



Villeroy & Boch

1748

Modern Slavery Statement 2023

This statement is made pursuant to section 54 of the Modern Slavery Act 2015. It sets out the steps taken by Villeroy & Boch Group during the financial year ending on 31 December 2023 to prevent modern slavery and human trafficking in its business and supply chains.

1. Organisational structure and supply chains

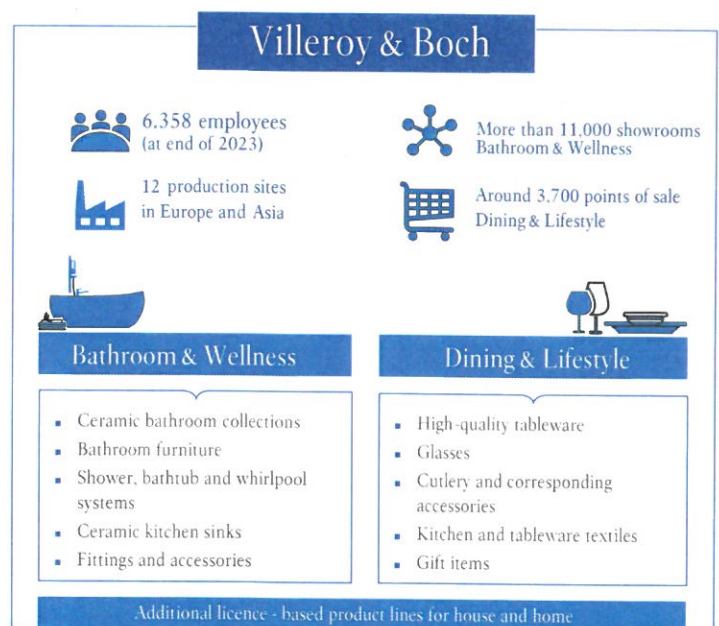
Villeroy & Boch, headquartered in Mettlach (Germany), is a leading international ceramics manufacturer, whose products are sold in around 125 countries. As a full-range provider for the bathroom and for high-quality tableware and living accessories, our operating business is divided into the Bathroom & Wellness Division and the Dining & Lifestyle Division. Full company details can be found at www.villeroyboch-group.com.

The vast majority of our toilets, washbasins, kitchen sinks, plates and cups are manufactured at eight ceramic production sites. The most important raw materials used in ceramic production are kaolin, quartz, feldspar and clay.

We also possess product expertise for bathroom furniture, plastic-based wellness products such as bathtubs, and tap fittings and installations accessories using brass as the main material.

Wherever available, we prefer to source raw materials for in-house production from local suppliers. This typically means rapid availability and short transportation routes, which is also positive for the environment. In some cases, we are unable to use local suppliers due to limited resources, substantial quality fluctuations, uncompetitive prices, or the need for standardisation across our sites.

In addition to raw materials for in-house production, we purchase merchandise from suppliers. In the Dining & Lifestyle Division, this relates primarily to glasses, cutlery and high-quality home accessories. In the Bathroom & Wellness Division, we purchase items such as toilet seats, shower toilets and outdoor whirlpools in order to round off our product range.



2. Relevant policies in relation to slavery and human trafficking

The term modern slavery encompasses forced labour, servitude, slavery and human trafficking. We recognize that it is a global and growing issue, and that no sector or industry is exempt from the potential for modern slavery.

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.

- **Code of Conduct**

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.

As a further basic principle, we demand and provide fair working conditions, meaning that employment complies fully with all applicable laws and standards, and is based on a fair remuneration system. We do not tolerate the illegal employment of children or young people, and we reject forced labour.

We also expect our business partners to sign up to our Code of Conduct or demonstrate the application of their own at least equivalent Code of Conduct. In this context, we require both existing suppliers and new business partners in virtually all supplier industries to make a systematic commitment to compliance with our Code of Conduct - and to provide written confirmation. An annual procurement volume of more than € 10,000 per supplier is applied as the materiality threshold. As at 31 December 2023, these criteria were met by 2,728 suppliers accounting for a total procurement volume of € 491,5 million, which equates to 93 % of the Group's total procurement spending in the 2023 financial year. The intended coverage of the procurement volume by the Code of Conduct of more than 90 % was achieved again in 2023, and was at the reporting date at 95 %, as at 31 December 2023.

- **Supply Chain Due Diligence Policy**

This Policy describes the procedures to comply with the due diligence obligations required by national laws. The aim is to prevent or minimise human rights and environmental risks or to put an end to the violation of human rights or environmental obligations in our own workforce or in our supply chain. → See 3. Due diligence processes

- **Whistleblowing Policy**

This policy encourages all our employees, business partners, suppliers, customers and other third parties to report any concerns about actual or potential misconduct within Villeroy & Boch. Our whistleblower system allows to report confidentially and, if desired, anonymously

- by e-mail to whistleblowing@villeroy-boch.com or
- by Mail to Villeroy & Boch AG, Compliance Department, Saaruferstr. 1-3, 66693 Mettlach, Germany

We have also established an external, impartial arbitrator as an independent confidant and mediator. Further, we established a local and independent whistleblowing system in Hungary, Sweden as well as in Romania to fulfil local legal requirements.

Our compliance organisation investigates every report applying a standardised process set out in instructions. In our investigations and prosecutions, we are guided by the principle of legality enshrined in law.

3. Due diligence processes

National laws, protecting human rights in the supply chain require companies to comply with human rights and environmental due diligence obligations in their own business operations and along their supply chains in an appropriate manner, in particular by identifying and analysing risks and addressing them through risk-reducing measures. In 2023, the action plan was implemented in order to record the existing processes in a structured manner and to implement the new processes to be set up to fulfil the legal requirements as part of risk management.

In addition to this development of risk management, a Group-wide status quo survey relating to human rights and environmental law was carried out in our own business division in 2023, which has been continuously updated since then. In addition, a risk



assessment of all direct suppliers was carried out with regard to potential violations of the legal interests and a risk prioritisation, which is reviewed on an ongoing basis.

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 CSR¹ risk check tool. This tool, which originates from the Helpdesk of the Agency for Economic and Development², 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 (1-5). 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.

4. Risk assessment and management

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 purchasing managers 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.

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.

¹ Corporate Social Responsibility

² The Agency for Economic Cooperation and Development (AWE) is a project funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

Upholding social standards in the supply chain (social compliance) and the management of corresponding modern slavery risks are also covered generally by Villeroy & Boch's compliance management system that is integrated at all Group levels.

Based on a risk-oriented approach, the scope and intensity of compliance activities are determined by a Group-wide compliance risk analysis, which we regularly review and adjust as necessary in order to derive security and control mechanisms.

Risks relating to corruption and violations of antitrust law as well as other compliance risks are systematically and continuously analysed throughout the Group in order to determine the scope and intensity of preventive and corrective measures. We work continuously on the ongoing development and adaptation of process-orientated compliance to changing processes and legal conditions. In the reporting year, we also continued to work on increasing the maturity level of digitalisation, for example by converting some compliance processes to more modern IT solutions. The focus here was on the process-related compliance rules to be taken into account.

5. Key performance indicators to measure effectiveness of steps being taken

It continues to be a priority for Villeroy & Boch to ensure that we trade ethically, source responsibly and work to prevent modern slavery and human trafficking throughout our organization and in our supply chain. Therefore, we measure effectiveness in the following fields, e.g.:

- Code of conduct coverage rate
- Training completion rate
- Self-Evaluation from high-risk suppliers

6. Training on modern slavery and trafficking

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.

Training is an essential component of Villeroy & Boch's risk management, governance, compliance framework and values. Training the employees helps ensure employees are aware of their legal, regulatory and compliance responsibilities. When new employees start working at Villeroy & Boch, they are required to complete a suite of mandatory online compliance training courses. All employees exposed to human rights risks receive general training on the Villeroy & Boch Code of Conduct.

This statement was approved by the Management Board of Villeroy & Boch AG.



Signed by
Dr Markus Warncke, Chief Financial Officer
Mettlach, June 2024