

# 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.