

# Environmental, Social & Governance Report

The Board acknowledges the overall responsibility to review and monitor TTI's Environmental, Social and Governance ("ESG") policies and practices to ensure compliance with the relevant legal and regulatory requirements and to improve TTI's ESG performance.

This report will discuss the ESG performance of TTI's global business units, including its Asia Industrial Park in Dongguan ("AIP"); its U.S. subsidiaries, Techtronic Industries North America headquartered in Maryland and the site of the US headquarters ("TTINA"), Milwaukee Electric Tool Corporation headquartered in Wisconsin ("Milwaukee Tool"), TTI Floorcare North America headquartered in North Carolina ("TTIFC"), and Techtronic Industries Power Equipment headquartered in South Carolina ("TTIPE"); Vax Ltd. located in the UK; as well as the corporate headquarters in Hong Kong ("TTI").

Conducting business in a global economy, TTI always considers the environmental, social and governance ("ESG") impact of our business. We view the commitment to environmental, social and governance performance as part of our broader responsibility to our employees, our customers, our stakeholders, and the communities in which TTI operates. We are mindful about how our operations and products impact environmental and social aspects. Through our sustainability objectives and initiatives, we are vigilant of our responsibility to address environmental and social challenges and work to design, manufacture and market our products in sustainable ways. As part of our efforts, we continue to adopt policies, principles and procedures that foster these values, such as the Code of Ethics and Business Conduct.

Our success and our growth as a company both depend on being seen as an innovative employer and continuing to attract, develop and retain exceptionally talented people. We are taking steps to not only ensure that our employees have the necessary resources for improving their knowledge and skills, but also grow leaders from within by offering leadership training and other opportunities for growth. We also continue to engage our employees through a variety of social, philanthropic and wellness activities.

TTI's ESG approach is outlined around priorities considered to be material to our business and how these efforts create a lasting impact.

## Continued emissions reductions

TTI continues to reduce its emissions from energy use in our largest facility, located in AIP. A number of measures were taken to limit the impact of our operations on the environment, preventing over 21,000 tons of carbon from being released into the atmosphere during 2016. Carbon emissions from electricity were reduced by 2 percent from 2014, which is our third consecutive year of reductions in carbon emissions from electricity.<sup>1</sup> Similarly, the annual carbon emissions from water decreased by 34 percent in 2015.<sup>2</sup> For its efforts, AIP received the Dongguan Energy Saving Demonstration Site & Social Responsibility Honor Unit in 2016. AIP also received a Greenhouse Gas Verification for meeting the requirements of ISO 14064-1:2006.

TTI complies with all applicable reporting regulations. For instance, the use and storage of nitrogen and coil stock metal at our Milwaukee Tool's Greenwood Accessory & Tool Recondition Site ("Greenwood") requires the submittal of two annual reports, Tier II and Form R to maintain compliance with the federally regulated Emergency Planning and Community Right To Know Act ("EPCRA"). The EPCRA helps to increase the public's knowledge and access to information on chemicals and hazardous materials at individual facilities, their uses, and releases into the environment in and around communities.

## TTI endeavors to integrate resource efficiency and sustainability into its day-to-day operations, mindful of the direct environmental impacts from its global industry

TTI is consistently improving and taking steps to efficiently manage and monitor the use of resources.

AIP continues to take steps for the efficient use of resources. In 2016, AIP made the following energy efficient changes: replacing the ECO water dispensers with electric water heaters in the factory and replacing T5 lamps with LED lights in the dormitory; replacing six sets of magnetic suspension air conditioners and nine sets of energy-saving air compressors and managing the use of water sources by recycling living waste water for showers and flushing toilets.

<sup>1</sup> 2016 Greenhouse Gas data will be collected and verified in June 2017.

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TTIFC took steps to efficiently manage and monitor the use of resources. Its' Cookeville, Tennessee and Glenwillow, Ohio facilities instituted motion sensor lighting in the warehouses and bathrooms. Similarly, its offices in Charlotte, North Carolina placed motion sensor lighting in its conference rooms, restrooms, storage closets, and offices. TTIFC's Charlotte offices are also utilizing efficient water energy resources through the use of motion sensors for all sinks and toilets in restrooms.

Notably, as part of a multi-year project beginning in 2014, Milwaukee Tool installed a new HVAC control system to help improve efficiency of heating and cooling, which includes frequency drives on air handlers. LED fixtures were installed not only in all remodeling projects but also on damaged lamps and light fixtures. Additionally, faucets and soap dispensers were replaced throughout the facility with hands-free sensors.

Milwaukee Tool's Greenwood Accessory & Tool Recondition Site converted its lighting to lower energy light systems. The factory high bay HID lights were converted to lower energy florescent T-5 lights. The work station and office lighting continue to be converted to T-8 systems or LED systems. Greenwood's HVAC system was converted from R-22 Freon to 407C or 410A Freon. Additionally, the low solvent hole saw paint was converted to a water-based paint. Similarly, the solvent based blade and hold saw printing inks were converted to UV inks.

Milwaukee Tool's Empire division converted traditional shop lighting throughout the entire plant and converted the shop air system to an energy efficient oscillating system. Both initiatives allowed Empire to receive a Focus on Energy Credits for these efforts.

In early 2016, our Hong Kong office moved to a new location. Instituted in the move was a switch from conventional fluorescent tubes to LED tubes along with energy-efficient air-conditioning and smart multi-functional devices. This has reduced electricity consumption by 71% and paper consumption by 8%.

### **Minimizing our impact on the environment and natural resources**

TTI continually improves initiatives to minimize our effect on the environment and natural resources. Known for being a leader in battery-powered power tools and power equipment, TTI designs and manufactures lithium-ion batteries. The RYOBI ONE PLUS+ batteries are interchangeable across a broad spectrum of RYOBI tools and outdoor products. Similarly, MILWAUKEE batteries are compatible with a broad range of products. This technology drastically reduces battery waste. For those batteries that are no longer useful, TTI partners with global organizations to help ensure that batteries are being recycled.

In addition to battery recycling, TTI implements various recycling efforts for its facilities worldwide. TTIFC currently has in place a robust recycling policy in Cookeville, Tennessee which minimizes the impact on the environment by recycling aluminum cans, paper, plastic bottles, electronics, motors/cords, and cardboard. Our Cookeville offices not only sell scrap metal, but also have a policy on return unit scrap recovery whenever possible. It also regrinds a large percentage of plastic scrap in molding and reintroduces it back into the molding process. Known as Refurb Operation, Cookeville is an active factory reconditioning facility.

Milwaukee Tool has taken steps in 2016 to recycle all old lamps, ballasts and electronics. Milwaukee Tool has a process in place to separate all metal for recycling. Employees at Milwaukee Tool are provided with separate recycle bins at their desks to allow for the recycling of paper, aluminum and plastic. Also in 2016, Milwaukee Tool installed a cardboard compactor and hand dryers in all of its bathroom remodeling projects to reduce the amount of water utilized.

All forms of scrap metal, all corrugated cardboard, scrap shipping materials, and all copy paper and forms are recycled throughout Greenwood. Greenwood also recycles certain plastics from reconditioned tools (HDPE, cases, and nylon handle halves). Waste aerosol cans are punctured and the gas or chemical removed. Aluminum cans are collected and donated to the local rehabilitation agency.

Milwaukee Tool's Jackson, Mississippi location uses a blue bin system for recycling paper in the office areas. Corrugated materials are separated in corrugated bins and bundled. Aluminum chips, steel chips and bar stock are sent for recycling, but before sending, the Jackson facility "cleans" chips and metals of coolants and oil. Jackson now utilizes T5 lighting as part of an energy conservation plan that was started in 2011. Jackson also contracted with an outside contractor to perform a compressed air analysis, which provides significant savings in energy usage in relation to compressed air.

At Empire, aluminum clippings and machining chips from the manufacturing process are recycled or reclaimed. Also reclaimed are poly ethylene byproducts from the blown film process, plastic gates and runners from the plastic injection molding processes and plastic scrap parts from the plastic injection molding processes to reduce waste in the landfills. Empire utilizes hot runner manifolds in the plastic injection molding processes to eliminate plastic waste where possible. Additionally, Empire reclaims heat from several manufacturing processes to heat the building in the winter months. In addition to the manufacturing processes, office paper, plastic and aluminum are recycled, as well as all corrugated material that is not used or scrapped is recycled.

On September 1, 2014, Europe introduced EU regulations 666/2013 ("Ecodesign") and 665/2013 ("Energy Labelling"), supplementing EU directives 2009/125/EC and 2010/30/EU. The regulations require vacuum cleaner suppliers to ensure their products meet minimum levels of energy efficiency and other environmental criteria, and are labelled to inform consumers of the actual efficiency and performance levels.

Vax Ltd invested significantly in research and development prior to the introduction of this legislation, to ensure that all new product designs not only met the Ecodesign criteria, but reached the highest levels of efficiency as displayed on the Energy Label. The result was a new generation of products that consume less than 1/3 of the energy of pre-2014 versions (~25 kWh per annum, compared with ~75 - ~150 kWh per annum pre-2014), while simultaneously achieving a far greater level of cleaning ability.

The efficiency and performance of new products are confirmed by testing at independent, third-party laboratories, and all products are supplied to consumers and retailers with fully corroborated documentation and energy labels. Key Performance Indicators ("KPIs") are identified that allow the efficiency and performance of an individual product to be assessed, and these KPIs are used to check products on the production line (often on a 100% basis), to ensure the ongoing compliance of all VAX vacuum cleaners.

AIP minimizes harm to the environment by reusing packing material and recycling industrial waste materials. Hong Kong has in place recycling bins in the cafeterias to encourage employee recycling.

## Achieving Excellence in Human Resource Practices

TTI recognizes that its success is derived from its thousands of invaluable employees spanning the globe. TTI recruits new and experienced talent and encourages those individuals to realize their potential in an environment that values quality, innovation and creativity. TTI provides a wide range of programs promoting employee rights and benefits and also supporting the development, diversity and well-being of our employees.

As a global company, TTI understands the importance of establishing employment guidelines to ensure that those guidelines work within each country's relevant laws and regulations. TTI employs experienced human resource personnel to manage and comply with laws and regulations affecting our employees.

TTI is an equal opportunity employer, providing equal employment opportunity for all qualified persons, without regard to race, gender, color, national origin, sexual orientation, gender identity, pregnancy, age, religion, military service, status as an individual with a disability or status as a veteran or any other status protected by applicable law.<sup>3</sup> TTI's commitment to equal employment opportunity is memorialized in the Employee Handbook or similar policy for each business unit.

This commitment also extends to our policies and procedures on recruiting, interviewing, hiring, assignment of responsibilities, transfer, promotion, training, pay, benefits, termination, working hours, and any other privileges, terms and conditions of employment.

<sup>3</sup> The expansiveness of the EEO Policy varies from country to country.

TTI also has a long standing commitment to promoting and maintaining an environment that respects the personal rights and dignity of each of its employees. A Harassment Prevention, Anti-Discrimination, and Anti-Retaliation Policy is in place for providing the overall philosophy and specific approaches for addressing discrimination, harassment and related retaliation issues.

In Hong Kong, TTI was invited to and accepted and nominated TTI's Senior Director of Human Resources in the Gender Focal Point Network ("GFPN") launched by the Labour & Welfare Bureau ("LWB") and the Women's Commission ("WoC") of the Hong Kong Special Administrative Region Government ("HKSAR"). The GFPN promotes gender mainstreaming, taking into consideration women's and men's perspectives and experiences into the design, implementation, monitoring and evaluation of policies and programs so that gender-specific needs and concerns of women and men can be properly addressed. GFPN seeks to achieve gender equality by ensuring that women and men have equitable access to, a benefit from the resources and opportunities available in society.

### **Providing a safe working condition and protection for all TTI employees**

TTI strives to provide a workplace free from injury and illness and is fully committed to achieving the highest standards of health and safety, not only in respect to its employees, but also in relation to visitors, contractors, and any other person who may be affected by its activities. TTI employs comprehensive safe work practices in all of its facilities that are reviewed on an ongoing basis to ensure that safety standards are maintained across its diverse workforce.

A safe work environment is promoted through the best practices of safe and healthy working conditions through health and safety programs. These safety programs are designed to support compliance with all safety regulatory laws and agencies pertaining to our business. This program is reflected in TTI's Health and Safety Policies covering implementation of relevant safety standards, routine safety surveys of facilities, equipment training, eyesight testing for DSE users, and employee training through classroom settings, Learn TTI and on-the-job.

As part of its duties, and to facilitate good communication and consultation with its employees on health and safety matters, TTI holds regular Health and Safety Meetings. Employees are consulted and encouraged to raise any issues regarding health and safety at work. This can be done through a manager or human resources representative or at a Health and Safety meeting. Policies are subject to yearly review and employees are notified of any changes.

### **Commitment to the development and training of employees**

At TTI, we think it is important for our leadership and employees to learn new and continue to develop additional skills. We encourage the development of our leadership and employees, offering mandatory and optional training courses.

TTI has in place an internal online course program to assist with improving employees' knowledge and skills for duties at work. Learn TTI is utilized for mandatory training and other optional training courses.

TTIFC hosts a monthly event called Floor Care University. It is an introduction to TTI's floor care products and an overview of each business function. TTIPE conducts employee-related training on a variety of topics ranging from anti-harassment to product safety.

Due to continued growth, Milwaukee Tool identified the need to grow leaders and prepare early career candidates to take on expanded roles with a focus on leadership. Milwaukee Tool has consistently offered sales and product training courses and engineering technical programs, but in addition, Milwaukee Tool is placing an increased emphasis on leadership development and building foundational people management skills. Building upon the New Hire Orientation, Milwaukee Tool created three Lifecycles of a Leader and developed training classes specifically targeting emerging leaders and new managers. From those three classes, Milwaukee Tool designed eight additional classes, offering 122 sessions with participation for 2016 at 1,543.

### **Protecting workers' rights**

As a corporate citizen, TTI is fundamentally committed to treating workers of all types with dignity and respect. TTI is specifically doing its part to ensure a work environment free from forced labor or slavery, unlawful child labor, and human trafficking. This commitment not only encompasses TTI employees, but also all suppliers must avoid participation in or consent to any practice that constitutes slavery or human trafficking.

As part of our effort to avoid, detect and eradicate slavery and human trafficking, TTI launched its Policy against Slavery and Human Trafficking. The policy requires TTI employees and suppliers to comply and certify compliance with TTI's Ethics and Business Conduct, TTI's Business Partner Code of Conduct, and applicable human resources policies. In addition, the Policy against Slavery and Human Trafficking meets international legal obligations, including, The California Transparency in Supply Chains Act, United Kingdom Modern Slavery Act and United Nations Guiding Principles on Business and Human Trafficking, commitments to customers and best practices related to the prevention of slavery and human trafficking.

Aware that child labor still exists in China, TTI strictly adheres to China labor laws and does not hire children under the age of 16 or those forced into labor. TTI has made concerted efforts to monitor juvenile workers between the ages of 16 to 18 years old with the initiation of a Special Protection for Juvenile Workers in 2010. The Special Protection for Juvenile Workers requires:

- Group HR to file juvenile workers' records to local Labor Bureau according to the regulations under "Provisions on Special Protection for Juvenile Workers."
- Group HR to notify relevant departments of juvenile worker information.
- Group Administrator to conduct periodical physical checks.
- Distinguishing juvenile workers with an identification mark on their factory badge.
- Prevent juvenile workers from working on dangerous operations as defined in the "Provisions on Special Protection for Juvenile Workers."
- Prevent juvenile workers from working the night shift and overtime not exceeding 22 hours.
- Group HR to explain relevant protection requirements to juvenile worker and require them to sign *TTI Provisions on Special Protection for Juvenile Workers*.

During the labor shortage seasons in China, TTI hires college students over the age of 18. College students are not subject to the "Provisions on Special Protection for Juvenile Workers."

TTI has established accountability standards and monitoring procedures to ensure that the requirements identified in the policies are followed by TTI management, TTI employees and TTI Suppliers. The policy designates the TTI Legal and Compliance Department as a point of contact for any violations. TTI operates under a No Retaliation policy.

### **Managing social risks of the supply chain**

TTI expects its suppliers to abide by the same moral and ethical values it does in the management of the suppliers' companies. Any supplier who accepts a purchase order from TTI or enters into the TTI Standard Master Supply Agreement must comply with the TTI Supplier Code of Conduct and abide by the principles stipulated in the Conventions of the International Labor Organization, the Universal Declaration on Human Rights, the guiding principles of the Organisation of Economic Co-Operation and Development ("OECD") and other relevant and applicable principles. TTI reserves the right to audit the supplier's adherence to the TTI Business Partner Code of Conduct. Additionally, TTI Supplier Quality Departments often conduct supplier training.

Along with the TTI Business Partner Code of Conduct designed to ensure an ethical supply chain, TTI has in place a comprehensive Conflict Minerals Policy, which applies not only to TTI and its related entities, but also throughout the supply chain. The policy establishes a mandatory framework for TTI and its suppliers for conducting due diligence and a Reasonable Country of Origin Inquiry (RCOI), requiring TTI's suppliers to agree to the terms of the policy and assist TTI with identifying the source of any gold, tungsten, tin, or tantalum (together "3TG") that has been used.

TTI's policy first identifies high risk suppliers and makes them the focal point of initial data-gathering efforts in order to swiftly develop a substantial database containing information on key suppliers, as determined by reference to a supplier's volume of business. Similarly, the Policy allows TTI's suppliers conducting their own RCOI to prioritize by volume of business or volume of 3TG that its suppliers handle. TTI's continued commitment is to produce products that are free from conflict minerals.

### **Commitment to product responsibility, fair competition, and privacy policies**

TTI is committed to product safety and to adhering to best practices around the world in this area. To help drive that commitment throughout the organization, the position of Global Product Safety Director was created and filled in 2016. In addition, TTI maintains product safety policies and procedures that are continuously reviewed to ensure adherence to best practices.

Established procedures and policies are in place governing advertising claims, Prop 65 (California) and reviews for FTC claims. Our legal and regulatory departments assist in compliance with voluntary standards.

TTI is also astutely aware of cybersecurity threats and addressing them through its Cybersecurity committees and policies to protect employee and TTI confidential information.

### **Preventing corrupt practices in doing business throughout the world**

TTI is committed to conducting its business in accordance with all applicable laws and regulations. TTI supports a risk management program designed to minimize the risk of its products and systems to ensure TTI maintains a high level of integrity in the marketplace and in all business transactions. Relevant policies, including Antitrust Compliance and the Code of Ethics and Business Conduct, and training that all TTI employees are required to undertake upon hire or once a year, are in place in order to understand their obligations under relevant policies and procedures governing antitrust, anti-corruption, anti-bribery, and fraud.

### **TTI continues its commitment to volunteer service and community investment**

Throughout the year, TTI continues to engage our employees through social, philanthropic and wellness activities. While participation is voluntary, we are building upon the strong support in both time and financial contributions from our leadership and employees.

TTIFC has developed a company engagement platform that includes the creation of several committee missions to achieve employee investment in social, philanthropy, connectivity, and wellness. In 2016, TTIFC completed its renovations to its new office space in Charlotte, North Carolina and celebrated with a Grand Opening for employees and families, spotlighting the new Center for Marketing and Innovation. Many TTIFC employees relocated to Charlotte and to show appreciation for those employees and families who relocated, TTIFC put on a “Cheers We’re All Here” event.

TTIFC also partnered with Pinky Swears and The Relatives. Pinky Swears’ mission is to help children with cancer and their families with financial and emotional support. TTIFC participated in a summer food drive and collected over six months’ worth of deliveries for Levine’s Children’s Hospital in Dilworth, North Carolina. TTIFC also sponsored a toy drive and had a holiday card signing activity for the children.

The Relatives is a system of resources that helps children and youth find shelter and support. The Relatives serves as the Safe Place agency for Mecklenburg County and the surrounding area, partnering with local businesses to ensure young people in need have access to immediate help and supportive resources. This year, TTIFC collected over six months’ worth of food and donated vacuums.

Milwaukee Tool has an established Community Impact Committee (“CIC”). This year, CIC donated a large amount of tools to Veteran’s Outreach of Wisconsin to help complete the building of 15 Tiny Homes, as well as to various local communities to assist in building a handicap accessible playground. The CIC also participated in two Veterans workshops by supplying all major tools for each event. The CIC team not only donated tools, but 70 employees spent 576 volunteer hours working on demolition, new construction and repairs with Habitat for Humanity in Waukesha County.

To aid in the fight against hunger, 149 Milwaukee Tool employees spent a total of 572 hours processing 45,000 pounds of food and raising US\$4,000 to support Hunger Task Force. Hunger Task Force and the CIC joined forces at the Wisconsin State Fair where 48 Milwaukee Tool employees volunteered to help collect over 75,000 pounds of food and over US\$8,000 in monetary donations.

TTINA is also a corporate sponsor for Pathfinders; Maryland's largest autism organization dedicated to helping individuals, parents, and professionals find various resources while working to increase the awareness of autism spectrum disorders. Pathfinders also advocates for the needs of individuals with autism and their families. Employees participated and supported Pathfinders through various annual events, including a 5 km race and silent auction to promote autism awareness in the Baltimore area.

TTI employees and families participated in a Green Tour by Produce Green Foundation ("PGF"). PGF set up the first organic farm in Hong Kong to promote green lifestyles to the public through organic farming with the hope of providing safer and healthier food, while protecting the environment. TTI also partnered with the Hong Kong Cancer Fund in Dance to Support the Less Fortunate.

At AIP, TTI employees also supported the less fortunate through a donation of clothes. Employees engaged in a number of volunteer activities, including visiting senior citizens' homes, collecting donations to buy school bags and clothes for children in the remote villages, and organizing groups to clean local public parks.

### **TTI encourages a healthy lifestyle**

TTI maintains a core principle of providing employees with a balanced lifestyle. Many of TTI's locations are equipped with a state of the art gym, allowing for employees to exercise before work, during the day or after business hours. For those facilities without an available on-campus gym, TTI provides those employees a yearly stipend for exercise classes or gym memberships.

In Milwaukee, we partner with Salus for corporate wellness, which includes gym orientation, fitness classes, fitness assessments, quarterly fitness programs, weekly email blasts, monthly "Lunch and Learns" that often include cooking classes, and an annual wellness program called Healthy Rewards. The Healthy Rewards program encourages employees to take care of their overall health and wellbeing, with a focus on preventative care. Employees earn points for completing various wellness activities. These points can be used for gift cards or other wellness-related prizes.

In addition to on-campus gyms, TTI is working to create alternative healthier lifestyle activities and events, which include a Step Challenge, a "Fun Run" participation in the American Lung Association's "Fight for Air" Climb, Outward Bound Corporate Challenge, and Oxfam Trailwalker. TTI also sponsors sports teams that participate in ultimate Frisbee, basketball and soccer.

Because many of our employees have relocated to Dongguan to work at our AIP location, TTI promotes and encourages many activities, which are aimed at building a healthy lifestyle and teambuilding, which include the Houjie Town Half Marathon, special performances by the Wan Zhong Cinema, Lantern Festival activities, TTI Tug-of-War competition, Happy Singing Night, a TTI Talent Show, yoga classes, a Mother's Day parent-child activity, Mid-Autumn Festival activities, model competitions, Taiji boxing classes, Opusculum & Cross Talk Contest, Halloween Party, badminton and chess competitions, and sponsorship of a dance club and a singles club.