



**PRENTISS
SMITH & CO**

Socially Responsible Investment Report for:

Hyster-Yale

Cleveland, OH

Ticker: HY US Equity

Website: www.hyster-yale.com

Last Updated: 12-28-2020

I. Exclusionary Screening

Does Hyster-Yale appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Tobacco
- Pornography

Defense & Retail Gun Sales

- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does Hyster-Yale exhibit? Positive factors may help support a decision to invest.

Climate Change & Fossil Fuels

Self-Reported 2018 Carbon Emissions Reduction
(2015 Baseline)

21%

Environmental Stewardship

Self-reported 2018 Water Use Reductions
(2015 baseline)

8%

Self-reported 2018 Hazardous Waste Reductions
(2015 baseline)

11%

Publicly Disclosed Sustainable Supply Guidelines?

Yes

Self-reported 2018 Waste to Landfill Reductions
(2015 baseline)

17%

Sustainable Packaging

Yes

Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

Diversity, Equity, Inclusion and Justice

Women on the Board

8%

Number of Women on the Board

1

Women Executives

25%

Number of Women Executives

2

Corporate Responsibility

Size of the Board

12

Shareholder vote on management remuneration

99%

Self-Reported 2018 Global Employee Survey
Response Rate:

75%

Self-reported 2018 Recordable Injury Rate
Reduction (2015 baseline)

15%

Independent Directors

66%

Number of Employee Representatives on the Board

0

Self-Reported 2018 % of "Extremely Satisfied"
Employee Survey Respondents:

80%

Initiatives and Policies in Place:

- **WhistleBlower Employee Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP

- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how Hyster-Yale conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Following its long history of manufacturing lift trucks and other materials handling equipment, Hyster-Yale has used recent acquisitions to expand into aftermarket attachments and parts, heavier equipment such as port loaders, and perhaps most interestingly, zero-emissions technology via its acquisition of hydrogen fuel cell engine manufacturer Nuvera. The acquisition has allowed Hyster-Yale to offer a hydrogen fuel cell power option as an OEM option on many vehicles in its existing line, while opening the possibility of new deals for Nuvera that could rapidly expand the use of hydrogen fuel cell technology in broader industrial applications. Hyster-Yale has also set broader environmental and employee-focused targets for 2026, several of which it appears so far on track to meet, and the company boasts a high employee satisfaction rate.

Hyster-Yale has yet to fully leave behind its recent involvement with a major coal company, having been operated by NACCO Industries (which also operates The North American Coal Corporation) from 1985-2012, and still sharing fully five board members with NACCO following its spinoff, including Hyster-Yale's Chairman, President and CEO, Alfred M. Rankin, Jr. Also of governance concern are the five Rankin family members who populate the boards of Hyster-Yale, NACCO, and Hamilton Beach Brands (the latter of which was spun off from NACCO in 2017). Lack of board and executive diversity would seem to follow from the above issues as well. And while Hyster-Yale has set specific, meaningful environmental targets as part of its "2026 Vision Program," the language around these targets is concerning, with the company consistently framing its goals as targets it will "strive to" achieve by 2026. Reporting to CDP, for instance, would help further legitimize Hyster-Yale's commitment to ambitious environmental progress.

Products & Services

Hyster-Yale Materials Handling, Inc. and its subsidiaries are manufacturers of full-line lift trucks, parts and attachments worldwide. Hyster-Yale Group, operating out of the company's global headquarters in Cleveland, Ohio, designs, engineers, manufactures and sells a wide array of lift trucks, along with Hyster-Yale Maximal Forklift (Zhejiang) Co., Ltd., in which Hyster-Yale holds a 75% stake, and Bolzoni S.p.A., focused mainly on attachments, forks and lift tables. Hyster-Yale also operates Nuvera Fuel Cells, LLC, which is focused on making and selling hydrogen fuel-cell stacks and engines.¹

The company traces its history to 1840, when Linus Yale, Sr. began making high-security locks. In 1875 Yale and Towne Manufacturing moved to Stamford, CT and expanded to include materials handling equipment, and in 1920 the company launched its first, battery-powered low-lift platform truck, along with a range of other platform trucks and tractors. Meanwhile, in 1929 the Hyster Company was founded (initially under a different name) in Portland, OR, manufacturing winches and lifting machines for timber operations.²

While it wasn't until 1950 that Yale & Towne added gas- and diesel-powered trucks to its product line, in 1985 the company was bought by North American Coal, or NACCO (which, in 1989, also acquired the Hyster brand), and in 2005, a new generation of internal combustion trucks rolled out. But in September 2012 NACCO spun off Hyster-Yale, and just two years later the newly independent company acquired Nuvera Fuel Cells, LLC. The Nuvera acquisition has allowed Hyster-Yale to offer emission-free hydrogen fuel cells as an OEM option on many of its forklift trucks, since the fuel-cell system is a "drop-in" replacement for its lead-acid battery alternative. Nuvera's CTO, Scott Blanchet, holds more than 230 patents related to hydrogen, fuel cell and exhaust emissions control technologies.³ The Nuvera acquisition was quickly followed by those of Bolzoni S.P.A., in 2016, and Zhejiang Maximal Forklift in 2018.

The company has received multiple awards for its products, including Plant Engineering's Product of the Year award for a pneumatic tire lift truck in 2017 that used 14.4% less fuel than its competitor, and multiple Chicago Athenaeum GOOD DESIGN awards, including for its four-wheel

¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1173514/000117351420000015/hy201910k.htm#s89C02989D8EC553B8109AEAE9797EC75>

² <https://www.hyster-yale.com/about-hyster-yale/history/default.aspx>

³ <https://www.nuvera.com/corporate-officers>

counterbalanced lift truck that offers a lithium-ion power OEM option. The company holds an estimated 18% market share in materials handling.⁴

Environment

Hyster-Yale does not report to CDP, but the company did set several environmental goals as part of its “2026 Vision Program,” including reducing carbon emissions by 30%, reducing water consumption by 20%, zero waste to landfill at all sites, and 30% hazardous waste reductions, all compared to a 2015 baseline in accordance with The Climate Registry (TCR) General Reporting Protocol.⁵ As of 2018, the company was already reporting a 21% carbon emissions reduction, while waste to landfill and hazardous waste reductions were at 17% and 11%, respectively, and water reductions at 8%.⁶ Normalized energy consumption also decreased 8% globally during the same time frame, with heavy fossil fuels accounting for less than 9% of the company’s operation fuel mix, with the rest split between natural gas and electricity. Hyster-Yale also reports that it allows customers to exchange used parts for remanufactured ones, focuses on returnable packaging, and optimizes transportation loads, delivering annual reductions of more than 750,000 land miles in semi trucks, nearly 300,000 nautical miles in cargo ships, and more than 20 tons of landfills waste in 2018.⁷

While Hyster-Yale’s acquisition of Nuvera promises environmental benefits, as of 2019 Nuvera still represents only 1% of the company’s overall sales.⁸ But Nuvera’s fuel cell technology has been integrated into multiple Hyster-Yale products, notably two of its electric, container handler models for deployment in shipping ports. In December 2020, a new deal was also announced between Hyster-Yale and Capacity Trucks to develop and deploy electric and hydrogen-powered terminal tractors in shipping ports around the world.⁹ Nuvera’s focus on large trucks and heavy-duty vehicles for ports makes sense, since electrifying freight and heavy-duty vehicles

⁴ https://csimarket.com/stocks/compet_glance.php?code=HY

⁵ https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

⁶ https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

⁷ https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

⁸ https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

⁹ <https://www.nuvera.com/blog/nuvera-to-supply-fuel-cells-for-electric-terminal-tractors>

currently requires extremely large batteries, which reduce cargo space. Hybrid electric battery-hydrogen fuel cell systems can satisfy the power demands of these heavy vehicles with much longer time between charges, since hydrogen fuel cells can be quickly refilled without the need to remove them. As of February 2019, Hyster-Yale reported that more than a third of the trucks it sold were electric units.¹⁰

Yale has also been one of Inbound Logistics' top 75 Green Supply Chain Partners (G75), as well as a Food Logistics Top Green Provider in the alternative energy, materials handling and lift trucks categories, specifically recognized for its lithium and hydrogen fuel cell power solutions. Our research of Hyster-Yale did not find any record of significant or recent environmental fines.

Management Integrity and Ethics

While Hyster-Yale traces its history to 1840, the company in its current form was created by its 2012 spinoff from NACCO Industries, Inc. At the time, Hyster-Yale had become the largest operating unit of NACCO Industries, which also ran a housewares business later spun off (in 2017) as Hamilton Beach Brands Holding Company, leaving NACCO's sole business as the holding company of North American Coal. North American Coal, in turn, operates coal mines, provides contract mining and other services, and leases oil, gas and coal reserves, as well as a more recent business offering stream and wetland mitigation solutions.

Alfred M. Rankin, Jr. became Hyster-Yale's Chairman, President and CEO following the NACCO spinoff, while remaining President and CEO of NACCO until its Hamilton-Beach spinoff in 2017, when he retired from that role. Rankin has continued as Non-Executive Chair of the NACCO Board, and is also Non-Executive Chair of the Hamilton Beach Board. His brother, Claiborne Rankin, also sits on the Hyster-Yale Board, brother Thomas Rankin sits on the Hamilton Beach Board, and brother Roger F. Rankin and nephew Matthew M. Rankin both sit on the NACCO Board.

Aside from his continued involvement in all three companies, Alfred M. Rankin, Jr. is a trustee of the University Hospitals of Cleveland and Cleveland Museum of Art, having previously served as Board Chair and President with each organization, and has previously held directorships at a host of organizations including the Vanguard Group, Goodrich Corporation, Oberlin College, the Holden Arboretum and the World Resources Institute. He is also a trustee at the Musical Arts

¹⁰

https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

Association. Prior to joining NACCO as President and COO in 1989, Rankin was Vice Chairman and COO at Eaton, where he had worked 15 years after leaving a role at McKinsey and Company.

The rest of Hyster-Yale's 8-person executive team includes Rajiv K. Prasad, who was promoted to the role of President and CEO of Hyster-Yale Group in January 2020. Prasad, the executive team's only person of color, joined Hyster-Yale Group in 2007 after roles with progressively increasing responsibility in product development with Ford Motor company, Lear Corporation, and International Truck and Engine Corporation, where he was VP of Global Product Development. The rest of the Hyster-Yale Materials Handling executive team includes two women (25% of the team), while the larger management team of Hyster-Yale Group, the lift truck operating company, has just 3 women among its 21 executives (14%).¹¹

Hyster-Yale's 12-person board includes 5 members of NACCO's board (one of them its CEO), along with 4 members of Hamilton-Beach's board (a fifth is the wife of a Hyster-Yale Board member). As mentioned above, the boards of the three companies also include a combined five members of the Rankin family. There is only one woman and one person of color on Hyster-Yale's 12-member board.

More than 75% of Hyster-Yale's workforce responded to the company's 2018 Employee Engagement survey, with more than 80% of respondents reporting they are "extremely satisfied" with the company and feel respected and proud to work there, and more than 75% believing the company is a responsible corporate citizen. The company's workforce is spread across age groups. From 2015 to 2018, its global recordable injury rate fell 15%.¹²

Hyster-Yale offers a Charitable Pay Deduction Program and makes corporate donations, although it does not report the extent or amount of its giving. The company's support for employee volunteerism helped lead to nearly 50 community engagements by its global offices in 2018. Hyster-Yale also partners with local schools, colleges and universities.¹³

Hyster-Yale reportedly spent \$370,000 on lobbying in 2020, 15th of 67 entries in the Building Materials & Equipment industry in the OpenSecrets.org database.¹⁴ Our research of Hyster-Yale did not find any current or recent legal disputes of significance.

¹¹ <https://www.hyster-yale.com/About-Hyster-Yale/About-Hyster-Yale-Overview/default.aspx#executive-officers>

¹²

https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

¹³

https://s21.q4cdn.com/775754248/files/doc_downloads/governance_doc/2019/11/HY-Corporate-Responsibility-Report.pdf

¹⁴ <https://www.opensecrets.org/federal-lobbying/industries/summary?cycle=2020&id=C05>

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