Supply Chain Management
Strategic Objectives

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Agenda

• SCM Overview
• Strategic Initiatives
• Sustainable Supply Chain
Our Vision should be your vision....

To be the most admired company in our markets.

Measured by

- Customers say: “We want to do more business with Eaton.”
- Shareholders say: “Eaton is one of my best investments.”
- Employees say: “I am proud to be part of the Eaton team.”
- Suppliers say: “Eaton is one of my most valued customers.”
Our Structure promotes collaboration…

A matrix organization aligned around the business operations and the regions
Our Scope supports the Corporation…

• Procurement of goods and services
  - Strategic Sourcing and Category Management

• Deployment of goods and services
  - Program Management and supplier performance management

• Flow of goods and services
  - Materials management and logistics

• Continuous improvement of goods and services
  - Supplier quality and development

Maximize Value, Velocity and Visibility
Our Goals should be your goals.

2015 Goals

- 30% of sales growth from emerging markets
- 12-14% segment margin
- 9% free cash flow margin
- 20% earnings growth
- 16% segment margin
- 15% ROIC

Note: Segment Margin excludes acquisition integration charges
Our Challenge is your opportunity…

Spend expected to increase by 51% during planning period

Direct

Indirect
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SCM Strategy Initiatives

1. Increase efficiency and effectiveness of the function
2. Integrate with manufacturing and engineering
3. Flawless execution of logistics and materials management
4. Relentless focus on risk management and sustainability
5. Building organizational capability and agility via process and technology excellence

Our suppliers must be a part of our business
Efficiency and Effectiveness

- Standard policy, processes and metrics
- Leverage centers of excellence
- Leverage BPO and KPO shared service centers
- Greater focus on core competencies
- Leverage global and regional resources
- Leveraged learning
- Reduce supplier base

Our suppliers enable our priorities
Manufacturing and Engineering

- Flawless execution of supply chain program management
- Total cost of ownership approach with use of commodity cost models
- Value engineering and value analysis
- Earlier involvement in NPD
- Design to win, system approach
- Supplier innovation

Our suppliers are seen as an extension of us
Logistics and Materials Management

- Standard Materials Management Playbooks aligned to our specific business model
- Cross group optimization of freight, warehouse and DC’s
- Exceeding our customers service and delivery requirements
- Full material flow visibility

Our suppliers are aligned to our customers requirements
Risk Management

- Expand scope of supply chain continuity planning
- Global trade management compliance
- Commodity price management
- Supplier contingency planning
- Business continuity management
- Doing business right

Our suppliers proactively manage supply chain risk
We Care *How* We Get Results

“We’re here to achieve great results, but each of us must demonstrate that we care intensely about *how* we get those results. They are worth little and are unlikely to endure if achieved unethically.”

*Alexander M. Cutler*

*Chairman and CEO*
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Eaton’s workplace

• What does sustainability mean to us?
  • **Sustainability** means “meeting the needs of the present without compromising the ability of future generations to meet their own needs”
  • **Corporate Sustainability** is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from **economic**, **environmental** and **social developments**
Eaton’s sustainability commitments

• **Doing business right** – Eaton has a heritage of doing business right; we’re calling it, “Eaton is sustainable by design”

• **Improving environmental footprint** – not only our own emissions, energy and water consumption but also helping customers and suppliers to reduce theirs

• **Sustainable power management** – innovative technologies help customers use power more efficiently, effectively and safely

• **Beyond compliance** – apply sustainability beyond the requirements for compliance; committed to being a global leader in protecting the environment, our people and our communities everywhere we operate
Our supply chain is our largest opportunity

Supply chain can account for 65% to 90% of GHG emissions.
Carbon Disclosure Project

• CDP works with key stakeholders to encourage companies all over the world to measure, manage, disclose and ultimately reduce their GHG emissions and related climate change risk

• CDP supply chain program assess suppliers along four dimensions, strategic awareness, carbon reduction ambition, reporting capabilities and implementation practices

• CDP has a standardized report that allows for easy comparison and benchmarking, with scaled versions for small and medium sized companies

• We are asking that you participate as our guest in the CDP supply chain program
In Summary

• Embrace Eaton as a strategic customer
• Align your company’s goals to our goals
• Help us to leverage your core competency
• Share your innovation and ideas with us
• Be “end customer” focused
• Manage risk throughout your entire supply chain
• Operate with a long term focus
• Sustain an open and confidential dialogue regarding business opportunities
• Participate in CDP Supply Chain