



**Villeroy & Boch**

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**Policy statement on  
Human rights and decent  
working conditions in the  
supply chain**

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## 1 FOREWORD

At Villeroy & Boch, we value that we have a responsibility to respect, support and promote human rights and protect the environment. We carry our corporate duty of care as a leading international ceramics manufacturer, Villeroy & Boch AG, together with our affiliated companies at home and abroad<sup>1</sup>. As a company, we must consider our impact on society and people's rights, from the production to the distribution of our products, in our own operations, as well as in our supply chain. We have manifested our desire to respect, support and promote human rights in our Code of Conduct as well as in our internal policies.

As a company, we are additionally subject to the requirements of national laws, such as the German Supply Chain (Due Diligence) Act (LkSG) and the Norway Transparency Act, among others. In addition, this requires us to publish a policy statement on our own human rights strategy<sup>2</sup>. Key elements of this include a description of the procedures Villeroy & Boch uses to comply with its voluntary and statutory obligations, as well as a description of the human rights and environmental risks and expectations of our employees and suppliers, as determined on the basis of an annual risk analysis.

Our human rights due diligence obligations are based on various criteria such as the foreseeability and possibility of influencing a source of danger, the intensity of possible damage and the reasonableness of measures to avert danger.

The supply chain refers to all products and services of a company. This includes all steps nationally and abroad that are necessary to be able to manufacture the product or provide the service. It covers the company itself as well as its direct suppliers from the extraction of the raw material to the delivery to the end customer<sup>3</sup>.

The Management Board of Villeroy & Boch AG



Gabi Schupp  
Chairwoman of the  
Executive Board and  
Director Dining & Lifestyle



Dr. Peter Domma  
Chief Digital Officer



Esther Jehle  
Chief HR Officer



Georg Lörz  
Chief Operations  
Officer Bath & Well-  
ness



Dr. Markus Warncke  
Chief Financial Officer

<sup>1</sup> § 15 AktG (Aktengesetz / german Companies Act); hereinafter collectively referred to as Villeroy & Boch

<sup>2</sup> e.g. according to § 6 para. 2 LkSG (Lieferkettensorgfaltspflichtengesetz / german Supply Chain Act)

<sup>3</sup> In this document, we refer equally to all genders (e.g. male, female, diverse, etc).

## **2 STRATEGY AND INTEGRITY**

### **2.1 Our business model**

The Villeroy & Boch Group, headquartered in Mettlach (Germany), is a leading international ceramics manufacturer with a total of around 6,400 employees. As a full-range supplier of bathrooms, high-quality tableware and home accessories, our operating business is divided into the Bathroom & Wellness and Dining & Lifestyle Divisions. We sell our products in 125 countries and, in addition to the mainbrand Villeroy & Boch, we also rely on local brands such as Gustavsberg for sanitary products in Scandinavia or on secondary brands for specific sales channels in the Dining & Lifestyle Division. We currently maintain 12 production and assembly sites for the manufacture of products, including two for the Dining & Lifestyle segment (both in Germany) and eleven for Bathroom and Wellness, of which two are in Germany, two in Sweden and one each in the Netherlands, Belgium, France, Austria, Romania, Hungary and Thailand.

### **2.2 Sustainability at Villeroy & Boch at a glance**

For us, achieving our corporate goals is closely linked to the various facets of sustainable action. It is important to us that all employees have a uniform understanding of how we want to achieve our goals. Instruments that convey this way of thinking are, in particular, the Code of Conduct, the corporate policies and our management principles. The Management Board of Villeroy & Boch is also committed to these principles. We want to give our employees a high degree of creative freedom to achieve their goals and support them in the best possible way. Since only a creative and motivated workforce can ensure the company's success in the long term, we attach great importance to respectful treatment, fair pay, targeted further training opportunities and diversity in practice.

Our customers trust in the high quality of our products with a stylish design, a very high durability and maximum product safety. With technically superior products and sustainable value creation, we want to maintain this trust in the future. That is why we place just as high demands on our suppliers as we do on our own production. In addition to complying with the law and regulations as well as labour and environmental standards, we set ourselves the goal of achieving our exceptional product quality with high resource and energy efficiency. The use of management systems and standardized processes supports us in this.

At the operational level, specific goals have already been pursued for several years within the fields of action of supply chain, environment, employees, product responsibility and compliance. Examples include the reduction of specific energy consumption in the production of ceramic products, the successive implementation of environmental and energy management systems and the further increase of transparency in the supply chain with regard to compliance with social and environmental standards. The procedures and measures for implementing human rights and environmental due diligence are reviewed regularly - at least once a year - and on an ad hoc basis.

## **3 EMPLOYEES**

### **3.1 Fundamentals of our human resources management**

Villeroy & Boch's growth and success are largely based on the commitment of our 6,900 employees worldwide. Their performance and professional qualifications are what set them apart. In return, we offer our employees interesting and challenging tasks as well as a varied and safe working environment, the opportunity to take advantage of development opportunities and assume even more responsibility. For us, this is the basis for retaining our employees and attracting qualified specialists and managers at all our locations.

Particularly worth mentioning are our three-year trainee program and our training and development program for our technical specialists and managers.

Corporate Human Resources (HR) at Villeroy & Boch comprises a global HR organization in which our employees are supported locally by the HR department responsible for the respective region. The local HR departments are managed directly by the Head of HR/Organizational Development and Labour Director based in Mettlach, who also manages and is responsible for strategic, Group-relevant HR policy issues.

With regard to the legal non-financial aspect of employee concerns, the fields of human and labour rights, health and safety at work and human resources development were rated as the most important.

### **3.2 Fair working conditions**

#### **3.2.1 Human and labour rights**

As a globally active company with production, sales and administrative locations in a large number of countries, Villeroy & Boch considers itself fully committed to human rights, as codified first and foremost in the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the core conventions of the International Labour Organization (ILO) Declaration on Fundamental Principles. We therefore consider it part of our corporate responsibility to ensure working conditions that are compliant with country-specific labour laws as well as internationally relevant labour standards. This also includes a zero-tolerance policy towards exploitative and illegal child and/or forced labour, including slave / human trafficking, as well as the prohibition of discrimination in employment and occupation, e.g. minority groups such as indigenous people.

Should a party be affected by one of our activities, we seek dialogue, e.g., through our Equal Opportunities Officer. By working with our internal and external stakeholders, we constantly review and evaluate the effectiveness of our human rights management. This includes trade unions, local associations, authorities and other relevant stakeholders.

With our Group-wide implemented Code of Conduct, which was last updated due to national requirements at the beginning of 2023, we have set out our corporate duty of care. We demand respect for human and labour rights from each and every employee. Any risks relating to respect for human rights (social compliance) are recorded through regular risk reporting within our compliance organization, which is integrated across business units and companies. In the event of violations, the Chief Compliance Officer, in his function as Human Rights Officer, is in charge of clarification, sanctioning and taking measures in close cooperation with the locally responsible HR departments and the respective department heads. All employees and suppliers have access to a whistleblower system (see in detail under point 6) for information or complaints, which can also be used for anonymous reports in order to keep the contact threshold as low as possible.

### **3.2.2 Co-determination and remuneration**

The involvement of employees within the framework of co-determination is a matter of course at Villeroy & Boch and is a valuable instrument for balancing the interests of company management and the workforce and for maintaining industrial peace. We therefore respect the right of employees to organize themselves in employee representatives and trade unions at company and inter-company level. This also includes collective bargaining within the framework of the respective national law. In accordance with the German Codetermination Act, the Supervisory Board of Villeroy & Boch AG is composed of equal numbers of shareholder and employee representatives.

Fair working conditions are also characterized by a fair and comprehensible remuneration policy. The remuneration systems in place in the Group provide for performance-related and gender-independent remuneration of our employees. In many countries, especially in Europe, the level of wages and salaries for certain employee groups is regulated by collective agreements, so that industry-relevant collective agreements with their job-oriented salary groups are decisive in each case. For employees not covered by collective agreements, remuneration is based on the so-called "Global Grading System", which shows the value of a position within the organization in a fair, transparent and gender-neutral way. The basis for this grading is the job description of the respective position in terms of organizational assignment, scope of tasks, responsibilities and influence, and requirement profile. To support the standard of living in old age, we offer our employees various possibilities of company and collectively agreed pension schemes, the structure of which varies from country to country.

### **3.3 Health and safety at work**

The health of our employees and their safety at work are further elementary components of the Villeroy & Boch Group's sustainable human resources strategy. The relevant legal standards are binding for us at all times, but they only represent the minimum requirements for us, as our own internal health and safety standards should always be higher. The Health and Safety (H&S) department, which operates independently at our Group headquarters, and a full-time company doctor provide further significant impetus for the positive development of our Group-wide safety culture.

Our safety standards and processes go beyond the legal requirements in many places and are continuously developed and monitored through internal audits and legally required inspections. All our production sites are certified according to ISO 45001 and reflect the requirements contained in quality and occupational health and safety policy. This is characterized in particular by the guiding principle of continuous improvement and process- and employee-oriented commitment, as well as by the qualification and motivation of our employees, including support from managers and plant supervisors. As a result of the initial certification, an annual validation takes place.

Technical measures to increase safety and health protection at our production sites have been and continue to be advanced with long-term investments. Examples of this are the implementation of additional lifting aids, the optimization of the working climate through improved air control, new filter systems, etc.

A high degree of safety awareness and personal responsibility on the part of our employees is a basic prerequisite for recognizing and eliminating accident risks, possible health risks and potential dangers in our working environment. Therefore, we regularly train and qualify our staff on site through relevant information events, workshops and further training. In addition, the third parties working at our sites also receive comprehensive safety instructions so that they are sufficiently sensitized to corresponding risks and dangers.

In order to be able to better and more transparently assess the quality and effectiveness of health and safety practices in our organization, we maintain a comprehensive and now largely digitalized occupational safety reporting system that collects relevant data for all employees across all sites in regular reporting cycles.

Beyond occupational health and safety, we want to offer our employees holistic preventive health care, care and promotion at all our locations. In this way, we not only want to be an employer, but also to enter into a trusting health partnership with our staff, which continues our company's tradition of social responsibility.

### **3.4 Diversity and equal opportunities**

The diversity of our employees, with their individual characteristics and perspectives, is crucial to Villeroy & Boch's strength and innovative power. This also includes a non-discriminatory working environment and equal opportunities for all employees - regardless of origin, gender, religion or ideology, disability, age, or sexual identity.

With employees from a total of 78 nations, cultural diversity is part of everyday life in the Villeroy & Boch Group. At our German sites alone, 52 different nationalities are currently represented.

One strategic goal is the promotion of women, particularly in management positions. Our long-term target for Villeroy & Boch AG remains unchanged at 40 %.

In the context of our Human Resources Management, we see demographic change as both a challenge and an opportunity. With regard to the age diversity of our workforce, it is important to make targeted

use of the strengths of different age groups and to adequately prepare for age-related retirements within the framework of strategic succession planning.

In order to promote the compatibility of family and career, we offer flexible working time models at various locations. For example, we have flexible working hours for salaried employees, flexible shift systems and offer our employees part-time and partial retirement models. Of course, a family-conscious personnel policy also includes making the legal entitlements to parental leave, nursing leave and family care leave, which are regulated in various countries, more easily accessible to our employees through company-specific regulations.

Villeroy & Boch is also increasingly using virtual and mobile working to bring together employees with different skills around the world to work together towards our goal of 'making houses a home'.

## **4 ENVIRONMENT**

### **4.1 Basics of our environmental and energy management**

We operate thirteen production and assembly sites worldwide in Europe and Asia - eight of which manufacture ceramic products. We are aware that this entails responsibility for environmental and climate protection. By continuously improving our production processes, we are working to reduce production-related energy, raw material and water consumption, CO<sub>2</sub> emissions and non-recyclable waste. In this way, we reduce costs and improve our environmental and energy balance.

A responsible approach to our ecosystem and resources is part of our corporate culture. The basis for this is structured environmental and energy management, which is coordinated throughout the Group in the central Environment and Energy department. At the production sites, we also employ experts who develop and implement measures together with the respective plant management and monitor the achievement of targets. We use internationally recognized management systems to set cross-site standards and enable comparisons. Currently, all production sites are certified according to the environmental management standard ISO 14001 and twelve production sites are certified according to the energy management standard ISO 50001. In addition, four sites meet the more extensive requirements of EMAS III, a voluntary instrument of the European Union for the continuous improvement of operational environmental performance.

Besides to external audits conducted at regular intervals to confirm ISO certifications or EMAS validations, we have built up an internal pool of auditors in recent years to audit local sites with regard to their environmental and energy management systems. The audit approach provides for an annual audit of all production sites certified according to ISO 14001 and ISO 50001 or validated according to EMAS III. The audit program and the aspects to be audited are specified by the central environmental and energy management.



## **4.2 Water and waste water**

The resource water is also of high importance for the production process of ceramics. In principle, we try to reduce freshwater consumption by using recycled water and - at the Mettlach site - groundwater from our own well. However, the technological requirements for the water-relevant processes are sometimes so high that we are dependent on the use of fresh water. For example, in order to save fresh water consumption, the installation of a water recycling system was already started at our Dining & Lifestyle production site in Torgau in 2017 and will be successively expanded. The production wastewater treatment commissioned in Merzig in 2020, allows to reuse water in cleaning processes, which saves up to 5,000 m<sup>3</sup> of fresh water per year.

Our water consumption also requires responsible wastewater management. Therefore, we have installed a wastewater treatment system at all ceramic production sites to filter the ceramic and glaze residues from the wastewater and recycle or dispose of them separately. The wastewater is then discharged into the municipal sewer systems or directly into public waters in accordance with the respective local regulations. Waste water is continuously monitored by measuring devices with live transmission of the values and additionally confirmed once a quarter by an external institute.

In 2021, a service water tank was installed at our furniture factory in Austria to provide a means of storing water. This will save about 40 % of the drinking water needed at the site.

## **4.3 Prohibition of soil & air pollution**

In all countries with Villeroy & Boch sites, there are legal regulations for the prevention and limitation of soil and air pollution. These regulations are continuously monitored with the help of various legal information services, checked for changes and, depending on this, implemented with appropriate measures and work processes.

Emissions must be measured regularly and compared with the limit values. The verification takes place regularly every 2 years.

## **4.4 Waste**

The best waste is the waste that is not produced at all. In this sense, increasing raw material efficiency and reducing scrap rates are the biggest levers to reduce waste generation. In a manufacturing company, however, it will never be possible to completely avoid waste. Therefore, we systematically look for approaches to recycle and reuse waste. The reuse of not yet fired as well as fired broken material in the preparation of fresh mass for ceramic production leads to a reduction in the amount of waste. In addition, we recycle wood residues for heat generation at the bathroom furniture production site in Mondsee (Austria), for example. During the heating season, a heating system powered by wood chips provides the majority of the site's heating requirements. We also apply a similar concept at our

bathroom furniture factory in Treuchtlingen. All waste that cannot be directly recycled at the site is disposed of in compliance with European and country-specific waste regulations. Technical, organizational and personal measures are implemented for this purpose, e.g. special storage facilities with collection trays for hazardous substances.

At sites where we operated our own landfill in the past, we are subject to the aftercare obligation. No hazardous waste is exported from the respective country, either by Villeroy & Boch itself or by a commissioned service provider.

## **5 SUPPLY CHAIN**

### **5.1 Fundamentals of our procurement**

The Villeroy & Boch brand has always stood for ceramic expertise. We manufacture most of our toilets, washbasins, kitchen sinks, plates, and cups ourselves at eight ceramic production sites. The most important raw materials to produce ceramics are kaolin, quartz, feldspar and clay. In addition, we have production expertise for bathroom furniture, plastic-based wellness products such as bathtubs, as well as fittings and installation accessories with brass as the main material. In addition to the raw materials and materials for our own production, we purchase trade goods from suppliers. In Dining & Lifestyle, these are primarily glasses and cutlery. In the Bathroom and Wellness Division, we purchase toilet seats, bathroom mirrors and outdoor whirlpools, among other things, to complete our range.

The overarching goal of our procurement strategy is to select reliable suppliers who provide the required materials and services in the required quality and quantity at the required time and at a reasonable price. We firmly believe that long-term and trusting supplier relationships are an important basis for the success of our purchasing organization. We successively develop our cooperation through regular feedback discussions and assessments based on a standardized catalogue of criteria, which, in addition to quality, logistics, service and costs, also includes assessments of respect for human rights and environmental performance. We want to avoid or minimize possible procurement risks in connection with quality defects, supplier insolvency, supply interruptions or single sourcing. Our risk management includes permanent monitoring of the procurement markets and the financial situation of key suppliers.

Depending on availability, we rely on regional procurement of raw materials and materials for our own production. This is usually associated with rapid availability and low transport costs, which is also positive for the environment. In other cases, a limited supply, high quality fluctuations, non-competitive prices or a desired standardization across locations speak in favour of non-local procurement.

## **5.2 Responsibility in the supply chain**

High standards of human and labour rights, health, labour and environmental protection as well as compliance with the law, including in the context of combating corruption and bribery as well as antitrust law, are important to us. In our own company locations, we can check and monitor their compliance on a daily basis. With regard to our supply chain, the standard is just as high. Therefore, effective management of the supply chain is necessary. Our Code of Conduct is - in order to comply with our minimum requirements - the binding basis for cooperation with business partners and is available in around 20 language versions. The aim is to ensure that as many suppliers as possible commit to this Code of Conduct or prove that they apply at least an equivalent Code of Conduct of their own. In this context, we consistently demand compliance with our Code of Conduct - to be confirmed in writing - from both existing suppliers and new business partners in all supplier sectors. As part of our supply chain management, all major suppliers are classified into risk categories on the basis of an upstream risk analysis and further prioritization, which is followed by due diligence measures of varying intensity, depending on the risk identified.

Villeroy & Boch has around 10,000 suppliers in its portfolio, which form the data basis for the risk analysis. The risk identification process is divided into an upstream risk analysis and a subsequent prioritization.

The risk analysis serves to create transparency in the supply chain with regard to a possible violation or increased risk of a violation of human rights or environmental law obligations at a direct supplier.

Prioritization identifies the high-risk suppliers where there is the most urgent and far-reaching need for action, i.e. where preventive measures need to be implemented and, if necessary, remedial action taken.

### **5.2.1 Risk analysis**

This risk analysis process is carried out regularly - at least once a year - and on an ad hoc basis, especially if we have indications or factual indications that suggest a human rights or environmental breach of duty by an indirect supplier.

The first assessment of direct suppliers is based on country risk using two external indices. The ITUC Global Rights Index is used to assess human rights and labour protection, while environmental protection is analyzed with the help of the Environmental Performance Index (EPI) of Yale University. The indices each form a score for the country from which the supplier originates.

In addition to the pure assessment at country level, a risk assessment is also carried out for the respective industry. For this purpose, the industries into which Villeroy & Boch classifies its suppliers according to its own system are assessed in the same way as the CSR<sup>4</sup> risk check tool. This tool,

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<sup>4</sup> Corporate Social Responsibility

which originates from the Helpdesk of the Agency for Economic and Development<sup>5</sup>, identifies the risks within the sectors in the categories of human rights & ethics, occupational health and safety, fair business practices and the environment and provides findings regarding potential risks. The result represents a number of potential risks within the above categories. The categories are weighted internally by Villeroy & Boch with a factor (1-4). The weighting is based on which legal asset would be violated by a breach. The more serious the effects of a potential violation, the higher the factor. For example, from V & B's perspective, human rights have a higher priority than fair business practices. We refer to this classification as V & B Commodity Risk.

### **5.2.2 Prioritization**

Prioritization is used to classify<sup>6</sup> the respective suppliers into the categories "high risk", "medium risk" and "low risk" to systematically identify the suppliers with the highest risk and agree on the necessary preventive measures there first. The criteria for this are, in addition to the supplier's risk profile, the possibility of influence, the severity and probability of the violation, as well as the contribution to causation. The possibility of influence is measured on the basis of the procurement volume.

### **5.2.3 Preventive measures**

Preventive measures are applied to all direct suppliers depending on the risk identified.

The following measures apply to all direct suppliers:

1. Code of Conduct - Villeroy & Boch aims to achieve a high coverage rate of its purchasing volume by requiring suppliers to comply with and sign the Villeroy & Boch Code of Conduct.
2. During supplier visits, the buyers have an internal audit form at their disposal. This only deals with apparent perceptions.

For high-risk suppliers identified during the prioritization process, the following instruments are also used:

1. Query whether a social audit has been carried out at these suppliers in the last 2 years. The results and evidence are reviewed and the reports are stored in a database.
2. In addition, we would like to point out to suppliers that Villeroy & Boch provides a whistleblower system into which violations of the Code of Conduct can be reported.

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<sup>5</sup> The Agency for Economic Cooperation and Development (AWE) is a project funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

<sup>6</sup> According to § 3 para. 2 sentences 2-4 LkSG

3. Furthermore, training on human rights management is offered to suppliers.

If, during the queries or via other sources, concrete indications emerge that violations have occurred at the supplier's premises or that there are risks of such violations, remedial or further preventive measures are to be initiated in dialogue with the supplier. The corresponding procedure and responsibilities are defined in an internal policy.

#### **5.2.4 Remedial measures**

Measures are defined in consultation with the Villeroy & Boch Human Rights Officer and follow the procedure below:

1. An action plan shall be prepared and shared with the supplier.
2. The action plan must also be based on a timetable, by when which measures are to be carried out.
3. In the event of a negative social audit report, a firmly defined escalation plan is to be applied.
4. The last measure to be taken is to stop business - after consultation with the Purchasing Manager and the Human Rights Officer.

## **6 WHISTLEBLOWING SYSTEM**

Compliance violations must be identified, clarified and remedied at an early stage. To this end, every employee has the opportunity to report information in writing or verbally via our whistleblower system. The whistleblower system at Villeroy & Boch consists of four different channels: the Chief Compliance Officer, the Compliance Officers & Local Compliance Responsibles, the electronic whistleblower system and the ombudsman. The latter is an independent lawyer who acts as a "lawyer of confidence" and who, like the electronic whistleblower system, does not disclose the identity of the whistleblower. The central compliance department is responsible for processing the reports and for the whistleblower system. Suppliers and their employees also have access to the electronic whistleblower system, which can be accessed via the Villeroy & Boch website.

## **7 TRAININGS**

Sustainability principles can only be lived effectively if they become a commitment out of conviction. Continuous and target group-oriented capacity building plays an essential role in this.

All employees in the administrative areas receive general training on human rights management. The subject of this training is the legal framework, the general implementation processes at Villeroy & Boch and how to deal with customer enquiries.

Besides, all employees in the purchasing departments receive department-specific training on supplier management.

## **8 INFORMATION / ANSWERING ENQUIRIES**

Anyone can request written information about any of our products or ask questions about how Villeroy & Boch deals with actual and potential adverse impacts on human rights and decent working conditions in the supply chain.

It is a prerequisite that these are not trade and/or business secrets, that the request for information is reasonable and that no rights of third parties are violated.

Requests for information must be submitted in writing to [compliance@villeroy-boch.com](mailto:compliance@villeroy-boch.com). The Human Rights Officer is responsible for responding to the content of requests, questionnaires and self-declarations.

## **9 REGULAR REVIEW OF THE RISK ANALYSIS**

The aforementioned procedures for the implementation of human rights and environmental due diligence are reviewed regularly - at least once a year - and on an ad hoc basis. The risk analysis also includes continuous monitoring of risk developments. Findings from the processing of indications from the complaints procedure are taken into account when reviewing the procedures.