A Message from Our CEO

Dear Valued Stakeholders,

ESCO Technologies portfolio of companies manufactures and provides customers with highly engineered, technologically superior products and process solutions. ESCO is dedicated to ensuring an efficient utilization of natural resources and raw materials, thus reducing our environmental impact.

Our 2018 sustainability efforts have focused on continuing to gain a better understanding of our energy consumption and carbon footprint. In addition to the environmental benefits, we believe our sustainability initiatives increase employee engagement and workplace satisfaction and enhance our presence in the communities where we are located. Ultimately, we see our engagement in sustainability as supporting our goal to create long-term value for our shareholders.

This is the third year we have filed a sustainability report. In the first year, 2016, we performed a comprehensive materiality assessment to determine the most important environmental, social and governance (ESG) topics for ESCO. Our 2016 report outlined how we identified and engaged our most important internal and external stakeholders and analyzed the input we received to arrive at the 8 sustainability topics we identified as most critical for our businesses. Our 2016 report also included our first measure of energy usage and greenhouse emissions. This created a starting point from which to begin to measure and set goals for our ongoing performance. In 2017, we expanded our report to include a comprehensive discussion of the core actions, processes and practices that are ongoing under each of our 8 key topics. In 2017 we also highlighted our most recent successes and current initiatives in each of the 8 areas.

This year, 2018, our focus and priority was to streamline our data collection by automating the process. We licensed a software platform which collects the utility data directly from the service providers and provides benchmarking and other data analytics and tools. Our largest 31 sites are served by 54 different utility providers and 94 separate utility accounts. Inputting each account into the new software required extensive coordination and effort from each site. Going forward we will have trackable and comparable data from these utilities that we can use to understand our impact and pinpoint opportunities for greater efficiencies.

We believe that our investment in the software platform to measure, benchmark and manage our utility data and carbon emissions will enable us to further integrate sustainability into our ongoing business model. Using this information will not only create economies in data collection, but also will ensure accurate and consistent reporting of our carbon footprint information. We will be able to rely upon objective data based upon verifiable information. This will enable us to be more transparent with ourselves and our stakeholders.

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Management Team

In this report, we present our numbers and also include a short discussion under each of the 8 key topics of our successes and accomplishments since our last report. We believe we are making meaningful progress in better understanding and managing our impact on the environment and our local communities. Going forward, we will use the data analytics to better understand our usage as well as make comparisons over time and across our many locations, allowing us to set and achieve new goals.

With best regards on behalf of our team,

Vic Richey
Chairman, Chief Executive Officer & President

Governance & Approach

An overview of our governance process is found in our 2017 Sustainability Report. Responsible and sustainable governance at ESCO Technologies is the foundation of our commitment to the creation of long-term value for our shareholders.

Sustainability Council

The ESCO Sustainability Council was formed in 2017 to provide high-level leadership and strategic focus for our corporate-wide sustainability efforts. The Council includes representatives from corporate and each of our operating subsidiaries and is strategic in leading the efforts to set goals and continue to improve upon our 8 most material sustainability topics. These 8 key sustainability topics include:

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

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Board of Directors
Management Team
Corporate Governance Guidelines
Audit & Finance Committee Charter
Human Resources & Compensation Committee Charter
Nominating & Corporate Governance Committee Charter
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FAQs

Ethics & Compliance

We remain committed to doing the right thing concerning ethical behavior towards all of our stakeholders which includes our employees, customers, vendors, board of directors and our shareholders. "Doing the right thing" is central to our values and who we are as a company and drives our decision making at all levels. From senior management to entry-level employees at our subsidiaries, the ultimate responsibility for ethical behavior and compliance with the ESCO Code of Business Conduct & Ethics resides with each and every one of our employees and our business partners. Our 2017 Sustainability Report contained an overview and outline of our ongoing ethics and compliance program.

This year we produced and distributed a new ethics video which includes interviews with our CEO, General Counsel and our Vice President of Human Resources. This video was translated into seven different languages and all of our employees around the globe are required to view it.

In 2019, we will continue to align ethics-related requirements and training to ensure consistency in enforcement across all ESCO operating units and subsidiaries. In addition, when we perform opinion surveys of our employees, we always ask whether the employee knows of the ESCO ethics program and how to raise a concern. These questions always generate our highest positive response.

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Code of Business Conduct & Ethics

Code of Ethics for Senior Financial Officers

Innovation & Technology

At ESCO, it is central to our businesses to continually leverage technology and innovation to improve upon our products for the benefit of our customers.

Financial Investments

Our commitment to innovation is demonstrated, in part, by our financial investment of $55 million spent on acquisitions, capital expenditures, research and development in FY2018. Detailed information about our subsidiaries' research and development activities and investments can be found in our 2018 Annual Report & Form 10-K.

Driving Sustainable Performance

Our customers come from a wide variety of sectors including aerospace, electric utilities, consumer electronics/wireless manufacturers, healthcare, military, and industrial markets. Each sector has a unique set of product requirements and it is our job to understand their requirements and develop solutions that meet their demanding expectations. The links to each of our subsidiaries websites can be found to the right of this page and give further information and describe their specific product offerings in more detail.

Product and Process Innovation

Sustainable products are the result of both environmentally friendly materials and safer, more efficient processes used to manufacture those products. Our subsidiaries continue to seek product and process improvements that will result in the reduction of our carbon footprints.

Since our last report, we are pleased to report the following examples of product and process innovations that have specifically helped our businesses be more sustainable, reduce energy consumption and improve energy efficiency:

- ETS is now using more eco-friendly material to make its absorber products. It replaced the use of polyurethane foam with polystyrene and combined with modifications to the engineered molding processes, it now produces approximately 35% less scrap.
- Plastique invested in 2 new machines to modify the pulp manufacturing process thus significantly reducing the amount of water used that requires treatment and transport of such water. Under the old process, contaminated waste water had to be collected 5 times per day and then transported offsite for disposal via special sealed

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Company Portfolio
Crissair
PTI
Westland
Mayday
VACCO
ETS-Lindgren
Doble
NRG
Morgan Schaffer
TEQ
Plastique

containers. The new process splits the procedure so separate machines run different types of pulp. The change allow some of the pulp to be recycled in house, reduces waste water and eliminated 554 transport collections in the period since this change was implemented. In addition Plastique also reduced approximately 180 tons of pulp needed for the process.

- PTI
  - Is using 3-D modeling for designing and prototyping that will shorten and improve development cycle time and uses less electricity, gas, water and other resources.
  - Developed a filter media using environmentally friendly epoxy binders that provides longer life (15% higher dirt holding capacity) and lower pressure drop (15% lower than current product).
  - Is in the process of evaluating an enhanced aluminum with improved mechanical properties which will enable PTI to move to casting manifolds. This will reduce machining time while maintaining the same properties as current extrusion material.
- Westland
  - Enhanced its engineering controls to reduce tank emissions during an acid etch process which eliminated the scrubber system requirements. The old system required Westland to comply with an air permit to control the emissions. Through the redesign, emissions have been reduced to the point that there is no longer a need for an air permit for this process.
  - Revised its process to segregate rubber waste which allows recycling of much of the scrap. In addition, 60 waste streams that were previously required to be manifested were reduced to 10.
  - Removed an outdoor shed which had been used to store chemicals needed for operations. Removal of the shed eliminated any potential for storm water contamination and the requirement to perform ongoing storm water sampling. Westland now purchases the chemicals from a supplier who provides them only as needed and just-in-time so there is no inventory to store.
- TEQ
  - Developed a process to separate paper from polystyrene in one of their production lines. This separation process reduced the need for waste pickups from 2 times per week to 1 time per week which results in less material handling, lowers costs and carbon footprint.
  - Reduced the number of shifts from 24 hours per day 7 days per week to 5 days per week resulting in 28% less energy usage for the same output of product. This was completed thru additional engineering and quality controls.
- Hi-Tech changed one of its manufacturing processes to eliminate the use of lead masking tape replacing it with a reusable steel part. Using the steel part in lieu of the tape eliminated employee/facility exposure to lead and the need for disposal of the lead tape.
- Crissair invested in reusable oil absorbent mats that can be cleaned and reused. This eliminated approximately 1600 lbs. of waste that no longer has to be shipped. In addition Crissair modified 6 test stands and 1 pump unit so that they use a less hazardous type of oil. This change also reduced cycle times for production, allowing Crissair to make more product with less waste.
- VACCO replaced its use of caustic fuel for space propulsion systems with a non-caustic ionized gas which is safer for employees to handle, assemble and test. In addition, VACCO replaced the use of toxic hydrazine in a mono propellant application with a green water propellant that performs just as well and is better for the environment and the personnel that handle it.
- NRG developed a Bat Deterrent System with a patent pending to reduce bat mortality caused by windmills. This allows operators to produce more renewable energy by preventing curtailment and thus maximizing electric generation. The system helps to prevent bats from harming themselves from the wind turbines.

In addition, our subsidiaries are encouraged to identify external acquisition candidates and product lines to expand offerings and enhance in-house technology. These investments are expected to improve efficiency, sustainability, cost effectiveness, and help keep ESCO on the forefront of emerging technologies and practices. Many of these activities result in a reduction in energy consumption and improve energy efficiency.

2018 SUSTAINABILITY REPORT

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

Supply Chain Practices

The number of markets served and the quality demands of our highly engineered products require us to have a strong and impeccable supplier base.

Each ESCO subsidiary uses ESCO's Transparency in Supply Chain Disclosure, which outlines our commitment to refrain from doing business with any vendor we know to be involved in human trafficking or slavery. The ESCO Vendor Code of Conduct explicitly details the standards we expect all suppliers and third party agents to meet and is supported by periodic assessments to guarantee compliance. Each of our operating subsidiaries carefully assesses the ability of its current and new supplier's ability to provide consistent and quality products through tools such as supplier surveys, onsite visits and audits. We measure metrics including supplier quality and on time delivery performance and impose corrective action when needed.

Conflict Minerals

We also require compliance with the ESCO Conflict Minerals Policy which specifically outlines ESCO's expectation that all suppliers cooperate in this effort, and our commitment to thorough review and transparency. ESCO annually requests its' suppliers to provide information about the smelters and refiners from which they source conflict minerals. ESCO's annual Conflict Minerals Report includes a list of the smelters and refiners identified by our suppliers and whether they have been certified as third-party conflict mineral free.

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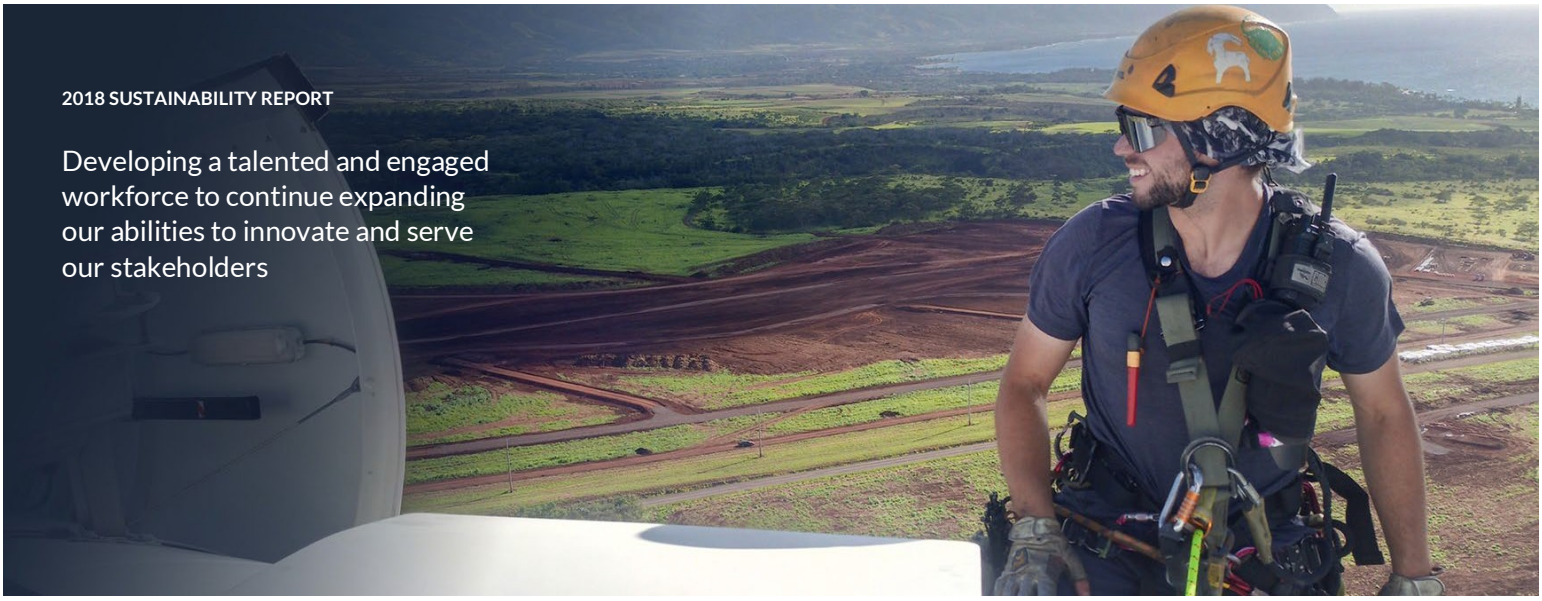
ESCO Conflict Minerals Policy

ESCO Conflict Minerals Report for 2017

ESCO Transparency in Supply Chains Disclosure



Human Capital Management

Our team of employees are engaged, well-trained and conscientious and embody our dedication to doing the right thing for our business, for each other, and for the community. Our 2017 Sustainability Report gave an overview of our workforce and our policies to recruit, develop, engage and retain them. The ESCO Foundation continues its work to support and give back to our communities.

We are proud to report that NRG received four awards in 2018, including designation as one of the 2018 Best Places to Work in Vermont. ETS-Lindgren and Mayday/Hi-Tech have developed and received recent recognition for their strong mentor programs. We also wish to recognize our Hi-Tech employees who on their own initiative filled a trailer with supplies for Hurricane Harvey victims and delivered it to those in need.

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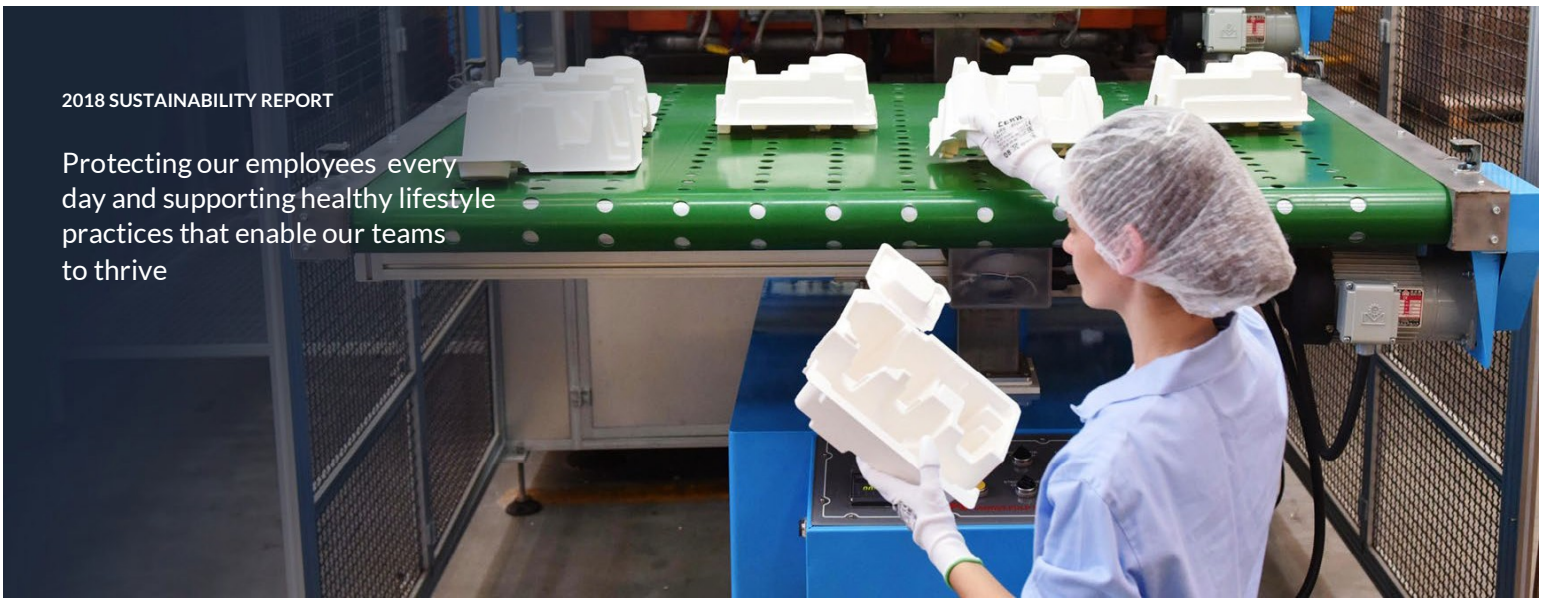
ESCO Technologies Foundation

Careers



Workplace Health & Safety

Safety

Our 2017 Sustainability Report provided details on our commitment to maintain a safe and healthy environment at all of our facilities which is basic and fundamental to our businesses. We insist that all employees receive appropriate and ongoing training. Our corporate team periodically performs environmental, health and safety compliance reviews at our subsidiaries. These reviews are more stringent than most audits we have been subjected to by regulatory agencies.

Wellness

We have a well-developed corporate wellness program at each of our facilities. Many of our ongoing activities were summarized in our 2017 Sustainability Report. New initiatives include offering some of our employees standing desks.

Insurance

We maintain ongoing communications with our insurance carrier as an active partner in helping us keep our facilities safe. This past year, our workers compensation carrier visited three of our sites for comprehensive reviews. Each of these reviews generated very few recommendations and were complementary to our practices.

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Environmental Footprint

Defining and mitigating our impact on the environment is the most critical aspect of our sustainability performance. Each ESCO subsidiary, through the employees who serve on the ESCO Sustainability Council helps to set goals for development and implementation of energy efficiency initiatives. Many of these goals involve improvements in energy management at our facilities.

Our efforts to conserve energy and reduce greenhouse gas emissions (GHG) have focused on modifications, upgrades and improvements to our facilities and to our manufacturing processes. Members of the Sustainability Council at each subsidiary have led the charge to develop and implement these initiatives. We are proud to report on these activities and look forward to continuing to build upon our progress and find new ways to improve the sustainability of our businesses in the years ahead. Some highlights of facility improvements this year include:

- Solar Collection.
  - PTI in Oxnard, California is our second facility to embrace a significant investment in solar collectors, NRG being the first. In 2017-18, PTI installed 2636 solar collector panels positioned on the roof and over the parking areas. These panels generate approximately 828 kw/dc. The system is expected to generate approximately 1,300,000 kWh of clean electricity for each year of operation. This is equivalent to the following for every year the system in on-line: (i) removal of 207 passenger vehicles from the road; (ii) 1,058,000 lbs. of coal burner; or (iii) CO2 absorbed by 1.1 acres of forest.
- Lighting Replacement. Throughout ESCO, our facilities have or are in the process of replacing lighting with more energy efficient LED bulbs.
  - Westland changed its entire plant to LED lighting in 2018.
  - PTI installed new lights and timers in conjunction with their solar installation.
  - ETS has replaced approximately 105 of 225 light fixtures (56% of its total) with LED lights in its Cedar Park location. Only one new light is needed for every 3-4 existing light fixtures. The new lights are 40% more energy efficient.
  - ETS has replaced 30-40% of its lights with LED lights in its Durant, Oklahoma plant. Each new light replaces 9 old lights and is 30-40% more energy efficient.
  - Plastique doubled the size of its facility in Poland. For the new space, all LED lights were used as well as photocells for automatic turn off in most areas. Plastique also updated the lighting in its warehouse to LED and introduced LED lighting in its UK facility saving 4.4 tons in carbon emissions per year.
  - Crissair converted all of the administrative areas in its plant, which comprise approximately 40% of the total space, to LED lights with motion sensors.
  - TEQ replaced the mercury vapor lights in production areas with LED lights with motion sensors. This

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replacement reduced its electrical usage by 15%. The local utility company recognized this accomplishment by giving TEQ a rebate on its electric bill.

- Automatic Thermostats.
  - ETS replaced 24 of its thermostats and put them on a phone application so that maintenance personnel can regulate needs and turn off A/C when it is not needed.
- Recycling.
  - ETS initiated several new recycling efforts including forming new agreements with companies that recycle its scrap metal and old computer equipment. ETS also has recycling programs for wood, metal and cardboard.
  - Mayday initiated a new recycling program in May 2018 where it separates paper, plastic and aluminum cans for recycling. Mayday also improved its scrap metal sorting which makes its scrap more appealing to recyclers.
  - Freemont has begun to recycle its polystyrene and now recycles over 2 tons of polystyrene per week.
  - VACCO has redesigned its etching process for ferric chloride and is now recycling approximately 20,000 gallons of materials. Since October 2018, VACCO has recieved a monthly fuel recycling certification.
- Other
  - TEQ has recently commenced construction of a 48,600 square foot addition to its plant in Huntley, IL to add an extrusion line and warehouse space. Completion is expected in June 2019. The new addition will reduce the number of trucks required to bring in raw materials which can now be stored in the new warehouse. The addition will use LED lighting throughout and outside ventilation rather than cooling for temperature control. It is expected to be one of the most energy efficient extrusion plants in the United States.
  - ETS completed a 12,000 square foot addition to its facility in Cedar Park, Texas in August 2017. The new space includes a warehouse which eliminated 3 external storage warehouses. The new warehouse eliminates the need to transport raw materials back and forth from these external locations. ETS is also moving to a new more energy efficient in Beijing, China with an expected move in date of early 2019. The new facility has all LED lighting and more efficient heating systems. In addition, ETS did some internal restructuring resulting in closure of factories in Germany and the UK and consolidation of those operations in Cedar Park and Finland. These reorganizations were energy positive for operations. ETS also replaced its waste water evaporator with a newer more efficient version and reengineered its air conditioning in Cedar Park, based on suggestions from an audit done by the local electric company. ETS now stages the startup of its air conditioning units so that only 5 units are activated at a time in 30 minute intervals. This saves significant amounts of energy at peak times. ETS also replaced 5 furnaces in 2017 and 2018 in Durant.
  - Westland was the subject of a comprehensive federal and state environmental review to look at its waste generation and handling practices. The audit gave Westland an outstanding report and found that it was operating within best practices.

Environmental Management at ESCO

This year we automated the process of gathering our data by licensing software to automatically collect our electric utility data and calculate our greenhouse gas emissions.

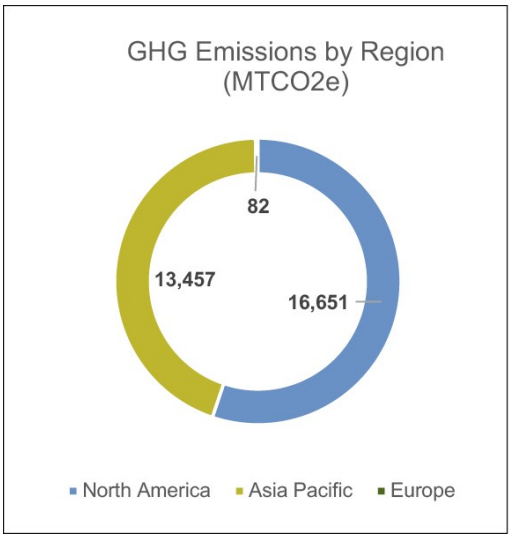
We collected the utility information from each ESCO facility in excess of 10,000 square feet to match our 10k reporting. This task required a significant number of man hours from each participating site. We now have visibility into and the ongoing collection of data from 54 different utility providers and 94 separate utility accounts across the globe. The resulting information allows us to more easily quantify, monitor, and seek ways to reduce our GHG emissions in a timely manner. Going forward we plan to include water consumption, natural gas and propane in this automated process and ultimately waste.

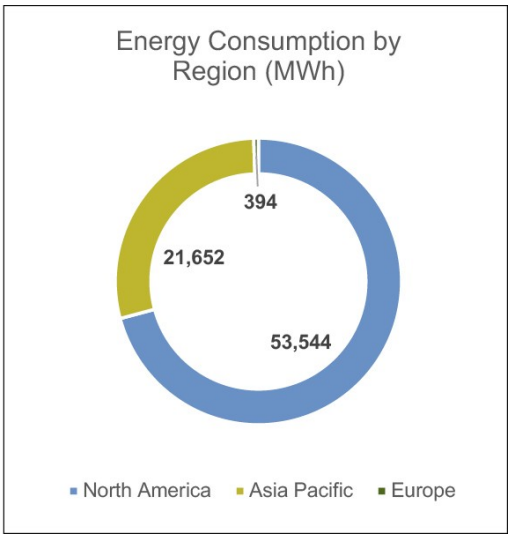
Energy Consumption & Greenhouse Gas Emissions – The Numbers

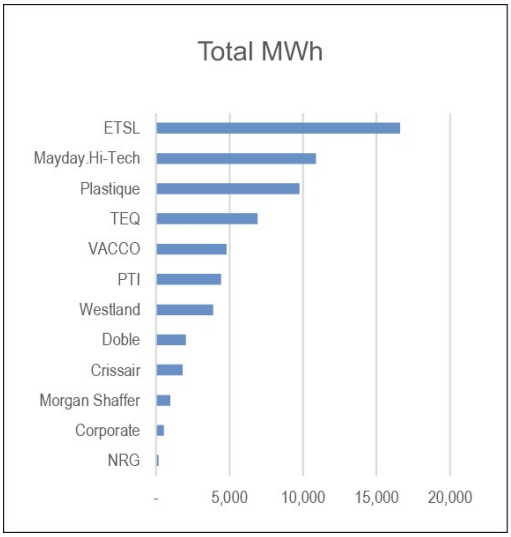
This is the third report we have competed to document our GHG emissions. Due to the new collection method and the new baseline of including only facilities in excess of 10,000 square feet, we cannot compare usage numbers to the previous two years. Going forward the numbers will be more directly comparable. The tables and graphs below reflects our usage of electricity for facilities exceeding 10,000 square feet for 2017.

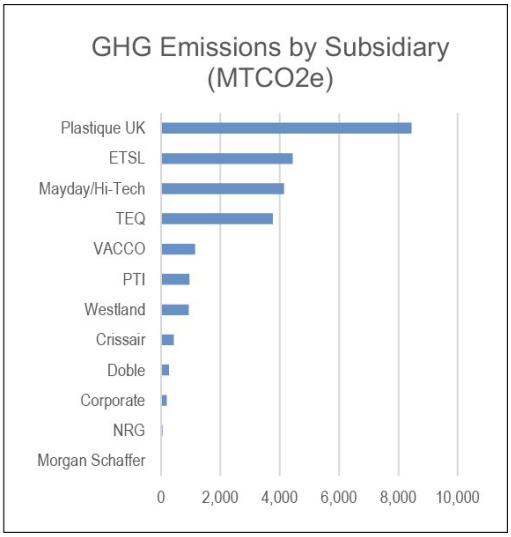
	Calendar Year 2017
Total Energy Consumption (MWh)	61,737
Total GHG Emissions (MTCO2e)	30,133
Direct Greenhouse Gas Emissions	3,429
Indirect Greenhouse Gas Emissions (Scope 2)	26,831

Energy Intensity (MWh/sq.ft.)	47
GHG Intensity (MTCO2e/sq.ft.)	19









Our efforts to conserve energy are described throughout this report. We are proud of our efforts, upgrades, new solar collection system and manufacturing process and product improvement efficiencies. We will continue to build on this momentum in the coming years while continuing our efforts at maximizing data collection efficiencies while remaining transparent to our stakeholders.