

CAVPOWER PTY LTD

MODERN SLAVERY STATEMENT 2022

1 July 2021 to 30 June 2022

Operating since 1972, Cavpower Pty Ltd (“Cavpower”) is a proud South Australian owned and operated family business offering products and services to support a variety of industries, such as construction, mining, trucking, oil and gas, marine and many more.

Cavpower is a CAT® dealership and is proud of the brand it represents. Cavpower’s primary value is “the needs of the customer come first” and is at the foundation of everything Cavpower does.


Cavpower values the community in which it operates. Cavpower commits itself to make a positive impact in the local community and participates and supports a number of local, regional and national charities, events and foundations. Over the years, Cavpower has been proud to support various local and national community groups, charities, foundations, and organisations such as The Jodi Lee Foundation, Yalari, Sight for All (Vision1000), Time for Kids and Hutt St Centre. Cavpower proudly supports the Australian Defence Force Reserves and The Duke of Edinburgh Award.

Given the emphasis on Community, Customers and Cavpower Team Members, it follows that Cavpower has no tolerance for modern slavery in any form in its operations and supply chains.

This statement is Cavpower’s third modern slavery statement and pursuant to the *Modern Slavery Act 2018* (Cth) sets out the actions taken by Cavpower to address modern slavery and human trafficking risks in our business and supply chain for the financial year ending 30 June 2022.

Our aim is to partner with suppliers and organisations that align with our culture and promote safe working environments.

This statement has been approved by the Cavpower Board.

DocuSigned by:

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Benjamin Lathlean
Company Secretary¹
23-12-2022 | 8:07 AM ACDT
Date: _____

¹ Acting under delegated authority of the Cavpower Board



Modern Slavery Statement 2022

CRITERIA 1 - REPORTING ENTITY

Cavpower Pty Ltd (ACN 007 735 300) is the reporting entity (**Cavpower**).

CRITERIA 2 - STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Structure

Cavpower is a company headquartered in Adelaide, South Australia.² Cavpower has a wholly owned subsidiary, Cavrent Pty Ltd (ACN 082 028 082).

Cavpower is the primary operating entity and Cavrent Pty Ltd operates the rental arm of the business. Both entities are subject to the same governance, policies, and procedures.

Cavpower is associated with the following brand:



Operations

Cavpower is the exclusive dealer for CAT® equipment in its service territory of South Australia and western New South Wales. Cavpower retails new and used equipment, parts, associated services of equipment, and technology solutions such as fleet management.

Equipment

Cavpower prepares for sale and on sells a range of CAT® equipment such as Articulator Trucks, Compactors, Excavators, Material Handlers, and Skid Steer Loaders.

The equipment that Cavpower sells is used to support various industries, including construction, agriculture, mining, landscaping, and power generation.

Services

Services that Cavpower provide includes:

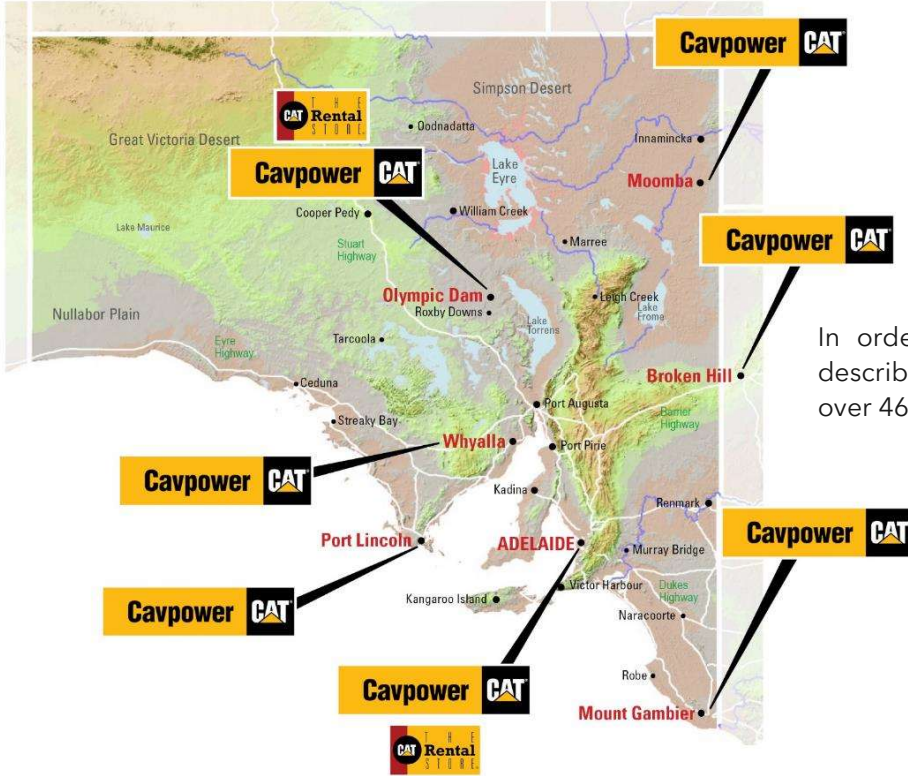
- Field Services Solutions: With over 50 vehicles and 2 Lube Trucks available on-road, Cavpower services equipment on site. Equipment servicing is primarily on CAT® equipment, but Cavpower also services other makes or models of equipment.
- Hydraulic Solutions: Cavpower's specialistic hydraulic workshop provides cylinder repairs, along with new cylinder design and manufacturing as required.
- Preventative Maintenance: Cavpower provide maintenance and inspection services on site or in-store, to assist in reducing operating costs and prolonging component life.
- Operator Training: Cavpower provides training to individual operators or groups at a variety of skill levels, to assist with using CAT® equipment effectively.
- Welding and fabrication: Cavpower maintains the expertise and technical skills to perform metal fabrication services, from a concept design to a finished product.

² Head office 589 Grand Junction Road, GEPPS CROSS SA 5094



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Cavpower operates across eleven locations in both regional and metropolitan areas as follows:



In order to provide the operations as described above, Cavpower employs over 460 people across these locations.



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Suppliers and Supply Chains

Cavpower values its suppliers and generally has long-term stable supplier relationships, on agreed terms and conditions. Cavpower also makes payments to suppliers that are not on our preferred vendor list, however if they are used regularly, we undertake due diligence and include them as a preferred supplier.

During the reporting period, Cavpower had 935 active preferred suppliers registered. Of these suppliers, 98% are based in Australia and 2% are based in Singapore, USA, Canada, United Kingdom, and France.

Cavpower's supply chains can be summarised as follows:

Products

- Earthmoving Machinery & Equipment
- Parts

Services

- Products to service retail products
- Tools

Technology

- IT providers
- Software
- Third party providers

Ancillary goods and services

- Uniforms
- Cleaning
- Office supplies
- Professional services (indirect categories and accountants, auditors, marketing, insurance, and legal services)



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CRITERIA 3 - RISKS OF MODERN SLAVERY

Cavpower understands and recognises that modern slavery is complex with global ramifications. Further, Cavpower understands that Australia is not immune to risks of modern slavery.

Cavpower recognises that certain products carry a higher risk for modern slavery compared to others and certain labour presents higher risk than others.

The following considers the risks of modern slavery in Cavpower's operations and supply chains, including areas that Cavpower has identified present higher risks of modern slavery.

Operations

Cavpower considers that the risk of modern slavery in its operations is low. Cavpower ensures adequate pay and entitlements in compliance with legislation or any applicable enterprise agreement or award and ensures regular reviews are undertaken.

Cavpower also requires that employees are aware and comply with the following Company policies:

1. HR 9-1 Code of Conduct
2. HR 8-1 Discrimination, Harassment and Bullying
3. HR 6-1 Industrial Relations and Grievance Handling

Cavpower has a Whistle-blower policy in place with anonymous reporting available for employees to use for any concerns related to slavery or breaches of policies or unethical business practices.

Cavpower does recognise however that there are higher risk industries used in connection with its operations including cleaning services and limited use of labour hire.

COVID-19

COVID-19 has contributed to significant supply chain disruptions during the reporting period, resulting in significant increases in lead times for new CAT® Equipment, including related ancillary equipment and supplies.

Cavpower realises that unforeseen delays can cause entities to put pressure on suppliers to meet deliverables and can potentially lead to extreme working conditions or exploitation of workers. Cavpower took a pro-active approach to this issue by communicating these delays with customers, many whom chose to place orders for additional machines in advance of when the machines were required. This helped mitigate the risks of increased pressure being placed throughout the supply chain, as customers knew in advance to expect delays.

Supply Chains

Cavpower recognises that procurement practices can contribute to risks of modern slavery, such as short delivery timeframes and low costs. Cavpower regularly liaises with its suppliers and considers that the risk of contributing to modern slavery in this regard is low.

Cavpower considers that there is a higher risk that it may be directly linked to risks of modern slavery in connection with its suppliers. Given the geographic position of many of Cavpower's key suppliers and goods procured, Cavpower identifies that there could be risks of modern slavery further down its supply chains of which it has limited visibility. Further, Cavpower recognises that the risks of modern slavery may vary through its supply chains, depending on the sector, business location, operations, and external workforce.



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Cavpower's tier one supplier base contains 2% which are based overseas, many of which are affiliated with CAT®, or provide support to key business systems and software. Notwithstanding this, Cavpower has less visibility of overseas suppliers in comparison to Australian. Products from overseas include, for example, mining parts from France.

Singapore, Canada, United States of America, United Kingdom, and France have all been assessed as countries that present low risks of modern slavery and have good measures in place to prevent modern slavery, as identified by resources including the Global Slavery Index and the 2021 Trafficking in Humans Report.

Cavpower does not consider that it has a high risk of directly causing or contributing to modern slavery, however, it recognises that the risks of modern slavery may vary through its supply chain, depending on the sector, business location, operations, and external workforce. Specifically, Cavpower considers that the highest modern slavery risks lie in the industries set out below.

High Risk Industries	Explanation
Freight and Transport	Recent reports have indicated that the global freight and transport industry has been more susceptible to modern slavery risks. These risks have been heightened due to the COVID-19 pandemic and supply chain disruption that has occurred due to transport issues and international restrictions. The nature of the isolated working conditions can mean that workers in these industries may be more susceptible to exploitation.
Labour Hire	The operation of labour hire entities is inherently a business that can present serious modern slavery risks. In many circumstances, a lack of visibility of working conditions and significant movement of workers increases risks of severe underpayment and other forms of modern slavery such as debt bondage.
Commercial Cleaning	Commercial cleaning has been targeted as an industry that typically attracts unskilled workers, and recent reports indicate that this industry is largely populated by migrant workers. The attraction of these vulnerable groups increases exploitation risks

This analysis assisted Cavpower to identify suppliers that may present more immediate modern slavery risks. Cavpower understands that it may need to conduct more focussed due diligence on suppliers operating in these industries.



CRITERIA 4 - ACTIONS TAKEN

The following sets out the actions taken by Cavpower to assess, address and mitigate risks of modern slavery in its operations and supply chains.

Supplier Consolidation - Implementation of New Finance & Procurement System

Cavpower recognises that maintaining up to date due diligence across its entire supplier base presents challenges and that having an inflated number of suppliers can also present unnecessary risks of modern slavery in its supply chains.

During the 2022 financial year, Cavpower completed its implementation of a new Finance & Procurement system. This was a significant project, and an opportune time to conduct a thorough review of vendors to determine which suppliers would be migrated across to the new system to continue as preferred suppliers. This provided an opportunity to consolidate suppliers. Cavpower reduced its total number of preferred suppliers from 990 to 935. This action helped Cavpower to be able to focus its due diligence on its key suppliers and assist with taking a targeted risk-based approach in the future.

Cavpower recognises the importance of paying suppliers promptly, so as not to put them in a position that they need to delay payments or change conditions due to late payments. The new Finance system has assisted to provide greater transparency and awareness of supplier payment times, leading to a significant improvement in the percentage of payments to suppliers made within 30 days. In this 2022 reporting period compared to 2021, Cavpower's \$ paid to suppliers within 30 days increased from 56.5% in FY2021 to 68.8% in FY22 - a 22% improvement overall.

Cavpower's risk assessment also considers Cavpower's spend with a supplier. Although Cavpower recognises that spend does not equate to risk, it recognises the importance of ensuring that key suppliers and any associated subcontractors are aligned with Cavpower's stance on zero tolerance of modern slavery.

In the reporting period Cavpower enhanced its systems and processes for undertaking due diligence when selecting suppliers, which is undertaken and approved before engagement. Part of this process includes a pre-qualification process which requires suppliers to provide company background information, safety, and quality policies

Remediation

Supplier Communication

Issuing the modern slavery questionnaire allowed Cavpower to develop an open line of communications with its suppliers. Cavpower recognises that transparency within its supply chains plays a large part in being able to mitigate modern slavery risks. By engaging with suppliers, Cavpower was able to follow up with suppliers following responses in the questionnaire that may have indicated risks.

Example: Cavpower issued a questionnaire to a supplier, and the response indicated that the supplier engaged migrant workers. Whilst migrant workers can be more susceptible to modern slavery, the supplier was able to provide that these workers held valid working visas and Cavpower was able to classify this supplier as not presenting any immediate modern slavery risks.

Cavpower also found that several of its suppliers had obligations to report under *Modern Slavery Act 2018* (Cth), for example, CAT® is a reporting entity. On this basis, analysis of supplier modern slavery statements was undertaken.



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Monitoring and Remediation

Monitoring of high-risk suppliers will continue to be undertaken to ensure adequate controls and mitigations are in place to ensure compliance with legislation. Any supplier that does not provide requested documentation or fails to implement effective controls will be given an opportunity to remedy and if not, removed from Cavpower's vendor panel.

Contracts

In the last reporting period, Cavpower implemented measures in its standard terms to require suppliers to collaborate with Cavpower to complete annual self-assessments and to ensure compliance with relevant laws and statutes in force. Cavpower maintained this stance throughout this reporting period, which Cavpower considers to be an integral aspect in requiring high standards of operating from suppliers that align with Cavpower's values.

CRITERIA 5 - ASSESSING EFFECTIVENESS

In the reporting period, the actions described above accounted for most of Cavpower's supplier spend base. Cavpower acknowledges however that spend alone may not adequately equate to risk and is committed to progressing its due diligence framework.

Cavpower acknowledges the need to continue to improve its responses to modern slavery and assess and address whether the systems and processes in place are effective in mitigating its modern slavery risks.

Cavpower acknowledges that there is a need for improvement in providing effective training and raising awareness within its workforce.

CRITERIA 6 - CONSULTATION

As outlined in Criteria 2, Cavpower wholly owns and controls Cavrent Pty Ltd such that overarching policies, systems and governance applies consistently across both entities. This statement has been prepared in consultation with Cavrent Pty Ltd, and details of the Act's reporting requirements were discussed by key stakeholders in both entities.

Across teams in both entities, extensive collaboration took place to ensure that this statement is an accurate reflection of the measures and actions taken by Cavpower and Cavrent Pty Ltd.

CRITERIA 7 - FURTHER INFORMATION

Cavpower intends to expand its modern slavery compliance program and future actions are set out below.

Future Actions for 2023 reporting period

- Additional resources have been placed in the Procurement Team to provide greater oversight of supplier engagement. The new Finance system and purchase order process restricts capability for anyone to engage suppliers without oversight.
- Continual engagement with any high-risk suppliers identified (if any) and remediation plans.