



APPLIED
Industrial Technologies®






Environmental, Social & Governance Report 2023



Table of Contents

Our ESG Report is interactive, providing the opportunity to scroll from page to page or use navigation elements in the header.

Use the T.O.C. icon to return to the Table of Contents at any time.



 <u>Company Overview</u>	 <u>Environmental</u>	 <u>Social</u>
<u>A Message from Our President & CEO</u>	<u>Overview</u>	<u>Health & Safety</u>
<u>About Applied®</u>	<u>Energy Consumption & Emissions Reporting</u>	<u>Diversity, Equity & Inclusion</u>
<u>Core Values</u>	<u>Operational Considerations</u>	<u>Community</u>
<u>History</u>	<u>Sustainability Solutions & Initiatives</u>	

 <u>Governance</u>	 <u>Appendix</u>
<u>Board</u>	<u>Cautionary Statements</u>
<u>Ethics & Integrity</u>	<u>About This Report</u>
<u>Responsible Sourcing</u>	<u>GRI Index</u>
<u>Cybersecurity</u>	<u>SASB Index</u>



Company Overview



A Message from Our President & CEO



Throughout our 100-year history, *Taking Care of the Customer* has remained the guiding principle at Applied®. As a critical business partner across virtually all industrial markets, we have played a significant role in maximizing our customers’ productivity and returns across their core operational assets – ethically and responsibly.

As a distributor, we maintain a low-carbon footprint. Supporting and helping our customers reduce their environmental impact is fundamental across our organization. Where appropriate, we advise customers on energy savings in their operations, including conducting energy audits in critical areas such as motors, belting and gearing, and developing innovative engineered solutions that reduce greenhouse gas emissions. We also promote product alternatives that are bio-based, non-toxic and / or made from recycled content.

Building on our legacy also means being a responsible corporate citizen by implementing greener practices in our operations, promoting diversity and inclusion, supporting the well-being of our associates, and much more. As part of our centennial celebration, Applied’s many U.S. locations have participated in a special 100-year anniversary volunteer initiative focused on giving back in the communities where our associates live and work. Helping our communities has always been part of our foundation, and we are especially pleased to spotlight our enhanced engagement in this year’s report.

Additional highlights in our 2023 Report include: newly added energy consumption and GHG emissions detail, which will serve as a baseline for future reporting periods; expanded information on our sustainability solutions and initiatives; and other broadened details on Applied’s ESG actions.

Overall, we have much to be proud of as we reflect on our success and evolution. Our Applied associates and their commitment to our Core Values represent the foundation of this progress. The Applied Core Values include: Integrity, Respect, Customer Focus, Commitment to Excellence, Accountability, Innovation, Continuous Improvement, and Teamwork. These values resonate throughout the organization to guide associates and reinforce performance standards, every day.

That said, we also know our journey is not complete. We continue to have an opportunity and responsibility to further develop plans, actions and results that promote sustainable and ethical practices across our business. Collectively, 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 into the future.

We encourage you to read our 2023 ESG Report and learn more about our business, the dedicated efforts of our associates, and our active sustainability initiatives.

Thank you for your interest.

As our founder, Joseph M. Bruening, articulated – each of us has a responsibility to leave the business better than when we walked in.

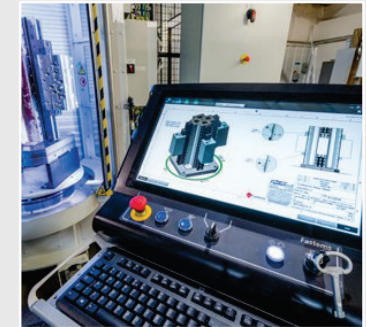
About Applied®

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 (maintenance, repair, and operating) and OEM (original equipment manufacturing) end users in virtually all industrial markets through our multi-channel capabilities that provide choice, convenience, and expertise.

In addition to our product offering, we provide numerous service solutions, including inventory management, engineering, design, assembly, repair, and systems integration, as well as customized mechanical, fabricated rubber, and shop services.

Our familiarity with local markets and local companies provides the leverage and know-how to promptly address a wide variety of unique customer solutions, primarily in North America, as well as Australia, New Zealand, and Singapore. Overall, our network is well matched to the complexity of our large customer base, SKUs, and product demand variability.



We Are
AppliedSM
Industrial Motion, Fluid Power, Flow Control,
Automation, Maintenance Supplies



Our Value Proposition

Applied® is focused on helping customers minimize their production downtime, improve machine performance, and reduce overall procurement and maintenance costs, as well as optimize the efficiency and safety of their facilities and equipment.

Within our Service Center segment, a primary focus is responding to critical “break-fix” situations, which requires knowledge of a customer’s facility, localized inventory, timely delivery capabilities, service execution, and accountability.

In addition, operations within our Engineered Solutions segment design, engineer, and integrate solutions focused on making a customer’s operations and equipment more productive, cost and energy efficient, and automated. Our products and solutions are increasingly critical within the industrial supply chain given a tighter customer labor force, more sophisticated production equipment and processes, a greater focus on plant floor optimization, and compliance and regulatory requirements.

More than ever before, our comprehensive portfolio of products and solutions – combined with our specialized expertise and know-how – is bridging today’s challenges with tomorrow’s opportunities.

100+

YEARS OF LEADERSHIP
IN DISTRIBUTION

6,200+

EMPLOYEE ASSOCIATES

3,200+

CUSTOMER-FACING
ASSOCIATES

\$4.4B+

IN REVENUE

12

DISTRIBUTION CENTERS

4,000+

PRODUCT MANUFACTURERS

570+

OPERATING FACILITIES

8.8M+

ACCESSIBLE
PRODUCT SKUS

Valued Awards & Recognition

With our high standing as a business, employer and strategic partner, Applied® is continually recognized with awards from major publications, organizations, suppliers and key customers.

These acknowledgments that we have received over the years are a reminder of our unique talents and the effectiveness of our strategy.

Applied® Corporate Recognition

Association for Talent Development

Greater Cleveland Chapter, together with Rotary Club of Cleveland and the Monte Ahuja College of Business at Cleveland State University – Workplace Learning & Performance Award

DLA Land and Maritime

Bronze Recognition for Excellence Award

Forbes

America's Best Mid-Sized Employers list

The World's Best Employers list

Fortune 1000

Named to America's Largest Companies list

GI Jobs Magazine

Named to Top 100 Military-Friendly Employers list

InformationWeek 500

Most Innovative Users of Technology list

Modern Distribution Management – Market Leaders

Ranked #1 on Top Fluid Power Distributors list

National Diversity Council

Ranked among top 15 of Ohio Fortune 1000 companies for Diversity in Corporate Governance

NorthCoast 99

Named one of the Best Workplaces in Northeast Ohio; 2022 marked the 21st time listed as a NorthCoast 99 winner

Selling Power

Named to the list of 50 Best Companies to Sell For in the U.S.

United States Navy Reserve

Outstanding Employer Support

Applied® Customer Recognition

Applied Materials

Supplier Collaboration Award

Boeing

Silver Performance Award

Eastman Chemical Company

Supplier Excellence Award

Supplier Innovation Award

Supplier Sustainability Award

Honda of America

MRO Supplier of the Year Award

Supplier Award for Outstanding Value

Miller Coors

Indirect Supply Chain - Supplier of the Year Award

Precor

Supplier Excellence Award

SunCoke Energy

Supplier Excellence Award

Tyson Foods, Inc.

Supplier of the Year Award

Vulcan Materials Company

Applied® has earned Bronze, Silver, Gold and Platinum Alliance Awards from Vulcan



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 guide our actions and 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 individual responsibilities – with steadfast commitment and promise to our customers, our suppliers, our communities and to each other.



INTEGRITY

Honest and trustworthy in all we do



RESPECT

Fair and ethical relations with everyone



CUSTOMER FOCUS

Dedicated to customer needs; providing value-added service at every touch point



COMMITMENT TO EXCELLENCE

Quality in our products, service and support



ACCOUNTABILITY

Motivated and responsible for our actions and results



INNOVATION

Creative in generating value; anticipating and embracing change for new opportunities



CONTINUOUS IMPROVEMENT

Committed to becoming better, as individuals and as a team



TEAMWORK

Working together, winning together



History

Keeping industry running — that’s what Applied® has been doing since 1923.

Our rich heritage is built on a strong foundation of dedicated associates committed to serving our customers, partnering with leading manufacturers to provide innovative solutions, and living our Core Values – every day.

The Company was founded by Joseph M. Bruening, a native Ohioan who had been working as branch manager of what was then a small parts distributor. Bruening was a salesman who understood that service was the key to business success. He purchased the operations and named it The Ohio Ball Bearing Company. In 1953, the name changed to Bearings, Inc., followed by Applied Industrial Technologies in 1997 to more accurately reflect our diversified product lines.

Through a solid understanding of customer processes and applications, our experienced associates have the know-how to offer value-added services, such as: inventory management; shop, repair and rebuild services; engineering solutions; IIoT consulting and integration; technical training; and more.

DEEPLY ROOTED IN
Cleveland
SINCE 1923



History

Today, at 100 years, Applied’s differentiated industry position is apparent – from our legacy Service Center network to our leading engineered fluid power and flow control solutions, and a scaling presence across advanced automation technologies.

The Company is a critical partner for its customers’ most valuable assets and supply chain investments. What started as one location with three associates selling one product category (bearings) is now 570+ locations and 6,200+ associates offering more than 8.8 million SKUs.

Although Applied® has a vastly larger scope today than when we began, our founding philosophy has remained unchanged: *Taking Care of the Customer*. The associates of Applied continue to uphold this philosophy and deliver world-class service through comprehensive product and service solutions that generate customer success.



“Our customers come to us because we have the brands and the goods, we have complete inventories, we save customers time and money, and we are good people to deal with... so they tell me, time after time.”

- Joseph M. Bruening, Founder



In 1953, the Company became publicly traded on the American Stock Exchange. In 1965, the stock moved to the New York Stock Exchange.

On June 21, 2023, Applied® commemorated our centennial celebration with the ceremonial ringing of The Closing Bell® at the New York Stock Exchange.

Members of our senior leadership team and Board of Directors stood alongside President & Chief Executive Officer Neil Schrimsher as he rang the closing bell and swung the gavel to conclude the trading day.



Timeline

1923 Founded as The Ohio Ball Bearing Company

1953 Changed Company name to Bearings, Inc.

1954 Initiated targeted U.S. expansion

1990 Acquired King Bearing, adding more than 94 service centers, 3 distribution centers & 5 specialty shops

1995 Fluid power expansion begins
Recorded \$1 billion in sales

1997 Changed Company name to Applied Industrial Technologies, Inc.
Acquired Invetech Company, increasing size by 30%

1998 Expansion beyond U.S. begins

2008 Acquired 7 fluid power distribution businesses, making us one of the world's largest fluid power distributors

2009 Product line expansion continues

2012 Expansion beyond North America begins

2013 Formed Applied Maintenance Supplies & Solutions®, making us the leading national distributor of C-Class maintenance, repair, operating & production (MROP) supplies

2018 Expansion into specialty process flow control products & services, making us a leading provider for mission-critical & full-cycle solutions

2019 Expansion into automation technologies, making us a growing provider of next-generation supplies & solutions focused on machine vision, robotics, motion, & digital technologies

2023 Centennial Celebration



[Company Overview](#)

[Environmental](#)

[Social](#)

[Governance](#)

[Appendix](#)



[Overview](#)

[Energy Consumption & Emissions Reporting](#)

[Operational Considerations](#)

[Sustainability Solutions & Initiatives](#)

ESG Report 2023

Environmental





Overview

At Applied®, we align our Core Values to our own operational sustainability efforts along with supporting our customer’s efforts at lowering their carbon footprint.

We achieve this through focusing efforts on key attributes which positively impact environmental outcomes:



Efficiency

Applied® designs and engineers solutions for our customers which reduce the amount of energy consumed in their processes while increasing operational efficiency. Lower electricity usage directly translates to reduced emissions.

We strive to reduce our own carbon footprint through efforts to install more energy-efficient lighting and other building systems which reduce electrical consumption, while also promoting the use of more fuel-efficient vehicles for our customer-facing sales force.



Circularity

Applied’s value-added offerings include refurbishment and repair services which extend product and component longevity through multiple service lifecycles, reducing waste to landfill.

From an operational perspective, we reuse shipping and packing materials to lessen our environmental impact; we’ve undertaken an initiative to digitize sales-related documents, which avoids creation of paper waste and reduces the scope-3 emissions impact associated with the logistics of delivering paper documents; and we partner locally with private and governmental entities to offer recycling and composting initiatives, while also participating in tree-planting efforts to promote carbon reduction.

Energy Consumption & Emissions Reporting

For the first time, Applied® is reporting energy consumption information as well as emissions detail on an enterprise-wide basis*. This information will act as a baseline for future reporting periods.

The information being reported is for absolute energy consumption as well as energy use intensity (energy use weighted against revenue). Applied’s global footprint is primarily made up of distribution, technical shop services, and value-added operations.

Absolute Energy Consumption	Energy Intensity ¹
536,000 Gigajoules	122

¹ Energy intensity is calculated as Gigajoules of energy consumed divided by revenue in millions

* Includes Applied’s operations in the U.S., Canada, Australia, New Zealand and Singapore



FY2023 Reporting Information

	Absolute Emissions	Emissions Intensity ¹
Scope 1 Emissions: Direct emissions resulting from Applied’s operations as a result of heating/cooling our facilities along with the deployment of our vehicle fleet.	32,600 Metric Tons	7
Scope 2 Emissions: Indirect emissions which physically occur at the site where electricity used to power our facilities is produced.	15,400 Metric Tons	4

¹ Emissions intensity is calculated as metric tons of CO₂ equivalent divided by revenue in millions



Operational Considerations

Transportation

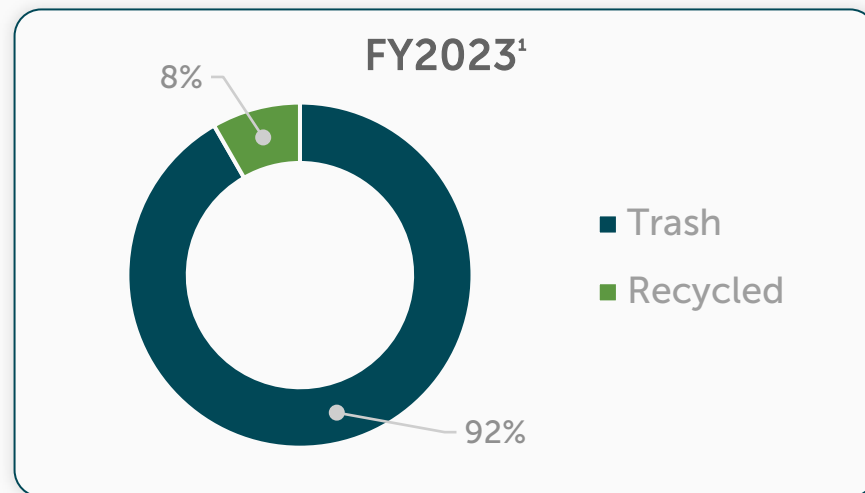
We concentrate our U.S. freight spend with EPA SmartWay Transport Partners. SmartWay is a collaboration between the U.S. EPA and the freight industry designed to increase energy efficiency while significantly reducing greenhouse gases and air pollution. In particular, by optimizing static routes for their dedicated customer base and ensuring efficient load management through the use of back-hauls and other means, our shared-capacity long-haul partner more efficiently transports our products, reducing carbon emissions.

Recycling & Waste Generation

Applied® strives to reduce waste through the reuse of packing materials along with the deployment of shipping containers made of 100% recycled material which can be reused. These activities reduce waste to landfill.

Trash generated by Applied’s operations is primarily managed through our waste-disposal partner or via locally-arranged relationships.

When appropriate, our operations dispose of hazardous materials in accordance with local regulations and through the use of vendors who manage destruction of these materials in an environmentally conscious manner. This process is managed through Applied’s Distribution Center network. Based on the limited nature of waste requiring disposal, our operations are classified as either Very Small Quantity Generators or Small Quantity Generators.



¹ Information reported by our waste management company

Overview	Energy Consumption & Emissions Reporting	Operational Considerations	Sustainability Solutions & Initiatives	
Energy Efficient Products & Solutions	Remanufacturing Services	Documented Value-Added® (DVA®)	Maintenance Supplies & Solutions	Advanced Engineered Solutions

Sustainability Solutions & Initiatives

Our customers’ choice of industrial products and solutions does more than keep their operations running. Selecting the right products and solutions can have a positive environmental impact, as well as help keep workers safe, comply with government mandates, lower operating costs and gain a competitive edge.

Our Applied® associates help our customers make the best choices for their core operations. This can be particularly impactful given our expertise and channel presence around critical functions tied to power, motion, and control of their production assets. From eco-friendly products to engineering capabilities supporting advanced systems, we offer a broad portfolio of solutions offering environmental and energy efficiency benefits to help our customers meet their sustainability goals.

Eco-Friendly Products

Everyday our associates make a positive environmental impact by promoting “green” products that can deliver meaningful gains in energy efficiency and natural resource consumption.

Related benefits go 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 suppliers 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

[Overview](#)

[Energy Consumption & Emissions Reporting](#)

[Operational Considerations](#)

[Sustainability Solutions & Initiatives](#)

[Energy Efficient Products & Solutions](#)

[Remanufacturing Services](#)

[Documented Value-Added® \(DVA®\)](#)

[Maintenance Supplies & Solutions](#)

[Advanced Engineered Solutions](#)

Energy Efficient Products & Solutions

As a leading distributor and solutions provider of industrial motion, power, control, and automation technologies, we serve a segment of the industrial market that is directly tied to our customers’ most important production assets and related energy efficiency initiatives.

We are committed to providing our customers with the highest quality products that adhere to the highest industry standards, and that can help drive maximum efficiency across their production environments. This can include energy efficient industrial motors with lower material content, variable frequency drives that adjust motor speeds and electricity usage within industrial machinery and systems, and a selection of cogged and synchronous belts that are more energy efficient compared to standard V-belts. Additionally, we provide expertise to customers on how to save energy in their operations. This includes conducting extensive energy audits in critical areas across their motion control components and equipment.

With approximately 50% of our Service Center sales tied to a “break-fix” situation, we play a leading role in extending the life of production equipment and reducing material waste within our customers’ facilities. Our local Service Center network and related technical knowledge are critical resources to our customers’ ability to quickly repair, restore, and upgrade equipment to continue the cycle of sustainability with minimum downtime. We believe our “break-fix” support capabilities are increasingly critical in today’s industrial economy given an aging and tighter customer labor force, more sophisticated production equipment and processes, and greater compliance and regulatory requirements.



Overview

Energy Consumption &
Emissions Reporting

Operational
Considerations

Sustainability Solutions
& Initiatives

ESG Report 2023

Energy Efficient Products &
Solutions

Remanufacturing
Services

Documented Value-
Added® (DVA®)

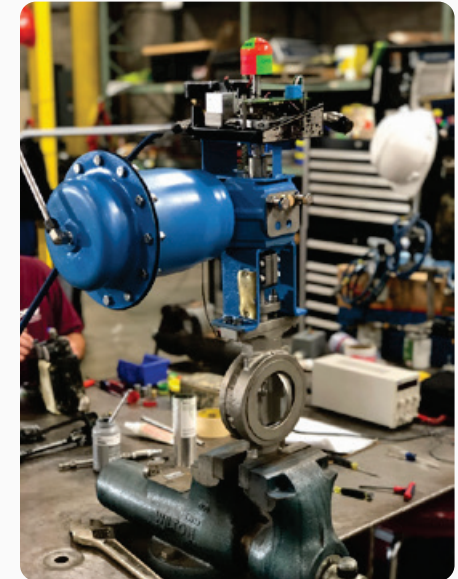
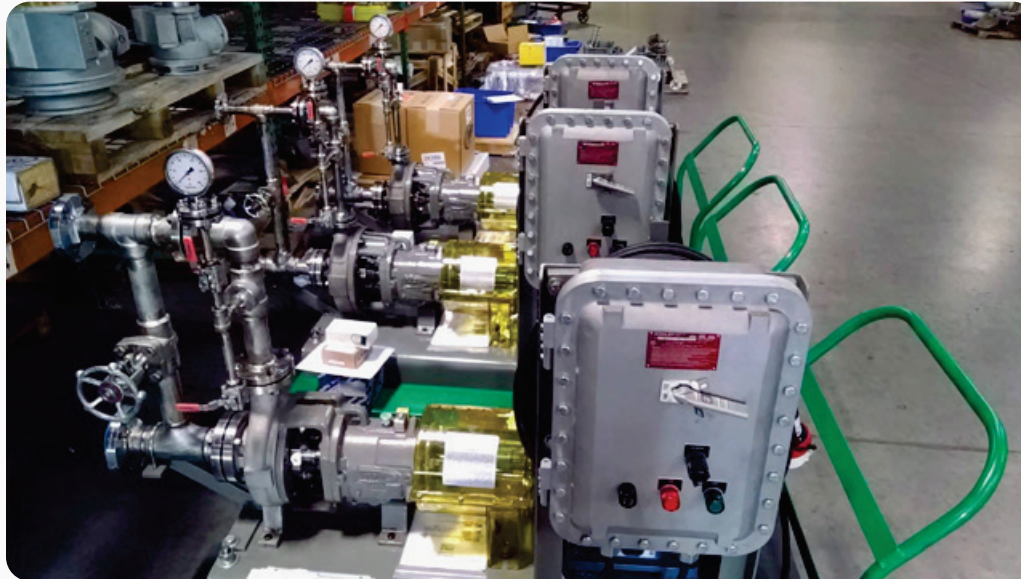
Maintenance Supplies &
Solutions

Advanced Engineered
Solutions

Remanufacturing Services

Our work goes far beyond simply selling new products and solutions. Frequently, it is more cost effective, and generates less waste, to repair or rebuild parts than to purchase new ones. Our associates can identify what's best for worn parts and assemblies, whether it's repair, rebuild, replacement or even a new, more efficient system.

Parts are reworked to their original or improved design specifications and fully tested. This in turn reduces the amount of material that is sent to landfills or otherwise discarded, helping contribute to the circular economy. Remanufacturing and repair services are provided across various areas of our business within both our Service Center and Engineered Solutions segments.



Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

ESG Report 2023

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

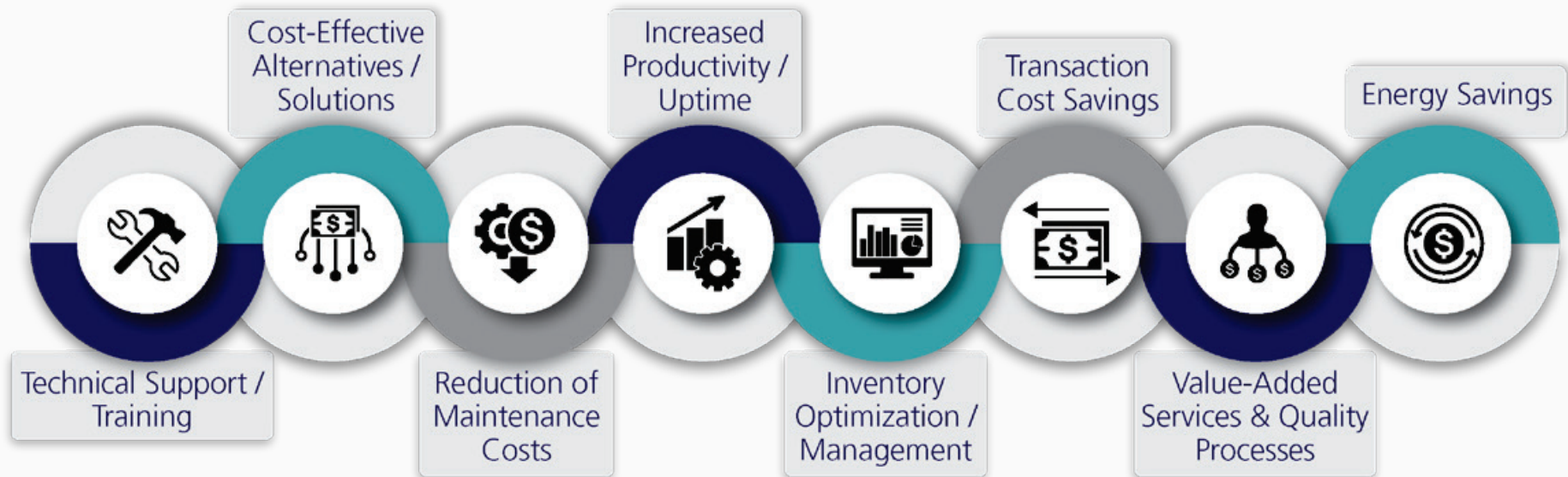
Maintenance Supplies & Solutions

Advanced Engineered Solutions

Documented Value-Added® (DVA®)

Our Documented Value-Added® (DVA®) process can show how much customers will save as a result of the products and solutions they purchase from Applied®. DVA documents provide the hard numbers that impact a customer's bottom line, as well as quantify the additional environmental and indirect efficiency benefits that can be achieved.

Through our scale, supplier relationships, technical and engineering capabilities, and local presence, we can generate and bring to light material positive paybacks for our customers. This insight helps drive a more productive evaluation process for our customers as they consider various environmental and efficiency investments across their core production equipment and infrastructure.



Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

Maintenance Supplies & Solutions

Advanced Engineered Solutions

Maintenance Supplies & Solutions

Through our Applied Maintenance Supplies & Solutions® (Applied MSSSM) operations, we provide inventory management solutions such as vendor managed inventory (VMI) and vending that can play a role in our customers' sustainability priorities by optimizing the usage of indirect consumable supplies.

Both VMI and vending drive greater oversight of usage points. This helps improve demand forecasting and supply chain visibility of smaller parts and components that are often overlooked and mismanaged within a production facility.

In turn, customers can standardize stocked items, reduce overbuying and obsolete inventory, and decrease supplier deliveries and related packaging. In addition, our state-of-the-art technology provides real-time consumption data and automated ordering to help reduce inefficient spot buying and freight shipping, while a well-organized parts area for consumable items can improve employee and workplace safety.



[Overview](#)

[Energy Consumption & Emissions Reporting](#)

[Operational Considerations](#)

[Sustainability Solutions & Initiatives](#)

[Energy Efficient Products & Solutions](#)

[Remanufacturing Services](#)

[Documented Value-Added® \(DVA®\)](#)

[Maintenance Supplies & Solutions](#)

[Advanced Engineered Solutions](#)

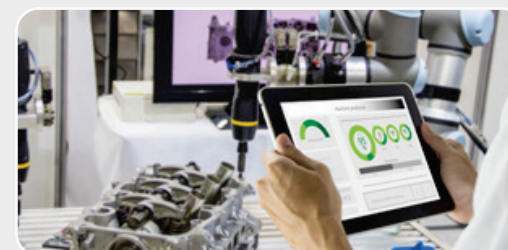
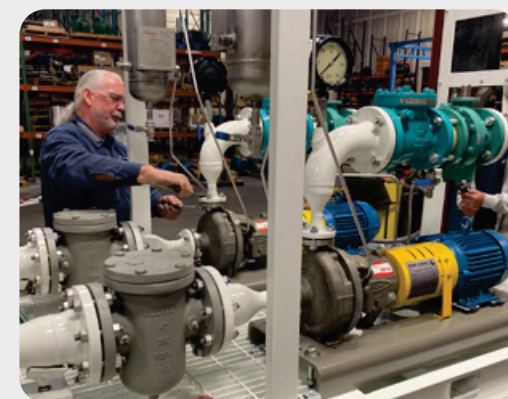
Advanced Engineered Solutions

In recent years, we have accelerated the expansion of our product and solutions portfolio beyond our legacy Service Center operations to include a greater scope of specialized engineering solutions around fluid power, flow control, and automation.

With this expansion, we have increased the mix of solutions we offer that can positively influence our customers energy efficiency and sustainability goals.

Our engineering and application expertise are highly sought after as customers look to upgrade their equipment and infrastructure to run cleaner, leaner and more efficiently.

A more detailed description of these solutions across their respective business units is provided on the following pages.



Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

ESG Report 2023

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

Maintenance Supplies & Solutions

Advanced Engineered Solutions

Advanced Engineered Solutions

Fluid Power

Through our more than 50 locations with advanced engineering capabilities, Applied's Fluid Power operations are well positioned to help customers reach their decarbonization goals and address greater demand for cleaner industrial technologies.

Our state-of-the-art repair facilities, technicians, and Certified Fluid Power Specialists focus on making equipment run efficiently by improving energy use, safety features, and durability. From a broad portfolio of component technologies to full-system solutions, we enable our customers' sustainability initiatives by providing the critical resources, engineering, and assembly work required to upgrade industrial fluid power systems, as well as develop and commercialize cleaner mobile equipment.

Our focus includes the development of more advanced and sustainable features into traditional fluid power systems through the integration of electronic controls, IoT technology, and smart fluid hydraulics. In addition, our industry position and supplier relationships are driving new market opportunities as electrification of off-highway mobile equipment continues to develop. As a leader in mobile hydraulics and related engineering capabilities, we are taking on the challenge of enabling mobile industrial machines to transition from GHG emitting diesel engines to renewable electric sources.

Considering the energy density challenges facing off-highway mobile machinery, we offer our customers various options to explore and transition to energy-efficient electric-powered machinery while continuing to incorporate the power density needed from fluid power. This includes retrofitting existing hydraulic equipment or introducing new equipment designs that enable a greener future. Moving forward, we expect to play an integral role across both OEM and MRO channels as demand for this more sustainable fluid power solution continues to develop.



Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

ESG Report 2023

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

Maintenance Supplies & Solutions

Advanced Engineered Solutions

Advanced Engineered Solutions

Fluid Power

Highlighted below are other examples of various customer-facing fluid power solutions we design, engineer and assemble that can positively influence our customers' environmental impact.

Electronic Control Integration

Provides customized control and monitoring of hydraulic component input and output performance, which in turn optimizes fluid management, heat production, fuel consumption, and safety.

Advanced Filtration Systems

Critical to controlling the cleanliness of fluids within a hydraulic system by filtering out contaminants and other detrimental particles, which helps reduce corrosion and extends asset life.

Integrated Circuit Manifolds

Reduces the number of required hoses, tubing and fittings within a hydraulic system, in turn supporting a lighter and more compact system with reduced leakage points or failures.

Hydraulic Press Upgrades

Integrates advanced hydraulic pumps and digital control systems into hydraulic press machines, which reduces energy consumption and the risk of fluid leaks.

Green Power Units

Utilizes digital hydraulic technology including variable speed drives to upgrade standard hydraulic power units. Reduces required motor operation and hydraulic reservoir size, and delivers flow only when needed.

Wind Turbine Cylinder Exchange & Resurfacing Program

Remanufactures wind turbine pitch cylinders to OEM specifications. Includes reusing original components and an environmentally friendly thermal spray method (HVOF) to eliminate hazardous waste output and carcinogens.

Applied Fluid Power CONNECT™

Integrates a mobile and industrial IoT solution including advanced software and sensors into equipment to drive better control, efficiency gains and safety.



Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

ESG Report 2023

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

Maintenance Supplies & Solutions

Advanced Engineered Solutions

Advanced Engineered Solutions

Flow Control

From general repair and maintenance to calibration, fabrication, and engineered solutions, our specialty flow control operations provide critical support to improve energy efficiency, durability and regulatory compliance of process flow infrastructure.

Our network of more than 60 flow control locations includes a team of technical sales associates that deliver tailored assessments in every stage of the fluid process and management lifecycle of our customers' flow control systems.

We collaborate with leading flow control suppliers and premier brands known for their commitment to product safety and innovation. This provides access to advanced valve and pump technologies that are more energy efficient, as well as intelligent process solutions supporting environmental standards. Some examples include precision filtration to remove particles and impurities from fluids and gases, and advanced seals and electric actuators to control emissions.

Our technical sales team provides assistance in selecting the right flow control product that aligns with our customers environmental and efficiency initiatives, including helping monitor flow rates with increased accuracy to minimize waste and improve product quality.

As the largest distributor of process flow control solutions in the U.S., we are uniquely positioned to support our customers decarbonization initiatives and the broader transition of adopting cleaner energy sources. Our broad flow control product portfolio combined with our engineering capabilities are integral to the ongoing build out of various flow systems and processes utilized in these emerging "green" market opportunities. This includes providing technical support for the configuration, assembly, and testing of process systems used for carbon capture utilization and storage, as well as producing alternative fuel sources and processing key minerals used in electric vehicle battery production.

Our business development teams are engaging strategic suppliers and identifying opportunities across various emerging markets tied to the energy transition, including the following areas:

Renewable Natural Gas	Carbon Capture & Storage
Provide valves, valve actuation services, controllers, and pressure regulators used in membrane skids and collection systems for methane gas capture.	Provide process filtration, automated valves, pressure flow instrumentation, strainers, and specialty systems for Direct Air Capture projects across various end markets.
Hydrogen Production	Lithium Production
Provide valves, instrumentation, and specialized components for hydrogen production facilities as well as dispensing.	Provide automated and control valves, filters, instrumentation and fittings supporting the hydrometallurgical process used in both mining and recovering lithium.

Overview

Energy Consumption & Emissions Reporting

Operational Considerations

Sustainability Solutions & Initiatives

ESG Report 2023

Energy Efficient Products & Solutions

Remanufacturing Services

Documented Value-Added® (DVA®)

Maintenance Supplies & Solutions

Advanced Engineered Solutions

Advanced Engineered Solutions

Automation

Our strategic expansion into advanced automation solutions has further increased the ways we positively influence our customers' efficiency and sustainability initiatives.

This is particularly evident as customers manage through structural labor constraints and evolving production considerations in the post-pandemic industrial economy. We are in a strong position to help traditional industrial customers tackle these challenges with innovative solutions given our broad channel presence and focus on next generation automation technologies including:

Robotics	Machine Control
Machine Vision	Digital IIoT

We believe these advanced technologies and our engineering capabilities can be highly effective at improving product quality and safety, while reducing manufacturing waste by enabling business agility and resilience. Of note, machine vision products and solutions help companies improve product quality and eliminate production errors by detecting defects, monitoring production lines, and tracking parts. This in turn helps reduce production waste and energy consumption.

Our relationships with innovative suppliers combined with our application expertise provides our customers access to energy efficient solutions. This includes systems utilizing variable frequency drives to help optimize motor performance in plant operations by providing power smartly and only when needed. Our automation teams can help identify potential targets within our customers' facilities to utilize these advanced components, and provide documented power savings across their organization.

In addition, collaborative robots work alongside humans on production lines, and can improve working conditions by optimizing safety and reallocating worker time on higher-value tasks. At the same time, collaborative robots have a smaller footprint and consume less energy than traditional industrial robots. The digitization of manufacturing processes supports sustainability by capturing and analyzing critical data to drive smarter decisions. This includes greater use of advanced sensors to monitor and control critical business processes, which can optimize resource allocation and reduce a customer's carbon footprint through more effective freight shipping, business travel and equipment utilization.





[Company Overview](#)

[Environmental](#)

[Social](#)

[Governance](#)

[Appendix](#)

[Health & Safety](#)

[Diversity, Equity & Inclusion](#)

[Community](#)



ESG Report 2023

Social



Health & Safety

It is the goal of Applied® to make Environmental, Health & Safety (EH&S) performance a complementary piece of the Company's Core Values.

The EH&S Management Process establishes the accountabilities, activities, expectations, fundamental systems, roles and responsibilities that form the foundation necessary to support the EH&S performance and culture of Applied.

Leaders' responsibilities outlined as part of the EH&S Management Process include the following:

"Walk-the-Talk" - Demonstrate passionate leadership and commitment through defined activities and monitoring for adherence with the EHS Management Process, policies, and procedures.

Actively champion safe behaviors, individual accountability, and continuous improvement to protect the health and safety of our associates and our customers.

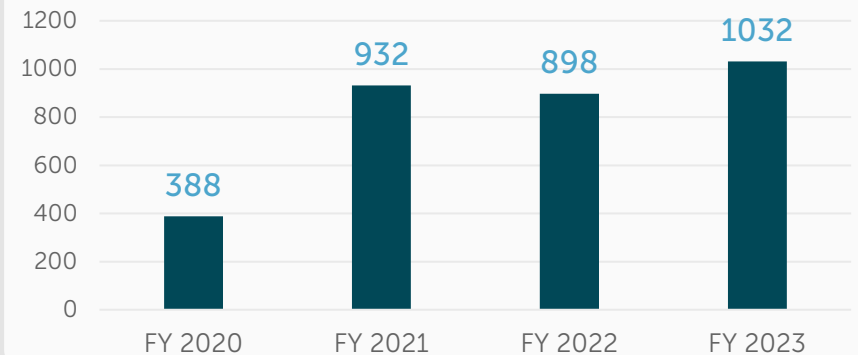
Provide the necessary resources for the location(s) to meet the obligations of safety goals and objectives and to support the Process, including the provision of personal protective equipment based on the nature of an associate's job duties.

Ensure adherence to regulatory requirements and promote efficient use of natural resources, while proactively managing recycle programs that reduce waste.

An excellent example of actively championing safe behaviors is the implementation and execution of the Leader Safety Scorecard within Applied's Distribution Center network. The purpose of the Leader Safety Scorecard is to:

- Place emphasis on leaders' and associates' involvement in the EH&S Management Process, and
- Establish measurable Tactical Indicators (site level indicators) to drive EHS performance. One of the seven activities included in the Leader Safety Scorecard is **Behavior-Based Safety Observations (BBOs)**, which are positive statements of safe performance that provide real-time feedback on behaviors and conditions that will lead to the desired outcome within the critical work activity.

Behavior-Based Safety Observations



Health & Safety

In fiscal year 2023, Applied® associates completed more than 35,000 training courses on safety-related topics. All associates are required to complete training on basic safety programs such as safe vehicle operation along with training addressing frequently-encountered hazards for all Applied occupancies. Additionally, role-specific programs help protect associates who are exposed to certain hazards in their day-to-day activities, such as operating in confined spaces, to forklift operation and lockout / tagout training.

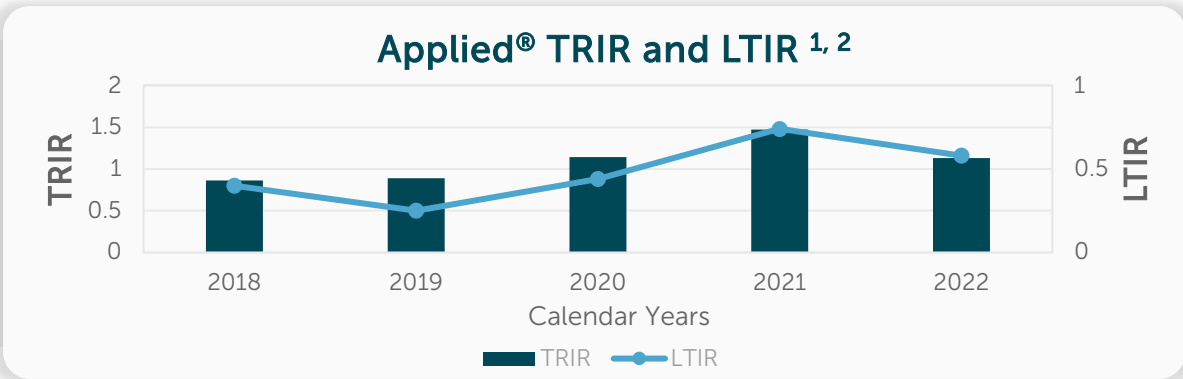
We measure our safety performance through a variety of metrics and share information on performance throughout the year with our various operating units. Some of the more commonly-reported safety metrics include Total Recordable Incident Rate (TRIR) and Lost Time Incident Rate (LTIR).

From a benchmarking perspective, Applied’s performance is below industrial association benchmarks, as well as those published by the U.S. Bureau of Labor Statistics. Note this information is calculated on a calendar basis in accordance with OSHA reporting guidelines.

Applied® stocks everything our customers need to keep their employees and facility protected – from personal protective products (PPE) and first aid kits, to slip & fall protection, and spill containment.

We also provide safety lights, safety signage, chemical storage cabinets, and locking devices to securely store dangerous chemicals and materials.

Taking proactive measures to prevent workplace injuries shows how much safety is valued – ensuring employees return home in the same condition they came to work.



¹ TRIR and LTIR are calculated as the number of incidents multiplied by 200,000 and divided by hours worked

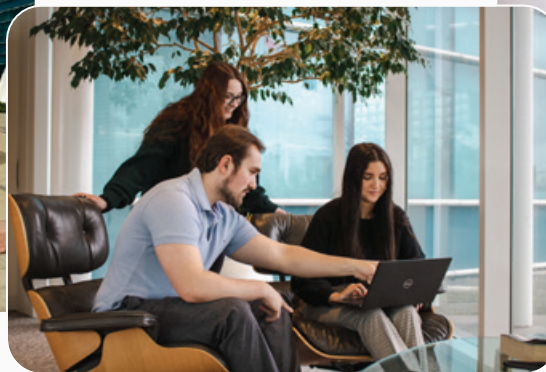
² TRIR and LTIR are calculated net of the impact of reportable cases which arose as a result of a COVID-19 diagnosis

Diversity, Equity & Inclusion

Applied® strives to offer all of our associates a chance to learn, grow and succeed in a welcoming and inclusive environment. We offer our associates comprehensive benefits packages and ample opportunities for training so that they can thrive both in their own physical and mental well-being and in the workplace. We further are committed to a diverse and inclusive workplace.

Wherever Applied is located, we strive to be a good and ethical corporate citizen. Our associates are expected to adhere to our Core Values and Code of Business Ethics, no matter where they are working for us. And it is not just in the workplace where we see the best of our associates – many of our associates also work with charitable organizations around the world to make their communities a better place.

At Applied, our Core Values continue to be our guide, and the qualities of Integrity and Respect are basic requirements to be on our team. They are integral to our strong foundation and, together with Teamwork, are important assets of our Company – anchoring our *Working Together, Winning Together* mindset.



Diversity, Equity & Inclusion

Diversity & Inclusion

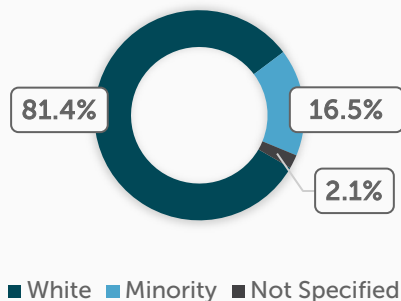
The greatest success occurs when a diversity of ideas are brought together to solve a problem. We value the unique background and experiences of all our associates that help add to the richness of the Applied® team and help drive us to success. Applied is the most successful when we are all working together.

We at Applied work to ensure that all of our associates, regardless of race, ethnicity, gender, sexual orientation, or sexual identity have an opportunity to thrive. Our efforts at outreach and associate development have helped us to reach new hire and promotion percentages for women and minorities that are higher than our overall employee population, showing our commitment to diversity and inclusion in action.

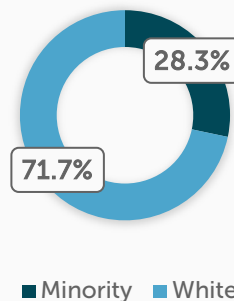
Ethnic Diversity

Gender Diversity

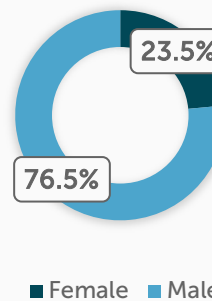
EMPLOYEE
BREAKDOWN¹



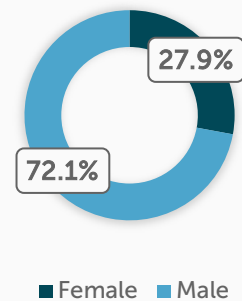
NEW HIRE &
PROMOTIONS¹



EMPLOYEE
BREAKDOWN¹



NEW HIRE &
PROMOTIONS¹



¹U.S. Employee Population



Diversity, Equity & Inclusion

Across the organization, we are committed to our community engagement and diversity progress – from our support of United Way and other organizations, to growing our workforce diversity, and supporting minority-owned suppliers and customers.

Furthermore, we are committed to building and sharing additional plans, actions and results that promote fair, honest and ethical practices across our business.

Ensuring transparent job postings, including networking with diverse professional groups

Participating in on-campus events to enhance diversity exposure, multicultural events and first-generation networking

Recruiting at Historically Black Colleges and Universities (HBCUs)

Working with MAGNET (Cleveland Manufacturing Advocacy & Growth Network) to drive engagement in manufacturing – including assisting individuals to obtain GEDs – in order to promote career development for individuals from disadvantaged neighborhoods

Being 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

Continuing community engagement, including United Way, Diversity Center of Northeast Ohio, and other charitable donations

Promoting STEM engagement to students at public and private schools in both city and suburban locales – including a Cleveland area all-girls, college preparatory high school group that attended an Applied-sponsored Manufacturing Day event

Diversity, Equity & Inclusion

Equitable Pay

Applied® has established policies to promote fair and equitable pay throughout the organization. We consistently review our employment policies to assess their fairness, effectiveness and legal compliance.

Continuous Learning

Applied® believes that learning and training is the key to associate success. At the core of Applied you will find an organization dedicated to continuous learning. Associates are urged to continually expand their knowledge base through targeted training initiatives. In fact, our learning opportunities have earned Applied the **Brandon Hall Group Excellence 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 corporate policies, laws and best practices. Associates and managers are trained on a host of areas, including anti-corruption, anti-bribery, diversity and inclusion, fraud prevention, legal compliance, and health and safety.

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 to reinforce actions on key performance indicators and operational excellence initiatives that increase productivity and promote accountability.



Diversity, Equity & Inclusion

Employee Wellness

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.

This means offering our associates a variety of health and welfare benefits. In the U.S., we provide options to our associates for health, dental and vision insurance, as well as short- and long-term disability and retirement savings programs, among other benefits.

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.

Additional recent actions include:



Launching manager training on mental health. More than 55% of eligible managers having taken the training to date

Encouraging participation in Applied’s 401(k) Retirement Savings Plan: 94% participation rate, 7% contribution rate

Boosting well-being initiatives, including EAP for critical care support, generic drugs, and diabetes Continuous Glucose Monitoring (CGM)

Hosting fitness challenges to encourage associates to engage in health lifestyle choices

Promoting a dedicated Cigna Personal Health Team (PHT) with engagement expanding, including directly connecting associates with health conditions to a nurse advocate specifically allocated to assist Applied and its associates

Increasing our focus on associate mental health, including awareness training for managers

Using social determinants of health to help target associate needs and identify food deserts

- In Atlanta, GA, we paired with Sweetwater mission to provide 140 lbs. of healthy food each week to our associates in the area
- In Cleveland, we are working with City Mission to help address associate food desert issues in our local community

Diversity, Equity & Inclusion

Corporate Citizenship

Applied® works to be a responsible employer and business. Our **Core Values** are continually reinforced throughout the organization, supporting our efforts at responsible corporate citizenship and helping to generate success for our customers, Applied, and the communities we call home.

Ethical Competition Statement

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.

Human Rights Statement

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, gender identity or any other category protected by applicable law.

Applied supports the ideals as enumerated in the UN's Universal Declaration of Human Rights, as well as the rights of women to equal pay and treatment. We further value the importance of a diverse workforce and workforce equality.

All of our associates are expected to comply with the labor and employment laws (including laws applicable to non-discrimination, non-harassment, whistleblower protections, equitable pay, minimum wage, work hours, prohibitions on child and forced labor, prohibitions on human trafficking and modern slavery, freedom of association, and prohibitions on corporal punishment applicable to their location) and in accordance with our Company's values. We expect our suppliers and customers to adhere to similar standards and employees are expected to report any such non-compliance.

Forced Labor Statement

Applied® does not condone nor participate in child or forced labor, modern slavery, human trafficking, or corporal punishment.

Associates of Applied are forbidden from engaging in or abetting this conduct. We maintain similar expectations of our suppliers, as reflected in our Supplier Code of Conduct. Any associates who believe that a supplier or customer of Applied is participating or allowing child or forced labor, modern slavery, human trafficking, or corporal punishment should report this suspicion to Company management immediately.

Diversity, Equity & Inclusion

Monitoring Statement

Applied® monitors Company practices to ensure compliance with applicable laws and sound business practices, including in areas of labor and employment, ethics and anticorruption, and prevention of human trafficking, modern slavery, child and forced labor, and corporal punishment.

Applied further monitors to ensure compliance with its ethical standards, through 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 suppliers to do the same and has adopted a Supplier Code of Conduct to ensure our suppliers understand our expectations.

Whistleblower Protection Statement

We provide multiple reporting mechanisms, including an anonymous third-party hotline, should any associate feel that he or she has been discriminated against, harassed, retaliated against, or otherwise treated unfairly or in violation of our Core Values.

We take seriously 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.

Land Use & Indigenous Rights

Applied® 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").

Community

With our proud foundation of 100 years, Applied® strives to make a difference in the way we do business and how we help others.

Our associate engagement and generosity are a true expression of kindness, caring and an investment in our served communities – further strengthening our corporate social responsibility efforts and building on our legacy.

Applied is a founding member and longtime donor to MidTown Cleveland, Inc., our community development organization. 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.

“Life’s most persistent and urgent question is, “What are you doing for others?”

- Martin Luther King, Jr.



Applied® was a proud 2023 sponsor of The Diversity Center of Northeast Ohio’s Walk, Rock, Roll & Run Event that raised over \$250K to support their mission of building communities where all people are connected, respected and valued.

Including this event, Applied was a corporate sponsor of Diversity Center fundraisers that collected more than \$750K in donations.

Community

Our Science, Technology, Engineering and Math (STEM) engagement across the manufacturing and educational communities provide us the opportunity to share our knowledge and interact with today’s students about relevant career path opportunities that highlight STEM in an evolving marketplace.

Associates volunteer time to support local robotic teams, judge science fairs, assist with 4H competitions, and more. Whether we are coaching, participating or providing goodie bags, we are proud to support the next generation of leaders through STEM education!



Applied® Account Manager Steve Myers was recognized as the 2023 Dream It Do It Western New York Champion. Steve brings together his passion for STEM and working with students to share all that Applied has to offer.

Community

Applied’s philanthropic efforts include sponsorship of community hunger banks, support to elderly homeless centers, and many other worthwhile organizations.

A formalized Corporate Contributions Committee regularly reviews eligible opportunities to improve community life, primarily in the Greater Cleveland area where our corporate headquarters is located.

Funding priorities are focused on:

- Education, including STEM**
- Culture**
- Food access / assistance**

Additionally, Applied® Canada held their third annual December Month of Caring campaign, including expansion to more AIT™ Canada locations and the goal of reaching 17 food banks Canada-wide. The result – collection of 7,300 donations and a match on behalf of AIT Canada in the amount of CAD \$14,600.

Impactful Efforts

Applied’s Corporate Contributions Committee supported the following organizations in fiscal year 2023:

PLAYHOUSE SQUARE CENTER	UNITED WAY OF GREATER CLEVELAND
ST MARTIN DE PORRES HIGH SCHOOL	CLEVELAND ZOOLOGICAL SOCIETY
FOOD BANKS / FOOD DESERTS	DUNHAM TAVERN MUSEUM
DIVERSITY CENTER OF NE OHIO	AMERICAN CANCER SOCIETY
ALS ASSOC. – NE OHIO CHAPTER	ACHIEVEMENT CENTERS FOR CHILDREN
BLOSSOM HILL	DANCING WHEELS COMPANY AND SCHOOL
SEEDS OF LITERACY	HUMBLE DESIGN
PARALYZED VETERANS OF AMERICA – BUCKEYE CHAPTER	AMERICAN HEART ASSOCIATION – CLEVELAND HEART WALK
MANUFACTURING ADVOCACY & GROWTH NETWORK (MAGNET)	CLEVELAND POLICE FOUNDATION – 3RD PRECINCT
MIDTOWN CLEVELAND, INC.	

Communications from Applied® President & CEO Neil Schrimsher, together with United Way of Greater Cleveland, resulted in more than \$141,000 raised! Held annually, our United Way campaign further demonstrates the dedication and kindness of Applied associates.

2023 – A Special Year of Giving

Giving Back, Going Forward – a centennial anniversary volunteer initiative throughout 2023 – presented an opportunity to give back and support the local communities across our U.S. footprint that have supported us.

Our Corporate headquarters chose to support Humble Design, a nonprofit that changes lives and communities by custom designing and fully furnishing home interiors for individuals, families and veterans emerging from homelessness. We held two “stuff the truck” donation days and elected to sponsor three families, which includes decorating their new place of residence (called a “Deco Day”).

Our field associates have the opportunity to choose a nonprofit to support. All associates were allotted up to eight hours of paid volunteer time during calendar 2023.



From sorting donated books and officiating youth fencing, to decorating a residence for a family who is on the journey out of homelessness... Applied® associates step up to give back!

Recognizing Our Own

Across Applied®, leadership messages emphasize that each associate – doing his or her part – strengthens our collective *Working Together, Winning Together* atmosphere.

It is this attitude that drives involvement and often leads to innovative thinking and new ideas to generate continue profitable growth.

Truly, it is **our people who make a difference**, and we took extra steps to celebrate and thank our associates throughout our 100-year anniversary. Every Applied associate received an anniversary apparel item – gifted from key suppliers – to be worn with pride and enthusiasm.

Our Corporate HQ recognized our January 11 founding date with a celebration, and our field locations had the opportunity to celebrate our centennial anniversary at their convenience during 2023.

From Thank You banners, treats and individual site celebrations, to anniversary apparel and more... recognizing our own throughout this anniversary year has made 2023 extra special!





[Company
Overview](#)

[Environmental](#)

[Social](#)

[Governance](#)

[Appendix](#)



[Board](#)

[Ethics & Integrity](#)

[Responsible Sourcing](#)

[Cybersecurity](#)

ESG Report 2023

Governance



Oversight of Risk

Risk is inherent in every enterprise and Applied® faces many risks of varying size and intensity.

Applied’s Board of Directors oversees and monitors the risks – including ESG risks – directly and through the following three committees, each of which is comprised solely of independent directors:



Audit Committee

- Assists with respect to risk management in the areas of financial reporting, internal controls, and compliance with legal and regulatory requirements.



Corporate Governance & Sustainability Committee

- Assists with respect to management of risks associated with Board organization and membership, other corporate governance matters, as well as culture, ethical compliance, and environmental and social subjects.



Executive Organization & Compensation Committee

- Assists with respect to management of risks related to executive succession and retention, and risks arising from our compensation policies and programs.

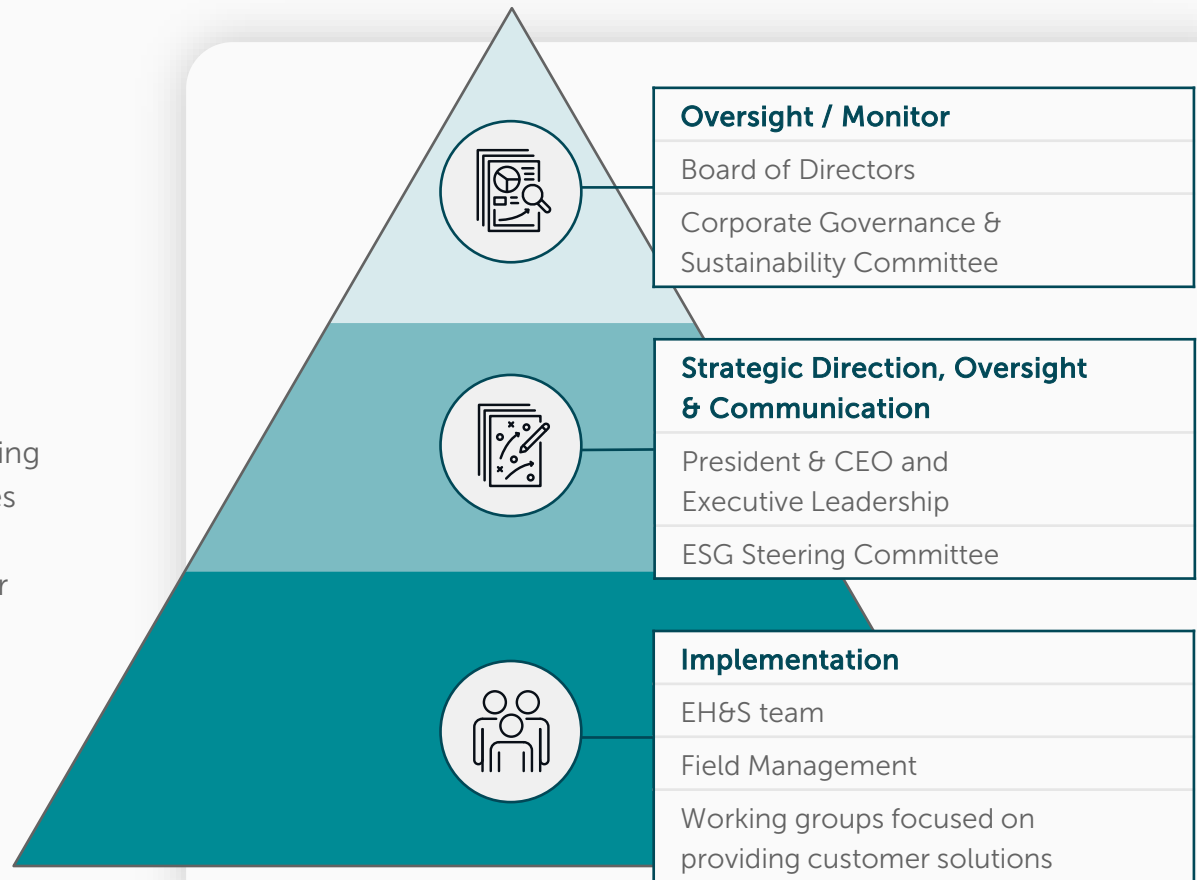
<u>Board</u>	<u>Ethics & Integrity</u>	<u>Responsible Sourcing</u>	<u>Cybersecurity</u>
<u>Oversight of Risk</u>	<u>ESG Governance</u>	<u>Board of Directors – Composition</u>	

ESG Governance

The Board of Directors, primarily through the Corporate Governance & Sustainability Committee, provides key oversight and monitoring of the majority of ESG-related matters.

The committee receives updates at each regularly scheduled meeting. Executive Leadership provides strategic direction for Applied's key ESG activities and advises on communication messages.

This is supplemented by Applied's ESG Steering Committee, which is comprised of associates with backgrounds in law, compliance, risk management, communications, and investor relations.



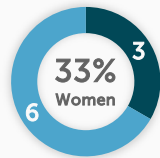
Board of Directors – Composition

Our Board of Directors is comprised of nine members, eight of which are independent. The directors have a diverse set of skills, experience and attributes. We believe that all individuals bring their own personal background and experiences to their positions.

This diverse set of skills, experiences and attributes provides for a wider and more comprehensive review of issues facing Applied, by having each director bring unique ideas, solutions and strategies.

DIRECTOR DIVERSITY¹

Gender



■ Women ■ Men

DIRECTOR TENURE¹

Average Years



■ <4 Years ■ 5-9 Years ■ 10+ Years

BALANCE OF SKILLS AND EXPERIENCE¹



¹Source: 2023 Proxy Statement

Ethics & Integrity

At Applied®, our Core Values reflect our foundation, our present and our future. They guide our actions, reinforce required performance, and represent what we stand for and how we conduct ourselves with our customers, suppliers, communities and one another.

At the heart of our Core Values is *Integrity – Honest and trustworthy in all we do*. We are committed to living our Core Values – every day, and we pride ourselves in the high standards we have set.

Our Code of Business Ethics, as well as our Anticorruption Policy, both of which are available on our website at <https://ir.applied.com/governance/governance-documents/default.aspx>, define our shared commitments in this area.

They are our ongoing collective business and individual responsibilities, with principles that positively influence our decisions, actions and ongoing commitment to realizing our full potential. They are both reviewed annually to ensure that they are relevant to our current business and operating environment, as well as to the expectations of our stakeholders.





Ethics & Integrity

Bribery & Corruption

Applied’s Anticorruption Policy expands on our commitment in our Code of Business Ethics to conduct business in compliance with all applicable anticorruption, antibribery, export, import and other trade laws in all countries in which Applied® conducts business.

We provide awareness training for the prevention of corruption and bribery virtually to our associates that help them identify situations with customers and suppliers. In addition, Applied expects all third parties that it engages, including independent contractors, representatives, consultants, agents and brokers, to comply with the Anticorruption Policy, which includes compliance with both the Foreign Corrupt Practices Act, as well as any other applicable domestic or foreign anticorruption rules or regulations.

Our Restricted Party Screening tool automatically screens all customers and vendors daily against all mandatory U.S. government lists of Denied Parties, as well as a broad group of international lists, including the Foreign Corrupt Practices Act Related Enforcements.

Code of Business Ethics Training

All Applied® associates are annually required to complete Code of Business Ethics training.

As part of this training, associates must certify that they have read, understand and agree to comply with the Code of Business Ethics. Additional compliance training may be required for associates based on risks identified in certain roles or geographic areas.

Ethics & Compliance Reporting

We hold ourselves to these high ethical and integrity standards, and we encourage individuals to report situations in which they have a good-faith belief that any circumstance or action has violated our Code of Business Ethics, Anticorruption Policy, Supplier Code of Conduct, or any other company policy or applicable law.

Those who wish to report a concern can do so confidentially and anonymously through our third-party run Ethics Reporting Hotline:

Call Toll Free:

U.S, Canada (English)	844-600-0074
AU, NZ, Singapore	800-603-2869
PR Spanish	800-216-1288
Canada (French)	855-725-0002

Web Interface

<http://www.lighthouse-services.com/applied>
Applied® will not take any action – or tolerate any retaliation – against any party for raising an issue in good faith.

Responsible Sourcing

Applied® operates a robust supply chain network, delivering the right mix of more than 8.8 million industrial products to support customers in virtually every industry.

As a strategic supplier to our customers, we are committed to responsibly sourcing the products that we offer. We are supported by our longstanding relationships with suppliers who represent the highest quality brands and deliver comprehensive solutions.

Annually we present a supplier with an Applied Vendor of the Year award. This award goes to a supplier that exemplifies the tradition and value of our supplier relationships. The design of the award represents Integrity, Innovation, Continuous Improvement and Teamwork, each of which are central to Applied and our Core Values.



Just as Applied's grand sundial commemorates the heritage and heralds the future on which our Headquarters and business stands... this award commemorates the tradition and value of our supplier relationships.

The four stone pillars represent Integrity, Innovation, Continuous Improvement and Teamwork – the foundation of a successful partnership. Unique to Applied®, our sundial is believed to be one of the world's largest. Likewise, the supplier relationships we cultivate are unique to Applied and serve to propel us forward.

Supplier Compliance

Through our Supplier Code of Conduct, we expect all of our suppliers to act in a socially and environmentally conscious manner and comply with regulations and standards that ensure our ethical expectations are upheld.

This includes, among others, the following expectations:

Comply with all applicable anticorruption / antibribery polices, and no engagement of any form of corrupt practices

Respect the freedom of association and collective bargaining

Refrain from employment discrimination and the use of forced, slave and child labor

Compensate employees fairly and in compliance with local wage regulations and/or collective agreements, and where those do not exist, compensate employees so that, at a minimum, they can meet their basic needs

We conduct annual performance evaluations of select suppliers and carefully review the results and develop action plans that benefit all stakeholders. In addition, we encourage the good faith reporting of noncompliance of our Code through contacting our anonymous third-party Ethics Reporting Hotline, which is provided under the Ethics & Integrity section.





Supplier Diversity

We have a well-established Supplier Diversity program to ensure diverse businesses have an opportunity to become one of our valued suppliers.

Through this program we actively seek and encourage the growth of:

Small disadvantaged businesses

HUBZone businesses

Small businesses

Minority and women-owned business enterprises (MWBEs)

Veteran-owned and service-disabled veteran-owned businesses

Responsible mineral sourcing

Responsible Mineral Sourcing

The Securities and Exchange Commission has adopted conflict mineral reporting rules that require public companies with manufactured products containing four identified conflict minerals – tin, tantalum, tungsten, and gold – to adhere to certain assessment and reporting requirements.

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.

We encourage suppliers to provide documentation to regulatorycompliance@applied.com confirming possible existence and origin of conflict minerals in their products provided to Applied. If we discover inaccurate information, incomplete documentation, or utilization of smelters or refiners that are not conflict mineral free, we take the appropriate step under OECD guidance.

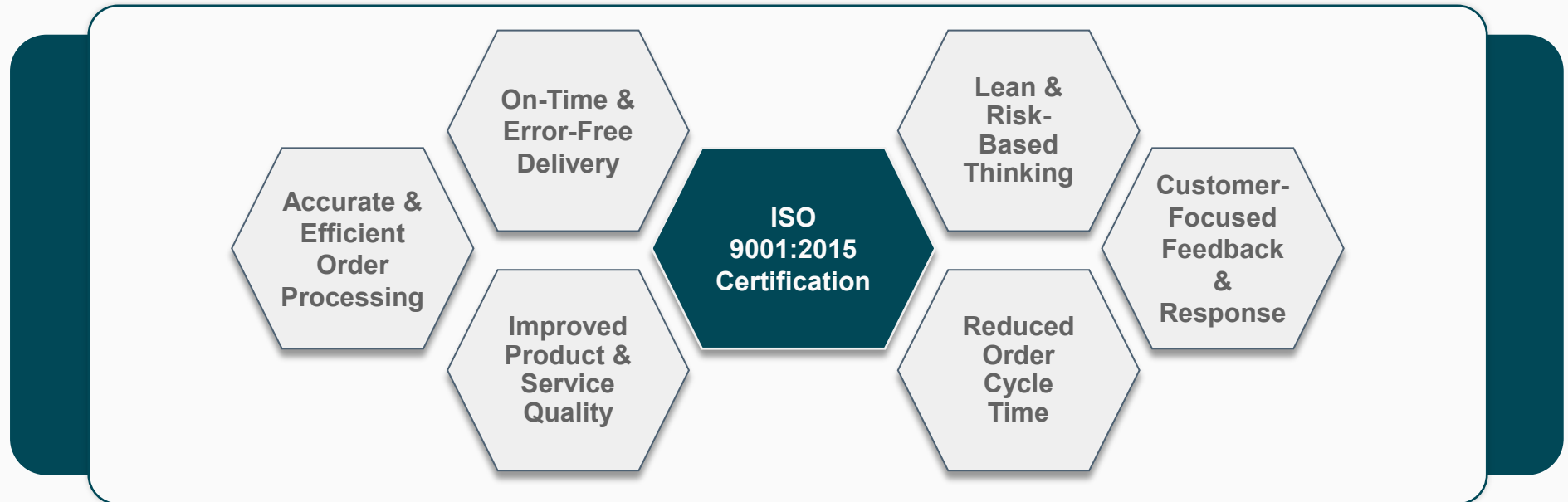
Our current Conflict Minerals Report, together with our Conflict Minerals Statement and other steps taken to ensure compliance, is available on our [website](#).

ISO Certifications

Applied® has been ISO certified since 1997. Our quality systems are maintained to current ISO 9001:2015 requirements throughout our U.S. and Canadian service centers and distribution centers.

Within our FCX Performance business, we maintain ISO 9001 and ISO 17025 certifications. In addition, several Applied subsidiaries are certified to AS9120 and other industry-specific standards, based on customer requirements.

Every day, we realize the rewards an ISO 9001:2015 foundation brings:



Applied is currently pursuing ISO 14001 and ISO 27001 certifications. ISO 14001 is an internationally recognized standard that defines the requirements for an Environmental Management System. ISO 27001 is the leading international standard focused on information security and the adoption of an Information Security Management System.

Cybersecurity

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.

Through technology, Applied enables transparency and control to better manage operations and improve process efficiency. In addition, through our digital applications – such as 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, reduces consumption of paper resources, and enhances our ability to serve.

With regards to cybersecurity, we consistently reinforce a *See Something, Say Something* approach where all associates carry the responsibility to help protect and ensure the security and accuracy of our information. Mandatory cybersecurity

courses are assigned annually and serve to heighten associate awareness of potential risks and related safety measures.

Additionally, periodic internal Cybersecurity Update e-mails review trending threats and safeguards. Applied also recognizes Cybersecurity Awareness Month every October through increased communications that help ensure our online business and personal information are kept safe and secure. On an executive level, regular updates on information security matters are reviewed and discussed in our Board of Directors quarterly meetings.



Data Protection

Applied® adheres to plans and processes that keep us vigilant and help to safeguard our business. Accordingly, we take data protection seriously and strive to constantly use best practices to protect our associates', customers', and suppliers' confidential information.

These practices include user awareness and education, as both are key to effective cybersecurity. Our Privacy Policy – available at Applied.com – addresses how we collect personal information through our websites, including how we use and when we disclose that information.

Additional protective measures throughout Applied include:



Deployment of encryption technologies to protect sensitive data (intellectual property and customer sensitive data)

Adoption of Artificial Intelligence in cybersecurity defenses for more robust detection and faster response

Establishment of Zero Trust practices to further tighten access to critical functions

Adherence to ISO 27001 cybersecurity framework and practices

Utilization of cloud strategies – improving continuity, scalability and enterprise visibility

Technology Infrastructure

As part of our ongoing efforts to increase operational efficiency and lower Applied's carbon footprint, Applied® continues the consolidation and decommissioning of systems. In addition, we adopt cloud and virtualization strategies to further reduce space and lower energy consumption.

Our ongoing improvements to datacenter infrastructure, such as cooling, fire suppression, and electrification, promotes energy-efficient and environmentally-friendly operations.

Recent initiatives have resulted in the following benefits:



Installation of datacenter automation and metrics to improve response time and provide analytics for improvement opportunities

Establishment of a hybrid cloud datacenter configuration for resiliency, speed and scalability

Expanded Voice Over IP services to augment customer engagement and enhance internal collaboration

Improved local market technology to boost speed of service and improve process efficiency

Reduced / contained growth of server footprint through consolidation, virtualization or cloud adoption



[Company
Overview](#)

[Environmental](#)

[Social](#)

[Governance](#)

[Appendix](#)



[Cautionary Statements](#)

[About this Report](#)

[GRI Index](#)

[SASB Index](#)

ESG Report 2023

Appendix



Cautionary Statements

This report contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are often identified by qualifiers, such as “guidance”, “expect”, “believe”, “plan”, “intend”, “will”, “should”, “could”, “would”, “anticipate”, “estimate”, “forecast”, “may”, “optimistic,” “seek,” “target” and derivative or similar words or expressions, as well as the negative of these words. Similarly, descriptions of objectives, strategies, plans, or goals are also forward-looking statements. The discussion of trends, strategy, plans, assumptions, or intentions and our greenhouse gas emission targets may also include forward-looking statements, which speak only as of the date they are first made. The Company intends that the forward-looking statements be subject to the safe harbors established in the Private Securities Litigation Reform Act of 1995 and by the Securities and Exchange Commission in its rules, regulations, and releases.

Readers are cautioned not to place undue reliance on any forward-looking statements. All forward-looking statements are based on current expectations regarding important risk factors, many of which are outside the Company’s control. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of those statements should not be regarded as a representation by the Company or any other person that the results expressed in the statements will be achieved. In addition, the Company assumes no obligation publicly to update or revise any forward-looking statements, whether because of new information or events, or otherwise, except as may be required by law.

Although it is not possible to predict or identify all risks and uncertainties, we encourage investors to read the risk factors described in our most recent annual and periodic report filed with the Securities and Exchange Commission. These risk factors include, but are not limited to, the following: risks relating to the operations levels of our customers and the economic factors that affect them; continuing risks relating to the effects of the COVID-19 pandemic; our reliance on information systems and risks relating to their proper functioning, the security of those systems, and the data stored in or transmitted through them; reduced demand for our products in targeted markets due to reasons including consolidation in customer industries; our ability to retain and attract qualified sales and customer service personnel and other skilled executives, managers and professionals; disruption of operations at our headquarters or distribution centers; risks and uncertainties associated with our foreign operations, including volatile economic conditions, political instability, cultural and legal differences, and currency exchange fluctuations; organizational changes within the Company; risks related to legal proceedings to which we are a party; potentially adverse government regulation, legislation, or policies, both enacted and under consideration, including with respect to federal tax policy, international trade, data privacy and security, and government contracting; and the occurrence of extraordinary events (including prolonged labor disputes, power outages, telecommunication outages, terrorist acts, war, public health emergency, earthquakes, extreme weather events, other natural disasters, fires, floods, and accidents). Other factors and unanticipated events could also adversely affect us. Further, the disclosure of a risk should not be interpreted to imply that the risk has not already materialized.



About This Report

This report discusses Applied Industrial Technologies, Inc.'s operations from July 1, 2022 through June 30, 2023, unless otherwise indicated. We currently have operations throughout North America, as well as Australia, New Zealand and Singapore. Unless otherwise indicated, the emissions data covered in this report is for wholly-owned operations in all countries in which we operate other than Mexico.

In this report, any use of the terms "material," "materiality," "immaterial," "substantive," "significant" and other similar terminology refers to topics that reflect environmental and social impacts or to topics or standards designated as "material" or "substantive" under the GHG Protocol, GRI or SASB standards. These terms as used in this report are not used, or intended to be construed, as they have been defined by or construed in accordance with the securities laws or any other laws of the United States or any other jurisdiction, or as these terms are used in the context of financial statements and financial reporting.

The data presented in this report is collected using accepted and relevant scientific and industry accepted methodologies, which in some instances, are based on assumptions and estimates. Although our data has been internally vetted, and we believe they are factually accurate to the best of our knowledge, there are inherent uncertainties and limitations in the collection and presentation of our data. This report has not been externally assured or verified by an independent third party. Historical performance data may be revised due to reasons such as new data availability; industry-driven changes to methodologies; improvement in data collection and measuring systems; or activities such as acquisitions. Statements about future developments and past occurrences are based on information and assumptions available as of the date of publication. We hold no obligation to update statements or information.

This report may contain links to other internet sites or references to third parties. Such links or references are not incorporated by reference to this report, and we can provide no assurance as to their accuracy. The use or inclusion of the information is also not intended to represent endorsements of any products or services.

GRI INDEX

Statement of use	Applied Industrial Technologies, Inc. has, unless otherwise noted below, reported the information cited in this GRI content index for the period July 1, 2022, to June 30, 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI DISCLOSURE	GRI REQUESTED INFORMATION	LOCATION / RESPONSE
GRI 2: General Disclosures		
2-1	Organizational details	a. Applied Industrial Technologies, Inc. b. Applied Industrial Technologies, Inc. is a publicly held Ohio corporation that is listed on the New York Stock Exchange under ticker symbol AIT c. Our headquarters is at 1 Applied Plaza, Cleveland, OH 44115 d. Operations in the United States, Canada, Mexico, Australia, New Zealand and Singapore
2-2	Entities included in the organization’s sustainability reporting	a. See About This Report b. See About This Report
2-3	Reporting period, frequency and contact point	a. See About This Report b. FY23 ending June 30, 2023 c. September 10, 2023 d. Questions or comments should be directed to: ESG@applied.com
2-4	Restatements of information	No restatements of information from previous reporting periods.
2-5	External assurance	No third-party external assurance of this report has taken place
2-6	Activities, value chain and other business relationships	See About Applied and our FY23 Annual Report
2-7	Employees	See Diversity, Equity & Inclusion and our FY23 Annual Report for additional details a. Approximately 6,200 worldwide, 4,800 in the U.S., 650 in Canada, and 750 in other countries including Mexico, New Zealand, Australia and Singapore. b. 64 part-time employees as of December 31, 2022.
2-9	Governance structure and composition	See our 2023 Proxy and Governance for more details
2-10	Nomination and selection of the highest governance body	See our 2023 Proxy for more details
2-11	Chair of the highest governance body	See our 2023 Proxy for more details

GRI INDEX

GRI DISCLOSURE	GRI REQUESTED INFORMATION	LOCATION / RESPONSE
2-12	Role of the highest governance body in overseeing the management of impacts	See our 2023 Proxy for more details
2-13	Delegation of responsibility for managing impacts	See our 2023 Proxy and Governance for more details
2-14	Role of the highest governance body in sustainability reporting	See our 2023 Proxy and Governance for more details
2-15	Conflicts of interest	See our 2023 Proxy for more details
2-16	Communication of critical concerns	See our 2023 Proxy for more details
2-17	Collective knowledge of the highest governance body	See our 2023 Proxy for more details
2-18	Evaluation of the performance of the highest governance body	See our 2023 Proxy for more details
2-19	Remuneration policies	See our 2023 Proxy for more details
2-20	Process to determine remuneration	See our 2023 Proxy for more details
2-21	Annual total compensation ratio	See our 2023 Proxy for more details
2-22	Statement on sustainable development strategy	See Message From Our President & CEO
2-23	Policy commitments	Please refer to Applied's governance documents, available at https://ir.applied.com/governance/governance-documents/default.aspx ; available documents include Applied's Code of Business Ethics and Anticorporation Policy. See also Diversity, Equity & Inclusion , Ethics & Integrity and Responsible Sourcing
2-26	Mechanisms for seeking advice and raising concerns	See Ethics & Integrity
2-27	Compliance with laws and regulations	See "Legal Proceedings" in our FY23 Annual Report
2-30	Collective bargaining agreements	We are committed to respecting the rights of all of our employees. Labor laws and practices vary among the countries where we do business, and we are committed to following all applicable labor laws and regulations in those countries, including those governing labor-management relationships.

GRI INDEX

GRI DISCLOSURE	GRI REQUESTED INFORMATION	LOCATION / RESPONSE
GRI 205: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	See Ethics & Integrity and our Code of Business Ethics
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	See Energy Consumption & Emissions Reporting
302-3	Energy intensity	See Energy Consumption & Emissions Reporting
302-5	Reductions in energy requirements of products and services	See Sustainability Solutions & Initiatives
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	See Energy Consumption & Emissions Reporting
305-2	Energy indirect (Scope 2) GHG emissions	See Energy Consumption & Emissions Reporting
305-4	GHG emissions intensity	See Energy Consumption & Emissions Reporting
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	See Diversity, Equity & Inclusion
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	See our FY23 Annual Report and our 2023 Proxy for more details
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	See Health & Safety
403-2	Hazard identification, risk assessment, and incident investigation	See Health & Safety
403-3	Occupational health services	See Health & Safety
403-4	Worker participation, consultation, and communication on occupational health and safety	See Health & Safety
403-5	Worker training on occupational health and safety	See Health & Safety
403-6	Promotion of worker health	See Health & Safety

GRI INDEX

GRI DISCLOSURE	GRI REQUESTED INFORMATION	LOCATION / RESPONSE
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship	See Health & Safety
403-9	Work-related injuries	See Health & Safety
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	In FY23, U.S. employees completed over 35,000 safety training courses.
404-3	Percentage of employees receiving regular performance and career development reviews	Our talent processes guide us to provide 100% of employees with performance and development feedback, formally and/or informally, through the course of the year. Over 99% of our employees received a formal annual review in FY22. In addition to receiving performance feedback from managers, employees are encouraged to share performance feedback as well. Employees use performance feedback as one of the inputs to inform their goals and developments objectives.
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	See Diversity, Equity & Inclusion and Governance
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	See our Code of Business Ethics , Diversity, Equity & Inclusion , and Responsible Sourcing
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	See our Code of Business Ethics , Diversity, Equity & Inclusion , and Responsible Sourcing

SASB INDEX

Applied® reports information in accordance with the Sustainability Accounting Standards Board (SASB) guidance for the Industrial Machinery & Goods standard. Unless otherwise noted, data is for U.S. operations only.

TOPIC	ACCOUNTING METRIC	CODE	UNIT OF MEASUREMENT	RESPONSE
ENERGY MANAGEMENT ¹	Total energy consumed	RT-IG-130a. ¹	Gigajoules (GJ)	536,000 GJ
	Percentage grid electricity		Percent	100%
	Percentage renewable ²		Percent	N/A ²
EMPLOYEE HEALTH & SAFETY	Total Recordable Incident Rate (TRIR) ^{3, 4}	RT-IG-320a. ¹	Rate	1.13
	Fatality rate ⁵		Number	0
	Near Miss Frequency Rate (NMFR) ⁶		Rate	.34
FUEL ECONOMY & EMISSIONS IN USE-PHASE	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	RT-IG-410a. ¹	Gallons per 1,000 ton-miles	Applied does not manufacture medium- or heavy-duty vehicles
	Sales-weighted fuel efficiency for non-road equipment	RT-IG-410a. ²	Gallons per hour	Applied does not manufacture non-road equipment
	Sales-weighted fuel efficiency for stationary generators	RT-IG-410a. ³	Watts per hour	Applied does not manufacture stationary generators
	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	RT-IG-410a. ⁴	Grams per kilowatt-hour	Applied does not manufacture engines.
MATERIALS SOURCING	Description of the management of risks associated with the use of critical materials	RT-IG-440a. ¹	Discussion and Analysis	Please see the Responsible Mineral Sourcing portion of this Report as well as Form SD (available at our corporate website) which provide detail on management of these resources
REMANUFACTURING DESIGN & SERVICES	Revenue from remanufactured products and remanufacturing service ⁷	RT-IG-440b. ¹	Currency - USD	See associated narrative in the Sustainability Initiatives / Remanufacturing Services section of this Report

¹ These are approximate values based on Applied-controlled electricity usage data

² Not applicable as Applied is purchasing energy entirely from the grid

³ TRIR is calculated as the number of incidents multiplied by 200,000 and divided by hours worked - information is for calendar year 2022

⁴ TRIR is calculated net of the impact of reportable cases which arose as a result of a COVID-19 diagnosis

⁵ Fatalities excludes reportable cases which arose as a result of the COVID-19 pandemic

⁶ Applied is only capturing this information for our U.S. Distribution Center network at this time – information is for calendar year 2022

⁷ Applied does not separately report revenue associated with repair and remanufacturing operations



Corporate Headquarters
1 Applied Plaza
Cleveland, Ohio 44115
216/426-4000
Applied.com