

## STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT

The market for domestic hot water heating appliances in which the company operates is highly competitive. It is a fast-moving industry, which involves engagement with a rich network of stakeholders.

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; and
- The desirability of the Company maintaining a reputation for high standards of business conduct

(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 their 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:

- Customers
- Employees
- Suppliers
- Environmental Impacts and Communities

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, its desire to maintain a reputation for high standards of business conduct, and its requirement to act fairly between members of the company.

## CUSTOMERS

The Directors recognise that the importance of creating long lasting relationships with both our direct and indirect customers is fundamental to the way we do business. Customer loyalty is important to the business and therefore the Board has particular regard to the long-term impact its decisions have on customers.

The business supports multiple channels of communication with its customers through regular dialogue.

## 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 policies and 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 equality 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.

The Company engages with employees through frequent internal communication updates (in both written newsletters and “town hall talk” and departmental face-to-face meetings) 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’s equal opportunities statement is covered under the Directors Report on page 6 of our statutory report and accounts.

## SUPPLIERS

The Directors recognise that supplier involvement is central to the quality of the Company’s products and to ensuring 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. Our payment practices reporting can be found on the HMRC website. The Company has a clear process for selecting and managing its suppliers. For key suppliers we perform due diligence around their working practices, quality systems and code of ethics as well as their financial stability and viability.

## ENVIRONMENTAL IMPACTS & COMMUNITIES

The Directors ensure that any environmental impacts are fully considered and continue to play a prominent role in the promotion of high efficiency domestic appliances and renewable energy products, which are more beneficial for the environment.

The Company is committed to reducing its environmental impact and continually improving its environmental performance as an integral and fundamental part of its business strategy, and through development in product technologies and operating methods.

It's important to us to understand the changing needs and requirements of the communities we operate in. We are then able to develop lasting relationships which can make a positive difference. We are committed to supporting all employees to dedicate time to community and charity activities and have set up a volunteering scheme for our employees to enable them to make a positive impact on local communities.

This strategic report was approved on behalf of the Board on 23rd September 2020.

K ROLFE

DIRECTOR

23rd September 2020

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