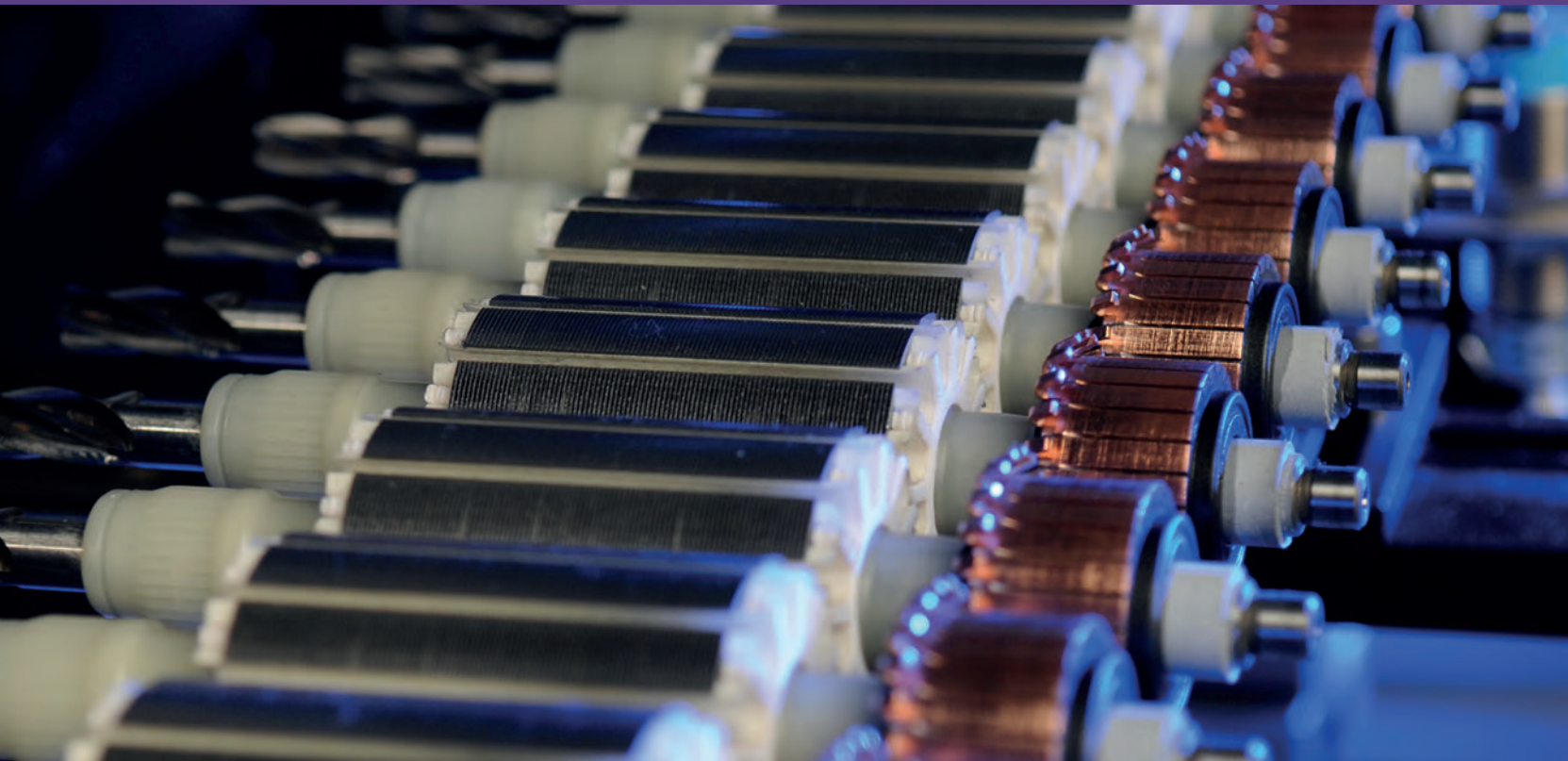


Supply Chain Management



Zero

Cases of child labour

Zero

High-risk cases in sourcing of conflict minerals or cobalt

Responsible Mineral Initiative (RMI)

Membership

Cobalt

Procurement Policy launched



Overview

Our ESG initiatives on both a global and market-specific level extend to our suppliers. TTI works with a large number of suppliers around the world. We encourage our business units to engage with local suppliers as much as possible to support local economies and create a positive impact. Our suppliers are essential to the quality of our products and our overall success. As a result, we work to ensure that sustainability practices are properly 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.

The TTI Social & Environmental Responsibility (SER) Compliance Program is used to manage all TTI suppliers around the globe. Key compliance requirements are outlined in codes and policies that form part of the agreement terms with our suppliers. All suppliers must acknowledge and comply with our policies, especially those outlined in our Business Partner Code of Conduct, which was revised in 2019 and will be re-launched in 2020 to address updated trade sanction provisions.

TTI's Online Compliance Platform allows business units to work with suppliers globally to improve the transparency of our supply chain and the efficiency of our data collection process. Through this platform, business units request supplier information, and suppliers are able to access training materials and acknowledge their acceptance of key compliance requirements online. The information received from suppliers is used to generate a rating which forms part of each supplier's overall KPI. This allows TTI to determine whether to continue the relationship with the supplier. Key compliance policies accessible to suppliers online include:

Key Compliance Policies

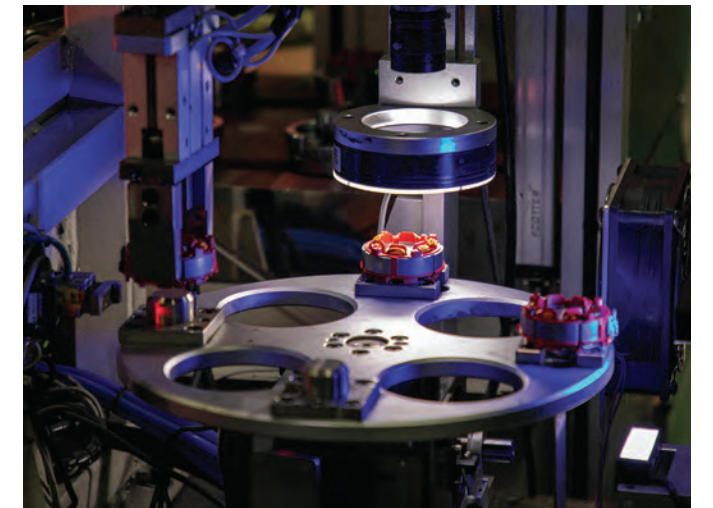
● Governance ● Social ● Environment

- Business Partner Code of Conduct, Anti-Corruption Declaration, Conflict of Interest Declaration
- Product Liability Insurance check
- Anti-human Trafficking and Modern Slavery Policy acknowledgement and questionnaire
- Social Environmental Responsibility questionnaires
- Conflict Minerals Policy and the Cobalt Procurement Policy

All suppliers also have access to our third-party operated, TTI compliance hotline so they can play an active role in compliance and improved performance. Suppliers are encouraged to actively report actions that are in violation of our codes and policies. In 2019, three suppliers contacted the hotline regarding three non-compliance issues. Those were related to a contract violation, an allegation of overpayment for equipment and a quality issue.

TTI considers anti-corruption and bribery prevention a top priority. Our supply chain is regularly assessed for corruption risk and misconduct is not allowed among suppliers. We not only conduct investigations upon receiving tips and complaints, but also proactively conduct supplier and service provider audits as described below. There were no cases of anti-competitive behavior, anti-trust or monopoly practices in 2019.

In 2019, TTI also took measures to enhance our approach to trade compliance by hiring a global trade compliance vice president and trade compliance officers across our business units. We also amended our Business Partner Code of Conduct hiring to expand on the trade compliance provisions, which clearly outline our requirements in relation to trade sanctions.

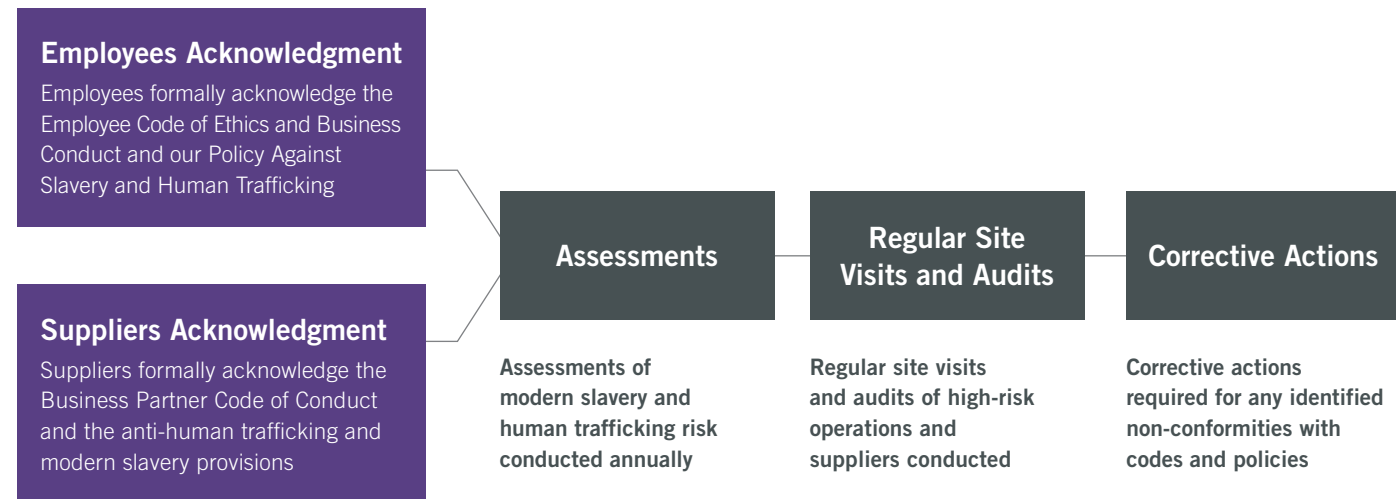


Environmental and Social Responsibility in the Supply Chain

TTI works with suppliers that are committed to minimizing their environmental impact and upholding high standards for human rights. On the environmental front, pollution prevention, resource efficiency and responsible sourcing are some of the key initiatives that are monitored. Recognizing that the sourcing of raw materials, as well as activities along the supply chain and at product end of life can have an impact on biodiversity, we actively engage with suppliers to maintain accountability. We perform extensive due diligence to ensure our suppliers are meeting our environmental standards across all markets. As outlined in the Supplier Auditing section below, all new suppliers must undergo a rigorous vetting process and we regularly review existing suppliers to ensure they adhere to all regulations and our stringent policies.

Our environmental initiatives go hand in hand with raising awareness and improving human rights conditions in the supply chain. The SER Compliance Program focuses on stringent labor rights, in particular reinforcing TTI's commitment to no child or forced labor. In 2019, there were no incidents of non-compliance raised.

A number of policies outlined in our Governance section above protect human rights in our supply chain. Of these, our Policy Against Slavery and Human Trafficking specifically addresses TTI's expectations in relation to human rights and modern slavery and the consequences of non-compliance. This policy has been communicated globally to all our suppliers and is available in all local languages where we operate. Suppliers are required to fill in detailed questionnaires. The steps taken by TTI to proactively avoid and address risks related to modern slavery and human trafficking in the supply chain are as follows:



Our protection of human rights extends to our conflict minerals initiatives. 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's Conflict Minerals Policy outlines the standards that TTI and its suppliers must follow to ensure that any 3TG is from reputable sources, free from conflict or other human rights violations. Conflict Minerals Declaration forms are completed by suppliers annually, according to which all suppliers must provide details about their source of 3TG and acknowledge compliance with the Conflict Minerals Policy. Our policy also mandates that suppliers must source from a conflict-free smelter.

In 2018, we conducted a review of suppliers using cobalt in products sold to TTI and as a result, a procurement policy for cobalt was implemented in 2019. As with the Conflict Minerals Policy, suppliers must comply with the policy and report the source of cobalt used in the manufacturing of TTI products. The Cobalt Procurement Policy, aimed at eliminating any form of human rights violations in cobalt sourcing, was launched through our supply chain compliance platform. As with conflict minerals, we engaged a US-based, third party to conduct ongoing analysis of compliance data and risk assessments.

In 2019, no high-risk cases were identified in our conflict minerals and our cobalt due diligence campaigns.

Also, in 2019, TTI became a member of the Responsible Minerals Initiative (RMI), which facilitates effective due diligence over conflict mineral and cobalt supply chains in accordance with the OECD Due Diligence Guidance. Through RMI, TTI has access to a number of valuable resources that can support responsible sourcing decisions. The resources include:

- Reasonable country of origin (RCOI) data: country of origin information associated with smelters and refiners that are validated through the Responsible Minerals Assurance Process (RMAP)
- Smelter database: an online database of data obtained through RMAP and workgroup research on thousands of companies in the 3TG and cobalt supply chains
- Country risk assessment platform: a practical tool for companies to identify conflict-affected and high-risk areas using resources recommended by the OECD and the European Commission

A member of



Supplier Auditing

TTI's SER Compliance team and external auditors conduct quality management system audits on a regular basis. The SER audits involve a comprehensive supplier scorecard that tracks a number of issues including anti-corruption, workers' rights and safety and environmental impact. New suppliers are also required to complete a screening and audit process before engagement. The engagement of new suppliers is conditional on them having SER policies and practices that are in accordance with our policies, best practices, and applicable laws and regulations. Suppliers with an unacceptable rating are given a probation period to rectify any issues and are then re-evaluated. Suppliers are audited every 12 to 18 months if their previous audit result was rated acceptable. More frequent audits are 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. In 2019, our internal audit department launched investigations and conducted audits into several sectors, including raw material and part suppliers, administration service providers, fire protection and security suppliers as well as scrap handling and transportation suppliers. The results of all investigations were addressed and reported. As a result, six employees and three suppliers were disciplined.

Our approach to managing ESG concerns in our supply chain are highlighted for specific regions below.

Asia

At TTI AIP, our global sourcing and purchasing department and teams from the quality department are responsible for supply chain performance. In 2019, the TTI AIP team engaged with suppliers from different regions, Asia, Europe, and the USA. 230 audits were conducted on existing suppliers and all new suppliers were screened for environmental and social criteria with no major non-compliance found. In TTI Zhuhai, the initiatives included an annual quality audit of key suppliers and full audits of new suppliers covering areas such as Hazardous Substances Process Management (HSPM), social and environmental responsibility, environment management systems and factory security.

EMEA

In the EMEA region, we worked with suppliers from Europe, the USA and Asia in 2019. At TTI ELC GmbH, our purchasing team audited non-EU suppliers on ISO 14001 compliance.

North America

In North America, we worked with suppliers from Europe, the USA and Asia in 2019. The TTI PE team engaged with suppliers to reduce plastic in packaging and as part of this initiative, Hart Tools also implemented a program to reduce corrugated material by 114 tonnes in 2020.

