

SECOND JOINT MODERN SLAVERY STATEMENT

of Sime Darby Industrial Australia Pty Ltd
and Hastings Deering (Australia) Limited



Industrial

Hastings Deering



Second Joint Modern Slavery Statement of Sime Darby Industrial Australia Pty Ltd and Hastings Deering (Australia) Limited

This is the second joint Modern Slavery Statement under section 14 of the *Modern Slavery Act 2018* (Cth) made in respect of Sime Darby Industrial Australia Pty Ltd (ACN 153 652 594) (SDIA), and its wholly owned subsidiary Hastings Deering (Australia) Limited (Hastings Deering). Both SDIA and Hastings Deering are reporting entities under the *Modern Slavery Act 2018* (Cth).

For the purpose of this Modern Slavery Statement, references to “the Group” refers to both the reporting entities and, where applicable, other entities which they wholly own or control.

Over the past year, the Group has focused on implementing more stringent processes around how our business units onboard and deal with vendors and suppliers in a continued effort to reduce modern slavery in our supply chains. By implementing these processes, we are more confident that our vendors are aware of the Group’s strong position on addressing these important human rights issues.

This Modern Slavery Statement will describe the Group’s continued approach to ensuring that business is conducted in an ethical manner with a framework that seeks to maintain integrity and reduce and minimizes modern slavery risk in supply chain and operations. The statement will also outline the steps taken to date to promote and educate issues of modern slavery within our Group Companies (as outlined in the first Modern Slavery Statement), and provides an update of the effectiveness of other measures implemented and outlined in the previous year.

Our corporate purpose is to partner to deliver a better future and we do this through partnerships. Importantly, this includes our suppliers. Fundamental to our culture is our primary commitment not to harm people, and to do business ethically and in support of our communities. The Group seeks to partner with suppliers that respect the importance and protection of human rights, and that demonstrate a commitment to continuing to improve compliance in this area.

This joint Modern Slavery Statement has been approved by the Boards of SDIA and Hastings Deering and I have been authorised to sign this statement on their behalf.



Dean Mehmet

Managing Director – Sime Darby Industrial

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About our business



SDIA Structure and Operations

SDIA is a wholly owned subsidiary of Sime Darby Industrial Holdings Sdn Bhd, the industrial division of Malaysian investment holding company, Sime Darby Berhad. The principal activities of the industrial division are the sale, rental and servicing of Caterpillar products and delivering industrial solutions for customers in the mining,

construction, power generation, forestry, marine, oil and gas sectors. Sime Darby Industrial has had a partnership with Caterpillar for over 90 years and is ranked among the world's largest Caterpillar dealer groups.

In terms of SDIA's Australian operations, as at 30 June 2021, it is

the holding company of a Caterpillar dealership in Australia (Hastings Deering), as well as other allied operational entities (Industrial Solutions businesses) including Haynes Mechanical Pty Ltd, TFP Engineering Pty Ltd, Austchrome Pty Ltd, and HMG Hardchrome Pty Ltd (hardchroming, mechanical services and labour hire businesses).

Hastings Deering Structure and Operations

Hastings Deering is a wholly owned subsidiary of SDIA and is headquartered in Brisbane, Queensland. Hastings Deering has 23 business service centres throughout Queensland and the Northern Territory. Hastings Deering employs over 3,000 people and sells, rents, services and supports the complete range of Caterpillar heavy equipment used in mining, general construction, civil transport and construction, power systems, government, primary industries and marine sectors. Hastings Deering has a wide range of new, used, remanufactured or maintenance parts solutions; stocking over 232,000 lines of Caterpillar parts inventories.

Hastings Deering carries out condition monitoring services to assist customers to maintain the health of their equipment, including scheduled oil sampling. Other activities include technical and engineering services including the design and engineering of special machine attachments and certified rebuilds on Cat equipment. Hastings

Deering is also a Registered Training Organisation that provides training programs for apprentice diesel fitters and associated trades. As a labour hire licence holder, Hastings Deering provides labour hire to its customers from time to time.

The Industrial Solutions businesses consist of:

- **Austchrome Pty Ltd** (being a wholly owned subsidiary of Hastings Deering) is a reclamation and reconditioning technologies company that carries out chrome plating, hydraulic cylinder overhauls, machining services and thermal spray coating services.
- **HMG Hardchrome Pty Ltd** (being an indirect wholly owned subsidiary of SDIA) principal activities are blasting and chemical stripping, chrome plating, manufacturing and refurbishment, general engineering and fabrication.
- **Haynes Mechanical Pty Ltd** (being a wholly owned subsidiary of SDIA) is a mechanical services, labour hire, and recruitment business.

- **TFP Engineering Pty Ltd** (being a wholly owned subsidiary of Haynes Mechanical) provides lifting and maintenance services for the mining industry and developed the patented Pakka Jacks lifting system.

The Board of SDIA and Hastings Deering are responsible for overseeing the governance, management and strategic direction of each entity. For compliance assurance related matters, the Group reports to Sime Darby Group Risk and Compliance, although Management of SDIA and Hastings Deering remain primarily responsible for managing compliance and corporate governance risks and implementing any required internal controls, which include controls to prevent modern slavery risk. The board of SDIA and Hastings Deering respectively will manage compliance of this Modern Slavery Statement and future modern slavery statements published, pursuant to section 16(2)(b) of the *Modern Slavery Act 2018* (Cth).

Risks

The background of the page is a close-up, low-angle shot of a large stack of heavy-duty tires. The tires are dark grey or black with a prominent, deep tread pattern. The lighting is dramatic, with strong highlights and deep shadows, creating a sense of depth and texture. In the upper left corner, the word "Risks" is written in a bold, yellow, sans-serif font. To the right of the text is a white lightning bolt icon. A thin yellow horizontal line is positioned below the text.

Risks of Modern Slavery in Operations

The Group views its own operations to be a very low risk of causing or contributing to modern slavery due to the internal frameworks, policies and governance practices in place that promote ethical business conduct and the protection of human rights.

In terms of internal personnel risk, the recruitment practices of the group are stringent and transparent, with applicants being provided with sufficient information about the type of work they are undertaking and the working conditions. For example, where staff are provided with accommodation to work at customer sites, the working and living arrangements are internally assessed and approved to be clean and appropriate before any personnel is allocated to work. Where employees are required to relocate for operational

requirements, the employee is actively engaged in sourcing housing and accommodation to ensure it is acceptable. Reviews of adequate pay and entitlements in compliance with legislation or any applicable enterprise agreement or award are also regularly undertaken. The Group has a dedicated employee relations function that undertakes this work and any investigations of employment related claims.

Other relevant elements included in the Group's policy framework which support the importance of the ethical treatment and conduct of employees in its operations include, but are not limited to:

- an Employee Code of Business Conduct;
- Equal Employment Opportunity Policy;

- Harassment and bullying policies, and grievance handling mechanisms;
- Whistleblower policy; and
- a Flexibility and Inclusion Program with five focus areas of culture, gender, abilities, generation and LGBT.

The Group is continuing to evaluate the effectiveness of our internal policies to ensure that there are safeguards in place to protect against modern slavery. For example, the Group recently automated its gifts and entertainment reporting register and developed a mobile application for reporting. This assists with identifying any unethical business practices with respect to bribery and corruption which can sometimes indicate modern slavery related practices as well.

Risks of Modern Slavery in Supply Chain & response practices

The Group had a base of some 2,239 active preferred suppliers registered in the 2020-2021 Financial Year.

The Group does not consider that it has a high risk of directly causing or contributing to modern slavery, however, it recognizes that the risks of modern slavery may vary and increase through its supply chain, depending on the sector, business location, operations and external workforce. As some of the Group's suppliers are based outside of Australia (particularly those that are non-direct or tier 2 and below), the Group acknowledges that sometimes there is limited ability for direct and frequent observation of their activities.

The Group has a robust approach to the onboarding of suppliers which requires positive compliance with

documented Group Procurement Policies and Authorities. Part of this requirement includes a registration and pre-qualification exercise which assesses the background, technical expertise and financial capability of proposed suppliers. The request for proposal process also requires Suppliers to submit copies of policies and quality standards for review by the Group. Our Request for Tender document has been updated this year to include a comprehensive Corporate Social Responsibility section to which applicant vendors must respond, including several questions around management of modern slavery risks in their supply chain. The onboarding of suppliers is viewed by the Group as the very best opportunity to detect and address modern slavery risks, and the

Procurement Team has been trained on what issues should be flagged and further investigated.

In addition, suppliers must provide an undertaking to abide by the Group Vendor and Supplier Code of Business Conduct via the signing of a Vendor Letter of Declaration (VLOD), and the Code outlines the ethical business practice expectations of the Group, including that Suppliers comply with all laws related to anti-slavery and prohibited business practices. Open dialogue between the Group's procurement and operations functions is encouraged to ensure engagement, as well as to provide opportunities for the Group to identify any modern slavery risks that may be present in the supply chain.

Review



Supply Chain review

Caterpillar as a Supplier of Hastings Deering

A major part of Hastings Deering's operations and business is its role as a Caterpillar Equipment and Parts Dealer. Hastings Deering has a relationship and commercial obligation to purchase its product from Caterpillar Inc. Therefore, Caterpillar is a significant supplier in Hastings Deering's supply chain. Caterpillar and its Australian subsidiaries are subject to modern slavery reporting obligations both in Australia and also in other jurisdictions where modern slavery legislation is in force. Caterpillar have outlined their requirements for their suppliers in their Supplier Code of Conduct and have expressed a strong commitment to respecting human rights, including an assessment of some suppliers for human rights impacts from forced, compulsory or child labour, slavery and human trafficking.

Other Suppliers

Following on from the initial supply chain review conducted the previous year, the Group has expanded the scope of the supply chain review by lowering the spend threshold to include more suppliers of Hastings Deering and SDIA, as well as incorporating major suppliers from subsidiaries.

Central to this year's review was ensuring that the most accurate data could be collected from a high number of suppliers to manage the potential risk of modern slavery practices across the Group's highest spend. The Group elected to issue a Self-Assessment Questionnaire using

an online form. This enabled the Questionnaire to easily be distributed to the correct person within the organisation.

If a Supplier could not respond to the Questionnaire (due to complexity in locating the right personnel to respond to the Questionnaire within the timeframe required) the Group has, where possible, obtained those supplier's Modern Slavery Statements from the Modern Slavery Register and conducted an independent assessment based on the published Modern Slavery Statement. This accounts for approximately 9% of the responses.

An assessment of these Modern Slavery Statements against the requirements of the Modern Slavery Act was undertaken by our internal teams. It was found that:

- these suppliers have a more sophisticated understanding of modern slavery compared to those who are not classified as reporting entities under the Modern Slavery Act.
- they generally demonstrate that they have policies and procedures in place and are aware of their own supply chain risks and understand how best to mitigate these risks.
- the Group obtained comfort that the supplier's modern slavery obligations are being met and that the suppliers are in a position to support the Group's compliance with its own obligations.

The Questionnaire was sent to 195 key supplier entities. This represents a 60% increase on suppliers assessed compared to the

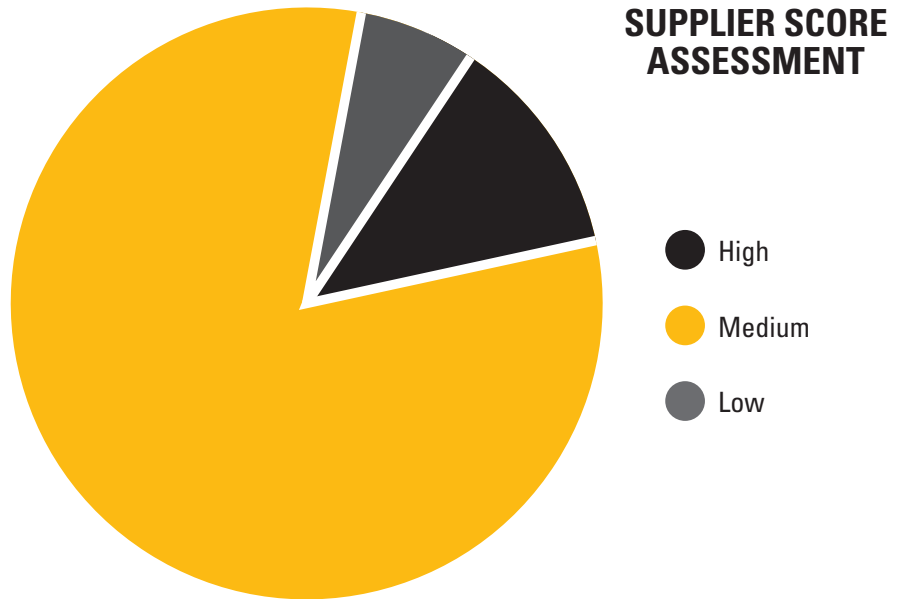
2019/20 Financial Year. The key areas covered within the self-assessment questionnaire included elements of geography, products or services provided, workforce practices and corporate governance practices in place.

The largest spend categories in the Group's supply chain remained consistent with the 2020 results and are in Professional Services, Plant, Equipment and Parts and Industrial Consumables such as oils etc, and Facilities and Maintenance.

At the time of publishing of this Modern Slavery Statement, the response rate to the Questionnaire was over 75% (a 5% increase on the prior year). The Group identified 12% of those suppliers as high risk requiring further analysis. Although this represents a 50% increase in high-risk suppliers compared to the previous year, this was expected as the sample size was larger and covered a higher proportion of smaller businesses that are not subject to reporting or assessment requirements.

A high-risk category was applied where raw materials or part of the supplier's own supply chain manufactured goods in high-risk countries for modern slavery pursuant to the Walk Free Foundation Global Slavery Index, or where governance practices were lacking (such as not having compliance policies in place), or where potential vulnerable populations were identified in the supplier's workforce based on guidance for modern slavery risk indicators.

Over 79% of suppliers operate only in Australia and New Zealand, which are both low risk jurisdictions for modern slavery according to the Walk Free Foundation Global Slavery Index, and low risk for corruption according to the 2019 Transparency International Corruption Perceptions Index. 64% of suppliers who responded stated that they did not use suppliers that operated in countries identified as high risk for modern slavery. 81% of suppliers that responded to the questionnaire stated they did not have a high-risk workforce (e.g. temporary or seasonal labour, Itinerant workers, University Students etc.).



Graphic – 2,239 suppliers, 195 suppliers assessed, response rate of 75% (147), 12% high risk



COVID-19 Considerations

Based on third party reports, it is possible that the risk of exploitation of workers can increase because of the impacts of COVID-19 and the increased demands on meeting delivery timeframes. There may be risks present in the supply chain that the Group does not have direct visibility to, particularly for goods imported from countries at a higher risk of modern slavery. The Group will continue to monitor the impact and focus on modern slavery risks where it is evident it exists because of demand and supply decisions made in response to the pandemic and will undertake to question suppliers assessed in future on whether or not COVID-19 has had an impact on their supply chain. The Group's operations have not been materially directly affected by COVID-19, but it acknowledges that there is a duty to monitor the impact of the pandemic on suppliers and the possibility of increased labour exploitation practices.

Actions taken



Actions Taken and effectiveness result

The Group's focus in FY2020-2021 was to expand on the previous actions taken by the Group to further develop, entrench and explore how to minimise risk of modern slavery throughout the supply chain.

The Group undertook a range of actions. The effectiveness of each action is considered below:

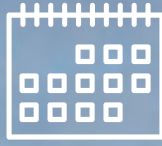
ACTION	EFFECTIVENESS
Updates to Vendor Letter of Declaration (VLOD), Contractor and Vendor Code of Conduct and Procurement Terms	<p>The Group have had significant success in updating the VLOD & Contractor and Vendor Code of Conduct.</p> <p>Over 80% of Hastings Deering and SDIA vendors are registered and verified in the vendor management system and have contracts or terms in place.</p>
Increased engagement and monitoring of high-risk suppliers	<p>Assessment of high-risk suppliers from last year was undertaken. While some vendors identified as High Risk in the previous year have remained High Risk, some have reduced in their risk rating.</p> <p>The Procurement function has registered and verified substantially more vendors in the prior year, and transitioned them to be on contracts or terms that require compliance with assisting the Group to monitor and address the risks of modern slavery.</p>
Training and Education	<p>Provided training and education to Procurement teams within the Group proved to be beneficial for the team and the business generally.</p> <p>It enabled key stakeholders in the business and the persons dealing with suppliers to connect and discuss the issues around modern slavery, how it appears in their everyday roles and how we can best work together to manage these risks.</p>
Reporting of Modern Slavery	No reports of Modern Slavery in the last two years received by the Group.
Expanding Supplier Due Diligence	This year, the review was expanded to include major suppliers from subsidiary companies and this lead to better understanding of risks of suppliers across the whole Group.

Consultation with entities owned or controlled by the SDIA Group

There is a commonality of directors across each of the Group and the subsidiary entities, as well as regular interaction between senior leadership teams. The policy and risk management framework of the Group is widely communicated to all subsidiary entities.

The Group procurement process outlined above pertaining to onboarding and execution of the VLOD and Vendor Code of Conduct is promoted across the Group. In addition, there has been engagement and communication of the need for risk assessment of modern slavery risks in the other entities owned or controlled by the Group which is expected to occur further in FY22.

The future



Goals and Roadmap

The Group aims to achieve comprehensive understanding of modern slavery risks within its operations and supply chain. Over the next year, its primary areas of focus will be:



Provide Modern Slavery Training to subsidiaries



Refine and improve self-assessment questionnaires with more targeted questions



Engagement with Suppliers – keep communicating standards / expectations and education



Case Studies – on a small section of suppliers to ensure compliance with contract obligations and business licence audits



High Risk Monitoring and follow up with high-risk suppliers to ensure remediation plans are put in place.



Any queries on this joint Modern Slavery Statement of Sime Darby Industrial Australia Pty Ltd (ACN 153 652 594) (SDIA), and its wholly owned subsidiary Hastings Deering (Australia) Limited (ACN 054 094 647) (Hastings Deering) can be directed to the SDIA Compliance Champion on +61 7 3717 2271.



Hastings Deering

