

# 2017 Sustainability Report



 **WOODWARD**

## FROM OUR CEO



In 2016, we celebrated the grand opening of our new campus in Fort Collins, Colorado. The design of this modern facility and our other new US facilities demonstrates our ongoing commitment to establish Woodward as the global standard in manufacturing for the aerospace and industrial markets.

“Our commitment to sustainability is encapsulated in the message that is at the core of our corporate brand: Always innovating for a better future.”

The Woodward Constitution provides the foundation for all Woodward activities, including our commitment to sustainability. Our Constitution defines our business philosophy, identifies our stakeholders, establishes our values and principles and describes our business purpose. We believe that living the values and principles, of the Woodward Constitution is critical to achieving our business goals and to our long-term success. We recognize that living our values and principles requires we continue to make investments in our people (who we call “members”), products, processes, facilities and stakeholders. In this report, we proudly highlight these investments, including:

### **Innovative Facilities and Resource Conservation**

We have opened three new facilities since our last report in 2015. Continual cycles of reinvestment are required to sustain a business long term. Capital investments in state-of-the-art manufacturing equipment, for example, can help us conserve

natural resources for our planet, create a safer working environment for our members, and enhance product quality for our customers. Our goals are to reduce emissions and improve efficiency in all our facilities.



## Investing in Our Members

We recognize that Woodward members are the Company's most valuable resource and they are at the heart of our success. With a focus on each member, Woodward promotes the values of respect, inclusion, honesty and engagement. This legacy in work ethic - known in the company as "the Woodward Way" - continues to distinguish us as an employer of choice. As part of our investment in our members, our Fort Collins corporate headquarters now houses Woodward University, our new state-of-the-art training facility that will allow our members to have in-house access to training to further develop their knowledge, skills and thorough understanding of our enterprise level business processes.

## Research and Development (R&D)

Reflecting our commitment to delivering "lasting solutions to energy control", we continue to invest in research and development, taking advantage of new and alternative energy sources and enhancing the performance of our products. We believe our R&D investments will keep our products competitive well into the future, benefiting all of our stakeholders. These investments will promote sustainable growth and help keep Woodward positioned in the forefront of innovation.

Our commitment to corporate responsibility is as strong as ever. As always, we welcome your feedback so that we can continue to improve our performance.

Sincerely,



Thomas A. Gendron  
Chairman of the Board, Chief Executive Officer and President

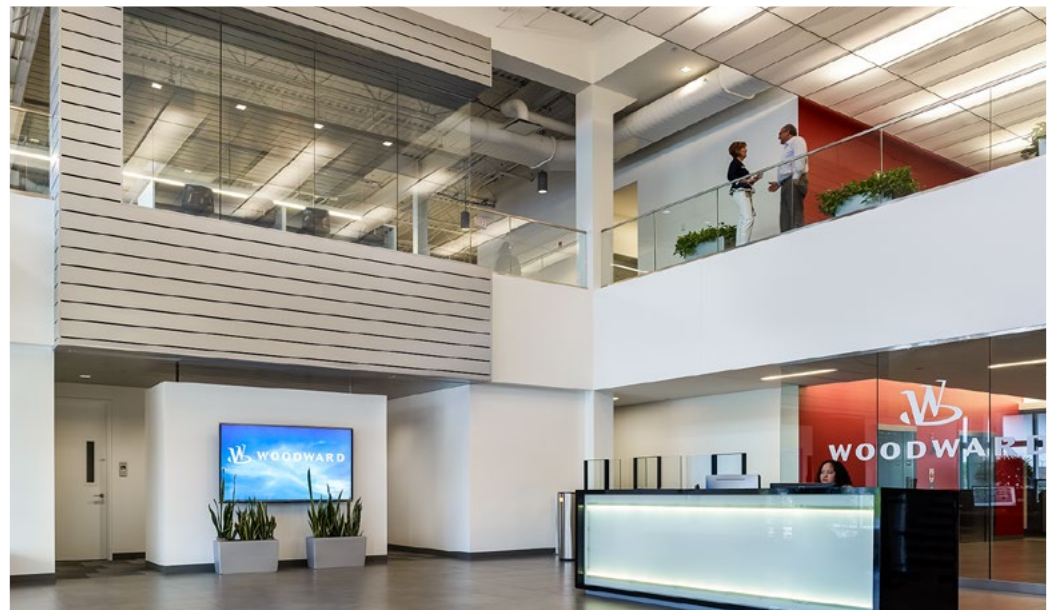
## Maintaining Leadership in Our Communities

Woodward is committed to enhancing the communities that shape the lives and livelihoods of our members, our customers, and our shareholders. Woodward locations all around the world have community outreach committees that facilitate volunteer and charity programs. Enabling our members to make a difference will in turn make a difference in their respective communities.

## Our Focus

As we have executed our strategies, we have seen time and again that growing well by growing responsibly creates opportunities for our business and all of our stakeholders. We will continue to drive initiatives that will grow Woodward as a profitable and sustainable business by:

- Enhancing and refining our existing environmentally sound manufacturing practices, leading us to higher levels of efficiency and profitability.
- Investing in R&D to innovate system level products which result in unique and differentiated technologies that help our customers succeed.
- Maintaining our commitment to being the employer of choice in our community, positioning Woodward to attract, retain and develop the best and the brightest talent.
- Continuing to build and support strong communities.





|           |  |
|-----------|--|
| <b>5</b>  | <b>Our Business at a Glance</b>                  |
| <b>7</b>  | <b>Aerospace</b>                                 |
| <b>8</b>  | <b>Industrial</b>                                |
| <b>9</b>  | <b>Board Oversight of Risk</b>                   |
| <b>10</b> | <b>A Tradition of Integrity</b>                  |
| <b>11</b> | <b>Product Material Compliance</b>               |
| <b>12</b> | <b>Investments in Infrastructure and R&amp;D</b> |
| <b>14</b> | <b>Lincoln Campus – Fort Collins, Colorado</b>   |
| <b>15</b> | <b>Rock Cut Campus – Loves Park, Illinois</b>    |
| <b>16</b> | <b>Niles Howard Street – Niles, Illinois</b>     |
| <b>17</b> | <b>Woodward’s Workplace</b>                      |
| <b>18</b> | <b>Environmental Health and Safety</b>           |
| <b>19</b> | <b>Woodward University</b>                       |
| <b>20</b> | <b>Environmental and Member Wellness</b>         |
| <b>21</b> | <b>Supply Chain Responsibility</b>               |
| <b>22</b> | <b>Giving Back to our Communities</b>            |
| <b>24</b> | <b>Human Rights</b>                              |
| <b>25</b> | <b>Natural Resource Conservation</b>             |

# WHAT WE ARE ABOUT

## OUR BUSINESS AT A GLANCE

Woodward, Inc. is a publicly owned company, traded on the NASDAQ under the symbol "WWD", with 2016 sales of approximately US \$2 billion. Woodward's vision to set the global standard in energy control is built on a foundation of core values, strategic vision and quality performance. Woodward employs more than 7,000 people worldwide with a strong presence in North America, Europe, South America, and Asia.

We recognize that our members continue to be the source of our success. Woodward products are conceived, designed and produced by some of the most talented experts in their fields. We work in a collaborative environment to bring focused, creative, and elegant solutions to each challenge. To support our long-term and strategic vision, we strive to continuously attract, retain, develop and reward industry-leading talent that contributes to our collective success.

From our invention of a speed control for waterwheels in 1870, Woodward has developed into a company that manufactures a diverse range of innovative products. Woodward focuses on delivering energy control solutions to our customers, solving complex problems with system-level thinking and solutions, and integrating components into systems. From improved performance and reliability, to fuel flexibility and efficiency, this integration helps preserve a better environment.



**2016 Sales**

**\$2B** USD



**Members**

**7,400**



**Manufacturing Plants**

**18**



Woodward's core values provide the foundation for all of our business decisions. These values, which are set forth in the Woodward Constitution, include: respect for the individual, integrity and ethics, accountability, teamwork, customer satisfaction, initiative, and being results-driven. The Woodward Constitution acknowledges all of the stakeholders who are impacted by our success, such as: shareholders, customers, members, suppliers and communities. These values and principles establish the framework for our key business processes, as well as our policies and practices. Our commitment to these values and principles—to the benefit of all of our stakeholders—ensures that we continue our longstanding tradition of integrity.

EMBEDDED IN WOODWARD'S TRADITION OF INTEGRITY IS OUR  
CONTINUOUS COMMITMENT TO SUSTAINABILITY AND CORPORATE  
SOCIAL RESPONSIBILITY. THIS COMMITMENT TO RESPONSIBLE  
GROWTH IS ENCAPSULATED IN OUR CORPORATE MOTTO:  
**ALWAYS INNOVATING FOR A BETTER FUTURE.**



This report presents Woodward's sustainability and corporate responsibility initiatives between the years 2015-2017. In preparing this report, Woodward referenced various global reporting standards to provide the most relevant sustainability information to stakeholders. This report includes both of our business segments, but does not include our joint ventures. For questions related to the content of this report, please contact the following:

A. Christopher Fawzy, Corporate Vice President  
General Counsel & Chief Compliance Officer  
[chris.fawzy@woodward.com](mailto:chris.fawzy@woodward.com)

You can also learn more about Woodward in our Annual Report, Form 10-K and our proxy statement, both of which can be found at the following link:  
[www.woodward.com/financialreports.aspx](http://www.woodward.com/financialreports.aspx).

# OUR COMPANY

## AEROSPACE

The demand for improved operational efficiency in air transportation is a critical driver in the aerospace industry. Woodward continues to develop and deliver innovative fuel and actuation system solutions that improve operation and performance.

Our Aerospace business provides integrated propulsion systems, flight deck controls, and aircraft actuation systems and solutions. For decades we have made investments in new technology, and we have secured and increased Woodward content on key commercial aircraft programs such as Boeing's 737MAX, 777X and 787 and Airbus' A320neo, A330neo and A350. We also supply components on major defense programs such as the Blackhawk and Apache helicopters, the F-18 and F-35 fighter jets, and key guided tactical weapons programs.

OUR ONGOING  
DEVELOPMENT OF NEW  
TECHNOLOGIES AND  
PRODUCTS ENSURES  
WOODWARD REMAINS A  
COMPETITIVE SYSTEMS  
PROVIDER AND  
MANUFACTURER WITHIN  
THE AEROSPACE INDUSTRY.





## INDUSTRIAL

While demand for energy is increasing globally, there are corresponding changes in expectations that energy production should be more efficient, reliable, secure and affordable. These expectations have contributed to recent shifts in the energy market, supporting the production of natural gas, the development of new low-emission technologies, flexible system designs that allow for multiple fuels, and increasing utilization of renewable energy technologies.

Our industrial business designs, manufactures and sells industrial turbine, reciprocating engine and renewable energy products, systems and services for power generation, oil and gas, and transportation markets. In partnership with our customers, we are continuously investing in innovative technologies and products necessary to meet the evolving needs of the industrial landscape. Woodward combustion controls improve system performance and reliability, common rail diesel pumps and injectors enable better performance of both diesel and dual fuel reciprocating engines, and power converter technologies enable more efficient connection of renewable power sources to the energy grid.

Over the last several years, we have made, and we continue to make, significant investments in system testing capabilities in our global facilities. These improvements allow us to test the performance of our products and improve quality, safety and cost.





# BOARD OVERSIGHT OF RISK

On behalf of Woodward's shareholders, our Board of Directors (the "Board") oversees and advises our leadership team with regard to risk identification and mitigation, particularly in areas of governance, business strategy, compensation, succession planning, ethics, and compliance. To facilitate this oversight, the Board has established various committees composed entirely of independent directors.

## Woodward Board of Directors



### Audit Committee

The Audit Committee is responsible for:

- Overseeing risks relating to the Company's financial statements and financial reporting processes
- Evaluation of the effectiveness of internal and external controls over financial reporting
- Overseeing Woodward's business conduct and ethics program



### Compensation Committee

The Compensation Committee is responsible for:

- Monitoring risks associated with the design and administration of Woodward's executive compensation programs and equity compensation plans
- Administering the annual performance review of the CEO
- Ensuring the independence of our compensation consultants



### Nominating and Governance Committee

The Nominating and Governance Committee oversees risks relating to:

- Woodward's corporate governance processes
- Administration of the Board and Director Guidelines
- Compliance with the Sarbanes-Oxley Act, SEC and NASDAQ rules and regulations, and other state and federal laws and regulations relating to corporate governance

Woodward has established an annual risk management process to keep the Board informed of key risks to shareholder value. With input from the Board, a list of key risks is reviewed and updated annually. The updated key risks are provided to the business to develop more comprehensive industry-specific sub-risks. The business units also evaluate the sub-risks for likelihood and impact, establish and/or refine mitigation strategies, and submit a cumulative report to the Board.

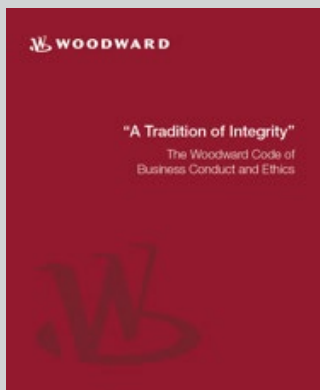
The Board and its committees have and exercise, as appropriate, direct and independent access to management. Such direct access allows Board members to solicit additional information, focus their inquiries and oversight, and provide more direct feedback regarding risk identification and mitigation.

A full description of the Board's responsibilities is available in our 2016 proxy statement at the following link: <http://www.woodward.com/financialreports.aspx>

## A TRADITION OF INTEGRITY

Our Code of Business Conduct and Ethics (the "Code"), titled "A Tradition of Integrity," was significantly rewritten in 2016 to align with the Woodward Constitution, and reflects our growing business. The Code provides more detailed guidance to members regarding key areas of compliance and ethics and points members to other more detailed resources if additional information is needed. The Code is a written expression of our continuous commitment to our values and principles, and to the Tradition of Integrity that has been central to Woodward's culture since the Company's founding in 1870.

The Code establishes the fundamental standard that our members should apply to every decision they make and action they take on behalf of the company. This standard requires that before taking any action, we can say "we would not feel ashamed or embarrassed if this action were to be made public." Members receive training on the Ethics & Compliance program on an annual basis.



## ETHICS AND COMPLIANCE

FOR ALL OF OUR MEMBERS, THIS COMMITMENT TO INTEGRITY INCLUDES HAVING THE COURAGE TO ACT, THE COURAGE TO RAISE CONCERNS AS THEY ARISE AND TO REMAIN ENGAGED UNTIL THOSE CONCERNS HAVE BEEN ADDRESSED.

To support our members, Woodward has established an ethics help line, facilitated by a third party, that members can contact to report concerns. Members can also choose to report anonymously.

Woodward has established the Business Conduct Oversight Committee, a team of executives and leaders, to oversee

the Ethics & Compliance program. The Business Conduct Oversight Committee assigns and monitors investigations into member concerns, promotes consistency of the application of policies across diverse locations, advises business leaders and members, and provides quarterly metrics and reports to the Audit Committee of the Board of Directors.



Photo: Ground breaking at our Rock Cut Campus in Loves Park, Illinois.



## PRODUCT MATERIAL COMPLIANCE

As an independent provider of control solutions to the global industrial and aerospace markets, Woodward must comply with an increasing number of government compliance regulations regarding the materials within our products. Most prominent among these regulations are the Restriction of Hazardous Substances (RoHS) regulations and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations.

Woodward also acknowledges that the funding of and trade associated with extracting, processing, and exporting certain minerals from conflict-affected and high risk geographic areas, particularly in and surrounding the Democratic Republic of the Congo, can have a significant adverse impact on the lives and quality of life of people living in these regions. Woodward is committed to refraining from actions which contribute to these adverse impacts, and to complying with relevant laws and regulations. Woodward affirms its commitment to responsible sourcing of minerals. Woodward's goal is to ensure that any company products introduced into the stream of commerce which require the use of materials that may be derived from conflict minerals have conflict-free sources or origins, or are obtained from recycled resources.

In response to both product material compliance and conflicts minerals compliance, Woodward engaged in an initiative in early 2015 to implement tools and enhance or augment processes to permit us to be more responsive to both customer requests and regulatory changes. We have established a goal to acquire Full Material Disclosure and complete country of origin for specified materials for all of our product offerings.

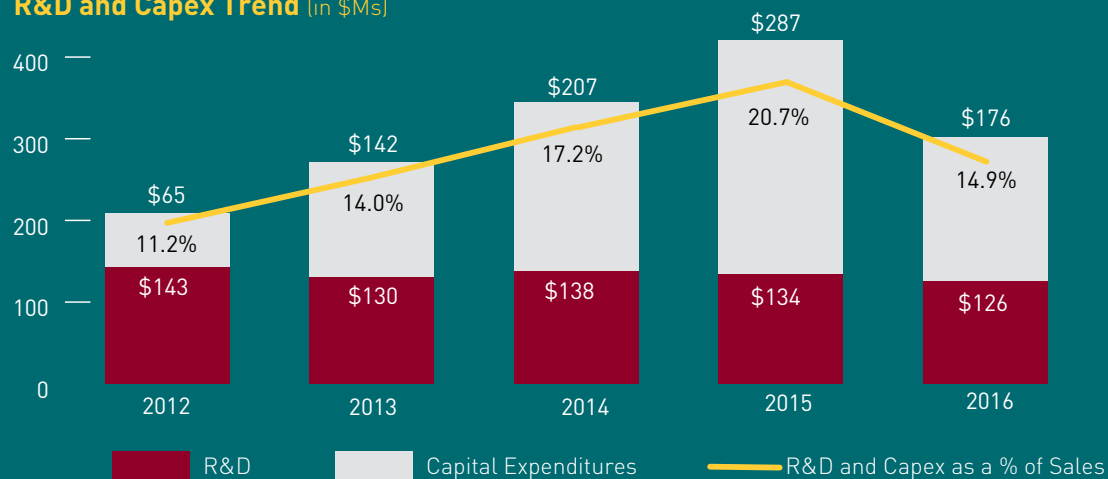
**WE ARE COMMITTED TO SUPPLY  
CHAIN TRANSPARENCY AND  
RESPONSIBLE AND ETHICAL  
SOURCING.**

## INVESTMENTS IN INFRASTRUCTURE AND R&D

Woodward has a 145-year history in designing innovative, system-level solutions and we leveraged this history to design our new state-of-the-art manufacturing facilities. In 2014, construction of three facilities in Illinois and Colorado commenced, focused around many of the principles discussed in "The Organization and Architecture of Innovation", by Gunter Henn and Thomas B. Allen. These facilities were designed to enhance the efficient flow of manufacturing processes, promote collaboration of members across production operations and related disciplines, and drive continuous improvement in our products and processes. Cross-functional teams focused on flexible architecture as well as carefully designed sustainable infrastructure systems such as heating, ventilation, lighting, water systems, and manufacturing equipment to optimize the conservation of natural resources and ensure sustainable energy savings.

With increasing market demand in our Aerospace and Industrial markets, and substantial R&D investments over the last 10 years leading to significant program wins, we needed to ensure the flexible factory design would facilitate the growing demand. Design of the facilities started with an "inside-out" evaluation of our new and existing product platforms and systems to meet 10-20 year customer forecasts. New Aerospace technologies for programs such as the LEAP®, Pure Power® and many business jet programs, required implementation and optimization of manufacturing value stream lines to meet the growing demand while maintaining flexibility in the factory floorplan. The design principles required teams to evaluate how these new facilities could transform our manufacturing processes, introduce semi-automation, improve work flows, and accommodate end of line test infrastructure, to meet Manufacturing Readiness Levels (MRL) and our future growth goals.

**R&D and Capex Trend** (in \$Ms)



"The Organization and Architecture of Innovation"  
1st Edition- Gunter Henn and Thomas B. Allen





## SUSTAINABILITY UPDATE

In 2015, we released our first sustainability report where we made a commitment to sustainability through the pillars of environmental stewardship, social responsibility and enhancing our organizational level processes. In every aspect of our business, we work to sustain safety and environmental stewardship of our operations through a commitment to operational excellence. We continue to apply a systematic approach to identifying, evaluating and managing risks across our operations and relentlessly work to be the community partner, neighbor, employer and supplier of choice.



## Lincoln Campus – Fort Collins, Colorado

To accommodate increased demand and provide for future growth, Woodward constructed a new campus that has increased production capacity for our Industrial Control Systems business and is the new location of our global headquarters.

The 101 acre site has been transformed a number of times from the original homestead property in the 1850's, to a 306,000 square foot state-of-the-art manufacturing facility and 60,000 square foot headquarters building. Blending the old with the new, and integrating the historic 1860's barn into the industrial manufacturing site, has been a challenge for the design and construction teams. The campus landscaping was designed to match the local environmental landscape, enhance the natural connection to the river and open space, and incorporate other design elements to enhance and promote long term sustainability. Wood from trees harvested from the site during construction have been reused in the stairwells and as decor in the facility. In addition, techniques to reduce water usage were installed in various areas of the site, such as low maintenance landscaping and drip systems on trees and bushes. A large portion of the property was transferred to The City of Fort Collins for green space, walking and bike paths, and picnic areas.

The Lincoln Campus made considerable improvements to water usage and treatment. Waste water is treated on site using PH neutralizers, ultra-high filtration, precipitation, and carbon filtration. Water based coolants used for machine cooling through a closed loop system to reduce the amount of oil and water used in the process, and all of the buildings are equipped with low flow toilets and faucets.

The Lincoln campus was built with various energy conservation features. The roof has 125kW of photo-voltaic (solar) panels, and the building energy

management system monitors and improves energy usage to achieve real time savings. A high efficiency heating and cooling system was installed, which includes high efficiency chillers, variable speed drives, and premium efficiency pumps and motors. LED lights, daylight harvesting—to reduce interior electrical lighting when natural light is adequate—and exterior shading devices help control solar heat gain. Office space is equipped with occupancy sensors and the manufacturing areas have zone control systems that shut off automatically after shifts.

Programmable thermostats allow members to set zone temperatures during operational times - however, the system will shut off to conserve energy during nights and weekends.

We have also instituted a recycling program, which includes the recycling of cardboard. In order to reduce paper consumption even more, hand dryers and other improvements have been made to limit the amount of paper consumption.





## Rock Cut Campus – Loves Park, Illinois

To accommodate future production needs and new programs, Woodward has constructed a new campus on a 70-acre property in Loves Park, IL. This campus includes 440,000 square feet of production space and offices. Meticulously planned to fit within its local environment, the campus landscaping emphasizes native trees, prairie grasses, wildflowers, and “savannas”, all planted using the original topsoil from site. In order to reduce water inputs, storm water runoff is collected in a retention pond that serves as the main source of irrigation for the site. The campus includes a pathway linking the site to bike paths that run through parks and natural areas in the community.

The Rock Cut Campus has been designed to capture natural light through the installation of skylights, light wells, and translucent panels. Electrical lighting systems have sensors that adjust the amount of electrical lighting based on the amount of natural light available. In addition to daylight harvesting and photovoltaic panels (providing 30kW of renewable energy to the facility), the building also employs programmable and occupancy-sensitive lighting systems and high efficiency LED lights to further reduce energy consumption.

Energy efficiency and recovery is paramount for other components of the site. Air handling units will reclaim heat from exhausted air to help warm intakes from the outdoors, and the ductwork in manufacturing areas include thermostatically controlled dampers to sense changes and adjust air flow as needed. Heat exchangers as well as chilled and hot water systems have been streamlined and programmed to adjust in response to outdoor temperatures to reduce energy demand, and new condensing boilers are over 90% efficient.



### “Transform Rockford”

Woodward plays a key role in ‘Transform Rockford,’ a community-wide initiative with a mission to foster the creation and implementation of a strategic plan by and for the community for the purpose of dramatically improving the social and economic well-being of the community and its residents. The initiative is about true transformation – not just incremental improvement – in which everyone’s thoughts and voices will contribute to its success. Leveraging the talent of current and retired Woodward members, we believe our investment and support of Transform Rockford is essential to the local economy and will improve the sustainability of this community. We anticipate that Woodward’s economic impact in Rockford, Illinois and other company locations where we have made similar investments will produce similar results.

Learn more at <http://transformrockford.org/>

## Niles Howard Street – Niles, Illinois

To accommodate growth and streamline product flow, Woodward acquired and renovated an existing structure to create a new campus on a 18.9-acre property in Niles, IL. The new campus includes 350,000 square feet of manufacturing and office space. Its interior open-space concept is suited for a dynamic work environment. It increases usable space, promotes collaboration, and allows for easy reconfiguration. Additional design features underscore the importance of resource efficiency and environmental impact.

### Energy & Natural Gas

The new campus includes high efficiency lighting to enhance the work environment and reduce energy usage. Energy savings are achieved through motion-sensitive light fixtures located strategically throughout the office areas.

A major contributor in energy savings is our high efficiency heating and cooling system that utilizes outside air whenever possible to eliminate the use of mechanical cooling. This system incorporates programmable thermostats at different zones that allow temperatures to be centrally controlled and optimized based on the nature and timing of the work performed.

The Building Automation System (BAS) is optimized to conserve energy at night and weekends when members are not present. The BAS helps control building pressure to prevent air infiltration, which ultimately reduces energy usage/cost.

Humidity misting and sensing was integrated into the HVAC system to ensure air quality levels are controlled and

maintained throughout the year, regardless of weather conditions. This system assures air quality for our members and provides an Electrostatic Dissipative safe environment for our manufacturing compliance.

Integration of these systems contributed to 18% reduction in electricity usage and 34% in natural gas.

### Waste Reduction & Recycling

Designated containers throughout the site encourage members to recycle items such as cans, bottles, paper, batteries, scrap metal and wire. The packing/shipping materials for our products are recyclable. We are also looking into new eco-friendly packaging material that is completely biodegradable and compostable.

Additionally, our facility is equipped with an evaporation system that minimizes the amount of waste byproduct to help protect our waterways. Safeguards are in place to prevent accidental discharge into the external environment. By utilizing this system we have achieved 72% reduction in waste byproduct.

These controls around energy efficiency and recycling, along with an overall robust Environmental Management System, play a major role in the Niles site obtaining and maintaining its ISO 14001 certification.





## WOODWARD'S WORKPLACE

When designing our new facilities, the design teams took a holistic approach to workplace layout with the vision that we would provide a dynamic work environment for our Members. As an outcome of this approach, we identified multiple ways in which workplace design could bring value to Woodward:

- Increase attraction and retention of current and future workforce
- Increase collaboration and employee engagement at all levels of the organization
- Enhance innovation through purposeful connection spaces such as labs, operations and test facilities
- Improve utilization of our assets

As a result of new workspace design guidelines Woodward implemented in 2014, perimeter offices decreased, floor plans opened, and space is being utilized in the four work modes identified in our workplace study – focus, collaborate, socialize and learn. Our goals were to give our members the amenities and resources they needed to be productive and engaged throughout the day, while providing them with a positive work environment and experience. We have been very excited by the response we have received from our existing workforce, and we look forward to seeing the impact our workplace design has on future members.



### Woodward's Diverse Workforce and Inclusion

Woodward employs people around the globe, contributing varying perspectives and ideas to our business. The key to harnessing the diversity of our global workforce is through fostering an inclusive work environment that permits all of our members to bring their authentic selves to work – this is how we define “inclusion.” We recognize that the combination of these diverse perspectives and ideas is powerful.

It is part of our core values that holds all leaders and members accountable to actively promote a positive and collaborative environment. In this environment, our members feel and act involved, respected, valued and connected. They are able to bring their authentic selves and unique perspectives to work, which results in the best possible solutions for our customers.

Our workplace environment fosters “Living the Constitution” and enables our leaders and members to demonstrate Woodward core values on a daily basis. Our core policies, processes, and development strategies are enriched by an inclusive organization. Leaders and members routinely incorporate different perspectives and ideas of others into our innovative solutions and processes.

All of our stakeholders benefit from our inclusive environment that promotes the following:

- Highly motivated and engaged membership
- Collective and diverse perspectives bringing innovative solutions to processes, strategies, and our customers/suppliers

- An abiding commitment to the values and principles of the Woodward Constitution, reinforcing the Woodward brand
- Higher overall job satisfaction, resulting in increased productivity and better overall member retention.

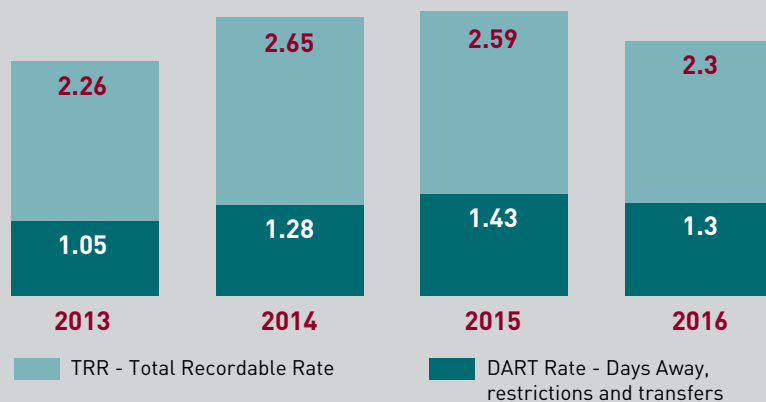


# ENVIRONMENTAL HEALTH AND SAFETY

Woodward is committed to operating globally in a safe and responsible manner that respects the health and safety of our members, our customers, and the communities where we operate. We comply with all applicable environmental, health, and safety regulations and customer requirements.

At Woodward, safety is more than just a priority—workplace safety is key to our values and part of our culture. We believe that all workplace injuries are preventable through continued investment in and focus on our safety programs and injury reduction initiatives, our ultimate goal is to achieve zero injuries. Regardless of job function, all members, contractors, and suppliers have the responsibility to identify, report, assess and mitigate safety risks in our organization.

## TRR and DART Rate







## WOODWARD UNIVERSITY

Woodward continues to invest to develop the talent needed to keep our company at the forefront of innovation. Training and career development is viewed as a principal focus area for our members and Woodward University in the new Fort Collins campus is the centerpiece of our member growth and development strategy. We recognize that our members grow by continuously learning – on the job, in the classroom and by working with others – as part of ongoing development opportunities. The design of the world-class campus classrooms provides flexibility to address leadership and process training programs that are critical to our success as innovation leaders.

**Learning at the heart of innovation.** The Woodward University is the centerpiece of our professional development efforts, empowering members to gain the knowledge and skills needed to innovate and excel in their roles. Learning is self-directed, with a wide range of class offerings.

### THE SPACE



**\$3M Strategic Investment**



**Focus on integrating all components that positively affect member performance**



**World class campus style learning center + Investment in a virtual learning center = 100% of our members within reach of learning**

### THE ENVIRONMENT

#### **A place for**

- Members
- Suppliers
- Customers

#### **A place where**

- Open minds consume new ideas
- Members share experiences and build relationships for the future

#### **A place to**

- Collaborate
- Innovate
- Embrace change
- Respect heritage
- Be committed to learning
- Live the values
- Deliver results through action

### THE RESULTS

**9,112**

hours members spend in Woodward University programs each year.

**935**

hours leaders spend instructing Woodward University programs each year.

**Integration of training initiatives to fill gaps and offer new opportunities.**

## ENVIRONMENTAL AND MEMBER WELLNESS



### Environmental Stewardship

Woodward operates multiple industrial manufacturing properties globally, and ensuring we maintain and improve these properties is important to our sustainability goals. Over the last 3 years, we have consolidated operations in some of our acquired facilities, and we returned leased properties to their respective owners. Where appropriate, Woodward has undertaken comprehensive environmental studies of these properties to ensure any environmental risks that may have occurred as a result of operations on those properties had been identified and appropriately addressed.



### Health and Wellness

Woodward provides a wide range of programs and initiatives, such as annual health assessments and activity challenges, to encourage members to remain healthy and productive.

As part of our comprehensive health benefits for members, in 2016 we partnered with local healthcare providers in our Colorado and Illinois locations to create “Woodward Health Centers.” These Woodward Health Centers build upon our progressive vision to offer increased accessibility to a team of health care professionals dedicated to improving and sustaining, affordable health-care for our members and their dependents.

We also understand that a healthy mind is as important as a healthy body. We provide our members with access to free, confidential Employee and Family Assistance Program services that allow members to talk with trained counselors who give personalized support for emotional, family, financial and legal issues.



### Activity Challenge

Woodward members, in an effort to enhance the company’s culture of wellness, piloted a step challenge program that included members globally who reported 51 million steps in one year. We are excited to expand this program to other members and locations in 2017.



### Lincoln Campus – Integrated Design Assistance Program Award

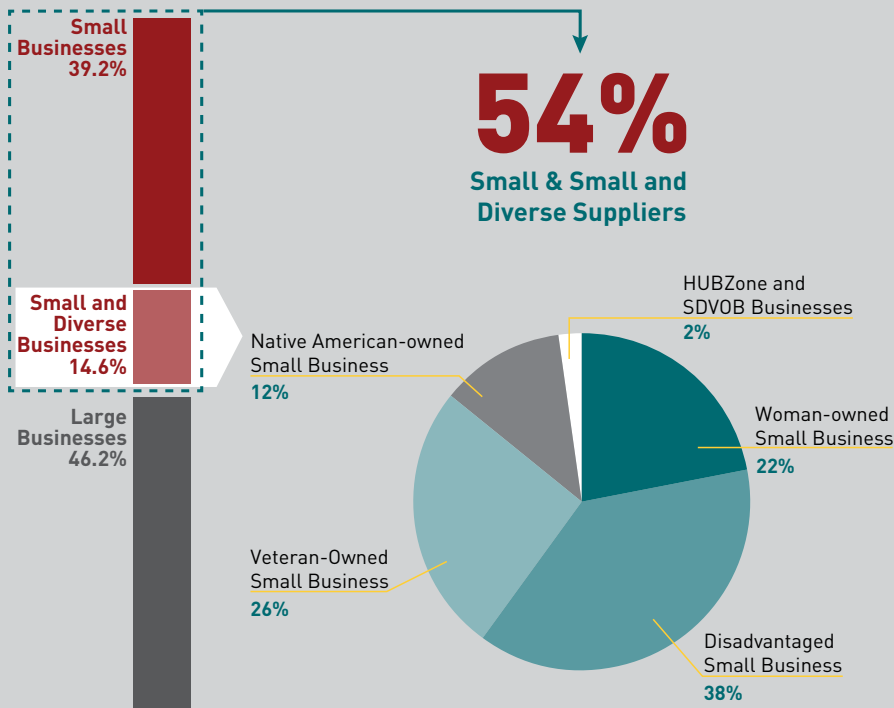
Delivering high performing, energy efficient buildings were key design criteria at all of the new facilities constructed in the last 4 years. Upon completion of the 306,000 square foot Industrial Manufacturing facility in Fort Collins, the design team was recognized with an award and rebate check for \$325K from the Executive Director of the City of Fort Collins Utilities. The award was presented for integrating energy efficient equipment into all areas of the building – solar panels, lighting, chillers, boilers, pumps, motors, process and cafeteria equipment.



WE BELIEVE THAT PROMOTING DIVERSITY  
THROUGHOUT OUR SUPPLY CHAIN  
STRENGTHENS AND EXPANDS OUR  
SUPPLY BASE, FOSTERS INNOVATION,  
AND HELPS US KEEP PACE WITH  
CHANGES IN OUR INDUSTRY.

## Supply Chain Diversity

### Woodward Supplier Breakdown



## SUPPLY CHAIN RESPONSIBILITY

Woodward actively seeks to identify small and diverse suppliers that have the capabilities to provide products and services that meet our expectations and requirements. We believe that promoting diversity throughout our supply chain strengthens and expands our supply base, fosters innovation, and helps us keep pace with changes in our industry.

Through outreach and networking, we recruit small and diverse suppliers, providing them with access to business opportunities. Our recruitment efforts support economic empowerment and gives Woodward access to a wider group of innovative, diverse businesses.

In the spring of 2016, Woodward implemented a Supplier Diversity ("SD") Program for selected sites. Taking into consideration our customer expectations and our own requirements, we are reporting the percentage of suppliers within our supply base that qualify as a

Minority Business Enterprise ("MBE") or Woman Business Enterprise ("WBE"). Additionally, through our review, we have identified several suppliers that have been certified as MBEs and WBEs and we continue to explore opportunities to place orders with these suppliers.

For nearly two decades, we have participated in the U.S. Government's Small Business Program. While we operate a single SD program for several of our domestic sites, there are three separate reporting requirements. Combined metrics for all sites are established based on both Woodward negotiated goals and the Federal Acquisition Goals required for all government agencies.



# OUR COMMUNITY

## COMMUNITY OUTREACH: GIVING BACK TO OUR COMMUNITIES

As Woodward continues to grow around the world, we carry forward a long history of commitment, in accordance with the values of the Woodward Constitution, to the communities where our facilities are located and our members call home. Philanthropy is an important aspect of our company’s commitment to corporate responsibility and our efforts to improve access to services that strengthen our communities. From contributions for major social issues, to advancing global education and economic development, we strive to strengthen our communities and improve the lives of people who live in our communities.

**Woodward Charitable Trust**  
Since 1947, The Woodward Charitable Trust has prioritized donations to organizations involved with education, youth programs, workforce and economic development, healthcare, cultural activities, and other initiatives that contribute to the vitality and betterment of our communities. For 70 years, the Woodward Charitable Trust has been allocating funds to our communities and in the last 3 years has contributed \$3.5M to key initiatives in the communities where we work and live.

| Woodward Charitable Trust Giving |             |
|----------------------------------|-------------|
| 2014                             | \$1,155,370 |
| 2015                             | \$1,022,000 |
| 2016                             | \$1,292,000 |



“WE ARE EXTREMELY GRATEFUL FOR THIS GENEROUS GIFT FROM THE WOODWARD CHARITABLE TRUST; IT WILL HELP US TO IMPROVE OUR STUDENTS’ LEARNING ENVIRONMENT AS WE PREPARE THEM FOR CAREERS IN THESE IMPORTANT AND DYNAMIC DISCIPLINES.”

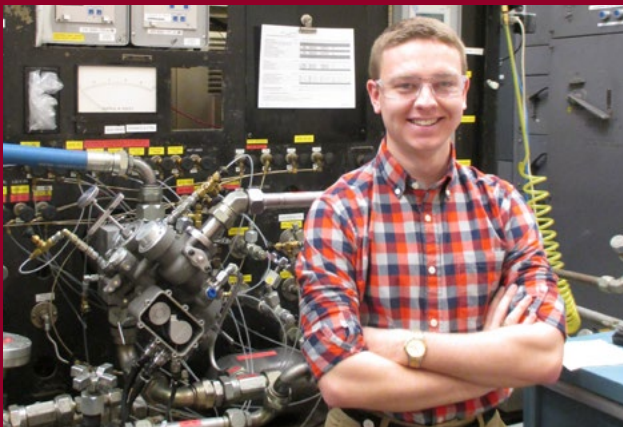
Rockford University President  
Dr. Eric Fulcomer



## Rock Valley College

In 2016, the Woodward Charitable Trust contributed \$2M over 3 years toward upgrades at Woodward Technology Center at Rock Valley College, located in Rockford. This contribution will enable the construction of a new engineering laboratory and classroom additions, renovations to existing buildings, and support higher education in math, science, and engineering. The relationship between Rock Valley College (RVC), Northern Illinois University (NIU), and Woodward continues to create an outstanding and affordable opportunity for creative young talent. Woodward's engagement will produce talented engineers that are ready to enter the workforce for Woodward and other employers in the region.

Woodward member Bradley Robison is one of the first students to enroll in this collaborative program and, as part of the new curriculum, he will be provided real-world learning opportunities. Commenting on the new program, Bradley stated, "My goal is to earn a degree in Mechanical Engineering from RVC/NIU to be able to become a successful and innovative engineer, while continuing to gain on-the-job experience here at Woodward."



## Housing Support and STEM

The Woodward Charitable Trust contributed a total of \$100K to Fort Collins Habitat for Humanity. Our contribution will support Science, Technology, Engineering and Math (STEM) students at Poudre High School building houses for disadvantaged families in our community. The Fort Collins Habitat for Humanity is part of the global, nonprofit housing organization that builds homes, communities, and hope. Habitat for Humanity believes every person should have a decent, safe, and affordable place to live.



Woodward has long supported the philosophy that STEM programs should integrate community service into the learning curriculum. This hands-on STEM educational program allows 80 students annually to learn Geometry while building a modular Habitat for Humanity home in the parking lot of their school. Once completed, the modular home is relocated and placed on a foundation where it is finished and sold to a partner family. While this program demonstrates practical application of STEM fields, it also teaches students the value of community service. It is anticipated that more than 80% of future jobs will require math, science, and engineering, so Woodward considers it more important than ever to inspire high school students to pursue careers in these fields.

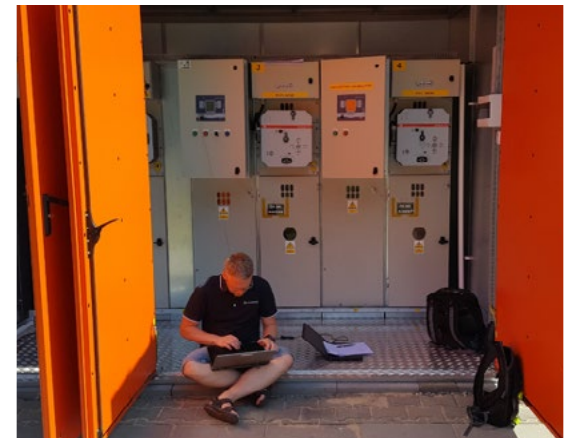
## World Youth Day - Krakow Poland

On July 26th-29th, 2016, Krakow Poland recognized World Youth Day, an international event that focuses on values, faith and youth. This year marked the third World Youth Day that was held in Central Europe. It is estimated nearly 3 million people celebrated the event.



In support of the events in Krakow, Woodward installed and monitored two of our HighPROTEC protection relays to ensure a reliable and immediate backup power source in the event of a local power failure. Our members look for unique opportunities to support their communities and our products, and this is a unique blend to support both.

The Charity Committee in Krakow continues to increase their presence in the local community by volunteering time and raising money for clothes, food, and any necessary supplies for the youth and their families. The Salesians Movement of Youth Care is an organization that ensures proper care for families in need. Our members are engaged in a variety of initiatives with this program; for example, members helped to raise money to buy winter coats for the children that work with the agency.



## HUMAN RIGHTS

WOODWARD IS COMMITTED TO PROMOTING THE HUMAN RIGHTS VALUES EMBEDDED IN OUR CODE OF BUSINESS CONDUCT AND ETHICS. WE STRIVE TO CREATE AN ENVIRONMENT OF RESPECT, INTEGRITY AND FAIRNESS FOR OUR MEMBERS, CUSTOMERS AND SUPPLIERS, WHEREVER WE DO BUSINESS, AND WE EXPECT THAT OUR BUSINESS PARTNERS WILL OPERATE THE SAME WAY.

Woodward strictly prohibits unlawful, fraudulent or deliberately misleading practices in the recruitment of prospective employees. Our recruiters are required to provide accurate information to all candidates for employment regarding the assignment they are being offered. Woodward strictly prohibits destroying, concealing, confiscating, or otherwise denying access to employee identity or immigration documents, or engaging in any other practice that would interfere with the ability of any member to resign employment. Recruiters are subject to corrective actions, up to and including termination, if it is determined they charged any prospective employee a recruitment fee, or intentionally provided inaccurate information to a prospective or existing employee regarding assignment details, such as wages, living conditions, and/or work location.

For contracts where Woodward will provide housing to employees, the provision of housing will be, at a minimum, in compliance with the host country's safety standards. Woodward also provides return transportation costs for employees whose assignments outside their nation of residence has ended.

Woodward is committed to compliance with the requirements of Federal Acquisition Regulation (FAR) 52.222-50, Combating Trafficking in Persons, which prohibits companies performing certain government work from engaging in human trafficking, the use of forced labor, or engage in other activities related to human trafficking. While not all of our business is subject to these FAR requirements, Woodward holds members, sub-contractors, and agents accountable to the highest standards.

We require members to promptly report any suspected human rights violations to the Woodward Ethics Help Line. We will immediately terminate any agents, subcontractors, or subcontractor employees determined to have engaged in human trafficking-related activities. In the event of any suspected human trafficking-related activity, Woodward, Inc. will notify, as necessary, the applicable government office or agency and, if appropriate, law enforcement.





# NATURAL RESOURCE CONSERVATION

AS OUR MISSION STATES, WOODWARD WORKS TO MAKE THE WORLD A BETTER PLACE, AND WE OPERATE OUR FACILITIES WITH STRONG ENVIRONMENTAL PERFORMANCE.

As part of our efforts to minimize our impact on the planet and use our resources responsibly, Woodward supports many energy reduction and consumption initiatives. We monitor our monthly energy consumption and work closely with our Facilities Management teams to implement best practices and opportunities for energy conservation. We are taking long-term actions to reduce our consumption and emissions, as they touch every aspect of our business, from our product design, manufacture, distribution, product use, and end of life recycling programs.



## Water Use Reduction

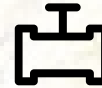
Woodward continues to make water conservation a goal throughout all facilities year over year.

We continue to implement water reduction practices in our plants by exploring water treatment technologies, utilizing water recycling processes and by training members on water conservation techniques. Over the years Woodward has made a conscious effort to reduce or eliminate any unnecessary uses of water in our production processes. Due to better practices and technologies we were able to reduce our water usage by nearly 20%.



## Energy Reduction Efforts

Many of our offices and facilities take the initiative to work with their respective local utilities to ensure that our energy needs do not coincide with peak electrical demand. We work with local utilities to schedule equipment with higher energy requirements to operate during off-peak periods. In addition, our facilities have real-time communication with electrical providers to enable our plants to immediately respond to requests to reduce usage to avoid over-demand on local electrical grids.



## Natural Gas Conservation

In a continued effort to reduce Woodward's carbon footprint, we strive to increase efficiency. These efforts have lowered our natural gas usage, therefore, reducing our greenhouse gas emissions.

The installation of solar panels and tankless water heaters has offset some plants' needs for boilers during the summer. Traditional boiler thermostats have been replaced with automatic temperature rollbacks in order to reduce energy during non-working hours, resulting in a significant annual savings of natural gas. Sunlight harvesting and occupancy-sensitive lights have reduced electrical consumption from interior lighting by up to 34% annually. Inefficient light bulbs have been replaced by modern bulbs, resulting in a savings of 1000kWh each month.



## Waste Management System

Woodward has a Hazardous Waste Management System that establishes standards to identify and manage hazardous and regulated waste, and handle hazardous and regulated waste spills. This program ensures that the accumulation and disposal of waste from our facilities complies with the Resource Conservation and Recovery Act and the Hazardous and Solid Waste Amendments, as well as applicable state and local regulations.

## “ALWAYS INNOVATING FOR A BETTER FUTURE”



This phrase captures the essence of Woodward’s path to long-term growth and sustainability. Driven by the needs of our customers and the ever-changing market, standing firmly on the values and principles that have guided this company since 1870, we will continue to invest in our stakeholders to retain our leadership in energy control and optimization solutions.

Each day, we apply our knowledge and resources to the creation of systems that perform under incredible demands. We work hard to understand and solve the challenges our customers face, and deliver solutions that are an essential part of the technology changing the world. Woodward is deeply committed to supporting programs and organizations, both financially and through volunteerism, that ensure the communities in which we operate are desirable places to live and work. We emphasize the importance of sustainable practices that benefit our members, company, community, and global environment.

At Woodward, we will remain true to the values and principles that are rooted in our history, while continuing to write new chapters to our legacy of innovation. Always Innovating for a Better Future.