

## **STATEMENT ON MODERN SLAVERY**

### **Disclosure Under the UK Modern Slavery Act 2015: Slavery and Human trafficking statement**

### **Disclosure Under the Australian Modern Slavery Act 2018: Slavery and Human trafficking statement**

Hilti (Gt. Britain) Ltd. is required to prepare a slavery and human trafficking statement for each financial year under section 54 (1) of the Modern Slavery Act 2015. This letter contains the statement for the financial year 2023/24 for Hilti (Gt. Britain) Ltd. As a globally active company with complex value chains, Hilti is exposed to human rights-related impacts. We strive to avoid adverse human rights impacts throughout our business operations and in the communities in which we engage.

We are committed to the ten principles of the UN Global Compact and to respecting internationally recognized human rights, as set out in the Universal Declaration of Human Rights and the Declaration of the International Labor Organization on fundamental principles and rights at work, and we are committed to protecting these rights. They are reflected in our Code of Conduct for Employees, our internal policies, and our Code of Conduct for Suppliers.

Our Modern Slavery Statement serves as a slavery and human trafficking statement under the UK Modern Slavery Act 2015 (UK Act) and as a joint modern slavery statement under the Australian Modern Slavery Act 2018 (Australian Act).

For the purposes of this Statement, we have considered the definitions of modern slavery in both the UK and Australian Acts, which cover various forms of exploitation including:

- slavery, servitude and forced or compulsory labour;
- human trafficking;
- sexual exploitation and forced marriage;
- child labour;
- deceptive recruiting practices; and
- debt bondage.

### **Business structure, operations and supply chains**

Both entities [Hilti \(Aust.\) Pty. Ltd.](#) and [Hilti \(Gt. Britain\) Ltd.](#) (Hilti) are part of the global [Hilti Corp.](#) based in Liechtenstein. We offer solutions for the professional construction industry – supplying products, system solutions, software, and services worldwide and employ around 30.000 persons in more than 120 countries. For more information about our governance, organisation, and leadership, please refer to our [homepage](#).

We work with roughly 900 core direct suppliers to purchase the material that goes directly into our products. Approximately 65 percent of these suppliers are based in Europe, 28 percent in

the Asia/Pacific region and 7 percent in the western hemisphere outside Europe. We procure more than 42 percent of our direct purchase volume locally in the sales regions where the product will eventually be sold.

A dedicated global process manager is in place to coordinate sustainability in our supply chain and product design (see discussion about Ariba and Integrity Next in [Actions taken to address modern slavery risks: Due diligence processes and remediation processes](#)). This enables an effective and aligned global approach for sustainable sourcing and development activities. Our Sourcing Excellence Team is responsible for the topic of supplier sustainability for direct materials. The Global Procurement Indirect Materials function leads the topic of supplier sustainability for indirect materials. The function is responsible for ensuring that processes for supplier selection and supplier relationship management exist and are adhered to. Procurement Indirect Materials drives successful projects that are at the top of the sustainability agenda for Hilti, such as global renewable energy sourcing, travel demand management, offsetting projects for CO2 compensation, shifting to lower emission vehicles and many more.

## **Hilti Policies and values**

As part of the international Hilti group of companies, Hilti (Gt. Britain) Ltd. and Hilti (Aust.) Pty. Ltd. are vigilant to ensure our business and supply chains are free of slavery, operate with integrity and in line with Hilti's corporate values and [Code of Conduct](#). In 2006 we joined the UN Global Compact and have promoted the principles and values set out therein ever since. We report on our progress by publishing our annual [Sustainability Report](#).

Since 2012, we have formally required each of our direct suppliers to commit to compliance with our [Code of Conduct for Suppliers](#) as well as [Hilti's Sustainable Sourcing Policy](#), which clearly sets out Hilti's expectations and requirements.

Both the Code of Conduct for Suppliers and the Sustainable Sourcing Policy must be contractually agreed to before we embark on a business relationship.

Alternatively, suppliers may have their own established principles or codes that meet our requirements.

These include principles against bribery, corruption and the violation of human rights, and in favour of humane working conditions and minimum wages, as well as the correct handling of hazardous substances and environmental protection.

In terms of specific human rights, our suppliers commit, for example, to eschew slave labor, servitude, forced or compulsory labor and human trafficking, to pay minimum wages and not to make use of child labor.

Since 2019, all indirect materials suppliers have been assessed on a multi-factor, risk-based approach. Agreement with the Code of Conduct for Suppliers is a prerequisite for doing business with all suppliers not classified as low risk. The implementation and application will be further supported by our Indirect Procurement Sustainability Policy, which was launched in 2022.

The Hilti Code of Conduct, specifically the sections on human rights and the environment, as well as the Anti-Corruption Policy, must be obeyed when sourcing decisions are taken.

Suppliers can expect Hilti to abide by and actively live by the core values set out in its Code of Conduct which is mandatory for all Hilti employees. Vice versa, Hilti expects suppliers to abide by all applicable national and international laws and regulations as well as by the requirements of the Code of Conduct for Suppliers.

Beside that Hilti suppliers participate in external platform service providers assessment regarding sustainability, business ethics and human rights.

**Risks of modern slavery in our operations and supply chains**

We are constantly studying industry best practices and statements from government and non-governmental agencies, that is why we are very critical of our human rights due diligence. We not only aim to tackle but also to prevent and foresee possible dangerous situations. We looked for and identified risks in some areas of our business. Based on our findings and on public press releases, we primarily discerned risks in:

- the production of Hilti branded clothing
- the supply of indirect material
- the extraction of electronic components, raw materials and minerals

The risk assessment was based on actual reports of Human rights violations of media, government and non-government agencies. The clothes production is addressed in collaboration with our global suppliers for clothing, as part of our internal procurement process. This topic was also assessed by an external inspection and certification provider regarding the occupational safety and working conditions. Recently, in light of the public discussion on reported incidents from indirect material, e.g. tea and solar panels, we decided to put in place a system whereby our suppliers working in this sector are now subject to new ad-hoc requirements and standards. The main novelty resides in the introduction of the duty to submit additional evidence of the suppliers' respect of and compliance with human rights and of the duty to guarantee that they fulfill this obligation respecting our standard approach in such instances. (see above Hilti [Policies and values](#))

Regarding the raw material extraction, an in-scope material short-list was created and will be the starting point to address modern slavery and other relevant human rights and labour standard risks. In a first step, all direct suppliers have been required to provide insights into their supply chain, based on a standard risk assessment. As a second step, sustainability assessments such as those of EcoVadis or Integrity Next are consulted, which are entered into a bonus malus system in our supplier rating. After evaluating our entire supplier portfolio, we plan to focus more on **sustainability initiatives for individual material groups** in a third step.

<b>Under review</b>
Lithium
Aluminium
Copper

Nickel
Platinum Group Metals (PGMs)
Rare Earth Elements (REEs)
<b>Conflict Mineral Monitoring</b>
Tin
Tantalum
Tungsten
Gold
Cobalt
Mica

From the list you can see that we currently process the minerals tungsten and cobalt in our products, especially in the tips of our drills and chisels, and to a much smaller extent in batteries. These elements are also contained in many machines in our plants. Currently, there are no equivalent technical replacements for tungsten and cobalt for our purposes. However, our long-term goal is to replace conflict materials with less problematic substances. We are conducting a multi-year internal research project to replace cobalt with nickel or iron in the medium term.

Within the scope of raw materials due diligence, we are critically aware that we currently process various materials in our products, which may originate from minerals sourced from Conflict-Affected and High-Risk Areas (CAHRAs). E.g. gold mining in Ethiopia, Tanzania, Senegal, Cameroon and Venezuela has been tied to human rights abuses and environmental pollution. We are aware of this and work with our direct and indirect suppliers to identify first their sources of Gold used in electronic components to later address any identified adverse human rights and/ or environmental effects within this area according to the concept of stay in according to the OSCE procurement guidelines. At present, there is no equivalent substitute for these minerals, the extraction of which may help finance armed conflicts or may lead to political instability, insecurity, widespread violence, and widespread human rights violations in CAHRAs.

To mitigate associated risks, we ask our suppliers about the origins of their materials as described above, and we require them to critically assess their own supply chains and to ensure that no materials derived from regulated conflict minerals are present in our products. By using the [Conflict Minerals Reporting Template \(CMRT\)](#), developed and maintained by the [Responsible Minerals Initiative \(RMI\)](#), we gather information throughout the supply chain regarding the countries of origin and the smelters and refiners utilised for processing tin, tantalum, tungsten, and gold (commonly abbreviated as "3TG"). In addition, by using the [Extended Minerals Reporting Template \(EMRT\)](#) from RMI, we also gain clarity on our cobalt and mica supply chains. Both the CMRT and EMRT standards are designed to be aligned with the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#).

We have successfully obtained replies from almost all our relevant suppliers, the vast majority of whom either declared that 3TG minerals, cobalt, and mica are not contained in the products they supply to us, or that any 3TG minerals, cobalt, and mica contained have been properly sourced, as evidenced by an attached CMRT and/or EMRT. Furthermore, we have established a clear process flow, in which a supplier is contacted directly through the Corporate Compliance team, if they do not respond to our CMRT and EMRT requests, or if the requested CMRT and EMRT have not been completed correctly and fully.

Our long-term objective remains to replace all materials potentially linked to CAHRAs with less problematic ones, as part of larger-scale efforts to make our product designs more sustainable. Within this scope, we would like to highlight three key initiatives aimed at reducing the amount of 3TG minerals and cobalt contained in our products. First, we are conducting extensive internal R&D projects to replace the cobalt- and nickel-based binders in our diamond segments with iron-based solutions. Second, we are currently replacing some of the hard materials used for saw blade applications from traditional tungsten carbide – cobalt (WC-Co) hardmetals to titanium carbonitride (TiCN) based cermets. These cermets have significantly reduced contents of tungsten, cobalt, and tantalum by between 50 and 90%. Third, we are actively researching the potential of novel material solutions for percussion drilling applications as part of a sponsored PhD project in partnership with the Technical University of Vienna, and also bilaterally with other academic institutions and through our involvement in industry consortia and trade associations. This research work is investigating several more sustainable alternatives to traditional tungsten carbide – cobalt (WC-Co) hardmetals, such as high entropy carbides (instead of tungsten carbide), nickel- and/or iron-based binders (instead of cobalt), and alternative manufacturing routes that enable lower cobalt contents.

The most recent development in this space is our active involvement in the AIM-NEXT (Accelerate the Design and Insertion of non-CRM Hard Materials for Next Generation Extreme Applications) project, which will focus on establishing new experimental methods and computational approaches for the design of tools without Critical Raw Materials (CRM) such as tungsten or cobalt. This 4-year-long project will kick off in September 2023, and will fund 10 researchers at institutions across the EU. Hilti will host 2 researchers as part of AIM-NEXT, who will focus on 1) strengthening the binder phase for percussive drilling applications, without the inclusion of cobalt, and 2) microstructural design for damage tolerant components exposed to wear. Furthermore, our internal experts will play a key advisory role for other topics within the AIM-NEXT project, in close collaboration with our research and industry partners. We believe that AIM-NEXT can play a key role towards reducing the dependency of the European market to tungsten and cobalt, which are currently essential CRMs for high-performance applications such as percussion drilling.

## **Actions taken to address modern slavery risks: Due diligence processes and remediation processes**

As described, we actively participate in international efforts aimed at improving ethical and social standards in business life. We strive to have policies encompassing the entirety of our business structure.

Our Sustainable Sourcing Policy provides internal guidance on how to verify the compliance of supplier contracts, managed by internal experts. Before starting a new serial supply, we perform special audits which focus on product quality. If there is a suspicion or indication of a violation of our values, non-compliance with local country regulations, violation of human rights, use of child labor or other suspicion related to our Code of Conduct for Suppliers, we will follow up with the supplier, either internally or through Bureau Veritas for on-site verification. If we become aware of a violation, we take appropriate steps and measures to assure supplier compliance, including remedial measures and maintain an anonymous grievance mechanism for third parties. Hilti will terminate the business relationship for violation of the Code of Conduct, where the supplier does not show the desire and will to improve the situation, or where there is not sufficient improvement after repeated violations.

Beside the third-party grievance mechanism, internal confidential reporting procedures are adopted and published for employees to report any violations of the Code of Conduct, within Hilti or our supplier network.

Additionally, we collaborate with Bureau Veritas to check compliance with (domestic) regulations and good standards of treating employees, including working conditions and safety standards. If a business partner violates the standards they have agreed to, and there is not sufficient improvement in this situation, we terminate the business relationship.

During 2022, a total of 23 audits were carried out with our suppliers to see if they are compliant with our Code of Conduct for Suppliers. The results of the audits show that all of them performed on a good basis overall, and none of the business partners had to be reassessed. The SAP Ariba supplier relationship management system is the basis for handling all supplier-related information digitally on one platform. We are already connected with almost all of our roughly 900 core suppliers via this system. These core suppliers handle 99 percent of our total purchasing volume of direct materials. Our goal is to have the contract documentation and communication of all suppliers on this one platform, including those from whom we purchase our indirect supplies, such as office supplies and services. This enables us to document standards, product compliance statements, agreements and audit results, helping us in systematically cultivating our supplier relationships. As a complement to SAP Ariba, our direct procurement sourcing team also leverages the capabilities of the IntegrityNext supplier assessment platform.

The close collaboration with our suppliers makes it possible to directly incorporate feedback and common insights. During the reporting year, we intensified the exchange with selected major suppliers, conducting workshops to identify potential for product improvements.

We started with an exchange exploring our common sustainability strategy, our values and goals, proceeded with deep dives into the sourcing strategy, elaborating our expectations towards our suppliers, and finally conducted a workshop resulting in concrete actions and initiatives at a product level.

**What Hilti expects of suppliers:**

- To ensure healthy and safe working conditions
- To effectively prevent and control hazards and to ensure product safety
- To pay at least the legal minimum wage and to provide the overtime compensation specified under applicable laws and regulations

**What suppliers may not do:**

- Make use of child or forced labour (according to ILO Conventions 138 and 182 as well as 29 and 105)
- Discriminate on the basis of ethnicity, nationality, sex, cultural background, race, age, disability, religious beliefs or sexual orientation
- Exceed the maximum legal working hours excessively and for long periods (according to ILO Conventions 1 and 30)
- Obstruct their workers' rights to assembly, association and collective bargaining
- Make use of any type of mental and/or physical forms of disciplinary action and engage in systematic harassment

## **Effectiveness of actions taken to address modern slavery**

Sustainability assessments such as those of EcoVadis or IntegrityNext are consulted, which are entered into a bonus malus system in our supplier rating. A total of 23 audits were carried out at our suppliers in 2022 (80 audits in 2020). These direct supplier audits are repeated every three to five years and include working conditions and safety standards.

## **Training on modern slavery and trafficking**

Comprehensive and target-group oriented compliance training concepts ensure that we inform our employees about modern slavery as well as trafficking.

On-site training courses serve both the general introduction to compliance issues and to deal with individual aspects in more depth and are attended by about 1,500 employees annually.

All new general managers of a market organization are trained on compliance issues in their area of responsibility as part of comprehensive training for general managers immediately after taking office.

All Hilti employees in sourcing and in purchasing-related functions are responsible for complying with our Anti-Corruption Policy, our Code of Conduct, and any supplementing policies, instructions and guidelines. To ensure the correct application of this policy, we are training our internal supply community on the topic of sustainable sourcing.

In addition, we have systematically introduced mandatory e-training to educate the supply community on (product) compliance topics related to procurement (see Hilti Policies and values).

Moreover, especially for direct suppliers in countries with less established sustainability practices and within material groups with substantial sustainability impact, we offer and provide trainings on social practices on a regular basis, thereby promoting positive social impact action.

**This document was signed by the respective General Managers of the entities Hilti (Aust.) Pty. Ltd. and Hilti (Gt. Britain) Ltd.**