Preamble

At Hilti Group ("Hilti"), we take responsibility for actively managing the environmental and social impacts of our activities. Our global supplier network makes an important contribution to the added value, quality and innovative strength of our company. Consequentially, our suppliers have a significant influence on the achievement of our sustainability goals and are at the same time strong partners to make a positive impact on the ecological and social aspects of our business activities. At Hilti, we always aim to source ethically and responsibly. To ensure our standards, we require all direct business partners to comply with this codex. In addition you must comply with your self-defined commitments regarding your own supply chain as a result of your risk analysis.

This Sustainable Sourcing Policy (herein “Policy”) details the Hilti Code of Conduct sections regarding Human Rights, Environment and accompanies the Anti-Corruption Policy¹.

The Policy must be obeyed when sourcing decisions are taken. All Hilti employees in sourcing and purchasing related functions, including directors, officers and managers, interns and temporary workers (herein jointly “Employees”) are responsible for complying with the Policy, the Code of Conduct and any supplementing policies, instructions and guidelines. In particular, each Employee shall (i) read and be knowledgeable about the content of the Policy, (ii) follow the guidelines contained in the Policy when performing his/her task and duties; (iii) refer to the responsible person for any questions regarding the Policy; (iv) participate in sourcing trainings related to the Policy; and (v) report any misconduct or suspicion of that might lead to a non-compliance episode following Hilti's whistleblowing procedure or by referring to the responsible person.

If you become aware of any non-compliance with this policy or its principles please use the whistleblowing mechanism “SpeakUp” for our suppliers. You find it at each Hilti country website or use this link here.

¹ This public version of the policy does not include internal references and information.
Basic principles

1. We strive to incorporate Sustainability in all direct sourcing processes.
2. We maintain ethical and social operations.
3. We optimize natural resources & circularity.
4. We mitigate conflict mineral risk.
5. We require supplier compliance with our Code of Conduct for Suppliers (CoCfS) and relevant regulations throughout our direct supply chain.

We continuously improve our policies with our suppliers.

Applying the principles

1. We strive to incorporate Sustainability in all sourcing processes by aiming to:
   a) Assess all direct suppliers on environmental & social criteria.
   b) Mitigate critical social & environmental risk.
   c) Ensure that all our direct suppliers implement a quality management system which meets the requirements of ISO 9001 or ISO/TS 16949 standards or higher and conducting a regular supplier quality risk assessment for relevant direct suppliers.
   d) Integrate a preference for suppliers who are meeting the Sustainability requirements of Hilti.
   e) Maintain our supplier turnover rate below ca. 30% by targeting long-term sustainable client relationships.

2. To maintain ethical and social operations, we aim to:
   a) Achieve that all our suppliers have signed the CoCfS or otherwise submit their own code, which meets our requirements.
   b) Support all our direct suppliers to use reasonable efforts to promote our Policy amongst their suppliers.
   c) Continuously provide training to all Employees on corruption, money laundering and bribery.
   d) Especially for direct suppliers in countries with less established Sustainability practices and within material groups with substantial Sustainability impact, we offer and provide training on social practices on a regular basis, thereby promoting positive social impact action. In case of non-attendance, we reserve the right to consider this accordingly in our purchase decision and/or end supplier relationships according to clause 5 (i).
   e) Verify the labour conditions of our direct suppliers’ employees in areas identified as risky, by performing (external) on-site audits regularly or on an ad hoc basis if necessary.

3. We optimize natural resources & circularity by aiming to:
   a) Propagate within our supply chain on integrating environmental systems such as ISO 14001 certifications.
   b) Limit the use of Hazardous Substances.
   c) Introduce an annual training for our supply teams which explores the environmental challenges in all Hilti relevant industries.
   d) Encourage direct suppliers to adopt a more circular approach within their own business models with the goal of reducing their resources used.
   e) Improve transparency for Recycled Content and increase our use of Recycled Content.
   f) Increase the coverage of commodity materials sourced within the region of operation.
   g) Reduce carbon emissions generations of our supply chain by encouraging our direct suppliers to monitor their carbon emissions and eventually become carbon neutral.

4. To mitigate conflict mineral risk, we aim to:
   a) Keep alignment with the Responsible Minerals Initiatives’ objectives.
   b) Ensure all applicable direct suppliers conduct the due diligence of their conflict / responsible minerals (incl. 3TG) sourcing.
   c) Ensure all applicable direct suppliers have completed the Conflict Minerals Reporting Template (CMRT).

5. To promote supplier compliance, we aim to:
   a) Require that our suppliers comply with all applicable laws and regulations.
   b) Establish a grievance mechanism to speak up on human rights and environmental risks or violations and actively communicate about the use of this mechanism with our direct suppliers as well as their suppliers.
   c) Partner with suppliers that use responsible sourcing and certification schemes.
   d) Make sure that our direct suppliers comply with an internationally recognized set of labour standards based on ILO conventions or equivalent. These include especially a strict prohibition of forced and child labour, a respectful and non-discriminatory treatment of all employees as well as the payment of fair wages.
   e) Monitor proactively the environmental and social compliance in our direct supply chain.
   f) Track and manage product-related compliance certificates and declarations from suppliers, suppliers’ environmental certificates, signed CoCfS, results from the audit conducted, and external ratings.
   g) Verify the compliance with our CoCfS and the implementation into our agreements by conducting internal and external audits for selected suppliers.
   h) Address cases of non-compliance with appropriate steps/remedial actions, e.g. work together with the affected suppliers to find a mutual solution within an appropriate time frame.
   i) We reserve the right to end supplier relationships in the event of serious and/or repeated infringements of this Policy.
Glossary/Definitions

Circularity
The circular economy aims to detach economic success from linear resource consumption and to use resources carefully so that no valuable materials are lost. We understand circularity as generating maximum added value with a minimum use of virgin raw materials.

CMRT
The Conflict Mineral Reporting Template is a free, standardized reporting template developed by the Responsible Minerals Initiative (RMI) that facilitates the transfer of information through the supply chain regarding mineral country of origin and the smelters and refiners being utilized.

CoCfS
The Hilti Code of Conduct for Suppliers and third party intermediaries is created for the purpose of ensuring that company’s suppliers put into place safe working conditions and their employees are treated with respect. Also, their production processes being responsible and environmentally friendly.

Conflict minerals
Conflict minerals are gold, tin, tantalum and tungsten as well as their ores as defined by Regulation (EU) 2017/821 (EU conflict minerals regulation).

Direct supplier
A contractual partner whose supplies are necessary for the manufacture of Hilti’s products or whose products are being sold by Hilti.

Direct supply chain
The direct supply chain includes our tier one suppliers.

Employees
(As defined in Preamble)

Grievance Mechanism
A grievance mechanism is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or civil society organizations that are being negatively affected by certain business activities and operations.

Hazardous Substances
A hazardous substance is a chemical element, molecule, or mixture thereof, that has one or more inherent hazardous properties. Hazardous properties include toxicity to humans, animals or plants, persistency and polluting properties.

Hilti Code of Conduct
The Hilti code of conduct is a set of rules outlining the norms, rules, and responsibilities or proper practices of Hilti and its employees.

ILO conventions
The International Labour Organization is the UN specialized agency which seeks the promotion of social justice and internally recognized human and labour rights. International Labour Standards are legal instruments drawn up the ILO’s constituents (governments, employers and workers) and setting out basic principles and rights at work.

Policy
(As defined in Preamble)

Recycled Content
Recycled content is the % of a product’s mass made of non-virgin material, with a correspondingly lower CO2 and material footprint.

Responsible Minerals Initiative
Resources for companies from a range of industries addressing responsible 3TG challenges in their supply chains.

Sustainable Sourcing
Sustainable Sourcing is the adoption and integration of our Sustainability principles into our sourcing process and decisions, while ensuring that they meet the needs of our business and its stakeholders.

Sustainable Sourcing Policy
A principled approach to sustainable sourcing adopted or proposed by an organization or individual.

Sustainability
Sustainability means meeting our own needs without compromising the ability of future generations to meet their own needs. In addition to natural resources, Sustainability also includes social and economic resources.

3TG - Responsible Minerals
The specific minerals considered in the legislation are identified as Tungsten, Tantalum, Tin and Gold. Formerly called conflict minerals focused on 3TG only. This widens now the scope to include non-ferrous minerals and various conflict areas beyond Central Africa, defined as responsible minerals approach.