

VAILLANT HOLDINGS LIMITED

Section 172 Statement

The directors are well aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

Induction materials provided to directors on appointment include an explanation of directors' duties, and the Board is regularly reminded of the s.172(1) Matters, including as a rolling agenda item at every Board meeting.

The Directors understand that the Company's relationships with its stakeholders are dynamic, and that stakeholders' interests may change over time. In response to this, the directors keep themselves informed of the Company's key stakeholders' interests through a combination of both direct and indirect engagement. The directors recognise their responsibility to the Company's stakeholders at all times when discharging their duties.

The Directors have identified the key stakeholders as the following:

- Pension Trustees.
- Suppliers.
- Employees.

The statements below describe how the directors engage with their key stakeholders, and how their interests are considered in Board decision making. Furthermore, it demonstrates how the Board takes into consideration the long-term impact of its decisions and its desire to maintain a reputation for high standards of business conduct. As a wholly owned subsidiary, the directors do not consider that the requirement to act fairly between members of the Company (s172(1)(f) Companies Act 2006) is relevant to the proper discharge of their duty to consider the s.172(1) Matters.

As part of the international Vaillant Group, the Company has in place a Code of Conduct which is an important part of the wider Group's compliance management system. The Code of Conduct sends a clear message about the Company's commitment and obligation to comply with internal and external rules and compliance with it is mandatory for all employees of the Company.

The Code of Conduct includes, but is not limited to:

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- protection of human rights and workers' rights
- corporate social responsibility
- product safety and quality
- environmental protection
- health and safety at work
- equal opportunities and respectful treatment
- protection of intellectual property and insider information
- prevention of the mis-use of company resources
- compliance with laws and regulations, including but not limited to Anti-Trust, Anti-Corruption, Data Protection and Data Security, Anti-Money Laundering, Tax Compliance, Conflicts of Interest and Foreign Trade Compliance/Export Control.

Pension Trustees

The directors recognise the importance of creating long lasting relationships with the trustees of the Vaillant Group Pension Scheme. The Board has a particular regard to the long-term impact of its decisions on the pension investments and in particular recognises the importance of the pension deficit and any covenant and other obligations as may be in place from time to time.

Suppliers

The directors recognise that supplier involvement is central to the quality of the Company's service and to ensure that as a business we meet the high standards of conduct that we set for ourselves.

We continue to build strong relationships with our key suppliers and continually monitor supplier payment days. The Company has a clear process for selecting and managing its suppliers. For key suppliers we perform due diligence around their working practices and code of ethics as well as their financial stability and viability.

Employees

The directors recognise that the importance of a highly engaged and motivated workforce is fundamental and core to our business and to the delivery of our strategic ambitions. The welfare of our people is integral in our core values, and with commitment and structured procedures in place, we provide a safe working environment to all employees.

The directors are fully aware of the importance of providing opportunities for personal development and career progression; a culture of inclusion and diversity; compensation and benefits; and the ability to make a difference within the Vaillant Group.

The Company seeks to improve the working environment of its employees through a number of different continuous improvement methods and initiatives, with the involvement of employees in all aspects of Company activities. During 2021, a new hybrid working policy was launched to enable a combination of office-based and home-based working, depending on role, to reflect the changes to ways of working in light of the Covid-19 pandemic.

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The Company engages with employees through frequent internal communication updates (in both written newsletters and “town hall” and departmental meetings which have continued on a “virtual” basis during 2022) and presentations on Company outlook covering financial and economic performance. In addition, employees are encouraged to participate in employee surveys, high performance culture programs, health and wellbeing initiatives, and are offered the opportunity to complete learning and development programs, including those linked to career progression.

The Company is an equal opportunities employer. The Company’s equal opportunities statement is included under the Report of Directors on page 7.

Key Decisions taken by the Board

During 2022, the Board took the decision to approve the payment of an interim dividend to its immediate parent. The Board considered the long term consequences of paying up its distributable reserves and considered on balance it was in the best interest of its stakeholders as a whole.

The protection of the health and safety of employees, customers and suppliers as well as the continuation of business operations, focussing on the industry shift to high efficiency and renewable technologies have been the main items on the Board’s agenda during this year. Particular decisions taken with key stakeholders in mind are detailed below:

- Investment in Heat Pump manufacture in the UK
- Investment in a second UK manufacturing site

This strategic report was approved on behalf of the Board on 27th April 2023.

K Rolfe
Director
27th April 2023

