

Energizing a sustainable future

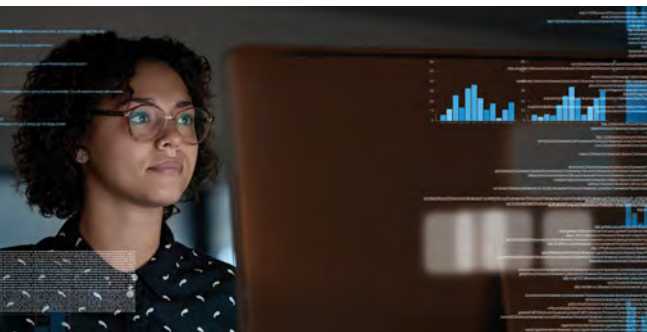


Powering Business Worldwide



"The earth is what we all have in common."

—Wendell Berry



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Building on our promise to improve lives and protect the environment



Much has happened in the world since we last reported on our comprehensive sustainability strategy. While people everywhere worked to contain the COVID-19 pandemic, a series of natural disasters had a devastating impact on thousands of lives and nearly every continent, igniting renewed calls for urgent climate action.

These events also offered companies like ours an extraordinary opportunity to reflect on the responsibility we share to protect our planet and preserve the health and well-being of people. At Eaton, it's a responsibility we take seriously. We've long believed that we not only have a commitment to our stakeholders, we have a broader commitment to society. This is clearly reflected in our mission—to improve the quality of life and the environment. And it's what drives our pursuit of our comprehensive sustainability strategy, which is built around creating sustainable solutions, reducing our footprint, engaging our employees and communities where we operate, and doing business right.

In this report, I'm pleased to share an update on the progress we've made advancing our strategy, which encompasses our science-based targets to cut emissions from our operations by 50 percent and reduce our indirect Scope 3 emissions by 15 percent by 2030. These ambitious goals have been validated by the Science Based Targets initiative. We further aligned our efforts with the world's leading sustainability experts by becoming a signatory of the U.N. Global Compact's pact, a move that conveys our commitment to doing business responsibly and advancing broader societal goals.

We intensified our operational rigor around how we're pursuing our sustainability goals, and established our Sustainability Executive Council, a group responsible for the execution of our strategy that I chair personally and includes several members of our senior leadership team. And we expanded how we measure and report on our actions in order to provide greater transparency into our progress. Our newly created Task Force on Climate-related Financial Disclosures report outlines our governance and risk management strategies, and offers an analysis of various climate scenarios that demonstrates we're prepared for the climate crises of the future.

We're proud of our work to improve the lives of those around us and the planet we all share. But our work continues. Regardless of the progress we've made, we must be unyielding in our efforts to protect the environment. It's the promise we've made to the world, and it's a promise we intend to keep for people today and for the generations that will follow.

Craig Arnold

Chairman and Chief Executive Officer

Our vision:

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

Achieving our aspirational goals

is as important as meeting our financial ones. We've set these aspirational goals to unify the organization around our shared purpose, around who we are as a company. We aspire to:

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



We make what matters work.

We're an intelligent power management company and what we do improves the quality of life and the environment. Our products, technologies and services make a difference in the world.

\$17.9B
2020
sales



>90K
employees around
the world

NYSE
ticker

ETN



Operate in

175
countries



Est. **1911**

There is no better time than now
to be an intelligent power management company.

The world is experiencing some of the most important secular growth trends that we will experience in our lifetime: **The explosive rise of digitalization and the energy transition** from fossil fuels to renewables—changes being driven by unprecedented growth in electrification and climate change.

We're responding by deploying our four-part sustainability strategy, which addresses environmental, social and governance issues. It also allows us to meet today's changing power management needs while making good on our mission to improve the quality of life and the environment.



Our strategy and 2030 sustainability targets help advance the United Nations Sustainable Development Goals.

2030 sustainability targets



Creating sustainable solutions

- 15% reduction in Scope 3 emissions
- \$3 billion in sustainability R&D



Reducing our footprint

- 50% reduction in carbon emissions
- Carbon neutral by 2030
- 100% manufacturing sites zero waste-to-landfill certified
- 10% manufacturing sites zero water discharge certified



Engaging our employees and communities

- 80%+ employee engagement rating
- 12 hours training and development per employee each year
- 250,000 hours of volunteer time per year



Doing business right and transparency

- 50%+ improvement in safety metrics
- No human rights violations from key suppliers
- Report ESG material issues per SASB and TCFD requirements
- Disclose U.S. minority and gender pay equity assurance results



3 GOOD HEALTH AND WELL-BEING



Employee health and well-being is a business priority. Our management of employee health and safety, our responsible workplace pandemic policies and practices and our wellness initiatives further good health and well-being.

5 GENDER EQUALITY



We assure fair pay equity, prioritize gender diversity in management, leadership and board composition, as well as provide programs for women to advance in STEM.

6 CLEAN WATER AND SANITATION



We use responsible water practices to maximize our efficient use of resources and minimize potential negative impacts caused by effluents. We manufacture solutions that are used in processes that improve water efficiency, quality, sanitation and desalination.

7 AFFORDABLE AND CLEAN ENERGY



Our solutions help to reduce emissions and waste and are also used in renewable energy, grid management and energy storage applications.

8 DECENT WORK AND ECONOMIC GROWTH



Our supplier assurance program focuses on good labor practices. We offer training, apprenticeship, mentoring and employee development programs.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Our power management technologies play a key role in updating infrastructure and retrofitting industries to make them more resource-efficient. Our products reduce emissions and waste and are also used in renewable energy, grid management and energy storage applications.

10 REDUCED INEQUALITIES



Our strategic focus on inclusion and diversity and U.S. minority and gender pay equity help to advance equality in our operations around the world.

11 SUSTAINABLE CITIES AND COMMUNITIES



Our products help make densely-populated areas more resilient and energy efficient. We are also innovating solutions for rural and developing areas to help ensure power needs are met all over the world.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



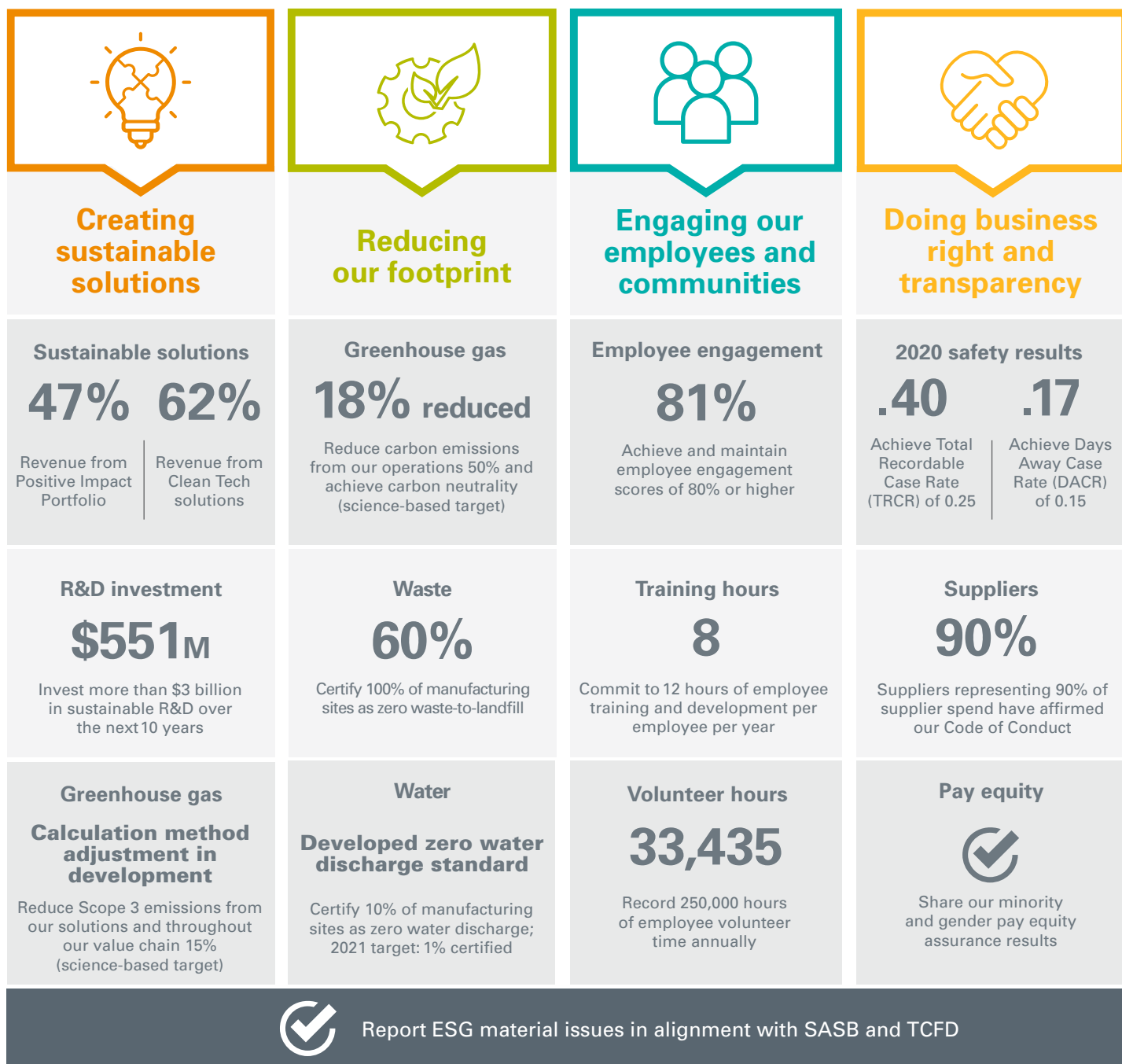
We are driving the movement to a circular economy—one that is aimed at eliminating waste and making the best use of natural resources. By 2030, we aim to achieve zero waste-to-landfill status at 100 percent of our manufacturing facilities.

13 CLIMATE ACTION



We develop products that contribute to climate change mitigation and are transparent about the risks and opportunities climate change poses for our business.

Every year, we measure our progress in our sustainability dashboard. Here are our most recent results:





Creating sustainable solutions

- Energy transition: Making the move to renewable resources
- Digitalization: Employing digital technologies for intelligent power management
- Electrification: A more electric everything

At Eaton, our products are designed to help customers around the world use power more reliably, efficiently and safely. Our solutions form the backbone of safe, reliable power generation and distribution and play a key role in the world's infrastructure. Eaton's mission-critical products and support is foundational across essential services—hospitals, first responders, governments, data centers, utilities and more.

Our customers continue to want cleaner, more electric and more connected solutions. We meet that demand while striving to make good on our mission to improve quality of life and the environment at the same time. With innovative products and solutions that increase productivity and energy efficiency, Eaton is the trusted partner for customers seeking to optimize intelligent power use today and deliver safer, more sustainable energy for tomorrow.

To discover and design solutions that enable our customers to conserve resources and make smart energy decisions, we have committed to spending \$3 billion in sustainable research and development by 2030. We are working with our suppliers and customers to meet our science-based target of a 15 percent reduction of indirect Scope 3 greenhouse gas emissions by 2030.



By 2030 we aim to:

- Invest \$3 billion in research and development to create sustainable product solutions
- Reduce emissions from our installed base of products and upstream sources by 15 percent
- Leverage our leadership in providing efficient solutions to accelerate the global energy transition

Using Design for the Environment (DfE) techniques, we are designing solutions to reduce the impact of a product across its lifecycle—from production and distribution to use and end of life. Our efficient products also help our customers reduce their carbon emissions and meet their own sustainability goals.



Energy transition: Making the move to renewable resources



“As the globe moves to a net-zero carbon energy system where the sources of power become more renewable, and the uses of power become more electric, the electrical industry’s role will expand to become the central switchboard for energy transition

to power the future.”

– Uday Yadav, president and chief operating officer, Electrical Sector

Experts are estimating a 57 percent increase in global electricity demand by 2050. At the same time, a global energy transition is well underway. Meeting growing energy demand while reaching global carbon targets will require a focus on energy efficiency and enabling renewable energy resources.

More and more distributed energy resources will be online and more homes, businesses and communities will be able to produce and sell energy as well as consume it. As infrastructure requirements change, multiple parts of the system need to be more connected, dynamic and controlled to ensure safety and resiliency.

Eaton is leading this transformation. We’ve taken an Everything as a Grid™ approach to the energy transition to unlock a low-carbon energy future. We help customers safely add more renewables, storage and electric vehicle infrastructure to their energy strategy—to become more sustainable and resilient while lowering energy costs.



Listen for more on our 10 in 10 Podcast:

Senior Vice President, Global Product Lines, Strategy and Business Development at Eaton, Mike Longman, discusses the energy transition.

Global trends are on our side, as our businesses are poised to meet the new demands for a low carbon future, digitalization and electrification.

Empowering women engineers

Eaton started the Women in Innovation (WiN) platform at our Innovation Center in Pune, India, for women engineers to generate novel solutions through an accelerated process. Launched in 2019, the unique program has received an overwhelmingly positive response. At the 2020 WiN event, teams submitted 32 invention disclosures and 17 are active for patent filing decisions.

Reducing our customers’ footprints

We are innovating around our handprint while doing our part to help our customers improve their own footprints. In 2020, as part of our membership in the Massachusetts Institute of Technology Sustainability Health Initiative for Net Positive Enterprise (MIT SHINE), we advised on the handprint methodological framework published in the *International Journal of Life Cycle Assessment* and MIT SHINE’s subsequent research brief.

Electrification: A more electric everything approach



“Eaton is uniquely positioned to capitalize on growing trends impacting mobility solutions, from supporting energy transition needs to enabling electrification across the mobility value chain. We’re leveraging our expertise in electrification and our application knowledge in passenger vehicles, commercial vehicles, off-road vehicles and airplanes, to provide safe, reliable solutions that enable sustainable, intelligent power management.”

– Heath Monesmith, president and chief operating officer, Industrial Sector

In the quest to reduce carbon emissions and tackle climate change, electrical power has become the new hero. Across applications—from industrial processes to commercial heating and transportation—electrical power can help drive more renewable energy sources and decarbonize the global economy. Eaton is making great strides as a leader in electrifying the transportation industry.

Vehicle manufacturers are working hard to improve the way the world moves, and we help them do it. They rely on us to help them build more efficient vehicles that travel faster, farther, higher and safer at a lower overall cost to consumers and the environment.

Eaton is helping drive adoption and evolve electric vehicle (EV) technology at our sweet spot: the convergence of electrical and mechanical power. From passenger cars to commercial trucks and buses, we’re dedicated to developing EV technologies that improve safety, efficiency and sustainability now and into the future.

Ambitious policy announcements have been critical in stimulating the electric-vehicle rollout in major vehicle markets in recent years. While global sales of passenger cars contracted due to the COVID-19 pandemic, growth in electric car sales has been substantial, rising 40 percent since 2019—with particularly strong sales in China and Europe due to government mandates and CO₂ emissions standards. COVID-19 recovery measures are expected to continue to focus on vehicle efficiency in general and electrification in particular.

These are major drivers behind increasing policy support for the development and deployment of electric powertrains for transport. To date, 17 countries have announced 100 percent zero-emission vehicle targets or the phaseout of internal combustion engine vehicles through 2050. France has accelerated that timeframe even sooner, putting into law a ban on the sale of vehicles that consume fossil fuels by 2040.

To meet this growing need, our eMobility business specializes in intelligent power solutions for a greener planet and a better world for generations to come.

Blazing new trails with EV gearing solutions

Automakers face many challenges when developing an electrified vehicle, from optimizing efficiency, weight, noise, and vibration to packaging constraints. With years of experience in high-precision gearing systems for transmissions and powertrains, our engineers have designed gearing solutions optimized for efficiency and reliability, with low noise and manufacturing costs, all working within a customer’s packaging constraints. The gearing can improve EV system efficiency by up to 1 percent, reduce weight by up to 20 percent and size by up to 10 percent, with all benefits applying to both light-duty and commercial electrified vehicles.



Around the world, electric vehicle technology is critical to reducing air pollution in densely populated areas and a promising path to energy diversification and greenhouse gas emissions reduction.

Digitalization: Employing digital technologies for intelligent power management



“We’re reimagining innovation by adapting digital technologies—connected devices, data models and insights—to transform power management for safer and more sustainable and efficient power use.”

— Aravind Yarlagadda, executive vice president and chief digital officer

To transform power management for safer and more sustainable use, Eaton has unleashed the power of digital technologies. Our intelligent products and software offerings are helping customers unlock the value of their data, allowing them to drive intelligent power management with real-time decision-making.

Digitalization is a key enabler for climate solutions, as digital technologies are projected to reduce global carbon emissions by up to 15 percent through solutions in energy, manufacturing, agriculture and land use, buildings, services, transportation and traffic management.

In 2020, we launched our Brightlayer™ digital foundation, combining deep domain knowledge with artificial intelligence, machine learning and data processing technologies.

Our Brightlayer digital platform layer is designed to help organizations identify and solve their most complicated power management challenges by leveraging our open development components for cloud connectivity, edge enablement, data science and cybersecurity.

With our Brightlayer software suites we’ve developed industry-oriented packages of software applications, data insights and services that address the unique power management challenges of utilities, data centers, industrial applications and buildings in more inventive and intelligent ways. Through this integrated approach, our customers can customize a digital solution that will provide the insights needed to better manage equipment, processes and data.

Our Brightlayer experience hub allows customers, partners, developers and other experts to share knowledge, solve problems and collaborate on sustainable digital solutions.

We understand that our approach to sustainable digital innovation starts with us. That’s why we’re leveraging our Brightlayer foundation and other digital technologies and tools, like cobots, autonomous guided vehicles and robotic process automation in our manufacturing operations and across our functions to improve efficiency. It’s another way that Eaton solves power management challenges and ensures a safer, smarter, more efficient digital future.

Precision air flow solution of the future

Our Twin Vortices Series (TVS) technology plays an integral role in enabling new combustion solutions that are not reliant on exhaust energy, like the turbocharger solutions found in today’s mainstream market. To operate efficiently, fuel cell stacks need precisely controlled air and hydrogen flow—a task ideally suited for our TVS technology. This scalable fuel cell technology can be adapted to fit customer requirements across a broad range of pump displacements. Many industries are realizing that Eaton’s TVS technology has moved beyond its traditional performance engine supercharging, evolving into a precision air flow solution of the future.



Microsoft partnership revolutionizes energy storage in data centers

Most large-scale data centers have substantial battery banks providing backup in the event of a blackout—yet the reality is, these batteries usually sit unused. Working with the Microsoft Cloud Operations + Innovation group, Eaton helped harness the energy storage capabilities of our lithium-ion battery-powered EnergyAware uninterruptible power supply (UPS) to serve as a distributed energy resource.

Data centers can convert traditional power backup units into an energy storage device, lowering demand and peak time charges and advancing clean energy goals.





Eaton patents granted in 2020

- Total patents: 1,504
- First-granted patents: 312

6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Positive impact solutions

Eaton's innovation strategy is advancing our commitment to cleaner, lower carbon technology and solutions. Our customer solutions solve global sustainability challenges and align closely with four of the Sustainable Development Goals adopted by the United Nations. Environmental impact doesn't stop at political borders. We are committed to being the best global citizen we can be and helping others achieve their goals as well.

In 2020, 62 percent of our net sales were from product families classified as clean tech solutions that are energy efficient or are used to advance sustainable development such as renewable energy, electric grid resilience, green building, sustainable transportation and water infrastructure.

Our positive impact portfolio delivers a range of sustainability benefits including reduced environmental impact, increased use-phase efficiency, safety and reliability. In 2020, we estimate that 47 percent of our net sales were from solutions that met two or more of our positive-impact criteria. We are continually improving our methods to improve the fidelity of how we measure the sustainability of our solutions and inform our strategies.



Positive impact framework

Environmental impact

Efficiency in use

Total cost of ownership

Human and eco toxicity

Safety and reliability

Socio-economic benefits



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Reducing our footprint

- Carbon: Joining the global movement to limit climate change
- Water: Reducing usage and improving quality
- Waste: Rethinking growth in a circular economy
- Industry 4.0: Transformation begins at home



“Eaton is well positioned to impact the power ecosystem through our customer solutions while also creating operational efficiencies to reduce our footprint with a cleaner, more efficient operation.”

– Harold V. Jones, executive vice president,
Eaton Business System and Sustainability

At our sites around the globe, we are focused on reducing energy consumption and greening our energy supply. At the same time, we have defined targets to reduce waste and water use.

One of our critical sustainability goals is to mitigate climate change while improving the efficiency of our operations. We have identified several innovative ways to promote resource use reduction that not only limit emissions and our consumption of resources, but also lower our cost of production. Our businesses are held accountable for the implementation of these efforts by our Chief Digital Officer and Executive Vice President of Eaton Business System and Sustainability.



Saving natural resources in India

The GreenCo rating system aspires to be India's industry benchmark for environmental performance. The organization encourages generating value through environmental efficiency using a unique performance-oriented approach. Eaton sites in Ranjagaon and Pune, India, received GreenCo certification for results in GHG mitigation, carbon sequestration, water and energy savings and material recovery, with the Pune facility awarded the highest Gold rating and a 2020 Innovative Environmental Projects award.



Carbon: Doing our part to limit climate change

By 2030, we aim to:

Reduce our greenhouse gas emissions by a science-based target (SBT) of 50 percent.

Eaton supports the global movement to limit the world's temperature increase to 1.5°C. The Science-Based Targets Initiative (SBTi) offers an objective, scientific evaluation of what is needed for global greenhouse gas emissions reduction to limit catastrophic climate change. These targets include cutting Scope 1 and Scope 2 greenhouse gas emissions from our operations by at least 50 percent by 2030.

Achieve carbon neutral operations

Carbon neutrality builds on our science-based target to reduce GHG emissions, which we'll achieve by reducing the carbon intensity of our Scope 2 emissions from purchased electricity and reductions to our Scope 1 direct emissions from natural gas, fleet fuels and process fuels. We also plan to use offsets where we can't reduce emissions.

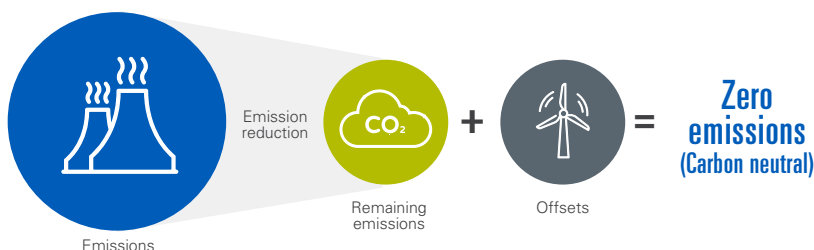
How we'll get there

To achieve our 2030 goals, our strategies may vary by site or product, but we are prioritizing how to create lasting and important change.

We are committed to additionality, meaning renewable energy procurement that adds new renewable energy onto the grid. We will target emissions reduction opportunities where we have large energy loads and high carbon intensity. And we will build credibility by valuing the views of our key stakeholders on the integrity of our renewable energy sources.

We plan to advance the transition to a renewable energy economy with our Everything as a Grid approach. We will align our businesses with important secular trends in sustainability, digitalization and connectivity, electrification and energy transition. We will make financially sound decisions by evaluating renewable energy opportunities competitively and recognize the urgency in responding to climate change.

What it means to be carbon neutral



GreenUp employee awards for fresh ideas

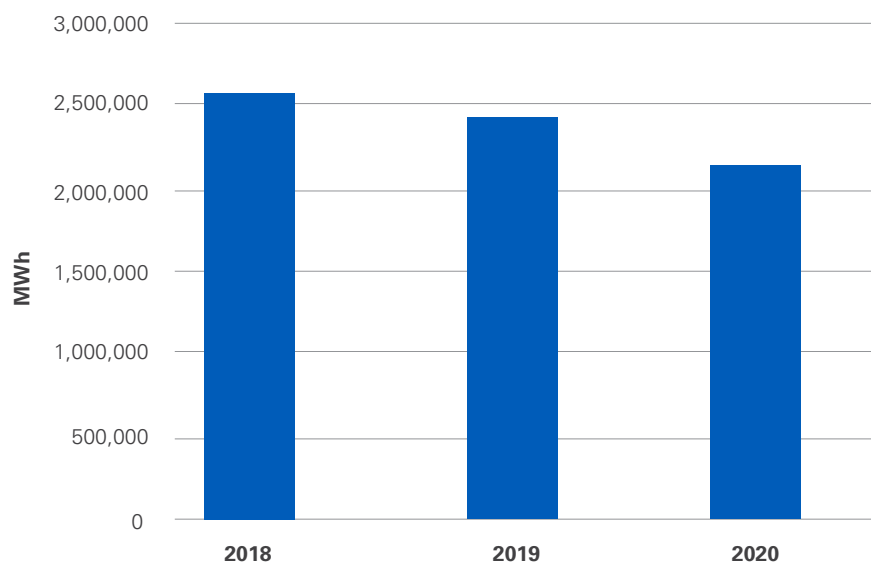
Our employees are often the best resource for turning green ideas into reality. To achieve the challenging science-based sustainability targets for 2030, we are empowering our Electrical Sector employees across the EMEA region to submit their ideas to help Eaton achieve our sustainability vision—from enabling more efficient building and access to clean energy to slashing waste and emissions. Among 68 projects submitted in 2020, 11 received GreenUp awards with \$1.1 million in budget allocated to those projects. These resulted in reducing our yearly GHG emissions by 471 metric tons, energy consumption by 535 megawatt-hours, and water consumption by 6,565 cubic meters.

Going above and beyond to improve air quality

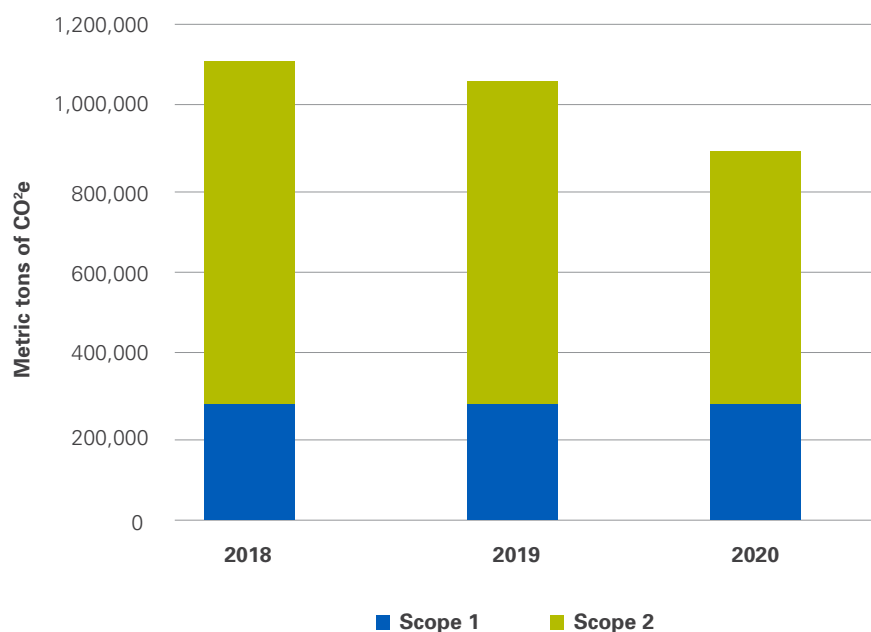
The Western North Carolina Regional Air Quality Agency honored our Asheville, N.C., site with their Clean Air Excellence Award, designed to recognize businesses that go above and beyond regulatory requirements to voluntarily improve air quality for people of the region. Eaton received the award for energy savings and emissions reductions related to roofing and HVAC projects, leading to a six percent reduction in GHG emissions.

Our energy consumption is the largest driver of our greenhouse gas emissions. The large drop in 2020 is due partly to pandemic production decline, as well as our investment in energy efficiency projects. We have been transitioning to more renewable energy sources and continuing to look for opportunities to obtain even more renewables. We have increased our renewable electricity consumption by 12 percent since 2018. Our 2021 target is an additional absolute reduction of 4.2 percent in greenhouse gas emissions.

Energy consumption in manufacturing



Greenhouse gas emissions



Microgrid brings more sustainable power to Puerto Rico

Eaton is partnering with Enel X, a global business line dedicated to the development of innovative products and digital solutions, to deploy a solar and storage-based microgrid at Eaton's Arecibo plant in Puerto Rico. The project will reduce environmental impact and support energy resilience at one of Puerto Rico's largest employers. The project aligns with the Puerto Rico Energy Bureau's new targets for 3,500 MW of solar and 1,500 MW of storage by 2025. Projects like this can also help customers safely add more renewables and energy storage, transforming operations to become more sustainable and resilient while lowering costs.





Water: Using less and improving quality

We aim to achieve zero water discharge certifications at 10 percent of our manufacturing sites

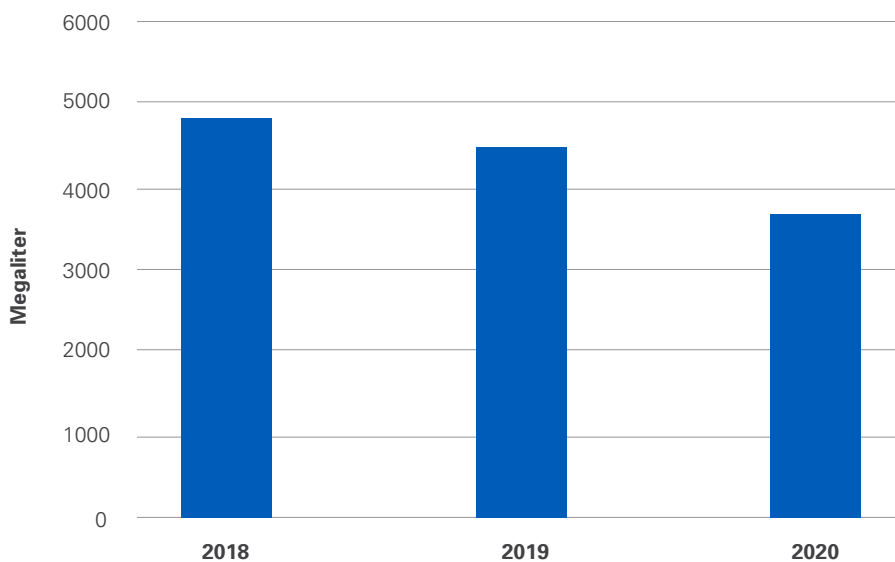
Fresh water is essential to human life—from agriculture and industry to household and recreational use. But it is a limited resource, with water scarcity affecting more than 40 percent of the global population. This is a growing challenge for many countries.

Approximately 20 percent of our manufacturing sites are in water-stressed areas. Climate change is expected to make the situation worse by altering hydrological cycles, causing water sources to be more unpredictable and increasing frequency and intensity of floods and drought.

Eaton is committed to responsible water practices that minimize potential negative impacts on the environment and to create solutions that improve water efficiency, quality, sanitation and desalination in communities around the world.

Since 2015, we have reduced our absolute water consumption each year. We are now focused on reducing water consumption where it matters the most—while continuing to focus on other aspects of water stewardship such as industrial water quality and stormwater management. From 2019 to 2020 we had a 18 percent drop in water use, this is partly due to the COVID-19 pandemic but it is also due to increasing efficiencies at our plants.

Water use in manufacturing



Cutting water use by nearly half

Our facility in Dausenau, Germany, makes significant use of hot injection molding to produce circuit breakers and control devices. Heating and cooling the presses requires considerable electricity and water. Spurred on by our ambitious sustainability targets for 2030, the site deployed innovative technologies to reduce water used for cooling. With new technologies like heat exchangers and compressor systems, water consumption was slashed by 49 percent compared to 2018. The excess heat was used to warm the facility during winter, reducing reliance on natural gas by 46 percent. Similar technologies are being deployed at other Eaton sites, all crucial steps in global energy transition and the fight against climate change.

Supporting sustainable water use in India

Eaton volunteers worked alongside residents of two villages near Ahmednagar, India, to help them implement a sustainable watershed management program for their communities. The Eaton India Foundation, along with Watershed Organisation Trust, is spearheading the project to help encourage community development. The Eaton team helped to reduce water runoff and prevent soil erosion in the village by laying stone “bunds,” an effective water management technique in India. The economic water conservation method uses locally available stones to form a barrier preventing water runoff and allowing it to seep into the land, rather than flood the region.

Waste: Rethinking growth in a circular economy

By 2030 we aim to certify 100 percent of our manufacturing sites as zero waste to landfill.

We're accelerating our contribution to the circular economy by making our successful zero waste to landfill program more ambitious. Sixty percent of our manufacturing sites have diverted at least 98 percent of their waste from landfill.

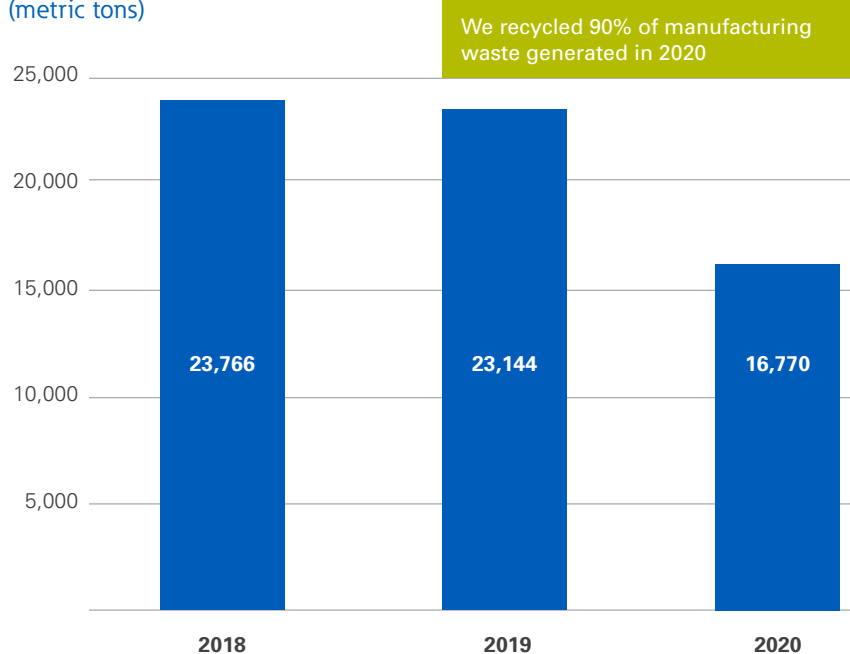
At Eaton, we are focused on creating benefits by using methods such as reduce, repair and recycling to minimize waste, pollution and carbon emissions. By transitioning to renewable energy sources, our circular model builds economic, natural and social capital.

A circular economy aims to:

- Design out waste and pollution
- Keep products and materials in use
- Regenerate natural systems

We are also committed to reducing the volume of waste bound for landfill by 2 percent annually. The process starts with eliminating waste streams before they reach our facilities, and then engaging partners to help us divert our remaining waste from landfills. In 2020, we reduced our waste to landfill 28 percent compared to 2019. This large decrease was, in part, due to our waste reduction efforts but also because of COVID pandemic-related decline in production. Our recycling rate in 2020 was more than 90 percent of our total waste. We are also committed to minimizing the impact of our operations and products. [Learn more about our product stewardship.](#)

Landfilled waste (metric tons)



Swarf solution is a success

Industrial sludge known as swarf is one of the most difficult waste streams to recycle. Fine metal chips are produced during machining operations and must be separated from fluids before disposal or recycling. After a decade of working on a solution at our Kearney, Nebraska site, we are working with a vendor to remove fluids and reuse or recycle the dried grinding swarf. In 2020, we diverted approximately 1,400 tons of material from landfill by reusing a portion onsite in the manufacturing process and sending the remainder offsite for material recovery.



Remanufacturing for "like new" performance

By expanding our remanufacturing business to include electronic clutch actuators used on UltraShift® PLUS transmissions, Eaton is further reducing the environmental impacts of manufacturing new parts. We remanufacture thousands of transmissions and clutches annually to "like new" performance, maximizing the reuse of materials while keeping them out of landfills, saving energy and reducing emissions and waste. We've set a target to have remanufactured products account for up to 80 percent of our aftermarket transmissions by 2023.



Industry 4.0: Transformation begins at home

Sustainable practices begin in our own facilities. Using data, technology and Industry 4.0 methods, we have developed cleaner and more efficient manufacturing practices.

We envision Industry 4.0 as leveraging both operational and informational technologies, enabling autonomous production systems that are connected, optimized, transparent, proactive and agile. In an integrated ecosystem, the technologies we use include augmented reality, rapid application development, autonomous robots, digital simulation and additive manufacturing.



Listen for more on our 10 in 10 Podcast:

Vice President of Industry 4.0 Craig Sutton and Vice President of IT Digital Design and Manufacturing, Todd Earls discuss the evolution of smart factories and digital design in manufacturing.



Industry 4.0 revolution

Our Vehicle Group facility in Valinhos, Brazil, is leveraging Industry 4.0 technologies such as additive manufacturing, augmented reality and automation with collaborative robots, also known as cobots, to improve operational performance in productivity, quality and speed to market.

Augmented reality tours

To continue critical operations and keep employees safe during the pandemic, our teams are using Microsoft's HoloLens 2 augmented reality goggles to display 3D images in physical spaces and connect remotely. By leveraging augmented reality, we are able to continue to support our operations remotely and continue the development of new products, ensuring our customer deadlines are met despite the global challenges we are all facing.

3D printing accelerates production

Eaton has supplied ram air valves to military and commercial customers for years. To meet the demand for more rapid production, our design team looked beyond traditional casting methods to produce an additive-manufactured component to meet program requirements. For Aerospace Industrial Development Corporation's T-5 Brave Eagle, we cut development lead time in half and reduced component part count from 22 to two — improvements that helped keep production and test schedules on track. Eaton's ram air valve assembly is part of a growing number of additive-manufactured components in development or in production for aerospace customers.



Engaging our employees and communities

- Creating an inclusive and engaging workplace
- Building organizational capability
- Balancing work-life effectiveness
- Assuring fair pay
- Developing our talent
- Making a difference where we live and work



Eaton's high performing teams are the backbone of this great organization. Our focus on nurturing diverse perspectives, building an inclusive culture and developing our talent, not only makes Eaton a great place to build a career, it's also our competitive advantage.

– Ernest W. Marshall, executive vice president and chief human resources officer

Our employees care about creating a better and more sustainable world. A fully engaged workforce is essential to building a happier, more satisfied workforce.

No one person or single company can advance sustainability initiatives alone. It takes a culture of awareness, inclusion and engagement. Fully engaged employees care about making a difference. They are more productive, innovative and satisfied in their work.

Today's workforce expects meaningful and engaging work—with opportunities to grow and flourish. That's why one of the pillars of our sustainability strategy is enlisting and leveraging our employees to multiply our positive impact. We engage with our employees through enterprise-wide town halls, by hosting informal listening meetings or surveying groups of employees on specific subjects.



By 2030 we aim to:

Achieve and maintain employee engagement scores of 80 percent or higher

Record 250,000 hours of employee volunteer time annually

Provide 12 hours of training and development per employee per year



Of those who completed our pulse survey in 2020,
83% of employees said they were proud to work at Eaton.

At Eaton we often focus on the innovations that can help us get to a low carbon economy, but we also like to showcase how our employees can choose to support a sustainable lifestyle. With this in mind, all Eaton employees have access to the Eaton Go Green mobile app, which allows them to join teams, take actions to improve the environment and measure their impact. Each quarter we have challenges that encourage employees to get involved and see how small actions add up. We track how much carbon, waste, and water has been reduced through actions taken by individuals. Although these metrics don't count toward our corporate metrics, they are a meaningful statistic to the individuals and teams trying to measure their environmental footprint.

The Green Guardians at Eaton are an active employee group of approximately 900 people focused on sustainability. To promote sustainable lifestyles, this group spearheads facility-wide projects and events such as composting programs, installing LED lighting and slow flow faucets, planting community gardens and cleaning local waterways. The group communicates regularly through an open, internal forum where employees share articles, tips and photos. Discussions range from asking for how-to advice on reducing personal fossil fuel use to sharing low carbon diet recipes.



“We aspire to be a model of inclusion and diversity in our industry—a place where everyone matters, a place where everyone belongs.”

— Craig Arnold, chairman and chief executive officer

10 REDUCED INEQUALITIES



Creating an inclusive and engaging workplace

At Eaton, we believe that inclusive behaviors drive innovation and growth. We have created a culture where everyone is valued. That helps us build high-performing teams that deliver results, with people who care about being part of a sustainable, socially responsible company.

Diversity begins with leadership at the top. In June 2020, Eaton Chairman and CEO Craig Arnold wrote an article for the *Cleveland Business Journal* as part of a series on addressing racial inequality in the workplace.

Citing a 2019 report stating that African-Americans made up only 4 percent of Russell 3000 corporate directors and held just 3.5 percent of board seats in 2008, Arnold said, “Now is the moment when business leaders have an opportunity to step up and set an ambitious diversity goal that includes women and all minorities. A goal that is



focused, actionable and measurable. A goal that ensures our boards, our leadership teams and our workforce are truly diverse.”

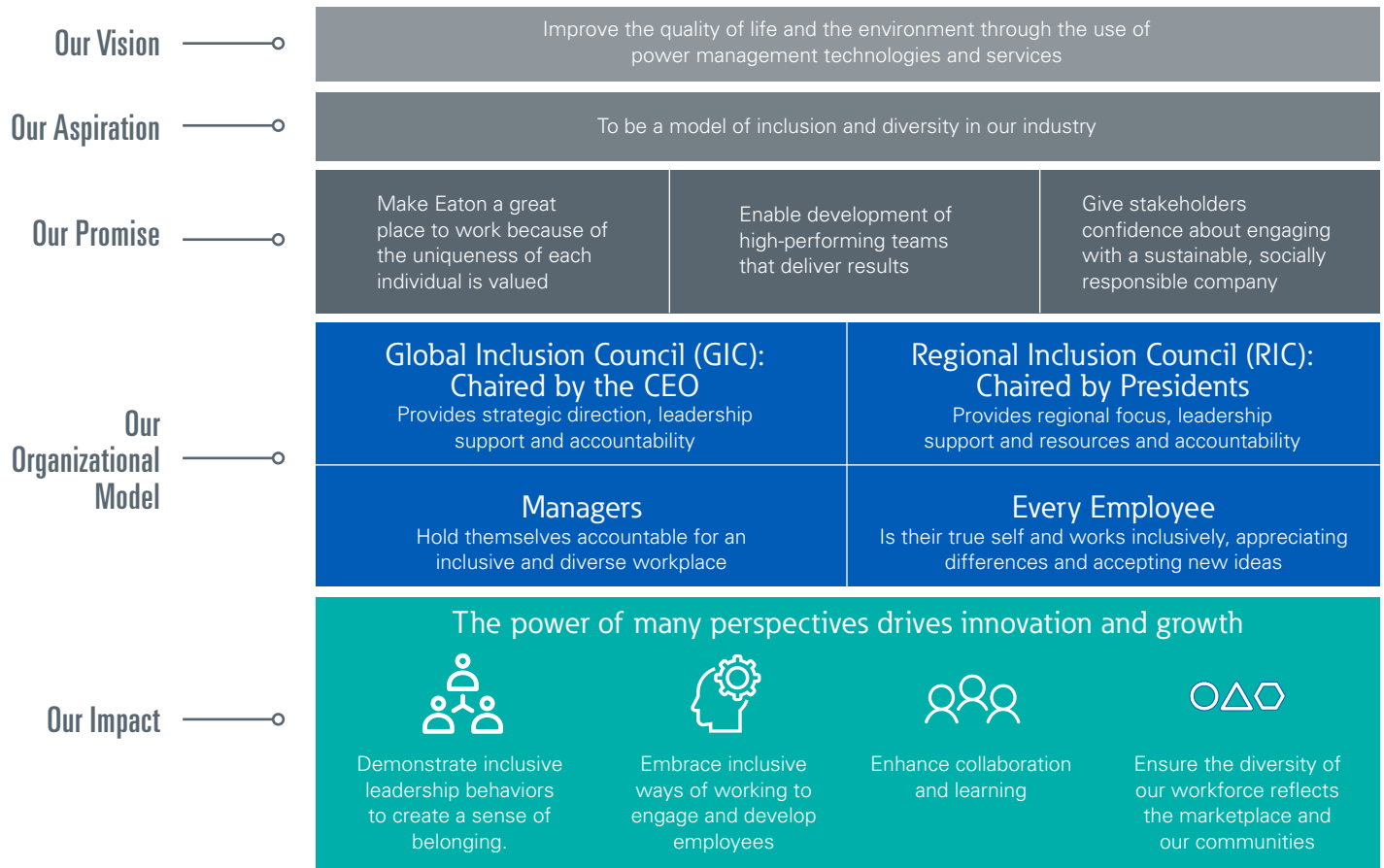
In 2021, Eaton celebrated a milestone in the evolution of our board, with two thirds of our directors now either women or U.S. minorities. This builds on the strength of our global leadership team, 54 percent of whom are U.S. minorities. And we strengthened our supplier diversity program, purchasing approximately \$1.9 billion in goods and services from small and diverse suppliers, and growing our business with women-owned businesses by approximately 7 percent and with veteran-owned businesses by nearly 5 percent over 2019. Eaton was also ranked 6th on the *STEM Workforce Diversity* magazine list of Top 50 employers.

Our inclusion Eaton resource groups (iERGs) help foster awareness and respect in the workplace, as employees make connections with others who share a common purpose, interest or background while discovering diverse perspectives.

Embracing an inclusive workplace

Companies throughout Europe are signing a Charter of Diversity showing commitment to creating and maintaining diverse and inclusive work environments for their employees, regardless of gender, ethnicity, religion, age, disability and sexual orientation. Eaton sites in Hungary, the Czech Republic, Poland, Romania, Austria and Italy have signed the charter, and our sites in Ireland, Germany and France also plan to sign. The 2021 objective is to have the charter signed by all European countries where there is a strong Eaton presence.

Our inclusion and diversity model



Building organizational capability

The foundational pillar of our Inclusion and Diversity learning curriculum is our full-day leadership experience, Valuing Inclusion and Diversity at Eaton—The Power of Perspectives (VID). This experience is offered globally to all leaders of people. Since 2014, nearly 6,000 leaders have attended, with the objective of increasing awareness of personal biases, developing inclusive leadership skills and advancing a culture of inclusion. Participants have said the experience is eye-opening and has positively impacted their perceptions, including focusing on inclusive leadership. To reinforce their VID learning, leaders have access to Moment of Choice tools created to aid and encourage their journey from unconscious bias to conscious inclusion. In 2020, the Global Inclusion and Diversity team took steps to convert this learning experience into an engaging, high impact virtual platform, which allowed broader access to critical learning opportunities.

Another global program was launched in 2020 to increase personal awareness and capability in coaching leaders to become more inclusive and engage in conversations that matter. Additionally, our iConnect iERG, which is dedicated to promoting cultural awareness, racial equality and justice, launched Listening Circles to have open conversations around race and equity with employees and leaders. WAVE, our women's iERG, launched Ally Advocacy Circles, a series of small-group discussions with women and men to discuss what it means to be an ally and concrete ways to support and advocate for each other.

8 DECENT WORK AND ECONOMIC GROWTH



Balancing work-life effectiveness

Balancing work-life effectiveness is a common topic among today's workforce. Regardless of family or life situations, employees are interested in increased flexibility, and the trends are clear that the majority of large companies are considering strategies to provide more flexible options. It is imperative to our culture to be supportive of our employees in considering work, family and personal demands.

In 2020, many Eaton employees began working from home, and those whose roles were site-based needed more flexibility. Eaton was very pleased with the productive outcomes of remote work, and we're recognizing that some of our employees enjoy working remotely, others prefer to be in the office, and some employees prefer a more flexible schedule. With that in mind, a global team of representatives from multiple regions and businesses evaluated our approach to flexible work, created new streamlined tools to make flexible work requests easier, while giving managers the information they need to say yes to flexible work.

Embracing an inclusive workplace

An online global community of Digital Humanitarian volunteers is using 3D printers to make free and low-cost prosthetic upper limb devices for children and adults in need. Our Eaton team in Coignières, France, is proud to support the e-NABLE community's important work to produce life-changing prosthetic hands. The e-NABLE volunteers create open-source designs to help people born without fingers or hands or those who have lost them due to war, natural disaster, illness or accidents.



Integrating inclusion and diversity and the Eaton Business System

In 2020, inclusion and diversity was formally integrated in our Leadership, Culture and Learning Eaton Business System roadmaps to make inclusion and diversity an integral part of our standard processes, measured consistently across the organization. Our goal is to ensure that leadership across Eaton advances inclusion and diversity action plans with a focus on attracting, retaining, developing and promoting diverse talent as well as increase employee engagement in their businesses through the iERGs.

By the end of 2020, more than 2,300 employees (3 percent of global employees) participated in our flexible work solutions program. Flexible solutions, which have been in place well before the global pandemic, include compressed work weeks, remote work, job sharing, part-time work, flextime and telework. Flexible work solutions and inclusive programs help us remain competitive in attracting the best talent and improve the lives of our employees at work and at home.

5 GENDER EQUALITY



Assuring fair pay

Eaton is committed to equal opportunity, pay equity, inclusion and diversity through processes that drive equitable pay decisions. We have a dedicated team that looks at pay data and our compensation programs, policies and practices to ensure employees are paid fairly. When we do find instances in which individual employees are not paid commensurate with their performance, job duties, qualifications and experience, we address them to ensure employees are paid equitably for similar work.

Spotlight on Eaton's legal function

Eaton's legal team was externally recognized for its inclusion and diversity efforts. April Miller Boise, executive vice president and chief legal officer of Eaton, was nominated for Corporate Counsel's 2021 Champion of Diversity Award for her commitment to, and leadership in, advancing a culture of inclusive excellence across the legal industry. Additionally, Eaton was nominated for the Chambers Diversity & Inclusion award for our efforts to increase diversity and inclusion both throughout our company and supply chain.

Eaton global employment diversity

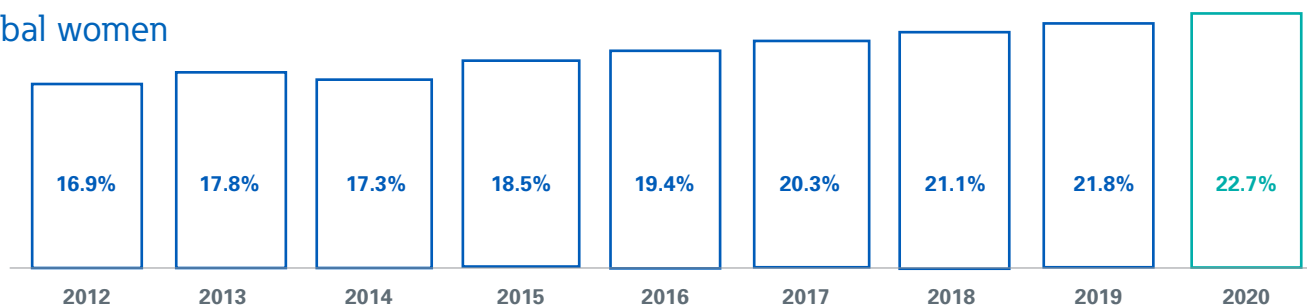
As of Dec 31, 2020	Total global	Number of women	Percentage of women	U.S. total	Number of minorities (U.S. only)	Percentage of minorities (U.S. only)
Board of directors	12	4	33.3%	9	2	22.2%
Global leadership team	26	5	19.2%	24	13	54.2%
Executives	594	126	21.2%	412	73	17.7%
Managers	7,479	1,705	22.8%	3,877	698	18.0%
All other employees	83,888	27,722	33.0%	21,522	7,276	33.8%
All employees	91,987	29,558	32.1%	25,835	8,060	31.2%

Eaton global employment by age

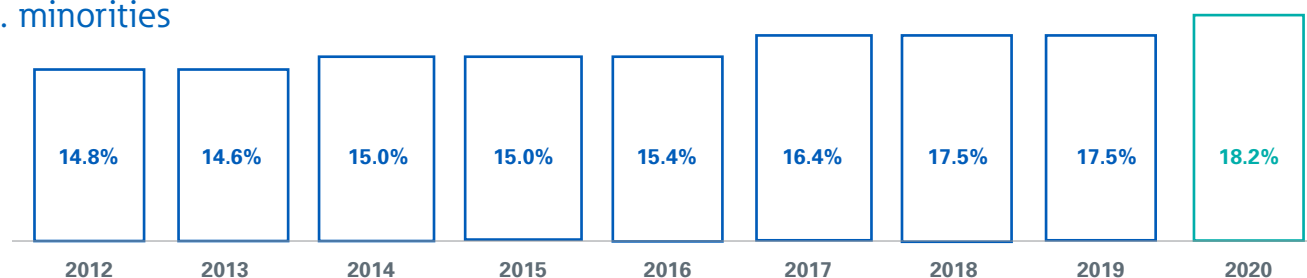
As of Dec 31, 2020	Number under 30	Percentage of under 30	Number of 30-50	Percentage of 30-50	Number of over 50	Percentage of over 50
Board of directors	0	0%	0	0.0%	12	100.0%
Global leadership team	0	0%	7	26.9%	19	73.1%
Executives	0	0%	326	54.9%	268	45.1%
Managers	81	1.1%	4,772	63.8%	2,626	35.1%
All other employees	18,342	21.9%	47,602	56.7%	17,944	21.4%
All employees	18,423	20.0%	52,707	57.3%	20,857	22.7%

Representation of women and U.S. minorities in management and executive roles

Global women



U.S. minorities



Developing our talent

Our greatest differentiator is the collective talent of our people. Finding and hiring current and future talent is critical to our growth and success. That means hiring people with the right skills and aligning their career goals and development with our corporate strategy. And it means making work exciting, engaging and meaningful—so employees can be productive and feel valued.

Our innovative approaches to talent management help us attract and retain employees who will create the next solutions in sustainability. Even throughout the pandemic, we continue to focus on leadership development. We transitioned our intern program to a completely virtual model and focused on building crisis management skills in a virtual development program aiming to expand leadership capabilities.

Employee training hours

Each Eaton employee received an average of 8.3 hours of training and development in 2020. This is our first year reporting this metric and this is the training data we collected centrally. We've invested in a new data collection system and are currently deploying it to better capture the full training and development our employees undertake.

Pioneering an augmented reality plant tour

As part of our Plant Manager Excellence Program, we transformed a traditional in-person facility tour into an augmented reality experience. Integrating the HoloLens augmented reality device technology with Microsoft Teams, participants take part in a virtual meeting with Vehicle Group plant manager Ricardo Monzani at our Mogi Mirim, Brazil, site. Ricardo walked through the plant while interacting with both the environment and the participants—who could ask questions via chat or microphone.

Making a difference where we live and work



“We’re a global company, but how we work to improve our local communities is central to who we are. When our employees live and work in thriving communities, or feel empowered and engaged through acts of service and giving, it not only makes our company stronger, it makes all of society stronger.”

– Taras Szmagala, senior vice president, Public and Community Affairs and Corporate Communications

Together, we faced a global COVID-19 crisis in 2020 that affected our employees, our customers and our communities in unprecedented ways. Throughout the pandemic, we were able to remain operational and provide essential products and services to our customers. And in our communities, we stepped up to serve by distributing medical supplies and personal protective equipment to keep healthcare workers safe and to provide food and essential items to those in need.

We donated \$10,000 to Cleveland Clinic Foundation’s Caregiver Support Fund providing frontline caregivers with meals, housing and medication during the pandemic. And thousands of our colleagues in more than two dozen countries contributed \$350,000 to Eaton’s global employee matching gift program for COVID-19 relief, the first of its kind.

Even in a normal year, philanthropy is central to our identity at Eaton. In 2020 we donated approximately \$10 million in charitable contributions around the world, with 75 percent supporting health and human services; 20 percent targeted to education; and the remaining 5 percent given to civic, cultural and other organizations.

The need was great in 2020, as we saw a dramatic increase in requests for assistance at local United Way organizations serving Eaton communities. With increases on a scale we haven’t seen in 10 years, emergency funding was requested for our key community partners and pandemic-related programs in more than a dozen U.S. regions.

To focus on health and safety in 2020, Eaton teams didn’t engage in our typical in-person volunteer efforts, but still we found ways to give back to communities where we live and work, from a \$17,000 community grant for renovations at Fundación Quinta Carmelita orphanage in Cuatitlan, Mexico, to a \$15,000 donation to the UK Guide Dogs for the Blind Association to support training and matching of guide dogs for people with visual impairment.

Stepping up in the hardest times

2020 is the first year we’ve collected and reported on employee volunteering. While our target is 250,000 hours per year, to focus on health and safety in 2020, we were not engaging in most of our typical in-person volunteer efforts. However, many of our teams continued to volunteer safely to help those in need. [See how our employees stepped up and donated supplies, assembled PPE, delivered meals, and even installed mobile camps with sanitation stations to protect those most vulnerable from COVID-19.](#)

Emergency care in our communities

The Community Involvement Team at our Forest City, North Carolina, hydraulic hose manufacturing site secured a grant for \$6,096 from the Eaton Charitable Fund for the Rutherford County Lifesaving & Rescue Crew. Serving the local community since 1958, the crew provides ambulance transport, 24/7 out-of-hospital care and tactical rescue services. The funds support the crew’s innovative supplies and technology used to provide medical and tactical care for the people of Rutherford County, home of the Forest City facility and approximately 200 Eaton employees.

Helping build hospitals when it matters most

In Wuhan, China, we partnered with electrical contractors and distributors as they built two new field hospitals in just 10 days. These facilities provided an additional 2,500 hospital beds that enabled frontline medical teams to diagnose, treat and monitor more patients.



Employee volunteer hours:
33,435 hours volunteered in 2020



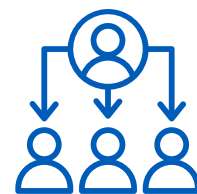
Doing business right and transparency

- Good governance matters
- Creating a safe and healthy workplace
- Prioritizing employee well-being
- Owning quality
- Building a sustainable supply chain
- Working ethically and protecting human rights

How we achieve results is an important measure of our success. Eaton has earned its global reputation for integrity by making ethics a priority.

Doing business right is at the core of the Eaton brand and a central pillar of how we build our reputation in the marketplace. We nurture the right values and make clear what we mean by acting with integrity. By continuing to meet the high expectations we place on ourselves, we protect an important part of what makes us uniquely successful in the eyes of customers, suppliers and employees.

Our commitment to doing business right begins at the highest levels of our leadership and is brought to life each day through the actions of our employees.



“Our commitment to doing business right begins at the highest levels of our leadership...”

Good governance matters



“At Eaton, our strong governance structure means that our Board provides direct oversight of our comprehensive sustainability strategy. With their guidance, we’re making progress towards meeting all of our ambitious ESG goals across all levels of our organization”

– April Miller Boise, executive vice president and chief legal officer

With the support and oversight of the Board, our Sustainability Executive Council, which is chaired by our Chairman and also includes our Chief Operating Officers, Chief Financial Officer, Chief Legal Officer and Chief Human Resources Officer, has responsibility for Eaton’s sustainability strategy and for ensuring the effectiveness of our approach. Our Board considers sustainability issues, including environmental, social and governance issues at each Board meeting. In addition, at Eaton’s annual strategy sessions, our Board reviews our sustainability strategy in detail with management. The Board is also responsible for oversight of Eaton’s

Honored among 100 Best Corporate Citizens for 13th consecutive year

We measure success by more than financial results. Eaton’s commitment to improving the quality of life and the environment again earned us a spot on 3BL Media’s 2020 list of 100 Best Corporate Citizens. Recognizing standout environmental, social and governance performance of public companies across the United States, the list focuses on performance in climate change, employee relations, environment, finance, governance, human rights, stakeholders and society and ESG performance. Eaton was ranked #31, moving up from #53 in 2019.

Sustainability Executive Council



Enterprise Risk Management Program, which identifies, assesses and mitigates against our top risks, including ESG and climate-related risks.

As part of its ultimate oversight of Eaton’s sustainability strategy, the Board, through its committees, considers specific risks and opportunities, including climate-related risks and opportunities, that fall within certain of the committees’ areas of responsibility. At each Board meeting, the committee chairs provide updates to our full Board on the activities of their respective committees.

Meeting and exceeding our sustainability goals is essential to Eaton’s overall business success. From our executive teams to every level of employee, we recognize achievements and encourage practices that enhance our energy efficiency and sustainability. Our sustainability

Eaton among 2021 World’s Most Ethical Companies

Ethisphere® Institute is a global leader in defining and advancing the standards of ethical business practices. For the 10th time since they created their list of the World’s Most Ethical Companies designation in 2007, Eaton was again honored. One of only eight honorees in the Industrial Manufacturing category, Eaton is among 135 honorees recognized from 22 countries and 47 industries.

governance process is how we manage material topics and who at Eaton is responsible for each topic. Our [governance table](#) outlines accountability and management of our material sustainability topics.

3 GOOD HEALTH AND WELL-BEING



Creating a safe and healthy workplace

Protecting the health and safety of our employees remains our number one priority. We believe that all injuries can be prevented. That guiding principle is at the heart of our Zero Incident Safety Culture. Safety doesn't happen by accident. At Eaton, we are continually engineering and implementing safer products and processes to keep customers and employees out of harm's way. We all deserve to work in a place where safety is valued so we can return to our homes and families at the end of each day.

We make safe and sound work

At Eaton, safety is part of doing business right. A broad set of benefits and programs create a workplace where employees and contractors working in our facilities share personal responsibility for creating and maintaining a safe work environment. It begins with our Safety Policy, which guides us in our progress toward eliminating injury and illness in our workplace.

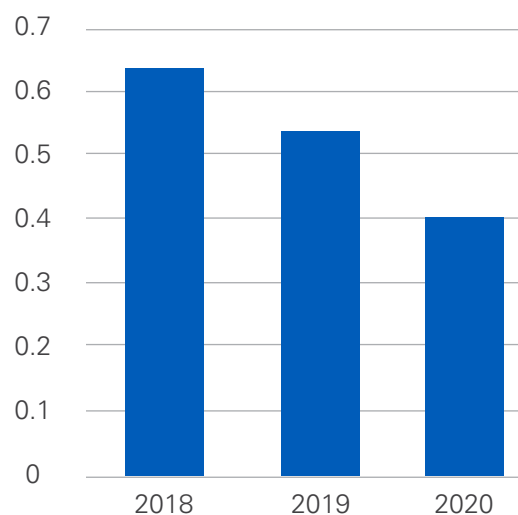
The Eaton Safety Principles require each individual to be responsible and accountable for recognizing and correcting at-risk behavior or unsafe conditions. Every person in every Eaton facility is asked to abide by our core safety expectations. We consider these to be absolutes because a violation could result in serious injury or even death.

At facilities around the world, our safety expectations require employees to follow established safety procedures, including hazardous energy control and machine safeguards, work permits and specialized safety procedures for high-risk activities, personal protective equipment as specified, safe driving, and reporting all unsafe conditions and all injuries and illnesses in order to prevent similar incidents or conditions occurring in the future. Our [Environment, Health & Safety \(EHS\) Handbook](#) provides requirements for working at or visiting an Eaton site.

COVID-19 vaccination education

Throughout the pandemic, our employees' health and safety remained our top priority. When multiple vaccines were approved around the globe, we committed to providing accurate information and education on vaccine safety and effectiveness. We distributed posters and digital signage in more than two dozen languages to help our global workforce understand the vaccine's importance in protecting health and preventing disease. While deployment of vaccines varied by region and country, we also began offering onsite vaccinations in jurisdictions where it was possible.

Total recordable incident rates



Our 2020 Total Recordable Case Rate is 0.40, well below what we define as a world-class safety rate. Our longer term goal is to reach 0.25 TRCR. In the past three years, we had zero fatalities at our sites.



Of those who completed a pulse survey in 2020,
89% of employees said they feel they work in a safe environment

0.17
2020 days away case rate (DACR)

How we manage the environment, safety and health

Eaton EHS performance is governed by MESH (Management of Environment, Safety, Security and Health), a globally deployed, unified approach which consolidates elements of applicable ISO standards, regulatory requirements and Eaton-specific standards into one integrated management system. Through MESH, our facilities worldwide work toward achieving world-class goals, setting targets for improvement and identifying and sharing best practices. The MESH system fully conforms to ISO 14001 and ISO 45001. MESH also includes elements of ISO 50001 for all larger energy-consuming sites. Performance is regularly monitored through an annual self-assurance process as well as a rotating corporate audit process and third-party management certification. We continue to see significant advancement in our EHS metrics year over year while continuing to raise the bar on our expectations.



Personal well-being is a critical element to helping our employees be at their best each day

As part of the MESH Assessment Process, Eaton has established four ISO 14001:2015 group certificates, one for the Electrical Sector and three for the Industrial Sector (Aerospace, Hydraulics and Vehicle businesses). These four certificates include 181 sites, a total of 85 percent of our manufacturing sites worldwide. Eaton's Vehicle Group maintains an ISO 45001 certificate, which covers 16 of our manufacturing sites. All manufacturing locations conform to the MESH program and are fully conforming to these important standards.

These certificates and more information on our MESH program can be found on our sustainability reports and disclosures [web page](#).

Prioritizing employee well-being

Personal well-being is a critical element to helping our employees be at their best each day. That's why we strive to provide benefits and programs around the world that are industry-competitive and focused on employee well-being.

Due to the COVID-19 pandemic and quarantines, 2020 presented unusual challenges for our employees around the world. Since we play a vital role in sustaining global infrastructure and power supply, we made the important decision to maintain operations during this unprecedented crisis. Essential customers rely on us, including hospitals, military sites, utilities, transportation and shipping providers

Zero severe injury milestone in Controls and Protection

Our Electrical Sector Controls & Protection Division did not have a single severe injury for more than a year and a half. Having no severe injuries in just one plant is a significant achievement, and our Controls and Protections division was able to reach this milestone with 6,000 employees working at 13 different manufacturing locations.



Polish government honors exceptional plant safety

Eaton's Vehicle Group facility in Bielsko-Biala, Poland, received a prestigious safety award from the Polish National Labor Inspectorate. The "Mecum Tutissimus Ibis" (translates to "You'll be Safest with Me") recognizes exceptional care for employee safety. After winning in the first round against 21 other plants, the Eaton facility competed against plants across Poland and was announced as the national winner at an awards ceremony in Warsaw. They also received the "Solidarity" award recognizing respect for employees and a friendly work environment.

as well as data centers, retail outlets, airports, governments and the networks supporting schools and remote workers.

We needed to modify how we work to keep our workforce safe and to help them feel confident about doing their work during this crisis. We required employees to stay at home if feeling ill, implemented new cleaning and disinfecting protocols as well as social distancing procedures including staggering shifts, implemented a rotating office work schedule, and modified workspace and meeting spaces. We restricted visitors and we continue to consult with healthcare organizations to update our response plans.

To protect employee health and adapt to changing family needs, we advised employees to take advantage of flexible work options when possible. This respect for work/life integration and the need for flexible work solutions is another way we express care for employee well-being.

Owning quality

Around the world, lives depend on Eaton's commitment to quality. Our Eaton Quality Management System (EQMS), part of the Eaton Business System, works because our quality and operational excellence teams have created a proactive culture at all levels of the organization. We make sure the customer's voice is fully integrated into our design, manufacturing, supply chain and field processes.



Around the world, lives depend on Eaton's commitment to quality

We leverage our scale in quality management by identifying and implementing best practices and lessons learned throughout our diverse businesses. Our quality management system helps Eaton sites ensure process discipline, identify risks and opportunities, take necessary actions, quickly address issues, and achieve efficiency and effectiveness.

Our system has requirements above and beyond the different industries we serve, with ISO 9001 applicable for most of our sites, IATF16949 applicable for sites serving our automotive customers and AS9100 applicable for sites serving our aerospace customers. It also includes customer-specific requirements and corporate procedures as well as businesses and site-specific procedures.

While EQMS applies mainly to our manufacturing sites, it is also required for our remote support locations. Every three years, our quality system implementation and maturity is assessed through our Validated Operational Assessment process. The quality manual and policies are



Quality that gets noticed

We have inspired a zero-defect culture through our mantra, "I Own Quality." In 2020, our Vehicle Group facility in Jining, China, was recognized as a top supplier by a total of seven different customers. They received awards for Best Quality, Launch Excellence, Excellent Supplier and more. These awards come after our teams around the organization implemented a "Don't pass challenge" to become more comfortable with flagging potential problems. These practices help to ensure only the highest quality products leave our facilities.

frequently reviewed and updated, with EQMS performance monitored at the global level through specific metrics included in our quality dashboard.

EQMS has five components. Each of these components does not independently constitute a comprehensive QMS, but together create an integrated, holistic system designed to meet all requirements. The Eaton-specific QMS policies are defined based on Eaton practices, industry best practices, international standards and other sources.



Building a sustainable supply chain

At Eaton, we care about creating a sustainable and ethically managed supply chain to make the world a better place for all. We strive to create transparent relationships with our suppliers, with clear expectations and explicit guidance governing the way we do business.

Our suppliers' worker health and safety is a top priority. We require suppliers to affirm commitments to responsible labor and human rights practices in order to secure and maintain our business. We share our Supplier Code of Conduct with all our suppliers, outlining Eaton's expectations for supplier workplace standards and business practices.

We require adherence to our [Supplier Code of Conduct](#), which includes our governance policies about human rights issues, such as modern slavery, human trafficking and conflict minerals.

Environmental considerations are critical in our interactions with suppliers. Our Supplier Site Assessment process includes a review of supplier EHS performance and product stewardship practices, and we invite a subset of our Tier 1 suppliers, chosen based on risk and spend, to disclose emissions data through the CDP Supply Chain Program. Select strategic suppliers are evaluated in our supplier risk management program, which includes key sustainability metrics, adverse media and other screening tools that generally cover a broad range of community impacts.

We also strive to engage a diverse supply base reflecting the communities where we live, work and serve. Eaton actively seeks to provide business opportunities to businesses that include small, veteran-owned, disabled-owned, minority-owned, women-owned and historically underutilized business zone suppliers.



All suppliers must affirm the code of conduct in order to participate in our request for proposal process

90%

Suppliers representing 90 percent of our supplier spend have affirmed our Supplier Code of Conduct and our goal is for 100 percent of our suppliers to affirm our code by 2030.

Grass replaces plastic in eco-friendly packaging

Plastic pollution is a major threat to animals, food safety and human health. Packaging is a major source, with 40 percent of all plastic used in packaging. Determined to reduce the environmental impact of our packaging material, our sites across EMEA have adopted innovative packaging made from grass fibers and recycled paper. Created by Storopack, the grass fibers are a renewable resource that require less water and energy to produce than traditional wood fiber alternatives. Our collaboration with Storopack supports our firm commitment to preventing pollution, reducing greenhouse gas emissions and conserving natural resources in all our operations.





Eaton was nominated by the National Minority Supplier Development Council (NMSDC) as a 2020 Corporation of the Year

Eaton's combined spending with minority, women, veteran-owned diverse and small businesses was greater than 32 percent of supplier spending in the U.S. in 2020 with a total of \$702 million going to minority, women, veteran, LGBTQ+ and disabled-owned businesses. In 2020 we advanced our supplier diversity program, purchasing \$1.9 billion in goods and services from small and diverse suppliers, and growing our business with women-owned businesses by approximately 7 percent and with veteran-owned businesses by nearly 5 percent over 2019.

In addition to our efforts with our Tier 1 suppliers, Eaton supports a Tier 2 Program through which we work with our suppliers to create more opportunities for diverse-owned businesses. Eaton requires suppliers who participate in our Tier 2 Program to submit reports detailing their purchases from diverse suppliers every quarter.

Working ethically and protecting human rights

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.

As a participant in the UN Global Compact, Eaton is committed to supporting the UN Sustainable Development Goals and the 10 UNGC Principles based on the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

This commitment is embodied in our policies including our Supplier Code of Conduct and Management of Environment, Safety, Security and Health (MESH) program and our Code of Ethics.

[Our Code of Ethics](#) consists of 12 fundamental principles of ethical behavior, forming 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.

1. Obeying the law — We respect and obey the laws, rules and regulations applying to our businesses around the world.

2. Integrity of recording and reporting our financial results —

We properly maintain accurate and complete financial and other business records, and communicate full, fair, accurate, timely and understandable financial results and other material information. We have developed a system of internal controls designed to preserve the integrity of our records and information.



Recycling copper supports circular economy

Eaton recycles about 99 percent of our copper process scraps and in 2020, Eaton partnered with our largest copper supplier to increase the circularity of our copper supply. We recycle and reuse our scrap copper as finished raw material for our plants in North America. By the end of 2021, we plan to recycle about 700,000 pounds of copper from our plants with this process.



- 3. Respecting human rights** — We respect human rights and require our suppliers to do the same.
- 4. Delivering quality** — We are committed to producing quality products and providing quality services.
- 5. Competing ethically** — We gain competitive advantage through superior performance. We do not engage in unethical or illegal trade practices.
- 6. Respecting diversity and fair employment practices** — We are committed to respecting a culturally diverse workforce through practices that provide equal access and fair treatment to all employees on the basis of merit. We do not tolerate harassment or discrimination in the workplace.
- 7. Avoiding conflicts of interest** — We avoid relationships or conduct that might compromise judgment or create actual or apparent conflicts between our personal interests and our loyalty to Eaton. We do not use our position with Eaton to obtain improper benefits for others or ourselves. We do not engage in activities or enter into relationships that compete with Eaton.
- 8. Protecting assets and information** — We use Eaton property, information and opportunities for Eaton's business purposes and not for unauthorized use. We properly maintain the confidentiality of information and employee data entrusted to us by Eaton or others.
- 9. Acting with integrity** — We do not offer or accept bribes, kickbacks or inappropriate gifts or entertainment. We engage in business practices that are consistent with our ethics and values.
- 10. Selling to governments** — We comply with the special laws, rules and regulations that relate to government contracts and relationships with government personnel.
- 11. Political contributions** — We do not make contributions on behalf of Eaton to political candidates or parties, even where lawful.
- 12. Environment, health and safety** — We are committed to being a global leader in safeguarding the health and safety of our employees and protecting the environment.

Along with the [Code of Ethics](#), we provide employees with a detailed [Ethics Guide](#) containing concrete examples and practical guidance on ethical decision making. The Code of Ethics and Ethics Guide are translated into 34 languages and made available to all employees worldwide.

Every new Eaton employee receives training on the Code of Ethics as part of the onboarding process and receives manager-led ethics training every year. Employees also receive additional ethics and compliance training tailored to their job functions through Eaton's online Eaton University.

Online connected Eaton employees are asked annually to read and reaffirm, in writing, their commitment to the principles of the Code of Ethics.



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.



2020 Eaton University ethics and compliance curriculum

Training	Employees trained
Affirmative action planning	569
Careful communications at work	31,108
Conflict minerals	13,638
Conflicts of interest	10,886
Gifts and entertainment	1,809
Import and customs compliance	2,005
Insider threats	26,698
Lobbying and political activities	642
Quality	21,701
Safeguarding company information	23,616
Software piracy	6,934
Supporting human rights	13,637
Workplace violence	27,027

We are significantly investing in targeted compliance training. We update Eaton University's ethics and compliance curriculum annually. Accordingly, the courses deployed and the enrollment and completion numbers for each training topic vary each year. This training data does not include other training courses for new hires, or additional live or online training employees receive through their businesses or regions—for example, additional training on ethics, anticorruption and bribery, data protection and privacy and other subject areas.



At Eaton, we believe in a “speak up, listen up, follow-up” culture

At Eaton, we believe in a “speak up, listen up, follow-up” culture. Employees who have concerns or questions about ethics or compliance are encouraged to speak up by raising their concerns and asking questions. Managers and other leaders are encouraged to listen up by encouraging the reporting of questions and concerns. They—along with the Global Ethics & Compliance team—follow up by responding to employees' questions and concerns and taking necessary actions.



98%

of employees received at least one hour of ethics training in 2020



Eaton's [Help Line](#), referred to in some organizations as a "whistleblower hotline," is a dedicated resource for employees and any other person (including customers and suppliers) to ask a question, raise a concern or report questionable conduct or business practices. The Help Line is staffed 24/7/365 and available in every language and in every country in which Eaton does business. In addition to the Help Line, employees are encouraged to report questions and concerns, to the extent that they are comfortable, to their managers or human resources. At a reporter's election and subject to local law, reporting may be done anonymously. Allegations of misconduct or questionable practices, regardless of source, are investigated as appropriate and confidentiality is maintained to the fullest extent possible. Finally, Eaton has a strict non-retaliation policy protecting employees who make good faith reports of ethics and compliance concerns.

Eaton promotes transparency and accountability in handling ethics and compliance matters. Ethics and compliance matters reported to the Help Line or otherwise to Eaton's Global Ethics and Compliance team are monitored, tracked and reported to Eaton's relevant leadership teams and Board committees. In 2020, the Global Ethics and Compliance team provided an annual report to employees, sharing metrics, real cases and lessons learned from the more than 1,300 reports received from employees in over 43 countries.



**2020 Eaton Help Line calls:
1,300 reports from 43 countries**

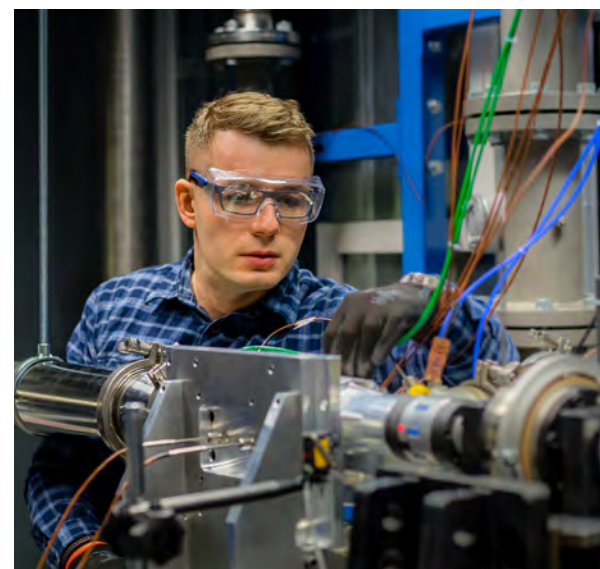
Protecting employee privacy and information

Eaton is committed to respecting the privacy of its employees. It is the company's policy that personal information and data that is transmitted, stored or processed be protected from unauthorized or unintended disclosure, used solely for legitimate business purposes and handled in accordance with the law. Eaton has security measures and access control procedures in place to ensure that personal data are accessible only to those with direct responsibility in a relevant job function and who have a need to know. Eaton acknowledges that many countries in which it operates have specific data privacy laws regarding the treatment of personal data, and we are committed to complying with these laws. Employees have a basic right to privacy regarding their physical workspace, such as lockers, cubicles, desks, offices, file cabinets and toolboxes, and personal information that may be stored on their company-owned electronic devices, such as telephones and computers. However, Eaton expressly reserves the right to inspect an employee's personal belongings on or upon entering company property and to search all company property, in compliance with internal policies and standards and local laws.



24/7/365

**The Help Line is staffed
24/7/365 and available
in every language and in
every country in which
Eaton does business**



Political activity and advocacy

Our Code of Ethics specifically states: “We do not make contributions on behalf of Eaton to political candidates or parties, even where lawful.”

We operate a federal political action committee and use our employee contributions to support candidates we feel can help advance a business community agenda. Eaton does not, however, make contributions to “527 groups” or make independent expenditures directly related to candidates or campaigns. From time to time, Eaton will support issue campaigns that have an impact on the communities in which we live and work. No such contributions are made without the approval of the Senior Vice President of Public and Community Affairs and Corporate Communications and are never based on political preferences of our executives.

Eaton does support lobbying initiatives in alignment with issues of importance to the company through personal contact by employees, contact by lobbyists under contract to Eaton, and by trade associations of which Eaton is a member. The Governance Committee of Eaton’s Board of Directors meets annually with the Senior Vice President of Public and Community Affairs and Corporate Communications to review our policy on political spending to ensure compliance with our policies.

Our total U.S. political spending in 2020 was \$998,000. The trade association component was \$372,000; outside lobbyists expenditure was \$435,000; and we contributed \$25,000 to an organization advocating for passage of a tax levy to support the Cleveland Municipal School District.



“We do not make contributions on behalf of Eaton to political candidates or parties, even where lawful.”

2020 U.S. advocacy areas	Focus
Vehicles and transportation infrastructure	Worked with industry stakeholders at the state and federal level to advance electric vehicles and EV infrastructure adoption.
Electrical technology and grid modernization	Participated in state government working groups to drive energy efficient building codes, electrification, and emissions reduction. Advocated for state building decarbonization and energy efficiency policies.
Stimulus recovery and collaboration	<p>Advocated to support grid modernization, resiliency and reliability as part of federal and state stimulus discussions – including energy efficiency, renewable energy resources, and electrification.</p> <p>Worked with industry stakeholders to promote programmatic solutions to help with near-term work for the energy efficiency sector and the recovery from COVID-19, while ensuring that states continue to move forward on long-term climate goals. Joined business community partners to advocate for state government action on climate change and emissions reduction.</p>
2020 Europe advocacy areas	Focus
Vehicles and transportation infrastructure	<p>Advocated to support:</p> <ul style="list-style-type: none"> • Europe Euro 7/VII CO2 and NOx regulations • Electric vehicle safety regulatory • Hydrogen for the heavy-duty segment
Electrical technology and grid modernization	<ul style="list-style-type: none"> • Energy transition and need for more flexibility at the grid edge • SF6 switchgear phase out
Stimulus recovery and collaboration	Support recovery funding focused on greener, more digital and more resilient Europe.

Transparency

Reporting disclosures and frameworks | Ratings, rankings and recognition



"I'm proud of our commitment to industry-leading ESG practices, including this year's first-ever TCFD report. We know investors want to understand how businesses are impacted by climate change, and the TCFD provides a comprehensive framework to understand those implications."

— Yan Jin, executive vice president, Investor Relations

As good global citizens, we tell our story to demonstrate our contribution and meet expectations of transparency. We develop insights about the priorities of our various stakeholders by careful review of external evaluations, recognitions, ratings and rankings. These sources also help us benchmark, stay aware of best practices and inform our environmental, social and governance (ESG) progress.

Reporting and disclosure frameworks

We report our material issues in accordance with the Global Reporting Initiative and we have aligned our disclosures with reputable ESG frameworks including: Sustainable Accounting Standards Board (SASB), ISO 26000, Task Force on climate-related Disclosures (TCFD) and the United Nations Sustainable Development Goals. Detailed content indices for these reporting and disclosure frameworks are [published online](#).

The TCFD publishes recommendations for voluntary climate-related financial disclosures that provide decision-useful information to lenders, insurers and investors. We just published our first ever standalone, [TCFD report](#) for governance, strategy, risk management, and metrics and targets related to our climate risks and opportunities.

We disclose our governance and management approach for our material sustainability issues, including climate change, on our [Sustainability Governance](#) page.

Ratings, rankings and recognition

We are proud to have received recognition from the world's leading ratings and ranking agencies for our sustainability efforts and achievements:

- With operations in Africa since 1927, Eaton is proud to achieve top rating as a [Broad-Based Black Economic Empowerment \(BBBEE\)](#) contributor in South Africa for the fourth consecutive year. The **BBBEE** program seeks to address social harm caused by apartheid and to enhance economic participation of previously disadvantaged people of color in the country's economy.



We are proud to have received recognition from the world's leading ratings and ranking agencies for our sustainability efforts and achievements.



- Eaton was awarded the **EcoVadis bronze level** ranking, placing us among the top 50 percent in quality of Corporate Social Responsibility (CSR) management.
- We have been recognized by **CDP** at the Leadership level for environmental transparency and performance. We are honored to receive an A- ranking on our 2020 Climate Change score, which is an above-average ranking for our sector. We also received an A- in Supplier Engagement and a B ranking for our CDP Water Disclosure. Our CDP [climate change report](#) and [water response report](#) are available at these links.
- We received an **ESG Risk Rating level of 17** from **Sustainalytics** which is considered Low Risk.
- **Institutional Shareholder Services (ISS)** is the world's leading provider of corporate governance. Eaton's ISS Corporate Rating is a C, which places us in the second decile as a high performer relative to our industry group.
- We scored 3 out of 5 on the **FTSE Russell ESG** rating.
- We were included in the **MSCI World ESG Leaders Index**, which provides exposure to companies with high ESG performance relative to their sector peers.
- We earned a **BBB** rating from **MSCI**.
- Eaton has been selected for inclusion in the **FTSE4Good Index Series** for the past four years, **demonstrating our strong ESG practices**.
- We were included in the **2021 Carbon Clean 200™** list of publicly traded companies leading the way in the transition to a clean energy future.

Additional ESG indices in which Eaton is included:

- Hartford Balanced Income Fund
- DFA Investment Dimensions Group, Inc
- BlackRock Global Funds - Sustainable Energy Fund
- JPMorgan Investment Funds - US Select Equity Fund
- Mirova Funds - Mirova Global Sustainable Equity
- MFS Total Return Fund
- Folksam LO Världen
- Robeco Capital Growth Funds - US BP Large Cap Equities
- Eaton Vance Large Cap Value Fund

See our full [reports and disclosures](#) for sustainability online.



2020 recognitions

100 Best Corporate Citizens

3BL Media

Carbon Clean 200

Clean 200

CIO 100 Award for excellence in augmented reality

CIO

Top 100 Global Innovators

Derwent

World's Most Ethical Companies

Ethisphere Magazine

America's Best Employers by State

Forbes

America's Best Employers for Women

Forbes

World's Most Admired Companies

Fortune

FTSE4Good Index Series

FTSE Russell

Best Place to Work for LGBTQ Equality

Human Rights Campaign

All-America Executive Team

Institutional Investor Magazine

2020 Rankings of America's Most JUST Companies

JUST Capital

Military Friendly® Silver Employer

Military Friendly

Top 50 Employers in STEM

STEM Workforce Diversity magazine

Top 50 Employers

Woman Engineer Magazine

DiverHERsity Awards 2020

JobsForHer

Best for Vets

Military Times magazine

2020 Best Employer Award

Greater Suzhou

STEM Top 50 Employers

STEM Workforce Diversity Magazine

Top 100 Employers for Women

Working Mother Media and Avatar

Top 10 attractive in Romania

Randstad Employer Brand Research Global Report

Prime Employer for Women

Where Women Work

Austria's top employer in 2020

trend magazine

Regional Corporation of the Year

Women's Business Enterprise Council Ohio River Valley

FT Diversity Leaders

Financial Times

Diversity in the Automotive Sector

Automotive Business

Appendix

Reporting method

Our 2020 Sustainability Report describes the strategy, organization, initiatives, programs, management systems and goals for Eaton's sustainability initiative. It focuses on our material issues and supplements our financial reporting in the Annual Report. This report is based on activities carried out during the 2020 calendar year (January-December 2020). Given Eaton's size and global operations, data is collected through various internal reporting systems.

GRI

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards using the Core option. GRI is an independent international organization that has pioneered sustainability reporting since 1997. Eaton is committed to the Global Reporting Initiative Standards for reporting the company's sustainability performance. Sustainability reports based on this framework can be used to demonstrate organizational commitment to sustainable development, to compare performance over time, and to measure performance with respect to laws, norms, standards and voluntary initiatives. View our [GRI Content Index online](#).

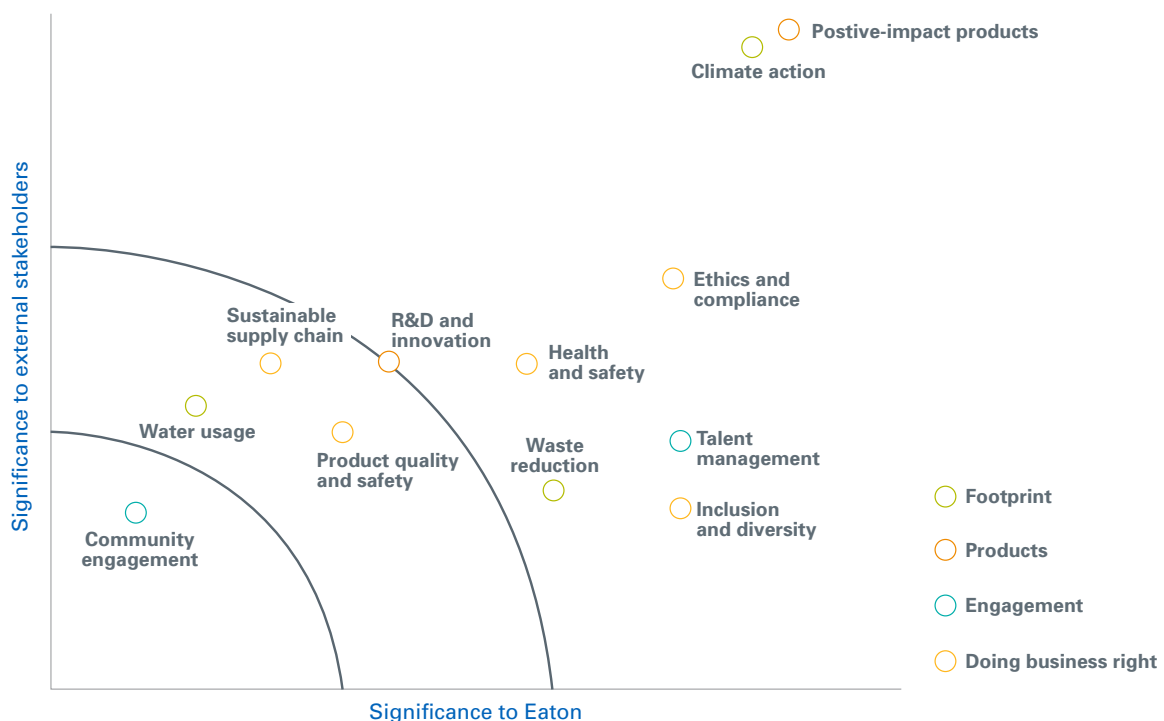
SASB

Eaton reports on all material issues identified by the Sustainable Accounting Standards Board (SASB) for our industry. View our ESG Results for our [SASB materials issues online](#).

Material ESG issues

We embody our principle of doing business right by prioritizing the sustainability impacts most important to our stakeholders and us. Using shareholder input, we proactively analyzed our most important sustainability issues based on the significant economic, environmental and social impact. These are now integrated into our sustainability and reporting strategies and serve as our compass for mapping future performance. Our first [materiality analysis of key sustainability topics](#) was finalized in 2014, and in 2017 we completed a refresh.

Materiality prioritization matrix



Third-party verification

Our greenhouse gases and zero waste-to-landfill metrics have been third-party verified and are determined to be materially correct. [View our verification statements online.](#)

ESG data book

- Sustainable Accounting Standards Board Metrics
- Other ESG Metrics





Energizing a sustainable future

We're focused on making a difference in the world—improving people's lives, the communities where we live and work, and the planet future generations depend on. Because this is what really matters. And we're here to make sure it works.

[Learn more at Eaton.com/sustainability.](https://www.eaton.com/sustainability)