

Modern Slavery Statement

Mandatory Criteria (a): Identify the Reporting Entity

Sutton Tools (ABN No. 12004175731) was founded in 1917 and remains an Australian family business that is renowned for its high-quality power tool accessories and cutting tools for the hardware market and a wide range of specialized industrial applications.

The Sutton Group Corporate Structure inclusive of ABNs, ownership structure, and subsidiaries/controlled entities is attached. (Refer to Appendix 1).

Sutton Tools has addressed concerns and risks relating to Modern Slavery with our Suppliers in accordance with the code of conduct and are compliant with the Modern Slavery Act.

Due Diligence is carried out annually via correspondence, visitation and audits.

Sutton Tools has a total of 388 employees located in Australia, New Zealand and Europe.

This statement affirms Sutton Tools commitment and plays an important role in respecting and promoting human rights, eradicating modern slavery. We recognise that modern slavery is a growing and complex problem, best tackled by collective commitment and responsibility to bring it to an end and we are committed to working with all our stakeholders to fulfil this common goal. If the policy is breached, we will act as quickly as practicable to remedy our adverse impacts on workers, individuals or suppliers and we will engage directly with affected stakeholders.

The purpose of this statement is to ensure Sutton Tools:

- is compliant with local, national and other applicable laws and regulations in the areas in which the businesses operate.
- source products and services in accordance with legal obligations while working with suppliers to improve their social and environmental practices.

Mandatory Criteria (b): Describe the reporting entity's structure, operations and supply chains

Structure

The Sutton Group Corporate Structure inclusive of ABNs, ownership structure, and subsidiaries/controlled entities is attached. (Refer to Appendix 1).

Operations

Sutton Tools manufactures cutting tools at two sites across Victoria, both for the domestic market and for export. The bulk of general production occurs at the head office site at Thomastown, in Melbourne's northern suburbs, with more specialized operations centered at our Maryborough facility. Overseas production plants are also located in New Zealand and Distribution facilities in Auckland and the Netherlands.

Sutton Tools Pty Ltd registered office is located at 378 Settlement Road, Thomastown, Victoria 3084, Australia.

The approximate number of workers employed by Sutton Tools and owned/controlled entities:

Entity	Number of Employees
Sutton Tools Australia	287
Sutton Tools New Zealand	65
Sutton Tools Europe	36
Total	388

Sutton Tools maintains business relationships NMC Tools Pvt Ltd as it is a joint venture/investment of Sutton Tools.

Supply Chain

Sutton Tools maintains business relationships with suppliers. Sutton Tools has stable long-term relationships with suppliers. Suppliers have forward orders, and the supplier relationships can be further described as an ongoing permanent relationship.

Our suppliers operate in the following sectors:

- Manufacturing
- Defence / Automotive
- Construction
- Mining & Quarrying
- Retail / Wholesale

Our suppliers operate in many locations across the world, including:

- Australia
- Belgium
- China
- Denmark
- France
- Germany
- India
- Indonesia
- Italy
- Netherlands
- New Zealand
- Philippines
- Poland
- Singapore
- Thailand
- United Kingdom
- United States of America
- Vietnam

Products provided to Sutton Tools by Suppliers:

- High Speed Steel (HSS)
- Cutting Tools Access
- General Hardware Products

Services provided by Suppliers:

- Manufacturing
- Shipping
- Sourcing
- Packing

Products and services used by indirect suppliers by Sutton's supply chain:

- Tools
- Steel
- Manufacturing
- Consumables

Mandatory Criteria (c): Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls.

Modern slavery refers to various forms of exploitation and coercive practices that deprive individuals of their freedom, rights, and dignity. It encompasses situations where individuals are forced or coerced into labour, servitude, or human trafficking against their will. Modern slavery can take different forms, including forced labour, debt bondage, forced marriage, human trafficking, and child labour.

The International Labor Organisation estimates that over 40 million people around the world are victims of modern slavery. In recent years, supply chain transparency is a key policy strategy used by governments to identify and prevent business practices that lead to modern slavery.

Operations

Overall, the level of Modern Slavery Risk in our operations has been assessed by the iPRO Modern Slavery Assessment Tool as Low Risk (Adequate Risk Control).

Geographic Risks

Our organisation operates in Australia, New Zealand, United Kingdom, Netherlands, and India.

The Trafficking in Persons Report (U.S. Department of State Office to Monitor and Combat Trafficking in Persons, 2023) reviews countries and regions and their government's efforts to eliminate severe forms of trafficking, the nature and scope of trafficking, and trends in efforts to combat trafficking in their respective country. Countries are then ranked by Tier.

Australia, United Kingdom and Netherlands are Tier 1, meaning that they are Countries and regions whose governments, at the date of this assessment, fully meet the Trafficking Victims Protection Act's (TVPA) minimum standards for the elimination of trafficking.

New Zealand and India are Tier 2, meaning that they are Countries and regions whose governments, at the date of this assessment, do not fully meet the TVPA's minimum standards, but are making significant efforts to meet those standards for the elimination of trafficking.

Sector & Goods Risks

Our organisation operates in the Construction, Manufacturing, Retail, and Wholesale sectors. These sectors can be described as high-risk, according to the Global Estimates of Modern Slavery and Child Labour: Global Estimates 2020 Trends and the Road Forward (ILO and UNICEF, 2021).

Production is a part of our operations. We produce in the Government Administration, Defence and Social Security, Manufacturing, Retail, Wholesale and Construction sectors. Manufacturing, Retail, Wholesale and Construction can be described as high-risk (ILO and UNICEF, 2021).

We do not produce any of the goods in any of the countries as listed on either the 2022 List of Goods Produced by Child Labor or Forced Labor or the 2022 List of Products Produced by Forced or Indentured Child Labor. Both Lists are produced by the US Department of Labor's Bureau of International Labor Affairs (ILAB).

Workforce Risks

The number of workers and agents we employ is in the 101-1000 range. Our youngest employee is older than 18.

We do not hire any low-skilled foreign or domestic migrant workers.

At our organisation, the recruitment of employees is undertaken by recruiters. We are confident that our recruiters are ethical. We understand that this can be considered a risk. As mentioned, we have assessed our internal risk controls as Adequate and are assured that the recruiters we use are ethical, and that any potential risks have been mitigated.






We are confident that all potential risks in have been mitigated by Adequate risk controls, as assessed by the iPRO Modern Slavery Assessment Tool.

Supply Chain








Our suppliers operate, produce, and source across several/ different sectors. Some of these sectors can be described as high-risk. High-risk sectors are those in which human trafficking activities are known to occur and were identified in the Global Estimates of Modern Slavery and child labour exploitation that were separately identified in Child Labour: Global Estimates 2020 Trends and the Road Forward (ILO and UNICEF, 2021).

The below graphics show the high-risk sectors of operation, production, and sourcing for our suppliers. The numbers in the following graphics describe how many suppliers are in the corresponding sectors.










Suppliers' High-Risk Sectors of Operation

 1 Construction	 22 Manufacturing
 1 Mining and quarrying	 2 Retail
 8 Wholesale	

Suppliers' Production of Goods in High-risk Sectors

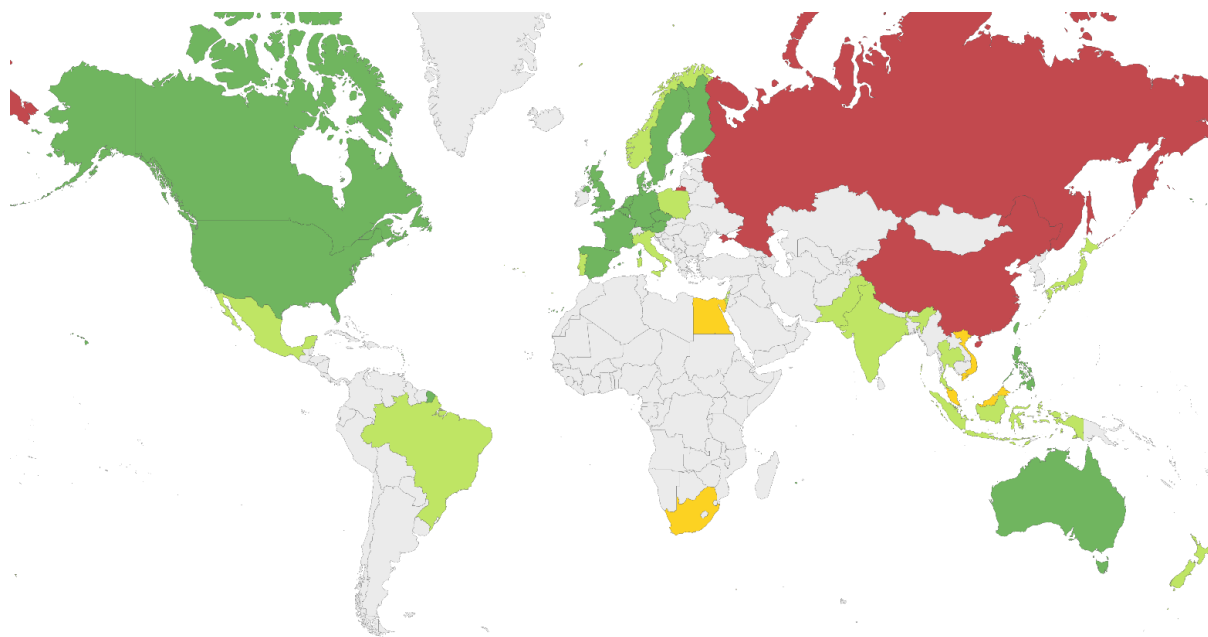
 <p>3</p> <p>Construction</p>	 <p>1</p> <p>Maintenance and repair of motor vehicles</p>
 <p>21</p> <p>Manufacturing</p>	 <p>2</p> <p>Mining and quarrying</p>
 <p>1</p> <p>Personal services</p>	 <p>2</p> <p>Retail</p>
 <p>6</p> <p>Wholesale</p>	

Suppliers' Sourcing Goods in High-risk Sectors

 <p>1</p> <p>Accommodation and food service activities</p>	 <p>2</p> <p>Construction</p>
 <p>1</p> <p>Maintenance and repair of motor vehicles</p>	 <p>23</p> <p>Manufacturing</p>
 <p>1</p> <p>Mining and quarrying</p>	 <p>1</p> <p>Personal services</p>
 <p>2</p> <p>Retail</p>	 <p>2</p> <p>Transportation and storage</p>
 <p>5</p> <p>Wholesale</p>	

Some countries or regions where our suppliers operate, as well as some goods produced and sourced by our suppliers, can be described as high-risk due to the possibility of a link to modern slavery practices such as Forced Labour, Human Trafficking, Child Labour, and Debt Bondage.

The geographical regions where our supply chain partners operate are shown in the map below. This map, and the supply chain maps that follow, have been overlaid with the colour tier system of the Trafficking-in Persons Report.



There is modern slavery risk associated with sourcing the following goods from the countries listed below:

- China
 - Aluminium
 - Footwear
 - Garments
 - Gloves



Sutton Tools acknowledge that there may be risks in the supply chain relating to new suppliers, cleaning services, raw materials and packaging materials supplies by third party suppliers.

Sutton Tools does not engage in or support the use of any exploitation and have taken measures to ensure that 1st, 2nd & 3rd tier suppliers are working in line with the Modern Slavery Act Guidelines when engaging in the services of goods and products.

Mandatory Criteria (d): Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.

Assess

Sutton Tools Pty Ltd uses a third-party tool, the iPRO Modern Slavery Assessment Tool to assess modern slavery risks in our operations and supply chain. The risks identified in the previous section were all identified utilising this assessment tool. We engaged iPRO during the reporting period to conduct a bulk assessment of our organisation and 44 of our suppliers. We intend to carry this process forward as an annual assessment of our operations and supply chain.

We and participating suppliers were asked to complete a self-assessment questionnaire online. After we and each supplier completed and submitted the questionnaire, responses were assessed to determine a modern slavery risk scores and associated risk category.

We and each supplier that completed the assessment was assigned one of the following risk categories:

- High-risk (high levels of inherent risk)
- High-risk (inadequate risk control)
- Medium-risk (partial risk control)
- Low-risk (adequate risk control)
- Low-risk (low levels of inherent risk)

To determine the appropriate risk category, responses were first evaluated for risks inherent to our and our suppliers' operations, production, and sourcing. This is referred to as the Inherent Risk Score. The Inherent Risk Score was calculated based on the geographical, type of goods, industry sector, and workforce parameters that was indicated in the Modern Slavery Assessment Tool (MSAT).

Next, the Unmitigated Risk Score was evaluated. This score was calculated based on the policy and procedure responses on the questionnaire. Our and our suppliers' Unmitigated Risk Score determined whether they were categorised as having inadequate, partial, or adequate risk control.

Then, the risk scores for each assessed supplier were aggregated and averaged, resulting in an Aggregated Inherent Risk Score and an Aggregated Unmitigated Risk Score for the overall supply chain.

Additionally, we conduct due diligence relating to modern slavery risks by utilising the iPRO Modern Slavery Assessment Tool as part of our new supplier procurement process. As part of a new suppliers onboarding, they will complete the modern slavery assessment in addition to our other quality and compliance checks.

Other than utilising the iPRO Modern Slavery Assessment Tool, we also:

- Include 2nd tier suppliers when ensuring new suppliers are in line with current Modern Slavery practices.
- Verify with our 1st tier suppliers that their 2nd tier suppliers are also adhering to the Modern Slavery Act.
- On-site audits are carried out with suppliers to ensure they are compliant with their company's code of conduct.
- Annual visitation
- Take other measures to ensure our 2nd & 3rd tier suppliers are also working in line with the Modern Slavery Act Guidelines when engaging in the services of goods and products.

Address

Operations

In our operations, we address risks in a number of ways, and this has been assessed as 'Adequate Risk Control' by the iPRO Modern Slavery Assessment Tool. Some of the actions we have taken to address risks include:

- A full suite of policies prohibiting behaviours that can result in Modern Slavery, and enabling behaviours that prevent or stop Modern Slavery.
- Issuing our policies to suppliers and contractually requiring them to agree to them (or equivalent).
- Introducing and training staff on Modern Slavery and associated processes for incident reporting.
- Having Reporting and Internal Accountability measures to ensure that matters relating to Modern Slavery can be reported, responded to, and remedied.
- Prioritising the use of ethical recruitment agencies certified by credible assurance schemes.

Supply Chain

Suppliers that completed the self-assessment were given action items to complete post-assessment. The action items provided to each supplier were based on their responses to the questionnaire, and if implemented, will reduce the unmitigated risks identified during the assessment. Action items were also aggregated, giving Sutton Tools Pty Ltd a focused view of the most impactful actions that could be taken by suppliers across the supply chain.

We have started rolling out a supplier follow-up initiative to further discuss the action items and address the risks identified through the assessment. Primarily this involves ensuring that suppliers have the right policies and procedures in place to mitigate inherent risks in their business.

Overall, all Sutton's Suppliers are compliant and have existing measures in place to ensure Audits, Training and Supplier Code of Conduct, relevant Corporate Laws and labour standards. Ongoing communication and correspondence will continue to be carried out annually and reported on to assess any impacts or risks.

Mandatory Criteria (e): Describe how the reporting entity assesses the effectiveness of the actions being taken to assess and address the risks of modern slavery practices in its operations and supply chains.

We utilise the benchmarking and KPI's in the iPRO Modern Slavery Assessment Tool to assess the effectiveness of our actions.

The main KPI's we are using to benchmark our efforts are the risk scores that are generated as part of the assessment process.

Each organisation who completed the assessment questionnaire was assessed and given two risk scores.

- Inherent Risk Score
- Unmitigated Risk Score

The Inherent Risk Score measures modern slavery risks that are intrinsic/built-in to the operations of an organisation. This is determined by asking which countries, regions, sectors, and high-risk goods are part of their operations, production, or supply chain.

The Unmitigated Risk Score measures the organisations risk that is still present (remains) after accounting for modern slavery risk controls that have been implemented. This is determined by asking suppliers about the policies, processes, and procedures in place to reduce modern slavery risks.

Sutton Tools provides an aggregated risk score of all the assessed suppliers, and we use this aggregated score to measure the risk on an overall supply chain level.

30 July 2021 to June 2022 Financial Year - KPI's

Operations Risk Scores	
Inherent Risk Score	40/100
Unmitigated Risk Score	2.5/100

Aggregated Supply Chain Risk Scores	
Inherent Risk Score	43.6/100
Unmitigated Risk Score	22.8/100

Supplier Assessment Completions	
Completions	28/44
Completion Rate	63.6%

Mandatory Criteria (f): Describe the process of consultation with any entities that the reporting entity owns or controls.

Sutton Tools use the iPRO Modern Slavery Assessment Tool to ensure continued ongoing related compliance.

All required feedback and documentation have been actioned, authorized, and returned in order to complete this Summary Statement.

Annual audits/visits and liaising with Suppliers done by Sutton Tools is on behalf of all entities.

Additional Mandatory Criteria: Approval and Sign-off

This statement has been approved by the Board of HGS Proprietary Limited. (ACN 004 296 913):



Peter Sutton
Managing Director



Robert Sutton
Director