

Environmental, Social and Governance Report

Message from the CEO

TTI continually strives to be a socially responsible global citizen. Our commitment to sustainability creates value for our shareholders and customers and reduces the impact we have on the environment. As an industry leader in battery-powered power tools and power equipment, TTI pioneered the shift from nickel-cadmium batteries to lithium-ion batteries, which are more efficient and have a longer useful life, thus reducing the frequency with which consumers must replace their batteries. TTI's environmentally-conscious innovation is a large part of TTI's commitment to sustainability, and we plan to continue to solidify our leadership position in the industry as a product innovator, while remaining steadfast to protecting the environment. As a leader in innovation, we will continue to dedicate ourselves to delivering world-class, high-quality, safe, and environmentally friendly products to our customers. We also believe that it is in our and our stakeholders' best interests to participate in a global marketplace in which companies compete fairly, free of corruption, and we will continue to foster cultures and policies in keeping with that belief. We are also committed to providing a safe and personally rewarding workplace for our employees, who are key to our success.

Scope of Report

While TTI has numerous manufacturing and other facilities across the world, TTI's largest facility is located in the Asia Industrial Park (AIP) in Dongguan, the People's Republic of China (PRC) which employs over 11,000 workers across a wide variety of disciplines, and has the potential for the greatest environmental impact.

Working Conditions

The workforce at AIP comprises of: (1) workers who work on the production line and operate machinery; (2) workers who serve support functions, such as quality control inspectors and warehousing; and (3) professional and other staff, such as technical designers and engineers.

We recognize the need to have a skilled/competent workforce and have made and continue to make efforts to attract new talent through partnerships with various Chinese universities. We also organically develop new talent through internship programs, as well as training and rotation programs that allow workers to develop diverse skills and receive incentives for their efforts. As a means to maintain and retain a talented workforce, AIP continually offers numerous amenities and social activities for its employees.

In May, 2015, the provincial government of Guangdong raised the minimum monthly base salary. Accordingly, Guangdong's new minimum monthly base salary was increased to the current rate already being paid by TTI to its employees. TTI examined its existing compensation scheme at AIP, and adopted a new compensation policy not only raising its current minimum monthly base, already in compliance with Guangdong's new minimum monthly base salary, but reviewed the salaries of those employees unaffected by this change for potential upward adjustments. TTI also increased seniority pay, increased meal subsidies and initiated an Invention Reward Policy compensating engineers whose innovative ideas have been commercially successful and patents have been granted. We also comply with all applicable laws and regulations regarding overtime compensation.

Health and Safety

TTI established an Environmental, Health, and Safety (EHS) committee and PRC Production Safety Standards. The EHS committee is responsible for overseeing the implementation and continual monitoring of key health-and-safety-related issues, including conducting regular safety inspections, monitoring high risk operations, identifying and monitoring occupational harmful factors and providing safety equipment, providing for occupational health exams and maintaining related records, and continually monitoring laws and regulations to ensure compliance. Through its policies and standards, the EHS committee strives to eliminate work-related injuries. In fact, the total rate of workplace injuries has continually decreased each year since the establishment of the EHS committee and PRC Production Safety Standards. In 2015, work-related injuries were down 4 percent (4%) from 2014.

Environmental Protection

For many years, TTI has strived to reduce its carbon emissions through a number of different programs and initiatives and was hailed as the first global manufacturer to receive the Intertek Solutions Think Green Initiative (TGI) Achievement Award in 2010 due to those efforts. TTI has continued these efforts in order to preserve a sustainable environment for generations to come.

TTI is committed to reducing its impact on the environment in innovative ways throughout its operations. We have identified many win-win opportunities that allow us to reduce costs and carbon emissions simultaneously. In 2015, we adopted a number of measures that limited the impact of our operations on the environment, such as reducing our carbon emissions by 1,744 tons and creating energy savings by using recycled water from the water treatment station to supply the plant, replacing various lighting sources with LED tubes, installing energy-conserving boilers, and replacing energy-consuming motors with energy-conserving motors. TTI's commitment to the environment further includes our ongoing recycling of waste materials including plastic, wood, metal, and paper, as well as our reuse of packing materials. TTI also partners with Home Depot to recycle batteries, and its subsidiaries work with various organizations in the countries where they are located to have drop-off sites for used batteries to encourage recycling.

Additionally, we require our business partners to comply with all relevant local and international environmental regulations and standards, and also require that they assign responsibility for environmental matters to a senior management representative. We also encourage our business partners to adopt initiatives to reduce the environmental impact of their operations.

Operating Practices – Product Responsibility

Conflict Minerals

TTI, acting in conjunction with many of our partners and in an effort to ensure an ethical supply chain, has adopted a comprehensive Conflict Minerals Policy, which applies not only to TTI and its related entities, but also down the supply chain. The policy establishes a mandatory framework for TTI and its suppliers for conducting due diligence and a Reasonable Country of Origin Inquiry (“RCOI”), requiring TTI's suppliers to agree to the terms of the policy and assist TTI with identifying the source of any gold, tungsten, tin, or tantalum (together “3TG”) that has been used in TTI's products.

Quality Control

TTI has established and integrated a Quality Management System (QMS) based on the quality system requirements defined by applicable laws and regulations. The quality management system scope covers TTI's products and services and the management of outsourced activities for which the Group retains overall responsibility. TTI ensures the suitability and effectiveness of the quality system at defined intervals and with sufficient frequency according to established procedures to ensure that the quality system is compliant with all applicable requirements, policies and objectives.

TTI management ensures that the Quality Management System procedures are implemented in order to make employees aware of the importance of meeting customer requirements, as well as statutory and regulatory requirements. Policies and objectives are established and communicated, and regular management review is conducted to review performance of the Quality Management System. TTI management also ensures that appropriate communication processes are established within the company to include departmental internal meeting and internal publication. The performance effectiveness of the Quality Management System, issues related to policies and execution plans, management requirements and changes, and hazardous substances information is routinely communicated to relevant staff at TTI.

Product Recalls

TTI takes its commitment to product safety seriously, using rigorous product protocols to ensure that products being manufactured at its facilities are free from defect. In the event that a manufacturing defect is detected, TTI has detailed recall procedures in place to institute prompt and effective remedial action. These procedures help minimize the amount of distributed product that are recalled and help ensure high rates of retrieval and return of recalled product. These procedures identify decision makers and team members and assign particular duties to particular roles allowing for immediate action in all impacted regions across the globe.

Operating Practices – Anti-corruption

TTI is committed to compliance with all applicable anti-corruption laws and regulations and prohibits its employees or anyone acting on behalf of its companies and its business partners from offering, making, or receiving any bribes or kickbacks, giving anything of value for the purpose of securing an improper business advantage, or otherwise engaging in corrupt activities or practices. We further encourage our employees and business partners to promptly report violations of any law or policy so that they may be dealt with appropriately.

Complaint Resolution Policy

To encourage the reporting of conduct that is offensive to TTI's Code of Conduct, applicable laws or regulations, or activities that otherwise run counter to TTI's policies, and in order to ensure compliance with our commitment to conducting business ethically, we adopted a policy in 2010 that allows anyone to report activity without fear of reprisal. There is a single, streamlined process that allows the complainant to identify himself or herself or to remain anonymous. Individuals have the option to report directly to the General Counsel or to an independent third party retained to operate the hotline. Reporting can be done by phone, email, fax, or online.

Community Involvement

At TTI, we encourage individual participation and involvement in community affairs. We actively engage with the community as part of our internship program, wherein we visit campuses and host interviews. We hire up to 50 interns per year at AIP allowing students to gain practical experience in their areas of study. These students often come to work for TTI upon graduation. In addition, we offer extended skills-based training in our machine shop, allowing candidates the opportunity to learn how to operate machinery, with the potential for later joining the TTI team as an employee.

At the AIP facility, our employees also have many opportunities to give back to the local community and many of them do so. These volunteers spend time visiting and engaging with the elderly in nursing homes, host food and clothing drives, and send aid to victims of disasters. TTI proudly supports these employees in giving back to the local community by outfitting them with the necessary tools and equipment to complete high quality work in the most efficient manner.