Corporate Social Responsibility

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Cautionary Statements
- Our Corporate Social Responsibility report includes forward-looking statements based on Applied’s management policies and plans. These statements were created based on information available at the time of compilation. Actual outcomes and results of activities may differ from statements due to changes in the business environment or other risk factors, many of which are outside of Applied’s control.
- Standards and goals cited in these pages are not guarantees or promises, but rather may be aspirational statements.
- Data reported in these pages is non-GAAP and non-audited.
Corporate Social Responsibility
A Message from Our President & CEO

Proud Past,
Strong Future

At Applied Industrial Technologies, we are proud of our rich heritage of more than 97 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, experience, and attributes to the oversight of business operations. In the past five years, we added two sitting public company CEOs and two other active executives 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 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 earned at least a 97% FOR vote in each of the last five 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.
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 further monitors to ensure compliance with its ethical standards. 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 and adhere to Applied’s Core Values and Code of Business Ethics. 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

Confidential. Anonymous.

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.

Call Toll Free

844-600-0074

www.lighthouse-services.com/applied

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.
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.
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. We employ a “see something, say something” approach to cybersecurity where all associates carry the responsibility to help protect and ensure the security and accuracy of our information. Cybersecurity courses – available through our internal online learning tool – outline e-mail safety measures and heighten our awareness of unusual requests, fraudulent phone solicitations and other questionable matters.

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 associates’, 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.

Additional protective measures throughout Applied include:

- Hardening our network – continuing to fortify systems and applications in our network infrastructure
- Increasing security requirements – including two-factor authentication and more complexity in passwords
- Improving laptop / desktop tools – rolling out additional tools on our computers designed to “quarantine and control” malware
- Reducing risky technology – following industry best practices, including tighter controls over scripts run on company networks, among other measures

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.

Cybersecurity Awareness

- Protect Your Password
- Don’t Download Unauthorized Software
- Don’t Open Suspicious E-Mail Attachments or Links
- Browse the Web with Caution
Environmental, Health & Safety

Applied’s Environmental, Health and Safety (EHS) process promotes associates’ safety and environmental awareness by defining a set of systems, activities, roles, responsibilities and accountabilities that form the foundation necessary to support the EHS goals and culture of Applied®.

The importance of EHS performance is shared throughout Applied via internal announcements, formalized procedures, Intranet postings and training requirements. Our communications reinforce the following:

- Expectations, roles and responsibilities
- Emphasis on and awareness of EHS
- EHS implementation and success at Applied
- Applied’s EHS Policy, which all associates must review and acknowledge via signature

We emphasize five EHS procedures that align with EPA compliance as well as eight Life Critical Procedures (LCPs). Training for LCPs has been deployed throughout our U.S.-based workforce, which is the substantial majority of our operations.

**LCPs:**
- Vehicle Safety
- Confined Space Entry
- Electrical Safety
- Line Breaking
- Fall Protection
- Hot Work
- Lockout/Tagout/Try
- Respiratory Protection

**Environmental procedures:**
- Hazardous Waste Management
- Universal Waste
- Spill Prevention Controls & Countermeasures
- Used Oil
- Air Emissions

Root cause analyses are performed after incidents, with key learnings distributed to our field operations. Regular updates are also provided to senior leadership regarding the status of safety initiatives as well as EHS metrics. Our management team “walks the talk” by demonstrating passionate leadership and commitment to EHS through defined activities and monitoring for adherence to the EHS Management Process. At Applied, we have the foundation, resources and leadership commitment to reinforce a world-class EHS culture and drive EHS to new heights across our organization.

**Hazardous Waste Management**

As Applied is primarily a distributor of industrial products, our operations typically do not generate a significant amount of hazardous waste. However, as a responsible steward of the environment, we want to ensure any such waste is handled in an appropriate manner and disposed of properly.

To ensure the proper disposal of this material, hazardous waste is handled through our distribution center network via engagements with reputable hazardous waste vendors.

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**Did You Know?**

We have upgraded lighting in our DCs to LEDs for greater efficiency, longer life and less hazardous waste. Additionally, any new build projects are outfitted with the latest LED technology and motion sensors.
The volume of hazardous waste requiring disposal decreased in 2019 from our baseline reporting year of 2018:

![Pounds of Hazardous Waste Disposed of](https://example.com/hazardous-waste-graph)

Due to the limited amount of hazardous waste generated, our distribution centers are either classified as Very Small Quantity Generators or Small Quantity Generators.

**Associate Safety**

Applied is committed to the safety and well-being of all associates. In the U.S., we provide all of our associates with training in the areas of slip and fall prevention, fire extinguisher safety, and defensive driving.

In addition, role-specific training is provided based on the types of hazards our associates may face while carrying out their job function, ranging from operating in confined spaces, to forklift operation and lockout / tagout training. Overall, we have sought to raise associate awareness of risks in the workplace. The following metrics display our commitment of a safe workplace to associates, our customers, and the public, as well as associate commitment to their co-workers:

![Safety Training (U.S.) Courses Completed](https://example.com/safety-training-graph)

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**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. By aligning EHS activities with our Core Values, we demonstrate our commitment to benefiting all Applied® stakeholders, including customers, associates, suppliers, communities and shareholders.
We monitor our Total Recordable Incident Rate (TRIR), which we believe to be well below industry average, as a measure of our safety performance:

![Total Recordable Incident Rate (TRIR) (U.S.)](image)

We have also sought to reduce incident rates for the most frequently occurring types of injuries in the workplace. As a result, we have been able to drive down frequency of workplace injuries year over year (based on number of events per $10m in payroll) even with increased payroll due to business growth:

![Workers Compensation Claims (U.S.)](image)

In addition, while medical costs have risen in broader society, the average value of our Workers Compensation claims is trending downward:

![Workers Compensation Claims (U.S.)](image)
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:

- Nearly two-thirds of our fleet of dedicated sales vehicles is made up of fuel-efficient 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.
**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 supports the ideals as enumerated in the UN’s Universal Declaration of Human Rights as established in 1948, and we value 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, whistle blower protections, 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, including training with applicable employment laws and regulations. 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.

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 COVID-19 pandemic has created unprecedented change and challenges, causing uncertainty and anxiety for many. Across our locations, we continue to take appropriate actions to safeguard our fellow associates, our customers and our business partners. As we do our part to take care of ourselves, we also encourage others to do the same. Together, we can all do our part to stay safe and help slow the spread of this virus — adhering to the precautionary guidelines outlined by the Centers for Disease Control and Prevention (CDC) and other health organizations.

Did You Know?

Applied® associates have access to a free Employee Assistance Program (EAP) for additional support during times of uncertainty or hardship, such as the COVID-19 pandemic.
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, support to elderly homeless centers, 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 more than 97 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.

STEM Engagement

Associates from Applied® are often engaged in Science, Technology, Engineering and Math (STEM) activities across the manufacturing and educational communities. These initiatives provide us the opportunity to share our knowledge and engage today’s students with important and relevant career path opportunities that highlight STEM as among the key skills of the evolving marketplace. We strive to inspire others by volunteering our time to support local robotic teams, judge science fairs, assist with 4H competitions, and speak to students about careers – among other activities.

In October 2019, Manufacturing Day events took place all across the country. Applied collaborated with IndustryWeek to bring STEM and vocational students together with local manufacturers to learn more about our thriving industry and the exciting opportunities that manufacturing and industrial careers can offer. In total, the day included two keynotes, plants tours, a panel discussion, and 90+ STEM attendees and industry leaders. It was a successful day from start to finish – learning, sharing and inspiring today’s youth. Upon conclusion of the event, we heard it was “a wonderful experience for our students... with opportunities for their individual paths to success.”