

Vaillant Group Modern Slavery Statement 2024



Vaillant GmbH · Berghauser Str. 40 · 42859 Remscheid · Telefon 02191 18-0 · Telefax 02191 18-2810 · www.vaillant-group.com

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Geschäftsführer: Dr.-Ing. Norbert Schiedeck (Vorsitzender), Dr. Stefan Borchers, Klaus König, Dr. Andreas Meier · Vorsitzender des Aufsichtsrates: Dr. Hubertus W. Labes

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1. Statement

The UK Modern Slavery Act 2015 came into effect on 29th October 2015. The law requires large companies in the UK which 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 in 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. It continues to be a priority for the Vaillant Group to eradicate slavery and human trafficking in its supply chain and within its own business and the actions we continue to take include the following:

2. About Vaillant Group

The Vaillant Group with its ultimate parent company Vaillant GmbH (headquartered in 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 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)
- Technocargo Logistics Limited (Company Number: 5476414)

The Vaillant Group has over 17,000 employees worldwide and operations in more than 60 countries. Further details of the Vaillant Group's business can be found on our website at vaillant-group.com.

2.1. 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.

2.2. 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.

3. 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. These policies are continuously reviewed and updated where required.

- 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 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 regards to health and safety, environment, labour, human rights and compliance

4. 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 conduct stakeholder dialogues in different formats. These guide us in pro-actively identifying potential needs for information or action.

Since 2020, we have been systematically analysing the impact of our actions on human rights and the environment in order to identify potential violations and those affected. On the basis of evaluation criteria, we analyse the probability of occurrence of violations, the severity of possible legal infringements, the reparability of potential damage and the possibility of counteracting or preventive action from the Vaillant Group. To this end, we use, among other things, risk-specific country indices and the CSR Risk Check. In our Purchasing function, we have also implemented a tool that supports risk analysis through an automated risk assessment and a questionnaire for suppliers considered to carry risk. The risk analysis is repeated at least annually, and its methodology is developed on an ongoing basis.

5. Our corporate responsibility 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 group-wide.

We manage our sustainability performance using an established approach: the classic control circle applied to corporate management systems. On the basis of the sustainability strategy, binding and verifiable targets are set for all four fields of focus in the SEEDS programme. In order to meet these targets we then implement operational measures in all relevant areas of the company. In order 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.

6. Our commitment to the observance of human rights

The Human Rights Policy Statement is the basis for our group-wide Social Compliance Management System. 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 procedures we have implemented to ensure the observance of human rights, for example in relation to our suppliers,
- responsibilities of our management level employees,
- the opportunity for everyone to flag up grievances through a whistleblowing system.

7. Our supply chains

Our suppliers from various countries help us to 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 business 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 for common understanding and united action.

8. Our measures taken to address modern slavery

As part of our Social Compliance Management System a robust governance, clear policies, an effective risk management 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 preventing modern slavery at various stages: in our own group-wide operations, when selecting a supplier, when engaging with suppliers, when assessing them and when aiming for further development. In our own operations we have not identified any heightened forced labour and modern slavery risks. In our Purchasing function, we implemented a comprehensive external supplier due diligence process in 2023.

8.1. Supplier selection process

For new suppliers we have integrated social and environmental aspects in our supplier pre-assessment. It includes a commitment to the principles of the United Nations Global Compact (UNGC) and additionally for larger suppliers the recognition of our Supplier Code of Conduct.

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.

8.2. 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 reassure their commitment to the principles of the UNGC.

As a result, we have introduced our Supplier Quality Guideline and our General Purchasing Terms covering not only product, process and legal related aspects but also environmental and social concerns, such as the UNGC.

8.3. Supplier Code of Conduct

In 2020 we implemented a Supplier Code of Conduct which lays out our expectations and requirements towards our Suppliers with regards to health and safety, environment, labor, 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.

By the end of 2023, 740 suppliers, covering around 64 per cent of our purchase volume, had accepted our guidelines. In relation to the purchasing volume with suppliers operating in countries classified as particular risk countries by the Vaillant Group, the share is 83 per cent.

8.4. Supplier audits

New suppliers of materials 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 standardised 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 “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 2023 we completed 157 supplier audits, in 113 of them a social check was carried out.

8.5. 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 for support in case needed.

To ensure a common understanding of our principles and the risks of modern slavery and human trafficking in our supply chain and our business, we provide a basic social compliance training to our employees in as well as targeted training for relevant departments.

9. Grievance mechanism

As part of the Social Compliance Management System, the Vaillant Group has an electronic whistleblowing system for employees, customers and business partners to enable them to report violations of laws and internal guidelines. This explicitly includes human rights such as forced labour or modern slavery and environmental aspects. Rules of procedure have been published in the whistleblowing system for this purpose. Complaints can be made anonymously if required and are reviewed by an independent company-internal authority without mandate. We effectively protect complainants from any potential unreasonable disadvantages and investigate any possible violations of human rights and environmental standards.

10. Evaluation of the effectiveness of our measures

As part of our Social Compliance Management System, we review the processes and measures taken at least annually and adapt these, if necessary. At Vaillant Group we rely on

- Expert judgment (e.g. from our professional departments and regional experts)
- Stakeholder dialogue (e.g. with workers councils and industry associations)
- Benchmarks (e.g. to adopt leading practice)

11. 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 strengthen 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 Group's slavery and human trafficking statement for the financial year ending 31 December 2023.

Remscheid, 04.06.2024



Dr.-Ing. Norbert Schiedeck

Chief Executive Officer



Dr. Andreas Meier

Managing Director Sales,
Marketing and Service