

1. Introduction

Applied Industrial Technologies LP and Applied Industrial Technologies Canada, ULC (collectively, "Applied", "we" or "our"), and their related entities, have been operating in Canada since 2000. Applied's ultimate parent company is Applied Industrial Technologies, Inc. ("Applied USA"), based in the USA, which has been operating since 1923. Applied is a leading industrial distributor and solutions provider in Canada, with Applied USA and its other affiliates (together with Applied, the "Applied Group") conducting this business in the rest of North America, Australia, New Zealand, and Singapore, supplying customers in a wide range of industries with products including bearings, power transmission products, engineered fluid power components and systems, specialty flow control solutions, automation technologies, and other industrial supplies. We serve customers for both MRO (maintenance, repair, and operations) and OEM (original equipment manufacturing) product applications. We provide engineering, design, and systems integration for industrial, fluid power, flow control, and automation applications, as well as customized mechanical, fabricated rubber, fluid power, and flow control shop services. We also offer maintenance training and inventory management solutions.

We are proud of our rich heritage and growth dating back to 1923 through Applied USA. In 2000, Applied began its presence in Canada when Applied Industrial Technologies acquired Bearing & Transmission. Bearing & Transmission was founded in Vancouver, BC in 1948. Applied continued to expand in Canada in part by acquiring other longstanding Canadian companies, with its most recent acquisition being Seals Unlimited headquartered in Burlington, ON. In 2019, Applied consolidated its operations to operate under the Applied Industrial Technologies banner.

At Applied, we recognize 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.

Respecting human rights is an integral part of our business operations and is deeply entrenched in the Applied Group's Core Values of integrity, respect, customer focus, commitment to excellence, accountability, innovation, continuous improvement, and teamwork. Furthermore, Applied operates in compliance with its Code of Business Ethics and expects its suppliers to comply with its Supplier Code of Conduct. 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.

This Modern Slavery Report (the "Report") constitutes the first report prepared by Applied pursuant to Canada's new Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act"). The Report outlines the steps Applied has taken to identify, assess and address the modern slavery risks presented to our business, operations and supply chains during the financial year ending June 30, 2023 (the "Reporting Period").

2. Steps taken to prevent and reduce the risk of forced labour and child labour

Applied recognizes that all levels of the organization must be engaged to effectively identify and address forced and child labour. During the Reporting Period:

- Applied required all of our employees to adhere to Applied's Code of Business Ethics (discussed in more detail below) which provides measures for our employees to report any violations of the Code of Business Ethics, and which specifically includes suspicion of forced or child labour.
- Applied primarily purchased from reputable multinational and Canadian companies.
- Applied prepared a Supplier Code of Conduct (discussed in more detail below) that has now been incorporated in its Supplier Terms and Conditions that specifically addresses Applied's opposition to forced and child labour in its supply chain.
- Applied continually assessed its suppliers, with all suppliers being screened nightly against various international governmental lists, including the Canadian Restricted Entities list produced by the Department of Foreign Affairs and International Trade.

Applied continues to assess what additional steps are needed to reduce the risk of forced labour and child labour in its supply chain.

3. Structure, operations and supply chains

3.1 Our Structure

Applied is part of the Applied Group, a global leading value-added distributor and technical solutions provider that does business in North America, Australia, New Zealand, and Singapore, supplying customers in a wide range of industries with products including bearings, power transmission products, engineered fluid power components and systems, specialty flow control solutions, automation technologies, and other industrial supplies. Applied Industrial Technologies LP and Applied Industrial Technologies Canada, ULC, along with Applied Industrial Technologies LP's subsidiary Seals Unlimited, are the primary Applied operating entities in Canada. Applied Industrial Technologies LP and Applied Industrial Technologies Canada, ULC are the reporting entities for purposes of this Report and the Act.

3.2 Operations

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, specialized services and comprehensive knowledge serve MRO and OEM customers in virtually all industrial markets.

Our business is primarily distribution of products made by our suppliers with limited assembly and specialty manufacturing of products. The types of products assembled by us or contracted by us to be manufactured include custom-built hydraulic and electro-hydraulic power units and control systems, power transmission systems, material handling assemblies, valve assemblies, electronic products and control systems, factory automation assemblies and machine vision systems, pneumatic and electro-pneumatic panels and sub-assemblies, fabricated aluminum assemblies, lubrication systems, hydraulic manifolds, pump assemblies, and custom-machined metal parts. In general, our services involve the pre-assembly of products using finished components we purchase from hundreds of suppliers, primarily large manufacturers, for whom we may also serve as an authorized distributor.

Applied has over 650 employees and over 40 physical locations across Canada in multiple provinces, including Alberta, British Columbia, Manitoba, Nova Scotia, New Brunswick, Ontario, Quebec, and Saskatchewan.

3.3 Our Supply Chains

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

Applied primarily purchases from respected multinational suppliers and Canadian companies in its sourcing of products, which generally have locations in Canada and the United States. Applied has not made any comprehensive assessment of the suppliers that its suppliers utilize (i.e., "tier 2 suppliers"), whether from an organizational or geographic perspective. As described herein, Applied does, however, expect its suppliers to adhere to Applied's Supplier Code of Conduct.

4. Risk of forced labour or child labour in supply chains and steps taken to assess and manage the risk

As a distributor, Applied does not mass manufacture or process products and its facilities are located only in Canada where there is a low risk of child or forced labour. Applied prides itself on dealing with trusted brands. 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 or law, a lack of regulation of workplace practices and adherence to commonly accepted human rights. We understand that many of our products are originally produced or manufactured with parts from areas that have elevated risk of forced labour and child labour.

Applied has put out a Supplier Code of Conduct and has incorporated expectations of suppliers into its Code of Business Ethics that all employees are expected to adhere to. It also daily screens its suppliers against various international government lists.

5. Assessing and addressing Modern Slavery risks: Policies and due diligence

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. We have also implemented a series of checks and balances, and policies and procedures 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.

5.1 Policies

In order to assist in understanding and identifying those modern slavery risks, Applied has developed various policies and procedures to deal with these issues. 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 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. 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.

Applied will seek to improve these policies and procedures as part of its commitment to its Core Value of continuous improvement.

Code of Business Ethics. Applied recognizes our employees at all levels of the organization are integral part in ensuring that we live our values and do not allow human trafficking and modern slavery. Applied's Code of Business Ethics is signed by its employees annually and specifically states what our expectations for suppliers should be including that "[a] vendor's use, or tolerance in its supply chain, of child labor, work performed under coercion, human trafficking, forced labor, corporal punishment or modern slavery is unacceptable to [Applied] and will not be tolerated." Applied associates are required to immediately report if they are aware of any vendor violating this standard. Furthermore, the Code of Business Ethics specifically spells out associate requirements, including that "Human trafficking, slavery, or forced or child labor within the company, or within its suppliers, vendors or customers" is not permitted.

Supplier Code of Conduct. We have also established a Supplier Code of Conduct that we expect all of our suppliers to adhere to. This Supplier Code of Conduct specifically asserts that a "[s]upplier's use, or tolerance in its supply chain, of child labor, work performed under coercion, forced labor (including failure to comply with the Uyghur Forced Labor Prevention Act and the forced labor prevention components of the North Korea Sanctions and Policy Enhancement Act, as amended), human trafficking, or modern slavery is unacceptable to Applied and will not be tolerated." Furthermore, suppliers are expected to perform "a human rights impact assessment in its supply chain and takes reasonable steps to mitigate any identified risk." This Supplier Code of Conduct has now been incorporated into our standard Terms and Conditions for suppliers.

5.2 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 fundamental parts 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.

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 determine if it must cease the business relationship with the supplier and may report the supplier to the relevant authority for non-compliance as appropriate.

Applied did not have any modern slavery complaints raised directly with it in the Reporting Period, and so no remediation measures were required. 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.

5.2 Remediation of the loss of income

Applied did not identify any occurrence of modern slavery in our activities or supply chain in the Reporting Period. As a result, no remediation of the loss of income was required.

6. Training

All associates are provided with the company's Code of Business Ethics annual which specifically outlines our opposition to modern slavery and forced labour both within our organization and our supply chain. Associates are instructed to report any violations and provided with instructions on how violations can be reported. Applied does not have other formal training related to forced labour and child labour at this time.

7. Assessment of Effectiveness

Applied is still in process of determining how to best assess the effectiveness of our procedures and policies ensuring forced labour and child labour is not being used in its supply chain.

8. 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.

9. Approval and Attestation

This Report was approved by the board of the general partner of Applied Industrial Technologies LP and by the sole director of Applied Industrial Technologies Canada, ULC pursuant to subparagraph 11(4)(b)(i) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Applied Industrial Technologies LP and Applied Industrial Technologies Canada, ULC.



Jon S. Floetz

Director of AIT Canada, ULC, General Partner of Applied Industrial Technologies LP
and Director of Applied Industrial Technologies Canada, ULC

May 7, 2024
Date