

1. Who we are and our values

Applied Industrial Technologies Pty Ltd (**Applied**) has been operating in Australia since 2012, having purchased SKF Bearing Supplies Pty Ltd that was first registered in 1982. Applied's ultimate parent company is Applied Industrial Technologies Inc, based in the USA, which has been operating since 1923.

At Applied, we recognise the impact and importance of corporate social responsibility in today's dynamic business environment. We are committed to ensuring that we conduct business fairly, honestly and ethically, in every location where we do business. To that end, we represent leading manufacturers with the highest quality brands – delivering all things industrial for our customers. Every year we generate tens of millions of dollars of documented value-add for our customers. Ultimately, the value-add we provide can take many forms – from inventory optimisation and reduced maintenance costs to increased production and training, along with the well-being of our associates and our communities, and, importantly, respecting human rights.

Respecting human rights is an integral part of our business operations and is deeply entrenched in the Applied Core Values of integrity, respect, customer focus, commitment to excellence, accountability, innovation, continuous improvement, and teamwork.

In accordance with the Australian Modern Slavery Act 2018 (Cth), this statement outlines the steps Applied has taken to identify, assess and address the modern slavery risks presented to our business, operations and supply chains over the financial year ending 30 June 2021 (FY2021).

Applied understands that preventing modern slavery practices is a multifaceted issue and is committed to monitoring and eliminating the risks of all forms our modern slavery practices in our operations and supply chains.

2. Structure, operations and supply chains

2.1 Our heritage and services

We are proud of our rich heritage and growth dating back, through our ultimate parent company, since 1923.

Applied is a leading value-added distributor and technical solutions provider of industrial motion, fluid power, flow control, automation technologies, and related maintenance supplies. Our leading brands, specialised services and comprehensive knowledge serve Maintenance, Repair and Overhaul (MRO) and Original Equipment Manufacturers (OEM) customers in virtually all industrial markets.

To ensure that we conduct our business transactions in a manner consistent with the principles of human rights and dignity, we are committed to aligning ourselves with major trusted brands and local suppliers in Australia. We have also implemented a series of checks and balances in our supply chains as part of our commitment to respecting human rights and our intention to deal only with business partners that do not engage in modern slavery practices themselves or through their own supply chains (see further below). Whilst Applied is a relatively new company (in Australia), it has a strong focus on continuous improvement in all that we do, and this includes in our processes, policies and systems of checks and balances, including with respect to seeking to ensure that the business partners we use in our supply chains do not engage in modern slavery practices themselves or in their own supply chains.

2.2 Our Structure

Applied's corporate head office is located in Oakleigh. Applied is owned by Applied Australia Holdings Pty Ltd (**Applied Australia Holdings**), a wholly-owned subsidiary of Applied Industrial Technologies Inc., an industrial equipment distributor based in the United States. Applied Industrial Technologies, Inc.

2.3 Our Supply Chains

Applied is committed to doing business with local suppliers, who are subject to the same Australian legal standards, including in respect of compliance with workplace laws and human rights.

As noted above, Applied's supply chains include the suppliers of products and services used in its industrial operations, including industrial motion, fluid power, flow control, automation technologies, and related maintenance supplies. These include adhesives, sealants and tapes, agricultural products, automotive, bearings, chemicals, coatings and compounds, electrical motors, fasteners and fittings, filtration, general industrial products, hose and fittings, hydraulic products, linear motion, lubrication and equipment, material handling, pneumatics, power transmission, process equipment, seals, gaskets, accessories and tools.

Approximately, 95% or more of our business/direct dealings is undertaken with local Australian companies.

3. Identifying Modern Slavery risks

The risks of modern slavery practices refers to the risks that may cause, contribute to, or be directly linked to modern slavery practices.

Applied prides itself on dealing with trusted brands, and, as previously noted, many local business partners. However, Applied understands that the supply chains of those who we deal with may have modern slavery risks, particularly in circumstances where the supply chains of those entities may be based in some overseas countries where there is poverty, low adherence to the rule of law, a lack of regulation of workplace practices and adherence to commonly accepted human rights. We also recognise that the impact of COVID-19 can also increase the risks of modern slavery practices within these regions.

In order to assist in understanding and identifying those modern slavery risks, Applied has developed various processes and procedures to deal with these issues. These are referred to below. Applied will seek to improve these process and procedures as part of its commitment to continuous improvement.

4. Assessing and addressing Modern Slavery risks

Applied takes its obligations in assessing and addressing modern slavery risks seriously. This is a continual process. Recent steps we have taken to assess and mitigate the risks of modern slavery in our operations and supply chains (in the 2021 calendar year), include among other things, the following:

- Establishing a modern slavery policy.
- Reviewing our existing modern slavery framework.
- Embarking upon due diligence processes with respect to new suppliers.
- Implementing a modern slavery clause in our new supplier contracts.
- Seeking to reinforce a Code of Business Ethics, which requires, among other things, vendors to follow certain standards, including with respect to hours of work, working conditions, employment practices and for wage rates to follow the principles of human rights and dignity for individuals. Further, the Code makes clear that a vendor's use, or tolerance, in its supply chain, of child labour, work performed under coercion, human trafficking, or modern slavery, is unacceptable to Applied and will not be tolerated. To support compliance with the Code, Applied has also implemented a confidential and anonymous ethics reporting hotline.
- Establishing a Supplier Code of Conduct.

We aim to ensure that we continue to improve our processes and framework for recognising, monitoring and proactively dealing with modern slavery risks within our business and our supply chains. This includes engaging and training our staff on the responsibility for supply transactions. Applied has developed a questionnaire which it will encourage our business partners in our supply chain to assist us in assessing modern slavery risks within their own supply chains, as well as making clear Applied's position with respect to engaging with businesses who do not engage in modern slavery practices either themselves or through their supply chains.

We will discuss these steps in further detail overleaf.

4.1 Modern Slavery Policy

Applied has recently implemented a Modern Slavery Policy. The policy serves as a strong testament of our ongoing commitment to conducting business fairly, honestly and ethically. The policy applies across Applied's entire business and applies to all persons working for Applied. A failure by a staff member to comply with the policy may result in the termination of the worker's employment/engagement. The policy contains a clear statement regarding Applied's commitment to monitoring and seeking to eliminate modern slavery practices/risks within its operations, including its supply chain.

The policy will be monitored and reviewed regularly by different levels of management including the General Manager Supply Chain as well as Applied's Human Resources Department. The policy makes clear that all staff have a responsibility to ensure that Applied's operations and its supply chains do not engage in modern slavery practices. The policy also outlines a process for reporting any suspected or actual risks of modern slavery practices within Applied or its supply chains.

The policy is consistent with the Applied group of companies' Corporate Social Responsibility Policy including Applied's:

- Corporate citizenship and human rights statement, which includes recognition for equal employment opportunities, continuous learning and training, employee wellness;
- Supply chain management practices, which recognises quality brands, world-class manufacturers.
- Corporate Governance processes, which include a focus on integrity and transparency in financial reporting and the adoption of accepted principles and practices.
- Supplier Code of Conduct

Applied will also be implementing measures with a view to seeking to ensure that its workers, particularly those with responsibility in the supply chains, act in a manner consistent consideration for companies in considering their Modern slavery Statement the policy, to further support the implementation of the policy within its business.

4.2 Reviewing Modern Slavery Framework

As indicated above, Applied's Modern Slavery Policy, is one piece in Applied's broader modern slavery framework. This also includes Applied's Code of Business Ethics, Corporate Social Responsibility Policy and its contracting practices in respect of new supply arrangements which also support Applied's due diligence processes (systems and checks) when dealing with suppliers. To further support Applied's modern slavery framework, Applied will be embarking on further initiatives, including training of staff and the expectation for those in its supply chain to respond to a Modern Slavery Questionnaire, to assist Applied to identify and deal with modern slavery risks within its operations, including its supply chains.

Accordingly, these policies make it unequivocally clear that the principles of human rights and dignity for individuals with respect to hours of work, working conditions, employment practices, and wage rates must be followed. In addition, these policies also ensure that those who deal with us will understand our expectations and that any use or tolerance of any form of child labour, work performed under coercion, human trafficking or modern slavery in Applied's supply chain is unacceptable and will not be tolerated.

Applied will endeavour to continue reinforcing our expectations on our employees, vendors and suppliers, so they can be continue to be aware of the potential involvement in modern slavery, and take action to mitigate and address it.

We regularly review and monitor these policies to ensure that they remain effective and kept up to date with the current expected standards.

4.3 Strengthening Supplier Contracts

As previously noted, Applied has also sought to include a set of Modern Slavery clauses in new contracts being entered into with our suppliers. These clauses clearly set out the expectations for how Applied requires its suppliers to identify, assess and address modern slavery risks. The clause also specifies Applied's requirements that suppliers comply with all applicable laws relating to modern slavery, including, but not limited to, with respect to extortion, forced labour, child labour or minimum contracting ages and employment and discriminatory practices.

We also seek to ensure we deal with trusted and respected entities within our supply chains and to undertake more thorough due diligence processes with new business partners, including by way of development of a supplier modern slavery risk questionnaire.

5. Due diligence and remediation process

Applied takes a proactive approach to eliminating any forms of modern slavery within its operations and supply chains. We acknowledge that due diligence and remediation are a fundamental part of the *UN Guiding Principles on Business and Human Rights* (UN Guiding Principles) and understand that we have an obligation to prevent, address and remedy breaches of human rights that have been present in our business operations. We strive to ensure that our due diligence and remediation process are effective and consistent with UN Guiding Principles.

5.1 Due diligence

Prior to engaging in business with Applied, we require all new suppliers (including renewing suppliers) to undergo our due diligence and vetting process. Initially, Applied conducts a pre-qualification modern slavery check as well as a risk profile assessment on the relevant supplier. During this process, Applied will assess whether there are any risks within the supplier's relevant industry, geographic region, workforce and business operations, and how those risks have been mitigated. This process assists Applied in identifying any potential areas of modern slavery risks, and if risks are identified, Applied will engage in further discussions with the supplier and require them to provide further information for the purposes of the assessment.

In the event that Applied identifies a risk as being medium to high or severe risk of modern slavery, Applied will regularly monitor the supplier and use its best endeavours to work with the supplier in mitigating the associated risks. If the supplier does not take any action in addressing these risks, Applied specifically reserves its rights to conduct an independent audit of the supplier's operations or report to the relevant authority for non-compliance. The pre-qualification modern slavery check is undertaken by the General Manager Supply Chain.

5.2 Remediation process

As part of our continuous improvement processes, Applied has recently put in place appropriate remediation and grievance processes to seek to eliminate or minimise the risk of modern slavery within its supply chains. (It should be noted these have been implemented as at the date of submitting this statement and came into effect after 1 July 2021.)

We have established a reporting procedure where our employees, suppliers or relevant third parties can report any concerns regarding modern slavery practices. Applied strongly encourages employees to immediately report any concerns to their direct manager. We have an "open door" policy where all Applied managers have an obligation to respond to an ethical problem in an open and non-threatening manner. Applied has a firm policy against retaliation toward individuals who report ethical problems and concerns. Alternatively, if an employee or third party wishes to report anonymously, they can do so via our Ethics Reporting Hotline. This is a confidential anonymous hotline available to anyone wishing to report any questionable modern slavery practices within Applied's business, operations and supply chains.

In the event that a matter is reported, Applied will conduct a review and then investigate the matter if it considers that it is appropriate in the circumstances to do so. Applied expects each employee, supplier or third party to fully cooperate in the investigation process and reserves the right to use all lawful means necessary to pursue a complete investigation. If modern slavery has been established within its supply chain, Applied will firstly use its best endeavours to work collaboratively with the supplier to address the modern slavery risk. If this is unsuccessful, Applied will cease the business relationship with the supplier and may in the circumstances, report the supplier to the relevant authority for non-compliance.

Applied has not had any modern slavery complaints raised directly with it. Applied believes this reflects its commitment to eliminating modern slavery practices. At the same time however, we acknowledge that it is important for all businesses to seek to ensure continuous improvement and processes, including with respect to further strengthen remediation and grievance process. We will continue to look for further opportunities to ensure that those who are responsible for monitoring modern slavery complaints are trained to respond to these issues in an effective and timely manner.

6. Consultation process

Applied adopts a collaborative approach in identifying and addressing modern slavery risks with the entities that we own or control. Accordingly, we have engaged in communications with Applied's ultimate parent company and related entities to identify ways in which we work collaboratively to eliminate modern slavery risks within our supply chains.

We have consulted with different levels of management within Applied and the broader Applied group, including our human resources personnel and managers involved in our supply chains, as part of our commitment to continuous improvement and collaboration processes.

7. Future plans

At Applied, we will continue to explore more opportunities to ensure that we are effectively identifying, assessing and mitigating modern slavery risks within our supply chains.

As such, our future plans in combating modern practices within our supply chains for the next financial year include, among other things, the following:

- Requiring new and renewing suppliers to complete a modern slavery questionnaire prior to engaging in business with Applied;
- Establishing a mechanism where Applied can work collaboratively with its suppliers to minimise modern slavery risks;
- Updating our standard agreements, where applicable, to ensure our suppliers/arrangements are consistent and comply with Applied's modern slavery policy; and
- Partnering with external stakeholders to consider ways in which medium to high risk suppliers can be monitored.
- Training staff within our supply teams to identify and understand modern slavery risks and reporting requirements.

This statement was approved by the Board of Directors of Applied Industrial Technologies Pty Ltd (on 1 December 2021).



Joe Mangiapane
Managing Director



Ashok Kapoor
Finance & Administration Director