

HEAT AND CONTROL

Annual Modern Slavery Statement prepared for the Australian *Modern Slavery Act 2018 (Cth)*

Table of Contents

How this statement addresses the mandatory criteria in the *Modern Slavery Act 2018 (Cth)*.

<i>Modern Slavery Act</i> requirement	This requirement is addressed at page:
Mandatory criterion one: Identify Heat and Control as the reporting entity (s16(1)(a)).	2
Mandatory criterion two: Describe Heat and Control's structure, operations, and supply chains (s16(1)(b))	2-4
Mandatory criterion three: Describe the risks of modern slavery practices in the operations and supply chains of Heat and Control, and any entities that Heat and Control owns or controls (s16(1)(c))	4-8
Mandatory criterion four: Describe actions taken by Heat and Control and any entity that Heat and Control owns or controls, to assess and address these risks including any due diligence and remediation response (s16(1)(d))	8-9
Mandatory criterion five: Describe how Heat and Control assesses the effectiveness of these actions (s16(1)(e))	10
Mandatory criterion six: Describe Heat and Control's process of consultation with any entities it owns or controls (s16(1)(f))	10
Mandatory criterion seven: Describe Heat and Control's next steps (s16(1)(g))	10-11

Introduction

This statement constitutes our second annual modern slavery statement made under the *Modern Slavery Act 2018 (Cth)* for the reporting year 1 January 2022 to 31 December 2022.

Modern slavery represents a serious human rights abuse that unfortunately still persists today in virtually all parts of the private economy linking businesses through their supply chains. As a member of the wider business community, Heat and Control shares the responsibility in preventing, mitigating, and where possible, stopping practices that unfairly take advantage of humans who work on these supply chains. We believe that it is therefore incumbent on Heat and Control to do what it can to support and promote the integrity of these supply chains.

This statement sets out what steps Heat and Control has taken since its last Report to further these objectives. While Heat and Control is proud of the steps it has taken to date, it looks forward to further developing its strategies in meaningful ways to help put an end to modern slavery.

Mandatory Criteria One and Two:

Identify Heat and Control as the reporting entity and describe its structure, operations, and supply chains

This annual modern slavery statement relates to Heat and Control Pty Ltd, (**Heat and Control**) as the reporting entity. Our ACN is 009 742 803 and our registered head office in Australia is in Mount Gravatt, Queensland, 4122.

What does Heat and Control do?

Heat and Control Pty Ltd is a global leader in food processing systems and packaging equipment with an expanding export market and worldwide affiliations. Our equipment is exported and used around the world.

We provide an array of applications and packaging line technologies for a variety of foods such as cereals, bakery, cheese, corn chips, potato chips, nuts, pasta, legumes, tortillas, vegetables, fruit, and pet food snacks.

Our products include food processing machines, conveying, weighing, packaging, seasoning application and high-quality inspection and controls.

We provide an individual solution or an entire integrated production line for ultimate efficiency and performance. We are supported by a network of highly

skilled engineers and other skilled technicians and tradespersons providing food manufacturers with confidence to achieve production goals.

Heat and Control's Organisational Structure

Heat and Control is an Australian company based in Mt Gravatt, Brisbane, Queensland.

Heat and Control is owned by a holding company Heat and Control Inc which is based in San Francisco, California, United States of America. Heat and Control also operates branches in Australia (Sydney and Melbourne), in the United Kingdom, and Dubai.

Our subsidiaries are based in New Zealand (Heat and Control Ltd); China (Heat and Control Co Ltd); India (Heat and Control Pvt Ltd and its sub-subsidiary Flavorite Technologies Pvt Ltd); the Netherlands (Heat and Control BV) and its subsidiary in Russia (Heat and Control LLC); South Africa (Heat and Control SA Pty Ltd), Singapore (Heat and Control Pte Ltd) and its subsidiary that is based in Malaysia (Heat and Control Sdn Bhd Ltd).

Heat and Control and each of our subsidiaries provide technical service support, while manufacturing operations are provided by Heat and Control in Australia, China, and India.

Heat and Control's broader global presence offers 11 manufacturing facilities, 12 technical and demonstration centres, and more than 30 offices globally. Our international team has developed extensive knowledge and a wealth of experience in the engineering and manufacture of modern industrial food processing, coating, seasoning, conveying, weighing, packaging, inspection, and controls systems.

As of December 2022, we had approximately 1,900 staff operating globally.

Heat and Control's Supply Chain

Heat and Control's supply chain supports our businesses by providing specialised materials, services, and componentry. Our customised process and packaging lines feature start to finish integration that may include equipment from global strategic partnerships that strengthen our offering to provide individual equipment solutions or an entire integrated system.

At a first-tier level, these supplies include:

- specialised complementary solutions for product handling, weighing, packing and inspection, thermal technology systems, and size reduction equipment.

- high-grade flow-control equipment such as pumps, motors, valves and conveyor belts,
- cabling and electronic componentry,
- high-grade stainless steel and plastics; and
- services from electricians and other skilled technicians.

We also rely on a freight, shipping, and transport distribution network for the supply of end- product to domestic and international markets.

Our first - tier suppliers are based in Australia, the United States, Japan, China, India, Italy, Belgium, the Netherlands, Canada, and the United Kingdom.

Mandatory Criterion Three:

Describe the risks of modern slavery practices in the operations and supply chains of Heat and Control and any entities Heat and Control owns or controls

Heat and Control recognises the existence of modern slavery internationally and domestically. It is therefore incumbent on us to identify the risks of modern slavery in our supply chains. To do this, we have used a risk matrix approach. Our evaluation is fully informed by a review of the international literature on modern slavery including authoritative sources such as:

- *Walk Free's Global Slavery Index,*
- *UN Guiding Principles for Business and Human Rights,*
- *The OECD Guidelines for Multinational Enterprises,*
- *The Ethical Trading Initiative's Human Rights Due Diligence Framework,*
- Australian Border Force (ABF)

Risk matrix

The below matrix maps out Heat and Control's risks of modern slavery in its operations and supply chains. While we focus on all types of risks in our operations, we have significantly less visibility and influence (leverage) over the working conditions in our supply chains. Due to these limitations, we have adopted a 'risk-based' approach in relation to our supply chains. This means that we prioritise our focus on 'higher-risk' areas over 'lower-risk' areas. This approach is in line with international best practice in accordance with the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*,

and the *Ethical Trading Initiative's Human Rights Due Diligence Framework*.

The risk of modern slavery in our supply chains is informed by an extensive review of the international literature that we conducted since our last statement; and information that we have received from our suppliers, staff and other stakeholders. It is also based on the likely presence of risk indicators. Using risk indicators to help map out our risks is consistent with international best practice as recommended by the *International Labour Organisation* and other authoritative sources.

RISK CATEGORY	RISK INDICATORS (Internationally recognised)	EVALUATION
Geographic location	<ul style="list-style-type: none"> • Political & social unrest • Conflict & war • Weak legal infrastructure • High levels of corruption • Large migrant populations • Poor recognition of internationally recognised human rights • Lack of basic needs (eg, education, clean water, social security) • High unemployment 	<p>Based on total expenditure, a vast majority of our first-tier suppliers have headquarters based in the United States, Australia, Japan, Italy, Belgium, the Netherlands, Canada and the United Kingdom. Our other suppliers are primarily located in China and India. According to the <i>2018 Global Slavery Index</i>, China and India are more vulnerable to modern slavery. Therefore, based on a risk-based approach, we shall focus our due diligence on our suppliers in these countries.</p>
Industry sector	<ul style="list-style-type: none"> • Process intensive functions • Complex supply chains • High reliance on unskilled labour and migrant workers • High reliance on casual work • Presence of economic processing zones 	<p>We operate in and acquire our goods from the manufacturing sector which is generally associated with the risk indicators of intensive process functions, complex supply chains (and therefore low visibility), and reliance on unskilled, migrant, and casual labour.</p> <p>Industry sector risk indicators are not present in our operations. We sell large, customised equipment that is designed by our highly skilled engineering teams and constructed by other skilled technicians. Our operations are not process driven and a vast majority of our staff are permanently employed.</p> <p>We also adequately control risks because:</p>

RISK CATEGORY	RISK INDICATORS (Internationally recognised)	EVALUATION
		<ul style="list-style-type: none"> • we promote the rights of our workers as evidenced by our strong human resource policies and procedures, and the fact that we have had no reported incidences of modern slavery, • we have mature quality control systems in place and take our obligations under local workplace laws seriously, and • although a minority of our workers are engaged through third-party providers in Australia, China and India, the risks of modern slavery are controlled for the reasons stated above. In addition, in Australia we only use licensed providers. In India, we audit the providers for risks on a 6-monthly basis and in accordance with the law; while in China we work very closely with the workers and have daily oversight of their working conditions. <p>In relation to our first-tier suppliers, we have reduced the risks of modern slavery by purchasing goods and services from reputable suppliers. In addition, our due diligence does not reveal any industry-specific risks regarding our first-tier suppliers that would warrant specific focus.</p>
Business practices	<ul style="list-style-type: none"> • Reliance on third parties to source workers • Imposition of recruitment fees • High turnover, low profit margin, cost sensitive • Poor governance & ineffective internal control mechanisms • Informal working conditions (eg, no written contract) 	<p>We have not observed any risk indicators regarding <i>business practices</i> in our operations or in relation to our first-tier suppliers that would suggest the presence of modern slavery.</p> <p>However, based on a literature review, we acknowledge that the supply of shipping services may be exposed to risks of modern slavery due the captive nature of that work, the reliance on unskilled migrant workers, the presence of less formal working conditions, and cross-border gaps in regulation. To mitigate this risk, we only engage reputable suppliers. We have also conducted due diligence on our primary suppliers and believe they have sufficient internal controls in place to prevent modern slavery in their operations, and to help control the risks in their supply chains.</p> <p>Literature also suggests that the supply of the</p>

RISK CATEGORY	RISK INDICATORS (Internationally recognised)	EVALUATION
		<p>goods and services that we acquire to run our operations may be exposed to the risk of modern slavery. Examples of goods that we typically acquire are factory tools, office supplies, furniture, uniforms, and electronics such as computers and phones. Of these goods, the literature suggests that the supply of uniforms and electronics may carry higher risks of exposure to modern slavery.</p> <p>We also acquire cleaning and maintenance services. The literature suggests that the supply of cleaning services may carry higher risks of modern slavery due to the low barriers of entry, and reliance on unskilled and often migrant workers. Based on a risk-based approach, we shall focus our efforts on this segment of our supply chain. We shall prioritise this segment over the segment in relation to the supply of goods (eg, uniforms and electronics) because we have more leverage and therefore control over the outcome. This approach is consistent with international best practice.</p>
Workers	<p>Presence of:</p> <ul style="list-style-type: none"> - vulnerable workers (eg, children, migrants, unskilled and socio-economically challenged, - abuse, coercion, threats, intimidation & deception, - physical, sexual & psychological violence - reprisal & discipline through punishment or fines - debt bondage, & retention of personal papers & assets - forced overtime, excessive hours - underpayment, withholding of wages - workers are afraid to speak or leave employment 	<p>We have not observed any risk indicators regarding workers in our operations or supply chains that would suggest the presence of modern slavery.</p> <p>Nonetheless, we understand that it is incumbent on us to remain vigilant to ensure our operations continue to operate in an environment where there is no tolerance for modern slavery; and help encourage our suppliers to do the same.</p>

RISK CATEGORY	RISK INDICATORS (Internationally recognised)	EVALUATION
	<ul style="list-style-type: none"> - workers are closely monitored, restricted or confined - degrading and unsafe working conditions - degrading living conditions 	
Entity	<ul style="list-style-type: none"> - presence of any of the above risk indicators regardless of geographic location, industry sector, or product - vulnerable entities who may not have formalized or systematic approaches to addressing modern slavery (eg, smaller, under-resourced entities) 	We have not observed any risk indicators in any of our operations or supply chains that would suggest the presence of modern slavery.

Mandatory Criterion Four:

Describe actions taken by Heat and Control and any entities that Heat and Control owns or controls, to assess and address these risks, including any due diligence and remediation processes

The Actions we undertook to assess and address these risks include:

Literature review

We undertook an extensive review of the international literature on modern slavery to further inform our due diligence process.

Mapping of our risks

As outlined above, we fully mapped our first-tier suppliers based on ‘spend’ and geographic location and in accordance with the internationally recognised risk-based approach.

Due diligence

Following the mapping of our risks, we commenced our due diligence focusing on our high-risk suppliers in the shipping industry. We were able to satisfy ourselves that our suppliers have sufficient internal controls in place to prevent modern slavery in their operations, and to help control the risks in their supply chains.

Training our staff

We successfully rolled out training on modern slavery to our priority sectors of the Purchasing Team and the Human Relations Team in Australia.

Updating our Human Resources Policy

We have updated the following policies to acknowledge our position in relation to modern slavery:

- (a) Employee Handbook (AUS)
- (b) Recruitment (AUS)

Development of a Supplier Questionnaire and Checklist

We developed a Supplier Questionnaire and Checklist to better understand the risks of modern slavery in our supply chain. We are currently taking steps to distribute the Questionnaire and Checklist to the suppliers who we consider to be most at risk.

Communication with our related entities

We are currently investigating ways to implement a more structured process of obtaining feedback and sharing information about modern slavery risks with our related entities.

Remediation

While Heat and Control is yet to encounter a specific instance of modern slavery in our operations and supply chains, if modern slavery is found, we will adopt a remedial approach based on the *UN Guiding Principles on Business and Human Rights*. This means that we will place the worker at the heart of the remediation process and as appropriate, engage in meaningful dialogue with the supplier and other stakeholders to identify how modern slavery occurred and implement measures to prevent future incidents.

Our approach will be flexible and may involve ending engagements with suppliers

who refuse to co-operate or comply with requests for information.

Mandatory Criterion Five:

Describe how Heat and Control assesses the effectiveness of these actions.

Heat and Control assesses the effectiveness of our actions by reflecting on:

- a) the extent, reliability, currency, and effectiveness of our supply chain mapping,
- b) the depth, reliability and currency of our literature review,
- c) the relevance, integration, and effectiveness of our procedures and policies as measured against stated objectives within those policies, the objectives of the business,
- d) reflecting on the quality of our responses to due diligence actions and information requests from customers regarding ethical sourcing and labour practices (such as through Sedex),
- e) feedback we receive either formally or informally,
- f) the effectiveness of any remediation.

We look forward to adapting and strengthening our assessment processes as a means of self-reflection and learning.

Mandatory Criterion Six:

Describe Heat and Control's process of consultation with any entities it owns or controls

Heat and Control works collaboratively with the entities it owns and controls. In preparation of this Statement, management engaged with the relevant entities to better understand Heat and Control's exposure to the risks of modern slavery.

Mandatory Criterion Seven:

Describe Heat and Control's next steps.

Heat and Control looks forward to deepening its understanding of the risks of modern slavery in its operations and supply chains, and how best to control them. Going forward, Heat and Control is committed to:

- a) continuing its commitment to help prevent, mitigate and where possible,

stop modern slavery practices,

- b) deepening our assessment of the risks of modern slavery in our operations and supply chains,
- c) developing strategies to address the risks of modern slavery in our supply chains by focusing on the risk areas identified in this report,
- d) updating our knowledge base,
- e) continuing to raise awareness about the risks of modern slavery within our operations and our suppliers,
- f) continuing our commitment to remedy and to work with our suppliers to remedy instances of modern slavery,
- g) continuing to improve our performance through a process of continual learning and self-reflection, and
- h) continuing to maintain management oversight.

Approval of this Statement

MODERN SLAVERY ACT 2018 (CTH) – STATEMENT ANNEXURE

Principal Governing Body Approval

This modern slavery statement was approved by the principal governing body of Heat and Control Pty Ltd as defined by the *Modern Slavery Act 2018* (Cth) on:

_____.

Signature of Responsible Member

This modern slavery statement is signed by a *responsible member* of the Board of Directors of Heat and Control Pty Ltd.

David Tambyah
.....

David Tambyah, Director

Heat and Control Pty Ltd