



# 2016

SUSTAINABILITY  
REPORT

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CEO Matt Levatich

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2016 was a significant year for us as we advanced our sustainability efforts and set the stage for an aggressive environmental sustainability goal – grow our business without growing our environmental impact – to be one of our five company objectives for the next 10 years.

We are taking on a broader sense of responsibility to our environment and the societies in which we ride, live and work. We expect the focus we are placing on reducing the environmental impact of our products and our operations will lead to new levels of innovation that will benefit current and future Harley-Davidson customers, alike.

When Harley-Davidson marks its 125<sup>th</sup> anniversary, we look forward to celebrating a decade of hard work achieving this important objective along with our success in building the next generation of Harley-Davidson riders globally.

Thank you for your interest in Harley-Davidson.

**Matt Levatic**

CEO, Harley-Davidson, Inc.



Harley-Davidson, Inc. is the parent company of Harley-Davidson Motor Company and Harley-Davidson Financial Services. Harley-Davidson Motor Company produces heavyweight, custom, cruiser and touring motorcycles and offers a complete line of Harley-Davidson motorcycle parts, accessories, riding gear and apparel, and general merchandise. Harley-Davidson Financial Services provides wholesale and retail financing, insurance, extended service and other protection plans and credit card programs to Harley-Davidson dealers and riders in the U.S., Canada and other select international markets.



**5%**  
**FUEL ECONOMY  
 IMPROVEMENT  
 FOR TOURING**



**7,480**  
**H-D EMPLOYEE  
 VOLUNTEER  
 HOURS**

EQUIVALENT TO  
 ONE PERSON  
 WORKING  
 EVERY DAY FOR  
**2.5**  
 YEARS

CUT WASTE TO  
 LANDFILL IN  
**HALF**  
 2015 TO 2016

for H-D U.S. mfg operations  
**3.6%**  
**WASTE  
 TO LANDFILL**

**2016 KEY  
 SUSTAINABILITY  
 HIGHLIGHTS**

**\$3.5m**  
 HDI FOUNDATION  
**GRANTS**

**1%**  
**REDUCTION**  
 IN SCOPE 1 + SCOPE 2  
**GHG EMISSIONS**  
 2015 TO 2016

PINK LABEL  
 WOUNDED  
 WARRIOR  
**MDA**  
 CAMPAIGNS

**\$3.5m**  
**DONATED**  
 BY H-D COMMUNITY



**584,367**  
**TREES**  
 THROUGH 2016

ENOUGH TO COVER  
**152 MILES**  
 FROM WASHINGTON  
 TO PHILADELPHIA

# ENVIRONMENTAL SUSTAINABILITY

The focus of our environmental sustainability efforts is to reduce our environmental impact across the entire value chain. This begins with design decisions and material selections, continues across the full spectrum of supplier, manufacturing and distribution activities, and ends after a full life of use for our products.



## Product: Fuel Economy

We are investing in improving fuel economy through design optimization, weight reduction and innovative technologies. The Milwaukee-Eight™ engine debuted in 2016, delivering more performance with better fuel economy.

**2027  
GOAL** >50mpg  
fleet average  
fuel economy

### 2016 Highlights

- MY17 Touring introduced the new Milwaukee-Eight™ engine delivering more power, torque and acceleration without adding more weight to the powertrain and improving fuel economy (improvement varies by model).
- All motorcycle product development projects set appropriate weight targets based on the scope of the project.
- We analyzed possible opportunities for improving fuel economy and reducing the environmental impact stemming from the materials in our motorcycles and related products. This work has informed our plans to achieve our 10-year goal to grow our business without growing our environmental impact.

\* Estimated from fuel economy tests on a sample motorcycle from the corresponding family conducted under ideal laboratory conditions. Not all motorcycle models undergo testing. Fuel economy and mileage may vary among motorcycle models within a family, and may vary depending on personal riding habits, weather conditions, trip length, vehicle condition and vehicle configuration and other conditions.



## Operations: Energy

Our factories seek to reduce energy consumption and associated emissions. In 2016, overall energy consumption remained flat compared to 2015 for our U.S. manufacturing plants as conservation gains offset other challenges.

**2027  
GOAL** ▼ **25%**  
energy  
intensity\*

### 2016 Highlights

- New and more efficient equipment was purchased and installed in multiple facilities, many of which came with an eco-mode built in to power down the machine when idle.
- The Pilgrim Road facility modified HVAC equipment operating methods and eliminated 500 cfm of compressed air leaks, collectively reducing energy consumption by over 1 million kWh per year.
- Both the Tomahawk and Kansas City facilities completed roofing upgrades, adding more insulation and increasing thermal efficiency.
- The Product Development Center, in partnership with Focus on Energy, identified and repaired leaks and issues within the compressed air system and steam traps that will save over 150,000 kWh per year.
- The Tomahawk, York and Kansas City facilities began LED conversion projects, which for Kansas City has reduced the wattage of each bulb by >50%.



**8.9** MMBTU/  
UNIT  
ENERGY INTENSITY  
(goal <8.75 MMBTU/unit)

**169,217**  
mWh US MFG

\* Per U.S Department of Energy Better Buildings Better Plants methodology

## Operations: Waste

Our factories have made tremendous progress to reduce the amount of waste, and we are down to 3.6% waste to landfill. We include all waste streams generated by our factories in our waste metrics, not just production-related waste streams.

**2027 GOAL** **0%** waste to landfill

### 2016 Highlights

- The York facility held a collection event for electronics, collecting >11,500 pounds for recycling.
- The York facility implemented a drum reconditioning program that diverted 1,750 reconditioned drums and 60,732 pounds from disposal.
- 2 tons of furniture and equipment were donated from the Product Development Center to the Habitat for Humanity's ReStore nonprofit home improvement stores and donation centers.
- The Kansas City facility secured a recycler for pallets made of fused cardboard allowing the recycling of ~90% of all site wastes.
- A crankcase processing project at our Pilgrim Road facility has reduced scrap generation due to chip damage by over 30%.
- Several waste streams previously sent to landfill were qualified for acceptance at waste to energy facilities.
- Aerosol can puncturing and recycling was implemented at multiple facilities.



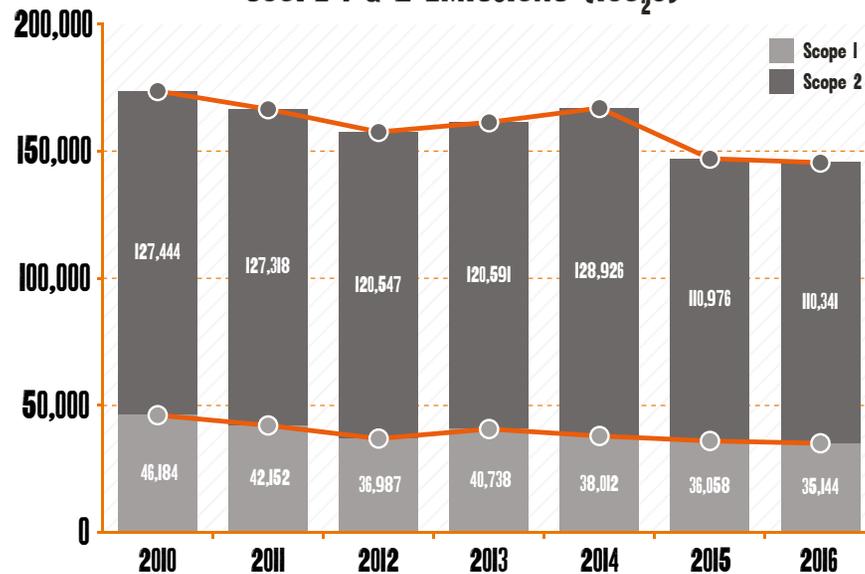
# Environmental Data

Environmental data from our four U.S. manufacturing facilities\* and the Product Development Center are reported in this section for Scope 1 & 2 greenhouse gas emissions, energy consumption, waste generation and recycling, water consumption and environmental compliance.

Within these organizational and operational boundaries, Harley-Davidson reports information on emissions of three greenhouse gases (GHGs): carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O), all quantified as CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Emissions associated with refrigerants (fugitive) and propane (e.g., forklifts) are not calculated; emissions associated with gasoline combustion for final vehicle testing are included. The majority of our GHG emissions are related to energy use (natural gas and electricity).



**SCOPE 1 & 2 EMISSIONS (tCO<sub>2</sub>e)**

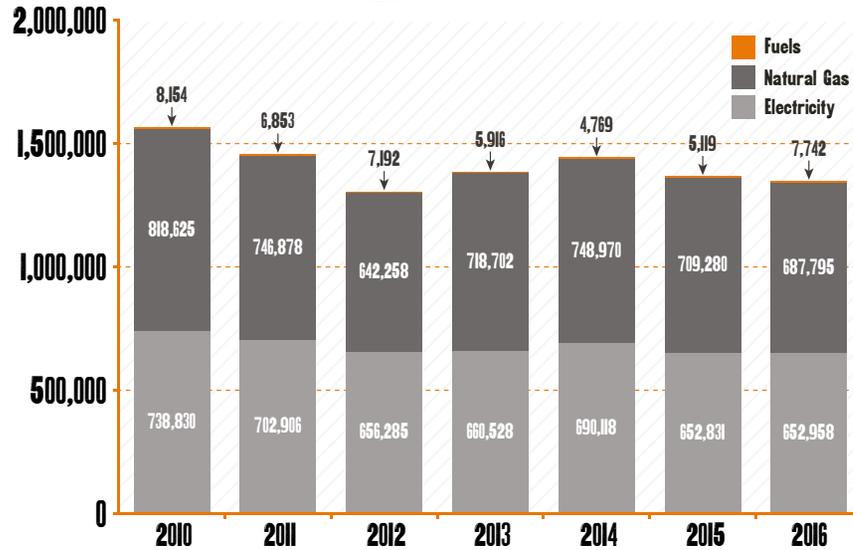


\* While not included at this time in our reported data, Harley-Davidson also operates two lower volume assembly facilities in Brazil and India, and a wheel manufacturing subsidiary plant in Australia. Also not included are the Harley-Davidson, Inc. corporate headquarters in Milwaukee, as well as the Harley-Davidson Financial Services facilities and all sales offices and international subsidiary offices, the majority of which are leased. Indirect value chain emissions from transportation, purchased materials, etc. (Scope 3) are not currently evaluated.

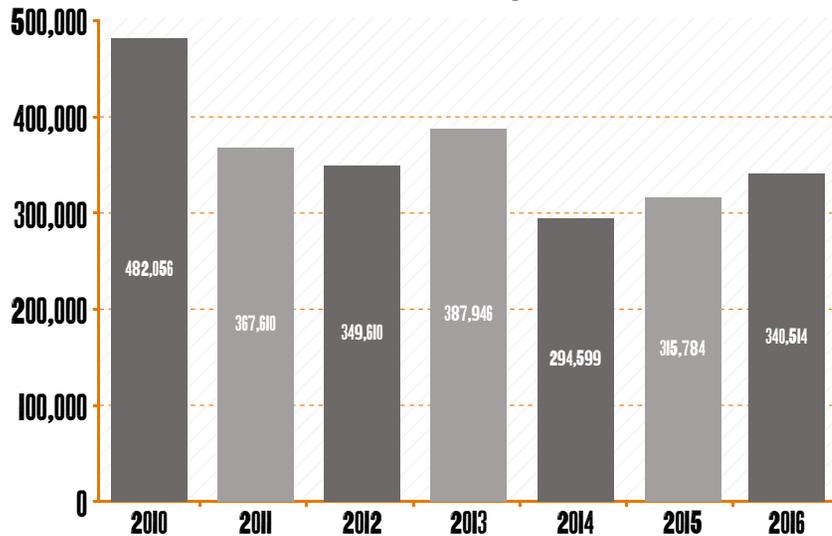
Scope 1 emissions factors for CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O from combustion of gasoline, diesel and natural gas are from the default list of values in Table 1 of the WRI GHG Protocol, Version 3.0 (Dec. 2007). Scope 2 emissions factors for 2012 and 2013 are from the USEPA 8<sup>th</sup> ed., Version 1.0 Subregion File (Year 2009 data). The USEPA eGRID2010 was utilized for 2010-2011. For 2014, factors are taken from the eGRID 9<sup>th</sup> ed. (2014), Version 1.0 Subregion File (Year 2010 data) and 40 CFR pt 98 Tables A-1, C-1 and C-2. For 2015, the USEPA eGRID2012 (October 2016) and for 2016, the USEPA eGRID2014 (January 2017) factors were applied.

# Environmental Data *(cont'd)*

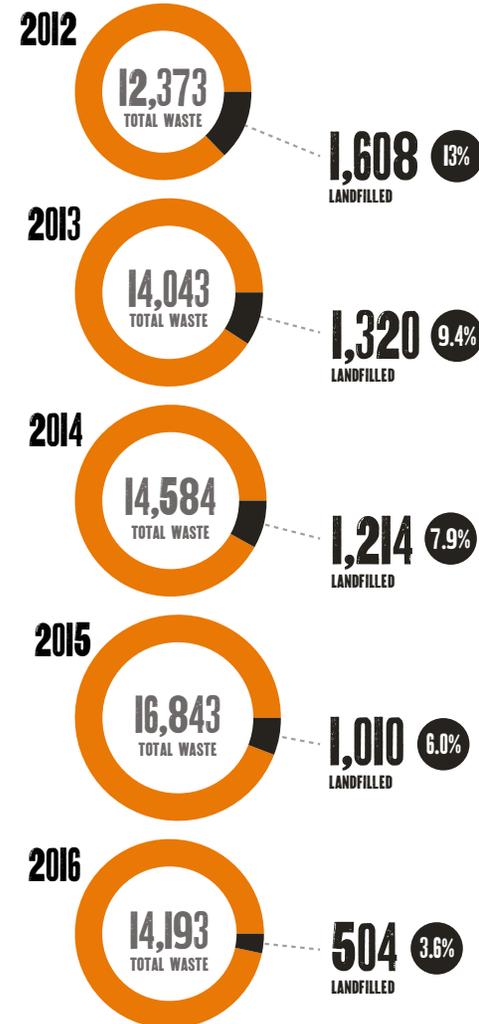
## Energy Consumption (GJ)



## Water Consumption (m³)



## Total & Landfilled Waste (tons)



**\$0 fines**

No fines were assessed against H-D facilities in 2016. H-D did agree to pay a \$12M penalty to settle claims alleged by the U.S. EPA regarding an after-market accessory.

# SOCIAL RESPONSIBILITY

To achieve our social responsibility goals, we are focused on creating positive impacts in the communities that are home to Harley-Davidson operations. We also continue to expand the reach and impact of customers, dealers and the company on social issues and causes focused on health, education and the environment.



## Renew the Ride™

Our Renew the Ride program engages the Harley-Davidson community to increase the positive impact of trees in critical forests and where we live, ride and work. Harley-Davidson supports The Nature Conservancy's Plant a Billion Trees program and has a similarly ambitious aspiration of seeing 50 million trees planted through Renew the Ride.

**2027** **50m**  
**GOAL** **trees**

### 2016 Highlights

- 162,000 trees planted through Renew the Ride in 2016.
- During Sturgis, proceeds from the annual Angel Ride were designated for the program.
- Renew the Ride t-shirts were sold worldwide with a portion of the proceeds supporting tree planting.
- Eight dealers across the U.S., as well as the York facility, organized rides and other events to raise funds and plant trees.



## Community Support

Through the Harley-Davidson Foundation, the Company, our dealers and our customers, Harley-Davidson has a long history of supporting communities and causes. We support charitable organizations to invest in education, health and the environment – to support the communities home to Harley-Davidson operations, improve the lives of our stakeholders and encourage social responsibility.

### 2016 Highlights

- Employees at U.S. Harley-Davidson sites pledged over \$1.375M to United Way and the local communities and organizations it serves. \$280,000 of that was a match from the Foundation.
- Donations to MDA in 2016 exceeded \$3M and since 1980 over \$99.5M has been raised.
- The Foundation made a 2-year grant of \$150,000 to support Troop Café and the Center for Veterans Issues. Troop Café is a model for successful city-wide collaboration leading to vocational credentialing and employment for veterans with significant barriers.
- The Foundation and employee volunteers supported the Hunger Task Force – The Farm, which is the only farm in the country that grows fruits and vegetables for the express purpose of feeding the hungry.
- A Foundation grant to Children’s Hospital of Wisconsin helped place a registered nurse and community health navigator at Bethune Academy, a Milwaukee Public School just a few blocks from the Harley-Davidson corporate headquarters.
- In 2016 H-D (Foundation, dealers and customers) raised over \$450,000 for Wounded Warrior Project, with over \$1.5M raised since the partnership began in 2014.
- In 2016 H-D donated \$290,000 to our Pink Label partners in the U.S. Since inception of the Pink Label program, H-D, its dealers and customers have donated over \$2.1M to U.S. not-for-profit organizations that support and empower those facing breast cancer.



A silhouette photograph of two motorcyclists and their bikes against a sunset sky. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon. The motorcyclists are wearing helmets and jackets. One bike on the right has its headlight on, casting a glow. The entire scene is framed by a thin white border.

# THE YEAR AHEAD

During 2017, Harley-Davidson will continue to build long-range plans for reducing the environmental impact of our products and operations so that we can achieve our 2027 goal to grow our business without growing our environmental impact. We are looking across motorcycles and related products to find ways to reduce impacts, not only through fuel economy improvements, but also through the materials in our products. We are also evaluating a renewables strategy and seeking to redefine social responsibility to ensure we leverage our unique strengths as a brand and company, as we build the next generation of Harley-Davidson riders globally.



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