



Rheem Australia Pty Ltd ABN 21 098 823 511

Modern Slavery Statement

Rheem Australia Group

Reporting Period:
1 January 2021 to 31 December 2021



1. Introduction

This is the second modern slavery statement of Rheem Australia Group and covers the reporting period from 1 January 2021 to 31 December 2021 (“**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. It has been drafted to comply with the requirements of the *Modern Slavery Act 2018* (Cth) (“**Act**”).

This Statement also foreshadows work-in-progress and measures planned for the next reporting period, being 1 January 2022 to 31 December 2022. Among other things, in 2022 we are focussing on implementing and operationalising Rheem Australia Group’s Responsible Sourcing Program as developed during the past two years. This has included rolling out policies, procedures and systems, testing these with our vendors, and drafting material to train our staff. These and other measures are detailed further at the end of this section of the Statement.

Like many other businesses in Australia and globally, the ongoing Covid-19 pandemic continues to affect Rheem Australia Group’s operations and supply chains. Rheem Australia Group spent considerable time and invested significant resources in formulating and implementing policies, procedures and mechanisms designed to manage and overcome the effects of Covid-19 on our operations and supply chains. Among other things, the pandemic impacted the roll out of Rheem Australia Group’s Responsible Sourcing Program and compliance with our project plan. Section 7 of this Statement contains additional measures we have taken in relation to combatting modern slavery in response to Covid 19.

At Rheem Australia Group, we take the risk of modern slavery seriously and we do not want to be complicit in perpetuating modern slavery in our operations or supply chains. Nonetheless, the 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.

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

Our key achievements during the reporting period 1 January 2021 to 31 December 2021:

- ❖ Implemented a Responsible Sourcing Risk Management Procedure (“Risk Management Procedure”).
- ❖ Developed a Supplier Declaration Form to confirm supplier compliance to our Responsible Sourcing Policy.
- ❖ Designed a Vendor Master Data Management System incorporating our Risk Management Procedure, to onboard new suppliers and manage existing suppliers.
- ❖ Enhanced the Vendor Master Data Management System to assess existing supplier compliance with our Responsible Sourcing Policy.
- ❖ Drafted training programs about modern slavery risks, our Responsible Sourcing Policy and new procedures for employees and suppliers.

We are currently working on the following measures, to be reported on in next year's Modern Slavery Statement covering the reporting period 1 January 2022 to 31 December 2022:

- ❖ Rolling out a supplier self-assessment tool and supplier audit program.
- ❖ Establishing a Responsible Sourcing Working Group to recommend and manage annual company-wide goals in compliance with our Responsible Sourcing Policy and Risk Management Procedure.
- ❖ Finalising training materials and executing a training program on our Responsible Sourcing Program, covering our Risk Management Procedure and Vendor Master Data Management System.
- ❖ Rolling out our new Vendor Master Data Management System.
- ❖ Rolling out a Supplier Compliance for Responsible Sourcing Policy to our existing suppliers.

2. Reporting Entity

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

This Statement covers Rheem Australia Pty Ltd (ABN 21 098 823 511), which 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 the '**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 and Rheem New Zealand Limited.

Rheem Australia Pty Ltd 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 and Operations

Rheem Australia Group is the leading water heater manufacturer in Australia. It manufactures a wide range of water heaters in Australia, New Zealand and Vietnam, and sells and operates a service network across Australia and New Zealand. 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, 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'.

Rheem Australia Group's registered offices are located at Rydalmere, NSW. As at the end of the reporting period, in Australia the Rheem Australia Group had approximately 696 employees and operates manufacturing plants in Sydney (Rydalmere and Revesby) and Melbourne (Moorabbin), and had sales offices, service hubs and distribution centres in all capital cities and in several regional centres.

For completeness, outside of Australia Rheem New Zealand Limited operates a manufacturing plant at Avondale (New Zealand) and Rheem Vietnam Limited operates a manufacturing plant at Binh Duong (Vietnam).

3.2. Supply Chains

Our supply chains include the 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, components, and other materials for our manufactured water heating products, along with professional, trades and other services.

Each year, we transact with around 2,500 active tier 1 suppliers. Our main suppliers are located in Australia, New Zealand, Japan, Vietnam, China, the United States, the Republic of Korea, and Italy. Many of our suppliers located in Australia have downstream supply chains that extend overseas. Most of Rheem Australia Group's suppliers have been providing goods and services to us under long-term contractual arrangements. We now incorporate responsible sourcing criteria (including the management of modern slavery risk) into our supplier selection and performance review processes.

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

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

Promoting a sustainable, lawful and ethical supply chain is a key objective of Rheem Australia Group and is 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, as well as the protection of the human rights of all stakeholders in our operations and supply chains.

We have developed an action oriented Responsible Sourcing Program, covering a Risk Management Procedure, Vendor Master Data Management and training of stakeholders, as detailed in Section 5 of this Statement below, in order to identify, assess and manage modern slavery risks in our operations and supply chains.

The Responsible Sourcing Program at Rheem Australia Group starts with confirming a supplier's compliance with our Responsible Sourcing Policy. Irrespective of the supplier's compliance with our Responsible Sourcing Policy, each supplier is evaluated for its modern slavery risk using an 'Index Based Supplier Risk Assessment', which combines independent global indices, to produce an objective, unbiased assessment. This process is repeated annually for our own operations and all existing suppliers, as well as for new suppliers, in order to carefully identify the suppliers who present a modern slavery risk to our operations or supply chains. This 'Index Based Supplier Risk Assessment' is a combination of the Global Slavery Index, Corruption Perception Index, Child and Forced Labour and Environmental Performance indices.

Once evaluated, any medium to high-risk suppliers or non-compliant low risk suppliers are required to complete a supplier self-assessment, which may be followed by supplier site audits (depending on the risk criteria and outcome of the supplier self-assessment). This has begun with an assessment of tier 1 suppliers. We intend to extend it to their downstream supply chains over the coming years.

With the new processes and tools that we have introduced, Rheem Australia Group is able to effectively work towards preventing and/or eliminating modern slavery risks, if any, affecting our operations and supply chain. This helps to ensure that Rheem Australia Group does not directly cause or contribute to modern slavery practices.

We plan to train our employees, especially those who deal with suppliers directly and frequently, in order to build close relationships with those suppliers and identify and report modern slavery risks that may be present within their operations or supply chains.

Research and publicly available data suggest that country risk and industry risk associated with the procurement of goods and services are reasonable indicators of high modern slavery risks for the supply chains of manufacturing companies, which applies to Rheem Australia Group.

According to the index-based supplier risk assessment evaluation, we have identified Tier 1 suppliers who fall within the category of medium to high-risk suppliers. These are suppliers, mainly located in countries such as China, Thailand, Italy and the Republic of Korea, that may present some level of risk of modern slavery within our supply chains. These suppliers are typically the first group that we evaluate according to our Risk Management Procedure.

5. Actions to Assess and Address Risks of Modern Slavery Practices

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

5.1. Risk Management Procedure

At Rheem Australia Group, accountability for addressing modern slavery risks is cross-functional. Our internal business units work together, including at the top management level 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 for guidance, where required.

We have developed a Risk Management Procedure, which is an action-oriented strategy, incorporating the following components, to manage modern slavery risks in our operations and supply chains.

5.1.1. Responsible Sourcing Policy

As a condition of doing business with Rheem Australia Group, each supplier must confirm compliance with, and operate in accordance with the principles in our Responsible Sourcing Policy. New and existing suppliers are required to comply with our Responsible Sourcing Policy. Each supplier is required to review its compliance on a continual basis (at least once in every three years) to capture any changes to the supplier's modern slavery risks and working conditions.

5.1.2. Index Based Supplier Risk Assessments

As detailed in Section 4 of this Statement above, we have developed an Index Based Supplier Risk Assessment, which is a combination of independent global indices such as the Global Slavery Index, the Corruption Perception Index, Child and Forced Labour and Environmental Performance. All existing, active suppliers (on an annual basis) and new suppliers (prior to onboarding) are subject to this risk assessment to identify their exposure to modern slavery and other ethical risks.

5.1.3. Supplier Self-Assessment

All suppliers who are identified as medium or high-risk through the supplier risk assessment are subject to a due diligence self-assessment called 'Supplier Self-Assessment' via 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 are used as inputs to identify the necessity of an onsite audit of the supplier.

5.1.4. Supplier Onsite Audits

Rheem Australia Group prefers to use no risk or low risk suppliers, where possible. However, where a supplier is assessed as being medium to high-risk, we require that supplier to undergo an onsite audit. The audit uses an evidence-based approach to assess the supplier's compliance to our Responsible Sourcing Policy. The audit is designed to confirm the Supplier Self-Assessment disclosures in relation to modern slavery and ethical sourcing. We have incorporated the supplier audit requirement into our sourcing contract templates to ensure this is binding on the suppliers once a contract has been entered into.

As a starting point, in 2021 we identified 64 existing suppliers who fall into the medium and high-risk categories. While we require all of our medium to high-risk existing suppliers to be evaluated via our Risk Management Procedure, we prioritise and take additional steps to evaluate these identified as medium or high-risk suppliers.

5.2. Automated Vendor Master Data Management System

To simplify management of and ensure governance of supplier compliance with our Responsible Sourcing Policy, we designed a system to automate our supplier data management process. This will eliminate the need for new suppliers to be onboarded manually and for changes to existing supplier information to be updated manually. Our automated Vendor Master Data Management System integrates our Responsible Sourcing Policy and Risk Management Procedure. One of the key features of this new process is to centralise the approval of new suppliers to Rheem Australia Group's Procurement Team, who act as gatekeepers in relation to modern slavery compliance. Each existing supplier, at least once every three years, will be required to reconfirm their compliance with our Responsible Sourcing Policy via the automated Vendor Master Data Management System. The supplier's compliance with our Responsible Sourcing Policy will be saved in our business systems as part of the supplier's profile for future reference and compliance purposes.

5.3. Education and Training

Training and awareness are key controls in addressing the risk of modern slavery in our operations and supply chains. We are in the process of developing training materials on our Responsible Sourcing Program for our employees. The training will cover our Responsible Sourcing Policy and Risk Management Procedure. We plan to roll-out the training program during the 2022 reporting period. This will build the capability of our employees, particularly those who work in our Procurement and Purchasing teams, and who directly and frequently interact with the suppliers, to identify potential risks of modern slavery and the actions required to respond appropriately.

5.4. Policies and Governance

We have several other internal policies and governance requirements which are required to be adhered to by our employees. We continuously review our 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 of our 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. 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 and providing equal opportunity and fair access for people in their employment relationship.

5.5. Grievance Procedures

Employees can make an informal, verbal or formal 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 referred to at section 5.4 above.

The Rheem Ethics Hotline is available and can be contacted directly by any employee. These complaints are handled directly by the Global Law Department of Rheem in the United States and on a confidential basis (if requested and/or required by applicable law).

6. Effectiveness of Actions in Assessing and Addressing Modern Slavery Risk

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

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

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 an external advisory service to assist us in developing and reviewing our ethical sourcing policies and procedures. We also intend to use this service to conduct periodic reviews of our KPIs and for advice about new developments in global best practice.

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)

8.1. Additional Statement in Response to Covid-19

Despite significant Covid-19-related disruptions to our operations and supply chains, including labour and material shortages, and delivery interruptions, our operations and supply chains were not fully displaced, and our volume remained relatively stable since the onset of the pandemic.

Since the onset of the pandemic in 2020, and during the reporting period, we diverted our focus to addressing Covid-19-related challenges to manage our operations and human resources. We issued new policies and implemented mechanisms to deal with distressed employees and their mental health issues. We addressed severe absenteeism due to our employees being infectious and/or close contacts. Our operations were affected due to the lack of availability of electronic components and the unreliability of international shipping, extended lead times for many materials and components, and the need to deal with significant cost increases. Additionally, efficiency and productivity in our operations (including our labour force) and supply chains were hampered during lockdowns.

With regard to our own operations within Rheem Australia Group, we:

- a) formed a Rheem COVID Response Team, consisting of the Business Team of Rheem Australia Group to develop new policies, procedures and resources to create a safe working environment in compliance with public health orders;
- b) implemented Covid Safe Plans and Protocols and reviewed those from time to time to comply with public health orders and cater to changing Covid conditions in society (the Covid Safe Protocols covered many aspects, including occupancy rates of buildings, body temperature screening, cleaning schedules, face-to-face meetings, visitors and contractors to Rheem sites, site entry protocols, physical barriers between desks, hygiene protocols, safe waste disposal protocols and many more); and
- c) implemented work from home arrangements for our employees unless their physical presence was critical to our operations and authorised under applicable public health orders.

With regard to our suppliers, we took steps to reduce the risks of modern slavery caused by the Covid-19 pandemic. We moved to video teleconferences with our main suppliers to reduce the impact and level of disruption to their operations, implemented urgent temporary mechanisms deployed by our suppliers to minimise disruptions in these unforeseen circumstances, and planned for countermeasures to meet our customer delivery requirements. In general, we increased the frequency of communication with all our suppliers during this time and continued to foster our relationships with them. We continued to ensure that our suppliers were taking heightened precautions to protect their workers by providing reasonable screening methods, such as checking workers' temperature, ensuring that workers wear masks, and educating workers on hygiene to lower the risk of virus transmission.

We continue to act as a responsible partner and collaborate with our suppliers to support their evolving needs during this time.

9. Continuous Compliance and Improvement

We will continue to monitor and comply with our obligations under the Act, as well as our Responsible Sourcing Program, and work to improve its effective implementation (among other measures).

Over the next few years, we intend to invest time and resources into the following activities:

- a) improving the awareness of modern slavery and responsible sourcing amongst our employees and suppliers;
- b) continuously reviewing and improving our Responsible Sourcing Program within Rheem Australia Group;
- c) extending Responsible Sourcing Policy compliance to all our existing suppliers;
- d) enhancing the scope of our supplier site audits to include medium-risk suppliers;
- e) encouraging our Tier 1 suppliers (direct suppliers) to roll out an ethical sourcing policy and assessment process to their own medium to high-risk supplier base (i.e. our Tier 2 suppliers); and
- f) continuing to work with other subsidiaries of Rheem Australia Group to encourage them to develop their own ethical sourcing practices.

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).



Christopher Taylor

Director & Managing Director ANZ
Rheem Australia Pty Ltd
29 June 2022