

RHEEM CANADA LTD. – RHEEM CANADA LTÉE.

ANNUAL REPORT UNDER SECTION 11 OF THE *FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT (CANADA)*

2023

Introduction

This annual report by Rheem Canada Ltd. – Rheem Canada Ltée. (“Rheem Canada”) is made pursuant to section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)* (the “Act”) for the Minister of Public Safety and Emergency Preparedness of Canada. This report covers the financial year January 1, 2023 to December 31, 2023.

Rheem Canada is a Canadian subsidiary of Rheem Manufacturing Company, a U.S. manufacturer of HVAC (i.e. heating, ventilation and air conditioning), water heating, pool and spa heating and commercial refrigeration products, with headquarters in Atlanta, Georgia. Rheem Manufacturing Company’s products are available in over 80 countries and its portfolio of brands includes Rheem®, Ruud®, Friedrich®, Raypak®, Sure Comfort®, WeatherKing®, Eemax®, Richmond®, IBC™, Intergas®, Splendid®, Solahart® EverHot®, MHG™, as well as commercial refrigeration brands Russell®, Witt®, ColdZone® and Kramer®, which are part of its Heat Transfer Products Group (HTPG®) division.¹ References in this report to “Rheem”, “we”, us or “our” shall refer to Rheem Manufacturing Company and its affiliates (including Canadian affiliates), collectively.

Report

1. The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.

Rheem has a number of policies, procedures and/or practices in place that touch upon the risk of forced labour or child labour in the production of goods produced in or imported into Canada by its Canadian subsidiaries.

All suppliers to Rheem are required to abide by a Supplier Code of Conduct (“Supplier Code of Conduct”), which requires, amongst other things, compliance with applicable laws and regulations. A requirement to comply with applicable laws is also typically incorporated into Rheem’s supply agreements.

The Supplier Code of Conduct expressly prohibits suppliers from using, directly or indirectly, forced, slave or child labour. The Supplier Code of Conduct also sets out a number of other standards and expectations for supplier labour practices including, without limitation:

- Fair compensation for workers in compliance with applicable laws and regulations governing wages and overtime payment;
- Compliance with applicable legal limits for working hours and days of service; and
- A safe and healthy working environment.

A copy of the Supplier Code of Conduct can be found here: <https://www.rheem.com/legal/>. Suppliers must be able to demonstrate compliance at Rheem’s request and Rheem reserves the right to terminate its business relationship with any supplier unwilling to comply with the Supplier Code of Conduct.

2. The entity’s structure, activities and supply chains.

¹ The symbols ™ and ® are used to reflect the status of the cited trademarks in the jurisdiction of the relevant brand and not necessarily in Canada.

(a) Structure

Rheem Canada is a private corporation governed by the *Business Corporations Act* (Ontario), with primary place of business at 125 Edgeware Road, Unit 1, Brampton, Ontario, Canada, L6Y 0P5. The company carries on business in Canada and as of December 31, 2023, had approximately seventy-three full-time employees, all within Canada. The company has no subsidiaries in Canada or otherwise, and has one affiliate in Canada, IBC Technologies Inc. ("IBC Canada"), which is managed and operated independently from Rheem Canada.

(b) Activities

Rheem Canada is a distributor of products that are manufactured by its parent company and affiliates, and an importer of said products to the extent they are manufactured outside of Canada. The company engages in sales to the extent of distribution sales only and does not manufacture products or sell directly to consumers. Its customers are wholesalers, retailers and home service providers and utility companies that sell or rent HVAC and/or water heating products to consumers.

The company has a distribution centre in Brampton, Ontario. Its workforce consists of workers on the floor of the distribution centre performing a variety of manual labour tasks (such as loading and unloading goods from delivery trucks and operating warehouse machinery) and workers engaged in non-manual labour tasks in the distribution centre and across various functions (such as finance, customer support, human resources etc.).

The products sold/distributed by Rheem Canada include water heating products, pool and spa heating products and HVAC products for residential and commercial use manufactured by related entities outside of Canada, as well as hydronic heating products, otherwise known as boilers, for residential and commercial use that are manufactured by its Canadian affiliate, IBC Canada, in Burnaby, British Columbia. While Rheem Canada does not manufacture the products that it sells in Canada, it does offer training, technical support, customer service and, together with related entity manufacturers, warranty support for said products.

(c) Supply Chain

Rheem Canada's supply chain includes the procurement of finished products, logistics and related services, equipment and office supplies. The majority of Rheem Canada's procurement activities, including those conducted through a shared services or buying group arrangement, and handled by the local Rheem Canada team and sourced domestically, except for finished products which, as noted above, are sourced both domestically and outside of Canada.

3. The entity's policies and due diligence processes in relation to forced labour and child labour.

Rheem has a number of internal policies and processes in place that support the prevention or reduction of the risk of forced labour or child labour in its operations and supply chains, including those of its subsidiaries like Rheem Canada. These include the Supplier Code of Conduct described earlier in this report, the Employee Code of Conduct described below and employment screening procedures like work eligibility checks, employment conditions and appropriate workplace behaviour checks. Information about these policies and processes is available to employees through a variety of means, including as part of the onboarding process, through Rheem's intranet and through periodic training sessions. Rheem continuously reviews these policies and processes to ensure that they are up-to-date and comply with legal requirements, market expectations and industry standards.

Rheem will not tolerate human trafficking or slavery in its operations or its suppliers' operations. Rheem encourages all of its procurement employees to be vigilant regarding human trafficking and slavery in Rheem's supply chain and to report any suspected human trafficking or slavery to the Chief Legal Officer of Rheem. Rheem will not retaliate against employees who report suspected human trafficking or slavery in the Rheem supply chain.

4. The parts of entity's business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk.

Rheem Canada's business and supply chains have not been formally reviewed for the purposes of identifying parts thereof that carry a risk of forced labour or child labour, however, Rheem does have policies, procedures and/or practices in place that address such risk, which benefit its subsidiaries like Rheem Canada.

While Rheem does not at this time engage in verification of product supply chains to evaluate and address risks of human trafficking and slavery or specifically audit suppliers for compliance with company standards for human trafficking and slavery, Rheem employees do conduct periodic site visits and audits of certain suppliers. If there is any reason to suspect that a supplier is not complying with human trafficking and slavery standards, then Rheem will address the matter with the supplier. In addition, Rheem generally requires suppliers to be in compliance with all applicable laws and regulations and has requested certification from suppliers that they comply with applicable laws regarding slavery and human trafficking.

Another important tool for managing the risk of forced labour or child labour is Rheem's Supplier Code of Conduct described earlier in this report. Also, Rheem employees are required to acknowledge and adhere to Rheem's Code of Business Conduct & Ethics (the "Employee Code of Conduct"). While the Employee Code of Conduct does not specifically address human trafficking and slavery, it does require that employees abide by the applicable laws and regulations in each country in which Rheem does business and to report any suspected violations.

It is worth noting that for Rheem Canada specifically, the makeup and location of its workforce is such that the risk of forced labour or child labour in its operations is extremely low in comparison to other types or workers and jurisdictions. Such reasons include:

- Canada has strong protections for worker and human rights;
- Rheem Canada employees have freedom of movement at all times (subject to safety restrictions in the distribution centre) and are free to end their employment at any time;
- Rheem Canada does not retain original copies of any important documents of its employees;
- Rheem Canada complies with its legal obligations in relation to the working conditions of employees and minimum legal employment age limits;
- Rheem Canada does not tolerate any forms of threatened or actual violence in the workplace; and
- Rheem Canada invests a significant amount of time and resources in ensuring the safety, health and well-being of employees (examples include an employee assistance program that offers counselling support to employees and regular reminders that such resources are available).

It is also worth noting that Rheem Canada is not currently subject to reporting requirements under supply chain legislation elsewhere, but certain of its affiliates are, in particular under Australia's *Modern Slavery Act 2018* and California's *Transparency in Supply Chains Act*. When such legislation requires due diligence, in addition to reporting, it can be another tool by which Rheem identifies and manages modern slavery risks.

Rheem remains committed to preventing slavery and human trafficking from taking place in its operations and supply chains and will continue to review its policies, procedures and/or practices periodically to determine any enhancements that can be made to help prevent modern slavery and human trafficking.

5. The measures taken to remediate any forced labour or child labour.

No measures have been taken to remediate any forced labour or child labour as no specific instances of forced labour or child labour have been identified.

6. The measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.

No measures have been taken to remediate the loss of income as a result of measures to eliminate the use of forced labour or child labour as no specific instances of forced labour or child labour have been identified.

7. Training provided to employees on forced labour and child labour.

Rheem does not currently offer employee training on forced labour and child labour, but is working to develop and implement training for members of its supply chain workforce to recognize and mitigate human trafficking and slavery risks in the supply chain.

Rheem does offer all employees annual training on the Employee Code of Conduct and encourages employees to report concerns to management. To assist in this effort, Rheem maintains an ethics helpline, accessible by phone or through a web portal, where concerns can be reported anonymously.

8. How the entity assesses effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

No formal action or review has been undertaken to assess effectiveness in preventing and reducing risks of forced labour and child labour in activities and supply chains.

9. Approval and Attestation

This report was approved by the board of directors of Rheem Canada in accordance with subparagraph 4(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entities or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full name: Barbara O'Reilly

Title: Vice-President and General Manager

Date: May 28, 2024

Signature: 

I have the authority to bind Rheem Canada.