

Environmental Sustainability Policy

“Reduce, Reuse, Recycle”



Adopted: April 1, 2009
Effective: April 1, 2010

About This Policy

This Policy is to be interpreted in conjunction with Regal Beloit Values and the Code of Business Conduct and Ethics.

This Policy is adopted as of April 1, 2009 and all businesses under the management control of Regal Beloit Corporation are to be in full compliance regarding their internal activities by April 1, 2010.

A good faith effort is to be applied by each business unit to promote the Policy provisions to its supplier base through self-certifications, desk and field audits and other verification methods. This shall be the responsibility of the business leader and sourcing working cooperatively to accomplish during the first three years from the date first adopted or within two years after an entity is acquired.

If questions should arise about the application of this policy they should be addressed to your supervisor, your EHS leader or your business leader.

Any concerns regarding compliance should be addressed to your Human Resources regional or country leader, your business leader or the Regal Beloit Ombudsperson.

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1. PURPOSE AND SCOPE

- 1.1. The intent of this Policy is to provide guidance and direction to all Regal Beloit Corporation subsidiaries, divisions, joint ventures and partnerships.
- 1.2. It provides norms and standards to apply while defining our expectations for our various businesses and business leaders in meeting Regal Beloit practices regarding environmental sustainability and compliance by the Company, its contractors and sub-contractors and suppliers.
- 1.3. Only the CEO of Regal Beloit Corporation can approve exceptions to this Policy. Those exceptions must be in writing.
- 1.4. Wherever in this document there is reference to Regal Beloit, it shall mean your individual business location or unit. The Policy shall conform to, be applied by and be the responsibility of the senior business leader at that location, division or function. Regional, functional and country leaders will ensure compliance in their areas of responsibility.
- 1.5. In all cases where local or national law is more restrictive, the local or national law shall control.

2. DEFINITIONS

- 2.1. **Company:** All Regal Beloit Corporation subsidiaries, joint ventures and partnerships that which we have a controlling interest greater than 50%. For those organizations that we have less than 50% management control the responsible business leader will endeavor to have the organization to adopt the Regal Beloit Corporation Environmental Sustainability Policy.
- 2.2. **Personnel:** All individual men and women directly employed or contracted by a company, including directors, executives, managers, supervisors, and workers.
- 2.3. **Worker:** All non-management personnel.
- 2.4. **Supplier / subcontractor:** An organization, which provides Regal Beloit with goods and/or services integral to and utilized in or for the production of Company goods.
- 2.5. **Sub-supplier:** A business entity in the supply chain which, directly or indirectly, provides the supplier with goods and/or services integral to and utilized in or for the production of the supplier's and/or Regal Beloit goods and/or services.
- 2.6. **Corrective and preventive action:** an immediate and continuing remedy to a non-conformance to the Policy.
- 2.7. **Interested party:** An individual or group concerned with or affected by the environmental performance of Regal Beloit.
- 2.8. **Environmental Management System:** A process to manage and guide environmental measurement, compliance and continuous improvement.

As a guideline or roadmap ISO 14001 shall be the approved system model.

- 2.9. **Conservation:** The careful utilization of a natural resource in order to prevent depletion. (Also see reduce.)
- 2.10. **VOC:** "Volatile organic compounds" are organic chemical compounds that have high enough vapor pressures under normal conditions to significantly vaporize and enter the atmosphere. A wide range of carbon-based molecules, such as aldehydes, ketones, and other light hydrocarbons are VOCs.
- 2.11. **GHG:** "Greenhouse gases" are gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the Earth's surface, the atmosphere itself, and by clouds.
- 2.12. **KWH:** "Kilowatt hour" (symbol **kW·h**, **kW h** or **kWh**) is a unit of energy. Energy delivered by electric utilities is usually expressed and charged for in kWh.
- 2.13. **NOx:** are oxides of nitrogen. Examples are: NO, NO₂ and N₂O.
- 2.14. **SOx:** are oxides of sulfur. Examples are: SO and SO₂.
- 2.15. **ODC:** Ozone depleting compounds. Examples are: chlorofluorocarbons, including freon, and sulfur hexafluoride (SF₆).
- 2.16. **MMBTU:** One million BTUs or British thermal units. A BTU is defined as the amount of heat required to raise the temperature of one pound of liquid water by one degree from 60° to 61° Fahrenheit at a constant pressure of one atmosphere. In North America, the term "BTU" is used to describe the heat value (energy content) of fuels, and also to describe the power of heating and cooling systems, such as furnaces, stoves, grills, and air conditioners. Also equal to 1055.056 calories (ISO 31-4).
- 2.17. **Short Ton:** Or US ton equal to 2000 pounds.
- 2.18. **Long Ton:** Or metric ton equal to 1000 kilograms or 2240 pounds.
- 2.19. **Environmental Management System - ISO 14001:** ISO 14001 is the international specification for an environmental management system (EMS). It specifies requirements for establishing an environmental policy; determining environmental aspects and impacts of products, activities and services; planning environmental objectives and measurable targets; implementation and operation of programs to meet objectives and targets; checking and corrective action; and management review. ISO 14000 is similar to the ISO 9000 quality management system. The concept is to establish an organized approach to systematically reduce the impact of the environmental aspects which an organization can control.
- 2.20. **Hazardous Waste:** Some times referred to as "Hazardous Waste." The term hazardous waste comprises all toxic chemicals, radioactive, and biologic or infectious waste. These materials threaten workers through occupational exposures and the general public in their homes, communities, and general environment. Exposure to these materials can occur near the site of generation, along the path of its transportation, and

near their ultimate disposal sites. Most hazardous waste results from industrial processes that yield unwanted materials. The generation and disposal of hazardous wastes is controlled through a variety of international and national regulations. For the purposes of this policy the definition shall be the specific national and local regulations for determining whether a waste is hazardous. If not defined or regulated or doubt exists then US EPA rules and practices shall apply where not contrary to local law.

2.20.1. In the USA, this has a specific set of meanings:

2.20.1.1. "Listed Wastes" are wastes that EPA has determined are hazardous. The lists include the F-list (wastes from common manufacturing and industrial processes), K-list (wastes from specific industries), and P- and U-lists (wastes from commercial chemical products).

2.20.1.2. "Characteristic Wastes" are wastes that do not meet any of the listings above but that exhibit certain unsafe levels of ignitability, corrosivity, reactivity, or toxicity.

2.20.1.3. "Universal Wastes" are batteries, pesticides, mercury-containing equipment (e.g., thermostats) and lamps (e.g., fluorescent bulbs).

2.20.1.4. "Mixed Wastes" waste that contains both solid or liquid and hazardous waste components.

2.20.1.5. "Waste Identification Process" details about the process for identifying, characterizing, listing, and delisting hazardous wastes.

2.21. **Recycling:** Recycling involves processing used materials into new products in order to prevent the waste of potentially useful materials, reduce the consumption of fresh raw materials, reduce energy usage, reduce air pollution (from incineration) and water pollution (from landfilling) by reducing the need for conventional waste disposal, and lower GHG emissions as compared to virgin production. Recycling is a key component of waste management and is the third component of the "Reduce, Reuse, Recycle" waste hierarchy. Recyclable materials include many kinds of glass, paper, metal, plastic, textiles and electronics. In a strict sense, recycling of a material would produce a fresh supply of the same material, for example used office paper to more office paper. However, this is often difficult or too expensive (compared with producing the same product from raw materials or other sources), so recycling of many products or materials involves their reuse in producing different materials instead. Another form of recycling is the salvage of certain materials from complex products, either due to their intrinsic value such as lead from car batteries or due to their hazardous nature. For the purpose of this policy, in the absence of local or national regulation US EPA rules will apply.

2.22. **Reduce:** (Also know as conservation.) A measurable, sustained and controlled process that for the measured time period has used less input

or natural resources than the previous state of the process. This may include energy, materials, and fresh water or consider the waste streams generated.

- 2.23. **Reuse:** Similar to recycling except the conducted on site and usually using process waste in the same process again. An example of this would be re-melting of aluminum to be cast again. Another would be to use water for another on site purpose. Reuse differs from recycling by the fact that reuse is on site and recycling is offsite.
- 2.24. **Sustainability:** Sustainability, in a general sense, is the capacity to maintain a certain process or state indefinitely. The concept has been applied more specifically to living organisms and systems. As applied to the human community, sustainability has been expressed as meeting the needs of the present without compromising the ability of future generations to meet their own needs.
- 2.25. **Intensity:** A measure of environmental impact based on the business or business unit's sales, floor space or other scaleable measure of production. Typically illustrated as Tons/USD 1,000,000 of external sales or pounds/employee or pounds/foot² (or m²). Intensity normalizes data for changes in volume due to economic growth or decline such as acquisitions or divestitures.

3. ENVIRONMENTAL SUSTAINABILITY POLICY

- 3.1. **Values:** As responsible corporate citizens, we are committed to being a leader in protecting the environment. Through our stewardship we create value for all stakeholders and preserve opportunities for generations to follow.
- 3.2. **Mission:** All Regal Beloit locations shall maximize their efforts to develop and implement environmentally sustainable practices and procedures. These will include:
 - 3.2.1. First meet all legal requirements and then;
 - 3.2.2. Consider and minimize the environmental impacts (conservation) associated with all activities of the company;
 - 3.2.3. Reduce solid wastes and recycle materials recoverable from solid wastes from our manufacturing processes and construction projects;
 - 3.2.4. Procure goods and services that reduce the impact on human health and the environment using the least toxic components;
 - 3.2.5. Promote conservation of Regal Beloit use of energy through using the then current best practices to reduce waste and inefficient use of energy or natural resources;
 - 3.2.6. Produce products where possible that consider 3.2.1 thru 3.2.5; and
 - 3.2.7. To promptly and responsibly correct conditions that hinder environmental sustainability or do not comply with the law or the mission and values of the Company.

3.3. **Application:**

3.3.1. Source reduction is best practiced through the use of continuous process improvements. Critical to the long term success of Regal Beloit environmental sustainability is considering environmental impacts of a product and its manufacturing processes during the planning stages of a new product or a significant design update. This policy shall be considered at the earliest stages of any NPD (New Product Development) with the source reduction¹ goal as a CTQ (critical to quality).

3.3.2. To further define impacts the location shall consider: occupational health, environmental health, ecosystems, air pollution (such as GHG, ozone, particulates PM2.5 and greater, NOx, SOx, ODC), water quality and appropriate use, biodiversity and habitat, conservation of natural resources, climate change, and critical habitats.

3.3.3. Conservation (reduce) shall be considered the primary and most acceptable form of environmental sustainability followed by reuse and then recycling.

3.3.4. Recycling processes must insure that the waste is truly recycled and provides positive economic value to a buyer or recycler of material that is excess or considered waste to our business operations. Recycling cannot be a sale or donation to a third party to transfer the responsibility for the materials disposal or a method to avoid our ethical responsibilities under this policy.

3.4. **Metrics:** All locations will accurately report internally on a quarterly basis metrics related to their environmental performance. These metrics may change over time as stakeholders request new or different information. All external communications will be done at the consolidated corporate level only. Current data collection includes: External sales, number of employees (including temporary and contract), factory and office space (ft²), hazardous waste, solid waste or non-hazardous waste, recycling, VOC emissions, NOx (oxides of nitrogen), toxic chemical inventory (per Regal Beloit List of Lists), fresh water consumption, waste water disposal (sewer or other publicly or privately operated treatment works), and energy consumed (all forms). The metrics shall be reported in totals and intensity for goal setting, benchmarking, and internal performance comparison purposes.

3.5. **Goal Setting:** The Company will set goals in line with best practices for organizations similar to our own. That shall mean manufacturers of

¹ NPD shall consider the RBC use of natural resources, energy and emissions. Products offered for sale when being developed shall consider its energy use or potential efficiency improvements, emissions, lifecycle (disposal /recycling) including packaging and shall be governed by applicable law.

electrical and mechanical components and devices. These shall be multi-year goals based on prior performance.

- 3.6. **Continuous Improvement:** As the Company is an acquisitive organization, performance improvement will be based upon intensity of the measured inputs and outputs on a company wide, country or other segmentation and location basis. Where comparisons can legitimately be made absolute quantities may also be used. Measurements will look at the results of reduce, reuse and recycle activities as they impact the environment.
- 3.7. **CO₂ Production:** Currently as the USA is not a signatory of the Kyoto protocols and since various legislation are pending, the Company will monitor its performance through individual inputs and outputs recognized to create GHG. We will use these as proxies or surrogates for the current methodologies that consider CO₂ equivalency.
- 3.8. **Management Systems:**
 - 3.8.1. **Policy** - Location management shall define in writing, in workers' own language, the Regal Beloit policy for environmental sustainability, and display this policy in a prominent, easily viewable place on Company premises, to inform personnel that it has chosen to comply with the requirements of the Policy. Such policy shall clearly include the following commitments:
 - (a) To conform to all requirements of this policy;
 - (b) To comply with national and other applicable laws and other requirements to which Regal Beloit subscribes;
 - (c) To review regularly in order to continually improve, taking into consideration changes in legislation and any other company requirements;
 - (d) To see that the policy is effectively documented, implemented, maintained, communicated, and made accessible in a comprehensible form; and
 - (e) The corporate office shall make the policy publicly available in an effective form and manner to interested parties, upon request.
 - 3.8.2. **Process:** The processes applicable to this policy shall follow where feasible the ISO 14001 process. It is not a requirement of Regal Beloit to receive third party certification or registration except where required by local or national law. Regardless, any system developed at a location will be compliant with the concepts and procedures of the ISO 14001 standard then currently in effect. Locations that are not required to otherwise have governmental or third party oversight shall self certify to the standard.
 - 3.8.3. **Management Representative** - Regal Beloit shall appoint a senior management representative who, irrespective of other

responsibilities, shall ensure that the requirements of this standard are met.

3.8.4. **Management Review** - Top management will periodically review the adequacy, suitability, and continuing effectiveness of the Regal Beloit environmental sustainability policy, procedures, and performance results. The review shall result in appropriate system amendments and improvements and shall be implemented forthwith. The Management Representative at each location shall periodically review the location's EMS for adequacy, suitability, and continuing effectiveness focusing on continuous improvement.

3.8.5. **Planning and Implementation** - Regal Beloit shall ensure that the requirements of this Policy are understood and implemented at all levels of the organization.

3.8.6. **Suppliers/Subcontractors and Sub-Suppliers:**

3.8.6.1. Regal Beloit shall maintain appropriate records of environmental sustainability commitments of suppliers, subcontractors and (where appropriate²) sub-suppliers, including, but not limited to, contractual agreements and/or the written commitment of those organizations to:

(a) Conform to all requirements of this Policy and to require the same of sub-suppliers;

(b) Participate in monitoring and reporting activities as requested by Regal Beloit;

(c) Identify the root cause and promptly implement corrective and preventive action to resolve any identified non-conformance to the requirements of this Policy;

(d) Promptly and completely inform Regal Beloit of any and all relevant business relationship(s) with other suppliers, subcontractors and sub-suppliers

3.8.6.2. Regal Beloit shall establish, maintain, and document in writing appropriate procedures³ to evaluate and select suppliers, subcontractors and (where appropriate⁴) sub-suppliers, taking into account their performance and commitment to meet the requirements of this policy.

3.8.7. **Addressing Concerns and Taking Corrective Action:**

3.8.7.1. Regal Beloit provides confidential means for all personnel to report non-conformances with this or any other policy to Regal Beloit management. This may be done through the

² "Where appropriate" shall be defined as whenever a supplier does not manufacture substantially all of the purchased component or raw material. Applicable situations would be when supplier does only conversion, limited assembly or acts as a distributor or sales agent only, where the primary components or raw material can be identified.

³ The procedure may be electronic or manual and may include self-assessments or on site assessments. On site assessments shall carry increased weight in any rating or screening system.

⁴ See footnote #2.

same channels currently available for Code of Business Conduct concerns that include your supervisor, human resources, and the ombudsperson, General Counsel or the Board of Directors. Regal Beloit shall investigate, address, and respond to the concerns of personnel and other interested parties with regard to conformance/non-conformance with the Regal Beloit environmental sustainability policy.

3.8.7.2. Regal Beloit shall identify the root cause, promptly implement corrective and preventive action, and allocate adequate resources appropriate to the nature and severity of any identified non-conformance with the Regal Beloit environmental sustainability policy.

3.8.8. Outside Communication and Stakeholder Engagement - Regal Beloit shall establish and maintain procedures to communicate regularly to all interested parties data and other information regarding compliance with the requirements of this policy, including, but not limited to, the results of management reviews.

3.8.9. Records - Regal Beloit shall maintain appropriate records to demonstrate conformance to the requirements of this policy.