Solving today’s most challenging power management issues

The world is facing many power management challenges—and Eaton’s products and services are part of the solution. Years ago we set out on a path to offer the best power management technologies and services that reduce impacts—from sourcing materials to end of product life. While we’re proud of how far we’ve come, we know we have to keep improving for all our stakeholders. We remain committed to creating a better future for the planet and our fellow global citizens.
Thinking differently about our business, our local communities, our world

As a power management company with 2018 sales of $21.6 billion, our products and solutions help customers manage electrical, hydraulic and mechanical power more efficiently, safely, reliably and sustainably. Eaton employs 99,000 people worldwide and sells products to customers in more than 175 countries. To build sustainable value over time, we encourage each of our employees to think differently about our business, our communities and the positive impact we can have on the world. Read more about financial results in our Annual Report on our Investor Relations web page.

We recognize our company has a unique purpose in today’s world. We create products and services that help our customers—and their customers—use power in a way that improves the quality of life and the environment. We understand our place within the larger context of social change and environmental stewardship. We align closely with five of the United Nations Sustainable Development Goals. We are committed to being the best global citizen we can be and helping others achieve their goals as well.
Our vision

To improve the quality of life and the environment through the use of power management technologies and services

**Financial goals**

Driving financial performance through organic growth, margin expansion and disciplined capital allocation

**Environmental and social aspirational goals**

1. Be the preferred supplier to our customers and channel partners
2. Make work exciting, engaging and meaningful for our employees
3. Ensure the safety, health and wellness of our employees
4. Be a model of inclusion and diversity in our industry
5. Make our communities stronger
6. Be active stewards of the environment

**Governance**

Doing business right through processes, procedures and practices embedded at all levels of the organization—Board of Directors, Senior Leadership Committee, management, employees
To fulfill our vision we established a number of goals that respond to issues that matter for all our stakeholders. To meet these goals, we continually integrate all areas of our business—financial, environmental, social and governance (FESG). For each of these areas, we take a longer-term view of performance, while still meeting short-term expectations. Through this approach, we can create sustainable value for our stakeholders both now and well into the future.
Innovating for positive impact

Positive impact products

Our products and services help address increasing demand on the world’s power systems and infrastructure, including the transition to a low-carbon future. Many of our customers have committed to ambitious goals to reduce their impacts, and we recognize that our products and services help them shrink their footprints. We’re helping to make this happen by developing innovative products and solutions that enable customers to conserve resources; decrease fuel use; and make smart energy decisions through the Internet of Things—all while increasing reliability, durability and safety.

Eaton’s corporate research teams around the world work to accelerate innovation across our portfolio. We’re working to solve the challenge of modernizing power grids to improve stability, flow and access to electricity. As an innovator in energy storage solutions, we help homes, businesses and utilities take control of their energy supply and move toward a more sustainable future. And, we are exploring cutting-edge solutions in polymer materials, composites and structures to improve efficiency, durability and recyclability of our products.

Transforming the built environment

Cleaner, more dependable power

Our products help to increase the amount of green power on the grid as well as the efficient flow and use of that power. Our solutions help to reduce the pollutants in the air we breathe and greenhouse gases in our atmosphere. We produce a variety of components for utility-scale renewable power generation, including our proportional valves used in hydropower dams, wind turbines and concentrated solar power systems. Our microgrid technology optimizes energy resiliency and independence by integrating electrical power from multiple distributed generation sources, including generators, solar, wind and energy storage. Whether operating in parallel with the grid or as a standalone electrical power system, microgrids help to maintain system stability, shave peak demand and shift loads—all utility proven and compliant with industry cybersecurity standards.

Mobility moving forward

By 2050, almost three billion light-duty vehicles will travel roadways worldwide, which could significantly increase fuel consumption. Vehicle electrification will play a critical role in reducing emissions. Our eMobility segment combines elements of our electrical and vehicle businesses to deliver electric vehicle solutions for passenger car, commercial and off-highway vehicles, helping original equipment manufacturers and municipalities meet sustainability goals.
Smart energy decisions in the built environment

In the age of big data and the Internet of Things, digital connectivity exists across the manufacturing floor, electric grid, commercial buildings, healthcare facilities and homes. We’re innovating Intelligent Power solutions that collect data through sensors, provide actionable insights and optimize power use and continuity for all connected devices and machinery. In factories, we’re taking Industry 4.0 head-on by employing artificial intelligence and advanced machinery to maximize every kilowatt-hour of electricity purchased. For homeowners, automation allows for smarter lighting and data-driven appliances to dramatically cut back on wasted energy, saving money and the environment.

Agricultural productivity and clean water

By 2050, the world’s population will exceed 9.8 billion—placing increased pressure on already insufficient food production and water resources. Eaton helps prepare for global growth with machinery that boosts agricultural productivity and solutions that increase harvest equipment efficiencies and improve crop yield. We also make self-cleaning and mechanically cleaned filters to remove sediment and other suspended solids commonly found in surface and ground water. Water quality agencies rely on these filters, helping cities meet their watershed protection obligations and protect public health.

106 ENERGY STAR® Certified Products

Our hybrid power systems for commercial vehicles can reduce carbon dioxide emissions by up to 70 percent

70%

Our LED lighting technologies reduce energy use by up to 79 percent in commercial buildings

79%
First-issued patents

- 2018: 440
- 2017: 480
- 2016: 427

Research and development investment (millions of USD)

- 2018: 584
- 2017: 584
- 2016: 589
In March 2018, Eaton deployed a microgrid at our site in Wadeville, South Africa. This deployment was our first in Africa and reduced Wadeville’s energy costs by 40 percent. Our microgrid technology has the potential to bring power to millions of people in Africa who are currently living “off the grid.” Our first deployment included our xStorage energy storage system, which uses second-life electric vehicle batteries. A regional microgrid, like the one launched at Wadeville, supports the stability of the electrical grid. With the help of a microgrid, companies can have the ability to self-generate power and become more resilient in case of outage or disaster. Microgrids can also accelerate the transition to renewable energy sources.
Engaging and meaningful work

Employer of choice

We employ extraordinary teams to achieve our mission of a better, more sustainable world. We’re recognized as an employer of choice because of our work to grow and develop an engaged, safe, inclusive, diverse and ethical workforce.

In 2018, we implemented a new employee listening strategy. We continue to biennially survey employees globally, but we also “pulse” survey groups of employees on specific subjects at varying times. Employee listening also takes place in other formal and informal ways. For example:

- Quarterly, enterprise-wide Town Halls
- Informal listening meetings at leadership site visits
- “Skip-level” meetings with employees who report to managers’ direct reports
- “Roundtable” meetings

Our approach to talent management reflects top priorities for the workforce of the future. We care about providing meaningful and engaging work for our employees, and ensure that our culture allows them to flourish every day. We invest in our employees through career development and advancement opportunities. And, at participating Eaton sites, flexible work options help balance work/life demands. We are committed to continuous learning across the organization. Our employees can advance their knowledge at Eaton University, our online corporate university. In addition, through leadership development courses, we foster our future leaders.

Forbes magazine’s America’s Best Employers List, 2018
Forbes magazine’s Best Employers for New Grads

84%

Almost 84 percent of our employee survey respondents are proud to work at Eaton; our 2018 survey measures elements essential to an engaging environment.
Health, wellness and safety

We choose zero

The safety, health and well-being of our employees and contractors working in our facilities must be foremost in everyone’s minds. Our commitment to the safety and health of our employees reflects our belief that all injuries can be prevented. Each Eaton employee is responsible for creating and maintaining a safe work environment and working safely is a condition of employment.

To strengthen our Zero Incident Safety Culture, we enforce zero tolerance safety principles and require the use of safety guards, fall protection, seat belts and appropriate Personal Protective Equipment (PPE) for electrical work and other precautions. Our expectations for the safe behavior and practices of our employees save lives and prevent injuries.

Wellness is a critical element of helping our employees be at their best each day. In addition to helping our people weigh work, family and personal demands, we sponsor multiple programs to help them reach their wellness goals. Health and wellness needs are personal and vary, so we offer a variety of options for smoking cessation, nutritional assistance, exercise, stress reduction, mental health programs and biometric monitoring.

Named Best Employer for Healthy Lifestyles, 2018, sixth consecutive year by the National Business Group on Health

Days away case rate (DACR)
Rate per 100 employees*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.23</td>
<td>0.24</td>
<td>0.25</td>
</tr>
</tbody>
</table>

*Days away cases are injuries or illnesses involving one or more days away from work as defined by the U.S. Occupational Safety and Health Administration (OSHA).

Total recordable case rate (TRCR)
Rate per 100 employees*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.64</td>
<td>0.65</td>
<td>0.69</td>
</tr>
</tbody>
</table>

*Health and safety recordable cases are work-related injuries or illnesses as defined by OSHA.
Inclusion and diversity

Leading by example

Our vision for both a better world and a better quality of life for our fellow citizens requires inclusive and diverse workplaces. Our aspiration is to lead by example and model inclusivity and diversity for others. To be a model for others, our journey must be visible. We are proud to share our successes and hope that others can learn with us from our challenges.

Eaton created robust governance structures for our inclusion and diversity efforts. Our Chief Executive Officer leads the Global Inclusion Council (GIC), under which we have four Regional Inclusion Councils (RICs). RICs both carry out initiatives supported by the GIC and identify successful programs and approaches to implement globally. Regional-level governance ensures relevance and impact in the locations where we do business.

We provide comprehensive inclusion training to our leaders, including a set of tools to help leaders to combat unconscious bias in daily settings such as meetings, interviews and talent reviews. Because our commitment to inclusive business practices begins with our highest levels of leadership, we are modeling diversity among our Board of Directors. We are proud that 50 percent of our Board of Directors represent diverse groups.

We are a member of Catalyst CEO Champions for Change and CEO Action for Diversity and Inclusion. Both CEO-led organizations commit to advance diversity and inclusion in the workplace.
Diverse supplier spend

In 2018, we purchased $2 billion in goods and services from small and diverse suppliers, with $280 million coming from minority, women and veteran-owned businesses. Thirty-five percent of our total supplier spend went to diverse and small businesses, with minority, women and veteran-owned businesses representing 13.3 percent of that. We increased our spend in every category over the prior year: purchases from minority-owned businesses increased by 40 percent; from women-owned businesses just over 23 percent; from veteran-owned businesses by 18 percent; and from small businesses by 20 percent.

Forbes magazine’s America’s Best Employers for Diversity, 2018
Best Places to Work for LGBTQ+ Equality by the Human Rights Campaign Foundation, 2018

Forbes magazine’s America’s Best Employers for Women, 2018
HIRE Vets Medallion Award from U.S. Department of Labor for our commitment to hiring U.S. veterans
2018 diversity highlights

4,830 4,830 leaders who have attended the Valuing Inclusion and Diversity program

50% 50 percent of our Board of Directors represent diverse groups

46% 46 percent representation of minorities among U.S. elected officers
Women in engineering

We are committed to supporting women in engineering. Throughout our organization, our teams focus on recruiting, developing and empowering women engineers. We extend that focus well beyond our walls to promote science, technology, math and science (STEM) career opportunities to young women and girls.

Our Early Talent & University Relations Center of Expertise sets our strategic recruitment efforts, which are executed by the Eaton Talent Scout Network. Our recruitment begins on-site at local schools and programs. We use in-person interaction to showcase what engineering and technology careers could be like for the next generation—particularly for young women and girls.

We also develop relationships with talented women at more than 30 strategic partner universities. For example, in 2018 we sponsored a group of students from the Rochester Institute of Technology’s Women in Computing program to attend the Grace Hopper Celebration, the world’s largest gathering of women technologists.

We are proud to have relationships with national organizations promoting women in STEM careers, including the Society for Women Engineers (SWE). In 2019, we will launch an enhanced SWE engagement strategy. The strategy includes an executive champion and team of dedicated employees focused on enhancing our recruitment opportunities.
Giving back

Philanthropy and involvement in our local communities is a fundamental component of our identity. Our founder, Joseph O. Eaton, helped create the Cleveland Federation for Charity and Philanthropy in 1913. Inspired by his leadership, we focus on local giving in the communities where we operate. We commit to the United Way through an annual company-wide campaign. For every dollar donated by an employee, Eaton contributes 50 cents up to a $5,000 match.

The Eaton Charitable Fund supports arts, education, culture and social service programs that improve the quality of life in our communities. We encourage employees to contribute time and talents to local organizations and our approach to giving prioritizes community involvement that is meaningful for each location.

Charitable contributions (millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>11.6</td>
</tr>
<tr>
<td>2017</td>
<td>11.4</td>
</tr>
<tr>
<td>2016</td>
<td>11.1</td>
</tr>
</tbody>
</table>
2018 local community projects

We encourage employees to contribute time and talents to local organizations and support a wide variety of community initiatives. Local community supportive projects we are proud of include:

- **Mujgan-Serkan Karagoz Special Education School, Tekirdag, Turkey**: Renovations at a government-run school for disabled children.

- **Casa Hogar Maria Nina A.C., Juarez, Mexico**: Operational support for an organization working with disadvantaged girls. The program is free for families and allows the girls to stay during the week for school.

- **Burak Social Welfare, Pyungtek-Si, South Korea**: Funds to provide walkers for the elderly so they may participate in community activities and increase their mobility.

- **Dublin Simon Community, Dublin, Ireland**: Funds to provide services for homeless families.

- **Friends of the Los Angeles River, Los Angeles, California**: Support for the 2018 Great LA River Clean Up—one of the largest river clean-ups in the country.

Qualified Disaster Relief Fund

In 2017, we established the Eaton Qualified Disaster Relief Fund so that U.S. employees can donate tax-exempt funds to assist their colleagues who suffer catastrophic losses due to disasters. Employees expressed desire to help their colleagues who experienced tragic losses from hurricanes Harvey and Irma. We match contributions up to $5,000 annually dollar-for-dollar.
Environmental stewardship

Resource management and emissions

We are dedicated to reducing our environmental impacts and using natural resources efficiently. We demonstrate environmental stewardship by asking all employees to take an active role in conserving resources, working efficiently and improving our communities. We strive to reduce our energy, emissions, water and waste footprints and are continuously working to improve our performance.

Eaton also focuses on reducing the impact of our waste. Our Zero Waste-to-Landfill (ZWTL) initiatives are championed by our senior leadership. Nearly 50 percent of our sites have achieved ZWTL certification. A third-party verifier assesses a random, representative sample of certified sites annually.

We achieve our ZWTL initiatives through methods such as reuse, recycling, composting and incineration for energy generation. Our approach prioritizes beneficial diversion; the process starts with source reduction—eliminating waste streams before they reach our facilities. We then employ new vendors and engage existing partners to help us divert our remaining waste from landfill.

We continue to reduce our greenhouse emissions each year. Since 2015, we have reduced the total amount of GHG generated by our operations from 1,010,000 metric tons to 968,000, which equals a 4 percent reduction. We prioritize energy efficiency and conservation while also deploying on-site renewable energy, including 12 manufacturing sites with solar photovoltaics that produce 9.2 million kilowatt-hours of renewable energy per year.

Emissions Factors and Global Warming Potentials used in calculating emissions are sourced from U.S. EPA, the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC) and other publicly-available sources, in conformance with the World Resources Institute/World Business Council on Sustainable Development’s Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2004) and supplemental guidance.

ZWTL certified sites

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites</td>
<td>148</td>
<td>128</td>
<td>98</td>
</tr>
</tbody>
</table>

Absolute GHG emissions (thousand metric tons)*

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites</td>
<td>968</td>
<td>974</td>
<td>1010</td>
</tr>
</tbody>
</table>

Water consumption (thousands of cubic meters)*

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites</td>
<td>4773</td>
<td>5093</td>
<td>5164</td>
</tr>
</tbody>
</table>

Energy use (MWh)*

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites</td>
<td>2,480,484</td>
<td>2,455,436</td>
<td>2,755,262</td>
</tr>
</tbody>
</table>

*2018 data is in compilation and will be available in June 2019.
JUST Capital recognized Eaton as one of five companies who are leaders in waste reduction and recycling

Innovative waste management

Our Cerkezköy, Turkey, site recently joined the ranks of 148 Eaton facilities that have earned their Zero Waste-to-Landfill Certification by consistently diverting their waste through reuse, recycling and other means. The Cerkezköy site, the largest hose manufacturing plant of its kind, decided to reduce their environmental footprint and conserve resources. For example, the plant converted their rubber hose edge waste to usable energy via an energy recovery incineration process and is converting cafeteria waste to renewable energy through bio-digestion and methane recovery. In only four years, the plant reduced its total landfill waste from 21 percent to 0.

Operation Clean Sweep

Operation Clean Sweep is an international effort to reduce plastic marine debris from the industrial sector. In the United Kingdom, our Brierly Hill location is working to implement Operation Clean Sweep-recommended practices in plastic pellet spill prevention and clean up. The Brierly Hill location is leading internal efforts to share and promote best practices across several other sites within our Europe, Middle East and Africa region.

7.6% We achieved a 7.6 percent reduction in our total water consumption since 2015
Doing business right

Governance

How we get our results is just as important as the results themselves. Our corporate governance policies establish a common set of expectations and governance practices that guide our senior management and board of directors. Learn more about our governance here.

Our sustainability initiatives are governed by the Board of Directors and the Senior Leadership Committee and are guided by the Sustainability Governance Council (SGC). The SGC is comprised of 35 representatives from across the global enterprise. The group meets regularly to advance our strategy, development and implementation of FESG.

Business behavior

Our commitment to doing business right means conducting ourselves with integrity in our interactions with each other, our customers, our suppliers and the communities where we live and work.

- Our Code of Ethics consists of 12 fundamental principles of ethical behavior. It forms the foundation for our culture. Our employees, officers and directors all have the personal responsibility to read, know and comply with these principles in the performance of their duties.

- Along with the Code of Ethics, we provide employees with a detailed Eaton Ethics Guide containing concrete examples and practical guidance on ethical decision-making. It is translated into 34 local languages and made available to all employees worldwide. Every new Eaton employee receives training on the Code of Ethics as part of the on-boarding process and employees are required annually to read and reaffirm in writing their commitment to the principles of the Code of Ethics.

- Eaton’s Supplier Code of Conduct outlines our expectations regarding workplace standards and business practices for our vendors. We require our suppliers to adhere to this Code.

We are committed to fostering a learning environment. To develop our teams around the world, we use a standardized set of tools and processes called the Eaton Business System. EBS facilitates consistent knowledge sharing and information transfer across the global organization. We also offer a variety of leadership and skill development courses through Eaton University, our online corporate university.
Learn more about Eaton’s sustainability efforts at Eaton.com/sustainability