

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;
- 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:

- Customers;
- Employees;
- Suppliers; and
- 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 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:

- Health and Safety at Work;
- Protection of Human Rights and Workers' Rights;
- Corporate Social Responsibility;
- Product Safety and Quality;
- Environmental Protection;
- Equal Opportunities and Respectful Treatment;
- Protection of Intellectual Property and Insider Information;
- Prevention of the mis-use of Company resources; and
- 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, Foreign Trade Compliance/Export Control.

CUSTOMERS

The directors recognise that the importance of creating long lasting relationships with both direct and indirect customers is fundamental to the way that the Company conducts business. Customer loyalty is a crucial element 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.

Global supply chain and logistics challenges as a result of both the pandemic and additional external factors have affected the manufacture and sale of heat pumps, heightened by a significant increase in demand globally and within the UK.

To meet the increasing market demand and the ambitious targets set by the UK Government, the Board has approved significant capital investment for the manufacture of Heat Pumps in the UK. Measures have been introduced to increase the supply to meet the Government targets set by 2028 in both the supply chain and manufacturing businesses with UK manufacturing of Vaillant heat pump technology commencing in 2022.

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, diversity and inclusion; compensation and benefits; and the ability to make a difference within the wider 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, which, where involving homeworkers, have continued on a “virtual” basis during 2021) 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 well-being 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 covered under the Report of Directors on page 7.

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. A written obligation is placed on all suppliers to adhere to the principles of the U.N. Global Compact Initiative, and for key suppliers, risk assessments and supplier audits enable the confirmation that there are no human rights violations, as well as the verification of suppliers’ 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 is important to the directors to understand the changing needs and requirements of the communities that the Company operates in. We are then able to develop lasting relationships which can make a positive difference. The Company is committed to supporting all employees to dedicate time to community and charity activities and has a volunteering scheme for our employees to enable them to make a positive impact on local communities.

KEY DECISIONS TAKEN BY THE BOARD

During 2021, 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.

Management of the Covid-19 pandemic and 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:

- Completion of Covid-19 risk assessments, with regular reviews operationally and at each Board meeting.
- Continued compliance with the UK Government Covid-19 Secure guidance.
- Continuation of the safety measures put in place during 2020 throughout the Company's operations to ensure a safe working environment for all employees. These included wearable safety devices to ensure social distancing was maintained, hygiene stations, one-way systems, passing areas, workplace screens, clean down protocols, additional signage with Covid-19 safe site rules, increased auditing, and routine employee PCR testing.
- Continued homeworking for non-operational employees.

To invest in Heat Pump manufacture in the UK.

Approved by the Board and signed on its behalf by:

K ROLFE

DIRECTOR

28th April 2022

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