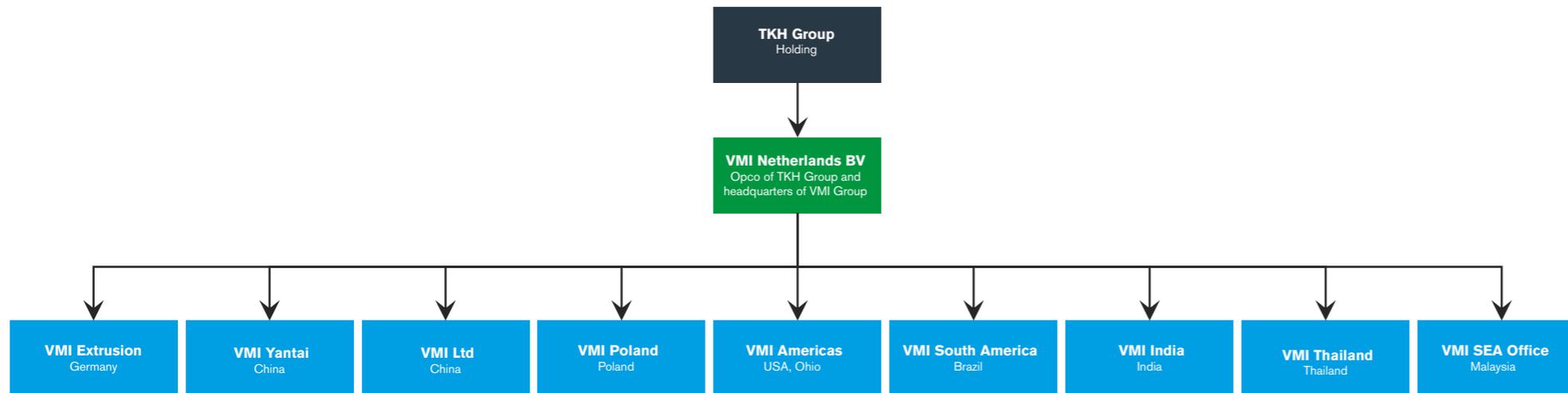
Services

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.

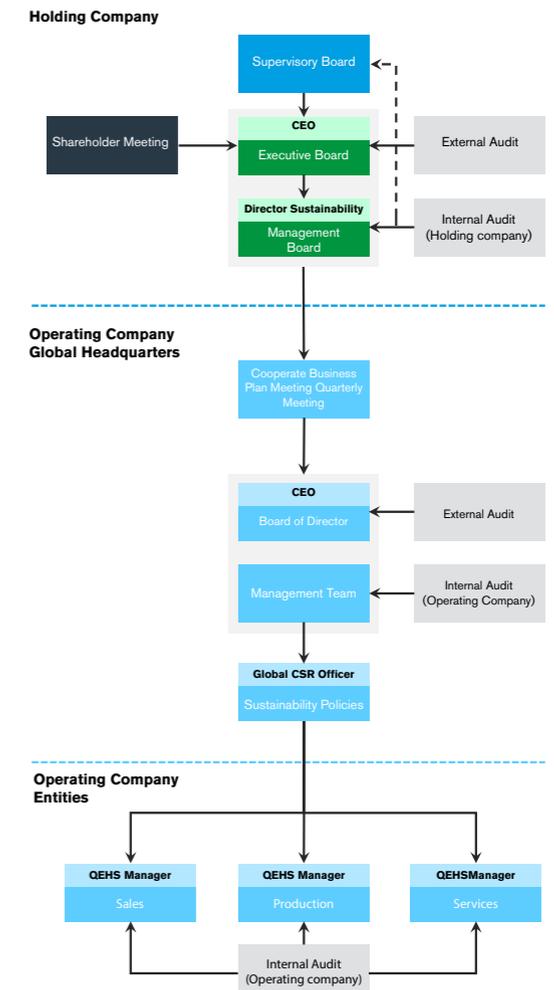
Organizational Structure & Governance

Company Organogram

VMI Group



Governance Structure



VMI Organizational Structure

VMI Group has 3 production locations: in the Netherlands, Poland and China. VMI Group has 2 locations for procurement: in the Netherlands and China.

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018



VMI Americas Inc
Stow, USA
 45 employees
 3% of VMI
 Customer service support



VMI Holland BV |
Head Office
Epe, The Netherlands
 Heerde, Almere
 855 employees
 55% of VMI
 Production facility,
 R&D, Engineering



VMI Poland Sp. z o.o.
Leszno, Poland
 240 employees
 15% of VMI
 Production facility



VMI Yantai Ltd, VMI Ltd
Yantai, P.R. China
VMI Yantai Ltd VMI Ltd
 309 employees 24 employees
 20% of VMI 2% of VMI
 Production facility, Long term storage



TKH Deutschland GmbH
VMI Extrusion
Cham, Germany
 23 employees
 1% of VMI
 Production facility



VMI (Thailand) Ltd.
Chonburi, Thailand
 5 employees
 0% of VMI
 Customer Service
 Support
 (point of contact for
 regional customers)



VMI SEA Office Sdn Bhd
Shah Alam, Malaysia
 4 employees
 0% of VMI
 After Sales (directly managed by
 Epe or Cham)



VMI South America Ltda
Itatiaia, Brazil
 11 employees
 1% of VMI
 Production facility

Strategy



Stakeholder Engagement

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.

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 and VMI's impact on them. It is of great importance to continue the dialogue 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.

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.

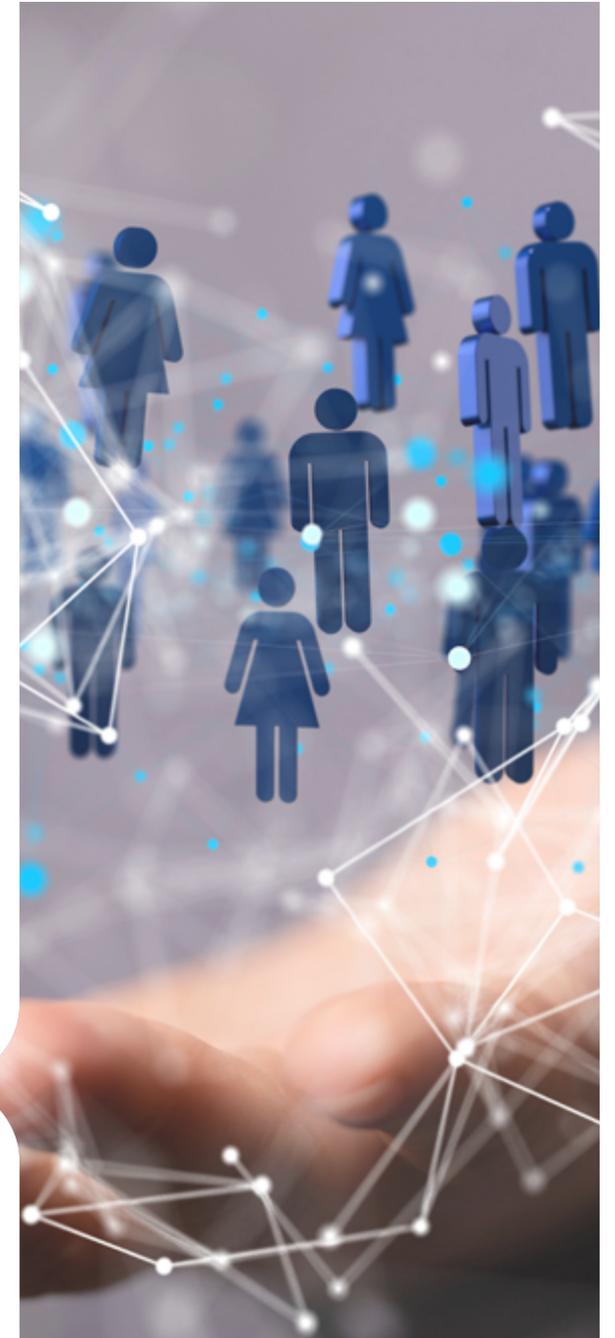
One of the pillars of effective stakeholder engagement is transparency. By sharing both successes and challenges, VMI fosters an environment of trust. Regular updates, annual reports, and stakeholder meetings are some of the ways through which VMI maintains

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.

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.



Materiality Analysis

To focus our sustainability efforts more effectively, besides our annual assessments of critical elements within the context of ISO certificates, we conducted 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.

selected based on the Sustainability management reporting distribution list. A conscious decision was made to select a broad range of management executives, employees and relevant external stakeholders. Respondents included Executive Managers and Functional global leads within VMI (e.g., Head of human resources), employees within VMI (e.g., R&D and Sales) and external stakeholders (e.g., academic institutions and suppliers).

Materiality Analysis Results

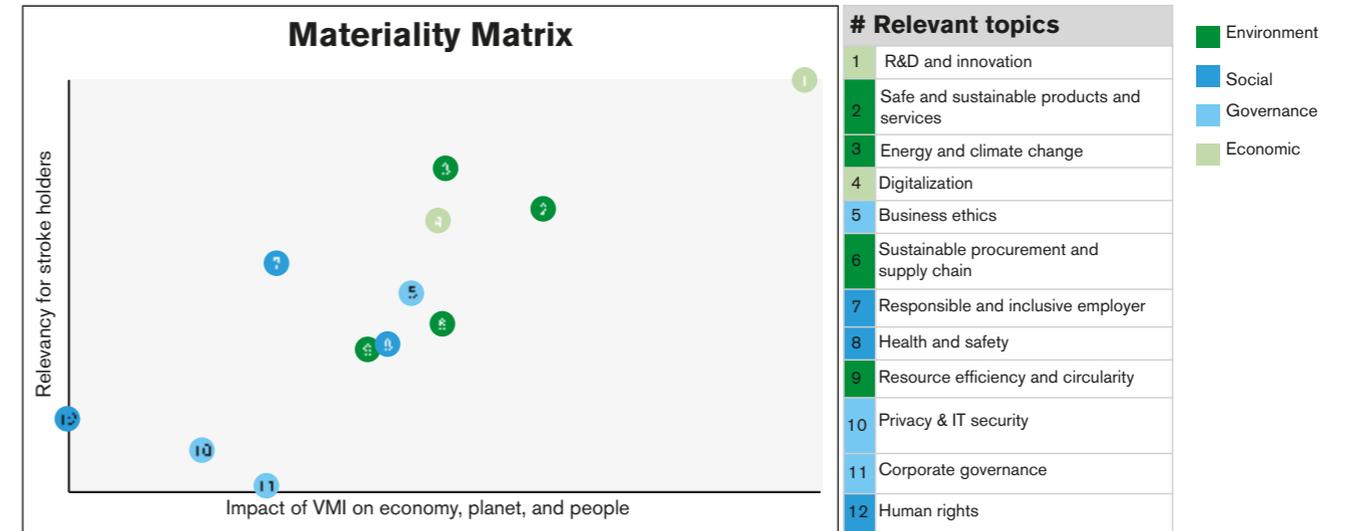
Topping the list of our sustainability priorities is Research & Development (R&D) and innovation, which have emerged as the most significant areas. These themes have obtained notably higher scores compared to others, underlining their central role in our journey towards growth and sustainable development. 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

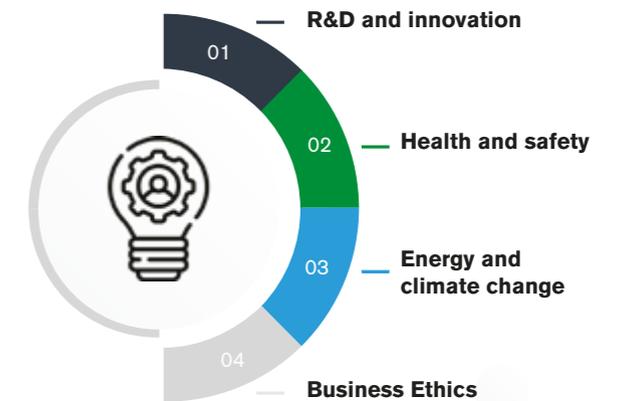
The materiality analysis started by identifying 12 topics of importance to VMI through extensive desk research. We then engaged with stakeholders through surveys and interviews to gain their insights on these topics. This led to the development of a materiality matrix, which helps us prioritize and address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

Stakeholders

To understand the impact of the material topics, we conducted 6 interviews and received 142 survey responses. Interviewed participants included people from across our Leadership Team, as well as a key client. The survey respondents were



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 KPIs 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.



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 important 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.

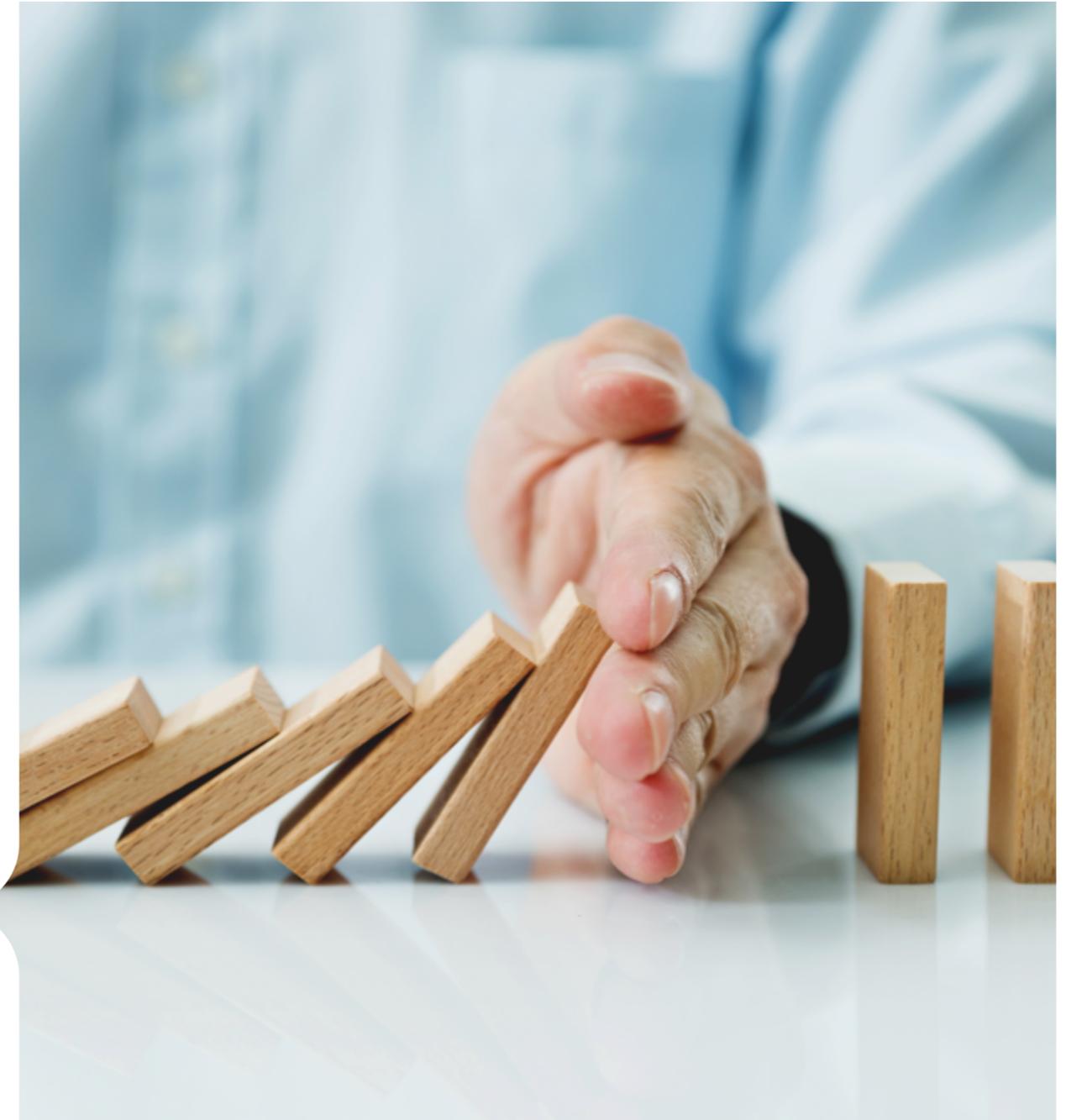
Furthermore, VMI's infrastructure, encompassing new machinery and well-maintained facilities,

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 new technologies are introduced, 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 IT 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.

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.

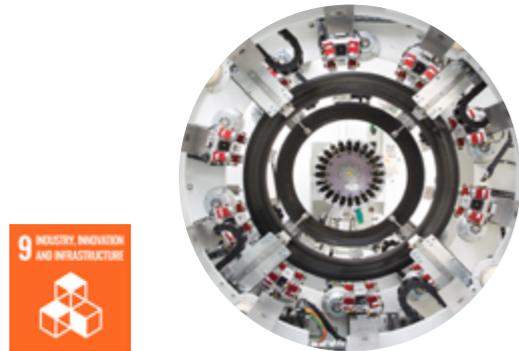
Socially, VMI operates in a world that's ever-conscious of ethical operations. Stakeholder expectations revolve around fair labor practices, positive community relations, and inclusive workplace policies. Any missteps or perceived negligence can lead to public relations challenges, consumer backlash,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

Governance and Compliance Risks

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.



Sustainable Development Goals



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.

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.

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 waste and promote sustainable consumption. We're actively incorporated circular design principles in our products.

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.

Endorsements

Endorsements for VMI, such as participation in the United Nations Global Compact 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.

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 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.

Furthermore, VMI also participates in the Carbon Disclosure Project (CDP) and the Responsible Minerals Initiative (RMI). For additional details, read the sections on Sustainable Energy & Climate and Sustainable Materials under Environmental Sustainability. TKH also obtained an AA MSCI score.



Strategic Framework for Our Sustainability

As the world market leader, VMI has the responsibility and the ability to contribute to mitigating the climate crisis, by providing products to our customers with sustainable, innovative technologies. VMI aims to support its customers to make more sustainable products in a more sustainable way. By developing groundbreaking new technologies, we aim to reduce energy consumption, reduce material consumption and reduce generation of waste. In our own operations we strive to be carbon neutral by 2030.

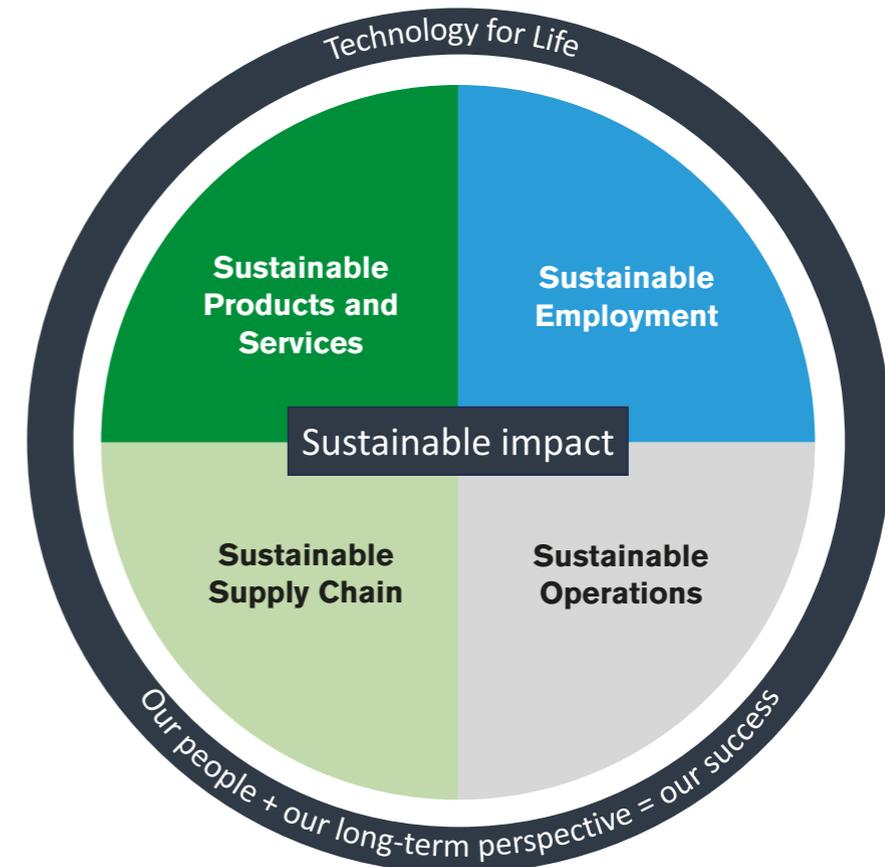
VMI has made sustainability a key component of its activities. Sustainability is an integral part of VMI's corporate strategy, and it provides a strong, long-term basis for doing good business with our customers and making a commitment to our people and the planet. It is the ambition of VMI Group to contribute to building a sustainable society. Every business decision has been 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.

By making a commitment to our people and to the planet, VMI has made sustainability a key component of its activities.

1. We reduce our own environmental impact
2. We offer products and services that help customers reduce their environmental impact
3. We focus on sustainability in our supply chain

While 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, we have developed our own strategic framework to assist us in making informed, responsible decisions, ultimately contributing to our long-term success and reputation.



Environmental Sustainability



Environmental Sustainability

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. We have defined three pillars within VMI that contribute to improving our environmental impact: Sustainable Products and Services, Sustainable Operations, and Sustainable Supply Chain. The image on the right shows what topics belong under each of these pillars.

Our overarching key goals are the following:

- VMI strives to be carbon neutral in its 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. We aim to do this by reducing wastage to no more than 5% in most relevant production raw materials, while recycling at least 80% of most relevant production raw waste.

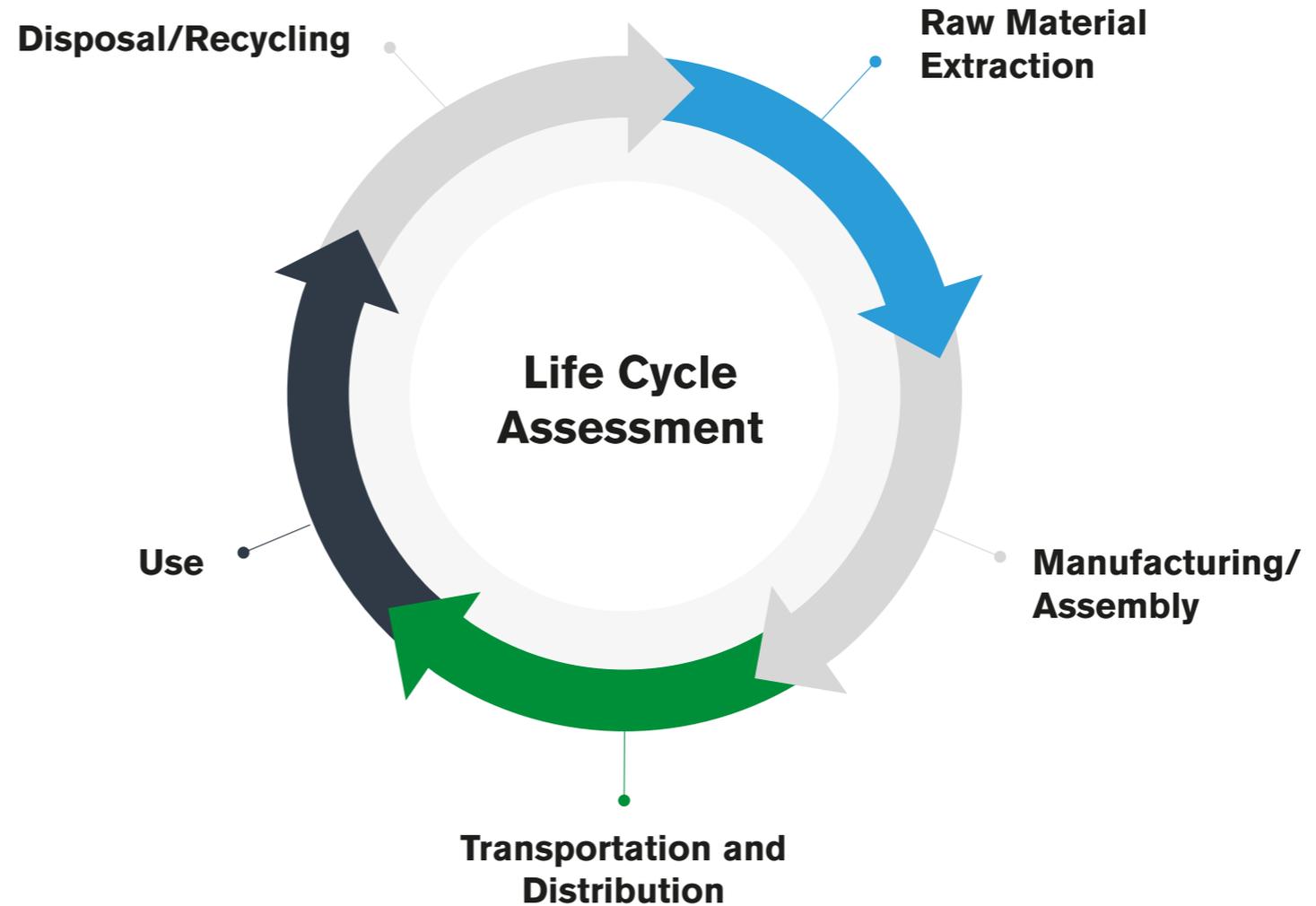
One of our primary objectives is to develop and provide cutting-edge technologies that enable our customers to optimize their processes while minimizing environmental impact. Through our machines and other innovations, we empower our customers to become more sustainable. These advancements not only benefit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

Environmental sustainability encompasses a wide range of topics. See the following pages for our detailed report on each pillar.



Sustainable Products and Services

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. This chapter details our approach to product design for sustainability, as well as the services we provide to our clients to ensure the longevity of the machines they purchase from VMI.



Life Cycle Assessments (LCA)

VMI has performed a comprehensive Life Cycle Assessment (LCA) of its most sold tire-building machines, the MAXX and the MILEXX. Collaborating with a specialized consultancy firm, we have meticulously modeled these machines and gathered extensive data to evaluate their environmental impact from cradle to grave.

The insights gained from this LCA have enabled us to identify various options and conduct feasibility studies aimed at reducing the environmental impact of the MAXX and MILEXX machines. Our machines are engineered for longevity, with a lifespan exceeding 30 years.

Throughout their operational life, VMI ensures these machines are well-maintained and regularly upgraded with the latest technologies. These upgrades often lead to increased efficiency and reduced consumption of energy and raw materials.

We aim to conduct a Life Cycle Assessment (LCA) on all machines and aim to reduce their CO2-footprint by 10% over the next two years. Our ultimate objective is that 100% of our machines are carbon neutral and circular.



Goal: Calculate the environmental impact of every VMI machine

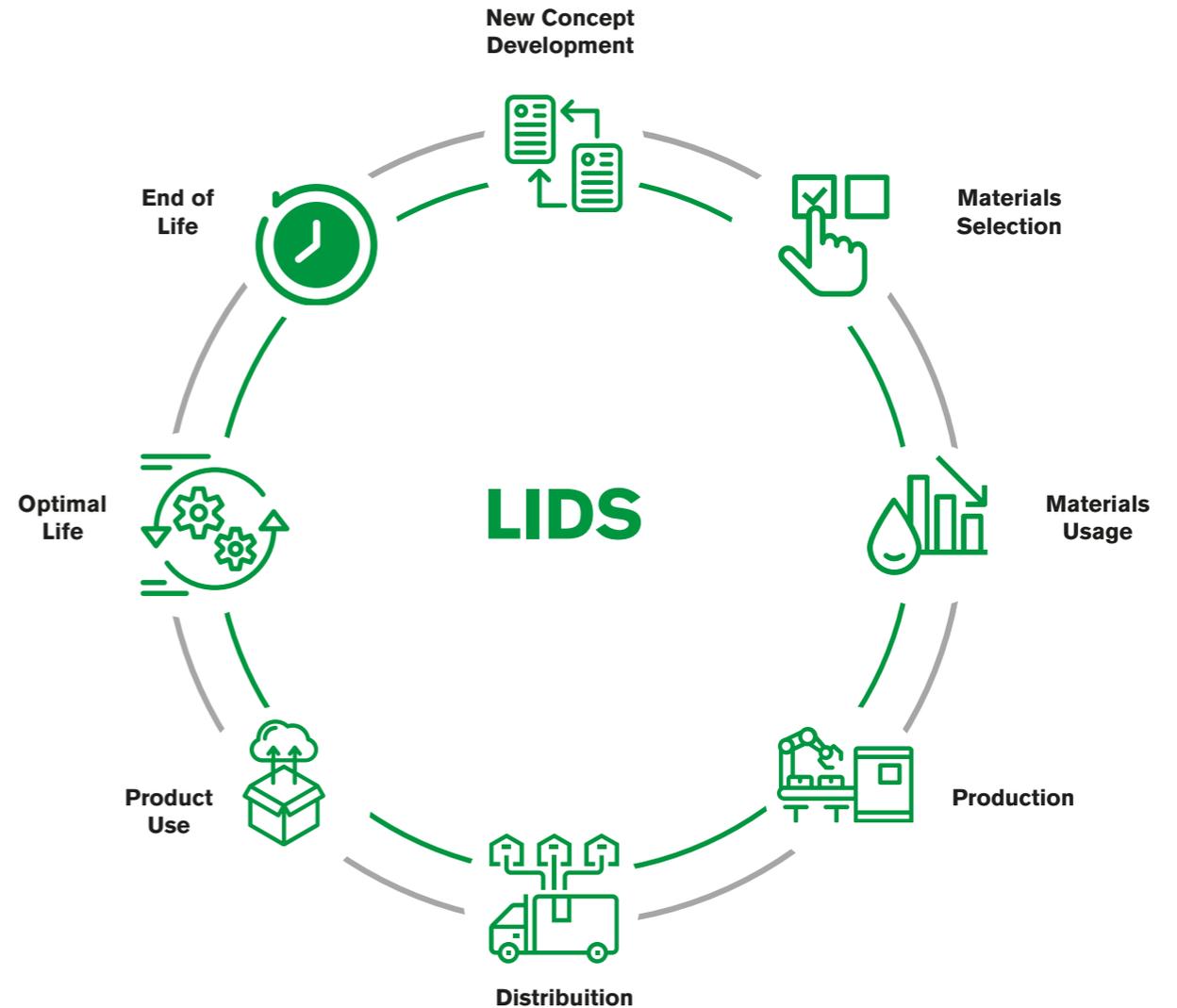
Measures: Have an LCA for every type of machine

EcoDesign

EcoDesign is a crucial approach that VMI values, and VMI provides training on it to their lead engineers. This training equips its 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 on the right).

This strategy encourages engineers to think about a product's entire life cycle, including how it's



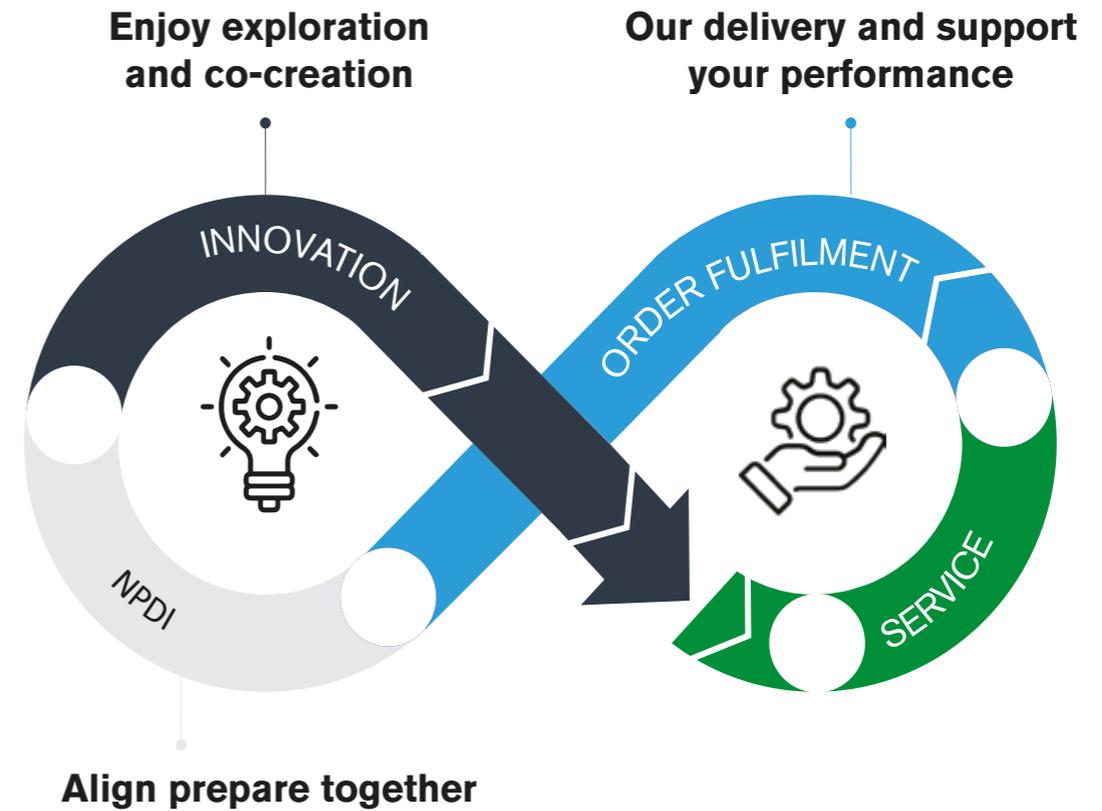
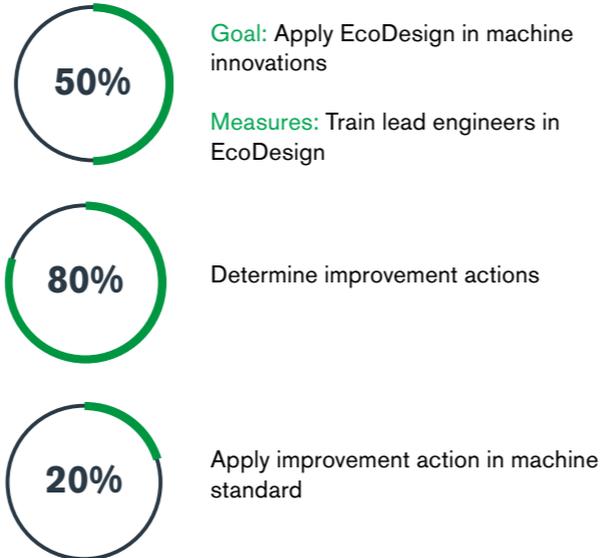
made, how it's used, how it's maintained, and what happens to it when it's no longer needed.

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 customers.

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.



Material Use

VMI primarily acquires half-fabricate 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.

VMI does use rubber for testing the tire building machines. The amount of rubber consumption can vary considerably per year, depending on order intake and customer requirements for testing. VMI ensures that after testing the rubber products are collected for recycling. Almost always the rubber will be recycled in a specialized facility. In very few cases, a customer may demand that the used rubber is destroyed because of Intellectual Property associated with the rubber compound.

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. We do this by asking our suppliers to complete a related

questionnaire, as well as share a CMRT statement with us.

Through these measures, we not only strive to reduce our environmental footprint across 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



Request CMRT statement from relevant suppliers



Evaluate received CMRT statements from relevant suppliers



Production Processes

As explained above, 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.

The most energy intensive production processes are testing machines, such as tire building machines and rubber extruders. To achieve our goal of carbon neutrality by 2030, we have started transitioning to using renewable energy for these processes, partly through our own solar panels, and partly by purchasing green energy. For a more detailed update on our carbon footprint, see the chapter "Sustainable Operations".

Another important goal for VMI 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.



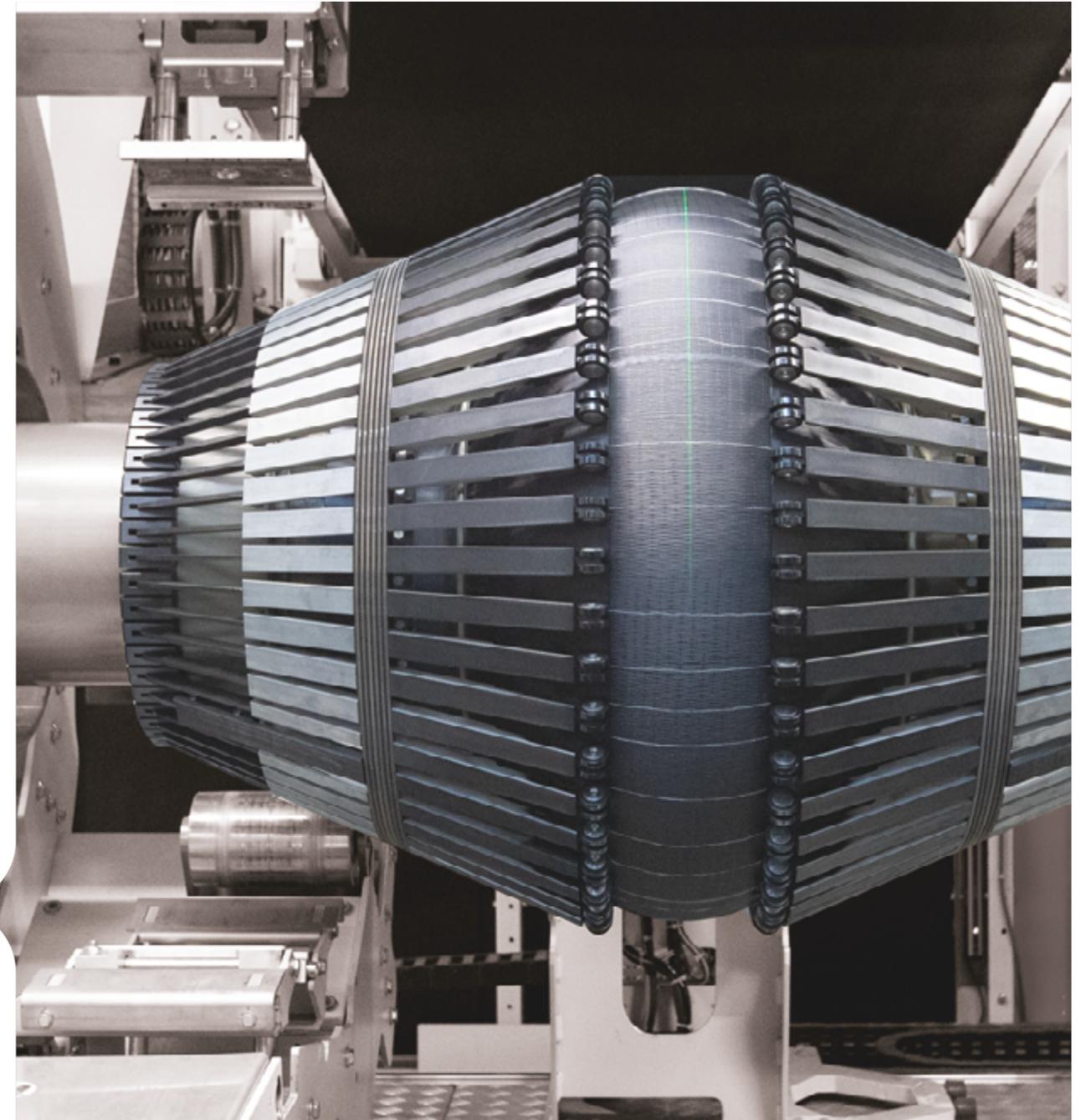
Goal: Use environmentally friendly substances in our production process
Measures: Fase out high risk glues and degreasers



Switch to waterbased paint



Ensure proper waste separation



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.

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.

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.

Services

We are committed to extending the lifespan of our machines through a service program. Regular maintenance not only ensures the machines are operating efficiently but also helps in identifying and rectifying issues before they escalate into major problems. This proactive approach helps in reducing the overall environmental impact, minimizes waste, and ensures a longer operational life, thereby further aligning with the principles of sustainability and regulatory compliance.

Besides regular maintenance, we offer various services to our customers to ensure long-term, safe operations of our machines.

Performance consultancy

The most material environmental impact that VMI influences is the environmental impact of the VMI machines during their lifetime. The design of the machines can minimize this impact, but the operation determines the actual impact. For this, VMI's Global Services department has started a service called Performance consultancy, which is an industry first.

Customer Health & Safety

VMI provides training sessions for customers to ensure safe operation of the machine, which are provided at the point of handover to the customer. It is VMI's aim to have all customer operators undergo this safety training. Additionally, the Technical Manual provided alongside the machine encompasses detailed safety guidelines for both operating and maintaining the machine.



Sustainable Operations



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. From 2022, any new vehicles added to our fleet is exclusively electric, to achieve a 100% electric fleet by 2030, significantly reducing our standard emission per car. 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.

For the internal vertical transport, forklifts and staplers are in the process of being replaced with electrical versions.

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 liters 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.



Goal: Use packaging materials with the lowest impact on the environment
Measures: Research for low impact packaging materials



Use only FSC certified wooden boxes, crates and pallets



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,
- use photovoltaic energy,
- presence and daylight controlled LED illumination,
- energy management system that continually monitors and optimizes energy usage, automatic shading systems.



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.

See the chapters “Sustainable Products and Services” and “Sustainable Operations” for details on what measures we have implemented

to reduce our scope 1 and 2 emissions. 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. See the chapters “Sustainable Products and Services”, “Sustainable Operations” and “Sustainable Supply Chain” for details on what measures we have implemented to reduce our scope 3 emissions.

VMI actively participates in the initiative led by CDP (Carbon Disclosure Project), 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. VMI has been disclosing information to CDP annually since 2023, under the Climate Change program.

CO2 emissions	Units		2019	2020	2021	2022	2023
Scope 1	ton CO2	Emissions from heating buildings	901	684	921	774	945
Scope 1	ton CO2	Emissions from company vehicles	243	181	132	218	221
Scope 2	ton CO2	Emissions from electricity usage	2,072	1,698	1,952	725	569
Scope 1 & 2	ton CO2	Emissions from fossil fuels, electricity usage	3,217	2,563	3,006	1,717	1,736
Scope 1 & 2 /FTE	ton CO2	Emissions from fossil fuels, electricity usage	2.9	2.2	2.3	1.2	1.1

Scope 3 - 2023	Total GHG emissions (tn CO2e)
Scope 3 Upstream GHG emissions (tn CO2e)	90,202
1. Purchased goods and services	82,899
2. Capital goods	2,810
3. Fuel-and energy-related activities	194
4. Upstream transportation and distribution	635
5. Waste generated in operations	0
6. Business travel	3,051
7. Employee commuting	529
8. Upstream leased assets	84
Scope 3 Downstream GHG emissions (tn CO2e)	265,735
9. Downstream transportation and distribution	2,348
10. Processing of sold products	-
11. Use of sold products	262,728
12. End-of-life treatment of sold products	659
13. Downstream leased assets	-
14. Franchises	-
15. Investments	-
Grand Total	355,937

Sustainable IT

From an IT perspective, cloud computing can significantly contribute to achieving various sustainability outcomes. 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 sustainability related 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 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.



Local pollution

Other than the CO2 emissions, the main sources of air pollution are the heating and cooling installations that are used in the buildings.

The heating of buildings is currently done mostly with central heating systems that use natural gas. These systems emit both CO2 as well NOx and SOx into the air. VMI is in the process of phasing out these natural gas systems and switching over to electric heat pumps. This will result in zero air pollution due to heating systems. The goal is that all natural gas heating systems will be replaced by heat pumps by 2030.

The cooling of buildings is currently done by air conditioning systems using HFC's. Different types of HFC's have different global warming potential (GWP). Leakage of HFC's is a source of air pollution. VMI strives to minimize leakage by regular inspection and maintenance. Also HFC's with a higher GWP are being replaced with coolants with a lower GWP.

Furthermore, we have the following systems in place:

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

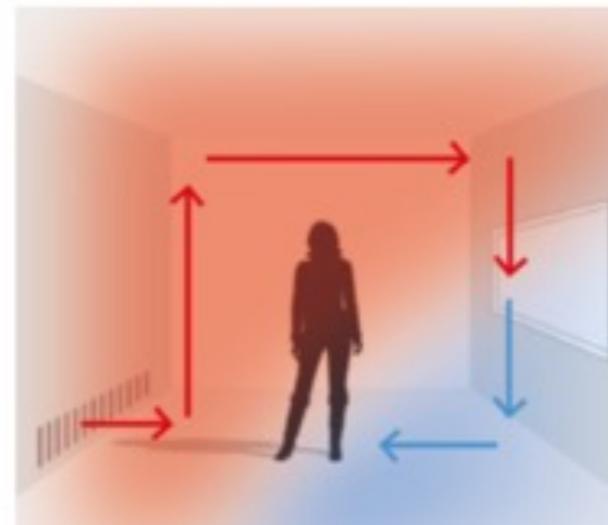
IonAir's purification system is a significant step forward in achieving enhanced indoor air quality. By employing its technology, we see a remarkable 50% reduction in odor-causing volatile organic compounds (VOCs). Moreover, it eliminates approximately 95% of bacteria, germs, and mold spores, enhancing 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. Our main goal is to achieve zero air pollution in our own operations by 2040. To get there via the

following roadmap:

- Eliminate natural gas consumption in our Epe facility by 2030.
- Achieve a 100% use of natural coolants across all our facilities by 2040.
- Ensure that 100% of our vehicle fleet is electric by 2030.
- Transition to 100% electric internal logistics equipment, including forklifts and pallet jacks, by 2030.

Conventional System



BAOP System



Waste Management

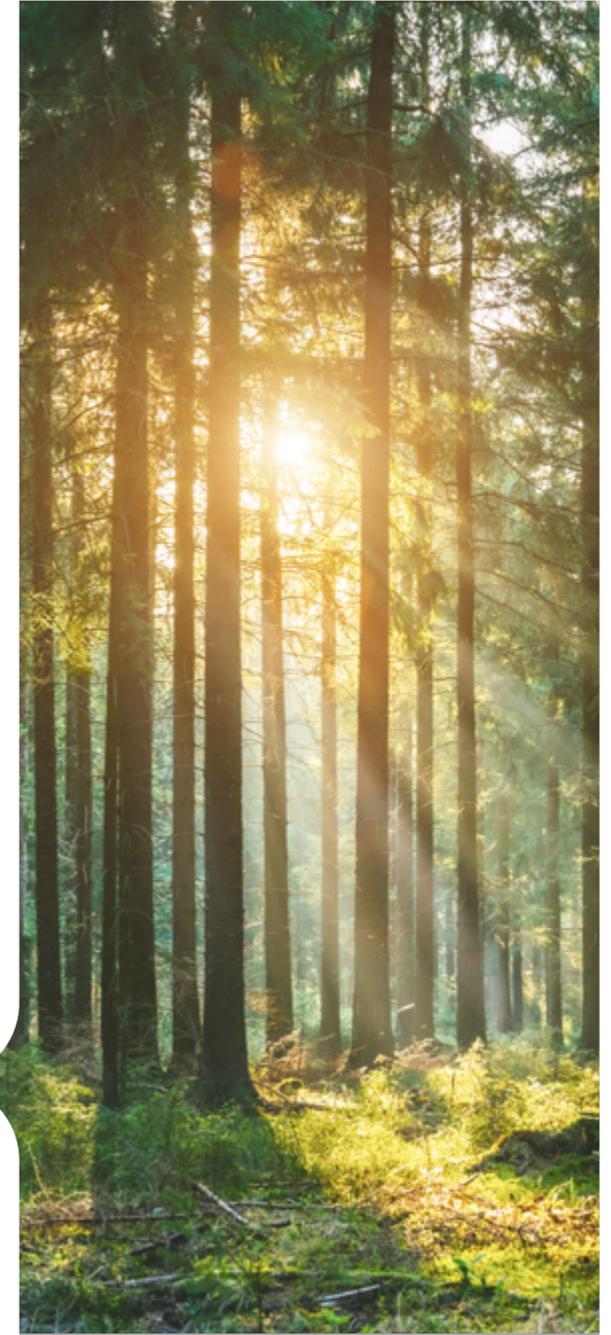
Overall, our aim is to reduce wastage to no more than 5% in most relevant production raw materials, while recycling at least 80% of most relevant production raw waste.

Since VMI is mainly an assembly site, very little waste is generated in the production process. By far, the most waste stems from packaging materials from incoming goods.

The main waste streams are wood, plastic, paper, cardboard and steel. VMI regularly analyzes these waste streams and identifies ways to reduce them. This aspect is also a standard subject in supplier engagements: VMI specifies in advance the expected packaging to a supplier in the form of a Material Handling instruction.

Additionally, upon analyzing our waste streams, we identified a significant level of wood waste. Hence, we aim to reduce this waste level by 10% in 2024 compared to 2023. Another objective is to reduce the waste levels by promoting more responsible waste management among our employees.

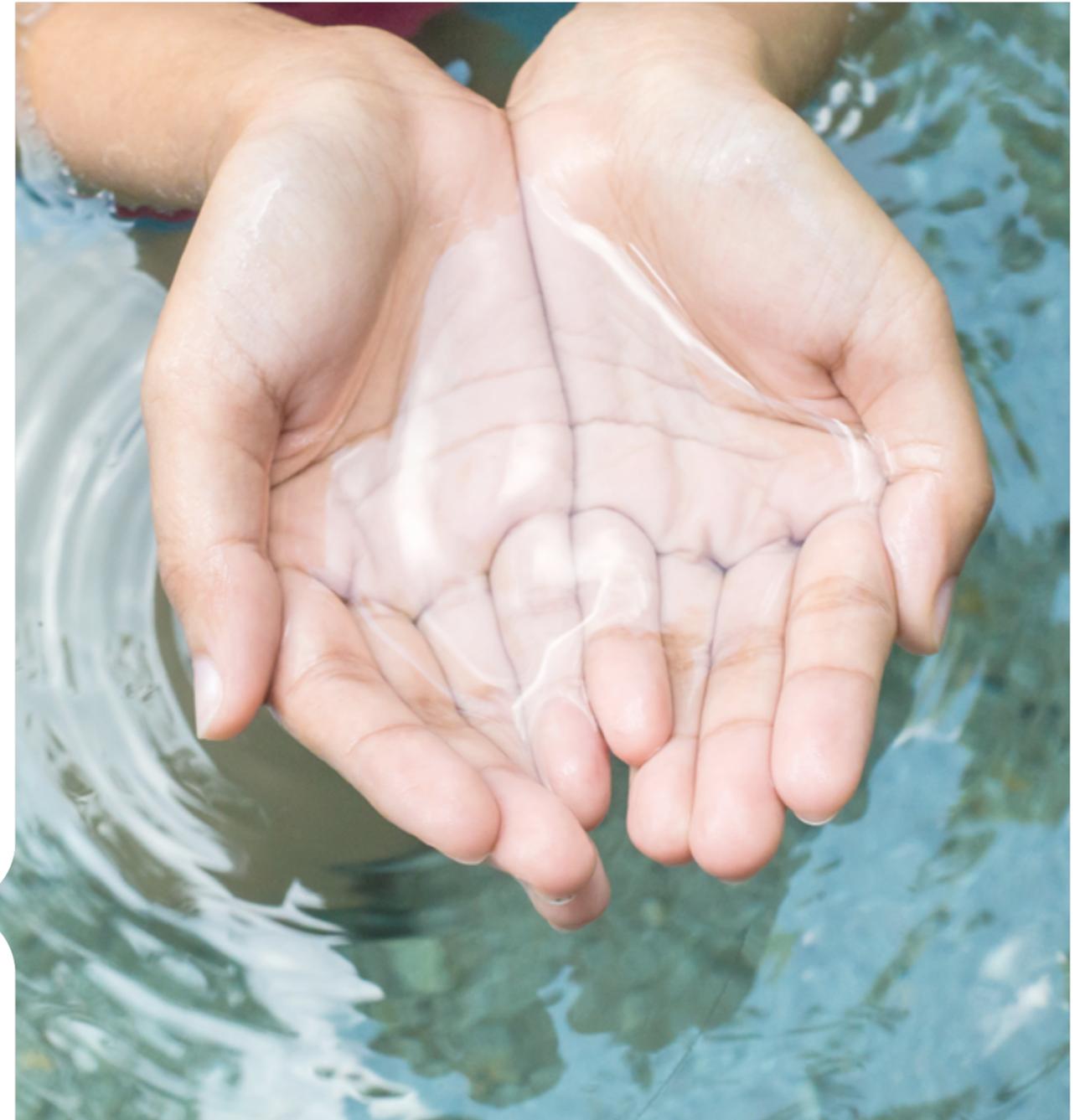
Waste	Units	2019	2020	2021	2022	2023
Copper	kg	17,053	19,133	17,125	19,005	10,139
Plastics (e.g. PVC, XLPE, PE)	kg	40,668	34,443	20,754	17,665	5,238
Steel	kg	100,903	83,748	64,427	80,762	83,350
Aluminium	kg	2,600	1,630	2,224	4,201	1,928
Wood	kg	228,173	213,165	204,204	203,171	1,952
Paper + board	kg	132,859	153,471	137,283	137,455	56,109
Electronics	kg	-	1,947	107	497	352
Hazardous	kg	26,192	2,836	9,816	3,660	2,989
Other materials	kg	164,460	158,960	129,780	118,400	414,887



Water

VMI does not use water in the production process. The water usage consists primarily for sanitation and consumption (coffee and tea). VMI has faucets that switch off automatically, preventing water spillage. The annual water consumption is well below average. Water supply companies and governments warn of water shortages around 2030. The average water consumption per FTE is approximately 13 m3 per year. VMI's goal is to maintain the current low water consumption per FTE. For the future, the use of rain water for sanitary purposes can be expected and one of our objectives is to promote responsible and eco-friendly water usage among our employees.

Water	Units	2019	2020	2021	2022	2023
Water	m3	19,879	16,456	15,662	16,664	20,665
Water consumption/FTE	m3/FTE	18	14	12	12	14



Sustainable Supply Chain



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 includes 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 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.



Sustainable Procurement Processes

Sustainable procurement is a strategic approach to purchasing goods and services that considers environmental, social, and economic factors. It involves making responsible choices to minimize negative impacts on the planet and society. Sustainable procurement aims to support long-term sustainability goals by selecting products and suppliers that align with environmental protection, ethical labor practices, and economic viability.

As of 2023 VMI completed the implementation of the ISO 20400 standard in all aspects of its sustainable procurement processes. In alignment with ISO 20400, VMI updated its policy for Sustainable procurement in 2023. This policy focuses on a step by step approach towards the supply chain, driving for carbon neutrality and circular products. VMI strives to work together with its suppliers to discover opportunities for improvement and to pursue these opportunities in a joint effort. The most important changes in our practices, introduced in 2023 have been the following:

- appointment of 4 sustainability team leads;
- identifying long-term sustainable procurement objectives;
- starting a dialogue with suppliers, in terms of

what VMI's main sustainability targets are and how suppliers can support VMI in reaching these targets;

- investigating the supply chain on the degree of maturity with regards to sustainability;
- assessing sustainable supply chain risks;
- preparing for setting targets to specific suppliers, beyond compliance obligations.

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.

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.

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.

Supplier Selection

During supplier visits and supplier audits there have been opportunities to discuss sustainability topics. Sustainability is not yet a standard topic during supplier visits, but it is incorporated in the standard supplier audit plan.

The active supplier base consists of over 500 suppliers, which are not visited each year due to time constraint. Supplier visits are generally planned with a strategic reason, or in case of poor quality or logistical performance an audit is executed. Because of time and capacity constraints, the supplier visits must have a good reason, and generally the interaction is more frequent with suppliers that are most important to VMI. The importance is primarily based on the annual spend with that supplier, but also based on the type of product that is delivered – is it a critical component for VMI's machines.

A selection of suppliers is made annually in order to make the number of suppliers to interact with more manageable. The selected suppliers were contacted to participate in the materiality survey, they received the letter of expectations, and were invited to fill out the sustainability questionnaire. The answers of the questionnaire were used as input for the Sustainability Risk Analysis.

Selection Criteria

The Supplier base of VMI is divided into four main categories (commodities):

- **Electrical OEM**, e.g., PLCs, cameras, sensors
- **Mechanical OEM**, e.g., gear boxes, valves, pneumatics, pumps
- **Mechanical Outsourcing**, e.g., welded constructions, machined parts, painting
- **MRO/NPR** (maintenance, repair and overhaul / non-product related supplies), e.g. consumables, packaging material, external services

For the VMI sites in Epe and Leszno the purchasing is done from Epe; VMI Yantai has also several local suppliers. For this initial selection and analysis only the Epe suppliers are taken into account, with the focus on suppliers from OEM and Outsourcing

(suppliers of parts that are used in our products). For these commodities the suppliers were ranked according to spend and the number of suppliers that made up at least 80% of the spend within that commodity were selected. In addition, two Mechatronic suppliers and one MRO/NPR supplier were also selected for further analysis.

Supplier Expectations Letter

In 2023, VMI sent out a Letter of Expectations to the suppliers that represent 80% of the purchasing spend in 2022. It is the first time that VMI sent such a letter. It can be viewed as a Code of Supply, but more detailed. The intention is to send this letter every year. The expectations will be higher every year, in line with the progress (also known as the sustainability journey) that VMI makes and the progress that suppliers make.

The Letter of Expectations serves as a baseline for supplier dialogue in the coming year. This baseline is later on used and translated in questions in the VMI Supplier sustainability questionnaire.

Suppliers were asked to sign and return the letter, as an indicator of supplier commitment.

About 50% of the suppliers responded to this request.

Sustainability Questionnaire

The questionnaire aimed to collect information from suppliers regarding their sustainability practices. It included questions about company information, certifications, sustainability, energy consumption, environmental impact, human rights, safety measures, and production processes. The questions were designed to gain in-depth insight into the company's policies, procedures, and compliance with sustainability, safety, and ethical standards.

The questionnaire was sent to 93% of the selected suppliers. In total, 57.8% of the suppliers who received the request filled out the form completely, providing input for the sustainability risk analysis.

Supplier Audits and Visits with Sustainability Discussions

In 2023, 20 suppliers were visited where sustainability was discussed specifically. A total of 11 suppliers out of the 91 selected suppliers were audited; this amounts to 12% of the

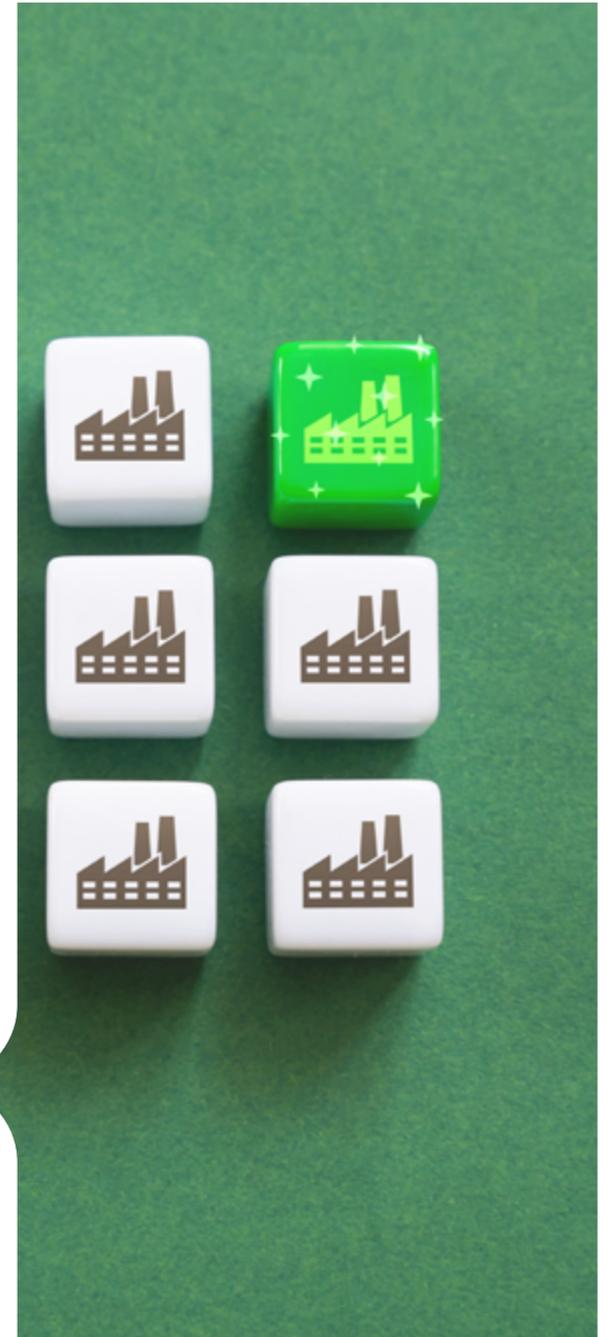
selected suppliers. Visit and audit reports are available in VMI's online supplier management system SRM.

Sustainability Risk Analysis (SRA)

To determine where there is room for improvement with respect to sustainability among our suppliers, it is desired to know how well they are currently performing. Up until now this was not yet investigated in a structural way, nor was it documented. It was therefore decided to perform a Sustainability Risk Analysis, initially only for the selected suppliers. Later this analysis will be performed for more and eventually even all suppliers, including the suppliers specific for VMI Yantai.

The analysis resulted in suppliers being placed in a Risk Profile matrix, where the suppliers with the highest risk regarding sustainability are in the top right corner. Those suppliers are our primary targets for sustainability discussions in 2024.

Based on the available data in October 2023, risk analysis was performed for 22 out of 91 selected suppliers (24%). The main conclusions of the risk analysis are:



- Sustainability is not (yet) well implemented with smaller companies (mainly within Mechanical Outsourcing), here is the most room for improvement. It has been observed that these small companies do not have a dedicated CSR employee to deal with sustainability topics, which may explain the relatively poor sustainability performance.
- Larger multinationals have the best score on sustainability performance (as expected).

Training

We have purchasing employees located in VMI The Netherlands and VMI China. In the Netherlands all the sourcing and supply buyers were trained on sustainable procurement in 2022. All sourcing and supply buyers in VMI China were trained. Both trainings were given by Nevi, a Dutch knowledge network for procurement, contract and supply management. The training courses are based on ISO 20400, and cover policy and actions aimed to create a positive impact in the supply chain.

The requirements for refresher or in-depth training courses are determined during the annual kick-off meeting that also determines the action plan for that year.



Goal: Ensure a sustainable supply chain
Measure: Send VMI Letter of Expectations to selected suppliers



Measure: send materiality questionnaire to selected suppliers



Perform supply chain risk analysis



Train all supply and sourcing buyers on ISO 20400 sustainable procurement



Top 10 suppliers carbon neutral in 2030



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. 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.

From the second half of 2023, 2023 carton boxes in logistics processes have been partly replaced by plastic reused boxes, rotating between TKH warehouse in Haaksbergen. That had a positive impact on the amount of cardboard waste.



Goal: Use packaging materials with the lowest impact on the environment
Measures: Research for low impact packaging materials



Use only FSC certified wooden boxes, crates and pallets

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 Employment



Sustainable Employment

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 wellbeing of our employees. VMI has an active vitality program which covers both mental wellbeing and physical fitness.

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

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 aspects 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.

2023 Employee Satisfaction Survey

VMI regularly conducts employee surveys. The 2023 Employee Satisfaction Survey had a participation rate of 1,037 employees with a 76% response rate. The results have been compared with the survey held in 2019.

An important indicator in an employee survey is the so-called eNPS (employee Net Promoter Score), which rates the extent to which employees are willing to promote the company. VMI Group's eNPS for 2023 is +25. This means VMI Group's score isn't just higher than it was in 2019 (+19), it also exceeds the Industry (+10) benchmarks.

The survey highlighted strengths in the company's pleasant working atmosphere and good employership, with overall satisfaction improving slightly since 2019. Action plans have been made to address areas for improvement.



Health & 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 psychosocial 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.

All VMI's main production facilities have 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.

VMI China also obtained the OHSAS 18001 certificate in 2013, which has been regularly renewed since. 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.

Safety First

Safety First is within the DNA of VMI. The table on the right 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.

Target:

Total lost time injury rate (LTIF): < 1.0 (based on all working hours, not only the direct hours) and Total absentee rate: < 4%

The LTIF was 1.7 in 2023 and the absentee rate was 4.6% in 2023.

Safety	VMI Holland	VMI Yantai	VMI Poland	VMI Group
Accidents with injury	23	18	16	56
First aid case	13	15	10	38
Medical treatment case	8	2	1	11
Lost time injury	1	1	5	7
Material damage only	11	1	0	12
Near miss	12	3	11	26
Safety issue	374	0	12	386
Not work related incident	14	0	0	14
LTIF	1,6	0,9	15.8	3.6
TRIF	33	20	54	28.6

Notes:

- 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 TRIF are both calculated with only direct hours.

Further 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 are 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.

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.

An Emergency Response Team is appointed within each facility to provide first aid, as well as firefighting and evacuation activities.

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.

Safety Awareness Training

To create a safe working environment, safety awareness needs to be refreshed periodically. In 2023, all personnel of VMI participated in an refresher 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.

VMI Poland conducts further 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. 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.

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, then 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, then 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.

Periodic Medical Examination (PME)

At VMI, we offer PME to all our employees at least every three years, in some locations even every year. 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.

Vitality Policy

VMI strives to create a work environment that is both healthy and supportive, so that our employees can better manage stress, maintain their energy levels, and develop healthy lifestyle habits. In our opinion, this leads to increased productivity, reduced absenteeism and a higher level of job satisfaction.

VMI's Vitality Policy has been incorporated into a Vitality Plan and focuses on various aspects of employee health and well-being, such as healthy nutrition, physical activity, stress management, work-life balance and financial fitness. The activities offered in the Vitality Plan include personal coaching, workshops, (accessible) sports activities, and support to become and stay financially fit. Examples of such activities include:



- In our facilities in China, to enrich the sports culture and the physical fitness of employees, VMI sports teams have been set up such as badminton, table tennis teams etc., and the local teams organize various competition activities, actively take part in supervising and safety related matters.
- Within VMI Netherland, an exercise therapist works two mornings a week, 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.

Personnel 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.

Health insurance

VMI has taken out group health insurance with two health insurance companies for its employees. An employee can participate voluntarily and receives a discount on the premium of additional packages and other benefits such as extra physiotherapy.

Disability Insurance

Under the Metalektro collective labor agreement (for more details, see the next chapter on Working Conditions), VMI employees have the option of taking out favorable insurance against loss of income in the event of incapacity for work. These are the WGA Gap Insurance (extended) and the Loss of Earnings Insurance. In the event of incapacity for work, these insurances protect against the financial consequences. Every VMI

employee has the opportunity to take out this insurance. The premium is paid partly by the employee and partly by the employer.

Anti-Harassment Policy

VMI considers it is 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 Officer

A confidential officer 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 officer provides a safe environment where employees can share their concerns confidentially and without fear of reprisals. The confidential officer can offer advice on possible next steps, such as filing a formal complaint or involving other internal or external entities.

Working Conditions

Goals



Employee satisfaction grade (1-10): > 8.0. **Result 2023:** 7.4



Number of employees covered by collective labor agreements. **Goal:** 100%. **Result 2023:** 95%

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 handbook, 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 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.

VMI also provides childcare and nursing leave for new parents in our facilities in China.

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.

The VMI China labor union (which is a works council) is the Workforce organized according to the Chinese laws to protect worker's rights. In Poland, similarly to the Netherlands, a Works Council is in operation.

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.

In the Netherlands, 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.

Overtime and irregularity allowances

Within VMI we use a standard day shift schedule of 8 hours per day. In some cases, the supervisor may, in consultation with the employee, decide to work overtime. Overtime percentages apply for this. In the event of exceptional demand, the management has the authority to temporarily switch to a two-shift system in Production and Warehouse, whereby employees are eligible for a shift allowance. The decision on the introduction or termination of the two-shift system will only take place after consultation with the works council.

This shift is only applied when the total available man-hours are sufficient, but there are shortages in specific production units, or when simultaneous deployment of employees at certain locations is not feasible. In such cases, the two-shift system offers the possibility of extending working time on the site or in that unit without the need for additional staff.

Early Retirement Scheme (RVU)

The 'Regeling Vervroegd Uittreden' (RVU), which is the early retirement program in the Metalektro sector in the Netherlands, 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 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.



Learning & Development

Goals



Number of training hours per FTE:
>16 hours per annum (2023
results: 43 hours per FTE)



% of employees receiving a
performance review: >90% per
annum (2023 results: 53%)

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 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.

VMI Academy

The VMI Academy, our own in-house Learning Management System, 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. Training courses vary from health & safety topics, mental health topics, personal development programs, human right topics to Business Ethics 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 & Management Programs

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.

In addition to the leadership program for the MT and middle management, we have set up a program called 'Team up' for strengthening personal leadership for the group of functional managers within VMI, which provides support in the daily execution of the role, it provides role clarification and an orientation on possible growth to the next step in his or her career.

Every 2 years, our parent company TKH organizes a Management Development programme for a specific group of participants within TKH's operating companies, in order to offer this group an accelerated growth opportunity. In close collaboration with Nyenrode Business University, a Management Development program has been designed in which five modules are completed in approximately one year. In 2023, another group started in which 3 VMI employees participated.

Local Trainings

Further to our onboarding, leadership and mandatory training courses (such as health & safety awareness, business ethics, etc.), our local teams organise regular training courses for their employees. These trainings offer a variety of soft and hard skills development for the local teams.

Performance Assessments

An important value within VMI is paying attention to the well-being and development of our employees within VMI. From our vision on leadership, we find it important to create an environment for our employees that is inspiring and motivating and in which employees can develop themselves and excel.

An important tool we use to give substance to this is the performance review interview that managers and employees hold at least once a year on the themes of general functioning, sustainable employability, competencies and personal development. During this conversation, agreements and objectives are set for the coming year. In order to meet the individual needs of our employees and managers, a toolbox is available in addition to the performance review conversation form with additional options, such as an HR cycle, a Personal Development Plan (PDP) or a 360 degree feedback.



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 wellbeing 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. VMI's other locations are also in line with the local regulations in this regard.

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.

Human Rights in the Supply Chain

VMI wants to provide a safe working place for its own employees, and we also expect our 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. We promote the freedom of association and collective bargaining in our supply chain, as well as equal rights, equal pay and equal opportunities for everybody. VMI has started to develop an awareness training program on these issues for employees who may encounter human rights related malpractices in our value chain, in particular our sales and purchase employees.

In this way, VMI aims to ensure a sustainable supply chain.



Diversity, Equality, Inclusion

Goals



% male-female ratio amongst all employees. **Goal:** >15%. **Result 2023:** 12%



% Female in the executive and senior management teams >25% by 2030 (**Result 2023:** 17.5%)



Number of employees with a disability (**2023 results 28**). **Goal:** >2.5 % **Result 2023:** 2.7%

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. 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.

Sustainable Impact



Sustainable Impact

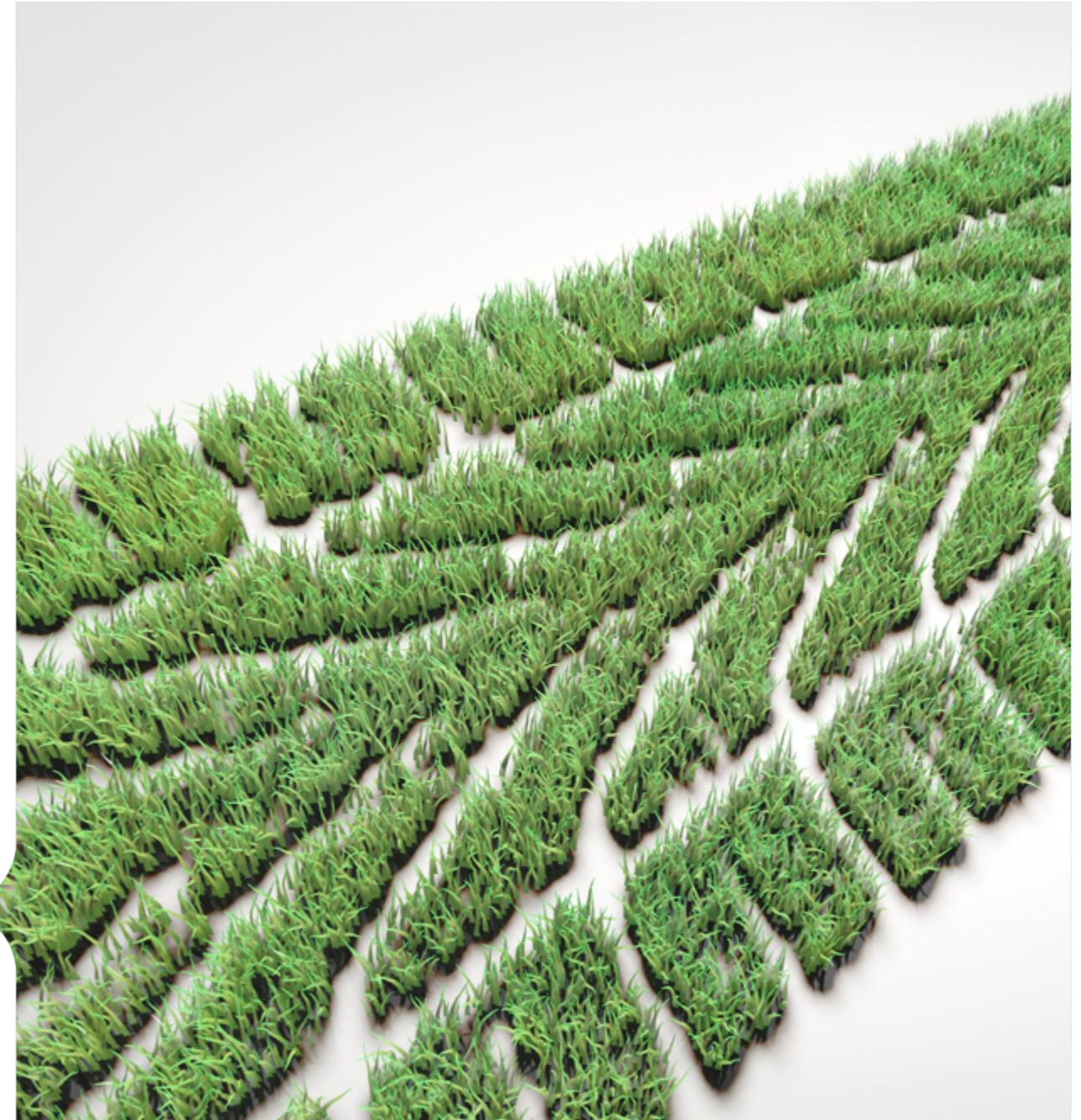
VMI is aware that the organization is part of a rural environment where other people live and recognizes that the growing organization can potentially cause inconvenience for the immediate environment in which it is located.

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.

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.



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.



Partnerships

Energieklopers Apeldoorn en Epe

VMI The Netherlands participates in a regional partnership called “Energieklopers 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 has been 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, and the 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 [detehniekacademie.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](#)

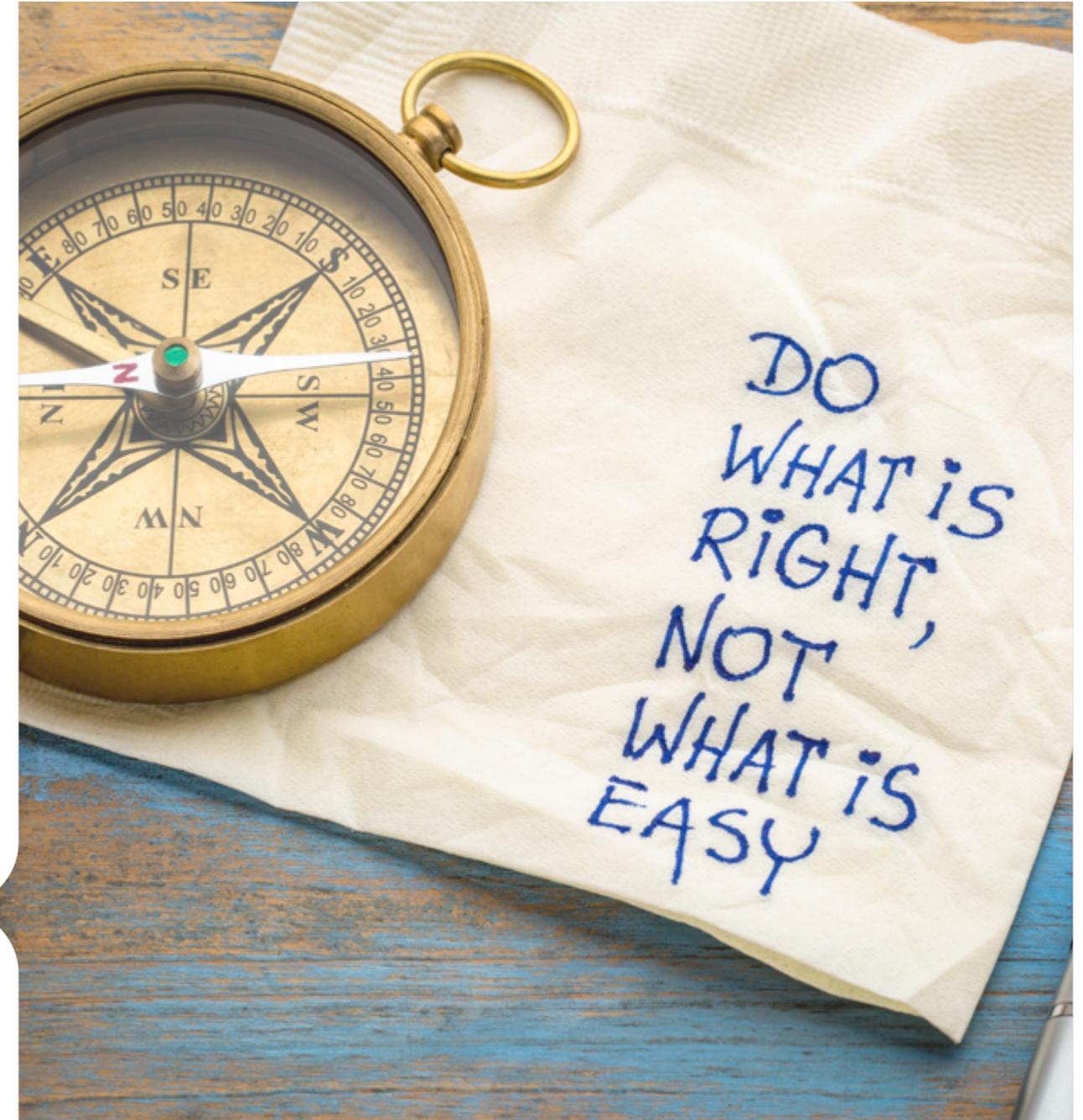
Business Ethics & Information Security



VMI Ethical Principles

This business ethics policy outlines the ethical standards and principles that guide our company in conducting business. It is our responsibility to ensure that all of our employees, partners, and stakeholders understand and adhere to these principles at all times.

- **Compliance with Laws and Regulations:** We will comply with all applicable laws and regulations in all of our business activities. We will not engage in any illegal or unethical activities.
- **Honesty and Integrity:** We will conduct all of our business activities with honesty and integrity. We will be truthful in all of our communications and will not engage in any deceptive or fraudulent practices.
- **Fairness and Respect:** We will treat all of our employees, partners, and stakeholders fairly and with respect. We will not engage in any discriminatory or harassing behavior.
- **Responsible Management of Resources:** We will manage all of our resources responsibly and sustainably. We will strive to minimize any negative impacts on the environment and to promote social and economic development.
- **Transparency and Accountability:** We will be transparent and accountable in all of our business activities. We will provide accurate and timely information to our employees, partners, and stakeholders, and we will be responsive to any concerns or questions they may have.
- **Reporting and Enforcement:** We will take any reports of violations of this ethics policy seriously and will take appropriate action to address them. All employees are encouraged to report any concerns or suspicions of violations without fear of retaliation.



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. Further to the Code of Conduct, we have created and regularly updated our Business Ethics policy, that covers topics such as anti-corruption, competition, conflicts of interest, fraud prevention and anti-money laundering. VMI also conducts an annual business ethics risk assessment, to identify, evaluate, mitigate and manage business ethics related risks that might appear in our operations.

To report any misconduct, the TKH Group has a whistleblower mechanism in place, which can be used by VMI's employees also.

Regular training sessions, workshops, and internal audits are conducted to maintain awareness and to rectify potential areas of concern.

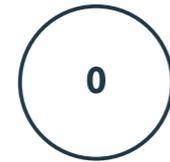
Goals



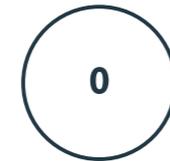
% of employees who signed the code of conduct: 100% (2023 results: 96%)



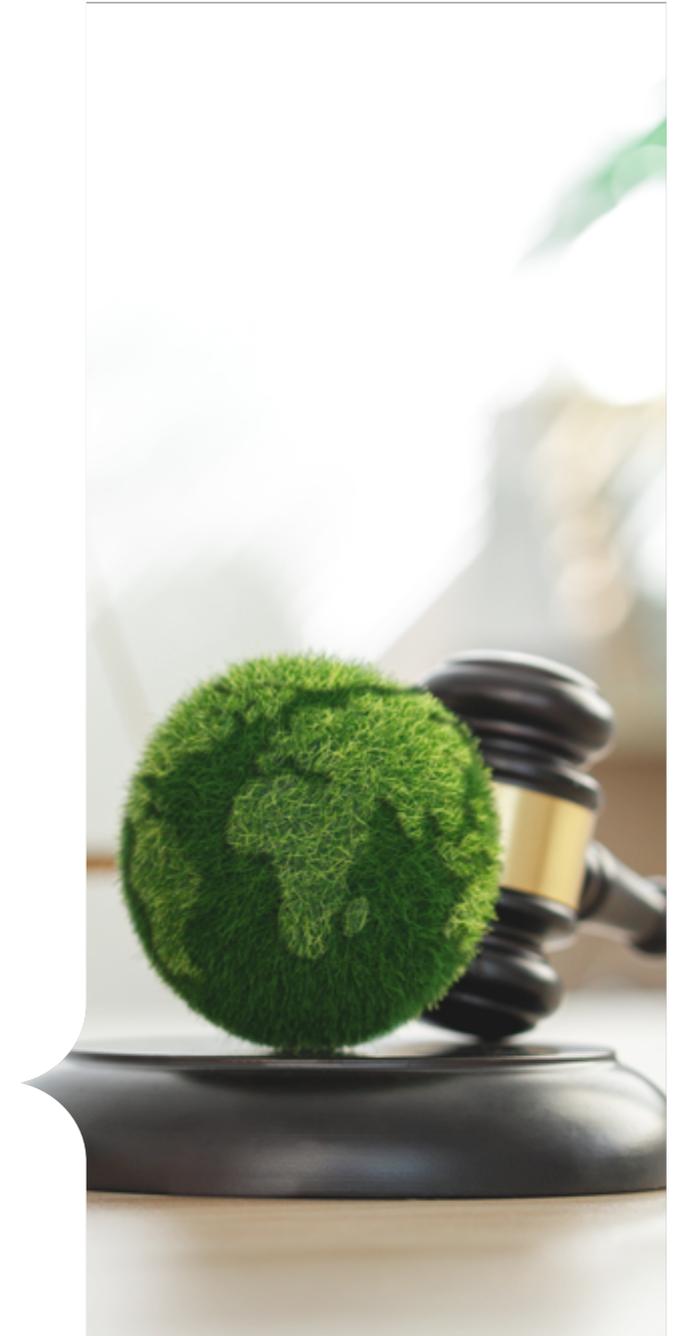
% of functions at risk of corruption and bribery covered by a training program: 100% (rolled out in 2024)



Number of breaches of code of conduct filed: 0 (2023 results: 0)



Number of reports through whistleblowing procedure (2023 results: 0)



Due to growing automation and integration, VMI is increasingly dependent on its automated information systems. The increasing use of data communication possibilities, the complexity – and interweaving – of automated systems, the desire within the organization to communicate externally via electronic public networks and the pressure from legislation, such as privacy laws, all lead to a high dependency and vulnerability of automated information supply. The associated risks are significant. They can threaten the confidentiality, integrity and availability of automated data processing and thus, indirectly, the position of VMI.

Because of this dependence, the quality aspects of availability, integrity and confidentiality must be addressed, especially the information stored in information systems that must be at all times secure. Working with confidential information of our customers, suppliers and ourselves establishes this requirement.

At VMI, safeguarding confidential information is integral to our commitment to sustainability and ethical business practices. Our robust information

security policy serves as the foundation for protecting sensitive data, ensuring compliance with legal frameworks, and fostering trust with our stakeholders. To safeguard customer confidential information, VMI has adopted far-reaching security measures, such as automated access restrictions in building access systems, screens around machines to shield visual access, dedicated vaults to store confidential customer materials and confidential disposal of customer materials.

Information security is largely a matter of human effort. Technical measures can help to protect our information and systems, but prevention is always better than cure. Thus, much attention is paid to raising and maintaining the security awareness of all employees, temporary workers and contractors. We provide regular information security awareness training for all employees. This ensures that every team member is equipped to recognize and respond to potential threats effectively.

Our proactive approach extends to conducting regular information security risk assessments and audits, enabling us to identify vulnerabilities and implement corrective measures swiftly.

In the event of a security incident, our incident response procedure ensures prompt action to mitigate risks and minimize impact. Additionally, we adhere to a record retention schedule, particularly for HR data, ensuring secure data handling and compliance with regulatory requirements.

As part of our commitment to transparency and data protection, VMI is fully compliant with the General Data Protection Regulation (GDPR). This underscores our dedication to safeguarding personal data and maintaining the highest standards of accountability.

