

Modern Slavery Policy

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Modern Slavery Policy

Introduction

At Hitachi Construction Machinery Australia Pty Ltd (HCA), we are committed to conduct our business in accordance with the highest standards of regulatory compliance. This “Modern Slavery Policy” outlines HCA's efforts to be in compliance with the regulations of Modern Slavery Act 2018.

Why do we need a Modern Slavery Policy?

The purpose of this Modern Slavery Policy is to set out guidelines and procedures in order to be compliant with the Modern Slavery Act 2018.

What is Modern Slavery Act?

An Act requiring business entities to report on the risks of modern slavery in their operations and supply chains and actions to address those risks.

What is Modern Slavery?

The term modern slavery is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Modern Slavery includes eight (8) types of exploitation as per below:-

SN	Type of Exploitation	Definition	Example
1	Trafficking in persons	Describes the recruitment, harbouring and movement of a person for exploitation through modern slavery.	An orphanage actively recruits children from families and pays parents to place children in their care. They promise children will be well educated and cared for in the orphanage. The children are removed from their parents and housed in substandard conditions. The orphanage makes false claims that the children are orphans to attract donations. The children are exploited in the orphanage, including for sexual exploitation and for the purpose of orphanage tourism. A number of Australian travel companies regularly visit the orphanage with tour groups.
2	Slavery	Describes situations where the offender exercises powers of ownership over the victim, including the power to make a person an object of purchase and use their labour in an unrestricted way.	A group of migrant people are forcibly detained by a people smuggler and then sold to a fishing company. The migrant people are taken to sea and not allowed to return to shore. They are forced to work 20 hours a day and receive no pay and little food. They are regularly beaten and abused. The fish they catch are used in products sold in major grocery stores overseas.
3	Servitude	Describes situations where the victim's personal freedom is significantly restricted and they are not free to stop working or leave their place of work.	A company provides an expatriate worker with an allowance to hire a domestic servant. The couple hire a migrant person for this role. This person is never paid, is physically abused and made to sleep in the garage. The couple also monitor the servant's communication with family in their home country. When the couple are away they lock all the exits from the home so the servant cannot leave. They also tell the servant that if they escape the local police will imprison them for working illegally.
4	Forced Labour	Describes situations where the victim is either not free to stop working or not free to leave their place of work.	Staff are employed in a garment factory that makes clothes for a large fashion brand. The factory stops paying them full wages after six months and instead pays them less than half the local minimum wage. When they complain, the staff are told by their manager that their families if they do not continue working.

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Reliable solutions

SN	Type of Exploitation	Definition	Example
5	Forced Marriage	Describes situations where coercion, threats or deception are used to make a victim marry or where the victim does not understand or is incapable of understanding the nature and effect of the marriage ceremony.	A global extractives company builds a camp for its foreign workers near an isolated local village. Some of the workers secretly pay locals to provide sexual services. Several of the workers then force the locals to 'marry' them by threatening to publicly shame them if they refuse. The locals feel they cannot refuse because doing so would expose them and their families to shame and they would no longer be able to remain in the village. After the marriage ceremony, the locals are repeatedly sexually abused and forced to perform menial household tasks
6	Debt Bondage	Describes situations where the victim's services are pledged as security for a debt and the debt is manifestly excessive or the victim's services are not applied to liquidate the debt, or the length and nature of the services are not limited and defined.	A person accepts a job as a construction worker overseas. The employer tells the worker that they will need to pay a recruitment fee and repay their flight costs. These expenses will be deducted from their wages. When the worker arrives, the employer exaggerates the size of debt and confiscates their passport for security reasons. After six months of working the worker has not received any wages. When they questions the employer they are told his debt has grown even larger because of interest. The worker tries to leave but is returned to the employer by local authorities
7	Worst forms of Child Labour	Describes situations where children are: • exploited through slavery or similar practices, including for sexual exploitation or • engaged in hazardous work which may harm their health, safety or morals or • used to produce or traffic drugs.	A husband and wife are forced to work at a brick kiln to pay off an inflated debt incurred by the husband's father. They have a young son. Once the son is old enough to carry materials, the owners of the brick kiln make him work in the quarry with his parents to help pay off the debt. There are no breathing masks or other safety equipment in the kiln, which uses dangerous chemicals and the son works 10-12 hours a day. The bricks are used by a foreign company to build their new office in the country's capital.
8	Deceptive Recruiting for Labour or Services	Describes situations where the victim is deceived about whether they will be exploited through a type of modern slavery.	A young person is travelling overseas and has a temporary work visa. They do not speak the local language. The young person answers an advertisement for seasonal farm work posted by a labour hire company. They are they will be paid in cash for picking a certain amount of produce each day and that will be provided with free accommodation. The labour hire company takes the person to a small private home where 15 other workers are staying. They are driven to a farm each day and driven back to the house in the evening. After two weeks they has not been paid. When the person complains, the labour hire company tells them that they have breached their visa by working too many hours and will be detained by immigration authorities if they leave.

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What happens if there is a Non-Compliance of Modern Slavery Act?

Currently there is no financial penalty imposed for non-compliance of the reporting requirement of the Modern Slavery Act. However, under the Act, the Government has the power to publicly name entities that fail to comply with the reporting requirement. Failure to comply can also significantly damage HCA's reputation, undermine its ability to do business, and damage investor confidence.

Whom is the Act applicable to?

Entities having revenue of at least AUD 100 million over its 12 months reporting period **AND IS EITHER**

- a) An Australian entity **OR**
- b) A foreign entity carrying on business in Australia

What needs to be prepared?

Modern Slavery Statement (MSS) is required to be prepared for the reporting period of 12 months and needs to be submitted to the Australian Border Force (ABF) within 6 months of the end of the reporting period of HCA. The ABF would then publish the statement on online central register.

The requirement to report annually under the Act encourages entities to continually assess their modern slavery risks and improve their responses over time. Continuous improvement is a key element of an effective response to modern slavery risks.

MSS must explain what the entity is doing to assess and address the risks that modern slavery practices may be occurring in its global and domestic operations and supply chains and the operations and supply chains of any entities it owns or controls.

Modern Slavery Statement (MSS)

Modern Slavery Statement is to be prepared annually and submitted to Australian Border Force within 6 months of the end of reporting period of HCA (i.e. by 30 September each year).

Seven (7) mandatory criteria that need to be addressed in the Statement are:

- 1) identify the reporting entity (HCA)
- 2) describe the HCA's structure, operations and supply chains
- 3) describe the risks of modern slavery practices in the operations and supply chains of HCA and any entities it owns or controls
- 4) describe the actions taken by HCA and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes
- 5) describe how HCA assesses the effectiveness of these actions
- 6) describe the process of consultation with any entities HCA owns or controls
- 7) provide any other relevant information

Approval of Modern Slavery Statement

The Modern Slavery Statement must be approved by the Board of Directors (BOD) and signed by one of the Directors. The Statement needs to mention that the requirement of approval has been met by stating explicitly that it has been approved by the BOD and mentioning the date it has been approved by the Board.

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Submitting the Modern Slavery Statement

On approval of the Board of Directors and signing by one of the Directors, the Modern Slavery Statement is to be submitted to the Australian Border Force (ABF). ABF would then publish the Statement on the online central register. The Statement would be submitted by the HR Department to the Australian Border Force.

Risks of Modern Slavery Practices

The '*Risks of Modern Slavery Practices*' means the potential for HCA to **cause, contribute to, or be directly linked to** modern slavery through its operations and supply chains – in other words there are three (3) types of risks that HCA may be involved in modern slavery:-

Risks that an entity may cause modern slavery practices

This means the risks that HCA's operations may directly result in modern slavery practices.

Risks that an entity may contribute to modern slavery practices:

This means the risks that HCA's operations and/or actions in its supply chains may contribute to modern slavery. This includes acts or omissions that may facilitate or incentivise modern slavery.

Risks that an entity may be directly linked to modern slavery practices

This means the risks that an HCA's operations, products or services (including financial products and services) may be connected to modern slavery through the activities of another entity it has a business relationship with. Business relationships of HCA include all of the entities in its supply chain, including entities that it does not have a direct contractual relationship with. This means that HCA needs to consider how it may be directly linked to modern slavery practices throughout its entire supply chain. HCA's business relationships also include its business partners and investors and borrowers. However, for the purposes of the Act, HCA's business relationships do not include its customers who purchase its products and services.

Types of Risk Assessment

Assessing risks arising from Modern Slavery Practices have been divided into two (2) categories as follows:-

- a) Internal/Direct Risks – the risks arising within HCA by way of its *operations or direct exploitation* of its employees
- b) External/Indirect Risks from Supply Chain – the risks that HCA may *contribute to or be linked to* exploitation by way of its Supply Chain

Assessing Internal/Direct Risks

On a quarterly basis the HR department conducts the Assessment of Internal/Direct Risks by reviewing the answers to the following ten (10) questions:-

- 1) Are HCA's employees or contract workers free to lawfully resign their employment without restriction or penalty?
- 2) Are workers paid their legal pay entitlements, on time and provided with payslips clearly showing how wages have been calculated and details of any deductions?
- 3) Does HCA require its employees or contract workers to lodge deposits of money, or security deposits of money, or "security deposits", which could involve financial or personal property?
- 4) Does HCA retain any original identity papers or documents of its employees or contract workers (e.g. passport, birth certificates, national identity cards etc.)?

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- 5) Does HCA deduct wages, impose monetary fines and / or withhold pay or pay entitlements of workers as fines or penalties for misconduct or poor production / performance?
- 6) Does HCA undertake checks to ensure all employees and workers are above minimum age for work?
- 7) Are all workers provided with a written contract in a language they understand, where terms of employment including wage rates and hours of work are clear?
- 8) Where accommodation is provided to workers (for example, dormitories, hostels, or other forms of shared accommodation), are regular checks conducted to ensure that the living conditions are adequate and meet legal requirements? For example, fire safety, space, temperature, lighting, sanitary facility, privacy, ventilation.
- 9) Where accommodation is provided, are workers free to leave at their own will?
- 10) Do workers have mechanisms to anonymously raise concerns related to any potential modern slavery practices identified?

The answers to above mentioned questions would assist in providing responses to the Modern Slavery Questionnaires received from the customers of HCA.

Assessing Risks from Supply Chain

Supply chains are often long and complex. In many cases, HCA may not have direct contractual relationships with most of the entities in its supply chains. This means HCA may not have visibility of what is happening deep in its supply chains. As a result, it may be difficult to assess modern slavery risks.

The Audit and Compliance department of HCA annually conducts the Risk Assessment of the suppliers of HCA as per below:-

- a) For Existing Suppliers
 - Sending Modern Slavery Questionnaires to Suppliers requesting information pertaining to Modern Slavery practices including the sub-suppliers and country of origin and subsequently reviewing the responses received therein
 - Searching online register of Australian Border Force to check compliance of an entity/supplier with Modern Slavery Act
- b) For New Suppliers
 - Review of Modern Slavery Compliance Certification in the Supplier Setup form (EF043) for suppliers having annual turnover greater than AUD 100 Million

Training

Training to all Managers and above, staff of CSG AP team, CSG Parts and CSG Sales is provided via the internal Training portal to increase the awareness for Modern Slavery Practices and complying with the requirements of the Modern Slavery Act 2018.

Procedure for Dealing with Modern Slavery Practice

In case of an employee being aware of any Modern Slavery activity being practiced by the Company or any of its Supplier, the employee may blow the whistle as per the Whistle Blower Policy (ID077).

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Documentation

Document Number	Document Title
ID077	Whistleblower Policy
EF043	Supplier Setup Form