



Villeroy & Boch

1748

Modern Slavery Statement 2019

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 2019 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 around 125 countries. As a full-range provider 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.

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, plastic-based wellness products such as bathtubs, and tap fittings and installations accessories using brass as the main material.

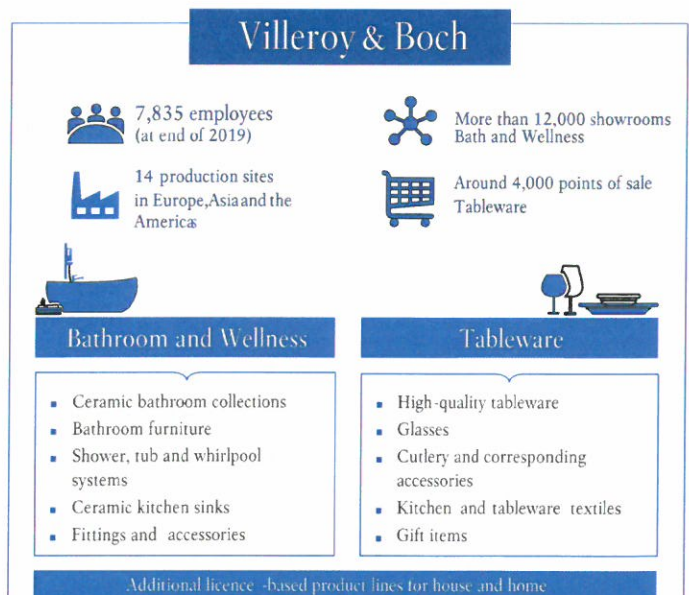
As a matter of principle, we prefer to source raw materials for in-house production from local suppliers. This typically means rapid availability and short transportation routes, which is also positive for the environment. In some cases, we are unable to use local suppliers due to limited resources, 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 recognize 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 recognize 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](#) 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.



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 began actively reaching out to existing suppliers and all new business partners in 2017 regarding the written confirmation of a systematic commitment to compliance with our Code of Conduct. While our activities in the previous year primarily focused on suppliers with a connection to our products or our value chain, we added our other suppliers to the scope in the year under review. A procurement volume of more than € 10,000 is applied as the materiality threshold. As at 31 December 2019, these criteria were met by 2,770 suppliers accounting for a total procurement volume of € 457.4 million, which equates to 84 % of the Group's total procurement spending in the 2019 financial year. Despite the significant increase in the number of suppliers classified as material compared with the previous year, we slightly improved on last year's coverage ratio of 84 %. We intend to maintain this figure at constantly above 85 % in the years to come.

Since 2017, in the context of supply chain management, all key suppliers have also been divided into four risk classes on the basis of the Corruption Perception Index (CPI) published by Transparency International. Based on the CPI score of the supplier's home state on a scale of 0 (highly corrupt) to 100 (very clean), the associated supplier risk - validated by individual assessments by our strategic purchasers - is classified as "low", "medium", "high" or "blacklist", indicating appropriate due diligence measures of varying intensity. Supply relationships with suppliers from blacklisted nations must be avoided and, as previously, we did not have any such relationships in the 2019 financial year. We consider signing the Code of Conduct to be sufficient to cover risk in connection with suppliers from low-risk countries (e.g. Germany). In case of doubt, individual suppliers from high-risk countries are visited by our employees and assessed on the basis of a visit report containing questions on compliance with employment rights, human rights, health and safety and environmental protection, among other things.

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 addition, we conducted a comprehensive risk analysis of our core processes along the value chain at Group level in 2017 to identify inherent legal risks in these processes. On the basis of the findings this produced, we have since worked - including during the 2019 financial year - on the digitisation of the compliance regulations applicable to these processes and the associated security and control mechanisms. Standard procedures will therefore be accompanied by digital workflows that contain the controls and approvals relevant to compliance. Our aim is to gradually integrate our guideline-based compliance management into the operational business processes along the value chain, thereby transitioning to process-driven compliance 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 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. 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 2020