



Rheem Australia Pty Ltd ABN 21 098 823 511

Modern Slavery Statement 2020

Rheem Australia Group

Reporting Period:
1 January 2020 to 31 December 2020



Modern Slavery Statement

1. Introduction

This is the first modern slavery statement of Rheem Australia Group (detailed in Sections 2 and 3 below) and it describes the actions taken over the past year to put in place policies, processes and performance metrics to assess modern slavery risks against the requirements of the Australian *Modern Slavery Act 2018 (Cth)*. This statement also outlines planned efforts for the following 12 months, to improve the detection of modern slavery across the Rheem Australia Group's supply chain and to ensure that appropriate controls are in place.

At Rheem Australia Group, we take the risk of modern slavery seriously and we do not want to be complicit in perpetuating modern slavery. Nonetheless, the reality is that forced labour, and related practices, likely exist in the operations or supply chains of many businesses and in every region of the world. This risk is more prevalent in certain product and service categories, industries and geographic locations. Hence, we have incorporated modern slavery risk management into our Responsible Sourcing Policy and processes.

We are guided by three principles; operating with integrity, strong corporate governance and transparency in reporting. Considering these factors, we have tailored a 'Responsible Sourcing Risk Management Procedure' to identify, assess, prevent and eliminate the risk of modern slavery in our supply chain.

Our key achievements during the past year:

- ❖ Developed and published the Responsible Sourcing Policy.
- ❖ Developed procedures both for the organisation and supply chain to manage compliance to our Responsible Sourcing Policy (including management of modern slavery and human trafficking risks).
- ❖ Created a desktop risk assessment tool to identify potential country or commodity risk affected suppliers.
- ❖ Identified, evaluated and sourced a third-party online platform for managing responsible sourcing.
- ❖ Incorporated responsible sourcing related contract clauses into procurement documentation templates.

We are currently working on the following:

- ❖ Implementing a Responsible Sourcing Risk Management Procedure.
- ❖ Rolling out supplier self-assessment and supplier audit programmes.
- ❖ Developing training programs about modern slavery risk, the Responsible Sourcing Policy and new procedures for employees and suppliers.

2. Reporting Entity

This Statement covers Rheem Australia Pty Ltd, the parent company and the following 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)

Collectively referred as 'Rheem Australia Group' 'we', 'us' or 'our' in this statement.



3. Our Structure, Operations and Supply Chain

3.1. Structure and Operations

Rheem Australia Pty Ltd is the leading water heater manufacturer in Australia. It manufactures and sells a wide range of water heaters in Australia, New Zealand and Vietnam and operates a service network across Australia and New Zealand. Solahart, a fully 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 offered by Rheem Australia Group include electric and gas storage, solar, gas continuous flow water heaters, 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 as well as heat exchanger systems. Rheem Australia Group trades under several brand names including 'Rheem', 'Solahart', 'Vulcan', 'Aquamax', 'Rheem Thermal', 'Accent Air', 'Rheem Solar Specialists', 'Raypak', 'Everhot', 'Edwards' and 'Paloma'.

The registered office of Rheem Australia Pty Ltd is located at Rydalmere, Sydney. Rheem Australia Group has approximately 800 employees in Australia with manufacturing plants in Sydney and Melbourne, along with sales office, service hubs and distribution centres in all capital cities and several regional centres.

Rheem Australia is a proprietary company established in 1946. It is ultimately owned by and is a part of Paloma Co. Ltd. Japan.

Aquamax Australia Pty Ltd, Solahart Industries Pty Ltd, Raypak Australia Pty Ltd and Accent Air Pty Limited are fully owned Australian subsidiaries of Rheem Australia Pty Ltd. Furthermore, Rheem Vietnam Limited and Rheem New Zealand Limited are fully owned international subsidiaries of Rheem Australia Pty Ltd.

3.2. Supply Chains

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

Each year we will transact with around 2,500 tier 1 suppliers. Our main suppliers are in Australia, New Zealand, Japan, Vietnam, China, the United States, South Korea and Italy. Many local suppliers have down-stream supply chains that extend overseas. Most of the suppliers have been providing services to us under long term contractual arrangements. Going forward, we will be incorporating responsible sourcing criteria (including management of modern slavery risk) into our supplier selection and performance review processes.



4. Risk Assessment

To ensure that we minimise modern slavery risk and other sourcing risks, we have developed an 'Index Based Supplier Risk Assessment' which utilises global indices such as the Global Slavery Index, Corruption Perception Index, Child and Forced Labour and Environmental Performance indices. Promoting sustainable, lawful and ethical supply chain is a key objective of Rheem Australia Group as reflected in our Responsible Sourcing Policy. This includes engaging suppliers that are committed to the same principles as Rheem Australia Group to ensure long-term, sustainable and successful relationships for all parties and the protection of the human rights of all stakeholders in our supply chains.

With the new processes and tools being introduced, we are preparing to assess our supply chain for modern slavery risk to ensure that Rheem Australia Group does not directly cause or contribute to modern slavery practices. This will begin with an assessment of tier 1 suppliers and then extend to their downstream supply chains.

Research and publicly available data suggest that country risk and industry risk associated with the procurement of goods and services are indicators of high modern slavery risk for the supply chains of manufacturing companies.

According to the index based supplier risk assessment evaluation, we have identified the Tier 1 suppliers falling within the category of medium to high risk suppliers. Based on the indices, we have suppliers, mainly in China, Thailand, Italy and South Korea, who can present some level of risk of modern slavery within our supply chain. These suppliers will be the first that we evaluate more comprehensively using more detailed assessment and audit tools.

5. Supply Chain Assurance

At Rheem Australia Group, accountability for addressing modern slavery is cross functional. Our internal business units work together at the top management level and across our entities, to implement modern slavery related initiatives and processes. In addition to building the capability of our people in modern slavery risk management, we seek external expert input also for guidance.

We have developed the following action oriented Responsible Sourcing Program to manage modern slavery risk in our supply chains:

1. Responsible Sourcing Policy
2. Index Based Supplier Risk Assessments
3. Supplier Self Assessments
4. Supplier Onsite Audits
5. Responsible Sourcing Risk Management Procedure
6. Education and training of our employees and the supply chain
7. Policies and governance
8. Grievance procedures

5.1. Responsible Sourcing Policy

As part of our actions to implement responsible sourcing and modern slavery risk management, we have developed and published a Responsible Sourcing Policy. Going forward, as a condition of doing business with Rheem Australia Group, each supplier must confirm compliance with and operate in accordance with the principles in the Responsible Sourcing Policy. The mandatory compliance to the Responsible Sourcing Policy has been incorporated into the Responsible Sourcing Risk Management Procedure and tender process. Further, it has been incorporated into all sourcing contract templates. This will highlight to our supply chain partners the importance we have given to responsible sourcing including the elimination of modern slavery risk.

5.2. Index Based Supplier Risk Assessments

We have developed an Index Based Supplier Risk Assessment which utilises global indices such as the Global Slavery Index, the Corruption Perception Index, Child and Forced Labour and Environmental Performance Indices. All existing suppliers and new suppliers will be subject to this annual risk assessment to identify their exposure to modern slavery and other ethical risks.

5.3. Supplier Self-Assessment

All suppliers who are identified as medium or high risk through the supplier risk assessment will be subject to a due diligence self-assessment called 'Supplier Self-Assessment' through a third-party online platform. The Supplier Self-Assessment is comprehensive and covers the supplier entity profile, labour standards, health and safety, business ethics and environmental aspects. The results of the Supplier Self-Assessment will be used as input into audit plans and supplier management plans.

5.4. Supplier Onsite Audits

We prefer to use low risk suppliers where possible. However, where we have a supplier who is assessed as being medium to high risk, we will require that the supplier undergo a site audit. The audit will use an evidence based approach to assess the supplier's compliance to the Responsible Sourcing Policy and will confirm the Supplier Self-Assessment disclosures around modern slavery and ethical sourcing. We have incorporated the supplier audit requirement into our sourcing contract templates.

5.5. Responsible Sourcing Risk Management Procedure

We have developed a Responsible Sourcing Risk Management Procedure to drive compliance to the Responsible Sourcing Policy, Index Based Supplier Risk Assessment, Supplier Self-Assessment and Supplier Onsite Audits.

5.6. Education and training on responsible sourcing for our employees and supply chain

Training and awareness are key controls in addressing the risk of modern slavery. We recognise the need to build the capability of our employees, particularly our procurement and purchasing teams, to identify potential risks of modern slavery and the actions required to respond appropriately.

We are in the process of developing training materials for our employees. In addition to training and educating our own employees, we will provide training materials to our suppliers.

5.7. Policies and Governance

We have other policies and governance which are to be adhered to by our employees. We continuously review our policies and procedures to ensure that they are up to date and capture legal, industry and societal requirements.

All of our employees are required to follow the '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 work at Rheem Australia Group. The *Working Together* booklet incorporates our 'Equal Employment Opportunity Policy & Procedures on Discrimination & Harassment', which recognises the value of having a workplace free of unlawful behaviours, providing equal opportunity and fair access for people in their employment relationship.

5.8. Grievance Procedures

Employees can make an informal, verbal or a formal, written complaint regarding any aspect of their employment or can speak to someone confidentially. The three stage grievance process is detailed in the *Working Together* booklet.

The Rheem Ethics Hotline is available and can be contacted directly by any employee. These complaints will be handled directly by the Law Department of the Rheem international head office in the United States to maintain the confidentiality of the matter.

6. Effectiveness in preventing Modern Slavery

At Rheem Australia Group, we recognise that it will take time and effort globally to address modern slavery, and the change will be continuous. That is one of the reasons we are committed to taking the actions set out in this Statement and assessing the effectiveness of our actions.

To assess the effectiveness of our Responsible Sourcing programme, we are identifying relevant Key Performance Indicators (KPIs). These KPIs will include percentage of suppliers complying to the Responsible Sourcing Policy, percentage of medium and high risk suppliers that have completed the self-assessment and percentage completion of each self-assessment by the suppliers, the number of employees receiving training about the Responsible Sourcing Policy 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 quarterly and to take the necessary actions to fill the gaps, if any.

We utilise the services of Ethical Sourcing specialists from an external advisory service to assist us in developing and reviewing our Ethical Sourcing policies and procedures. We will also use this service to conduct periodic reviews of our KPIs and for advice about new developments in global best practice.

Our Corporate Quality team will be asked to audit the effectiveness of and adherence to our policy and procedures as part of the overall Quality Management System. External Quality System auditors will also conduct evidence based audits of adherence to our Procurement and Purchasing procedures, including the Ethical Sourcing requirements.

7. Consulting with other entities within Rheem Australia Group

This Statement does not cover Rheem Vietnam Limited (Vietnam) and Rheem New Zealand Limited (New Zealand) as those two entities are foreign tax residents under Australian Tax Law. However, we will share our policies and procedures with Rheem Vietnam Limited and Rheem New Zealand Limited to encourage consistency with Rheem Australia Group policies and procedures. Rheem Vietnam Limited and Rheem New Zealand Limited are suppliers to Rheem Australia Pty Ltd and will be subject to our responsible sourcing programme.

This Statement covers each subsidiary of Rheem Australia Group, except the above two subsidiaries. Each subsidiary of Rheem Australia Group has been consulted and obtained feedback with regard to Rheem Australia Group's Responsible Sourcing Program and modern slavery related policies and procedures to be adopted. The Responsible Sourcing Policy and key aspects of the Responsible Sourcing Program have been approved by the senior management of Rheem Australia Group prior to implementation.

8. Continuous Compliance and Improvement

We will continue to monitor and comply with the Responsible Sourcing Policy and improve effective implementation of it and other related procedures.

Over the next years, our focus will move to the following tasks:

- a) Improve the awareness of modern slavery and responsible sourcing of our employees and suppliers.
- b) Extend the supplier self-assessment to all suppliers of Rheem Australia Group.
- c) Enhance our scope of supplier site audits to include medium risk suppliers.
- d) Encouraging our Tier 1 suppliers (direct suppliers) to rollout an ethical sourcing policy and assessment process to their medium to high risk supplier base – our Tier 2 suppliers.
- e) Continue to work with other subsidiaries to encourage their own effective ethical sourcing practices.

9. Approval

In accordance with Australia's *Modern Slavery Act 2018 (Cth)*, this Statement has been approved by the Board of Directors of Rheem Australia Pty Ltd (principal governing body of Rheem Australia Group) and each of the subsidiaries reporting in this Statement.



Christopher Taylor

Director and COO

Rheem Australia Pty Ltd

19th July 2021

