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2016 SUSTAINABILITY SUMMARY

**TRANSFORMING  
WATER.  
ENRICHING  
LIFE.**

# TABLE OF CONTENTS



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## OVERVIEW

- 04 Sustainability. It starts with a clear strategy
- 05 About Evoqua
- 06 Purpose, mission, vision & values
- 07 Environmental, health and safety

## ENVIRONMENTAL STEWARDSHIP

- 10 2016 key operational impacts
- 11 Sustainability – continuous improvement
- 12 Conservation through enhancements, modifications, and leveraging lean thinking
- 14 Conserving resources through solid waste reduction and metals recovery
- 15 Achieving sustainability through carbon reactivation
- 16 Helping our customers achieve sustainability

## CORPORATE GOVERNANCE

- 18 Corporate governance programs
- 21 Evoqua’s Compliance Process

## SOCIAL FACTORS

- 23 Human rights assurance
- 24 Supply chain protocol

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# OVERVIEW

The background of the slide is a blurred photograph of a waterfall. The top half shows the white, frothy water cascading down, while the bottom half shows a clear reflection of the waterfall and the surrounding greenery in the calm water below. The overall color palette is dominated by blues, greens, and whites.

# SUSTAINABILITY IT STARTS WITH A CLEAR STRATEGY



**RON C. KEATING**  
CHIEF EXECUTIVE OFFICER

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Evoqua has been a leader in sustainability for decades...generations before it became a standard practice across industry.

For more than 100 years, we have worked to protect water, protect the environment and protect employees...both our own and customers'. It's why we say our Purpose is Transforming Water and Enriching Life.

The foundation for everything we do is in our Values (see page 6). Evoqua is committed to ensuring all of our employees live our Values each and every day. The same holds true for our Business Conduct Guidelines. It is through this commitment that we achieve measurable success.

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Our 2016 Sustainability report provides a glimpse of just a few of our corporate responsibility accomplishments. We invite you to learn more about how we Transform Water and Enrich Life and engage with us.

# ABOUT EVOQUA

Evoqua Water Technologies is the global leader in helping municipalities and industrial customers protect and improve the world's most fundamental natural resource: water. Evoqua has a more than 100-year heritage of innovation and industry firsts, market-leading expertise, and unmatched customer service, where we continue to transform water and wastewater. Our cost-effective and reliable treatment systems and services ensure uninterrupted quantity and quality of water, enable regulatory and environmental compliance, increase efficiency through water reuse, and prepare customers for next-generation demands.

Evoqua's unparalleled portfolio of proven brands, advanced technologies, mobile and emergency water supply solutions and service helps cities across the world provide and discharge clean water, and enable commercial industry to maximize productivity and profitability.

For more information, visit [www.evoqua.com](http://www.evoqua.com).

**AS PART OF THE WHITE HOUSE WATER SUMMIT HELD APRIL 22, 2016 IN CONJUNCTION WITH THE UNITED NATIONS WORLD WATER DAY, EVOQUA WATER TECHNOLOGIES ANNOUNCED IT WILL DOUBLE THE AMOUNT OF WATER IT TREATS FOR REUSE AND RECLAMATION TO 5 BILLION GALLONS OF WATER A DAY BY 2021, OR ENOUGH TO SERVE 50 MILLION AMERICANS A DAY AT CURRENT CONSUMPTION RATES.**

## CODE OF ETHICS AND BUSINESS CONDUCT

At Evoqua, we live our values each day in our interactions with each other, our customers and our third party partners. Every time we perform a task in our daily work, it's another chance to do the right thing and make decisions in the best interests of the Company. At the end of the day, our business decisions are not just about profits; we impact people, communities and the environment. Working with this knowledge and making prudent decisions is what it means to work with integrity.

Protecting the environment and conserving natural resources is of the highest importance for our Company. Sustainable conduct forms the basis of our business decisions and dealings with our stakeholders. Through management leadership and employee commitment, Evoqua Water Technologies strives to conduct its operations in a manner that is safe for the environment and continually improves environmental performance.

View the [Code of Ethics and Business Conduct](#).

# OUR PURPOSE, MISSION, VISION & VALUES

Evoqua's Purpose, Mission, Vision and Values guide everything we do. And reinforce our unwavering commitment to customer service.



## OUR PURPOSE

Transforming water. Enriching life.

## OUR MISSION

Evoqua will produce superior returns for our customers, employees, and shareholders by providing best in class water solutions. We will double the reach of our business over the next 5 years through served market and product expansion. In accordance with our values, we will operate with integrity while delivering on our promises as a trusted partner to our customers and our stakeholders.

## OUR VISION

The world's first choice for water solutions

## OUR VALUES

Integrity: Do what's right

- We work safely
- We are honest and keep our word
- We lead by example and are good corporate citizens
- We respect our employees, business partners and environment

Customers: The foundation of our success

- We are responsive and reliable
- We provide high quality solutions
- We add value as a trusted partner

Performance: Deliver on promises

- We will be even better tomorrow than today
- We collaborate to win together
- We meet or exceed expectations

# ENVIRONMENT, HEALTH AND SAFETY

Evoqua is committed to conducting business in a manner that protects the health and safety of our employees, environment, customers, partners, and our communities. This commitment is reflected in the very first aspect under our stated Values – that as a basis of Integrity, “We will Work Safely.” Our practices, programs, and policies are proven and proactive, assuring compliance with applicable laws and regulations as a minimum foundation. Our facilities are designed and operated to high standards with the systematic anticipation, recognition, evaluation, and control of safety, health, and environmental risks.

**EVOQUA WAS AWARDED THE 2015 GOLD AWARD FOR EXCELLENT SAFETY PERFORMANCE AT THE CHEVRON REFINERY IN EL SEGUNDO, CALIF. THIS AWARD IS CHEVRON'S HIGHEST SAFETY RECOGNITION, PRESENTED ON AN ANNUAL BASIS TO ITS PARTNERS WHO CONSISTENTLY PROVIDE INCIDENT-FREE, ON-SITE SERVICES OVER AN ENTIRE CALENDAR YEAR PERIOD.**

## OUR GUIDING PRINCIPLES

- We will plan and perform our work in a manner that is protective and respectful of our shared environment. We will meet or exceed all government regulations affecting our facilities.
- All employees are encouraged and expected to take an active role in our EH&S program, and to accept a personal responsibility for protecting their own safety and health.
- All employees are aware that they have both the right and responsibility to immediately halt and report unsafe or noncompliant activities that could endanger themselves, other personnel, property, or our environment. Management support of this policy is total and absolute.
- We provide employees with education, training, equipment, and other resources so that they can effectively plan and perform all assigned work tasks in a safe, healthful, and compliant manner.
- We strive for continuous improvement in all aspects of our EH&S Program, including training, implementation, and motivation.
- Commitment to our EH&S standards is an integral part of every employee’s job and a key criterion of our performance evaluation process.

At Evoqua, we recognize that our employees are our most important resource. To protect this resource, we have implemented and maintained an effective EH&S Program targeted at building a work environment where every worker is **enabled** and **empowered**, and embraces a personal **accountability** for protecting their safety and health, as well as that of their co-workers.

A key component of our Program is our behavior-based process (our Loss Prevention System).

# ENVIRONMENT, HEALTH AND SAFETY

As one indicator of Evoqua’s effective EH&S policies and processes, we have successfully achieved ISO certification for Quality Management Systems (9001), Environmental Management Systems (140001) and also for Occupational Health and Safety (18001) at 14 locations across the US and overseas. These certifications demonstrate that we have adequate controls in place to minimize production defects (which decrease the generation of wastes), environmental impacts, and to prevent unsafe conditions our workplaces. Our multiple ISO 14001 certified facilities are of particular relevance to sustainability as they demonstrate our on-going commitment to protecting our environment and reducing our carbon footprint.

## LOSS PREVENTION SYSTEM – A SMARTER AND SAFER WAY TO DO BUSINESS

Loss Prevention System (LPS) is a set of tools that proactively enable employees to identify and eliminate at-risk behaviors that can lead to losses and near losses, such as:

- Personal injuries or illnesses
- Equipment or property damage
- Environmental releases
- Regulatory violations
- Operational or system inefficiencies
- Motor vehicle accidents

## EVOQUA’S LPS PHILOSOPHY

At Evoqua, LPS is not simply a safety program, it is a philosophy embedded in our culture and corporate strategy. Basic elements of this philosophy include:

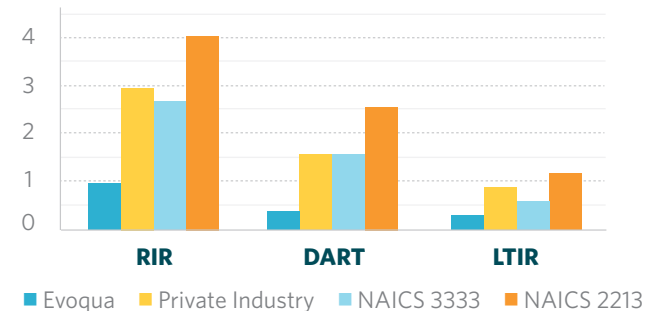
- Incorporating LPS into our overall business plan
- Ensuring company-wide participation
- Recognizing and eliminating or controlling hazards before incidents occur

## RESULTS

As depicted below, we have achieved and maintained excellent EH&S incident rates, indicative of the effectiveness of our EH&S programs and processes. **Based on the most-recently published data from the US Bureau of Labor Statistics, our incident rates are an average of more than 70% below the national rates for our industry and also for all private industry in the US.** This proven performance has been recognized by our customers, as demonstrated by our receipt of the prestigious Gold Award for Safety from Chevron in 2016.

We are fully committed to ensuring the health and safety of all our employees and we are confident that we have the right systems in place to continue with this exceptional performance.

## COMPARISON OF EVOQUA INCIDENT RATES WITH NATIONAL RATES\*



\*Source: US Dept. of Labor, Bureau of Labor Statistics



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# ENVIRONMENTAL STEWARDSHIP



## 2016 KEY OPERATIONAL IMPACTS THROUGH THE IMPLEMENTATION OF LEAN THINKING AND CONTINUOUS IMPROVEMENT ACTIVITIES, EVOQUA IS REDUCING ITS ENVIRONMENTAL FOOTPRINT WHILE CONTINUING TO EXCEED THE NEEDS OF OUR CUSTOMERS.

“Our operations are laser focused on efforts to reduce, reuse, and recycle. By leveraging the Evoqua Lean Management philosophy, we are continuously searching for opportunities to eliminate waste. Waste minimization and energy usage reduction targets are established at the beginning of our Fiscal Year and included in the performance plans of plant leadership. Our approach has proven to be good for the environment and good for business. Our experience shows by applying Lean thinking to our sustainment activities we are able to consistently deliver solid returns on any required investments we make.”

– Bob Myers, Sr. Director of North American Manufacturing

# SUSTAINABILITY – CONTINUOUS IMPROVEMENT

In 2016, Evoqua has taken several significant steps to advance our commitment and processes on Sustainability. Examples of these steps have included:

- Implemented processes that better measure our carbon footprint from key North American operations using concepts produced by the CDP, formerly the Carbon Disclosure Project. These processes enable the measurement and management of environmental impacts. Some examples are summarized below:
  - Scope 1 Fleet emissions - (in tons CO<sub>2</sub>e) = 21,674
  - Scope 2 Operation emissions - (in tons CO<sub>2</sub>e) = 48,671

- Establishment of a Sustainability Committee comprised of volunteers from a cross section of disciplines from around our company, with the full and outward endorsement of Executive Leadership
- Creation and implementation of written Sustainability Charter

Evoqua's success in our continuing sustainability improvement activities have resulted in clear benefits, and has resulted in recognition from key customers and regulators. As one example, in 2016 Evoqua was recognized by the New Jersey Department of Environmental Protection with an Environmental Stewardship certification for our *“voluntary and proactive measures taken to go beyond compliance in an effort to improve the environment and ensure a sustainable future.”*



# CONSERVATION THROUGH ENHANCEMENTS, MODIFICATIONS, AND LEVERAGING LEAN THINKING

Evoqua Water Technologies operates in more than 130 locations throughout North America. The following examples highlight four of our most notable operations and continued commitment to sustainability through conservation activities.

**Colorado Springs, CO** - Our Colorado Springs operation has taken a comprehensive approach to resource conservation: Offices and conference rooms have been equipped with motion detectors; Energy efficient lighting has been installed throughout the facility; Fixtures have been converted to a low water flow design; HVAC systems have been designed to

automatically adjust temperature settings during periods of low space utilization, and; equipment test facilities have been modified to allow 50% of the test water to be reused.

Through the engagement of the entire team, Colorado Springs continues to discover effective and efficient ways to operate, preserving our vital resources and reducing our environmental footprint.

**Tewksbury, MA** - Through the application of new and innovative Evoqua process water technology, the Tewksbury operation was able to reduce a process waste water stream in the testing operation by 50%. Working with

our engineering team, the facility was able to select and install our state-of-the-art “Nexed” technology and realize water reduction benefits while maintaining water quality at the highest test level.

Additionally, through the application of Lean tools (in this case, value stream mapping), the Tewksbury team identified a cardboard solid waste stream associated with process shipping. Working with the material supplier and driving the philosophy of zero discharge facilities, a reuse and recycling process was developed that completely eliminated this cardboard waste stream.

	FY13	FY14	FY15	FY16	Reduction from FY13 to FY16
<b>Solid Waste Disposal (pounds of waste generated per hours worked)</b>	3.88	2.87	3.17	3.31	10%
<b>Water Usage (gallons used per hours worked )</b>	54.08	48.95	36.65	30.22	41%
<b>Power (Kwh per hours worked)</b>	26.57	21.45	24.11	23.12	13%
<b>Direct Labor Hours</b>	352,115	357,940	333,598	369,374	

# CONSERVATION THROUGH ENHANCEMENTS, MODIFICATIONS, AND LEVERAGING LEAN THINKING

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**Rockford , IL** - Evoqua provides industrial customers services and products utilizing ion exchange resins to produce high-purity deionized process water. As part of this offering, we condition and regenerate these resins for recurring use. Through extensive testing and analysis, our Rockford facility implemented innovative ideas to recycle Sodium Hydroxide in our regeneration process. The result was a 25% reduction in Sodium Hydroxide usage, lower processing costs, and a reduction in the caustic discharge waste stream.

By performing a mass balance of incoming materials, Rockford identified opportunities to reduce wood pallet, cardboard, and metal waste streams. Through partnership with local service providers, this waste stream was reduced by 75%, with all materials being recycled for alternate uses.

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**Fleet Management** - Evoqua operates a fleet of over 1,600 vehicles, which includes 600 trailers used to deliver water and wastewater treatment solutions to our customers. In 2016, we engaged in an initiative to right-size our fleet which resulted in the elimination of 14 under-utilized vehicles and the replacement of over 25% of the fleet with more fuel efficient vehicles. The results of this initiative will reduce Evoqua's annual fuel consumption by more than 35,000 gallons per year. Evoqua's Fleet Management team continually evaluates sustainability improvements to provide the right balance between lessening our environmental impact while maintaining an effective and efficient fleet to service our customers.

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Evoqua has made measurable and continuing progress over past years on several key sustainability metrics. For example, for Fiscal Years (FY) 2013-2016, metrics for waste disposed, water usage, and power usage from our key manufacturing facilities (i.e. Colorado Springs, CO; Holland, MI; Tewksbury and Lowell, MA; and Thomasville, GA, and Union, NJ) were established and monitored (as presented in the table on page 12). Varying levels of business activity are accounted for by dividing or "normalizing" the solid waste, energy consumption, and water consumption data by total direct labor hours for the five facilities. Over this period, the data demonstrate an overall improvement in efficiency over the FY13 - FY16 period.

# CONSERVING RESOURCES THROUGH SOLID WASTE REDUCTION AND METALS RECOVERY

## REDUCTION INITIATIVES

- Established a National Contract with Waste Management with a goal to increase diversion of landfill waste to reuse/recycle by 4%
- Implementing formal recycling programs for cardboard, plastics, and other landfill materials with local municipalities and waste handlers
- Reducing corrugated box use for incoming materials

- Eliminating or recycling wooden pallets
- Designing import crates to be re-used for finished product shipment
- Distribution program established with key suppliers to utilize pallets and containers from other supply streams

## METALS RECOVERY

Evoqua operates a centralized treatment and recovery facility in Roseville, MN that processes metal-bearing aqueous materials received from our customers. We work aggressively to recover and reclaim these metals. As shown in the table below, these efforts have resulted in the recovery of over 628 thousand pounds of metals including Cadmium, Chrome, Copper, Lead, Magnesium, Nickel and Zinc.

## METALS RECOVERY

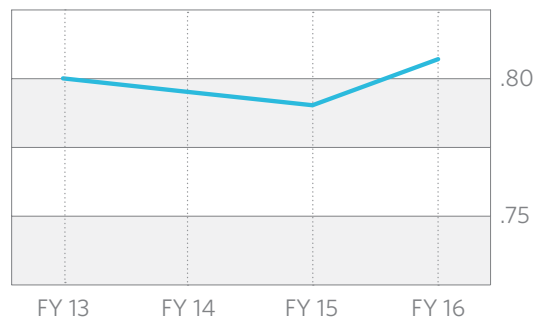
	Cadmium	Chrome	Copper	Lead	Magnesium	Nickel	Zinc	Total
<b>FY 13</b>	260	32,451	51,849	473	2,491	26,921	94,588	209,033
<b>FY 14</b>	204	43,631	53,190	387	4,747	23,296	78,496	203,951
<b>FY 15</b>	420	44,690	65,387	382	2,446	27,430	75,202	215,956
								628,940

In Pounds, FY = fiscal year  
 FY16 data will be available next year due to the timing of regulatory reports.

# ACHIEVING SUSTAINABILITY THROUGH CARBON REACTIVATION

Evoqua’s carbon reactivation facilities utilize a thermal processes to remove and destroy organic constituents from spent activated carbon, reactivating the carbon and restoring its adsorptive properties for reuse as an effective treatment medium. State-of-the-art pollution controls are employed to meet stringent emission control requirements at each of these facilities. We also strive to minimize our carbon footprint through energy recovery and control as demonstrated in the chart below.

**LBS OF CO<sub>2</sub> EMITTED PER LBS OF ACTIVATED CARBON PRODUCED**



FY = fiscal year

This carbon recycling process helps our customers meet their sustainability goals by eliminating the need to land dispose spent carbon, and helps reduce the resource requirements (primarily coal mining and other extractive technologies) as compared to producing virgin activated carbon.

In addition to these significant waste minimization and resource reduction benefits, the use of reactivated carbon provides substantial benefits toward battling climate change. An independent study conducted by the University of California Berkeley estimated that the reactivation of carbon generates one eighth the carbon dioxide equivalents as compared to the production of virgin carbon.

## COMMON USES FOR ACTIVATED CARBON:

### Municipal Drinking Water

Removes taste/odor and organic

### Food and Beverage Industry

Removes color and chlorine from process water used in products

### Chemical Industry

Removes pesticides, alcohols and solvents from the water leaving plants

### Petroleum Industry

Reduced concentrations of phenols, heavy metals, volatile and semi-volatile organics

Substances containing greater than ninety percent carbon can be utilized to manufacture activated carbon, including varying grades of coal, coconut shells, bones and walnut shells. Reactivated carbon consists of cleaning out the pore structure through a burning process utilizing a kiln. The reactivation process recycles spent carbons into new activated carbon materials that continue to provide excellent performance in many treatment applications. Evoqua supports our customers in their continued commitment to utilize reactivated carbon when permitted by industry regulations.

Learn more about [Carbon Reactivation](#).

# HELPING OUR CUSTOMERS ACHIEVE SUSTAINABILITY

Evoqua services over 200,000 installations across the globe and services 90% of the Fortune 500 companies. Here are a few examples of how we help our customers achieve their sustainability goals and meet environmental compliance.

Evoqua is helping customers make generating sustainable energy a cleaner and more efficient process.

- An Evoqua Boiler Feedwater Makeup System will help LA Sanitation meet a commitment to reduce its carbon footprint by operating the Hyperion Water Reclamation Plant on 100% renewable energy.
- Evoqua to provide energy developer DCO Energy, LLC with a boiler feedwater makeup system and a condensate polishing system for a new \$200 million 50 MW biomass/ wood waste-to-energy cogeneration project for consumer products giant Procter & Gamble Co. This project will help our customer's customer meet a commitment to operate on 100% renewable steam.

## **Rimini, Italy - Consolidating Waste Treatment Centers in an Environmentally Sensitive Region**

Set in the "Roman Riviera" on the Adriatic Sea, Rimini is the heart of a region that is historic, scenic and fragile. Densely populated to begin with, the area receives a huge population influx every tourist season that puts a strain on the region's aging water resources. Rimini needed to expand its Santa Giustina wastewater treatment plant from serving 220,000 people to a maximum of 560,000, absorbing and demolishing two existing treatment plants in the area. The overall goal: to eliminate discharges to the Adriatic Sea by 2020 and preserve the beauty of this legendary seacoast region.

The resulting solution is one of the largest Membrane Bioreactor wastewater treatment facilities in Europe. Its total filtration area is approximately 150,000 square meters and includes nearly 4,000 MempoM MBR modules.

Even with this capacity, the MBR expansion occupies a small footprint and helps cut the plant's overall energy costs.

With the system in full operation, the plant is meeting or exceeding all of the strict requirements for discharge into surface water, and its effluent is compliant with reuse requirements. Energy consumption is below industry benchmarks. Most important, because of the compact footprint of the MemPulse MBR technology, Rimini was able to complete the upgrade without acquiring and developing new real estate, preserving the beauty and heritage of the land as well as the sea in this special part of the world.





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# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE PROGRAMS



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## ETHICS AND COMPLIANCE PROGRAM

Evoqua is committed to doing business the right way. We're continually striving to earn and keep the trust of our customers and the communities where we work and live. One way we meet that commitment is through our ethics and compliance program. Our program identifies key risks in our organization, develops standards and processes to address those risks, and then brings those standards and processes to life in our business.

The Company's ethics and compliance platform weaves the basic elements of an effective program through each initiative. Among other things, an effective compliance program identifies and prevents misconduct, encourages employees to report potential problems, and develops procedures that allow the prompt, thorough investigation of alleged misconduct.

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The Evoqua Ethics and Compliance Program addresses the following elements:

- **Standards of Conduct**  
Our newly redesigned and issued Code of Ethics and Business Conduct firmly establishes our commitment to “Do what is right.”
- **Governance and Oversight**  
An ethics and compliance program is established each fiscal year. The organization’s ethics and compliance function reports up through the Company’s Legal Department and has the support of Internal Audit. The function provides regular reporting to executive management on key compliance programs.

- **Training and Communication**  
Compliance programs include customized training issued organization wide. Communication plans are tailored to applicable audiences and employees where English is a second language are given due consideration through translated policies, forms, and training.
- **Monitoring and Auditing**  
Implemented compliance programs include key preventative and detective controls. Ethics and Compliance partners with Internal Audit, as well as external experts to perform compliance reviews.

- **Reporting and Investigating**  
The organization encourages employees who become aware of a violation or a potential violation to report the issue through a variety of means: Management, Human Resources, or the organization’s Compliance Helpline. Employees can also submit questions or concerns to the Compliance Helpline either via phone or the web. The Helpline is staffed by a third-party and is available 24/7/365. Reports to the Helpline can be made anonymously. Evoqua pledges to investigate and react to every report.
- **Response, Prevention, Enforcement, and Discipline**  
Evoqua’s Ethics and Compliance programs are designed to respond appropriately to misconduct and to prevent further similar misconduct, including making any necessary modifications to the current program and taking corrective action.

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### TAKING A STAND AGAINST BRIBERY AND CORRUPTION

We are committed to maintaining a best in class Anti-Corruption Program. We strive to make continual improvements to our program to ensure we have effective preventative and detective controls in place to address misconduct.

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Evoqua enhanced our Anti-Corruption program during fiscal 2016 through the following activities:

- A new, improved Anti-Corruption Policy for both employees and indirect sales channels
- An improved indirect sales channel due diligence program, which includes third-party training and Code of Conduct sign-off
- Live, customized Anti-Corruption training provided to the global organization
- Improved gifts and entertainment, reporting, tracking, and monitoring
- A new Employee Concern policy that reiterates the Company's commitment against retaliation (e.g. "whistle-blower" protections)
- A new, improved Code of Ethics and Business Conduct with enhanced bribery, corruption, and anti-retaliation

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Policies and forms were translated for our global workforce.

The Company strictly prohibits bribery in any form and at any amount or value. The organization fully supports any employee, officer, director, or third party acting on the Company's behalf who declines an opportunity or advantage in a business transaction if engaging or participating in the transaction would place the Company at legal or reputational risk.

# EVOQUA'S COMPLIANCE PROCESS



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# SOCIAL FACTORS



# HUMAN RIGHTS ASSURANCE

At Evoqua, we treat each other with respect and courtesy. Consistent with our corporate principles and with the employment laws of the countries in which we work, we do not tolerate discrimination, intimidation, harassment, bullying, or indecent conduct of any kind. These principles apply to both internal cooperation and conduct towards external partners.

## EMPLOYEES, PARTNERS AND SUPPLIERS OF EVOQUA DECLARE

### Respect for basic human rights:

- To promote equal opportunities for and treatment of employees irrespective of race, color, religion, sex, national origin, age, disability, genetic information, gender identity or expression, or veteran status
- To respect the personal dignity and rights of each individual allowing for a safe, comfortable, and professional work environment
- To refuse to employ or make anyone work against his or her will
- To refuse to tolerate any unacceptable treatment of an individual that unreasonably interferes with operational objectives
- To prohibit behavior including gestures, language, and physical contact, that is sexual, coercive, threatening, abusive, or exploitative

- To provide fair remuneration and to guarantee the applicable national statutory minimum wage
- To comply with the maximum number of working hours according to applicable law
- To recognize the right of free association of employees and to neither favor nor discriminate against members of employee organizations or trade unions

### Prohibition of child labor:

- To not employ child or forced labor in any of our global facilities as defined by International Labour Organization (ILO) Convention 138.

# SUPPLY CHAIN PROTOCOL

Evoqua expects its suppliers to share our values. Furthermore, we require suppliers to act in accordance with the following principles concerning responsibilities to its stakeholders and the environment:

- Comply with all applicable laws
- Prohibit corruption
- Respect basic human rights of employees
- Comply with laws prohibiting child labor
- Take responsibility for the health and safety of employees
- Act in accordance with applicable statutory and international standards regarding environmental protection
- Further promote this Supplier Code of Conduct to their own suppliers

The Supplier Code of Conduct is required for all new suppliers to sign and return to Evoqua.

## SUPPLIER SELF-ASSESSMENT QUESTIONNAIRE

As part of our supplier qualification process, selected suppliers are required to complete a self-assessment questionnaire. The selection criteria for when a supplier is to complete the self-assessment is based on several factors such as:

- The part is an Evoqua designed part
- The supplier is in a high-risk country as defined by TI/CPI\* guidelines
- The purchased part is within a critical commodity (such as castings, fabrications), the part is produced using a critical process (such as welding, galvanizing)
- The part is a critical component of the end product (as defined by Engineering)
- There is a potential for a high for dollar spend (either estimated annual spend is greater than \$50,000 or a single PO dollar amount in excess of the same amount)



\* The high risk designation is based on the Corruption Perceptions Index (CPI) score which is published annually by Transparency International



# SUPPLY CHAIN PROTOCOL

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## SUPPLY CHAIN RISK ASSESSMENT

During Fiscal Year 2016, Evoqua established a Supply Chain Risk Assessment process to identify supplier spend in high-risk countries. The Risk Assessment process utilizes Evoqua supplier spend and location data from the current year and correlates the data against country risk rankings from Transparency International and the World Bank.

Risk factors included are:

- Voice and Accountability: the extent to which a country's citizens are able to participate in government selection, freedom of expression, freedom of association, and free media\*
- Political Stability and Absence of Violence: the likelihood of political instability and/or politically-motivated violence, including terrorism\*

- Government Effectiveness: the quality of public services, civil service, policy formulation and implementation\*
- Regulatory Quality: the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development\*
- Rule of Law: the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence\*
- Control of Corruption: the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests\*

The results of the first assessment will inform the creation of additional supply chain controls to complement the existing supplier due diligence process. This newly established Risk Assessment process supplements our existing programs for Modern Slavery Act and California Transparency in Supply Chains Act compliance. The Risk Assessment process also provides senior leadership with greater insight into the organization's supply chain.

\* World Bank Governance Indicators

# SUPPLY CHAIN PROTOCOL

## SUPPLIER CODE OF CONDUCT

In order to assure that we engage only suppliers who follow fundamentally compliant and ethical business practices, and who share our commitment to these principles, we have implemented a two-phased process in our Supply Chain Protocol. This includes an initial assessment that each Supplier must complete and submit (our Supplier Questionnaire) which is evaluated to determine if we will use their products, followed by a second assurance phase (our Compliance Requirement Auditing processes) which involves conducting actual onsite audits at the Supplier's facilities to evaluate how well Supplier Questionnaire responses align with their actual practices and operations. Suppliers undergo an audit on a

periodic basis of at least once every 3 years (or more frequently if an Evoqua employee suspects or discovers a violation of our Supplier Code of Conduct).

In 2016, 100% of new Suppliers that we engaged completed and submitted Supplier Questionnaires.



\*Supplier provided Code of Conduct included the same information as Evoqua Supplier Code of Conduct.

# SUPPLY CHAIN PROTOCOL

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## CORPORATE CITIZENSHIP

Evoqua continues our commitment to developing internal processes that align with both the California Transparency in Supply Chain Act and the SEC's requirements on Conflict Minerals to mitigate the risk of slavery and human trafficking in our supply chain.

In 2010, Congress enacted the Conflict Minerals provisions ("Section 1502") of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 1502 requires public companies to disclose annually to the Securities and Exchange Commission ("SEC") their due diligence design and process utilized to determine whether certain minerals used in applicable products originated from conflict mines located in the Democratic Republic of the Congo ("DRC") or other adjoining countries.

The minerals identified as contributing to human rights abuses in the DRC and adjoining countries by funding armed groups are gold, columbite-tantalite (coltan), cassiterite and wolframite, and their derivatives (i.e. tantalum, tin and tungsten). Although Evoqua is not currently a public company subject to the Conflict Minerals filing requirements, we respect the intent of Section 1502 to decrease human rights abuses in the DRC and adjoining countries and is committed to responding to customer requests for information on our products and services.

Evoqua relies on information obtained downstream from key suppliers to provide conflict mineral information to customers. We requires suppliers to contractually commit to our "Code of Conduct for Evoqua Suppliers", and we expect that these standards will be promoted down the supply chain to any lower-tier contractors or suppliers.

Evoqua requires that suppliers respond in a timely and accurate basis to requests regarding conflict mineral usage for products and services necessary to the functionality or production of the product. Full transparency and thorough supply chain due diligence is required to identify mineral smelters (when applicable) as part of doing business with our Company.

Suppliers are encouraged to utilize certified conflict free smelters (CFS) and refiners for the production of EWT products and services.

In addition, suppliers must certify that they are in compliance with the laws in the countries in which they operate. Suppliers who are in violation of our Supplier Code of Conduct and local law are subject to corrective action plans or termination.



## **CONTACT US**

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