



2016 SUSTAINABILITY REPORT

Strong partner for growth through our ethical business practices, technological innovations and commitment to transparency.



A Message from Our CEO



Dear Valued Stakeholders,

ESCO Technologies proudly presents our first annual sustainability report. Our company has a strong and long-held dedication to conducting business responsibly. Ethics are core to our culture. As part of our commitment, ESCO recognizes the growing global need to mitigate climate change, protect our workers and enhance our communities. Business and political developments in recent years demonstrate that these challenges will require the collaborative effort of all involved to find solutions.

With this in mind, ESCO has a duty to inform our stakeholders about company practices and strategies that impact our sustainability. Transparency is very important to our business. Publishing our report demonstrates our next step in the important journey of sharing and improving our sustainability performance. We will continue to enhance our transparency and build upon our reporting in the future.

ESCO's guiding priority is to create targeted, long-term growth that benefits our shareholders. We do this by continually investing in product innovation, making selective acquisitions to grow our capabilities and maintaining a multi-segment platform to diversify risk. Our subsidiaries strive for excellence and demonstrated another strong year of financial performance.

Sustainability is an essential part of achieving our vision. In Fiscal Year 2016, ESCO completed a materiality assessment to identify the most important environmental, social and governance (ESG) topics for our company. This report reflects our continuing commitment to integrating sustainability into our business model. Some highlights of our achievements include:

- Conducting an analysis of our environmental, social and governance impacts to identify and prioritize our most important ESG topics
- Completing a carbon footprint analysis to quantify greenhouse gas emissions across our major facilities
- Engaging with our stakeholders on sustainability topics

As a holding company with numerous subsidiaries and global operations, ESCO faces the challenge of efficiently tracking sustainability performance at all facilities. We are working to enhance and standardize our data collection and reporting efforts over time. Looking to the future, our goal is to set targets and continually improve on the benchmarks we have identified.

We hope you find this report informative and beneficial to your understanding of ESCO Technologies. The foundation for sustainability we have outlined will be an enduring piece of our business model and is an instrumental part of our



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[2016 Annual Report & Form 10-K](#)

[Management Team](#)

vision to foster long-term growth.

With best regards on behalf of our team,

A handwritten signature in black ink, appearing to read "Vic Richey". The signature is fluid and cursive, with the first name "Vic" being more prominent than the last name "Richey".

Vic Richey

Chairman, Chief Executive Officer & President



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Setting the direction for our company through our responsible governance practices and our approach to sustainability.

Governance & Approach

ESCO Technologies' corporate governance program forms a strong foundation for our work. We believe that capable, dedicated leadership enhances our risk management and creates a culture for success among our team members.

Board of Directors

ESCO carefully selects members for our Board of Directors to guide our team in achieving sustained competitive advantages. Our Board members bring a diversity of experience in technology, energy, aerospace, electronics and commercial manufacturing. Our CEO Victor L. Richey also serves as Chairman of the Board. His dual guidance allows ESCO to speak with one voice and improves the clarity of leadership roles and responsibilities.

Of the directors, five of seven are independent of ESCO management. The Board appoints a lead director among the independent directors. The lead director performs the duties assigned within our [Corporate Governance Guidelines](#).

A full list of the names and occupations of our board members is available through our [Investor Center](#). Additionally, ESCO's [Corporate Governance Guidelines](#) detail our practices to ensure the integrity and steadfastness of our Board.

These include:

- Board Composition
- Functions of the Board
- Board Meetings
- Board Committees
- Board Compensation
- Selection of New Directors
- Management Succession and Review

Our Board of Directors has four standing committees:

1. Executive Committee
2. Nominating and Corporate Governance Committee
3. Audit and Finance Committee
4. Human Resources and Compensation Committee

We require 100% independent directors on all committees except for the Executive Committee. Our Nominating and Governance Committee recommends corporate governance policies and actions, which include items pertaining to sustainability. Our full Board then reviews and approves these recommendations. Full descriptions of the responsibilities for three of the four committees are available through our [Investor Center](#).



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[Board of Directors](#)

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[Corporate Governance Guidelines](#)

[Audit & Finance Committee Charter](#)

[Human Resources & Compensation Committee Charter](#)

[Nominating & Corporate Governance Committee Charter](#)

[2016 Proxy Statement](#)

[FAQs](#)

Management Team

The ESCO Technologies [management team](#) sets the direction for our continued success. The team monitors risks on a day-to-day basis that could affect our progress towards innovation, market leadership and expansion. Our general focus areas are Financial and Reporting, Legal and Compliance and Operational and Strategic. ESCO management regularly advises our Board of Directors on potential risks identified and our plan to mitigate or minimize these risks.

We structure our employee compensation plan to reflect an individual's tenure, position and performance. ESCO commits to fair remuneration and compensates all employees and executives at competitive rates consistent with the market.



Victor L. Richey (center) Chairman, Chief Executive Officer and President
Gary E. Muenster (right) Executive Vice President and Chief Financial Officer
Alyson S. Barclay (left) Senior Vice President, Secretary and General Counsel

Sustainability Governance & Materiality Assessment

We expect all ESCO employees to hold themselves accountable for conducting business responsibly. As part of our high standards, we develop strong governance for sustainability from the top down to ensure the attainment of our goals.

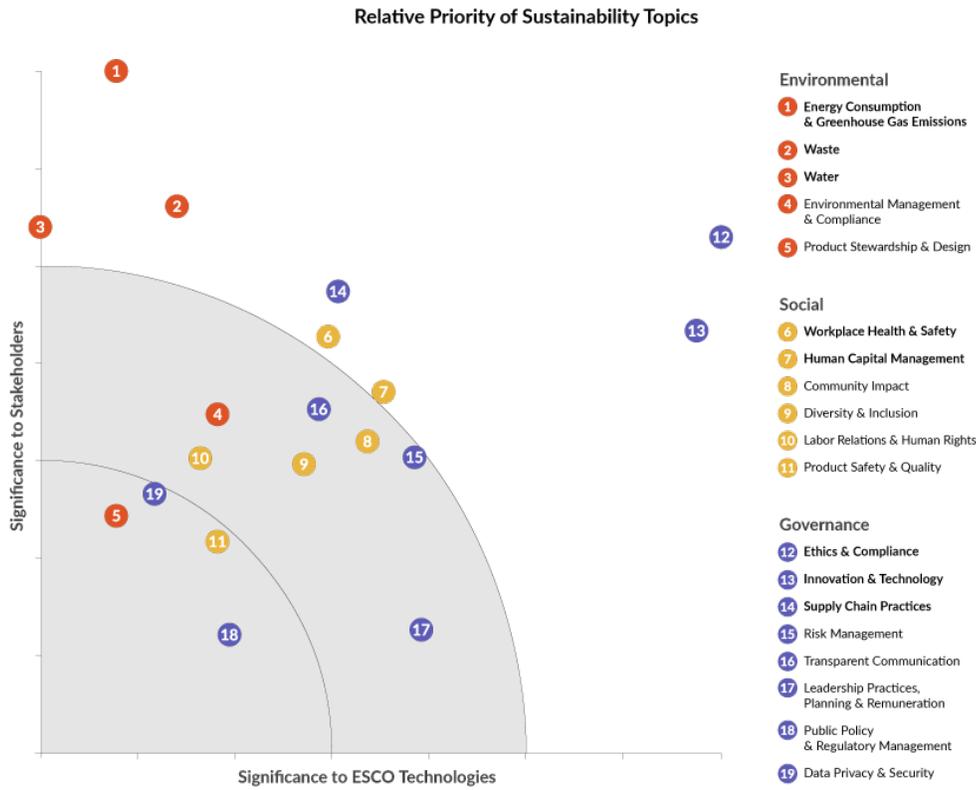
Members of our corporate management team lead our sustainability initiatives. In FY16, we conducted a materiality assessment to identify and prioritize our most important environmental, social and governance topics. For the purposes of our sustainability program and reporting, we define materiality to include the viewpoints for all our internal and external stakeholder groups. As part of the assessment, we identified key stakeholder groups, interviewed specific stakeholders and reviewed a comprehensive set of internal and external sources. These actions created a robust data set, which we analyzed through a rigorous scoring process.

Our materiality matrix (below) depicts the aggregate findings of our materiality assessment. All of the topics shown on the matrix are important. Importance does not indicate positive or negative impact. Rather, important topics demonstrate that our stakeholders provided deeper evidence of overall impact versus other potential topics. Our matrix illustrates the relative importance of each topic based upon the evidence gathered from our internal and external stakeholders. Topics positioned further from the origin of the X and Y axes are more important than topics positioned closer to the origin. The arches on the chart segment these topics to indicate three relative tiers of significance. As illustrated by the matrix, we identified eight topics of greatest ESG importance for ESCO:

- Ethics & Compliance
- Innovation & Technology
- Supply Chain Practices
- Human Capital Management
- Workplace Health & Safety
- Energy Consumption & Greenhouse Gas Emissions
- Water
- Waste

This report focuses on these eight topics and reflects our performance in FY16 (unless otherwise noted). As we build our sustainability program, these topics will guide our efforts to establish baselines, set goals and continue to pursue long-term, sustainable growth.

Relative Priority of Sustainability Topics





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Ensuring a culture of responsibility, integrity and accountability across our organization and promoting ethical behavior.

Ethics & Compliance

At ESCO Technologies, all of our practices originate from an unwavering commitment to ethics. Our belief in doing the right thing leads to responsible behavior with financial, social and environmental benefits. Our chairman and senior leadership reinforce ethics as an important and constant element of our corporate character.

Creating a Culture of Integrity

ESCO's expectations for employee ethical behavior are evident at every level of our organization. Each operating subsidiary has a designated ethics officer who oversees adherence to our ethics policies. Additionally, we mandate annual employee training on ethics at both the corporate and subsidiary levels.

If an issue does arise, all ESCO employees have access to multiple reporting channels. These channels include contacting their direct supervisor, individuals in their chain of command, their human resources department, their local and/or corporate ethics officer, and our confidential ethics hotline. Our corporate ethics ombudsman oversees the hotline and ensures all callers to the hotline have the option to report anonymously, to the extent allowed by law. This effectively protects employees from fear of retaliation. Additional resources for reporting ethics concerns are available on p. 10 of our [Code of Business Conduct & Ethics](#).

ESCO Corporate Ethics Committee

At the executive level, our Corporate Ethics Committee is responsible for monitoring and addressing all potential ethics-related risks. The four committee members include:

- Senior Vice President, Secretary and General Counsel
- Vice President of Human Resources
- Vice President of Planning & Development
- Ethics Ombudsman

The Committee meets quarterly to review ethics complaints and ensure consistent and adequate corrective actions. To educate our employees, ESCO posts a biannual summary of disciplinary actions resulting from ethics issues at all facilities and subsidiaries. We are careful to keep all identifying information private. Every quarter, the Committee also provides ethics reports to ESCO's Nominating and Corporate Governance Committee, who actively engage in conversations about our disciplinary action program. This program also covers accounting and financial reporting irregularities.



Corporate Resources

[Code of Business Conduct & Ethics](#)

[Code of Ethics for Senior Financial Officers](#)

Ethics Policies & Codes

ESCO's [Code of Business Conduct & Ethics](#) sets the tone for our culture of responsibility. We continually reinforce this commitment through regular internal communications and highlight it in our conversations with investors.

This broad set of standards includes:

- Prohibition of conflicts of interest
- Protection and proper use of ESCO assets
- Duty to act with integrity and deal fairly when representing the company
- Prohibition of improper political payments
- Duty to comply with applicable laws including insider trading, antitrust, export controls, trade embargoes and anti-boycott
- Duty to make public disclosures required by securities laws and to maintain accurate financial records
- Duty to comply with applicable employment and safety policies
- Duty to report suspected non-compliance

Our [Code of Ethics for Senior Financial Officers](#) acts as a supplement to the company code. Its purpose is to promote honest and ethical conduct and compliance by senior persons performing financial duties for the company. We require our leaders to:

- Provide full, fair, accurate, timely and understandable disclosure in SEC filings
- Bring any potentially fraudulent activity to the Audit and Finance Committee
- Report any deficiencies in internal controls for financial data and reporting
- Bring to attention any potential violations of securities or other laws

Governance for Compliance & Disclosure

ESCO has a Disclosure Committee comprised of key corporate leaders that review a number of financially material issues on a quarterly basis. The members of this Committee include the General Counsel, Chief Financial Officer, Corporate Controller and two of the Assistant General Counsels. The Corporate Controller sends each operating subsidiary a quarterly checklist where they must identify if any of 35 events have occurred. These events are taken from SEC guidance and constitute disclosure scenarios which if they occur could potentially alter the decisions of a reasonable investor. The Committee reviews each subsidiary checklist and discusses whether any committee member is aware of any other potential disclosure items. Minutes are kept of each meeting.

Many of our subsidiaries operate within highly regulated industries. We seek to anticipate forthcoming regulations and comply with existing ones. Each quarter our SVP, Secretary and General Counsel meets with our auditors to review all outstanding claims, litigation or ethics issues which could have a financially material impact on our business.



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Providing unique, creative and forward-thinking solutions to our customers that differentiate us as an industry leader.



Innovation & Technology

Innovation is central to ESCO Technologies' continued ability to serve as a market leader. We seek to remain highly competitive on quality, customer service and technological capabilities. We strive to anticipate market needs and continually expand our knowledge of new discoveries and advancements in the field.

Investing in Research & Development

ESCO's business depends on the development of new technologies to meet the evolving needs of our markets. Our subsidiaries thrive on creating innovative new products and increasing the capabilities of existing ones. In FY16, we invested \$12.9 million in company-sponsored research and development. Customer-sponsored research and development expenses totaled \$7.0 million. As ESCO pursues future growth opportunities, our commitment to innovation will be an enduring piece of our business model.

Product Innovation in Diverse Markets

Our business serves diverse customers across aerospace, electronics, electric utilities, healthcare, military, and industrial markets. Each of our subsidiaries has unique programs for research and innovation. Our subsidiaries share a focus on developing highly-engineered products and solutions that improve our customers' capabilities.

- **Filtration/Fluid Flow:** Our teams at [Crissair](#), [PTI](#), [Westland](#) and [VACCO](#) drive innovation in fluid control products for aerospace, space, military, and industrial markets. In early Fiscal Year 2017, we acquired Mayday Manufacturing Co. and Hi-Tech Metals, Inc. We look forward to integrating our new acquisitions into our sustainability initiatives and reporting in the future.
- **RF Shielding & Test:** [ETS-Lindgren](#) provides components, chambers and test and measurement systems to ensure products meet regulatory and industry-defined standards. As the demand for wireless communications expands, ETS-Lindgren continues to serve the growing needs for new product testing.
- **Utility Solutions:** At [Doble](#), our team supports the electric utility industry's transition to data consolidation and intelligent analytics. Customers are turning to Doble's Field Force Automation Solution to prepare for upcoming regulatory deadlines. Doble's solutions provide transient cyber assets, associated software programs and best practices for diagnostic testing.
- **Technical Packaging:** Our subsidiaries [TEQ](#) and [Plastique](#) develop innovative packaging solutions for medical,



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[2016 Annual Report & Form 10-K](#)

[Company Portfolio](#)

[Crissair](#)

[PTI](#)

[Westland](#)

[VACCO](#)

[ETS-Lindgren](#)

[Doble](#)

[TEQ](#)

[Plastique](#)

retail and electronic applications. Our teams focus on exceeding industry standards and offering unique designs that fit customer needs. Plastique's Fibrepak products provide the highest quality packaging while reducing our customers' carbon footprints.

Detailed information about our subsidiaries' research and development activities can be found in our [2016 Annual Report & Form 10-K](#).

Intellectual Property

ESCO's business is driven by our technological advancements. We are careful to protect our intellectual property to maintain a competitive market position. Our subsidiaries pursue patent protection for new products and processes that differentiate ESCO from our peers. For example:

- Our Test segment holds a number of patents on products for wireless device testing. This segment has also sought protection for inventions such as window designs, unique antennas and improved acoustic techniques for sound isolation.
 - VACCO patents protect its proprietary quieting technology used by U.S. Navy submarine fleets.
 - Doble is pursuing patent protection on improvements to its line of diagnostic equipment.
 - Our Technical Packaging segment has a number of proprietary products and trade secrets including technology for producing high-quality thin-wall packaging from sustainable virgin crop fibers and pulp.
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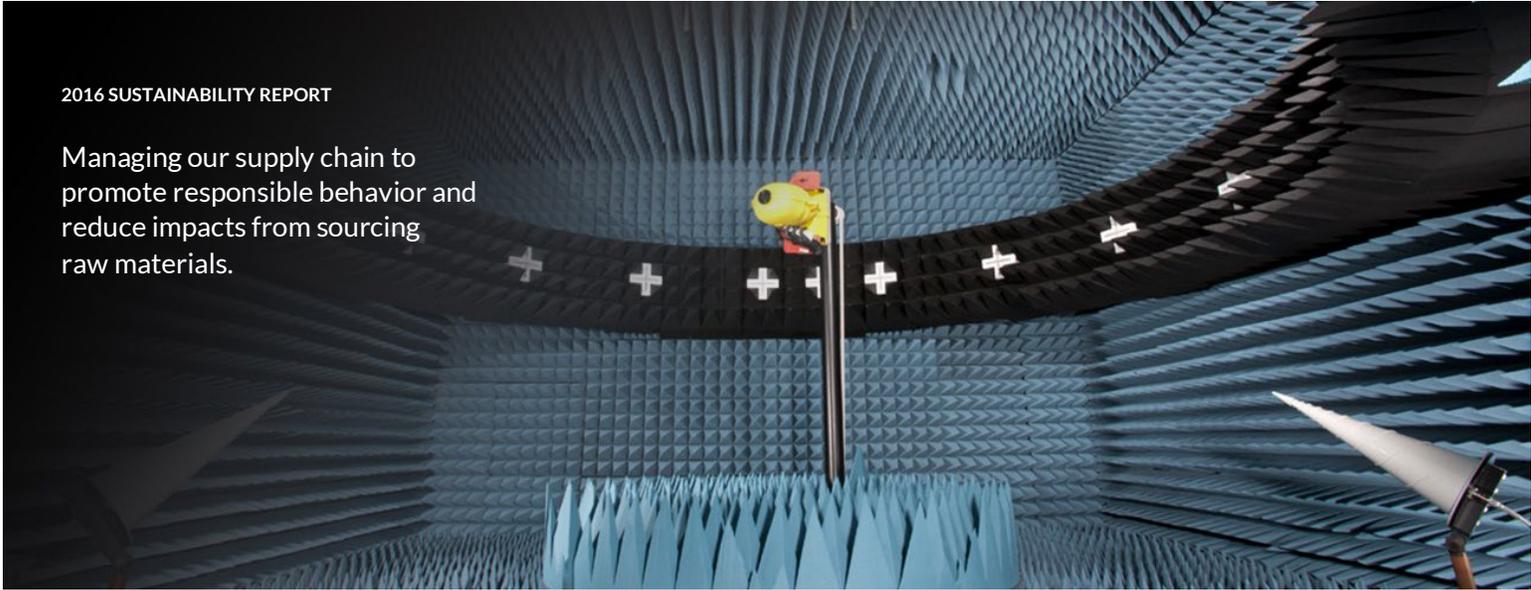
Advancing Industry Standards

Representatives from our subsidiaries participate on industry standards boards to help influence industry trends and technological developments. Many subsidiaries also engage with customers to collaborate on product enhancements and solutions. Doble, for instance, hosts its annual International Conference of Doble Clients, which boasts approximately 1,400 attendees each year. Conference presentations include research on new topics such as aging infrastructure in the utility industry. This type of interactive approach allows Doble to stay focused on product improvements that benefit our customers.



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Managing our supply chain to promote responsible behavior and reduce impacts from sourcing raw materials.



Supply Chain Practices

To meet the needs of our diverse markets, ESCO sources a wide variety of raw materials and components. We carefully select suppliers that meet our standards for ethics, quality and responsibility. As we continue to advance our work, we are confident this approach will best position ESCO for long-term growth and success.

Our Supply Chain

Our subsidiaries require a wide variety of materials to meet our customers' needs. While we source some components from multiple vendors, we rely on a limited number of suppliers for others. ESCO monitors the risks and benefits of these partnerships and works to maintain a balanced, sustainable supplier portfolio.

Supplier Responsibility & Expectations

ESCO expects our suppliers to operate with the same commitment to integrity and respect as do our own employees. We have worked to build a stable supply chain that minimizes environmental impact and respects human rights. Our [Vendor Code of Conduct](#) details the sustainability standards we expect all suppliers to meet. These include:

- Compliance with anti-corruption laws
- Compliance with fair competition laws, Environmental Health & Safety (EH&S) regulations, trade controls and export/import requirements
- Maintaining a professional demeanor
- Refraining from offering gifts, bribes or other incentives
- Respecting ESCO's intellectual property rights
- Honestly billing for products and services
- Refraining from public communications about ESCO unless authorized
- Sharing ESCO's commitment to human rights and fair labor

In addition, ESCO's [Transparency in Supply Chains Disclosure](#) states our promise to refrain from doing business with any vendor we know to be involved in human trafficking or slavery.

Conflict Minerals

At the core of ESCO's culture is our commitment to creating products and solutions that advance society. In doing so, we have a responsibility to prevent any indirect impacts of our work that could cause harm to others. ESCO is sensitive to



Corporate Resources

[ESCO Conflict Minerals Policy](#)

[ESCO Conflict Minerals Report for 2015](#)

[ESCO Transparency in Supply Chains Disclosure](#)

the human suffering and environmental damage associated with mining activities in the Democratic Republic of Congo and adjoining regions.

Eliminating conflict minerals is a complex endeavor, especially for companies such as ESCO that have thousands of suppliers. Nevertheless, we are collaborating with our suppliers to identify and correct the unintentional procurement of products with conflict minerals. Our [Conflict Minerals Policy](#) outlines ESCO's expectation that all suppliers cooperate in this effort.

In collaboration with suppliers, we use a five-step approach to conflict minerals management:

- Establish strong company management systems
- Identify and assess risks in the supply chain
- Design and implement a strategy to respond to identified risks
- Carry out independent, third-party audits of smelters'/refiners' due diligence practices
- Report annually on supply chain due diligence

Our [ESCO Conflict Minerals Report for 2015](#) provides additional discussion on our actions in each of these areas. It also includes a comprehensive list of each of the smelters from which we source, and their compliance status with our standards.



2016 SUSTAINABILITY REPORT

Developing a talented and engaged workforce to continue expanding our abilities to innovate and serve our stakeholders.



Human Capital Management

ESCO Technologies is proud of our unique, collaborative culture. We maintain an organizational structure that promotes open communication and innovation. Our employees take on many different responsibilities—and as a result, have a deep working knowledge of our products and processes. ESCO depends on our team to keep us moving forward. We strive to build a strong, talented and dedicated workforce that shares our vision for progress.

Developing Strong Leadership

ESCO values the importance of talented, knowledgeable and ethical leadership. We select directors and executives with demonstrated industry experience who can bring a strong voice to the company.

Our organizational review process facilitates smooth leadership transitions for our executive and board member positions. We create succession plans, identify high potential talent, and make development plans to ensure we meet our future leadership needs. Each year, the Human Resources and Compensation Committee of our board reviews ESCO's long-term CEO succession plan. To further mitigate risk, they have also adopted an emergency plan in the case of an unexpected succession event.

Recruiting & Managing Talent

As we grow, ESCO aims to build a pipeline for highly-skilled individuals to join our team. We expect the recruiting market to become more competitive and have adjusted our communications platforms for cultural and generational differences. We leverage social media and a variety of internet resources to reach different audiences.

Many of our employees express interest in our community and wellness initiatives. Their interest inspired ESCO to strengthen connections between our recruiting and sustainability efforts. When we recruit and interview, we highlight our volunteer and personal wellness initiatives. Through our practices, we strive to attract and retain the highest caliber of next generation workers.

ESCO also believes that employees of diverse educational backgrounds expand our ability to innovate. We recruit team members with a variety of industrial and technological experience who can offer unique perspectives to our work. Our goal is to create a positive, inclusive and engaging work environment that allows employees to do their best work—while mitigating the risk of turnover.



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ESCO Technologies Foundation

Careers

Enhancing Employee Engagement

ESCO works hard to foster an open culture where employees have a voice. Our Human Resources departments maintain calendars of regular employee meetings and offer employees an opportunity to participate in volunteer opportunities. Each of our subsidiaries has a wellness committee that organizes their own activities.

One example of employee volunteering and wellness at the subsidiary level is our shared garden at our PTI Technologies facility. Employees voluntarily rotate shifts of planting, maintaining and harvesting the fruits and vegetables. Many of our employees from diverse backgrounds leverage the garden to educate their colleagues on crops grown in different cultures.

The ESCO Technologies Foundation strengthens employee engagement by offering opportunities to enhance the communities where we live and work. We seek to make meaningful contributions to children and families through both financial and volunteer support.

Our employees value the opportunity to give back to others through their time and dedication. We offer opportunities for corporate and subsidiary employees to support activities in the regions where they work. All employees have the opportunity to contribute financially to the the ESCO Technologies Foundation through direct contribution, stock designations, and payroll deductions. These dollars go towards our philanthropic causes, including scholarships awarded to the children of ESCO employees and grants to our core charities. Together, we live our values and serve our communities through our shared commitment to better lives for all.

We find that engaged employees are more likely to earn recognition, attend training and take accountability for their work. ESCO periodically conducts employee engagement surveys to measure our progress. We ask questions such as "Do you feel your input is recognized?" and "Do you feel you are able to utilize your skills?" After the survey, we conduct focus groups to gain better understanding of specific topics. This helps us to identify our strengths and opportunities, which provide direction for future improvement.

Employee Compensation & Benefits

Our employees dedicate their time and effort to our company daily. ESCO is committed to providing competitive compensation and benefits that reflect the value our team provides. We have a 401(k) plan with an above-average participation rate that we encourage our employees to utilize. We provide fair wages to our employees and reward performance when possible. Certain senior employees receive part of their compensation in the form of shares of ESCO restricted stock, which supports aligning the employees' personal financial interests more closely with ESCO's long-term corporate goals. We offer an employee stock purchase plan to all full-time US-based employees.

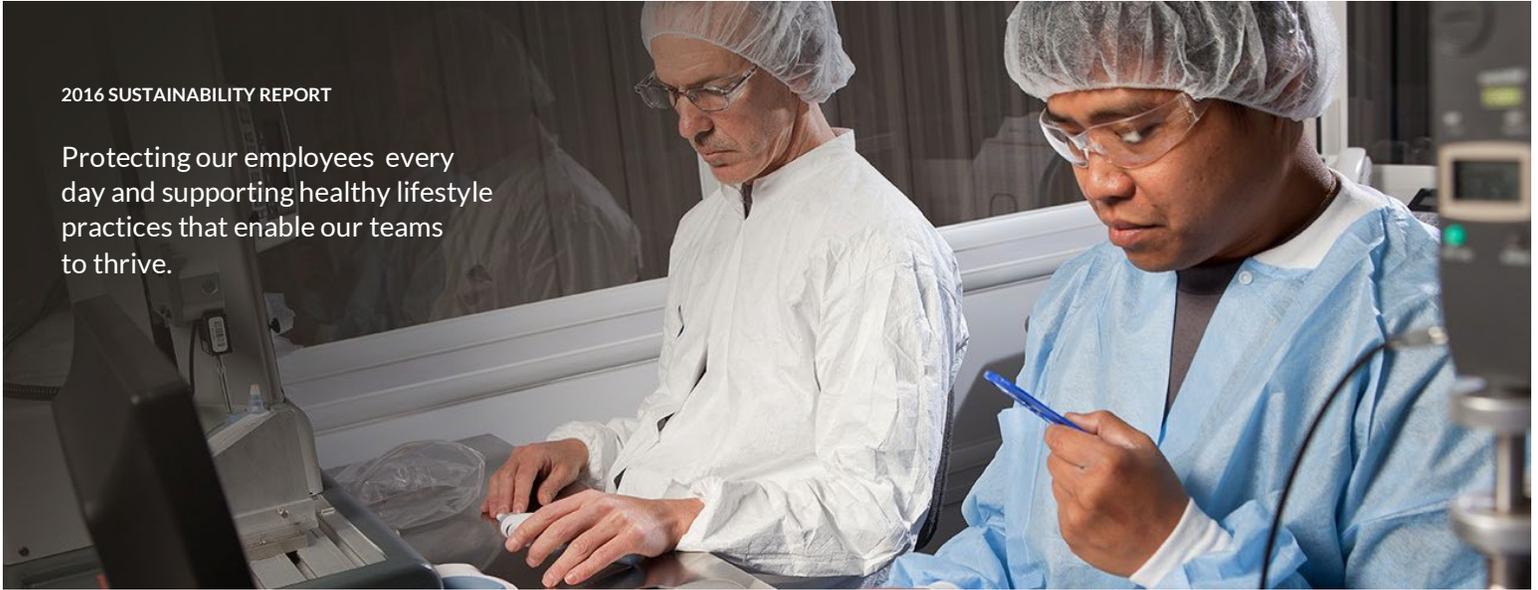
Employee Training

ESCO recruits individuals with strong technical skills and the ability to learn quickly. We look for people who can immediately contribute to our success. Our subsidiaries have various onboarding programs including matching new hires with experienced employees who coach them through their new responsibilities. Many of our subsidiaries have a diverse platform of online training courses that are customized to individual learning needs. For example, every employee completes our course on ethics and harassment, but someone who designs circuit boards may take specialized training. Several of our subsidiaries also have mentor programs to guide and develop leadership and technical skills of key or high-potential employees.



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Protecting our employees every day and supporting healthy lifestyle practices that enable our teams to thrive.



Workplace Health & Safety

Creating a Safe Working Environment

We are committed to employee safety at all ESCO Technologies facilities. Our corporate headquarters has a designated person tasked with oversight and monitoring of appropriate safety programs for all subsidiaries. Through employee training and continuous improvement, we strive for a zero-incident environment. We have equipment and procedures to protect employees in their work and we train employees on proper protocol. Our corporate headquarters and each ESCO subsidiary have designated safety employees.

We require all ESCO companies to comply with applicable local, state and federal safety laws and regulations. Our corporate team periodically performs environmental, health and safety compliance audits at our subsidiaries. This includes reviewing OSHA protocols for the following:

- Training records
- Machine guarding
- Emergency planning
- Egress
- Injury recordkeeping
- Personal protective equipment
- Audiometric programs
- Forklift safety
- Electrical safety
- Lockout tag out
- Hazard communication
- Emergency action plans
- Cranes and hoists
- Spray booths
- Respiratory protection
- General housekeeping

In addition, as required in our facilities and processes, we monitor air quality to ensure that we maintain exposure to dust, fumes, chemicals and/or hazardous substances below OSHA mandated levels. Our subsidiary, PTI Technologies, was recognized by Cal OSHA and received its Golden Gate Partnership Recognition/Certificate for its efforts in implementing and maintaining an effective injury and illness prevention program.

Our insurance carrier is also an active partner in helping us keep our facilities safe. Inspectors periodically visit our locations to ensure that our fire protection systems are operable and meet current requirements based on fire ratings. They also perform tests of our alarm systems, inspect our pressure vessels for integrity and check that we meet seismic requirements for fire protection piping and natural gas lines.



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2016 Annual Report
& Form 10-K

Employee Wellness

ESCO believes that when our employees are healthy, our employees and our businesses thrive. Nearly ten years ago, we implemented a wellness program to offer our team opportunities to follow a healthy lifestyle. Our subsidiaries each have wellness committees that champion these efforts. Our programming includes:

- Fitness challenges such as “Maintain – Don’t Gain” and other programs
- Classes such as lunch and learns, yoga and meditation
- Health fairs at corporate and subsidiary locations
- Volunteering and participation in events such as fundraising walks/runs/rides and other events in support of charitable organizations

The programs are tailored to the interests of the employees at each location and therefore activities vary by subsidiary.



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Understanding our impact to enhance operational efficiency and conserve resources across our operations.

Environmental Footprint

Understanding and mitigating our impact on the environment is an important part of our sustainability performance. Through our materiality assessment, we identified three main environmental topics of importance to our company and our stakeholders: Energy Consumption & Greenhouse Gas Emissions, Water, and Waste.

Energy Consumption & Greenhouse Gas Emissions

To enhance our company-wide efficiency, we first sought to understand our current energy performance and corresponding greenhouse gas (GHG) emissions. In Fiscal Year 2016 (FY16), we completed a comprehensive analysis of our carbon footprint. The analysis includes facilities with 5,000 square feet of space or more. Collectively, these 21 largest facilities represent over one million square feet across the United States, China, Finland, India and Norway. The data within this report reflects information from Calendar Year 2015 (CY15). Our carbon footprint analysis provided key information regarding electricity consumption, on-site fuel consumption for heating or manufacturing, and vehicle fuels.

By collecting key energy performance data, we determined the greenhouse gas emissions output associated with our operations for CY15. Our work serves as a baseline from which to measure future performance. By establishing this baseline, we can devise strategies to reduce our footprint. We plan to transition our data collection to our Fiscal Year schedule in upcoming reports to align with our financial reporting. We will compare our performance year-over-year to evaluate our progress.

Energy Consumption (MWh) in Calendar Year 2015

In CY15, we consumed approximately 45,000 MWh of energy at our largest facilities. Electricity accounts for more than 50% of this consumption, followed in significance by on-site fuel consumption used for heating and manufacturing purposes (i.e. heating oil, natural gas, and district heating). Due to the nature of our business, we attribute most of our total energy consumption to the energy intensive production processes that occur within our manufacturing facilities.

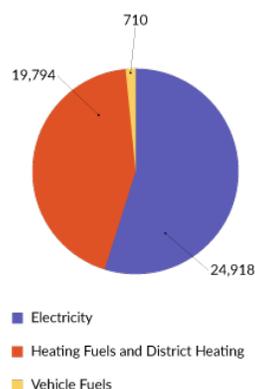
Electricity	24,918
District Heating	874
Heating Fuels	18,920
Heating Oil	190



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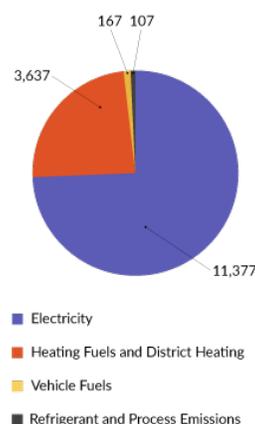
Natural Gas	18,684
LPG/Propane	45
Vehicle Fuels	710
Diesel	87
Gasoline	483
LPG/Propane	140
Total Energy Consumption	45,422



Greenhouse Gas Emissions (MtCO₂e) in Calendar Year 2015

In CY15, our greenhouse gas (GHG) emissions amounted to approximately 15,000 metric tons of CO₂ equivalent (MtCO₂e). Nearly 75 percent of these emissions are due to our electricity consumption, with an additional 23.7 percent coming from our on-site fuel consumption for heating and manufacturing purposes.

Direct Greenhouse Gas Emissions (Scope 1)¹	3,717
Heating Fuels	3,443
Vehicle Fuels	167
Refrigerants and Process Emissions	107
Indirect Greenhouse Gas Emissions (Scope 2)²	11,571
Electricity ³	11,377
District Heating	194
Greenhouse Gas Emissions⁴	15,288



¹Scope 1: direct greenhouse gas emissions from sources owned or controlled by ESCO

²Scope 2: indirect greenhouse gas emissions from sources owned or controlled by another entity, as a consequence of ESCO's activities

³The greenhouse gas emissions associated with electricity consumption are reported according to the «location-based» approach, as defined in the Greenhouse Gas Protocol Scope 2 Guidance. Value used as an approximation for the «market-based» emissions.

⁴Greenhouse gas inventory calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol

With these results in hand, we intend to establish our management approach and set goals for reducing our net impact. Currently, several of our subsidiaries engage in energy reduction initiatives, including efficient lighting and timing electrical usage to avoid peak demand hours. Certain subsidiaries operating in energy-challenged areas such as California also take on additional initiatives. For example, PTI plans to reduce its energy use by leveraging a 950-kilowatt solar power generation system to be installed in its parking area and rooftop. In its first year, this system expects to produce over 1.4 million kilowatt-hours of electricity.

Moving forward, we will explore opportunities to reduce our global footprint by means such as technological developments, improved processes, product management, consumption strategies, carbon offsetting and others.

Water

Water represents another area of environmental impact for which we need additional information to assess our current performance. Once we understand the extent of our water usage, we will determine any appropriate action. For instance, we recognize that several of our subsidiaries operate in the water scarce region of California. We commit to taking necessary steps to mitigate our impact and increase efficiencies across our business.

Waste

We believe sustainability requires continuous improvement. In conjunction with our ongoing work to track energy consumption and corresponding greenhouse gas emissions, we intend to gain a better understanding of our impacts regarding waste.

We will strive to continue evolving our practices to meet and exceed stakeholder expectations. Currently, some of our subsidiaries have initiatives to reduce waste streams. These initiatives include recycling a wide range of materials from office and manufacturing facilities. Additionally, we are committed to responsible environmental management and prevention and mitigation of spills and releases. We discuss the risk factors of environmental matters within our [2016 Annual Report & Form 10-K](#).