



Rheem Australia Pty Ltd ABN 21 098 823 511

Modern Slavery Statement

Rheem Australia Group

Reporting Period:
1 January 2022 to 31 December 2022



1. Introduction

This is the third modern slavery statement of Rheem Australia Group and covers the reporting period from 1 January 2022 to 31 December 2022 (“**Statement**”). Among other things, this Statement describes the actions taken during the reporting period to assess the risks of, and to prevent, modern slavery occurring in Rheem Australia Group’s operations and supply chains. This statement has been prepared in accordance with requirements of the *Modern Slavery Act 2018* (Cth) (“**Act**”).

At Rheem Australia Group, we take the risks of modern slavery seriously and do not want to be involved or complicit in perpetuating modern slavery in our operations or supply chains. Nonetheless, the unfortunate reality is that modern slavery, forced labour, and related practices, likely exist in the operations and supply chains of many businesses and in every region of the world. These risks are more prevalent in certain product and service categories, industries and geographic locations.

As stated in our previous Modern Slavery Statements, our approach to modern slavery compliance is guided by three principles - operating with integrity, strong corporate governance, and transparency in reporting. We have tailored our efforts to identify, assess, prevent and eliminate the risks of modern slavery in our operations and supply chains in light of these principles.

At Rheem Australia Group, accountability for addressing modern slavery risks is cross-functional. Our internal business units work together, including senior management and across our various entities, to implement modern slavery-related initiatives and processes. In addition to building the capability of our people in relation to modern slavery risk management, we seek external expert input and guidance, where required.

Our key achievements during the reporting period 1 January 2022 to 31 December 2022

- We implemented and refined a digitised Vendor Onboarding System to induct new suppliers and manage existing suppliers, which incorporates compliance with our Responsible Sourcing Risk Management Procedure (“**Risk Management Procedure**”).
- We assessed compliance of 145 new suppliers against our Responsible Sourcing Policy, which forms part of our Risk Management Procedure.
- We signed the Clean Energy Council’s (“**CEC**”) Pledge Against Modern Slavery and became a member of the CEC’s ‘Risks of Modern Slavery Working Group’.

2. Reporting Entity

(section 16(1)(a) of the Act)

This Statement covers Rheem Australia Pty Ltd (ABN 21 098 823 511), whose predecessor company was established in 1946 and is the parent company of the following wholly owned Australian subsidiaries:

- Solahart Industries Pty Ltd (ABN 45 064 945 848)
- Aquamax Australia Pty Ltd (ABN 37 138 189 689)
- Raypak Australia Pty Ltd (ABN 65 078 743 414)
- Accent Air Pty Limited (ABN 28 062 383 224)

The entities listed above are collectively referred as ‘**Rheem Australia Group**’, ‘**we**’, ‘**us**’ or ‘**our**’ in this Statement.



For completeness, Rheem Australia Pty Ltd is also the parent company of the following two wholly owned international subsidiaries:

- Rheem Vietnam Limited (Vietnam Enterprise Code 3702152425); and
- Rheem New Zealand Limited (NZ Company No. 1175771).

Rheem Australia Group's global headquarters are located in Atlanta, Georgia in the United States of America, and it is ultimately owned by Paloma Co. Ltd., which was established in Japan in 1911.

3. Our Structure, Operations and Supply Chain

(section 16(1)(b) of the Act)

3.1. Structure

Rheem Australia Group is the leading water heater manufacturer in Australia. It manufactures a wide range of water heaters in its manufacturing facilities located in Australia, New Zealand and Vietnam. It sells and operates a service network across Australia and New Zealand, and exports its products to over forty countries. Solahart Industries Pty Ltd, a wholly owned subsidiary of Rheem Australia Pty Ltd, functions mainly as a trading arm for renewables products manufactured or sourced by Rheem Australia Group.

The residential products sourced, manufactured and/or sold by Rheem Australia Group include electric and gas storage, solar thermal, continuous flow, pool heating, heat pumps and photovoltaic products. The commercial products include electric, solar and gas products, heat pumps, warm water products, storage tanks, pump sets, boiling, chilled and filtered water products, and heat exchanger systems. Rheem Australia Group trades under several brand names, including 'Rheem', 'Solahart', 'Vulcan', 'Aquamax', 'Raypak', 'Everhot', 'Rheem Thermal', 'Rheem Commercial' and 'Rheem Solar Specialist'.

In Australia, Rheem Australia Group's registered office and principal place of business is located in Rydalmere, NSW. It has sales offices, service hubs and distribution centres in all capital cities and in several regional centres.

As at the end of the reporting period Rheem Australia Group had close to 700 employees in Australia.

3.2. Operations

Rheem Australia Group operates manufacturing facilities in Rydalmere (NSW), Revesby (NSW), and Moorabbin (Victoria). Outside of Australia, Rheem New Zealand Limited operates manufacturing facilities in Auckland and Christchurch (New Zealand) and Rheem Vietnam Limited operates a manufacturing facility in Binh Duong Province (Vietnam).

These factories manufacture and/or assemble, for domestic and international markets, many of Rheem Australia Group's products described in section 3.1 above.



3.3. Supply Chain

Our supply chain includes the procurement of materials, components and services for manufacturing, logistics and related services, and the purchase of third party finished goods. Predominantly, we procure water heating and photovoltaic products, steel, logistics services, components, and other materials for our manufactured water heating products, along with professional, trades and related services.

Rheem Australia Group works with a vast network of domestic and international suppliers. Many of our suppliers are located in Australia and have downstream supply chains that extend overseas. Many of Rheem Australia Group's suppliers have been providing goods and services to us for an extended period of time.

Each year, we transact with around 2,800 active tier 1 suppliers (i.e. suppliers with whom we procure directly from) in relation to a range of goods and services, including in the following categories:

- trade suppliers who supply finished goods bearing their own brands for resale by Rheem Australia Group;
- trade suppliers who manufacture finished goods for sale under Rheem Australia Group-owned brands;
- trade suppliers who provide components used in products manufactured by Rheem Australia Group (for example, valves, insulation and steel);
- non-trade suppliers who provide goods and services to Rheem Australia Group, including through subcontractors (for example, security, telecommunication and cleaning services); and
- non-trade service providers who provide services directly to end-customers but who Rheem Australia Group itself does not contract with (for example, plumbers, service agents and installers).

Our main suppliers are located in Australia, New Zealand, Japan, Vietnam, the People's Republic of China, the United States of America and Italy.

4. Modern Slavery Risk Assessment of Our Operations and Supply Chain

(section 16(1)(c) of the Act)

4.1. What is modern slavery

Modern slavery has no universally accepted definition and may take a variety of different forms, however it ultimately involves the exploitation of an individual by another for personal or commercial gain.

Different forms of modern slavery include:

- forced labour;
- debt bondage or bonded labour;
- human trafficking;
- forced marriage;
- sexual exploitation;
- child slavery; and
- other slavery-like practices.



According to [Anti-Slavery Australia](#), some of the signs that modern slavery may be occurring include:

- controlled or restricted freedom of movement;
- intimidation and threats (e.g. deportation);
- threatened or actual violence (whether physical or sexual in nature);
- important documents (e.g. travel documents) being taken by an employer or third party;
- abusive living or working conditions;
- living at a workplace owned or controlled by an employer;
- geographic, social or linguistic isolation;
- withholding, underpaying or not payment wages;
- excessive work hours;
- deception around working conditions;
- no discretion over life decisions; and
- inability to end employment at will.

4.2. Our Operations

To the best of Rheem Australia Group's knowledge and enquiries, modern slavery practices are not present in our operations.

As stated in section 3.2 above, Rheem Australia Group operates a number of manufacturing facilities (including in Australia) at which our products are manufactured and/or assembled.

The workers on the factory floor across these manufacturing facilities perform a variety of manual tasks at any one time, including:

- loading and unloading items to and from manufacturing belts,
- operating machinery and
- fixing items to finished products.

In addition, the majority of our workers perform non-manual tasks across our various divisions, including Operations, Research & Development, Transformation & Supply Chain, Information Technology, Finance & Legal, Human Resources, Sales & Marketing, and Quality Assurance.

In light of the make-up of Rheem Australia Group's workforce in Australia, we do not consider there to be risks of modern slavery occurring in our operations. Among other reasons:

- our employees have freedom of movement at all times (subject to safety restrictions at our manufacturing facilities);
- we do not retain original copies of any important documents of our employees,
- we comply with our legal obligations in relation to the working conditions of our employees, and labour hire personnel;
- we do not tolerate any forms of threatened or actual violence in the workplace;
- we invest a significant amount of time and resources into ensuring that our workplaces are safe;
- our employees are free to end their employment at any time at will; and
- we do not engage staff below eighteen (18) years of age at any of our facilities.



Ultimately, the health and well-being of our staff is of paramount importance to Rheem Australia Group. Our actions to ensure that our operations continue to be free of modern slavery are detailed in section 5.1 of this Statement.

4.3. Supply Chain

To the best of Rheem Australia Group's knowledge and enquiries, we do not cause or contribute to, and are not linked to, modern slavery practices occurring in our supply chain, particularly in relation to our active tier 1 suppliers.

We do, however, recognise that we operate in an industry, and engage suppliers in particular geographic locations and who supply particular products (or components thereof) in which modern slavery risks may be more prevalent.

Some known modern slavery risks that may occur in the supply chain of companies operating in the manufacturing industry, or who engage suppliers located in certain countries within Asia, include forced labour, child labour and poor working conditions.

Some of the reasons why these risks may be present in these types of industries or geographical regions include:

- weaker labour laws and practices;
- socio-economic factors, such as poverty;
- a higher reliance on migrant labour, low-skilled workers, young workers and/or labour hire; and
- in the existence of armed conflict.

We also recognise that in our extended supply chain (i.e. beyond our tier 1 suppliers), our visibility of the risks of modern slavery occurring is more limited. Understandably, our tier 1 suppliers transact with suppliers selling goods and services across various categories, and these categories have varying degrees of modern slavery risks based on their country, industry, operations and the type of goods and services being provided.

Notwithstanding this, we are committed to ensuring that we do not cause, and are not complicit in, the risks of modern slavery occurring within our supply chain, including beyond our active tier 1 suppliers. Promoting a sustainable, lawful and ethical supply chain is a key objective of Rheem Australia Group and is reflected in our Responsible Sourcing Policy (described in paragraph 5.2 below). This includes engaging suppliers that are committed to the same principles as Rheem Australia Group in order to ensure long-term, sustainable and successful relationships for all parties, as well as the protection of the human rights of all stakeholders in our supply chain.

Our actions to address risks in our supply chain are detailed in section 5.2 of this Statement.



5. Actions to Assess and Address Risks of Modern Slavery Practices (section 16(1)(d) of the Act)

5.1. Operations

5.1.1. Policies and Governance

Rheem Australia Group has a range of internal policies and procedures which cover employee recruitment, wages, overtime, benefits, deductions, grievance handling, leave and other related aspects of employment. Information about these policies and procedures is available to employees through a variety of means, including as part of induction training for new starters, our intranet, at toolbox meetings, and through training sessions. We continuously review these policies and procedures to ensure that they are up-to-date and comply with our legal requirements, industry best-practice, and social and ethical expectations.

All employees are required to comply with our 'Code of Business Conduct and Ethics', which articulates the ethical standards, core values, and cultural expectations of Rheem Australia Group.

Each new employee receives a *Working Together* booklet upon commencement of employment at Rheem Australia Group. This booklet incorporates our 'Equal Employment Opportunity Policy & Procedures on Discrimination & Harassment', which recognises the value of having a workplace that is free of unlawful behaviours and provides equal opportunity and fair access for employees.

Workers at our manufacturing facilities in Australia, and who perform technical support in the field, are represented by five (5) national trade unions and Rheem Australia Group is party to several enterprise agreements covering employee working conditions and employee benefits.

5.1.2. Health, Safety and Wellbeing

Rheem Australia Group has invested a significant amount of resource to ensure that the health, safety and wellbeing of our employees is protected at all times. Among other things:

- each year, we host a range safety and well-being training and awareness sessions and events for all our staff;
- we have also formed a national safety steering committee to drive our safety programs across our factories in Australia;
- our top 100 leaders across the organisation have completed a comprehensive safety program called 'Visible Safety'; and
- in addition to our Wellness Centre which contains resources on wellbeing, we have an employee-assisted program to provide counselling support to all our employees.



5.1.3. Grievance Procedures

Employees can make an informal or formal complaint regarding any aspect of their employment or can speak to someone on a confidential basis. Our three-stage grievance process is detailed in the *Working Together* booklet referred to at section 5.1.1 above.

We also have a Rheem Ethics Hotline which can be utilised by any employee around the world. These complaints are handled on a confidential basis if requested and/or required by applicable law.

5.2. Supply Chain

5.2.1. Responsible Sourcing Risk Management Procedure

As stated in section 1 above, in 2022 we embedded and refined our Risk Management Procedure, which is a key component of our digitised Vendor Onboarding System, which was rolled out in the same year and is used to induct new suppliers and manage existing suppliers. Among other things, this system directs the approval of new suppliers to Rheem Australia Group's Procurement, Finance and Legal teams, who act as gatekeepers in relation to modern slavery compliance.

Our Risk Management Procedure comprises the following components:

Responsible Sourcing Policy

Rheem Australia Group's [Responsible Sourcing Policy](#) affirms our commitment to respecting human rights, and requires our suppliers to meet our expectations in relation to protecting the rights, health and safety of their workers, and ensuring they behave ethically, and in a manner that does not cause unnecessarily adverse environmental effects. It also addresses topics such as bribery, corruption, legal compliance, child and forced labour, wages and benefits, freedom of association, grievance compliance, health and safety, safe working conditions, environmental permits, and hazardous waste management.

Each new and existing supplier, over a defined threshold, must agree to, and undertake to operate in accordance with, our Responsible Sourcing Policy as a condition of doing business with Rheem Australia Group. This requirement has been incorporated into our sourcing contracts and tender documents as well, and we emphasise the importance of this requirement during our negotiations with prospective suppliers.

In the event that a supplier is unable to confirm its full compliance to our Responsible Sourcing Policy, the supplier's non-compliance is assessed against our Risk Management Procedure and, if necessary, escalated for closer scrutiny.

Each supplier is required to review its compliance with our Responsible Sourcing Policy on an ongoing (at least once every three years) to ensure that any changes to the supplier's modern slavery risk profile are identified.

In 2022, we assessed compliance of 145 new suppliers against our Responsible Sourcing Policy.



Index Based Supplier Risk Assessments

In addition to compliance with our Responsible Sourcing Policy, we employ an 'Index Based Supplier Risk Assessment', which combines independent global indices, to produce an objective and unbiased assessment of a supplier's risk profile.

In addition to a supplier's compliance with our Responsible Sourcing Policy, each supplier is evaluated for its modern slavery risk using this 'Index Based Supplier Risk Assessment'. This 'Index Based Supplier Risk Assessment' is developed by [Gartner Inc](#) and takes into account a number of indices, including the [Global Slavery Index](#) (published by the Walk Free Foundation), [Corruption Perception Index](#) (published by Transparency International), [Child and Forced Labour Index](#) (published by the U.S. Department of Labour), and [Environmental Performance Index](#) (published by the Yale Centre of Environmental Law and Policy), in order to arrive at a risk assessment rating of low, medium or high risk for the supplier.

In early 2022, we identified 64 existing suppliers who fell into the medium and high-risk categories according to the Index Based Supplier Risk Assessment. These suppliers are predominately located in the People's Republic of China, Thailand and Italy. While we require all suppliers to be evaluated according to our Risk Management Procedure, we prioritise and take additional steps to evaluate these identified as medium or high-risk suppliers (steps which are detailed in the remainder of this section).

All existing, active suppliers (approximately once per year) and new suppliers (as part of their onboarding process) are subject to this risk assessment to identify their exposure to modern slavery and other ethical risks.

Supplier Self-Assessment

Any supplier which, after evaluation according to the Index Based Supplier Risk Assessment described immediately above, is identified as either:

- medium or high-risk; or
- low risk but is not fully compliant with Rheem Australia Group's Responsible Sourcing Policy,

is required to conduct a self-assessment called a 'Supplier Self-Assessment' via a global third-party online platform called the Sedex Platform. This platform provides supply chain assessments, and stores, analyses, shares, and reports on sustainability practices.

The Supplier Self-Assessment is a comprehensive questionnaire and covers the supplier's entity profile, labour standards, health and safety, business ethics and environmental aspects. The results of the Supplier Self-Assessment are used as inputs to identify the necessity of an onsite audit of the supplier, depending on the risk criteria and outcome of the Supplier Self-Assessment.

At the end of 2022, we identified 10 new suppliers who fell into the medium and high-risk categories according to the Index Based Supplier Risk Assessment, and whom we intend to conduct Supplier Self-Assessments in respect of. We are developing a process with our Global Procurement Team located in China to assist with education and compliance of our China based vendors with regard to Rheem Responsible Sourcing Policy, and the supplier onboarding process and related requirements.



Supplier Onsite Audits

Depending on the outcome and risk profile analysis of the supplier following the Supplier Self-Assessment (described immediately above), we may require particular suppliers to undergo an onsite audit. The audit will use an evidence-based approach to assess the supplier's compliance with our Responsible Sourcing Policy and the disclosures made in the Supplier Self-Assessment in relation to modern slavery and ethical sourcing. Any negative audit findings will be addressed with the supplier with the intention to remedy the concern, thereby strengthening Rheem Australia Group's confidence in, and business relationship with, the supplier.

We have incorporated the Supplier Onsite Audit requirement in our standard sourcing contract templates to ensure that this obligation is binding on suppliers with whom we do business with.

5.2.2. Clean Energy Council Pledge Against Modern Slavery and Risk of Modern Slavery Working Group

Modern slavery and forced labour are significant issues for the renewable energy industry in particular. Rheem Australia Group, which manufactures renewable hot water products principally under its 'Solahart' brand, and sources solar PV panels, inverters, batteries, and related products from others, is a member of the Clean Energy Council (CEC) – the peak body for the clean energy industry in Australia.

In 2022, we signed the CEC Pledge Against Modern Slavery and became a member of the CEC 'Risks of Modern Slavery Working Group'. The pledge articulates the CEC's, and the signatories', commitment to eliminating adverse human rights impacts and modern slavery from their operations and supply chains. The working group provides Rheem Australia Group with a forum in which to actively work with other industry members to identify and address the challenges, activities and processes that are necessary to combat modern slavery in the renewable energy industry.

6. Effectiveness of Actions in Assessing and Addressing Modern Slavery Risk (section 16(1)(e) of the Act)

6.1. Operations

We adopt various measures to evaluate the effectiveness of the health, well-being and safety actions that are deployed at our factories and to maintain continuous monitoring and improvement of those actions.

Among other things, weekly safety leadership walks have helped to raise awareness among factory workers to report hazards, and eliminate unsafe conditions and behaviours in the workplace, as well as sustained engagement of workers to raise and manage risks to avoid potential injuries.

Our safety leaders engage regular two-way conversations with workers on the factory floor, which helps to obtain regular feedback on working conditions, potential risks and options to address those risks. This has helped to continuously improve our health and safety measures.



6.2. Supply Chain

We understand the need to implement relevant Key Performance Indicators (“KPIs”) to translate the annual company-wide goals into measurable tasks to assess the effectiveness of our Responsible Sourcing Program. These KPIs include the percentage of existing suppliers assessed for compliance with our Responsible Sourcing Policy, the percentage of medium and high-risk suppliers that have completed our self-assessment, the number of employees who have received training about our Responsible Sourcing Program, and the number of annual supplier audits from the selected pool of suppliers. We intend to set further targets, review the level of achievement of these KPIs on a bi-annual basis, and to take the necessary actions to fill the gaps, if any.

Where required, we utilise the services of ethical sourcing specialists from external advisory services to assist us in developing and reviewing our ethical sourcing policies and procedures. We also intend to use these services to conduct periodic reviews of our KPIs and for advice about new developments to ensure best practice.

We have regular feedback sessions among key stakeholders of the digitised Vendor Onboarding System to evaluate the effectiveness of the process deployed so far. Further, this has helped to continuously improve the digitised Vendor Onboarding System by closing loopholes and improving and adding several new features that were not forecast at the time of launch of this system.

To further assess the effectiveness of our Responsible Sourcing Program, we intend to form an internal Responsible Sourcing Working Group. One of the objectives of the Responsible Sourcing Working Group will be to recommend and manage annual company-wide goals in compliance with the Responsible Sourcing Policy and Risk Management Procedure.

As detailed in Section 5.2.2. above, partnering with the Clean Energy Council (CEC) and becoming a member of the CEC’s ‘Risks of Modern Slavery Working Group’, has opened doors for us to work with industry leaders and assess our challenges, activities and processes in modern slavery in the renewable energy industry. It has further helped us to assess the appropriateness of the measures that are implemented by us.

Finally, our Corporate Quality team is tasked with auditing the effectiveness of, and adherence to, our policies and procedures as part of our overall Quality Management System. External Quality System auditors also conduct evidence-based audits to ensure adherence to our Procurement and Purchasing procedures, including our ethical sourcing requirements.

7. Consulting with other entities within Rheem Australia Group

(section 16(1)(f) of the Act)

This Statement does not cover Rheem Vietnam Limited or Rheem New Zealand Limited as those two entities are not reporting entities within the meaning of the Act. However, we regularly share our policies and procedures with these entities to encourage consistency with Rheem Australia Group’s policies and procedures, including in relation to modern slavery issues. Rheem Vietnam Limited and Rheem New Zealand Limited are suppliers to Rheem Australia Group and are, themselves, subject to our Responsible Sourcing Program (in addition to their respective legal and internal requirements locally).



This Statement covers each Australian subsidiary of Rheem Australia Group (as set out in section 2 of this Statement above), who have been consulted with regard to Rheem Australia Group's Responsible Sourcing Program and modern slavery-related policies and procedures. The Responsible Sourcing Policy and key aspects of the Responsible Sourcing Program were approved by the senior management of Rheem Australia Group prior to their implementation.

8. Other relevant information

(section 16(1)(g) of the Act)

Not applicable

9. Continuous Compliance and Improvement

At Rheem Australia Group, comply with our obligations under the Act remains an enduring priority of the business, as does working to improve and enhance the implementation of the measures set out in section 5 of this Statement.

Over the coming years, we intend to continue to invest time and resources into activities designed to prevent modern slavery occurring in our operations and supply chain, including:

- a) improving the awareness of modern slavery and responsible sourcing amongst our employees and suppliers;
- b) continuously reviewing and improving our Responsible Sourcing Program;
- c) extending compliance with our Responsible Sourcing Policy to all of our existing suppliers;
- d) enhancing the scope of our supplier onsite audits to include medium-risk suppliers (where appropriate);
- e) encouraging our active tier 1 suppliers to implement similar ethical sourcing policies and procedures for their medium to high-risk supplier base (i.e. our tier 2 suppliers); and
- f) continuing to work with other entities in the broader Rheem group in relation to tackling modern slavery and promoting ethical sourcing throughout our global organisation.

10. Approval & signing

(section 14(d)(ii), 14(e)(ii) of the Act)

In accordance with section 14 of the *Modern Slavery Act 2018* (Cth), this Statement has been approved by the principal governing body of Rheem Australia Pty Ltd (i.e. its Board of Directors) for and on behalf of the entities which comprise the Rheem Australia Group (as defined in section 2 of this Statement).



Chris Taylor

Managing Director – Rheem ANZ
Director - Rheem Australia Pty Ltd

26 June 2023

