



# Villeroy & Boch

1748

## Modern Slavery Statement 2017

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 2017 to prevent modern slavery and human trafficking in its business and supply chains.

### Our business and supply chains

Villeroy & Boch, headquartered in Mettlach (Germany), is a leading international ceramics manufacturer, whose products are sold in 125 countries. As a full-range supplier for the bathroom and the “perfectly laid table”, our operating business is broken down into the Bathroom and Wellness Division and the Tableware Division. Full company details can be found at [www.villeroyboch-group.com](http://www.villeroyboch-group.com).

The vast majority of our toilets, washbasins, kitchen sinks, plates and cups are manufactured at nine 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, synthetic-based wellness products such as bathtubs, and tap fittings and installations accessories using brass as the main material.

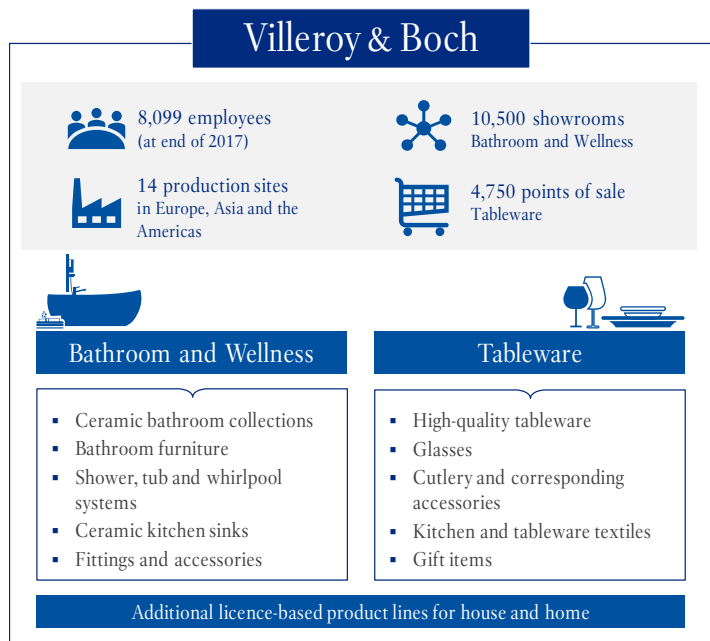
As a matter of principle, we prefer to source raw materials for in-house production from local suppliers. This typically means rapid availability and short transportation routes, which is also positive for the environment. In some cases, we are unable to use local suppliers due to limited resources, 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 Tableware Division, this relates primarily to glasses and cutlery. In the Bathroom and Wellness Division, we purchase items such as toilet seats, bathroom mirrors and outdoor whirlpools in order to round off our product range.

### Policies and due diligence processes

The term modern slavery encompasses forced labour, servitude, slavery and human trafficking. We identify that it is a global and growing issue, and that no sector or industry is exempt from the potential for modern slavery. Villeroy & Boch has a zero-tolerance approach to modern slavery of any kind. We recognise our responsibility to understand the risks of modern slavery in our business processes and supply chains and to manage those risks accordingly.

With the Villeroy & Boch Group’s [Code of Conduct](#), which was extensively revised in the 2017 financial year, we set standards with regard to responsible and ethical conduct with any part of our business and supply chains. The guiding theme of our Code of Conduct is business integrity, which includes our full commitment to upholding human rights as set out in the United Nations’ Universal Declaration of Human Rights. 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.





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We also expect our business partners to sign up to our Code of Conduct or demonstrate their compliance with an equivalent code of conduct. Our primary focus is on suppliers with a direct connection to our products or our value chain. A procurement volume of more than € 10,000 is applied as the materiality threshold. As at 31 December 2017, these criteria were met by 1,381 suppliers accounting for a total procurement volume of € 332.8 million, which equates to 60 % of the Group's total procurement spending in the 2017 financial year. In the period under review, we significantly increased the extent to which this procurement volume is covered by a signed Code of Conduct or evidence of an equivalent code of conduct. Our aim is to improve this figure to at least 80 % by the end of the 2018 financial year by addressing existing suppliers in a targeted manner and adopting an even more systematic approach to new business partners.

Since 2017, all key suppliers have also been divided into four different risk classes on the basis of the Corruption Perception Index (CPI) published by Transparency International. For low-risk suppliers (e.g. from Germany), signing the Code of Conduct is considered to represent sufficient due diligence. In future, medium-risk and high-risk suppliers will also be required to self-disclose information on the basis of a standardised catalogue of questions and be assessed by our employees using a standardised visit report. Questions on employment rights, human rights, health and safety and environmental protections are key elements of these instruments. In addition, some suppliers with the highest potential risk will be audited by external auditors every year. We seek to avoid dealing with suppliers from blacklisted nations.

## Managing risks

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 the compliance activities are determined by a Group-wide compliance risk analysis that we review regularly and modify as required. In the 2017 financial year, we conducted a risk analysis of selected core processes at Group level, including social compliance in our procurement processes. The findings of this risk assessment have been taken into account during the revision of our supplier due diligence standards with regard to social compliance in 2017, as set out above. Social compliance risks including modern slavery, are also a subject of our groupwide compliance risk reporting and management.

## Investigating breaches

Our whistleblower system allows employees, business partners, suppliers, customers and other third parties to report potential breaches confidentially and, if desired, anonymously (by e-mail to [whistleblowing@villeroy-boch.com](mailto:whistleblowing@villeroy-boch.com) or by post to Villeroy & Boch AG, Compliance Department, Saaruferstr. 1-3, 66693 Mettlach, Germany). We have also established an external ombudsman as an independent confidant and mediator (for contact details, please visit [www.villeroyboch-group.com/en/investor-relations/corporate-governance/compliance](http://www.villeroyboch-group.com/en/investor-relations/corporate-governance/compliance)). Our compliance organisation carefully investigates all reports and takes the necessary action.

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

Signed by  
Dr Markus Warncke, Chief Financial Officer  
Mettlach, June 2018