

## Vaillant Group Modern Slavery Statement 2023

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## 1. Statement

The UK Modern Slavery Act 2015 came into effect on 29th October 2015. The law requires manufacturers and retailers doing business in the UK that supply goods or services and have an annual turnover exceeding £36 million to disclose information regarding their policies to eradicate slavery and human trafficking from their supply chain and within their business.

The Vaillant Group understands that slavery, servitude, forced labour and human trafficking (Modern Slavery) is a global and growing issue given the rapid rise in global migration, existing in every region in the world and every type of economy, whether industrialised, developing or in transition. The Vaillant Group is very proud of the integrity measures we take in this regard. The Vaillant Group's efforts to eradicate slavery and human trafficking in its supply chain and own business include the following:

### 1.1. About Vaillant Group

The Vaillant Group with its ultimate parent company Vaillant GmbH, Germany is one of the largest companies in the European heating, ventilation, and air-conditioning (HVAC) industry. The Group's core business centres on the development, production and distribution of energy-saving, environmentally friendly heating systems and water heaters based on natural gas and renewable energy sources. The following companies in the United Kingdom are also part of the Vaillant Group and are covered by the policies set out in this statement:

- Vaillant Group UK Ltd (Company Number: 00294316 )
- Vaillant Industrial UK Ltd (Company Number: 01064184)
- Vaillant Holdings Limited (Company Number: 00965093)
- Vaillant Management Limited (Company Number: 04127157)
- Vaillant Limited (Company Number: 01279010)
- Vaillant Home Products Limited (Company Number: 00543504)
- Vaillant R&M Limited (Company Number: 02369751)
- Vaillant Netherlands Holdings Limited (Company Number: 01678528)
- Vaillant European Holdings Limited (Company Number: 00065322)
- DD Heating Limited (Company Number: 04430777)
- Technocargo Logistics Limited (Company Number: 5476414)

#### 1.1.1. Products and services

The Vaillant Group markets the entire spectrum of heating, ventilation, and air-conditioning technology for building supply. The main fields of activity for the company's products are residential properties.

#### 1.1.2. Production Network and Quality Management

The Vaillant Group manufactures products in a total of ten locations – eight of these are in Europe, one in Turkey and one in China.

Production includes the manufacturing of all performance- and quality-relevant key components as well as the final assembly of all devices, plus comprehensive testing of the performance attributes.

## 1.2. Our Policies

At Vaillant Group we have embedded our commitment to addressing slavery and human trafficking into a set of policies which are an integral part of how we shape our operations and business relations.

- Our Code of Conduct sets the foundation for the values, rules and behaviour we aim for at Vaillant Group and reference for any form of relationship – with colleagues, customers, suppliers or external stakeholders.
- Our commitment to the Principles of the United Nations Global Compact stresses that Vaillant Group applies a comprehensive and ambitious approach to the most urgent global challenges. We report our progress on an annual basis.
- Our human rights policy statement expresses our policy of observing and strengthening human rights as a fundamental part of our corporate ethos.
- Our Supplier Code of Conduct lays out our expectations and requirements towards our suppliers with regard to health and safety, environment, labour, human rights and compliance.

## 1.3. Our risk assessment

Vaillant Group's Integrated Risk and Opportunity Management is an early warning system that closely monitors potential risks and opportunities. The holistic approach combines financial, regulatory, physical, and reputational risks and is part of our regular internal management reporting system.

To adequately address the concerns of our business partners, customers, and the general public we systematically conduct stakeholder dialogues. These guide us in proactively identifying potential needs for information or action.

In addition, in 2021 we conducted a comprehensive human rights risk analysis for our operations in cooperation with an external partner. This risk analysis consisted of identifying and describing the human rights risks, assessing the human rights risks, and prioritizing them. We reviewed the effectiveness of already established control measures and are developing a roadmap for adapting already existing control measures and establishing new control measures and we are discussing the results with involved departments. We regularly review and update the risk analysis and evaluation of our own operations and control measures.

Furthermore, we have conducted a supplier risk assessment. For this, we considered country risks and commodity risks based on the Worldwide Governance Indicators of the World Bank and

information from the CSR Risk Check of MVO Netherlands. Based on the results and with regard to our focus risk suppliers we plan to evaluate existing preventive measures and enhance measures where necessary.

## **1.4. Our CR Strategy**

The Vaillant Group has combined all its sustainability activities into one strategic programme. Under the name SEEDS, binding, quantifiable targets have been set in the following fields of focus: Environment, Employees, Development & Solutions and Society. We develop specific measures based on these targets and continuously monitor the results, transparently and group-wide.

We manage our sustainability performance using an established approach: the classic control circle applied to corporate management systems. Based on the sustainability strategy, binding and verifiable targets are set for all four fields of focus in the SEEDS programme. To meet these targets, we then implement operational measures in all relevant areas of the company. To test how effective these measures are, key performance indicators (KPIs) and a target figure are established for our targets. Every quarter, we survey all relevant data on a group-wide basis to calculate the individual KPIs. These are brought together in a central control tool, the Vaillant Group Sustainability Scorecard. By comparing figures from the same period in the previous year against the long-term targets during the annual review, we are able to gain an accurate picture of the current state of our sustainability performance.

## **1.5. Our commitment to the observance of human rights**

The human rights policy statement is an important part of our social responsibility.

The policy statement provides details on the observance of human rights, specifying

- the international standards and guidelines we use as guidance,
- the issues and areas of activity that are particularly relevant to us, e.g., rejecting all forms of degrading treatment, slavery, torture, child labour or discrimination, while respecting the right of every individual to life, liberty and (social) security,
- which measures we have implemented to ensure the observance of human rights, for example in relation to our suppliers,
- responsibilities at the management level,
- the opportunity for everyone to flag up grievances through a whistle-blowing system.

## **1.6. Our Supply Chains**

Our suppliers from various countries help us provide the quality our customers and business partners expect. We source a wide range of products and services from across the globe from small family-run businesses to large multinationals, all with their own supply chains.

As we expect our suppliers to meet our high standards, we are in constant exchange with them and seek common understanding and united action.

## 1.7. Our Measures taken to address modern slavery

Robust governance, clear policies, an effective risk assessment as well as a profound understanding of our supply chain are the basis for a targeted approach to addressing slavery and human trafficking. At Vaillant Group we incorporate mechanisms to prevent modern slavery at various stages: when selecting a supplier, when engaging with suppliers, when assessing them and when aiming for further development. In 2023, we plan to further develop our approach to purchasing into a holistic external supplier due diligence process.

### 1.7.1. Selection process

For new suppliers, we have integrated social and environmental aspects in our supplier pre-assessment. It includes:

- A commitment to the United Nations Global Compact
- Compliance with Minimum Wage legislation

This helps us to carefully select suppliers supporting the values Vaillant Group stands for. Furthermore, it is expected that the supplier ensures compliance with the same diligence and regulations under which he operates for the Vaillant Group from all its sub-suppliers.

### 1.7.2. Key suppliers

Because of their degree of integration, the nature of their products and services or volume certain business partners play a key role in our company's success. We are closely engaged with these key suppliers to ensure their commitment to the principles of the UNGC.

As a result, we introduced our Supplier Quality Guideline in 2012 (updated in 2016) covering not only product and process-related quality aspects but also environmental and social concerns, such as the UN Global Compact.

### 1.7.3. Supplier Code of Conduct

In 2020 we implemented a Supplier Code of Conduct which lays out our expectations and requirements towards our Suppliers with regard to health and safety, environment, labour, human rights, and compliance.

We expect our larger suppliers to sign our Supplier Code of Conduct. This also contains requirements on forced, bonded (including debt bondage) or indentured labour, slavery, and human trafficking as well as torture and degrading treatment.

## 1.7.4. Supplier Audits

All new suppliers are subject to a risk-oriented supplier audit covering quality, compliance, environmental and social concerns. In addition, we conduct audits of existing suppliers based on a priority matrix covering the same matters.

We developed a standardized questionnaire used in the supplier audits which includes sections on human rights and labour standards, occupational health, environmental protection, and the fight against corruption.

The audit touches on “labour and ethics” issues including:

- Forced labour.
- Child labour
- Discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status
- Freedom of association
- Health and safety
- Corruption and bribery
- Protection of intellectual property

In case necessary, corrective action plans are agreed on which will be subject to review during the next audit at the latest. In addition, in case of a violation of the 10 principles of the UN Global Compact, the auditor is entitled to conclude the audit result as “not capable”. Depending on the seriousness of the violation the supplier might be blocked.

In 2022 we have completed roughly 110 supplier audits, in 74 of them a social check was carried out. Due to the Covid-19 pandemic and the travel restrictions linked to it, several audits were conducted online.

## 1.7.5. Training

To keep awareness high and ensure that measures preventing modern slavery are part of day-to-day business we have included respective aspects in our development efforts for suppliers and auditors.

- Auditors receive initial training on the United Nations Global Compact, incl. how to address this during the on-site visit.
- Suppliers are supported by our Supplier Quality Guideline and are invited to seek support in case needed.

## 1.8. Grievance mechanism

The Vaillant Group has implemented a grievance mechanism. Employees and third parties such as customers or suppliers can use the system to flag up grievances or report violations of laws or internal regulations without any risks being posed to the person submitting the report. The types of misconduct referred to include white-collar crimes (e.g., corruption, theft, embezzlement, money laundering) as well as breaches of antitrust law or data privacy and violations of

human/labour rights and environmental standards. We continuously evaluate the effectiveness of our grievance mechanism and take appropriate measures where necessary. Reports can also be submitted on an anonymous basis.

## **1.9. Evaluation of the effectiveness of our measures**

As part of our structured approach, we review the measures taken and – in case it is necessary – redirect our efforts. At Vaillant Group we rely on

- Expert judgment (e.g., from our agents, regional experts)
- Stakeholder dialogue (e.g., with industry associations)
- Benchmark (e.g., to adopt leading practice)

## **1.10. Forward-Looking Statement**

The Vaillant Group has taken various effective measures to address modern slavery and human trafficking. In an attitude of continuous improvement, we remain committed to further strengthening our efforts in the upcoming years. We aim to continuously improve our risk processes and report our progress regularly, including in this statement.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 2022.

Remscheid, 09.06.2023

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