



PARKER HANNIFIN

MODERN SLAVERY STATEMENT 2020

Parker Hannifin Entities in Australia

Reporting Period : 1 July 2019 to 30 June 2020

INTRODUCTION

This modern slavery statement is made by Parker Hannifin Australasia in accordance with the *Modern Slavery Act 2018 (Cth)*.¹

REPORTING ENTITIES

This is a joint modern slavery statement made in accordance with section 14 of the Modern Slavery Act by the following reporting entities:

- Parker Hannifin Australia Holding Pty Limited (ACN 117 010 107) – registered office 9 Carrington Road, Castle Hill, NSW 2154. This is the holding company for the Australasian Group and has no employees.
- Parker Hannifin (Australia) Pty. Limited (ACN 008 446 893) – registered office 9 Carrington Road, Castle Hill, NSW 2154. This is the Australian operating entity has 361 employees.
- Parker Hannifin Australia Assets Pty Limited (ACN 117 126 593) – registered office 9 Carrington Road, Castle Hill, NSW 2154. This is the Australian investment entity and has no employees.

These entities are collectively referred to as 'PHA'.

The Directors of each of these entities are based in Australia and are members of the Australasian Management Team.

STRUCTURE, OPERATIONS AND SUPPLY CHAIN

The ultimate parent of the reporting entities is Parker-Hannifin Corporation ('Parker') (NYSE: PH). Parker is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing precision engineered solutions for a wide variety of mobile, industrial and aerospace markets. It was incorporated in Ohio in 1938 and its principal executive offices are located at 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, United States of America.

¹ *Modern Slavery Act 2018 (Cth)* ('MSA'); *Modern Slavery Act 2018 (NSW)*.

Parker has manufacturing, service, sales, distribution and administrative facilities located in 38 states within the United States of America and in 48 other countries globally. Products are sold as original and replacement equipment through sales and distribution centres worldwide and are marketed through direct sales employees, independent distributors and sales representatives. Parker services approximately 464,000 customers in virtually every significant manufacturing, transportation and processing industry.

Parker's operations report across a Diversified Industrial reporting segment and a separate Aerospace Systems reporting segment. The Australasian operations form part of the Diversified Industrial reporting segment. The subsidiaries of PHA are spread across New Zealand, Singapore, Malaysia, India, Vietnam, Indonesia and China. They also operate as part of the Diversified Industrial segment. One Malaysian entity operates as part of the Aerospace Systems segment.

The Diversified Industrial Segment sells products manufactured by Parker to both original equipment manufacturers ("OEMs") and distributors who serve the replacement markets in manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural and military machinery and equipment industries.

The Diversified Industrial Segment products consist of a broad range of motion-control and fluid systems and components.

Diversified Industrial Segment products include standard products, as well as custom products which are engineered and produced to OEM specifications for application to particular end products. Standard and custom products are also used in the replacement of original products. Marketing of Diversified Industrial Segment products is primarily through field sales employees and approximately 16,400 independent distributor locations throughout the world.

Parker has over 50,000 employees worldwide, of whom approximately 25,000 are employed by foreign subsidiaries.

Supply Chain

Parker has many thousands of suppliers globally with approximately 400 providing products and services to the Australian business.

PHA sources a diverse range of raw materials, finished goods and services, in its manufacture of industrial motion and control products, and provision of related services.

PHA manufactures the following products in Australia:

- PVC Hose:
 - Raw material: PVC Compound (sourced locally from external suppliers).
- Fluid connector fittings:
 - Raw material: Steel (sourced locally from external suppliers);
 - Raw material: Steel forging (sourced from Parker Hannifin locations in the United States of America).
- Cylinders:
 - Raw materials: Componentry (sourced from Parker Hannifin locations in the United States of America).
- Power units:
 - Raw materials: Componentry (sourced from Parker Hannifin locations in the United States of America).

PHA purchases the majority of its finished goods and components from other Parker Hannifin locations worldwide, primarily from:

- United States of America;
- United Kingdom;
- European Union and Schengen Zone member states, primarily:
 - France;
 - Germany;
 - Italy;
 - Sweden.
- Korea;
- China;
- India.

PHA purchases services from Parker Hannifin locations located in the following countries:

- Switzerland (treasury and administrative services);
- Poland (administrative services);
- China (administrative services);
- United Kingdom (information technology services);
- United States of America (information technology services).

PHA performs the following value-add services in Australia:

- Conversions and repairs
- Hose manufacturing and kitting.
- Tube bending
- Hydraulic systems build

PHA purchases a small quantity of products and services from external suppliers, internationally and in Australia. Local suppliers provide the following goods and services:

- Information technology products and services;
- Office and shipping supplies
- Recruitment services;
- Facilities cleaning and maintenance (including, amongst others, gardening and waste solutions);
- Security and facility monitoring;
- Transport and logistics.

These goods and services primarily support daily operational activities, and are not resold.

RISKS OF MODERN SLAVERY

In the initial supplier assessment process consideration has been given to risks linked to modern slavery practices and the industries, types of products and services procured and geographic locations from which these are procured. For better

understanding use was made of the Global Slavery Index and the Corruption Perception Index.

Products and services within the operations and supply chains of PHA that carry a higher risk of Modern Slavery have been identified as including electronics, cleaning contractors and subcontractors, outsourcing, labour hire for services. These will be part of the initial detailed review as will the inclusion of products and services sourced from certain countries with poor indicators in respect of governance of human rights.

Areas identified as requiring further review of risk include products sourced from Korea, China and India and services provided from China.

These factors will be built into assessments in supplier engagement activities over the next 3 financial years.

DUE DILIGENCE – POLICIES, PROCESSES AND PROCEDURES, GOVERNANCE AND CONTINUOUS IMPROVEMENT

Parker has addressed expectations in relation to Modern Slavery in the Code of Conduct, in the Supplier Code of Conduct and in Human Resources Policies. It is compliant with the UK Modern Slavery Act 2015. Operating in the Asia Pacific, PHA understands, that with purchasing the majority of goods from our overseas Parker locations, we are not immune to risk in our extended supply chain.

Parker has implemented policies and processes to minimise the risk of modern slavery in its business operations and supply chain, understanding that slavery and modern trafficking can occur in the form of forced labour or other servitude, human trafficking, forced marriage, debt bondage, child labour and in deceptive recruitment of labour and services.

All Parker policies and codes apply to every Parker subsidiary including PHA and its subsidiaries.

Code of Conduct

Parker respects all human rights and has established a global labour relations programme.

The Code of Conduct sets out Parker's expectation and commitment to human rights. The requirements are as follows:

Parker respects all human rights and has established a global labour relations programme to support human rights. Parker's policy is designed to align with various international standards that promote and protect the human rights of workers all over the world (including, but not limited to, the United Nations Guiding Principles on Business and Human Rights). Parker makes a modern slavery statement under the UK Modern Slavery Act 2015. In accordance with its own and these, it is Parker's expectation that all employees are treated with respect and dignity and work in an environment free from unlawful discrimination and harassment and in which there is compliance with all national, county and local laws and regulations regarding forced or indentured labour, human trafficking, child labour, working hours, wages and benefits, and health and safety.

Parker expects its suppliers to operate in agreement with these standards under Parker's "Supplier Code of Conduct", and take reasonable measures to ensure such compliance in doing business with such entities.

These requirements are further expanded in the Supplier Code of Conduct with specific application to supply chain considerations.

Supplier Code of Conduct

The Parker Supplier Code of Conduct (SCC) sets forth minimum requirements and expectations with respect to compliance with laws and acceptable business conduct for Parker's suppliers. Suppliers are encouraged to introduce and maintain policies, standards, procedures or codes that are stricter than these requirements and expectations.

The SCC applies to all Parker suppliers (and those of all subsidiaries), regardless of where the supplier is located or doing business. It supplements, rather than replaces, any additional requirements of suppliers under any other contract or agreement with Parker. Parker reserves the right to audit or review supplier compliance with this Code.

Upon receipt of information that a supplier has failed to observe this Code, Parker will notify the supplier's management and discuss any remedial or corrective actions. Non-compliance with the Code will be considered a material breach of the supplier's obligations to Parker and may result in remedies including termination of the business relationship with Parker.

The SCC requires that suppliers ensure their operations are being performed in a manner that is appropriate, as it applies to their ethical, legal, environmental, and social responsibilities. Minimum basic requirements include:

- Ethics and Anticorruption

Suppliers will conduct their business in a manner consistent with the Global Code of Business Conduct of the Parker Hannifin Corporation.

- Non-Discrimination

Suppliers shall not discriminate against race, colour, ethnicity or national origin, gender or gender identity, sexual orientation, age, pregnancy, religion, political affiliation, marital status, or other defining characteristics as prohibited by local, state, and federal laws/regulations in the country of origin or performance of services.

- Labour

- Child Labour – Suppliers shall employ workers of at least minimum legal age in accordance with local, state, and federal laws/regulations in the country of origin or performance of services.
- Forced/Indentured Labour – Suppliers shall not practice the use of forced or indentured labour.
- Work Hours/Days – Suppliers shall not exceed the daily and weekly working hours as permitted by local, state, and federal laws/regulations in the country of origin or performance of services.
- Wages and Benefits – Suppliers shall compensate workers in accordance with local, state, and federal laws/regulations in the country of origin or performance of services. This includes minimum legal wage, overtime wages, and benefits (as required by law).
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CONTINUOUS COMPLIANCE AND IMPROVEMENTS

The PHA Management Team will continue to ensure compliance with the Corporate Code of Conduct and Supplier Code of Conduct. They will continue to assess and monitor the global supply chains with a view to mitigating the risk that exists in relation to human rights and labour.

Training of team members about the risks of Modern Slavery will be undertaken and ongoing risk assessment and analysis will be undertaken to identify whether any modern slavery is occurring.

PHA will engage with Parker locations overseas in the assessment of risk, the update of the process of supplier selection, the communication of requirements to suppliers, the supplier self-assessment questionnaire the mapping the supply chain worldwide, resourcing (where necessary), collaboration with government and non-government organizations to fight modern slavery risks, the auditing process of suppliers and the reporting and monitoring of related findings.

This process will include engaging with local suppliers utilising a new Supplier Evaluation Form.

PHA is committed to continuously challenging and enhancing our internal and external supply chains.

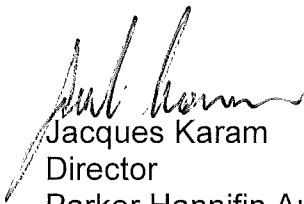
The breadth and complexity of the supply chain that exists means that identifying and assessing the risks of modern slavery will remain a significant challenge. However PHA is committed to working with our colleagues globally on initiatives to address unacceptable practices.

At PHA an internal, cross functional committee, made of representatives from Human Resources, Legal, Supply Chain and Compliance has been established. This team has responsibility for reviewing the supply chain and operations compliance in regard to human rights and modern slavery. We will ensure that progress is made, and risk identified and resolved. Tools to be utilized include supplier questionnaires, data collection, review and analysis. This committee will also be responsible for establishing tools to evaluate the effectiveness of our actions and to guide remediation of all identified issues.

This Statement summarises the actions undertaken by PHA .

There are two Directors who hold this position across all reporting entities. They have been involved in the drafting of this statement and are part of the committee addressing the issue of Modern Slavery.

This statement has been approved by the Board of Parker Hannifin Australia Holding Pty Limited on behalf of the reporting entities on 4 May 2021 in accordance with the requirements of the Australian Modern Slavery Act 2018 (Cth).



Jacques Karam
Director
Parker Hannifin Australia Holding Pty Limited



Gillian Wilcox
Director
Parker Hannifin Australia Holding Pty Limited

Dated: 3rd May 2021