

# Environmental, Social and Governance Report

TTI made significant progress in both expanding and deepening the integration of environmental, social and governance (ESG) practices and standards in 2018 as we continue to cement our position as a world-leading power equipment and household appliances manufacturer.

## Strategy and Governance



**Corporate Sustainability Strategy alignment with the UN SDGs**

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## People



**TTI employees engaged in 57,963 hours of online training on Learn TTI**

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## Environment



**AIP reduced electricity intensity by 18%**

→ see page 88

## Health and Safety



**Zero work-related fatalities in 2018**

→ see page 100

## Supply Chain Management



**Online Compliance Platform implemented across all business units globally for suppliers of finished goods and raw materials**

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## Communities



**Over 12,000 volunteer hours in communities**

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## Introduction and Highlights

TTI is focused on transforming the industry through environmentally-responsible cordless technology and strengthening measures to reduce energy and water consumption at the production stage. A large measure of our ability to grow, innovate and prosper depends on our ESG performance.

The culture of TTI is driven by an unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People. We took several significant actions in 2018 that will guide our sustainability journey in the years to come.

- Developed a Sustainability Strategy and Implementation Plan to align our actions and goals globally, which are in line with the United Nations Sustainable Development Goals (UN SDGs)
- Sharpened our focus on human rights, labor, environment, governance and anti-corruption practices with specific initiatives and goals
- Formalized the role of our ESG Working Committee to oversee our ESG direction and activities

## Reporting Scope

This report covers the ESG initiatives and performance of TTI for the calendar year 2018 with reference to previous performance where relevant. The HKEX ESG Guide Content Index, which is available on TTI's corporate website<sup>1</sup> outlines how we address the Hong Kong Exchanges and Clearing Limited (HKEX)'s mandatory "comply or explain" requirements and recommended disclosures. This report has been endorsed by the Board of Directors (the "Board") on March 6<sup>th</sup> 2019. The data in this report, unless otherwise stated, covers our operations in our North America, EMEA, Asia, Australia and New Zealand locations.

We are proud to share TTI's 2018 sustainability achievements with our stakeholders.

## Sustainability at TTI

Our commitment to sustainability is an essential part of TTI's broader responsibility to our employees, customers, investors, suppliers, communities, NGO partners and our business. We are mindful of our actions and adopt stringent governance practices to manage our operations responsibly, reduce our impact on the environment, and strive to improve the everyday lives of people both in our business and the communities where we live and work.

In 2018, we reviewed and updated our corporate Sustainability Strategy and identified four strategic areas of focus, including human rights, labor, environment and anti-corruption with specific goals that support 14 of the 17 UN SDGs that are most relevant to TTI's operations. TTI understands that disclosure is one of many drivers to improve ESG performance. Increased transparency supports our license to operate and enhances our reputation. Since we started reporting on ESG separately in our annual report in 2015, TTI has improved the comprehensiveness, quality and credibility of our disclosures and data to meet the expectations of stakeholders, including investors, as part of our integrated Sustainability Strategy.

<sup>1</sup> Our HKEX ESG Guide Content Index is available at [www.ttigroup.com/ESG\\_Index\\_2018](http://www.ttigroup.com/ESG_Index_2018)

### Our Environmental, Social and Governance Focus Areas

The table below aligns the focus areas of our Sustainability Strategy with the UN SDGs and outlines key initiatives we undertake to implement our strategy.

Focus Areas	Relevant UN SDGs	TTI Engagement
<b>Social</b>		<ul style="list-style-type: none"> <li>• Code of Ethics and Business Conduct that outlines our values and requirements for human and labor rights</li> <li>• Policies for equal employment and to protect human and labor rights</li> <li>• Policy Against Slavery and Human Trafficking for own business and supply chain</li> <li>• Conflict Minerals Policy</li> <li>• Maintaining a safe and healthy workplace for our employees and treating everyone with respect and dignity</li> <li>• Training employees on compliance, education, leadership, professional and skill development</li> <li>• Gender equality initiatives</li> </ul>
<b>Environment</b>		<ul style="list-style-type: none"> <li>• Environmental policies, GHG inventory management procedure, resource and energy management procedures and Code of Ethics and Business Conduct that outline our commitments for reducing environmental impact</li> <li>• Energy reduction initiatives in manufacturing plants</li> <li>• Water reuse initiatives in manufacturing plants</li> <li>• Battery recycling programs to reduce electronic waste</li> <li>• Introducing energy-efficient vehicles</li> <li>• Improving packaging to reduce material consumption and environmental impact</li> <li>• Environmental policies for suppliers to ensure compliance throughout the supply chain</li> </ul>
<b>Governance</b>		<ul style="list-style-type: none"> <li>• Code of Ethics and Business Conduct and Business Partner Code of Conduct with policies that set requirements and emphasize the prohibition of corruption and bribes and provide guidelines that are acknowledged by all employees and suppliers</li> <li>• TTI Compliance hotline for employees and suppliers</li> <li>• Anti-corruption declaration signed by all suppliers and ongoing monitoring and audits</li> <li>• Internal audit investigations and ongoing compliance monitoring across TTI</li> <li>• Engagement against corruption by participating in an anti-fraud association (Enterprise Anti-Fraud Alliance in China)</li> </ul>

## Material Issues and Stakeholder Engagement

We understand the importance of continuously engaging our stakeholders to improve our sustainability initiatives. We maintain regular communication with regulatory authorities, business partners, customers, suppliers, employees, shareholders and investors. This communication is essential for our awareness of evolving requirements and expectations, and for the regular updating of our Sustainability Strategy.

TTI continually monitors environmental, social and regulatory trends and identifies areas of its business operations where actions can be taken to better align our environmental and social initiatives with our sustainability goals.

TTI's ESG Working Committee has identified a number of material issues, which we believe can be addressed at a global level as part of our implementation and strategy to work toward our sustainability goals. We have identified, employees, customers and suppliers and investors as our key stakeholder groups.

The table below presents our key stakeholders, their priority concerns and areas of interest, and the main ways that we engage with them.

Stakeholder Groups	Key Concerns/Areas of Interest	Engagement Channels
<b>Employees</b>	<ul style="list-style-type: none"> <li>Working terms, conditions and benefits</li> <li>Equal opportunities</li> <li>Health, safety and wellness</li> <li>Training and development</li> <li>Governance</li> <li>Community engagement</li> </ul>	<ul style="list-style-type: none"> <li>Compliance hotline</li> <li>TTI Group Intranet</li> <li>Learn TTI (e-learning platform)</li> <li>Face-to-face trainings</li> <li>Engagement with NGOs</li> <li>Social media</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Social and environmental responsibility</li> <li>Modern slavery</li> <li>Conflict minerals</li> <li>Packaging</li> <li>Battery recycling</li> <li>Quality of products, including safety and environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledge customers' policies and codes</li> <li>Conduct audits and corrective action plans in accordance with their requirements and communicate regularly on progress</li> <li>Complete declarations for conflict minerals and conduct due diligence</li> <li>Focus groups at product development stage</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Governance</li> <li>Anti-corruption</li> <li>Social and environmental responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Compliance hotline</li> <li>Online compliance platform</li> <li>Supplier conferences</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Greenhouse gas footprint and climate change strategy</li> <li>Supply chain management</li> <li>Conflict minerals and cobalt</li> </ul>	<ul style="list-style-type: none"> <li>Host meetings to understand their ESG expectations</li> </ul>



**Enhanced governance structure for sustainability**

**Adopted new Sustainability Strategy with goals, KPIs and targets**

**Monitor compliance across all the business units on a biannual basis**

**Zero reported cases of corruption within TTI Group**

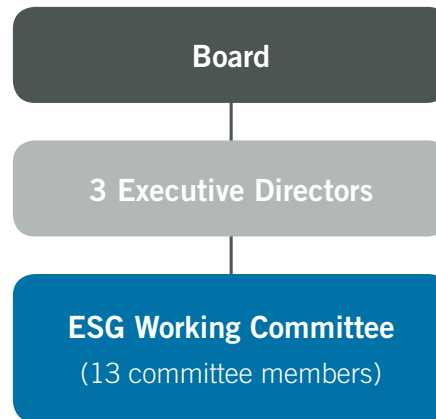
## Sustainability Governance

### Governance Structure

Good governance provides clear direction and assigns roles, responsibilities and accountability to individuals within the company. Good governance creates a foundation from which the company can make progress toward our targets and build stakeholder confidence in our performance.

In 2018, TTI held an ESG Working Committee summit with all members who represent our business units in each region. The role of the committee is to enhance the ESG performance of TTI by setting policies, goals, targets and reviewing key performance Indicators (KPIs) for implementation. Going forward, the committee will continue to review and lead our Sustainability Strategy and monitor our performance against our goals and targets.

*Governance Structure*



## Sustainability Performance

Another key milestone of 2018 was the development of goals, KPIs and targets set according to the newly adopted Sustainability Strategy. Based on the medium- and long-term strategies developed by the

ESG Working Committee, each business unit developed its own implementation plan and KPIs based upon local needs. Performance will be reviewed on an annual basis and measured against the KPIs that are set at the beginning of each financial year.

Focus Areas	Key Goals
<b>Governance</b>	Zero cases of corruption among TTI Group and its business partner
<b>Environment</b>	<ol style="list-style-type: none"> <li>1. Reduction in GHG emissions</li> <li>2. Reduction in energy consumption and adoption of renewable energy</li> <li>3. Increase the volume of battery collection and recycling</li> <li>4. Require suppliers to collect environmental data</li> <li>5. Reduction in GHG emissions in the supply chain</li> <li>6. Reduction in water consumption at TTI's operations and in the supply chain</li> <li>7. Reduction in packaging material at TTI's operations and in the supply chain</li> </ol>
<b>Social</b>	<ol style="list-style-type: none"> <li>1. Zero incidents of non-compliance with TTI's Policies and Codes with transparency in reporting and remediation when necessary</li> <li>2. Respectful, healthy and safe workplaces</li> <li>3. Zero fatal accidents in our workplace</li> <li>4. Promote diversity in the workplace</li> <li>5. Continuous training and development</li> </ol>
<b>Supply Chain Management</b>	<ol style="list-style-type: none"> <li>1. Effective partnerships with non-governmental organizations ("NGO") in major countries of operations and supply chain countries with human rights violation risk</li> <li>2. Substantive initiatives to raise awareness and improve human rights conditions and reduce environmental impact in the supply chain</li> <li>3. Zero incidents of non-compliance with TTI's Policies and Codes with transparency in reporting and remediation when necessary, including incidents of child and forced labor</li> </ol>
<b>Communities</b>	<ol style="list-style-type: none"> <li>1. Establish strategic partnerships with NGOs</li> <li>2. Develop impact metrics to track our community investment and engagement activities</li> </ol>

### Risk Management Process

At TTI, we are vigilant in identifying and managing risk and ensuring compliance with applicable laws and regulations in the areas in which we do business and monitor compliance across all of our business units on a biannual basis.

TTI implements processes to manage risk and audit performance to ensure compliance with all local laws, regulations and standards related to corporate governance, business operations and product safety, employment, health and safety, and the environment.

Our risk management process includes actions such as:

#### **Assurance**

- Providing independent assurance of the existence and effectiveness of the risk management activities and controls in TTI's business operations worldwide.

#### **Audit Planning**

- Developing an annual audit plan to identify the highest risks to our business. The plan was developed by the Audit Committee and TTI senior management and takes into account our risk assessment methodology and TTI's unique dynamics. The plan is reviewed on a regular basis throughout the year to ensure that adequate resources are deployed and any changes in the business are reflected in the plan.

#### **Engagement Activities**

- Conducting various engagement activities, including process, financial and compliance audits. The results, including deficiencies and remediation plans (developed in conjunction with management), are communicated to individuals responsible for taking corrective action, including with TTI senior management and the Audit Committee, as appropriate. The scope and frequency of audits varies, depending on our assessment of operational and financial risks, management considerations, and the audit plan's capacity and strategy.

#### **Risk Management**

- Assessing TTI's risk management and internal control systems, formulating an impartial opinion on the systems, and reporting the findings to the Audit Committee and the senior managers concerned, as well as following up on the issues to ensure that they are satisfactorily resolved.

#### **Communications**

- Maintaining a regular dialogue with TTI's external auditor.

## Our key goal:

### Zero cases of corruption among TTI Group and its business partners

#### Anti-corruption and Code of Conduct

TTI upholds the highest standards in anti-corruption and the prevention of bribery. We do not, under any circumstances, allow corruption or bribery, both internally and with external stakeholders, such as suppliers or government officials.

All TTI members, including employees, officers and directors across different business units, are expected to fully adhere to our Code of Ethics and Business Conduct, which establishes the rules and guidelines for conducting business ethically and in compliance with all applicable legal requirements. TTI's employees are required to complete training on the Code of Ethics and Business Conduct and to acknowledge their understanding of the code requirements. In addition, we have a number of related policies and employee handbooks, including a Complaint Resolution Policy and Procedure and the Business Partner Code of Conduct. We mandate that each employee and supplier in the People's Republic of China executes a Declaration of Non-Conflict of Interest. Furthermore, during new hire orientation, employees receive face-to-face training on our codes and local employee handbooks.

Employees and suppliers are encouraged to actively report non-compliance actions or activities. They can contact TTI's Vice President, General Counsel and Chief Compliance Officer directly and complaints are then investigated by our internal audit team, the legal department or a third party and corrective measures, if appropriate, are taken accordingly. Alternatively, they can make use of the compliance hotline to report non-compliances, as outlined below.

In 2018, our Internal Audit department launched investigations into several supplier service sectors, including security, scrap handling, medical, transportation and food. All investigations were addressed on a timely basis and the details were reported to both management and the Audit Committee.

#### TTI Compliance Hotline

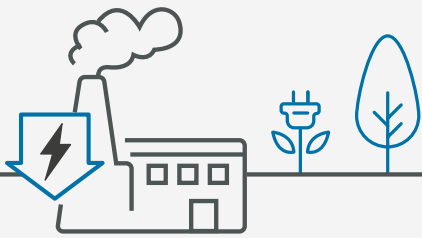
TTI's independent compliance hotline allows anyone, including employees, suppliers and customers, to raise concerns about potential misconduct, malpractice or irregularities in any matters related to TTI. The hotline is operated by an independent third party and all complaints, whether made through the hotline or by other means, are handled confidentially and anonymously. There were 17 complaints raised through the hotline in 2018. Sixteen of the complaints came from employees and one complaint came from a supplier, and all were addressed in a timely and appropriate manner. The details were reported to both management and the Audit Committee.

#### Legal Compliance

Compliance with laws and regulations in all of our markets is imperative to the integrity and success of our business. We operate in 40 jurisdictions and six regions and all business units and partners, and our suppliers, are expected to fully comply with local laws and regulations.

Legal and regulatory requirements related to anti-corruption practices that have the potential to have a significant impact to our operations and performance include but are not limited to PRC Criminal Law, PRC Anti-Unfair Competition Law, US Foreign Corrupt Practices Act (FCPA), UK Bribery Act 2010, Hong Kong Prevention of Bribery Ordinance and Hong Kong Anti-money Laundering and Counter-Terrorist Financing Ordinance. For a full list of significant legal and regulatory requirements, please refer to Appendix A of our HKEX ESG Guide Content Index on our website.





**TTI AIP: Electricity consumption was reduced by 18% per USD million of production value**

**TTI HK: 7% reduction in greenhouse gas (GHG) intensity per employee**

**TTI AIP: 22% reduction in GHG intensity from 2017 (tonnes of CO<sub>2</sub>e per USD million production value)**

**TTI Canada reduced air emissions by 4% by switching to more efficient engines for its workforce vehicles**

**Eliminated all plastic packaging bands in our operations**

## Environment

### Overview and Highlights

TTI is a product manufacturer that utilizes a wide range of base materials. Responsibly managing our environmental impact is therefore a substantive priority, not only in the manufacturing process but throughout the life cycle of our products and across our value chain. Our goal is to minimize negative environmental impact and provide industry leadership through responsible sourcing and the innovative use of materials, long-term product planning, manufacturing, research and development, attention to how people interact with our products, and establishing systems for battery recycling.

We are committed to ensuring that our operations and those of our suppliers are in compliance with all relevant legal and regulatory requirements related to environmental practices that have the potential to have a significant impact to our operations and performance. These include but are not limited to PRC Environmental Protection Law, PRC Atmospheric Pollution Prevention Law, PRC Water Pollution Prevention Law, PRC Environmental Noise Pollution Prevention Law, PRC Prevention and Control of Environmental Pollution by Solid Wastes Law and PRC Prevention and Control of Soil Pollution Law. For a full list of significant legal and regulatory requirements, please refer to Appendix A of our HKEX ESG Guide Content Index on our website.

In this section, we present the environmental performance data of all our manufacturing sites, with the exception of our new facilities in Vietnam and the Czech Republic, and of other plants and offices where identified.

### Environmental Management



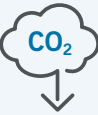



We adopt industry best practices and constantly look for ways to improve on them by enhancing our environmental and hazardous substance management system<sup>2</sup> and endeavoring to produce defect-free products to reduce waste. Our manufacturing sites in Asia have a number of policies and procedures relating to the environment, including energy and greenhouse gas inventory management. We invest in new technology and equipment that improve the environmental performance of our facilities, ensuring that our operations not only adhere to local laws and regulations but also meet the high expectations of our customers. We actively set environmental management objectives and targets to better measure and improve our performance, and invest in raising the awareness and skills of our people.

<sup>2</sup> Our manufacturing process is certified to ISO 9001 and QC 080000 for quality, health, safety, environment and social responsibility management.

## Our key goals include:

1. Reduction in GHG emissions
2. Reduction in energy consumption and adoption of renewable energy
3. Increase the volume of battery collection and recycling
4. Require suppliers to collect environmental data
5. Reduction in GHG emissions in the supply chain
6. Reduction in water consumption at TTI's operations and in the supply chain
7. Reduction in packaging material at TTI's operations and in the supply chain

In 2018, we continued to enhance our environmental strategy across the Company with the following priorities:

 <b>Preventing pollution</b>	 <b>Conserving energy and natural resources</b>
 <b>Reducing emissions and discharges</b>	 <b>Minimizing waste and increasing reuse and recycling through global partnerships, including with battery recyclers</b>
 <b>Integrating environmental impact reduction into our innovation, design and development processes</b>	 <b>Leveraging enhanced supply chain engagement and accountability practices as a way to reduce environmental impact</b>

*TTI AIP Electricity and Natural Gas Consumption*

	Electricity			Natural Gas		
	Consumption (kWh)	US\$ million production value	Intensity (kWh per USD million production value)	Consumption (m <sup>3</sup> )	US\$ million production value	Intensity (kWh per USD million production value)
TTI AIP (2018)	64,946,273	2,692	24,127	595,410	2,692	221
TTI AIP (2017)	60,357,750	2,062	29,278	541,990	2,062	263
TTI AIP (2016)	57,961,443	1,759	32,943	527,692	1,759	300
Changes in % (2018 vs 2017)	8%	31%	-18%	10%	31%	-16%
Changes in % (2017 vs 2016)	4%	17%	-11%	3%	17%	-12%

*Electricity Consumption of TTI Manufacturing, R&D and Assembly Plants Globally (excluding TTI AIP, TTI Vietnam Manufacturing TTI Czech Republic and Milwaukee Tool – Brookfield)*

	Electricity consumption (kWh)
TTI Zhuhai	8,171,580
DreBo	9,137,262
Empire	5,743,800
Milwaukee Tool	37,306,619
TTI PE	17,995,938
<b>Total</b>	<b>78,355,199</b>

*Electricity Consumption of TTI Sales, Marketing and R&D Offices and Headquarters by Region*

	Electricity consumption (kWh)
Asia (including TTI HK, TTI Macao, TTI Taipei, TTI Taichung, TTI Thailand, TTI Philippines, TTI Korea)	622,122
Australia & New Zealand (including five offices and warehouses of TTI ANZ)	5,244,211
Europe (including France, Iberia, Germany, Eastern Europe)	946,552
North America (including TTI FC NA, Milwaukee Tool – Brookfield)	5,179,624
<b>Total</b>	<b>11,992,509</b>

### **Data Collection and Audit**

Measuring environmental performance data continues to be challenging as TTI has many facilities around the world and an expanding geographical presence year on year. We continue to improve both the collection process and quality of our data and, whenever possible, we engage with external parties in the process.

In 2018, TTI AIP audited its environmental performance data as well as its ISO 14001 Environmental Management System (EMS), which has been audited since 2011. In Germany, TTI GmbH, TTI ELC GmbH, TTI Germany GmbH conduct energy assessments every four years, applying the EN 16247-1:2012 guideline. The last audit took place in 2015 for 2014 energy consumption.

### **Energy Consumption**

Given the critical, global need to reduce GHG emissions and to mitigate and adapt to the impact of climate change, TTI is committed to consume energy efficiently and to explore and adopt less polluting and renewable sources of energy.

Reducing absolute energy consumption at a factory level is challenging as our production volumes continue to grow, so we focus on improving efficiency. At TTI AIP, our biggest production factory, consumption intensity of both electricity and natural gas per million USD of production value reduced by 18% and 16%, respectively. However, total electricity and natural gas consumption increased 8% and 10%, respectively, due to increased production volume.

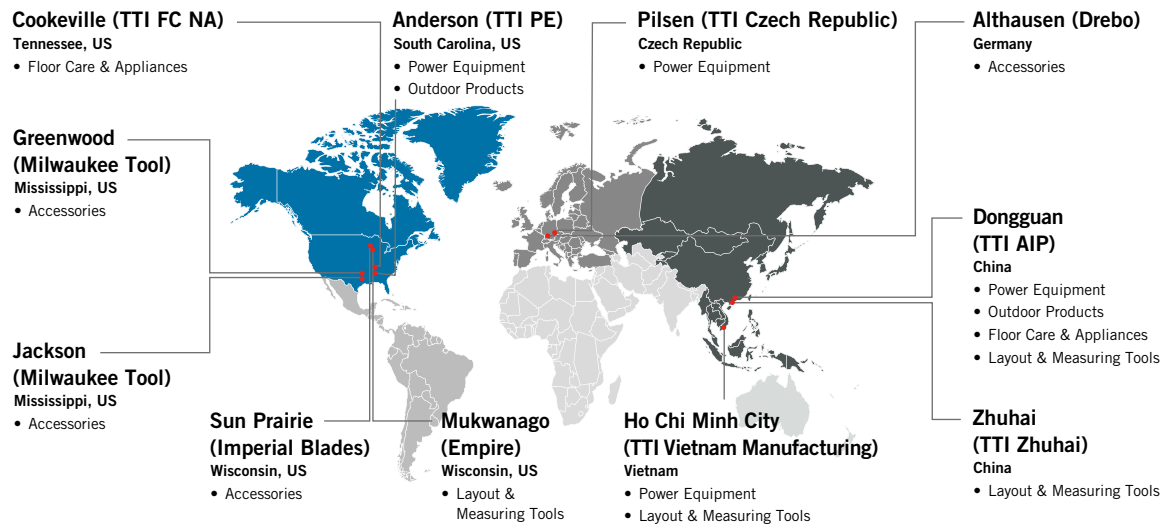
Our increased efficiency is due, in large part, to the Continuous Improvement Program (CIP). In 2018, a total of eight projects were implemented under the CIP, including upgrading water pumping systems, installing filter screens in 792 sets of indoor air-conditioning (AC) units, shutting down air compressors during lunch time, and improving our compressed air supply installation. We reduced our electricity consumption by 695,364 kWh (~1% of 2018 consumption), thereby avoiding 347 tonnes of CO<sub>2</sub> equivalent GHG emissions and saving a total of US\$362,000 in operating costs.

In Canada, new light duty trucks were purchased with a stop/start feature installed to reduce fuel consumption while idling. A total of emission reduction of 4% was reported. In TTI FC NA, motion sensor lighting was installed in all warehouses, restrooms, conference rooms and offices.

DreBo has taken steps to reduce its energy consumption, including replacing old cooling units and installing new compressors with heat recovery systems to supply heating for the facility. A new project to capture geothermal energy is underway.

We will continue to review the energy performance of all our facilities and to seek opportunities to reduce energy consumption.

Global Manufacturing Footprint



Air and GHG Emissions

Minimizing and responsibly managing air emissions is a priority. Throughout TTI’s business, air and GHG emissions arise from energy consumption for office operations, transportation and our manufacturing processes.

Air emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulphur oxide (SO<sub>x</sub>) and fine particulate matter (PM) emitted from cars, trucks and other small machinery, and from combustion processes to generate electricity for manufacturing,

lighting and building management systems, and heating and cooling. Fluorinated gases, such as HCFC-22, R-410a and R-404a are also consumed as refrigerants.

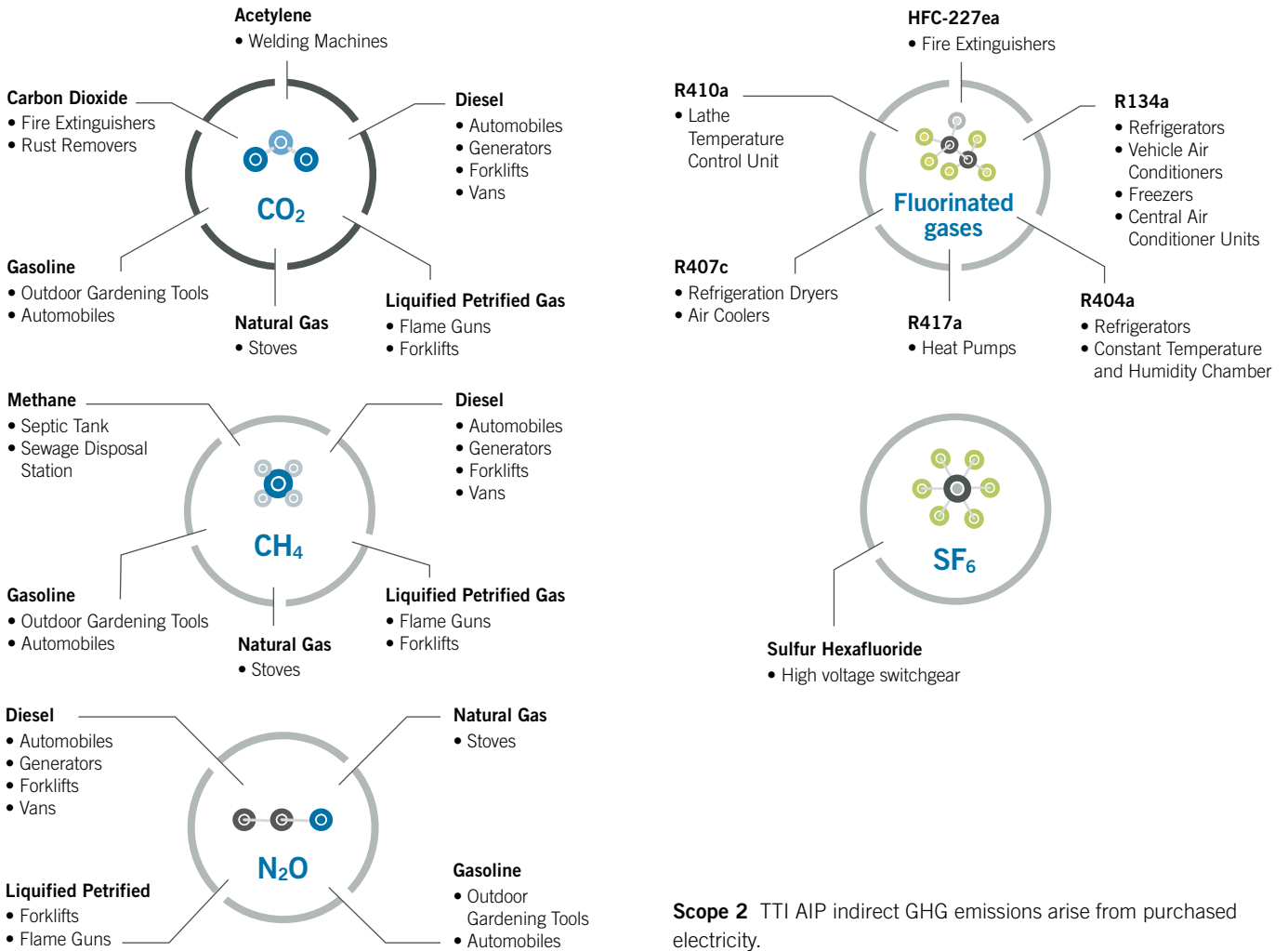
In 2018, TTI AIP’s Scope 1 and 2 GHG emissions increased by 12% and 0.5% respectively due to an increase of production value by 31%. Due to the CIP effort to reduce energy consumption in our operations, emission intensity reduced by 22% from 2017. This is the second year of reduction in emission intensity since 2016.

TTI AIP GHG Emission Data<sup>3</sup>

	Scope 1 (tonnes of CO <sub>2</sub> e)	Scope 2 (tonnes of CO <sub>2</sub> e)	Total Emissions (tonnes of CO <sub>2</sub> e)	USD Million Production Value	Intensity (tonnes of CO <sub>2</sub> e per USD million production value)
TTI AIP (2018)	7,790	54,341	62,131	2,692	23
TTI AIP (2017)	6,968	54,075	61,043	2,062	30
TTI AIP (2016)	6,779	51,928	58,707	1,759	33
Changes in % (2018 vs 2017)	12%	0.5%	2%	31%	-22%
Changes in % (2017 vs 2016)	3%	4%	4%	17%	-11%

<sup>3</sup> TTI AIP calculated its GHG emissions based on ISO 14064 -1:2006

**Scope 1** TTI AIP direct GHG emissions, include:



*GHG Emissions of TTI Manufacturing and Assembly Plants Globally (excluding TTI AIP, TTI Vietnam Manufacturing, TTI Czech Republic and Milwaukee Tool – Brookfield)*

**Scope 1 and 2 GHG Emissions (tonnes of CO<sub>2</sub>e)**

TTI Zhuhai	5,868
DreBo	6,260
Empire	3,620
Milwaukee Tool (excluding Imperial Blades for Scope 1)	27,967
TTI PE	23,393

GHG Emissions of TTI HK

GHG Emissions (tonnes of CO<sub>2</sub>e)

	Scope 1	Scope 2	Scope 3 <sup>5</sup>	Total	Intensity per employee
TTI HK (2018)	123	194	25	342	0.8
TTI HK (2017)	115	202	29	346	0.9
Changes in %	+7	-4	-14	-1	-7

In our Hong Kong headquarters, the emission intensity per employee has reduced by 7% due to the implementation of various energy reduction measures, including applying power controls for lighting, fan-coil units to be turned off after office hours and maintaining the office temperature to an optimal level to minimize energy use.

In France, our vehicles have switched from diesel to gasoline, emitting less toxic emissions, like NOx.

The sales, marketing and R&D office of Milwaukee Tool-Brookfield recorded a total of 72 and 3,254 tonnes CO<sub>2</sub>e for Scope 1 and 2 emissions, respectively, while TTI ANZ generated 2,241 tonnes of Scope 2 emissions.

In six of our offices<sup>4</sup> in Asia, Scope 2 GHG emissions totaled 139.6 tonnes of CO<sub>2</sub>e and Scope 3 emissions totaled six tonnes of CO<sub>2</sub>e. For Canada, Scope 1 emissions totaled 2,838 tonnes of CO<sub>2</sub>e and 652 for Scope 3 emissions.

TTI is working on expanding its disclosure of GHG emissions to include other sales and marketing offices in the future.

Water Management

With growing global concerns over water scarcity, consuming water efficiently and maximizing its beneficial use are increasingly important. Water for all TTI locations is sourced from local municipalities, and we have not experienced any issues with water sourcing.

We actively identify opportunities to improve water management. At TTI PE, water-efficient fixtures are installed in all new construction projects and filtering stations are being installed to encourage the use of reusable water bottles over single-use bottles. At our

Water Consumption of TTI Manufacturing and Assembly Plants (excluding TTI Vietnam Manufacturing and TTI Czech Republic and Milwaukee Tool – Brookfield)

	Water Consumption (m <sup>3</sup> )
TTI AIP	1,050,000
TTI Zhuhai	62,400
DreBo	2,309
Empire	625
Milwaukee Tool	2,742
TTI PE	4,410

TTI FC NA facility, we use water in the process of cooling injection molding machines and to wash parts in the refurbishing operation. Injection molding coolant water is in a closed-loop system so there is no discharge. The refurbishing operation uses water mixed with a biodegradable cleanser that can be disposed of into the municipal sewer system for treatment.

At TTI AIP, our largest facility, we consumed more than one million m<sup>3</sup> water in 2018. We invested in technology to enable wastewater recycling to reduce consumption of fresh water and to reduce wastewater discharge to the municipal sewage system. A total of 131,000 m<sup>3</sup> of water was reused at AIP in 2018.

All of our operations are in compliance with regulatory requirements for water usage and wastewater discharges and we are actively improving our management of water consumption and wastewater discharges.

<sup>4</sup> Includes sales and marketing offices for TTI Macao, TTI Korea, TTI Taichung, TTI Taipei, TTI Thailand and TTI Philippines.

<sup>5</sup> Scope 3 GHG emissions include methane generation at landfill due to disposal of paper waste, GHG emissions from electricity used for fresh water processing by the Water Supplies Department and GHG emissions from electricity used for sewage processing by the Drainage Services Department.

## TTI AIP Non-hazardous and Hazardous Waste

	Non-hazardous Waste		Hazardous Waste	
	Quantities (tonnes)	Intensity (tonnes per million USD)	Quantities (tonnes)	Intensity (tonnes per million USD)
TTI AIP 2018	14,900	5.5	122	0.045
TTI AIP 2017	7,239	3.5	120	0.058
TTI AIP 2016	8,077	4.6	70	0.04
Changes in % (2018 vs 2017)	+106	+57.6	+2.0	-22
Changes in % (2017 vs 2016)	-10	-24	71	45

In addition to managing our own water consumption, we also ensure that any legacy issues at the sites that we operate at are addressed. TTI PE continues to contribute to the Anderson and Pickens community by aggressively addressing legacy environmental issues created by previous owners of properties. To reduce risk to the community, all issues are currently contained and the cleanup is well underway. Since 2016, over 1,890 million liters of groundwater have been treated.

### Material Management

As a manufacturer of consumer products, it is our goal to reduce material consumption and waste production in our production process as well as our product packaging. Where waste production is unavoidable, we hire licensed handlers to dispose of our waste.

### Waste Management

Our operations at different locations have their own mechanisms for handling hazardous and non-hazardous waste, depending on local laws and regulations and building management procedures regarding the disposal of materials.

The majority of our facilities' office and building management services provide separate bins for recyclables and properly dispose of non-hazardous and hazardous waste through local providers.

Operations that generate hazardous waste have scheduled pick-ups by licensed haulers for safe disposal. We are working toward a method to track the types of waste disposed of by our business units. DreBo generated 2,767 tonnes of non-hazardous waste and 91.6 tonnes of hazardous waste in 2018.

TTI Zhuhai generated 513 tonnes of non-hazardous waste and 9.63 tonnes of hazardous waste, equivalent to 45.75 tonnes and 0.86 tonnes per million pieces of product, respectively.

In all our facilities, we recycle our waste wherever possible. At TTI PE, 1,292 tonnes of metal, 2,213 tonnes of cardboard, 1.5 tonnes of e-waste, 0.26 tonnes of lamps and ballasts and 35 tonnes of concrete were recycled in 2018.

At TTI FC NA, both hazardous and non-hazardous waste were collected by a licensed waste hauler. All hazardous waste is recycled and certification is provided to TTI with a record of its arrival to the recycling facility. Non-hazardous waste was sent to landfill and a total of 198 tonnes was produced in 2018.

In 2018, TTI AIP almost doubled its non-hazardous waste generation due to increases in production and in product testing, while hazardous waste intensity decreased by 22%.



### Battery Recycling Program

TTI is a leader in the design and manufacturing of lithium ion batteries, and our batteries are designed to be interchangeable within each brand to reduce battery waste. To further reduce battery waste, we have partnered with third parties to responsibly recycle our batteries and our products with batteries.

For 20 years, we have partnered with Call2Recycle in North America, a third-party recycling company, to recycle batteries and products containing batteries received at our Factory Service Centers and offices responsibly when they reach end of life. Call2Recycle also collects batteries directly from TTI's North American sites. In 2018, 33 tonnes of batteries were collected at our sites in North America while 10 tonnes were collected in 2017.

To make recycling easier for customers, we have a licensing arrangement with Call2Recycle that grants TTI the right to apply the Call2Recycle battery recycling seals onto our batteries, products and packaging. A toll-free number on the seal allows customers to locate convenient public collection sites. Customers can also go to their website ([www.call2recycle.org](http://www.call2recycle.org)) to find out the locations of more than 25,000 collection sites located across North America.

In Australia, TTI started to have batteries collected through our repair centers and this has since expanded to service agents in partnership with a recycling company. Approximately 0.5 tonnes were collected between June to December 2018.

TTI also signed up to the industry-led voluntary program, Batteries 4 Planet Ark (B4PA) stewardship scheme in Australia in 2018. The scheme helps divert batteries from landfill and uses the resources recovered in markets where there is increasing pressure on commodity supply. B4PA utilizes an onshore processing capability that supports a circular economic model, returning material into manufacturing sectors and creating jobs in Australia.

For production in China, TTI has been partnering with a recycling company specializing in battery recycling for several years. In 2018, 49 tonnes of batteries and cells were collected and recycled from TTI's PRC sites.

In the future, we aim to implement battery recycling partnerships in all of our markets with the goal of increasing the recycling rate of batteries and products every year. We are also carrying out research on how to increase quantities of recycled materials into our own products while maintaining the quality of our tools and equipment.

In Europe, battery recycling is organized according to applicable national laws derived from the European Union Battery Directive. We have joined common collection schemes in each country that involve registering with the local authorities, reporting sales to authorities, joining a collection scheme and financing the recovery of batteries based on reported sales.

The common collection scheme is acting on behalf of the producers who supply containers for battery collection to retail outlets, public institutions and commercial end users. The producers organize the transport of full containers to the sorting facilities where the batteries are sorted according to their various electrochemical systems. The batteries are then treated in recycling facilities to recover materials such as iron, manganese, nickel and lead. The whole process is controlled by the common recycling scheme.

### Design Innovation

Great design not only creates products that are easier and more pleasurable to use, it also helps TTI reduce our use of natural resources and overall impact on the environment. Our investment in research and development focuses on innovative product design. This is not only for improving the user experience but also for the safety of their production and use, resource efficiency, as well as their recycling properties to work towards a closed loop, circular economy.

Take cordless tools, our specialty, as an example. Quality cordless tools rely on cutting-edge lithium ion battery technology. Our batteries are designed to be interchangeable within brands, reducing resource consumption and waste.

### TTI Product Packaging Data of All Brands

Global	• 69,928 tonnes
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#### Packaging Materials

Adopting packing and packaging materials with environmentally-responsible attributes is an opportunity for innovation to reduce waste and impact in the sourcing, production and reuse of the materials. With millions of products sold each year, improvements in packaging also mean reductions in material and transportation costs.

The most common materials used for packaging include paper for boxes, cartons and die cut sheets, and plastic for polybags, bubble bags, clamshells and tool bags.

We make use of recycled packaging materials whenever possible. For our packaging, we use corrugated cardboard, honeycomb board, chipboard, paperboard and/or molded pulp, all of which are recyclable by the end user. We also use biodegradable packaging and paper in packaging products. In Canada, repaired products are generally returned to customers in the same packaging that they were shipped to us in.

In 2018, TTI AIP did reduce the total cost of packaging, equivalent to a reduction of 430 tonnes of paper and 6 tonnes of plastic. This saving initiative was part of CIP and amounted to USD 1.4 million saving.

We will continue to adopt packaging materials with positive environmental attributes, with a priority on biodegradable packaging.

#### Biodiversity

As an international manufacturing company, TTI recognizes that its operations can have an impact on biodiversity, particularly in the sourcing of raw materials, along the supply chain and at product end of life. Our goal is to reduce TTI's impact through supply chain engagement and accountability, and responsible battery recycling and circular economy solutions. As outlined in our Supply Chain Management section below, the TTI Social & Environmental Responsibility (SER) Compliance Program adopts a rigorous process to ensure our suppliers and the sourcing of raw materials minimize environmental impact and comply with all legal requirements.

#### Environmental Awareness and Action in our Offices

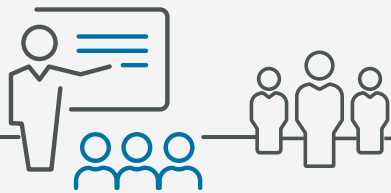
We encourage all members of TTI to adopt a sustainable lifestyle. At our offices, we raise awareness of environmental issues and ensure offices adopt measures that minimize environmental impact.

Regular maintenance of air-conditioning, heating, ventilation and building management systems is conducted to maintain facilities' energy efficiency and healthy indoor air quality. We provide regular communications to members of staff on environmental issues. For example, at TTI HK, our "Going Green in the Office" campaign provides practical tips and reminders to encourage employees to reduce their GHG footprint by conserving energy and adopting energy-efficiency measures. Other communications on topics such as "Housekeeping Guidelines", "Red Packet Recycling" and "Keep the Office Green During Your Holidays" are also sent to employees.

In Canada, a national program was launched allowing all our outside sales teams to recycle their printer toners free of charge at partner stores across the country. Furthermore, electronic waste is sold to a third party, Green Solutions Plus, for recycling with the money generated from this transaction donated to the Daily Bread Foodbank.

In 2018, we expanded our operations to Vietnam. We also completed the build-out of our Brookfield, Wisconsin office and began the design and construction of our new Anderson, South Carolina location and the design of TTI NA's new headquarters in Fort Lauderdale, Florida. We not only focused on energy conservation, but also encouraged behavioral change to create a more sustainable environment. Key areas included:

- Installation of LED lighting
- Purchase of Energy Star rated equipment
- Use of recycled building materials throughout buildings and for finishes
- Roof design to maintain high R-values with a reduction of construction cost
- Introduction of campus bicycles and electrical vehicles at Anderson, South Carolina
- Elimination of plastic water bottles from new buildings and the provision of reusable cups to each employee



**TTI employees engaged in 57,963 hours of training through Learn TTI**

**64% of male staff and 36% of female staff took training programs in 2018 in HK and PRC**

**Zero work-related facilities reported in 2018**

**All TTI business units established annual performance review processes**

## Our People

### Overview and Highlights

At TTI, we believe our employees are our greatest asset and the foundation of our business, as reflected in our core strategic focus on Exceptional People. To recruit and retain the best talent, we invest heavily in staff training and development, occupational health and safety management, and provide competitive remuneration and benefits. We believe that respecting diversity and providing equal opportunities in our workplaces around the world is also key to our success.

### Employee Demographics

TTI operates in 40 jurisdictions worldwide, employing over 23,279 full-time staff of different backgrounds, skill sets and experience. They bring unique ideas and viewpoints that enrich our company.

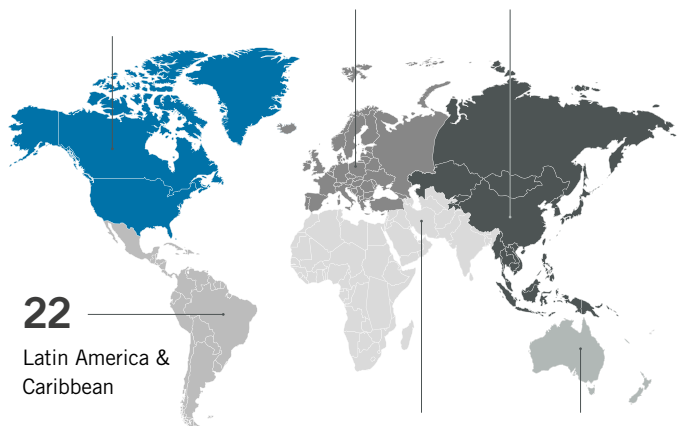
#### Global Full-time Employee Headcount

**23,279** Total Global Full-time Employees

**6,803**  
North America

**1,763**  
Europe

**14,131**  
Asia



**22**  
Latin America & Caribbean

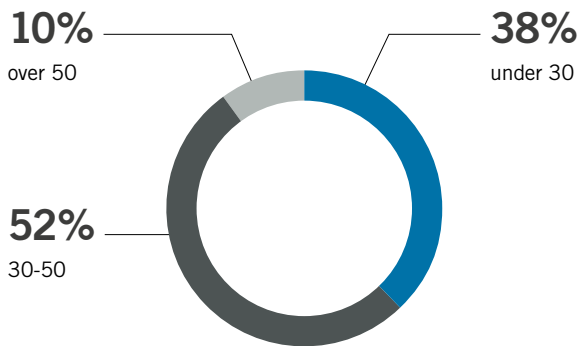
**35**  
Middle East

**525**  
Australia & New Zealand

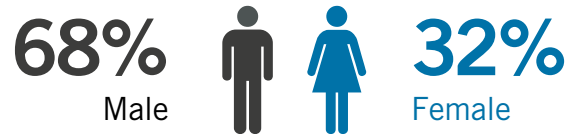
**Our key goals include:**

1. Zero incidents of non-compliance with TTI’s policies and codes in reporting and remediation when necessary
2. Respectful, healthy and safe workplaces
3. Zero fatal accidents in our workplace
4. Promote diversity in the workplace
5. Continuous training and development

*Global Full-time Employees by Age Group*



*Global Full-time Employees by Gender*



*Global Full-time and Part-time Employee Headcount by Geographic Region*

Geographic Region	Full Time		Part Time <sup>6</sup>	
	Headcount	Percentage	Headcount	Percentage
Asia	14,131	60.7%	5	3%
Europe	1,763	7.6%	102	65%
Australia & New Zealand	525	2.3%	3	2%
Middle East	35	0.2%	0	0%
North America	6,803	29.2%	47	30%
Latin America & Caribbean	22	0.1%	0	0%
<b>Total</b>	<b>23,279</b>		<b>157</b>	

<sup>6</sup> Part time data, please note that it includes part time excluding temporary employees globally.

### Human and Labor Rights

TTI complies with all applicable international, national, state and local employment and human rights laws designed to protect the rights of all individuals and does not engage child or forced labor in any of its facilities. Relevant legal and regulatory requirements related to human and labor rights that have the potential to have a significant impact to our operations and performance include but are not limited to PRC Labor Law, PRC Labor Contract Law, PRC Employment Promotion Law, PRC Interim Regulations on Wage Payments, PRC Regulations on Management of Records of Enterprise Workers, PRC Social Insurance Law, PRC Regulations on Working Hours of Employees, PRC Regulations on Employee's Paid Annual Leave, PRC Protection of Minors Law, Hong Kong Employment Ordinance, Hong Kong Mandatory Provident Fund Scheme Ordinance, Hong Kong Employees' Compensation Ordinance, Hong Kong Sex Discrimination Ordinance, Hong Kong Disability Discrimination Ordinance, Hong Kong Family Status Discrimination Ordinance, Hong Kong Race Discrimination Ordinance, Hong Kong Personal Data (Privacy) Ordinance, Hong Kong Bill of Rights Ordinance, Hong Kong Employment of Children Regulations and UK Modern Slavery Act (2015). For a full list of significant legal and regulatory requirements, please refer to Appendix A of our HKEX ESG Guide Content Index on our website.

#### Employee Handbook and Code of Ethics and Business Conduct

Each TTI business unit has an Employee Handbook written specifically for its location that incorporates all relevant and applicable employment policies, procedures and best practices, as well as national and local regulations. Handbooks are updated annually or as required to reflect any changes in requirements. Employees are required to read and sign off on the Employee Handbook upon their hiring, as well as when changes are made.

All TTI members, including employees, officers and directors across different business units, are expected to fully adhere to our Code of Ethics and Business Conduct, which establishes rules and guidelines for conducting business ethically and in compliance with all applicable legal requirements. All of TTI's new hires are required to complete training on the Code of Ethics and Business Conduct and, along with existing employees, take the e-learning course on Slavery and Human Trafficking. In the Code of Ethics and Business Conduct training, we provide real life scenarios of harassment, and human and labor rights violations for employees to be able to better identify issues and report them accordingly. We require our suppliers to comply with our Business Partner Code of Conduct and our Policy against Slavery and Human Trafficking.

We adhere to local regulations on age requirements for working, with measures to ensure that only workers who are at or above the legal age limit are hired and that working hours are in compliance with legal requirements. Globally, we require workers to provide government-issued identification confirming that they are legally permitted to work in the relevant country of operation.

In the US, employees must complete a formal employee application for employment. For workers under the age of 18<sup>7</sup>, we follow local guidelines that limit the number of hours allowed and hours of employment. Those hours must be approved by the employee's parent or legal guardian.

In the PRC, we have additional mandated policies regarding child labor, juvenile workers and forced labor. Our PRC facilities never hire any person under the age of 16 and only hire juvenile workers between the ages of 16 and 18 during peak seasons. TTI requires our PRC locations to adhere to the Juvenile Worker Protection Policy and register the juvenile worker with the local labor bureau. In addition to following TTI policies, our PRC locations have instituted several preventative actions during hiring, including having Human Resources personnel first check the identification cards (with date of birth information) of each candidate via a system linked with public security agencies and then upon hiring, registering the names of all juvenile workers with the local labor bureau.

### Equal Employment Opportunities

TTI is committed to promoting and maintaining working environments that respect the personal rights and dignity of our employees. We provide equal employment opportunities for all qualified persons, without regard to race, national origin, gender or gender identity, sexual orientation, pregnancy, age, religion, military service, status as an individual with a disability or status as a veteran or any other status protected by applicable local, state or national law. We believe that all individuals should be treated with dignity and respect.

As noted above, all TTI members, including employees, officers and directors across different business units, are expected to fully adhere to and receive training on our Code of Ethics and Business Conduct, which includes our commitment to equal opportunity practices.

Our Harassment Prevention, Anti-Discrimination and Anti-Retaliation Policy provides the overall philosophy and specific approaches for addressing these issues and all employees are required to take the eLearning course entitled, Preventing Harassment and Violence in the Workforce.

<sup>7</sup> In the US, workers may be aged 14 or above. However, TTI does not employ any young workers below the age of 16.

In the US, TTI's Equal Employment Opportunity (“EEO”) Policy, as well as its affirmative action obligations, have the full and complete support of business unit presidents and TTI's CEO. Through the EEO Policy and affirmative action obligations, our business units encourage initiatives and personal leadership by all employees as the best means to ensure the success of the program. TTI FC NA develops, on an annual basis, affirmative action plans and programs that ensure the full and complete expression of the EEO Policy. By respecting differences, embracing similarities and understanding their impact, we create an environment in which all employees are welcomed, encouraged to participate fully, and accorded respect.

Diversity and inclusion is important to TTI. TTI PE's Senior Recruiting Manager actively targets female-focused corporate groups, such as those on LinkedIn, for job recruitment purposes. The Senior Recruiting Manager also attends targeted career fairs, such as Clemson's Women in Engineering.

### Benefits and Work Environment

Our commitment to employees also includes providing fair and equitable benefits to all qualified persons. In addition to the legally required or standard benefits each full-time employee is eligible to receive, TTI continually looks to offer competitive and relevant benefits to our employees.

In Germany, DreBo offers ten beneficial initiatives to its employees, including:

<p><b>1</b>    <b>JOB SAFETY</b> safe and secure employment</p>	<p><b>6</b>    <b>DEVELOPMENT</b> regular employee appraisals and advancement opportunities</p>
<p><b>2</b>    <b>TEAM</b> creative team-building-type activities</p>	<p><b>7</b>    <b>CARE</b> assistance during employee relocations, including support for the entire family</p>
<p><b>3</b>    <b>MODERNITY</b> clean, state-of-the-art workplace</p>	<p><b>8</b>    <b>PROVISION</b> support in planning and managing old-age provisions</p>
<p><b>4</b>    <b>HEALTH</b> healthy food in cafeterias as well as fitness programs, a company doctor, and onsite e-bike leasing</p>	<p><b>9</b>    <b>PRODUCT</b> free rental of hammer drills, chisels and drills</p>
<p><b>5</b>    <b>BALANCE</b> flexible shift schedules to create a healthy work-life balance</p>	<p><b>10</b>    <b>MOBILITY</b> company car for certain employees, leasing of e-bikes, and train ticket subsidies to improve team mobility</p>

To promote a healthy work-life balance, TTI ANZ, TTI France, TTI UK and TTI NA offer flexible working arrangements upon the request from employees. Similarly at TTI AIP, we offer flexible working hours for staff members.

Milwaukee Tool and TTI PE have gyms onsite and all employees have full access to the equipment and classes offered. TTI FC NA and TTI NA both have gym facilities in their buildings, which allow access to all tenants of the building. Some other business units also provide stipend to employees for gym membership where there is no onsite gym.

To build a supportive workplace culture, we have set up a “Wellbeing Room” at TTI HK, furnished with electrical outlets for connecting pump attachments and a refrigerator for storing expressed breast milk. This supports our female employees who continue to breastfeed after returning to work from maternity leave.

At TTI HK, we also launched the weekly Green Monday program to encourage our employees to eat healthier vegetarian meals. By cutting down on meat consumption, our employees also reduce their GHG footprint.

While all entry level positions have a standard starting salary, TTI Canada has a highly successful Promote from Within Policy for senior management positions that has resulted in many employees advancing their career within TTI.

### Occupational Health and Safety

TTI is committed to providing employees with safe working conditions. Our goal is to have zero fatal workplace accidents. We are proud to report that we did not have any work-related fatalities in 2018 at any of our locations around the world.

We remain focused on continually enhancing occupational health and safety (OHS) training and actively tracking our OHS performance metrics. Any safety issues or violations of regulatory requirements are addressed promptly to prevent risk of injury.

Measures have been taken to identify, eliminate and reduce hazards wherever possible through the implementation of management systems to meet and comply with our Environmental Health & Safety (EHS) and Occupational Hazard Management Policies, as well as other internal policies and local regulations. Relevant health and safety legal and regulatory requirements that have the potential to have a significant impact to our operations and performance include but are not limited to PRC Work Safety Law, PRC Prevention and Control of Occupational Diseases Law, PRC Regulations on the Work Safety of Guangdong Province, PRC Mental Health Law, Hong Kong Occupational Health and Safety Ordinance and Hong Kong Occupational Health and Safety Regulation. For a full list of significant legal and regulatory requirements, please refer to Appendix A of our HKEX ESG Guide Content Index on our website.

We implement proactive initiatives to make safety a top priority throughout TTI's business. Examples of measures we have taken are presented below.

#### Asia

At our manufacturing operations in the PRC, our Occupational Hazard Management Procedure, which is in accordance with Law of Occupational Disease Prevention and Control of the PRC, is in place to control occupational risk within the working environment, prevent occupational disease and standardize personal protective equipment. The policy is enforced through the Quality System Assurance & Environment Health and Safety Department.

#### Europe

At DreBo, we set up an Occupational Safety Committee with representation from management, foremen and employees, and a Work Council that is involved in all employee-related decision

making. Any injuries that arise are recorded and if they lead to an absence from work of more than three days, they will be reported to the TTI's liability insurance association. DreBo tracks the following information:

- Number of accidents per year
- Average absence per accident
- Accidents taking place in regular time or overtime
- Accidents per shift (three-shift model)
- Top three types of accidents per department
- Cost of accidents per year

In the U.K., a Health and Safety Committee, comprising the Office Manager, Director of Finance and Operations, Training & Application Manager, Management Support Assistant, Credit Control Manager and HR Manager, is in place to oversee health and safety issues within the business unit. All individuals are self-nominated to the committee.

#### North America

We employ comprehensive safe work practices in all of our facilities. OHS policies and standards apply to all employees, including full time, contract and part-time employees, and are subject to regular review to ensure that safety standards are maintained across our diverse workforce. Health and safety meetings are held regularly where employees can raise concerns regarding health and safety issues at work. This is in addition to being able to raise any issues to their manager or human resources representative.

TTI PE 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 for employees, but also for visitors, contractors and any other relevant party. Provincial Health & Safety booklets, Fire Safety procedures, as well as minutes of each Joint Health and Safety Committee meeting, are on display in all workplaces. Provincial Health and Safety Ministry officials also make periodic visits to our sites to ensure we are in compliance with legal requirements.

TTI Canada operates in compliance with The Workplace Hazardous Materials Information System (WHMIS), Canada's national hazard communication standard. We also have a Joint Health and Safety Committee (JHSC) with a certified member from both management and employee groups, in accordance to the Occupational Health and Safety Act. The JHSC meets quarterly to review and address health and safety concerns from head office, service centers or the field. Input from all employees is encouraged to ensure best practices.



Managers at each site conduct ongoing safety inspections to ensure first aid kits, fire extinguishers and defibrillators are in working order and well stocked. TTI Canada also offers free first-aid courses to all employees. All service centers and head offices have certified first-aid responders identified. Annual fire drills are held at each head office in cooperation with the landlord and fire department. All new employees are to complete the following provincially-mandated training upon hiring: Occupational Health and Awareness Ontario, AODA - Customer Service and Accessibility Standard, Preventing Harassment & Violence in the Canadian Workplace and the TTI Code of Ethics and Business Conduct.

#### **Australia and New Zealand**

TTI ANZ has Work Health and Safety Committees at all of its work locations that meet at least quarterly. The meetings are managed by the human resources department and all feedback collected is evaluated by the Group HR Manager and Presidents of the business unit. Regular toolbox talks take place at the warehouse with an emphasis on safety. Regular risk assessments are conducted by human resources representatives to ensure compliance with local legislation on workplace health and safety.

### **Training and Development**

TTI is committed to provide training and development opportunities to all employees at all locations where we operate. Business units develop training plans that meet the needs of their employees and the business.

To further performance goals and communication between managers and reporting employees, TTI's business units conduct annual performance reviews. Nearly all of TTI's business units report that they have established, annual performance review processes and nearly 100% of those business units' employees who reported received a performance review.

#### **Learn TTI**

Learn TTI is an online training platform that offers a vast array of e-training courses for employees, ranging from mandatory courses on compliance to training and professional courses for employees at different levels of the company. A total of 908 unique courses were launched on Learn TTI in 2018. Globally, TTI employees engaged in 142,642 courses through Learn TTI, equivalent to 57,963 training hours.

Our business units also strongly encourage their people to benefit from internal and external training opportunities, as outlined in the examples below.

#### **TTI Canada**

TTI Canada developed a training manual for Sales and Marketing teams and managers, including courses such as customer relationships, time management, situational leadership and leadership development.

TTI Canada introduced a mentoring program in 2014, allowing employees to spend one-on-one time with the leaders of the organization. Employees are paired with a tenured individual who offers insight into specific career paths and areas of interest. A job shadowing program was also in place for employees to work beside a colleague in a different role to experience first-hand what that role entails. This enables employees to make more informed choices when developing their TTI career.

#### **TTI PE**

Training and development needs are identified during annual Performance Reviews when employees and managers discuss and lay out specific individual plans. TTI PE also reviews and updates the succession planning annually.

We encourage our employees at TTI PE to broaden their knowledge and skills, keep current with changes in their fields, and increase their potential by continuing their development. We provide tuition reimbursement to employees who pursue a degree that is related to their current position or another position within the company.

#### **TTI ANZ**

TTI ANZ's internal Training Management System offers 5,000 courses to employees and, in 2018, 3,138 hours of training were completed. Additionally, TTI ANZ invests in employee training through LinkedIn Learning, compliance training through Learning Seat and the Australian Institute of Management. In 2018, TTI ANZ began implementing a competency framework to measure capability gaps of employees for both their current and future roles using the HRSG Competency framework.

#### **TTI AIP**

In 2018, TTI AIP's senior management received an average of 9.33 hours of training while middle management received an average of 8.32. In the PRC, a total of 103,454 hours of training was delivered.

#### **TTI UK**

At TTI UK, senior and middle management received an average of 10 and 20 hours, respectively.





**Engaged over 200 suppliers of finished goods and raw materials in Supplier Conferences and training in the PRC**

**Online Compliance Platform implemented across all business units globally for suppliers of finished goods and raw materials**

**Ongoing due diligence on conflict minerals**

**Data collection on cobalt sourcing**

## Supply Chain Management

### Overview and Highlights

As our suppliers are integral to the quality of our products and our overall success, we pay close attention to their ESG practices. We engage with our suppliers to ensure that ESG policies are respected and that ESG practices are implemented across our supply chain. This includes a commitment to security and social responsibility, complying with all applicable laws and regulations and minimizing environmental impact through pollution prevention and resource efficiency.

The TTI Social & Environmental Responsibility (SER) Compliance Program focuses on the active management and compliance of all TTI suppliers around the globe. If key compliance requirements are not respected, suppliers will be required to implement corrective actions. If non-compliance issues are not satisfactorily remediated, their contracts will be terminated. Key focus areas and compliance requirements include labor rights, in particular reinforcing TTI's commitment to no child labor and forced labor, non-discrimination, no harassment, health and safety, environmental compliance and protection, anti-corruption and ethical raw material sourcing.

These compliance requirements are formulated in codes and policies that form part of the engagement terms and agreements with our suppliers. All suppliers are required to acknowledge and comply with them, in particular the key requirements of our Business Partner Code of Conduct.

We work with a large number of suppliers around the world and each business division selects and engages with their suppliers directly. We encourage our business units to engage with local suppliers as much as possible to support the local economy.

### Human and Labor Rights

We uphold high standards for human and labor rights at TTI, not only in our own operations but within our supply chain. We engage with our suppliers to ensure that they are aware of and in compliance with our Business Partner Code of Conduct and relevant policies for human and labor rights.

## Our key goals:

1. Effective partnerships with NGOs in major countries of operations and supply chain countries with human rights violation risk
2. Substantive initiatives to raise awareness and improve human rights conditions and reduce environmental impact in the supply chain
3. Zero incidents of non-compliance with TTI's Policies and Codes with transparency in reporting and remediation when necessary, including incidents of child and forced labor

We also understand the potential risk of modern slavery to our business and we are committed to ensure that our business is free from it. Our Policy Against Slavery and Human Trafficking details our policy requirements and the consequences of non-compliance. The Policy has been communicated globally to all our employees. It is available in English and Chinese and will be available in all other languages used in countries where we have presence in 2019.

We have the following policies in place to protect human rights in our supply chain:

- Complaint Resolution Policy: We encourage our employees and business partners to report any concerns related to human rights
- Code of Ethics and Business Conduct: The Code clearly states the actions and ethical behavior expected of our employees
- Business Partner Code of Conduct: The Code sets out TTI's requirements and expectations, and requirement for all suppliers to comply with the Code
- Conflict Minerals Policy: This policy outlines expectations and guidelines for our suppliers in the sourcing of tin, tungsten, tantalum and gold ("3TG")
- Policy Against Slavery and Human Trafficking: This policy details TTI's expectations in relation to human rights and modern slavery

### Due Diligence

TTI performs extensive due diligence on all new suppliers and regularly reviews and audits its existing suppliers. The due diligence process focuses on social and environmental requirements, including ethical sourcing.

Our Policy Against Slavery and Human Trafficking outlines the various steps taken by the TTI Group to prevent, verify, investigate and audit cases of slavery and human trafficking, which include:

- Employees formally acknowledge the Employee Code of Ethic and Business Conduct
- Suppliers formally acknowledge the Business Partner Code of Conduct
- Supplier agreements include anti-human trafficking and slavery provisions
- Employees and suppliers acknowledge our Policy Against Slavery and Human Trafficking
- Conduct of annual Slavery and Human Trafficking Risk Assessments
- Regular site visits and audits of high-risk operations and suppliers
- Corrective actions required for any identified non-conformities with codes and policies

## Conflict Minerals

In 2010, the US Securities and Exchange Commission (SEC) issued the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring companies to disclose if their products contain tantalum, tin, tungsten or gold (3TG) mined from the Democratic Republic of Congo or its surrounding countries. TTI has launched its own Conflict Minerals Policy which sets out the rules, standards and expectations that TTI and its suppliers must abide by to ensure that any 3TG is from reputable sources free from conflict or other human rights violations. Suppliers are required to fill out a Conflict Minerals Declaration form annually, providing information on their suppliers of 3TG, as well as acknowledging compliance with the TTI Business Partner Code of Conduct. We also require all suppliers to source from a recognised conflict-free smelter. In 2018, no high-risk situation was identified.

In 2018, we conducted a review of suppliers using cobalt in products sold to TTI and as a result, we will be implementing a procurement policy for cobalt in 2019. Similar to the Conflict Minerals Policy, suppliers will be required to disclose the source of cobalt used in manufacturing products for TTI and to comply with the terms of the policy.

## Online Compliance Platform

TTI engages with its suppliers around the world to improve the transparency of our supply chain and the efficiency of our data collection process. The online Compliance Platform is implemented across our global operations, allowing our business units to request supplier information, and enable suppliers to access training materials and acknowledge their acceptance of key compliance requirements online, including:

- Business Partner Code of Conduct/Anti-corruption Declaration/Conflict of Interest Declaration
- Product Liability Insurance check
- Human Trafficking and Modern Slavery Policy and questionnaire
- SER questionnaires
- Conflict Minerals Policy, and its upcoming addition of cobalt

Based on the information received, TTI allocates a rating to each supplier, which forms part of the supplier's overall KPI and a determinant of whether TTI establishes or continues the business relationship.

## Supplier Auditing

All of our suppliers undergo SER and quality management system audits on a regular basis. The SER audits are conducted by TTI's SER teams or external auditors. New suppliers are also required to

complete a screening and audit process before engagement. The engagement of suppliers is conditional to them having SER policies and practices that are acceptable and in line with our own policies.

Suppliers with an unacceptable rating are given a probation period to rectify the issues that have been identified and then they are re-evaluated. Suppliers are audited every 12 to 18 months if their previous audit result was rated acceptable. More frequent audits will be carried out on suppliers with lower ratings. Suppliers are terminated if they are found to be non-compliant in areas where TTI has a zero-tolerance policy, such as for corruption, child or forced labor and harassment.

## Engaging with Suppliers

TTI's audit team provides training to suppliers on key compliance areas. One of the highlights of our supply chain management program is our annual Supplier Conference, which was last held on November 9<sup>th</sup> and 10<sup>th</sup>, 2018 in the PRC. This two-day event brought our suppliers together to share experiences and best practices. More than 200 suppliers attended, along with members of TTI's legal and sourcing teams. A two-hour training session on anti-corruption, our Business Partner Code of Conduct and social and environmental responsibility was delivered. We remain united in our goal to not only create great products, but to do so in a responsible and sustainable way.



## TTI Compliance Hotline

To actively encourage our suppliers to support our commitment to compliance and improving performance, they have access to our third-party operated, TTI Compliance Hotline. In 2018, one supplier contacted the hotline, however, the issue was not related to non-compliance issues. One minor suggestion was provided for improving performance.

## Customer Responsibility

With millions of products sold in 2018, customer satisfaction and the safety of our products, including those that are designed, manufactured, distributed or licensed by TTI, are of the highest priority. In 2018, there were no product recalls due to health and safety reasons.

### Product Safety & Product Recalls

We comply with all applicable laws and regulations for the markets where our products are sold. Relevant legal and regulatory requirements related to health and safety, advertising and labelling and privacy matters relating to our products that have the potential to have a significant impact to our operations and performance include but are not limited to PRC Regulations of the Certification and Accreditation, PRC Administrative Regulations for Compulsory Product Certification, US Consumer Protection Safety Act (CPSA), EU Machinery Directive, EU General Data Protection Regulation (GDPR), Australian Consumer Law and Australian Privacy Act 1988. For a full list of significant legal and regulatory requirements, please refer to Appendix A of our HKEX ESG Guide Content Index on our website. We also meet or exceed all applicable and voluntary industry standards and strive to meet reasonable consumer expectations for safety.

Our Global Product Safety Director is responsible for overseeing the development, implementation and maintenance of a comprehensive product safety and consumer product regulatory compliance policy and system, and driving the continual improvement of our safety and regulatory functions globally. Within our business units, we have teams who are responsible for the safety, quality and regulatory compliance of our products and Product Safety Committees. All products are tested for safety and quality to make sure they comply with all applicable requirements and that our customers are purchasing the safest and most innovative products on the market. Our internal legal departments manage the legal, regulatory and safety compliance of our products. Product recalls are referred to our legal teams, and together with the safety and regulatory departments, they ensure compliance with regulations for managing recalls until their safe disposition.

We have a rigorous quality assurance process in place, including quality control of incoming materials, in-process quality control, and inspection and reliability testing of our outgoing products.

### Continuous Improvement

We provide a warranty period for all our products to ensure our customers have a satisfactory after-purchase experience. When we receive a complaint or after-sale service request, we record all defects and the data is analysed and fed back to our design team for product

improvement. We also proactively seek to understand customers' experiences in using our products. For example, we review customer comments on online sales platforms or social media forums to collect feedback on products.

### Intellectual Property Rights

Our intellectual property is one of TTI's most valuable assets and we have procedures and policies in place for proper use and protection from infringement by others. TTI's intellectual property portfolio includes logos, patents, trademarks, copyrights and computer software. We encourage and support our employees' inventions, discoveries, ideas, concepts, written material or trade secrets and cooperate in the documentation of ownership of such intellectual property. As a responsible business, we respect the intellectual property rights of others and communicate and train our employees to not use patented, trademarked, copyrighted or otherwise protected intellectual property without express permission.

### Customer Data Protection

We collect customers' data through different means and we ensure that our customers' data is protected according to relevant legal requirements. In 2018, TTI became compliant under Europe's General Data Protection Regulation. All of our computer systems are protected by authorization management processes and monitored by our IT department. TTI has in place over ten different security policies.

TTI views cybersecurity as integral to the protection of intellectual property, customer information, and the growth of our business. We align cybersecurity around four key principles:

- Protecting our business from damage to critical relationships
- Protecting our aggressive growth strategy
- Preventing and reducing risk to our operations
- Protecting our brands and reputation

We follow the National Institute of Standards and Technology Cybersecurity Framework. This framework, in combination with our security principles, provides us with guidelines to implement pragmatic policies while spending prudently on security initiatives.

All systems in the company run anti-virus and anti-malware programs. We also have local firewall rules, file integrity scanning, and network level firewalls in place. We regularly send notices to all employees regarding cyber attacks and intrusion methods, such as email phishing, and educate employees on what to be wary of and behaviors to avoid. For cloud-based services, we ensure that our agreements and practices are structured to protect TTI's and its customer's information.



**US\$1,290,000 of in-kind donations of tools and other items**

**Close to 12,000 hours of volunteer time donated by TTI globally**

**Partnered with or supported over 50 programs run by charities and NGOs**

**Sponsored the Knowledge of Design Week and Business of Design Week in Hong Kong**

### Investing in our Communities

We understand that a healthy business and healthy community go hand in hand. TTI has a longstanding commitment to support the communities in which we live and work by providing resources, time and money to those charities where our efforts are best focused. Some of our business units have in place a formal committee, which is tasked with the selection of organizations that will allow employees to give back to their communities and beyond. Other business units sponsor the same charities year-after-year while still evaluating new sponsorship opportunities as they arise.

At the corporate level, we have updated our strategic plan for community engagement to focus on key areas most relevant to our company and those that will create the biggest impact to our business and the communities in which we serve. The focus areas include women’s rights and education, modern slavery, poverty, clean tech and raw material responsibility. In the future, we will seek opportunities to expand our involvement in these important focus areas to effect change.

In 2018, we continued our engagement with local communities across different business units by donating tools, providing financial support and encouraging our employees to volunteer their time and energy. Some of our business units allocate a specific number of working hours or days for employees to volunteer for their favorite charity. Our employees can choose a variety of areas to support, ranging from education, home building and child wellness to sports.

In 2018, approximately US\$1,290,000 in-kind donations of tools and other items and close to 12,000 hours of volunteer time were donated by TTI and its employees globally. We also partnered with or supported over 50 programs run by charities and NGOs.

Here are a few of our many engagement activities for each of our four focus areas in 2018:





## Our key goals include:

1. Establish strategic partnerships with NGOs
2. Develop impact metrics to track our community investment and engagement activities

## Community Engagement

### Disaster Relief and Rebuilding

Extreme weather struck many parts of the world in 2018. Hong Kong was hit by the worst typhoon in history in October 2018, and many villages were severely damaged. TTI teamed up with Habitat for Humanity on the island of Kat O to assist in the cleanup and to rebuild houses destroyed by the typhoon. TTI was also involved in over 60 other post-disaster relief and clean-up activities, contributing over 2,000 volunteer hours and donating TTI tools worth US\$150,000.



### Engagement with Habitat for Humanity

TTI believes everyone deserves a decent place to live. Habitat for Humanity invites enterprises to step outside their offices to help raise the walls of new homes for many low-income households. In 2018, Milwaukee Tool alone donated more than US\$275,000 in products, helping Habitat affiliates build homes, communities and hope for various locations in the US. TTI employees volunteered more than 250 hours in the Habitat Executive Build program, which is a great way to show their support to the local communities where TTI sponsored house building for underprivileged families. Our

Canada office engaged with Habitat for Humanity as part of their national volunteer event in Alberta and British Columbia. More than 40 employees across Canada participated in four builds, raising a total of US\$11,000 in monetary donations and the same amount worth of tool donations.



### Acts of Kindness

Our Canadian floor care division started a HOOVER Fresh Start Campaign. The initiative went into the community and made a difference by performing simple acts of kindness. This social media campaign encouraged HOOVER fans to participate in and share their good deeds. A total of 1,100 acts of kindness were recorded by our HOOVER fans. This initiative was also supported by Scott McGillivray, HGTV Home Builder Host.

### Supporting Veterans

This year we supported the Veterans Outreach of Wisconsin (VOW) whose mission is to assist homeless and at-risk veterans gain normalcy in life by providing food, clothing, shelter and other basic human needs. They provide food on a weekly basis as part of a homelessness recovery program. TTI supported the VOW by providing a monetary donation to the organization.

## Community Engagement (continued)

### Team Angel Wolf

In Europe, TTI is a partner of Team Angel Wolf, which helps promote the inclusion of disabled persons in sport activities and enables disabled and paralyzed children to access the sea. TTI supported Team Angel Wolf by purchasing two specialized floating wheelchairs.



### A Spirit of Giving

TTI has joined forces with The Home Depot Foundation in several fundraising events and completed a variety of community service projects throughout the year. TTI also participated in fundraising activities in support of cancer research and caregiving, Alzheimer's research and the local blood bank, among others.

In Canada, TTI made monetary donations of US\$95,000 and employees contributed 1,120 volunteer hours to a wide variety of causes and charities across the country, supporting everything from children's sport activities to food banks and the Canadian Cancer Society.



## Nurturing the Next Generation

### STEM Education

Science, Technology, Engineering and Mathematics (STEM) Education provides students with a cross disciplinary and applied approach to acquire knowledge. TTI understands the future is in creative and innovative education so, in 2018, we supported several STEM programs, FIRST Robotics and Kids Building Wisconsin events for middle school students, STEM Forward and the Society of Women Engineers. We also worked with Elmbrook Highschool on the LAUNCH Innovation Challenge program, providing a US\$8,000 donation and engaging in a mentorship program for students.



### Development for secondary school students

To inspire and encourage the next generation in design learning, TTI collaborated with the English School Foundation – West Island School in Hong Kong to provide practical design technology workshops to the BTEC Engineering secondary students. Our staff demonstrated the use of creative software and tools such as WACOM drawing devices and Photoshop visualization, allowing the participants to get a taste of rendering digital 3D designs in class. In Germany, TTI donated US\$8,600 to various secondary schools in Altshausen and their associated research centers, community clubs and sports events to support youth development.

### Social Mobility for Underprivileged Students

We donated over US\$10,000 to the Future Stars – Upwardly Mobility Scholarship in Hong Kong, which helps children from less privileged backgrounds gain social mobility. The program selects children from more than 400 schools across Hong Kong, rewarding those who show positivity and resilience in the face of adversity.



### Internships

Internship programs not only bridge the gap between academic education and the industry, they also improve the career-readiness of students and enable TTI to identify and attract top talent from schools around the world. TTI offers internships to graduates and students from Canada, the EU, Hong Kong, Southeast Asia, the UK and the US. In particular, we have a well-established, one-year design internship program that attracts graduates from schools such as the Hong Kong Polytechnic University, SCAD and the University of Washington. Interns are given hands-on, in-market design training and international postings during the program, enabling them to explore the industrial design sector while developing their skills. In 2018, TTI engaged with the Asian University for Women, a NGO promoting education for women in Asia, to participate in an internship program in 2019.

### Tertiary and Vocational Institutions

TTI actively supported the Hong Kong University of Science and Technology, the Technological and Higher Education Institute of Hong Kong (THEi) and the Hong Kong Design Institute (HKDI) in creating higher-quality product design and engineering programs. Through tool donation, co-organizing innovation lab projects, and offering industry guidance and input to both student projects and the modernization of design standards and coursework assessments, TTI is helping to improve tertiary design education in Hong Kong.

TTI also sponsored the Queensland University of Technology in its Year 2 design project for manufacturing and design workshop competitions and offered overseas study tour opportunities and a lecture series for students in both Queensland University of Technology and the University of Auburn.



### Girls Can Too

This was our third year of participating in the Girls Can Too program, which introduces construction skills to female high school students from low-income families in Toronto. It is operated by the Toronto Region Conservation Authority with the assistance and support of key members of the design, construction and related industries, including Milwaukee Tool.



## Industry Engagement

TTI not only 'invents' new products for our own business growth, but we also bear in mind that we 'co-create' our products with end-users with the aim of improving the quality of lives globally. TTI engaged in various industrial design forums and participated in a number of trade associations around the world to enhance knowledge sharing with the industry and the general public.

We continued to sponsor the Knowledge of Design Week and Business of Design Week in Hong Kong, which provide unique platforms for designers and intellectuals to exchange ideas, innovative design and the latest technology. We were invited to participate in and facilitate the industry forum, From Mass Production to Scale Customization, hosted by the Design Council of Hong Kong. We also joined the Industrial Designers Society of America's national conference and the Red Dot Museum exhibition to share our innovation and design ideas internationally.

## Environmental Initiatives

In TTI HK, Green Fairs were held twice in the Hong Kong office to support local organic farmers and fair-trade merchants. Proceeds from the fairs were donated to the New Life Psychiatric Rehabilitation Association to provide guidance to individuals with mental health issues on how to maintain a healthy lifestyle. TTI HK, along with family members and their children, participated in a Go Green Organic Farm Visit where employees enjoyed a family day out and learnt about the rich biodiversity of Hong Kong.



## Legend – Techtronic Industries Business Divisions

Name of Business Division	Abbreviation	Country/Location
DreBo Werkzeugfabrik GmbH	DreBo	Germany
Empire Level Manufacturing Corporation	Empire	Wisconsin, U.S.
Imperial Blades LLC	Imperial Blades	Wisconsin, U.S.
Milwaukee Electric Tool Corporation	Milwaukee Tool	Wisconsin, U.S., Mississippi, U.S.
Royal Appliance International GmbH	RAI	Germany
Techtronic Industries Australia Pty. Limited and Techtronic Industries N.Z. Limited	TTI ANZ	Australia/New Zealand
Techtronic Industries Canada Inc.	TTI Canada	Canada
Techtronic Industries Company Ltd.	TTI HK	Hong Kong
TTI (Macao Commercial Offshore) Limited	TTI Macao	Macao
Techtronic Industries (Dongguan) Co. Ltd.	TTI AIP	PRC
Techtronic Industries ELC GmbH	TTI ELC GmbH	Germany
Techtronic Industries Floor Care North America	TTI FC NA	North Carolina, U.S., Ohio, U.S., Tennessee, U.S.
Techtronic Industries GmbH	TTI GmbH	Germany
Techtronic Industries Korea Ltd.	TTI Korea	Korea
Techtronic Industries Middle East & Africa FZCO	TTI MEA	United Arab Emirates
Techtronic Industries North America Inc.	TTI NA	Maryland, U.S., Florida, U.S.
Techtronic Industries Power Equipment	TTI PE	South Carolina, U.S.
Techtronic Industries (UK) Ltd.	TTI UK	United Kingdom
Techtronic Industries France SAS	TTI France	France
Techtronic Industries (Zhuhai) Co. Ltd.	TTI Zhuhai	PRC
Techtronic Industries (Taiwan) Co. Ltd.	TTI Taichung	Taichung, Taiwan
Techtronic Tools Limited Taiwan Branch	TTI Taipei	Taipei, Taiwan
Techtronic Industries (Thailand) Limited	TTI Thailand	Thailand
Techtronic Industries Vietnam Manufacturing Company Limited	TTI Vietnam Manufacturing	Vietnam
Techtronic Product Development Limited – Philippine Branch Office	TTI Philippines	Cebu, Philippines