



Modern Slavery Statement 2021

1 Introduction

This Modern Slavery Statement (**Statement**) is made pursuant to the *Modern Slavery Act 2018* (Cth) by STIHL Pty Ltd (**STIHL Australia, we, us, our**) in respect of our actions taken to assess and address modern slavery risks for the year ended 31 December 2021 (**Reporting Period**).

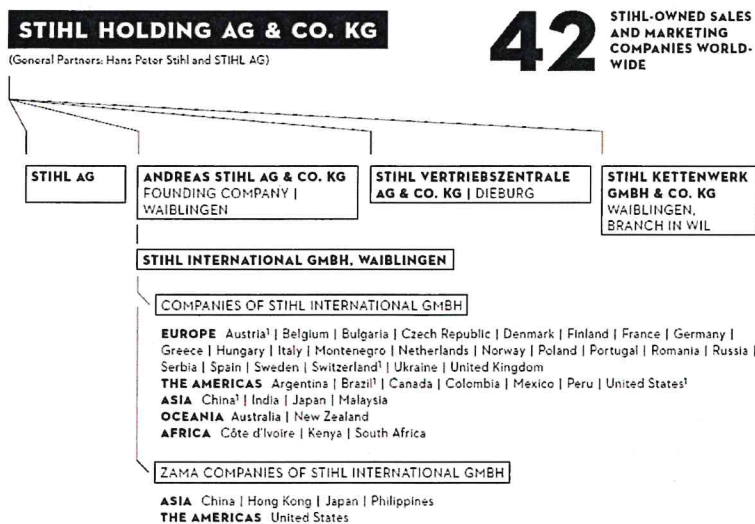
STIHL Australia respects internationally proclaimed human rights and rejects all forms of modern slavery, including forced labour and child labour. In furtherance of our approach to ethical business conduct, we have continued to examine the modern slavery risks in our operations and supply chains, assess our capability to mitigate and address those risks and identify ways to enhance our capabilities.

2 Our Structure, Operations and Supply Chains

2.1 Structure

STIHL Australia is a wholly owned subsidiary of STIHL International GmbH which is owned by Andreas STIHL AG & Co, a global company headquartered in Germany (**STIHL**). STIHL develops, manufactures and distributes outdoor power equipment for forestry, agriculture, landscaping, construction and discerning consumers. Its product range is complemented with digital solutions and services. STIHL distributes its products through 55,000+ authorised, independent servicing dealers as well as its own online shops. STIHL consists of 42 sales and marketing subsidiaries, approximately 120 importers, and operates in over 160 countries.

The following figure outlines the corporate structure of STIHL:



¹STIHL production and sales companies.

2.2 Operations

STIHL has manufacturing operations in seven countries: Germany, the U.S, Brazil, Switzerland, Austria, China and the Philippines. STIHL Australia became part of STIHL in 1971, with responsibility for marketing and distribution in Australia and the Pacific Islands. STIHL Australia is a proprietary company limited by shares and the registered office and principal place of business is located at 5 Kingston Park Court, Knoxfield Victoria 3180.

Our Central Distribution Centre in Knoxfield, Melbourne, supplies product to state warehouses in Queensland and Western Australia using computerised storage and retrieval systems. We import products manufactured by STIHL in Europe, Asia and the USA and distribute the products through a network of over 600 specialist dealers in both rural and metropolitan markets. Our dealers are independent from the business (they are not franchised). We do not own or control any entities and therefore mandatory reporting criteria 6 is not applicable to our business.

STIHL Australia employs approximately 100 employees in Australia who perform roles across the following divisions:

- Executive Management
- Financial and Information Technology
- Sales
- Supply chain
- Marketing
- Human Resources

Over 90% of our employees are employed on a permanent, full time basis. We have a small number of part time employees and casuals in our distribution centres. In our QLD and WA locations, employees perform roles such as field sales, product training support, warehouse storeman / picker and packer. In Victoria, employees perform roles such as customer service, executive management, finance, IT, administration support, marketing, human resources, field sales, product training support, warehouse storeman / picker and packers.

2.3 Supply Chains

Goods and services not for resale

In 2021, we procured services and suppliers from over 300 third party suppliers. Of these, freight/transportation was the largest procurement spend during the Reporting Period. During the Reporting Period, STIHL Australia procured goods and services predominately from suppliers domiciled in Australia across a number of sectors, including:

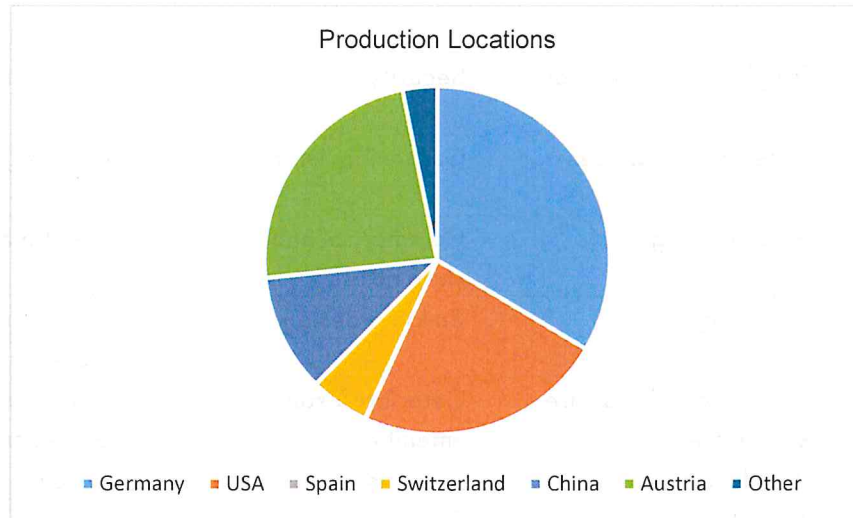


Freight/Transportation	Security	Financial/Accounting
Professional services	Gardening/landscaping	Cleaning
Graphic design	Commercial and retail shop fitters	Event management
Marketing	Building design	Document management
ICT services, hardware & software	Catering & staff amenities	Hand tools and cutting blades and wheels
Fleet leasing	Forklifts	Hotels
Promotional products	Recruitment	Storage
Commercial leases	Recycling	Steel wedges and steel shelving
Occupational health and safety	Signage	Postage
Utilities	Office consumables and clothing	Industrial machinery, including vacuum cleaners, and machinery rental
Helmets, glasses and safety gear	Contract packing	Augers and drilling parts
Oils and fuel stabiliser additives	Purchase store displays and shop fitting modules	Property/landlord

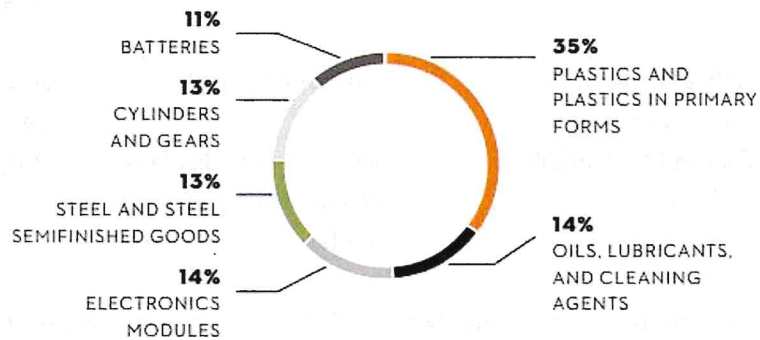
Although our suppliers are primarily domiciled in Australia, a number of them supply us with products manufactured elsewhere and each of them will have their own extensive supply chains.

STIHL products

STIHL Australia imports products manufactured by STIHL for distribution from several worldwide locations. The worldwide manufacturing network consists of STIHL owned and operated production plants in Germany, Switzerland, Austria, USA, Brazil and China. All production is under the control of STIHL and subject to STIHL policies. The approximate breakdown of the country of production of STIHL products is shown in the graph below. Products manufactured overseas include, for example, spare parts in Austria, and chainsaws in Switzerland.



The graph below sets out the purchasing volume of essential production by type of material. It is a consolidation of STIHL production sites.



¹ Production companies only, not including ZAMA Group.

The 2021 Sustainability Report published by STIHL (**Report**) can be viewed on the company website at this link <https://www.stihl.com/Sustainability.aspx>. As noted in the Report, “a significant portion of our purchased materials is attributable to raw materials and upstream components such as steel, magnesium, plastic or electronic modules. Our vertical integration in excess of 50 percent allows us to protect our expertise and manage the individual steps of the production process to ensure STIHL quality. The operation, maintenance, and repair of our equipment, IT services, and technical services account for the lion’s share of our indirect purchasing needs”.



3 Risks of modern slavery practices in operations and supply chains

3.1 Modern slavery risks in our operations

Given the vast majority of our operations are performed in Australia – a country with a lower prevalence for modern slavery risk according to the Global Slavery Index (GSI) – we remain of the view that there is low risk that STIHL Australia’s business operations have caused, contributed or were linked to modern slavery. STIHL Australia appreciates that modern slavery occurs in Australia, however, the industrial relations laws in Australia are highly regulated and we comply with all applicable legislation and have policies and procedures in place in relation to recruitment and workplace relations. All of our employees are remunerated in excess of minimum award wages and remuneration reviews are conducted annually having regard to the consumer price index changes and comparable pay rates for similar positions held in other companies. We also benchmark wages against modern award rates.

STIHL Australia utilises labour hire services to source workers at our warehouses for packing and picking work. People performing base-skilled labour such as warehouse workers may be considered vulnerable to modern slavery practices. However, we consider these risks to be mitigated by our engagement of reputable and registered labour hire agencies based in Australia.

3.2 Modern slavery risks in our supply chains

The most significant modern slavery risks are likely to exist beyond the first tier of our supply chain. Having regard to the United Nations Guiding Principles on Business and Human Rights (UNGPs), we remain of the view that our main exposure to modern slavery to exist via our relationship with third parties, rather than any direct causal impacts or contributory actions of our business. Modern slavery risks, such as forced labour, deceptive recruiting for labour or services, and debt bondage, become more acute in the higher risk sectors where there are opaque and complex subcontracting arrangements in countries with a higher prevalence of modern slavery.

Modern slavery risks in our supply chain of goods not for resale

As noted in the description of our supply chain of goods not for resale, freight comprises a significant portion of our annual procurement spend. STIHL manufacturing sites organises the shipping of STIHL products to Australia. The supply chain supporting the freight sector, in particular international shipping, has a higher risks of modern slavery. There have been reports of forced labour and debt bondage aboard some ships where workers have been unable to disembark for lengthy periods of time and forced to work in poor conditions.

We remain cognisant of the modern slavery risks in the IT and telecommunications hardware, uniforms and other merchandise we use in our business, as well as in catering, cleaning and maintenance services supplied to STIHL Australia. The supply chain supporting these sectors often involve the use of base-skilled workers who are vulnerable to opaque subcontracting arrangements leading to decreased supply chain transparency, labour intensive work coupled with low barriers to entry. These risks are magnified in countries where there are increased prevalence of modern slavery.

Modern slavery risks in the supply chain of STIHL-manufactured products

Some STIHL product or component manufacturing locations are in countries ranked by the Global Slavery Index and other indices as having an increased risk of modern slavery. The US Department of Labor lists electronics manufactured in China as having risks of being manufactured using child labour or forced labour.¹ In efforts to mitigate the risks of operating plants in jurisdictions considered to have increased risks, STIHL implements its policies globally and takes a zero tolerance approach to modern slavery, human trafficking, forced labour and other forms of human rights abuses both in its operations and supply chains.

We understand that there are modern slavery risks associated with the production of rechargeable electric batteries. For example, cobalt from the Democratic Republic of Congo has been listed by the US Department of Labor list as a mineral mined using the exploitation of child labour. The cobalt is used in lithium-ion batteries to make batteries lighter, smaller and more reliable than traditional lead-acid batteries. In efforts to increase transparency and sustainability, STIHL has commenced a pilot investigation in collaboration with the Responsible Minerals Initiatives in relation to cobalt.

Recent reports have identified forced labour risks associated with the manufacture of PVC (polyvinyl chloride) in the Xinjiang Uyghur Autonomous Region (XUAR).² PVC is a component used in extrusions parts and fuel, oil and impulse hoses found in some STIHL products. STIHL procures these parts from suppliers, and therefore, there is the potential risk that the PVC used by our suppliers of these parts may originate from the XUAR. The risk of modern slavery in the sourcing of PVC in these instances may fall within the fourth or fifth tier of our supply chain.

4 Actions to assess and address the risks

4.1 In our operations

As described in our first modern slavery statement, we have a number of policies in place to prevent or minimise the risk of modern slavery in our operations and supply chain. These policies, as summarised below, and continued to be implemented during 2021. We also offer our employees benefits such as additional superannuation contributions, health insurance subsidies and income protection insurance.

During the Reporting Period, we engaged an external subject matter expert to conduct a review of our policies and to identify human rights gaps and to provide us with guidance on our plan to embed human rights in our operations and supply chain.

¹ <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods#:~:text=The%20most%20common%20agricultural%20goods,and%20diamonds%20are%20most%20common.>

² <https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/built-on-repression>



Principles of Social Responsibility³

STIHL has adopted principles that describe how we view our responsibility to the company, its staff and the community in equal measure. STIHL Australia respects the cultural, social, political and legal diversity of societies and nations. It also observes compliance with internationally proclaimed human rights. Our Principles:

- supports the principle of the social market economy and competition
- acknowledges their employees' freedom of association
- rejects any form of forced labour and child labour
- observes equality of opportunities in recruitment and employment
- undertakes to maintain health and safety at work at a high level and to seek constantly to improve it
- supports the integration of physically and mentally handicapped people

Code of Conduct (Code)

Our Code is broad, and requires the employees, contractors, and consultants to treat fellow employees, customers and suppliers with courtesy and respect, which extends to avoiding from refraining in behaviour that constitutes discrimination, harassment, bullying, or victimisation. A breach of the Code may result in disciplinary action, and in serious cases, termination of employment.

Whistleblowers Policy

STIHL Australia encourages the reporting of any instances of suspected unethical, illegal, fraudulent or undesirable conduct involving the company. Accordingly, STIHL Australia provides protections and measures so that those persons who make a report may do so confidentially and without fear of intimidation, disadvantage or reprisal. The policy applies to protected disclosures made by:

- a Director, officer, employee, former employee or contractor of STIHL Australia;
- an individual who supplies goods or services to STIHL Australia;
- an employee of a person or entity who supplies goods or services to STIHL Australia (whether paid or unpaid);
- a legal representative of a person in the above categories

Recruitment Procedure

During the Reporting Period, we continued to require prospective employees to complete a national police check, provide proof of entitlement to work in Australia, and undergo a pre-employment medical. Employment offers are made subject to successful completion of these checks. Where we source staff via an agency, we use providers registered with the relevant authority, where registration is a requirement.

³ <https://www.stihl.com.au/principles-of-social-responsibility.aspx>

4.2 In our supply chain

Social and environmental standards are respected throughout supply chains by STIHL, from compliance with human rights standards and fair working conditions to environmental protections. Human rights are nonnegotiable minimum standards.

Code of Conduct for Suppliers

During the Reporting Period, we continued to promote the Code of Conduct with our suppliers. As described in our first modern slavery statement, STIHL's Code of Conduct for suppliers communicates our expectations of suppliers. The Code of Conduct is based on the principles of the United Nations Global Compact and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. During 2021, 45% of STIHL's largest suppliers signed the Code of Conduct.

Due Diligence

We reviewed the list of suppliers paid during the Reporting Period and assessed the risks of modern slavery in the goods not for resale and services by reference to industry risk and research into emerging risks. As described earlier in this Statement, the products manufactured by STIHL form a significant part of our overall supply chain. We refer readers to the due diligence activities of STIHL, as outlined in the 2021 Sustainability Report.

Sustainability Reporting

In 2021, STIHL published its first Sustainability Report which covers eleven key areas as a strategic focus for STIHL moving forward, including:

- human rights and workers' rights;
- health and safety;
- non-discrimination; and
- governance and compliance.

As outlined in the Sustainability Report, STIHL has appointed a dedicated Sustainability Officer and sustainability steering group to be responsible for implementing targets across these areas. The steering group will meet on a quarterly basis, prepare Executive Board decisions and offer recommendations. All meetings will be attended by Human Resources, Legal Affairs, Manufacturing and Materials, and Research and Development.

In light of these sustainability focus areas, suppliers are required to take corrective measures if they fail to comply with stipulated sustainability aspects.



This due diligence measure was first introduced in 2020, when the Quality Assurance team launched the Sustainable Supply Chains project. The project continued to operate in 2021. Its aim is to make sustainability an integral part of supplier management at STIHL. STIHL has an international reporting system in place to continuously monitor and audit existing suppliers and STIHL's supply chain management approach allows STIHL to contribute to the United Nations Sustainable Development Goal of "Decent work and economic growth" (SD8) by promoting minimum social standards in our supply chains and enforcing human rights requirements, including the ban on child labour, and promoting fair and safe working conditions.

In 2021, STIHL expanded its approach by beginning to analyse potential critical supply chains. These pilot supply chains included magnesium, cobalt and textiles. To adequately analyse mineral procurement supply chains, STIHL joined the Responsible Minerals Initiative (RMI) in 2021. This collaborative relationship in order to make the procurement of minerals for products manufactured by STIHL more sustainable. With over 400 company members, the RMI is a cross sector organisation that is dedicated to promoting responsible mining, handling and purchasing of minerals.

Our Sustainability Report also highlights the global importance of workers' rights across STIHL:

WORKERS' RIGHTS






Open and constructive exchange with employee representatives has traditionally been a top priority at STIHL. All STIHL plants in Germany have employee councils, which together form the General Employee Council for the founding company. Work agreements for staff are in place. Local employee representation bodies exist in accordance with national law in certain countries, such as Brazil and China. Many production companies are subject to collective bargaining agreements or similar collective wage structures, which cover roughly 55 percent (previous year: 54 percent) of all staff. By protecting workers' rights, we are making our contribution to achieving the United Nations Sustainable Development Goal "Decent work and economic growth" (SDG 8).

Remediation

We did not receive any reports of or detect any instances of modern slavery in our operations or supply chain in 2021. If any such instances were brought to our attention and it was clear that we had caused or contributed to modern slavery, we would take guidance from the UNGPs. We would also undertake a full investigation of the situation to ensure that an appropriate corrective action plan is implemented and assess how similar impacts could be avoided in the future.

5 Assessing the effectiveness of actions

The following table provides an update on the progress of our goals from 2020 and our next steps.

Goals	Ongoing	In progress	Completed	Next steps
Perform a gap analysis of our policies and procedures to identify areas requiring amendment to embed human rights considerations.			<input checked="" type="checkbox"/>	Seek to revise and update policies as required.
Update our contract template for logistics services to include human rights considerations.				Finalise the modern slavery terms and include it in contracts for logistics services going forward.
Introduce questions in our RFP questionnaire to assess our suppliers' modern slavery reporting and level of commitment to assessing and mitigation potential human rights impacts in their operations and supply chains.				Develop a process by which a modern slavery questionnaire is completed as part of the RFP process.
Consider ways to implement due diligence screening for suppliers in order to identify those who are high risk.				Decide on the platform to be used to roll out a modern slavery questionnaire, issue the questionnaires to suppliers and review results.
Raise awareness of modern slavery internally.				Develop training for staff with a procurement function.
Develop a 12 month roadmap to track our performance against the above goals.				Operationalise the roadmap.



At the STIHL level, there are plans to:

- conduct three in-depth investigations of high-risk supply chains to derive and implement appropriate improvement processes;
- roll out a revised global Code and Code of Conduct for Suppliers; and
- introduce appropriate control mechanisms such as disclosures and audits to check whether suppliers are complying with the Code.

We will continue to track STIHL's progress against these goals to assess the effectiveness of the measures being put into place to mitigate modern slavery risks in the sourcing practices and manufacturing of STIHL products.

6 Other information

STIHL teamed up with seven other companies that face a similarly wide of challenges to form SustaiNet, a network designed to expedite and enhance the process of building sustainable supply chains through regular exchange among peers. In addition to amassing shared knowledge, members share experiences and discuss progress on a monthly basis. The insights gained through SustaiNet are used to help meet the requirements under the German Act on Corporate Due Diligence in Supply Chains and incorporate sustainability into the company's day-to-day business.

7 Process of consultation and approval

This Statement was prepared with the input of representatives from a number of functions including procurement, human resources, finance and compliance. As STIHL Australia does not control or own any subsidiaries, no further consultation was required.

This Statement was approved by the board of directors of STIHL Australia on [insert date] and signed by a director of the board.

A handwritten signature in black ink, appearing to be 'L. Brook', is enclosed within a large, hand-drawn oval.

Leeson Brook
Managing Director
21 October 2022

Annexure - Reporting criteria

Reporting criterion	Page
1 & 2. Identify the reporting entity and describe its structure, operations and supply chains	
3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls	
4. Describe the actions taken by the reporting entity and any entities that the reporting entity owns or controls to assess and address these risks, including due diligence and remediation processes	
5. Describe how the reporting entity assesses the effectiveness of actions being taken to assess and address modern slavery risks	
6. Describe the process of consultation with any entities the reporting entity owns or controls	
7. Any other relevant information	