

Modern Slavery Report For Financial Year 2023

Filed pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

Hilti (Canada) Corporation is required to prepare an annual report for each financial year under section 11(1) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the **Supply Chains Act**). This letter is the report for the financial year 2023 for Hilti (Canada) Corporation. Hilti (Canada) [Corporation](#) is a national distributor in Canada that also operates as a wholesaler and retailer in some respects. Hilti (Canada) Corporation is a wholly owned subsidiary of [Hilti Corp.](#), headquartered in Liechtenstein, and is a member of Hilti Corp.'s global group of companies (referred to as "Hilti", "we", "our" throughout the report).

As a globally active company with complex value chains, Hilti is exposed to human rights-related impacts. We strive to avoid adverse human rights impacts throughout our business operations and in the communities in which we engage.

We are committed to the ten principles of the UN Global Compact and to respecting internationally recognized human rights, as set out in the Universal Declaration of Human Rights and the Declaration of the International Labor Organization on fundamental principles and rights at work, and we are committed to protecting these rights. They are reflected in our Code of Conduct for Employees, our internal policies, and our Code of Conduct for Suppliers.

Hilti (Canada) Corporation's Modern Slavery Report for Financial Year 2023 serves as a forced labour and child labour report under the Supply Chains Act.

For the purposes of this Report, we have considered the definitions of forced labour and child labour in the Supply Chains Act, which cover various forms of exploitation including:

- slavery, servitude and compulsory labour;
- human trafficking;
- sexual exploitation and forced marriage;
- deceptive recruiting practices; and
- debt bondage.

Business structure, operations and supply chains

Hilti (Canada) Corporation's offices are in Oakville, Ontario and it maintains distribution warehouses across Canada. Hilti (Canada) Corporation is a national distributor of Hilti-branded products in Canada and also operates as a wholesaler and retailer through its name-brand

stores. Hilti (Canada) Corporation imports Hilti-branded products into Canada and sells those products, alongside other Hilti service offerings, to its Canadian customers in the construction and building maintenance industries.

The products imported, distributed, and sold by Hilti (Canada) Corporation are procured by Hilti Corp. through approximately 900 core direct suppliers to purchase the material that goes directly into Hilti products. Approximately 65 percent of these suppliers are based in Europe, 28 percent in the Asia/Pacific region and 7 percent in the western hemisphere outside Europe. Hilti procures more than 42 percent of its direct purchase volume locally in the sales regions where the product will eventually be sold.

A dedicated global process manager is in place to coordinate sustainability in our supply chain and product design. This enables an effective and aligned global approach for sustainable sourcing and development activities. Our Sourcing Excellence Team is responsible for the topic of supplier sustainability for direct materials. The Global Procurement Indirect Materials function leads the topic of supplier sustainability for indirect materials. The function is responsible for ensuring that processes for supplier selection and supplier relationship management exist and are adhered to. Procurement Indirect Materials drives successful projects that are at the top of the sustainability agenda for Hilti, such as global renewable energy sourcing, travel demand management, offsetting projects for CO2 compensation, shifting to lower emission vehicles and many more.

Hilti Policies and values

As part of the international Hilti group of companies, Hilti (Canada) Corporation is vigilant to ensure our business and supply chains are free of forced or child labour, operate with integrity and in line with Hilti's corporate values and [Code of Conduct](#). In 2006 Hilti joined the UN Global Compact and have promoted the principles and values set out therein ever since. We report on our progress by publishing our annual [Sustainability Report](#).

We are aware that our global operations come with an inherent risk of adverse impacts on human rights standards and that we must be diligent to provide decent working conditions in our own facilities and supply chain.

Since 2012, we have formally required each of our direct suppliers to commit to compliance with our [Code of Conduct for Suppliers](#) as well as [Hilti's Sustainable Sourcing Policy](#), which clearly sets out Hilti's expectations and requirements to be a supplier. Both the Code of Conduct for Suppliers and the Sustainable Sourcing Policy must be contractually agreed to before we embark on a business relationship. Since 2019, also high-risk indirect materials suppliers are subject to a risk-assessment approach and the aforementioned policies must be obeyed when sourcing decisions are taken ensuring that parameters are equally rated.

Alternatively, suppliers may have their own established principles or codes that meet our requirements. In terms of human rights and decent working conditions, our suppliers commit, for example, to eschew slave labour, servitude, forced or compulsory labour and human trafficking, to pay minimum wages and not to make use of child labour, as well as the correct handling of hazardous substances and environmental protection.

Hilti suppliers participate in an IT-based supplier-relationship management system connected with our procurement solution provider and support the assessment regarding sustainability, business ethics, and human rights.

Suppliers can expect Hilti to abide by and actively live by the core values set out in its Code of Conduct which is mandatory for all Hilti employees. Vice versa, Hilti expects suppliers to abide by all applicable national and international laws and regulations as well as by the requirements of the Code of Conduct for Suppliers.

Risks of modern slavery in our operations and supply chains

We are constantly reviewing industry best practices and statements from government and non-governmental agencies, that is why we are very critical of our human rights due diligence. We not only aim to tackle but also to prevent and foresee possible dangerous situations. We looked for and identified risks in some areas of our business. Based on our findings and on public press releases, we primarily discerned risks in:

- the production of Hilti branded clothing
- the supply of indirect material
- the extraction of electronic components, raw materials, and minerals

The risk assessment was based on actual reports of Human rights violations from the media and government and non-government organisations. The clothes production is addressed in collaboration with our global suppliers for clothing as part of our internal procurement process. This topic was also assessed by external audit and certification provider regarding the occupational safety and working conditions. Recently, considering the public reports on incidents from indirect material, e.g. tea, coffee and solar panels, we decided to put in place a system whereby our suppliers working in this sector are now subject to new ad-hoc requirements and standards. The main novelty resides in the introduction of the duty to submit additional evidence of the suppliers' respect of and compliance with human rights and of the duty to guarantee that they fulfill this obligation respecting our standard approach in such instances.

Regarding the raw material extraction, an in-scope material short-list was created and was our starting point to address modern slavery and other relevant human rights and labour standard risks in this area. In a first step, all direct suppliers have been required to provide insights into their supply chain, based on a standard risk assessment. As a second step, third party sustainability assessments are consulted, their results are entered into a bonus malus system

in our supplier rating. After evaluating our entire supplier portfolio, we plan to focus more on **sustainability initiatives for individual material groups** in a third step.

Under review
Lithium
Aluminium
Copper
Nickel
Platinum Group Metals (PGMs)
Rare Earth Elements (REEs)
Conflict Mineral Monitoring
Tin
Tantalum
Tungsten
Gold
Cobalt
Mica

From the list you can see that we currently process the minerals tungsten and cobalt in our products, especially in the tips of our drills and chisels, and to a much smaller extent in batteries. These elements are also contained in many machines in our plants. Currently, there are no equivalent technical replacements for tungsten and cobalt for our purposes. However, our long-term goal is to replace conflict materials with less problematic substances. We are conducting a multi-year internal research project to replace one of the two.

Within the scope of raw materials due diligence, we are critically aware that we currently process various materials in our products, which may originate from minerals sourced from Conflict-Affected and High-Risk Areas (CAHRAs). At present, there is no equivalent substitute for these minerals, the extraction of which may help finance armed conflicts or may lead to political instability, insecurity, widespread violence, and widespread human rights violations in CAHRAs.

To mitigate associated risks, we ask our suppliers about the origins of their materials, and we require them to critically assess their own supply chains and to ensure that no materials derived from regulated conflict minerals are present in our products. By using the [Conflict Minerals Reporting Template \(CMRT\)](#), developed and maintained by the [Responsible Minerals Initiative \(RMI\)](#), we gather information throughout the supply chain regarding the countries of origin and the smelters and refiners utilised for processing tin, tantalum, tungsten, and gold (commonly abbreviated as "3TG"). In addition, by using the [Extended Minerals Reporting](#)

[Template \(EMRT\)](#) from RMI, we also gain clarity on our cobalt and mica supply chains. Both the CMRT and EMRT standards are aligned with the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#).

We have successfully obtained replies from almost all our relevant suppliers, the vast majority of whom either declared that 3TG minerals, cobalt, and mica are not contained in the products they supply to us, or that any 3TG minerals, cobalt, and mica contained have been properly sourced, as evidenced by an attached CMRT and/or EMRT. Furthermore, we have established a clear process flow in which a supplier is contacted directly through the Corporate Compliance team if they do not respond to our CMRT and EMRT requests or if the requested CMRT and EMRT have not been completed sufficiently.

Our long-term objective remains to replace materials potentially linked to CAHRAs as part of larger-scale efforts to make our product designs more sustainable. Within this scope, we would like to highlight three key initiatives aimed at reducing the amount of 3TG minerals and cobalt contained in our products. First, we are conducting extensive internal R&D projects to replace the cobalt- and nickel-based binders in our diamond segments with iron-based solutions. Second, we are currently replacing some of the hard materials used for saw blade applications from traditional tungsten carbide – cobalt (WC-Co) hardmetals. The replacement materials have significantly reduced contents of tungsten, cobalt, and tantalum by between 50 and 90%. Third, we are actively researching the potential of novel material solutions for percussion drilling applications and collaborate in research with other academic institutions and through our involvement in industry consortia and trade associations. This research work is investigating several more sustainable alternatives to traditional tungsten carbide – cobalt (WC-Co) hardmetals.

The most recent development in this space is our active involvement in the AIM-NEXT (Accelerate the Design and Insertion of non-CRM Hard Materials for Next Generation Extreme Applications) project, which will focus on establishing new experimental methods and computational approaches for the design of tools without Critical Raw Materials (CRM) such as tungsten or cobalt. This 4-year-long project started in 2023, and will fund 10 researchers at institutions across the EU. Hilti will host 2 researchers as part of AIM-NEXT, who will focus on 1) strengthening the binder phase for percussive drilling applications, without the inclusion of cobalt, and 2) microstructural design for damage tolerant components exposed to wear. Furthermore, our internal experts will play a key advisory role for other topics within the AIM-NEXT project, in close collaboration with our research and industry partners. We believe that AIM-NEXT can play a key role towards reducing the dependency of the European market to tungsten and cobalt, which are currently essential CRMs for high-performance applications such as percussion drilling.

Actions taken to address modern slavery risks: Due diligence processes and remediation processes.

As described, we drive our own and actively participate in international efforts aimed at improving ethical and social standards in business life. We strive to have policies encompassing the entirety of our business structure; hence we introduced in January 2024 a Human Rights Policy for Supply Chain Due Diligence on Human Rights and the Environment. This policy further details the Human Rights section of the Hilti Code of Conduct, refers to the Code of Conduct for Suppliers, is linked to the group-wide Compliance Management System (CMS), based on the ISO 37301:2021 framework and considers multiple national legislations. It further refers to environmental aspects in our framework of policies to align with global Supply Chain Act reports requirements.

Our policies provide internal guidance on how to verify the compliance of supplier contracts, managed by internal experts. Before starting a new serial supply, we perform special audits. If there is a suspicion or indication of a violation of our values, non-compliance with local country regulations, violation of human rights, use of child labour, or other suspicion related to our Code of Conduct for Suppliers, we will follow up with the supplier, either internally or through Bureau Veritas for on-site verification. We maintain an anonymous grievance mechanism for third parties/ stakeholders. Additionally, we collaborate with Bureau Veritas to check compliance with (domestic) regulations and good employment standards, including working conditions and health and safety standards. If we become aware of deviations to our standard or a violation, we take appropriate steps and measures to assure supplier compliance, including remedial measures. We terminate the business relationship for violation of the Code of Conduct where the supplier does not show the desire and will to improve the situation, or where there is not sufficient improvement after repeated violations.

Beside the above-described external grievance mechanism, internal confidential reporting procedures are adopted and published for employees to report any violations of the Code of Conduct, within Hilti or our supplier network. Related information is published in the global Sustainability Report of Hilti.

During 2023, a total of 44 audits were carried out with our suppliers to see if they are compliant with our Code of Conduct for Suppliers. The results of the audits show that all of them performed on a good basis overall, and none of the business partners had to be reassessed. Our IT based supplier relationship management system is the basis for handling all supplier-related information digitally on one platform. We already connected with almost all of our roughly 900 core suppliers via this system. These core suppliers handle 99 percent of our total purchasing volume of direct materials. This centralized contract documentation and communication will be established also for all indirect suppliers. This enables us to document our described due diligence efforts and standards, product compliance statements, agreements, and audit results, helping us in systematically cultivating our supplier

relationships. As a complement to that, our procurement teams also leverage the capabilities of two third party supplier assessment platforms in combination.

During the reporting year, there were no identified instances of forced labour or child labour in Hilti (Canada) Corporation's operations or the Hilti groups supply chain. Therefore, Hilti (Canada) Corporation has not needed to take any remediation measures. During the reporting year, Hilti (Canada) Corporation has not identified any instances of loss of income to vulnerable families that resulted from measures taken to eliminate the use of forced labour or child labour in its activities and supply chains.

The close collaboration with our suppliers makes it possible to directly incorporate feedback and common insights. During the reporting year, we intensified the exchange with selected major suppliers, conducting workshops to identify potential for product improvements.

We started with an exchange exploring our common sustainability strategy, our values and goals, proceeded with deep dives into the sourcing strategy, elaborating our expectations towards our suppliers, and finally conducted a workshop resulting in concrete actions and initiatives at a product level.

What Hilti expects of suppliers:

- To ensure healthy and safe working conditions
- To effectively prevent and control hazards and to ensure product safety
- To pay at least the legal minimum wage and to provide the overtime compensation specified under applicable laws and regulations

What suppliers may not do:

- Make use of child or forced labour (according to ILO Conventions 138 and 182 as well as 29 and 105)
- Discriminate on the basis of ethnicity, nationality, sex, cultural background, race, age, disability, religious beliefs, or sexual orientation
- Exceed the maximum legal working hours excessively and for long periods (according to ILO Conventions 1 and 30)
- Obstruct their workers' rights to assembly, association, and collective bargaining
- Make use of any type of mental and/or physical forms of disciplinary action and engage in systematic harassment

Effectiveness of actions taken to address modern slavery

Third party sustainability assessments are consulted, which are entered into a bonus malus system in our supplier rating. More than 150 audits were carried out at our suppliers since 2020. These direct supplier audits are repeated every three to five years and include working conditions and safety standards.

Training on modern slavery and trafficking

Comprehensive and target-group oriented compliance training concepts ensure that we raise awareness and inform our employees about modern slavery as well as human trafficking etc. globally.

On-site training courses serve both the general introduction to compliance issues and to deal with individual aspects in more depth and are attended by about 1,500 employees annually.

All new general managers of a market organization are trained on compliance issues in their area of responsibility as part of comprehensive training for general managers immediately after taking office.

All Hilti employees in sourcing and in purchasing-related functions are responsible for complying with our Anti-Corruption Policy, our Code of Conduct, and any supplementing policies, instructions, and guidelines receiving appropriate ongoing training in this regard. To ensure the correct application of our policies, we are training our internal supply community new joiners on the topic of sustainable sourcing annually face to face.

In addition, we have systematically introduced mandatory e-training to educate the supply community on (product) compliance topics related to procurement (see Hilti Policies and values).

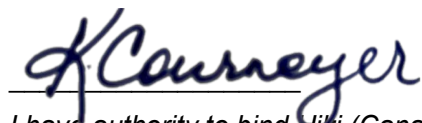
Moreover, especially for direct suppliers in countries with less established sustainability practices and within material groups with substantial sustainability impact, we offer and provide them trainings on social practices on a regular basis, thereby promoting positive social impact action.

This report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Hilti (Canada) Corporation.

Full Name: Katherine Cournoyer

Date: May 31, 2024

Title: SVP, General Counsel and Director – Hilti (Canada) Corporation

A handwritten signature in black ink, appearing to read 'K Cournoyer', written over a horizontal line.

I have authority to bind Hilti (Canada) Corporation.