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Proud Past,  
Strong Future

At Applied Industrial Technologies, we are proud of our rich heritage of 95 years of leadership in industrial distribution, built on a strong foundation of quality brands, innovative solutions, dedicated customer service, sound ethics and a commitment to our Core Values.

The value we provide can take many forms – from actively advising our customers on how to save energy in their operations and reduce their overall environmental impact; to conducting energy audits in critical areas like motors, belting and gearing; as well as promoting product alternatives that are bio-based, non-toxic and/or made from recycled content. It also means being a responsible corporate citizen by implementing greener practices in our operations, promoting diversity and continuous learning across our organization, as well as supporting the well-being of our associates and our communities.

At Applied®, we recognize our business requirements and social responsibility as we continue to enhance our position as a differentiated industrial distributor and extend our Company’s legacy for many more years to come.

We are pleased to share our ongoing progress and demonstrated commitment to ensuring that Applied conducts business fairly, honestly and ethically, in every location where we do business.

Neil A. Schrimsher  
President & Chief Executive Officer
Core Values
At Applied®, a culture of service and a commitment to excellence remains the springboard for the success we achieve as a Company – all thanks to our dedicated associates who continually live our Core Values.

The Applied Core Values reflect our foundation, our present and our future. They serve to guide our actions and to reinforce required performance with an emphasis on customer focus, continuous improvement, accountability and teamwork.

Every Applied associate shares in delivering on our commitments. As such, our Core Values are a reflection of our collective business and our individual responsibilities – with steadfast commitment and promise to our customers, our suppliers, our communities and to each other.

Corporate Governance
The Applied® Board of Directors has adopted governance principles and practices to guide us in serving the best interests of the Company, our associates and our shareholders. Our Board brings a diverse set of skills and experience to the oversight of business operations. We recently added two sitting public company CEOs to the Board, deepening the expertise brought to our corporate governance.

We encourage investors and other interested constituents to review our annual proxy statement for additional details about our governance practices. In addition, we are pleased to highlight the following:

- All Board directors, except for the Company CEO, are independent; the Chairman of the Board is an independent director; and key committees are staffed only by independent directors.
- The Board holds regular executive sessions for independent directors to meet without management present.
- All key governance documents (including our Board of Director Governance Principles and Practices, Committee Charters, Related Party Transactions Policy, and Director Independence Standards) are available on our website.
- The Board holds an annual shareholder advisory vote to approve Applied’s executive compensation; we have had a 98% FOR vote in each of the last four years.
- Applied is committed to integrity in corporate governance and transparency in financial reporting; our Audit Committee engages a Big Four global accounting firm to serve as our independent auditor.

Did You Know?
In 1965, Applied® stock moved from the American Stock Exchange to the New York Stock Exchange and is currently traded with the ticker symbol AIT. As a NYSE-listed issuer for more than 50 years, we have long maintained strong corporate governance practices and a commitment to generating increased shareholder value, including paying an attractive dividend.
CORPORATE SOCIAL RESPONSIBILITY

Code of Business Ethics

All Applied® associates accept the responsibility to perform their daily jobs according to a policy of high ethical standards. We review our Code of Business Ethics, posted on our website, annually to ensure it is relevant to our current business and operating environment, and to the expectations of our stakeholders. All associates are required annually to formally acknowledge they have read the Code, understand it and agree to practice its ethical principles in the course of daily business activities.

Our “open door” policy supports Applied associates who want to report a problem – ethical or otherwise. Additionally, we have a third-party ethics hotline for associates, customers, suppliers and others to report, anonymously if desired, questionable incidents or conditions.

We take ethics very seriously, and pride ourselves on the high standards we have set.

Applied is dedicated to running an ethically and legally compliant business. Applied’s Code of Business Ethics specifically forbids its associates from engaging in anti-competitive, unethical, corrupt, or otherwise illegal conduct, such as money laundering or bribery. Applied expects our vendors and customers to meet these same ethical standards.

Applied monitors Company practices to ensure compliance with applicable laws, including labor and employment laws, ethics and anti-corruption laws, and human trafficking and modern slavery laws. Applied maintains committees that review ethical and legal matters. Each associate, officer, and director must respect and obey the laws of the jurisdictions in which they do business. Applied expects its customers and vendors to do the same.

Applied is dedicated to the principle that genuine competition, in a free and open marketplace, brings value to our customers. Applied complies with applicable antitrust and trade regulation laws. We endeavor to conduct business in accordance with responsible and ethical marketing practices.

Ethics Reporting Hotline

Applied® provides a third-party hotline to anonymously report questionable conditions or incidents, including, but not limited to:

- Fraud
  - Bribery, Kickbacks
  - Fraudulent Reporting
  - Falsification of Reports, Records or Contracts
  - Internal Controls Matters
  - Theft, Embezzlement

- Compliance & Ethics
  - Conflict of Interest
  - Misuse of Company Property
  - Violation of Laws or Regulations
  - Disclosure of Confidential Information
  - Questionable Dealing with Suppliers, Customers or Competitors

- Human Resources
  - Abuse of Benefits
  - Discrimination
  - Improper Conduct
  - Intoxicant Abuse
  - Harassment
  - Violations of Company Policy
  - Unsafe or Unhealthy Working Conditions
  - Wrongful Discharge

Regular business issues and matters not requiring anonymity should be directed first to the associate’s supervisor, a member of management or the HR department. Refer to the Applied® Code of Business Ethics for additional information.

Did You Know?
The Applied® Core Values were renewed in 2013, during our Company’s 90th anniversary. By taking the time to refresh our Core Values, we recognize our transformation over the years and our requirements going forward for a changing marketplace.

Ethics Reporting Hotline

Confidential. Anonymous.

Call Toll Free
844-600-0074
www.lighthouse-services.com/applied
Supply Chain Management

Applied® operates a robust supply chain network, delivering the right mix of more than 6.5 million industrial products to support customers in virtually every industry. Our continued growth is greatly aided by the partnerships with our suppliers who represent the highest quality brands and deliver innovative solutions for our customers’ needs. We partner with more than 4,000 world-class manufacturers that lead the industry with innovative, efficient and reliable industrial products.

Using scorecards and surveys, we conduct annual performance evaluations of our top suppliers. We carefully review the results and develop action plans that benefit all stakeholders.

Based on our supplier evaluations and with input from senior management, a supplier is selected and presented with an Applied Vendor of the Year award. The award commemorates the tradition and value of our supplier relationships, and its unique design represents Integrity, Innovation, Continuous Improvement and Teamwork, which are central to Applied and our Core Values.

Sourcing & Procurement

Conflict Minerals

The conflict minerals rule adopted by the Securities and Exchange Commission provides assessment and reporting requirements for public companies whose manufactured products contain any of four conflict minerals – tin, tantalum, tungsten and gold.

Applied® is primarily an industrial distributor, not a manufacturer. Our products are predominantly used in industrial MRO operations, rather than OEM applications, and therefore are typically not within the rule’s scope. While we cannot certify to the contents of all the millions of products we distribute, we have integrated conflict minerals compliance into our supply chain management processes and continue to assess our suppliers’ products. As a public company, Applied files our Form SD with the SEC, and we post our Conflict Minerals Report on our website.

Supplier Diversity

Applied® has established a Supplier Diversity / Small Business Program that ensures diverse businesses have an opportunity to become one of our valued suppliers. We actively seek and encourage the growth of:

- Minority and women-owned business enterprises (MWBEs)
- Veteran-owned and service disabled veteran-owned businesses
- Small businesses
- Small disadvantaged businesses
- HUBZone businesses

Suppliers are assessed and chosen based on the best fit for our customers’ needs. It is our intent to participate in diversity-related community events and to provide training when necessary.

Did You Know?

More than one million of our products are Trade Agreement Act (TAA) compliant.
Information & Technology

Applied® recognizes the importance of information and technology. With established practices and policies around systems and cybersecurity, Applied adopts enterprise class systems to ensure the continuity of business and delivery of information to optimal points of use. We actively monitor technology trends to weigh risk and identify issues that drive continuous improvement efforts or provide necessary enhancements of our technology defenses. All associates carry the responsibility to help protect and ensure the accuracy of our information.

Through technology, Applied enables transparency and control to better manage operations and improve process efficiency. In addition, through our digital applications – like the Applied.com website, external and internal portals, and mobile applications – Applied provides customers, suppliers and associates access to information that deepens our business relationships, provides a more transparent engagement and enhances our ability to serve.

Data Protection

Applied® takes data protection seriously and strives to constantly use best practices to protect our employees, customers, and vendors confidential information. Our Privacy Policy addressing how we collect personal information through our websites, and how we use and disclose that personal information, is available at Applied.com.

Cybersecurity Awareness

- Protect Your Password
- Don’t Download Unauthorized Software
- Don’t Open Suspicious Email Attachments or Links
- Browse the Web with Caution

Did You Know?

User awareness and education are the keys to effective cybersecurity. Applied® adheres to plans and processes that keep us vigilant and help to safeguard our business.
Our EHS Policy

Applied Industrial Technologies is committed to sound Environmental, Health and Safety (EHS) practices every day. We actively champion safe behaviors, individual accountability, and continuous improvement to protect the health and safety of our associates. We ensure adherence to regulatory requirements and promote efficient use of natural resources, while proactively managing recycle programs that reduce waste. By aligning EHS activities with our Core Values, we demonstrate our commitment to benefiting all Applied® stakeholders, including customers, associates, suppliers, communities and shareholders.
Sustainability Initiatives

Our customers’ choice of industrial products does more than keep their operations running. Selecting the right products can help keep workers safe, reduce environmental impact, comply with government mandates, lower operating costs and gain a competitive edge. Beyond sourcing products and coordinating services, our knowledgeable Applied® associates help our customers make the best choices for their operation.

Eco-Friendly Products

Selecting “green” products has many benefits over and above the environmental impact. It can be a smart business choice for lowering operational costs, creating a safer working environment, complying with government policies, and generating positive business relations.

The eco-friendly attributes of thousands of products are detailed in our Applied® Product Catalog and on our website. From belts to motors to chemicals, our manufacturing partners have identified these and other eco-friendly product attributes:

- Energy reduction products
- Recycled content products
- Bio-based products
- Biodegradable products
- NEMA Premium® products
- Green Seal® certified products
- ENERGY STAR® products
- Federal Energy Management Program (FEMP) products
- EcoLogo® certified products

Eco-Friendly Knowledge

Our sales associates act in a consultative manner regarding eco-friendly products. We actively advise our customers on product selection that reduces environmental impact. Additionally, we provide expertise to customers on how to save energy in their operations. This includes conducting extensive energy audits in critical areas like motors, belting and gearing.

Eco-Friendly Operations

As a distributor rather than a product manufacturer, we’re fortunate to make a smaller impact on the environment than many companies in the industrial marketplace. Still, we continually look for ways to run our business successfully while safeguarding resources for future generations. Here are some of Applied’s internal initiatives in the areas of energy, water, waste and environmental management:

- To improve fuel economy and reduce greenhouse gas emissions fleet-wide, we’ve replaced and will continue to upgrade our vehicles with more efficient, environmentally friendly models. Just over half of our U.S. vehicle fleet is made up of mid-size vehicles, which average nearly 30 miles per gallon.

- We concentrate our U.S. freight spend with EPA SmartWay Transport Partners. SmartWay is a collaboration between the U.S. EPA and the freight industry designed to increase energy efficiency while significantly reducing greenhouse gases and air pollution. Our partner in small parcel shipments ranks in the top 2% of EPA SmartWay Transport Partners in CO2 emissions per mile.

- Our indirect purchasing practices include purchasing ENERGY STAR® products as well as goods made from recycled material. Applied is undertaking a project to broaden our use of LED lighting, with the goal of reducing our carbon footprint by 50%. LED lighting is anywhere from 10-60% more efficient than existing lighting.

- We have implemented recycle programs and have developed procedures detailing the proper disposal of terminals, computers, printers and other computer-related equipment. Our primary waste vendor in the U.S. reports that we are recycling approximately 10% of our waste.

Did You Know?

Applied’s Documented Value-Added® (DVA®) process helps us to document, track and report our customers’ energy savings and DVA services on a regular basis. Through the Applied® DVA process, our customers have acknowledged more than $2 billion in documented savings, many of them energy reduction opportunities.
Corporate Citizenship & Human Rights Statement

Statement of Human Rights

Applied® is committed to offering equal employment opportunities for all at all levels of the organization, regardless of race, color, religion, sex, veteran status, age, disability, national origin, ethnicity, sexual orientation, or any other category protected by applicable law. Applied values the importance of a diverse workforce. All of our associates are expected to comply with the labor and employment laws (including laws applicable to non-discrimination, non-harassment, equitable pay, minimum wage, work hours, prohibitions on child and forced labor, and freedom of association) applicable to their location. We expect our vendors, suppliers, customers, and other business partners to do the same and encourage our employees to report any such non-compliance.

We provide multiple reporting mechanisms, including an anonymous third-party hotline, should any associate feel that he or she has been discriminated against, harassed, or retaliated against. We take serious all such complaints and work to ensure a discrimination and harassment free workplace for all of our associates. In order to ensure the safety of our associates, we are also committed to a drug-free workplace and compliance with applicable health and safety laws and best practices.

Equitable Pay

Applied® has also established policies to promote equitable pay throughout the organization. We consistently review our employment policies to assess their effectiveness and legal compliance. Additionally, we conduct a salesforce job engagement survey across our U.S. operations annually.

Continuous Learning & Training

At the core of Applied® you will find an organization dedicated to continuous learning and compliance training. Associates are urged to continually expand their knowledge base through targeted training initiatives. We utilize a Learning Management System, a modern social learning platform and strong learning data analytics to provide a powerful online connection to help manage talent. These data-driven programs engage our associates and visualize metrics to reinforce actions on key performance indicators and operational excellence initiatives that increase productivity and promote accountability. In fact, our learning opportunities earned Applied the 2017 Brandon Hall Group Excellence in Learning Award in the category of Best Advance in Competencies and Skill Development. Applied also routinely conducts manager training and legal compliance training to ensure all individuals throughout the organization are aware of and comply with applicable corporate polices and applicable laws.

Slavery & Forced Labor

Applied® does not condone nor participate in child or forced labor (including, for example, the forced labor of North Korean individuals), modern slavery, or human trafficking. Associates of Applied are forbidden from engaging in or abetting this conduct. Any associates who believe that a vendor or customer of Applied is participating or allowing forced labor, modern slavery, or human trafficking is urged to report this suspicion to Company management immediately.

Did You Know?

Applied® has been recognized as a NorthCoast 99 winner for 18 years running. NorthCoast 99 winners represent the best workplaces for top talent in Northeast Ohio, where we maintain our corporate headquarters and other significant operations.

Did You Know?

In 2016, Applied® was recognized for Outstanding Employer Support by the United States Navy Reserve. Additionally, Applied was named by GI Jobs Magazine to the Top 100 Military-Friendly Employers list in 2010.
Land Use & Indigenous Rights

Applied® further believes that access to usable water is a basic human right. Indigenous rights, including water access rights, rights to self-determination, and rights to decision-making, should further be respected by all, including indigenous individuals’ rights to free, prior, and informed consent (“FPIC”).

Employee Wellness Assistance

Supporting the overall well-being of our associates is important to us; therefore, we are pleased to offer Company wellness programs that help our associates understand their current health, connect to supportive programs and resources, and stay motivated to make and sustain good health choices. In addition, we offer an Employee Assistance Program (EAP) that provides Applied associates and their families with immediate and confidential support to help resolve work, health and life challenges – at any age or stage of life – free of charge.

The opioid epidemic is one such challenge. As a responsible corporate citizen, we offer a U.S. employee healthcare plan that enforces label-based limits on the number of prescriptions of opioid medications, has a dispensing limit of seven days, and also implements step therapy for all first-time users that are not on palliative care.

Our Community

We help shape the communities in which we operate and reside not only by providing superior service to our customers but also by taking an active role in our community. We take time to help raise money for charities and assist our neighbors because it is the right thing to do.

Local philanthropic efforts include sponsorship of community hunger banks and many other worthwhile organizations. On a corporate level, Applied supports the Red Cross and United Way, as well as other non-profits as voted on by corporate associates. We are also a founding member and longtime donor to MidTown Cleveland, Inc. Beyond these activities, a formalized Corporate Contributions Committee regularly reviews eligible opportunities to improve community life in the Greater Cleveland area, where our corporate headquarters is located.

Additionally, our corporate senior management has a long track record of community Board involvement as well as keynote speaking engagements at local colleges, universities and organizations on varied topics, from business to ethics. With our proud foundation of 95 years, we strive to make a difference in the way we do business and how we help others.

Caring in Action

The catastrophic hurricane season in 2017 touched numerous Applied® locations and more than 200 of our associates, many of whom experienced significant hardship and personal loss. Through donations across our organization, Applied’s Hurricane Associate Fund provided significant monies to help our associates who were impacted by the storms. Care packages were contributed as well. Expressions of appreciation and gratefulness by those who benefited from the Fund were shared company-wide. Helping our own – and our communities – has been a common occurrence at Applied. After Hurricane Katrina, Applied donated more than $100,000 of safety and work supplies to the relief effort.

Did You Know?

Our business was founded in Cleveland. Ohio, in 1923, and we are proud to preserve our historical legacy and corporate headquarters presence in Cleveland’s MidTown area.

"I am so very grateful for this assistance from our company."

"Wow, thank you so much...very generous."

"I am speechless. This is such a beautiful gesture from the company and its employees."

Reactions to Applied Hurricane Associate Fund

Cleveland Heart Walk Applied® participation.