



# WHY We Deliver Motion Control Solutions

Every day, our loved ones and millions of people around the globe depend on Nexteer to deliver high-quality, safety-critical motion control solutions.

We deliver protection, personality, performance and passion in driving.

We make driving safer, more fuel-efficient and fun for today's world and an automated future.



*a leader in intuitive motion control*



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# NEXTEER'S FIVE KEY FOCUS AREAS



## Business Ethics

Nexteer recognises that being a good global corporate citizen is making a positive impact where we do business, which is the basis for sustainability. We do this by adhering to our global Code of Conduct, working towards achieving greater accountability to non-traditional stakeholders and ensuring continuous improvement of sustainability reporting practices.



## Supply Chain

Nexteer is dedicated to providing best-in-class technology, quality and value to every customer, every day. To achieve that goal, we must provide a clear, consistent message to our supplier partners regarding requirements and expectations. Our Supplier Requirements Manual is intended to do just that.





## Introduction

This is Nexteer Automotive Group Limited's (Nexteer or Nexteer Automotive) fourth annual sustainability report. Annual reporting is an important way in which we communicate progress against our sustainability goals and targets. We strive to report on progress in a balanced and transparent manner and view the publication of this report as one of many ways in which we fulfil our obligations as a good corporate citizen.

We self-declare this report to be in accordance with the Hong Kong Stock Exchange Environmental, Social and Governance (ESG) reporting requirements. This report focuses on our approach to managing key sustainability issues organised into five focus areas: business ethics; health, safety and environment; supply chain; community; and value creation. Taken collectively, these represent our corporate sustainability framework.

This sustainability report includes information about Nexteer Automotive's performance for our 2018 fiscal year (the calendar year). Unless otherwise noted, it covers all of Nexteer's global operations and the information applies to all salaried and hourly employees working in premises owned or co-owned by Nexteer, as well as in majority-owned joint-venture locations. All financial information is reported in American dollars unless otherwise stated.

To ensure that information in this report is accurate and reliable, we have established internal controls and a formal review process, including final approval from members of Nexteer's Disclosure Committee.

In addition to publishing a sustainability report annually, Nexteer also provides information to CDP (formerly, the Carbon Disclosure Project). We also benchmark our sustainability performance through EcoVadis, a firm that provides corporate social responsibility (CSR) ratings and scorecards by industry. We continue to monitor our performance against these and other external scorecards and rankings, and strive for increased transparency, completeness and accountability to our stakeholders.

For feedback, questions or additional information about this report or our approach to sustainability, please contact us at:

### HEADQUARTERS

1272 Doris Road  
Auburn Hills, Michigan 48326, USA

# SUSTAINABILITY



## Message from the President

Working together as one team – One Nexteer – we are contributing to a safer, cleaner and better world for all.



Mike Richardson

We are pleased to present the 2018 Nexteer Automotive Sustainability Report.

Four years ago, we took the first steps in an important journey. One that started with a commitment to communicate our sustainable practices and the progress we are making in this all-important area of leadership. Our first voluntary report for 2015 highlighted performance and served to introduce our approach to sustainable reporting through a framework including five key areas of focus. It provided a forum to communicate both current performance and intended direction in our sustainability journey.

Now, in reading this year's report you will note the remarkable distance we have travelled in this journey; all fuelled by the collaboration and empowerment of employees through our One Nexteer culture.

You will observe that we have integrated sustainability into our global business strategies and operations to drive a sustainability mindset in everything we do. Our employees are the force behind our ability to innovate and stay ahead of the rapid changes expected in our industry and by our stakeholders. That is simply how we do business.

With more than 110 years innovating and shaping steering and driveline technologies, our notable breakthroughs include introducing the first power steering systems, tilt-wheel steering, energy absorbing steering columns, front-wheel drive half shafts and brushless electric power steering systems. Products such as our innovative electric power steering (EPS) system improve fuel economy and reduce vehicle carbon emissions. Since 1999, we have produced more than 60 million EPS systems, representing a savings of more than six billion gallons of fuel – equivalent to avoiding the release of more than 44 million tonnes of carbon emissions into our planet's atmosphere.

Building on this foundation, Nexteer employees are creating the future of mobility. Today over half our salaried staff members are engineers or technical employees possessing a natural curiosity and a desire to drive innovation. They are opening the door to a new world of mobility through innovative technologies that improve highway safety while reducing vehicle weight and fuel consumption – important contributors to a sustainable planet. Such innovations as high availability EPS, Steer-by-Wire, Quiet Wheel™ Steering, Stowable Steering Column and Steering on Demand™ Systems are taking mobility to new levels of excellence.

Our customers expect the best from us, and we are regularly recognised by our global customer base for our innovations, excellence in logistics, manufacturing leadership, quality and consistency. All key elements for a sustainable future.

Our diverse, global talent base makes a difference in the communities where they live and work. Additionally, we bring wide-ranging perspectives and experiences to solving complex challenges for today and tomorrow. Our integrity is beyond reproach and together we elevate our performance in each of Nexteer's sustainability focus areas including business ethics; supply chain; health, safety & environment; community; and value creation.

I invite you to read this report to learn more about our company, our culture and the strides we are making to improve our sustainable performance around the planet. Working together as one team – One Nexteer – we are contributing to a safer, cleaner and better world for all.

Mike Richardson  
President and Board Executive Director  
Nexteer Automotive

## About Nexteer

Nexteer Automotive is a global leader in advanced steering and driveline systems, advanced driver assistance systems (ADAS) and autonomous driving (AD) enabling technologies.

In-house development and full integration of hardware, software and electronics give Nexteer a competitive advantage as a full-service supplier.

As a leader in intuitive motion control, our continued focus and drive is to leverage strengths in advanced steering and driveline systems that provide value-added solutions to our customers. We maintain product focus on electric power steering (EPS) systems – a socially responsible technology that offers automakers increased fuel economy and reduced emissions. As just one example, Nexteer Automotive has put more than 60 million EPS units on the road since 1999, saving enough fuel to fill the equivalent of 48 billion 500-ml water bottles.

Our ability to seamlessly integrate our systems into automotive OEM vehicles is a testament to our more than 110-year heritage of vehicle integration expertise and product craftsmanship. Our culture inspires employees

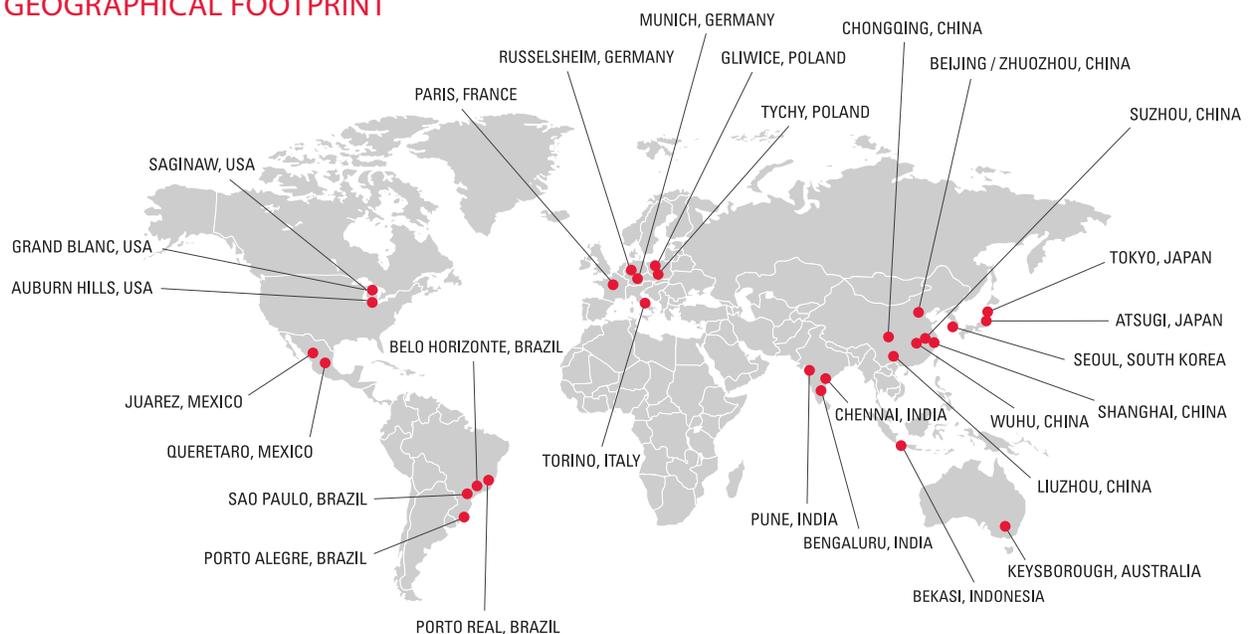
to achieve personal and corporate growth by focusing on Nexteer's core values across all aspects of the company: people, operational excellence and enterprise growth.

We seek to be the partner of choice for our customers and suppliers by delivering dependable, safety-critical products and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions by being:

- Customer Focused: respected and trusted for delivering on commitments
- Proactive: we listen carefully to understand customer requirements
- Innovative: market leader in steering and driveline innovation
- Agile: able to respond quickly with high-quality, cost effective solutions
- Global: committed to exceeding customer and vehicle needs every time, in every customer-targeted market

## GEOGRAPHICAL FOOTPRINT



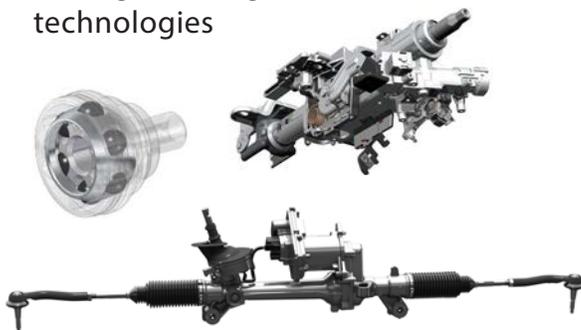
NEXTEER AT-A-GLANCE

▶ GLOBAL WORKFORCE  
**13,116**  
 Employees  
 in **13** Countries

▶ WORLD HEADQUARTERS  
**AUBURN HILLS**  
 1272 Doris Road, Auburn Hills  
 Michigan, United States  
 48326

▶ PRODUCTS

- Electric power steering
- Hydraulic power steering
- Steering columns and intermediate shafts
- Driveline systems
- Advanced driver assistance systems and automated driving enabling technologies



▶ 2018 GROSS REVENUE  
**\$3.912** BILLION

▶ GLOBAL FACILITIES

**25** Manufacturing Plants  
 Including:  
**1** Non-consolidated joint venture

**3** Technical Engineering Centres

**14** Customer Service Centres

▶ GLOBAL CUSTOMERS

**60+** Major Customers

Including:  
 BMW Group (BMW), Fiat Chrysler Automobiles N.V. (FCA), Ford Motor Company (Ford), General Motors Company and Subsidiaries (GM), PSA Groupe (PSA), SAIC General Motors Co., Ltd. (Shanghai GM), SAIC-GM-Wuling Automobile Co. Ltd. (SGMW), Toyota Motor Corporation (Toyota), Renault-Nissan-Mitsubishi Alliance (RNM), Changan Automotive (Group) Co., Ltd. (Changan), Maruti Suzuki India Limited (Maruti Suzuki), Volkswagen Group (VW) and Dongfeng Peugeot Citroën Automobile Co., Ltd. (DPCA), as well as domestic automakers in India, China and South America

In this section—2018 Sustainability Highlights & Recognition

## 2018 Sustainability Highlights & Recognition

### HIGHLIGHTS

Held our 3<sup>rd</sup> annual Global Service Day

Contributed 13,000 hours of employee community service

Inducted 10 employees into Nexteer's **Innovation** Hall of Fame

Ergo Cup Awards recognised workplace ergonomic achievements globally

Invested \$181 million in Capex

Invested \$279 million in **research & development**

Over half of Nexteer's **salaried** staff are scientists, engineers or other technical employees

Highest score to-date from Carbon Disclosure Project (CDP)

Nearly **1,000 suppliers** managed throughout our global supply chain

Achieved Highest corporate-wide score recorded to-date through EcoVadis third-party sustainability assessment

### MEMBERSHIPS

We have memberships in the following national and international organisations which support sustainability:

EcoVadis

**MIC**Auto

Inforum

National Safety Council

**Business for Social Responsibility (BSR)**

Automotive Industry Action Group (AIAG)  
Environmental Sustainability Advisory Group

**Business Leaders for Michigan**

Society of Automotive Engineers International

Society of Automotive Engineers Women's Engineering Committee

**Michigan Manufacturers Association Environmental Council**

## 2018 Sustainability Highlights &amp; Recognition

## THIRD-PARTY RECOGNITION

In 2018, Nexteer was honoured in **every region** for product and manufacturing innovations, quality and relationships.

Nexteer Corporate-wide and North America awarded:

GM's exclusive **Innovation** Award for High Availability EPS

Ford's Aligned Business Framework Status – exclusive supplier-partner status leading to greater openness, dialogue and longer-term contracts

Ford's Silver Award for quality steering gear manufacturing in Mexico

Frost & Sullivan's Engineering and Production Technology Leadership Award

CDP's **Environmental Stewardship** Recognition for continuous improvement in climate change management

Nexteer Brazil awarded:

FCA's Commitment to **Excellence in Management** Aligned with **Quality Principles** Award

Government of Brazil's Great Place to Work Award

FCA's Gaucho Programme of Quality and Productivity for excellence in management aligned with high quality principles

Nexteer Indonesia awarded:

SGMW's **Excellent Supplier** Award for Indonesian Subsidiary

Nexteer China awarded:

FCA-GAC's Excellent Delivery Performance Supplier Award

Chery's Excellent Cooperation Performance Award

SGMW's Excellent Supplier Award for Nexteer Liuzhou's **quality, service, design and cost performance**

Chongqing Municipal Government included Nexteer China in the 2018 List of Pilot Enterprises for the **Implementation of Integration Management Systems**

International Automotive Congress in Shanghai's award for Automotive **Technology Innovation** for High Availability EPS

Nexteer India awarded:

GM's Supplier Quality Excellence Award

Maruti Suzuki's Superior Performance and Consistently Delivering **High Quality Performance** Award

Nissan's **Best Innovative Idea** in its International Logistics Network Packaging Contest

TATA Motors' Agility Award

Nexteer Poland awarded:

PSA's Platinum Supplier Status Certificate of Excellence

**Management Award** presented by Economy of Change and Management Congress

Manpower Group's Friendly Place to Work Award

In this section—Governance  
Managing Sustainability

## Governance

Nexteer promotes the highest standards of corporate citizenship.

Nexteer's Board of Directors is responsible for and has general oversight of the direction of management and the conduct of business, including matters relating to sustainability. At the time of this report, the board is composed of nine directors with its Audit and Compliance Committee as well as its Remuneration and Nomination Committee comprising a majority of independent non-executive directors.

We commit to acting in accordance with all applicable laws and conducting our business with the highest degree of integrity. We recognise that the actions of each individual reflect on Nexteer and our deeply engrained One Nexteer culture. Every employee is responsible for upholding the standards established, including reporting violations consistent with applicable laws. Our global compliance standards, including our Code of Conduct, help us achieve greater accountability to our stakeholders and help us to continually improve our sustainability reporting practices.

Nexteer's honesty, integrity and sound judgment are absolutely essential to our reputation and success. Our Code of Conduct sets forth standards that we must abide by as we conduct business. The Code of Conduct is designed to deter wrongdoing and to promote:

- Honest and ethical conduct in personal and business dealings
- Full, fair, accurate, timely and understandable disclosure in Nexteer's public communications and filed documents
- Compliance with all applicable laws, rules and regulations
- Prompt reporting of any Code of Conduct violation
- Accountability for adhering to the Code of Conduct

It is important that all of our employees are empowered to report potential violations of our standards so that we can investigate and, if necessary, take corrective measures. To aid in this effort, we implemented an ethics line as a resource to ask questions, seek guidance or anonymously report suspected misconduct.



## MANAGING SUSTAINABILITY

In 2015, Nexteer established a Sustainability Work Group (SWG) composed of a cross-functional, global team possessing responsibility and authority to strategise and act on policies, practices and procedures directly impacting Nexteer's direction and performance in sustainability, including our annual sustainability reporting process. This report reflects Nexteer's SWG leadership and commitment to sustainability. Before publication, this report was reviewed by members of Nexteer's Disclosure Committee, and ultimately the Nexteer Board of Directors.

Membership within the SWG is assessed annually to ensure proper representation within each of Nexteer's five key focus areas: business ethics; health, safety and environment; supply chain; community; and value creation, which collectively represent our corporate sustainability framework.

Nexteer's sustainability framework aligns with the Hong Kong Stock Exchange's ESG reporting requirements and was identified through a comprehensive process first undertaken in 2015 to develop our corporate Sustainability Monitoring and Reporting Framework. In 2018, this framework was updated to address the issues that matter most to our business and our stakeholders, and to ensure continued alignment with mandatory reporting requirements established by the Hong Kong Stock Exchange.

The results of our performance against the Hong Kong Stock Exchange's ESG disclosure requirements are presented in this report, and are indicated with a green marker as their unique identifier.

In addition, we have included a Hong Kong Stock Exchange (HKEX) reference table in Appendix A of this report. Where possible, year-over-year data are presented to show trends over time.

## NEXTEER'S SUSTAINABILITY WORK GROUP

Members of Nexteer's SWG meet once per month to assess progress, share best practices and develop action plans. Membership within the SWG is assessed annually to ensure members serve in roles or functions that directly impact the reporting requirements identified by the Hong Kong Stock Exchange in alignment with Nexteer's sustainability framework. Members must also maintain access to required information and data, act as champions for sustainability on behalf of the company and their functional area and hold a passion for continuous improvement.

Looking forward, Nexteer's SWG will assess Nexteer stakeholder expectations through a materiality survey in 2019. Through it, the SWG will assess internal and external alignment of expectations with Nexteer's sustainability initiatives.

Governance

Nexteer's Sustainability Work Group (SWG)

NEXTEER'S FIVE KEY SUSTAINABILITY FOCUS AREAS



Champions:

Lynn Pavlawk, Global Government Affairs, Corporate Social Responsibility & Sustainability

Jerry Rush, Global Government Affairs

Work Group Leads:

Kimberly Bostek, Environmental Management

Amalia Rebeca Chavez, International Communications and Corporate Affairs

Wendy Cruz, Global Enterprise Alignment, Strategic Planning and Performance

Piotr Dembinski, International Communications and Corporate Affairs

Rob Desimpelare, Materials Management

Todd Hare, Information Technology

Erin Heinrich, Global Marketing Communications

Summer Hou, International Communications and Corporate Affairs

Crystal Huizar, Global Supply Chain Management

Brandon Kalasho, Legal

Kym Kinchen, Legal

Steven Leiger, Internal Audit

Virginia Li, Board Office

Julie Malesky, Human Resources

Frederique Mira, Product Safety and Compliance

Martin Saltiel, Health and Safety

Aaron Seyuin, Engineering

Myiesha Smith, Human Resources

Caren Stajninger, Internal Audit

Don Taylor, Health and Safety

Cheri Wargo, Human Resources

Sharon Wisniewski, Global Supply Chain Management

Business Ethics	Health, Safety & Environment	Supply Chain	Value Creation	Community
■	■	■	■	■
■	■	■	■	■
	■			
■	■	■	■	■
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In this section—Stakeholder Inclusiveness & Engagement  
Materiality

## Stakeholder Inclusiveness & Engagement

We actively engage our stakeholders on environmental, social, economic and governance matters to create value in a responsible way. How we engage:

### COMMUNITIES

Annual Global Service Day  
Financial contributions  
Meetings with **community leaders** to align Nexteer resources with local needs  
Locally driven **engagement initiatives** by region and locale  
Social media

### CUSTOMERS

Ad-hoc meetings and calls with account managers  
Ad-hoc meetings with key account managers, customer directors and executive management  
Ad-hoc meetings with **senior leadership**  
Annual **Voice of Customer** survey  
Electronic, phone and in-person responses to **customer requests**  
**Face-to-face** sales meetings  
Industry events  
In-person product demonstrations and plant tours  
Professional association events  
**Technical** and **commercial** reviews  
Technology events  
Trade shows  
Social media

### EMPLOYEES

Annual Global Leadership Conference  
Annual goal setting  
Annual Leadership Product Line workshops  
Bottom-up **communication** channels  
Department and regional town halls  
Digital messaging and communications within operations  
Employee **development plans** and **training programs**  
Employee engagement events  
Employee **engagement** surveys  
**Ethics** hotline  
Face-to-face meetings  
Informal small group opportunities for employees to collaborate with senior leadership  
Internal website (intranet)  
**Mentorship** programs  
Ongoing internal emails  
**Performance** reviews  
Quarterly **leadership update** calls hosted by senior management  
Quarterly regional **operations video** updates  
Regular department meetings  
**Social media**



## INDUSTRY

- Global trade and industry events
- Informal discussions at tradeshows, industry and other professional association events
- Joint participation on technical or research teams and committees

## INVESTORS

- Ad-hoc communications with analysts and investors
- Analyst meetings
- Annual report
- Annual general meeting
- Interim report
- Earnings briefing meetings
- Quarterly global conference calls
- Investor visits and plant tours
- Presentations at tradeshows, industry and professional forums
- Participation in bank conferences

## REGULATORS

- Formal and informal discussions at industry, tradeshow and professional association events
- Joint participation on technical or research teams and committees
- Offering data and information in response to regulatory requirements
- Responding to surveys, other requests for information

## SUPPLIERS

- Ad-hoc meetings with suppliers' leadership teams, project managers and account managers
- Annual supplier conferences
- Contract negotiations
- Face-to-face meetings
- Manufacturing assessment and process plan reviews
- Manufacturing Capability Assessments
- Supplier development activities
- Supplier surveys

Stakeholder Inclusiveness & Engagement

**MATERIALITY**

Nexteer’s materiality process was last defined in 2016. At that time, we undertook a comprehensive assessment of the sustainability issues that matter most to our business and to our stakeholders. This materiality assessment helps us understand what to report and how to focus our activities. Our materiality assessment process involved evaluating a list of potential aspects using a variety of criteria, including:

- Assessing each aspect’s potential impact on business growth and performance, our brand and reputation, our business culture, product quality and safety and regulatory impacts
- Assessing each aspect against broader social expectations and concerns raised by our stakeholders, including regulators, customers, shareholders, employees, suppliers, labour unions, communities and financial investors

Those aspects deemed most important to our business and to our stakeholders were categorised into five focus areas – business ethics; health, safety and environment; supply chain; community relations; and value creation, which collectively represent our corporate sustainability framework.

In 2018, we made minor adjustments to our material topics to better reflect our understanding of our stakeholders’ needs and concerns, and to reflect additional input provided by our stakeholders. In 2019, we will thoroughly review and update our materiality process so that it aligns with our expanding geographical footprint, customer base and network of suppliers.

**2016**  
Define five focus areas



BUSINESS ETHICS	COMMUNITY RELATIONS
HEALTH, SAFETY AND ENVIRONMENT	VALUE CREATION
SUPPLY CHAIN	

= Corporate sustainability framework



**2018**  
Adjust focus areas



Better reflect stakeholders’ needs, concerns and input



**2019**  
Review and update materiality process



Better alignment with expanding geographical footprint, customer base and network of suppliers

In this section—Attracting & Retaining Top Talent  
Employment  
Our Workforce

# Attracting & Retaining Top Talent

HKEX B1

HKEX B3

As a company with a deep commitment to innovation and a long history of developing the right product at the right time, the capability to hire and retain top talent is essential for Nexteer’s continued success as a leader in intuitive motion control.

We understand what matters most to jobseekers. In 2016, we conducted a focus group that revealed the top priorities of jobseekers: personalised careers, opportunities for growth and movement within the organisation, doing work that matters and working for ethical and sustainable companies. At Nexteer, we offer all of these attributes to potential recruits. Additionally, our One Nexteer corporate culture, focused on enterprise growth, operational excellence and people, helps us to retain top talent.

At Nexteer, we offer a wide-range of training programs, global advancement and cross-functional job opportunities which tailor careers.

## EMPLOYMENT

HKEX B1

We are committed to acting in accordance with all applicable employment laws and driving a workplace culture of dignity, fairness and respect. This is why all salaried employees complete in-depth training each year on our policies, practices and employment laws. Topics covered in this annual training and in our employee handbook include benefits, compensation, discrimination, dismissal, diversity, equal opportunity, fair labour practices, harassment, human rights, promotions, recruitment, retention, rest periods, safety, working hours and violence prevention.

We are also committed to fair and equitable hiring practices. At Nexteer, hiring, promotions, bonuses and other related employment decisions are based on merit.



We believe that every employee has a role to play in maintaining the highest standards of ethics and integrity. This includes reporting known and suspected violations of applicable laws and conduct.

We have a number of global compliance standards in place, including our Code of Conduct, that help us to achieve greater accountability to our stakeholders and ensure continued compliance with relevant laws and regulations.

Training on our Code of Conduct is required for all new hires within 30 days of their date of hire. In 2018, 50.5% of employees completed this required training within the 30-day window with an overall completion rate of 99%.

Attracting & Retaining Top Talent

OUR WORKFORCE

HKEX B1.1

Our workforce is made up of 13,116 hourly and salaried employees. Of our 13,116 employees, 8,824 are hourly employees and 4,292 are salaried.

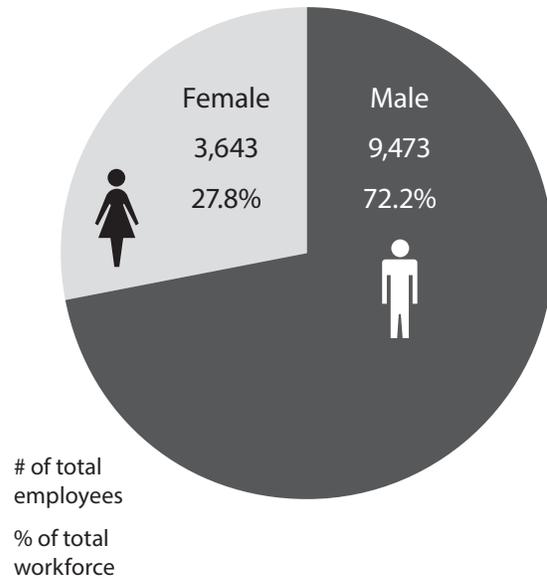
Total Workforce by Type (Salaried, Hourly) and by Geographical Region

Geographical Region	Salaried Employees	Hourly Employees	Totals
Australia	3	0	3
Brazil	52	161	213
China	1,088	1,255	2,343
France	51	10	61
Germany	40	0	40
India	308	170	478
Indonesia	8	3	11
Italy	16	0	16
Japan	9	0	9
Korea	21	0	21
Mexico	372	2,873	3,245
Morocco	29	14	43
Poland	429	1,153	1,582
Turkey	1	0	1
United States	1,865	3,185	5,050
<b>Total</b>	<b>4,292</b>	<b>8,824</b>	<b>13,116</b>

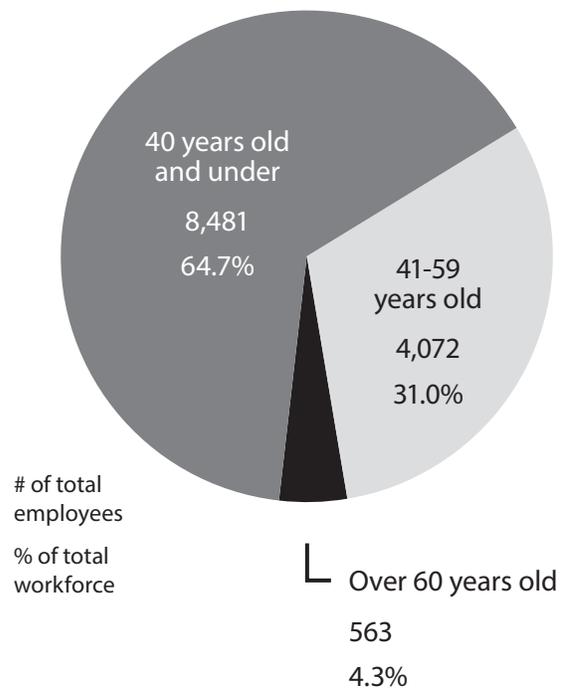
Gender and Age Diversity

HKEX B1.1

Total Workforce by Gender



Total Workforce by Age Group



## Attracting & Retaining Top Talent

### Employee Turnover

#### HKEX B1.2

Employee turnover measures employees who leave the organisation voluntarily or due to dismissal, retirement or related reasons.

#### 2018 Turnover by Geographical Region

Geographical Region	Employee Count	Turnover Rate (%)
Australia	8	266.67
Brazil	35	16.43
China	662	28.25
France	7	11.48
Germany	6	15.00
India	61	12.76
Indonesia	4	36.36
Italy	0	0.00
Japan	1	11.11
Korea	0	0.00
Mexico	1,820	56.09
Morocco	1	2.33
Poland	180	11.38
Turkey	1	100
United States	622	12.32
<b>Total</b>	<b>3,408</b>	<b>25.98</b>



#### 2018 Turnover Rate by Gender and by Age Group

	Male	Female
Employee Turnover Count	2,224	1,184
Turnover Rate (%)	23.48	32.50

	40 years old and under	41-59 years old	Over 60 years old
Employee Turnover Count	2,929	394	85
Turnover Rate (%)	34.21	9.71	17.07

In this section—Training & Development

# Training & Development

**HKEX B3**

In further strengthening our talent management practices for 2018, Nexteer launched technical and behavioural competency frameworks together with custom designed software to manage competency improvement. In addition, we established a software-driven process for creating individual development plans (IDPs) for employees along with detailed processes to identify high potential talent.

We launched training for managers and supervisors through talent management and culture workshops. We also launched a Data Privacy Bootcamp targeted at employees who handle private data to improve their sensitivity about data protection.

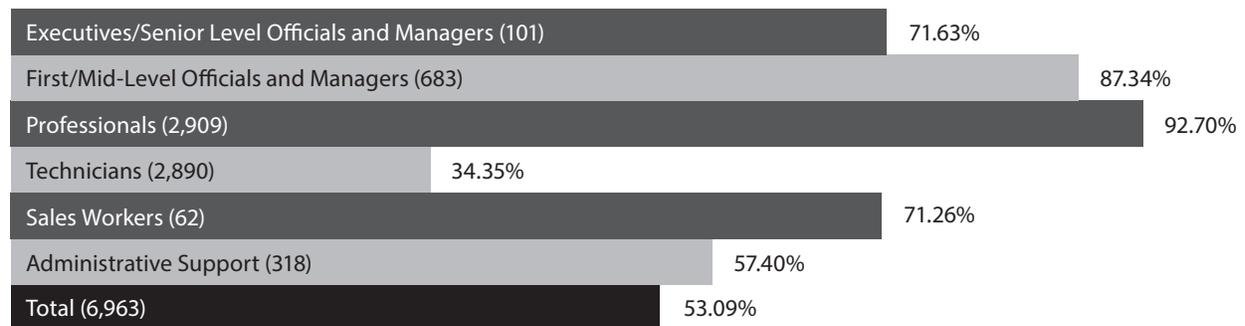
**HKEX B3.1**

The graphs below show the number and percentages of employees trained by gender and employee category. Note that the training data presented do not include mandatory or compliance-related training, rather, they represent developmental training.

Number and Percentages of Employees Trained by Gender



Number and Percentages of Employees Trained by Employee Category

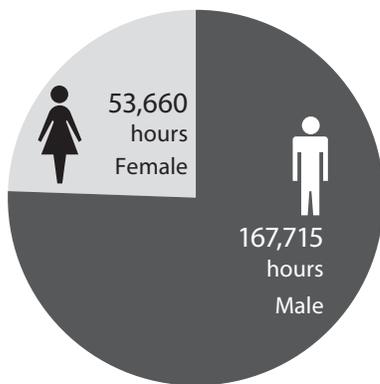


## Training & Development

**HKEX B3.2**

The graphs below present the average number of professional development training hours completed by gender and employment type. Note that the training hours presented do not include mandatory or compliance-related training. Training hours have been rounded up to the nearest completed hour.

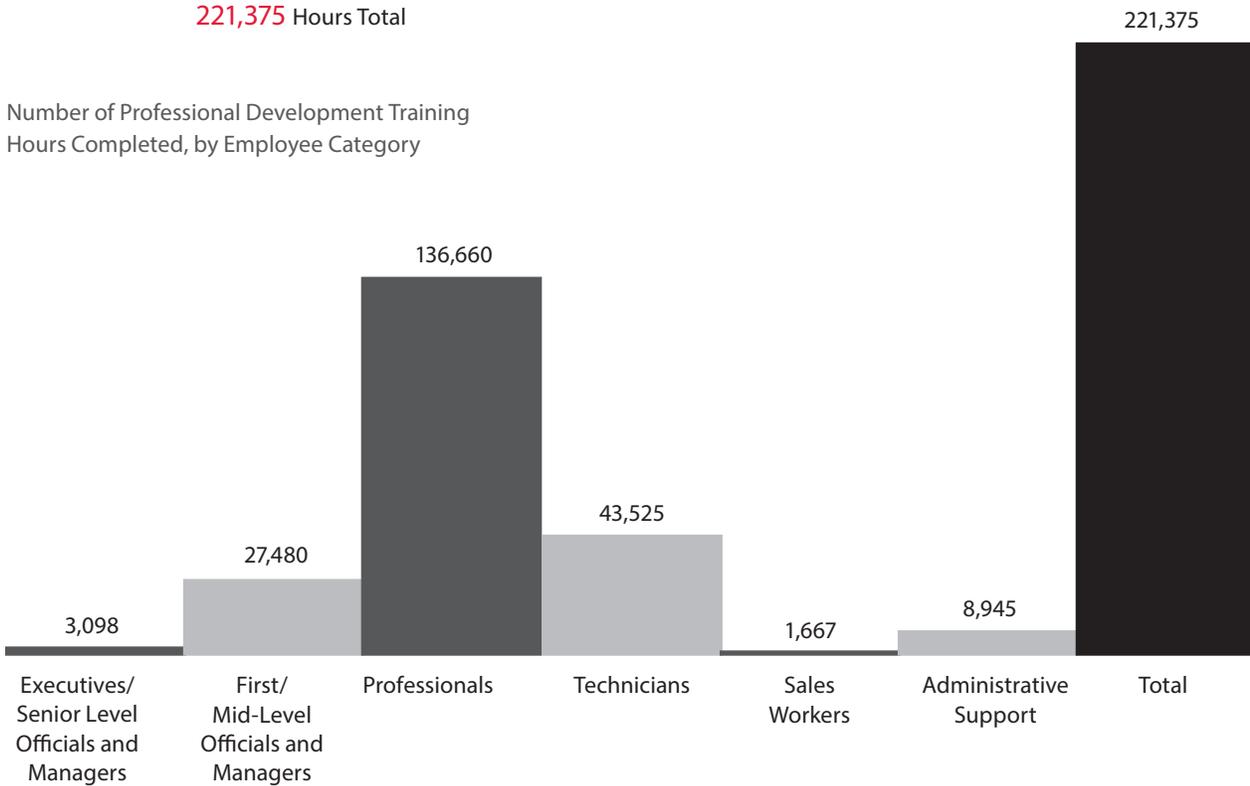
Number of Professional Development Training Hours Completed, by Gender



**221,375** Hours Total



Number of Professional Development Training Hours Completed, by Employee Category



In this section—Being Ethical Is Everyone’s Business

Labour Standards

Anti-Corruption

## Being Ethical Is Everyone’s Business

### LABOUR STANDARDS

#### HKEX B4

Nexteer is committed to lead and to serve as a catalyst for action in its commitment to human rights and dignity. We respect and comply with applicable labour and employment laws, including those pertaining to discrimination, forced or compulsory employment, child labour, freedom of association, hours, immigration, privacy and wages. We do not knowingly partner with suppliers that provide unsafe products or services, violate labour or employment laws or use physical punishment as disciplinary action. Anyone who believes a Nexteer employee, customer, supplier, vendor or any other third-party doing business with Nexteer is in violation of applicable laws is encouraged to report their concerns to our human resources department. Employees also may report potential violations to our internal ethics hotline or legal department.

#### HKEX B4.1

#### HKEX B4.2

We are firmly opposed to all forms of child and forced labour. We do not employ anyone under the age of 18 in any country where we do business. To date, we have not had to take steps to eliminate or mitigate the risk of child labour in our operations as we have strict employment practices prohibiting employment of anyone under the age of 18.

### ANTI-CORRUPTION

#### HKEX B7

#### HKEX B7.1

Nexteer is committed to preventing incidents of bribery, extortion, fraud and money laundering. We follow global policies that promote the highest ethical standards for behaviour and compliance with laws and regulations where we do business. We comply with relevant anti-corruption laws and regulations applicable to us and have not had any legal cases regarding corrupt practices brought against us.

#### HKEX B7.2

We provide several channels to report suspicious activity or behaviour, such as suspected incidents of corruption and bribery, including direct reports to a supervisor or manager; reports to our human resources, legal or other relevant functional departments; and our ethics line where reports can be made anonymously via telephone or via a web-based form.

## Connecting People Strengthening Communities

### HKEX B8.1

### HKEX B8.2

We are proud of the community activities in which our employees have been involved around the world. We focus our charitable giving on one or more of these areas: civic endeavours, culture and the arts, education – particularly in STEM – and health and human services. In 2018, 13,000 hours of employee time were devoted to building communities. Whether it is donating blood, cleaning up parks or mentoring youth to pursue careers in engineering and the sciences, Nexteer employees' generosity with their time is recognised around the world by communities and clients.

### HKEX B8

Nexteer's policies related to social responsibility, specifically addressing community investments, volunteering, memberships and focus areas for our contributions and related guidance to demonstrate our commitment to community involvement and how we assess community needs in terms of financial and/or contributions of our time is well documented. We will strive to continue our local engagement in the communities in which we operate. We give priority to organisations that operate in communities where Nexteer employees live and work, where Nexteer representation is welcomed on governance boards or leadership teams and where volunteer opportunities for Nexteer employees exist.

In this section—Connecting People  
Strengthening Communities

Annual Global Service Day

Nexteer Steering the Future Fund

In 2018, Nexteer supported an endowed fund administered through the Saginaw Community Foundation in Michigan which focuses on providing community support through three distinct approaches:

- Providing scholarships to students pursuing college degrees in STEM or business fields
- Providing competitive grants to local organisations in communities where Nexteer does business
- Providing discretionary charitable grant dollars to meet immediate community needs on an as-needed basis

In 2018, Nexteer also set a benchmark for contributions which will be measured after each calendar year. That benchmark is: \$0.6 million in global contributions.

Annual Financial and Volunteer Hour  
Contributions

Year	Charitable Giving (\$)	Global Volunteer Hours
2016	\$0.4 million	13,500
2017	\$0.3 million	13,500
2018	\$0.6 million	13,000

Connecting People Strengthening Communities



**ANNUAL GLOBAL SERVICE DAY**

Nexteer hosted its third annual Global Service Day in July 2018 to support environmental activities and serve communities across North America, Europe, South America and Asia. This annual event aims to serve the communities in which Nexteer has a major presence. Over the course of a single day, more than 615 volunteers from Nexteer’s global workforce contributed an estimated 2,060 hours to support local initiatives.



Global Service Day 2018



Global Service Day 2018

## Connecting People Strengthening Communities

### Global Service Day Activities Around the World

Auburn Hills, Michigan, USA

Volunteers helped to expand the H.M. Boyd Community Garden by adding raised planting beds, benches, a farm stand, a utility shed and more. The community garden will be a place for citizens to join forces and plant, care for and harvest produce, while educating children about proper nutrition.

Queretaro, Mexico

Volunteers revitalised a local primary school in Queretaro.

Porto Alegre, Brazil

Volunteers revitalised a local elementary school's football field and basketball court.

Tychy, Poland

Volunteers raised awareness and funds for local children's charities and inspiring youth in STEM related careers including a fun event on Nexteer's test track.

Suzhou, Liuzhou, Zhuozhou, Wuhu, Chongqing and Wuhan, China; Bangaluru and Pune, India; Indonesia and Japan

Volunteers focused efforts on cleaning communities, educating youth and donating blood.

### Giving Back Throughout the Year

During our One Nexteer Culture Week held in October 2018, our team in Saginaw, Michigan collected more than 4,000 food items and more than \$6,000 in donations for the local Hidden Harvest organisation, an organisation that works to alleviate hunger and end food waste by redistributing surplus food to people in need.

The Nexteer Automotive Women's Club hosted a Discover STEM event at the Mid-Michigan Children's Museum in Saginaw, Michigan, USA in September 2018. More than 40 Nexteer volunteers supported the event that offered 550 visitors free access to the museum and access to a variety of activities, including robot, propeller car, tower and boat-building experiences for children and adults. The dynamic experience focused on making a lasting impression about STEM and the many opportunities education in those areas can provide.

The United Way for Southeast Michigan hosted their first United Week of Service in April 2018 with 13 volunteers from our Auburn Hills, Michigan office. Specifically, our committed volunteers spent time at the United Way's Focus: HOPE event where they prepared 880 boxes of food for low-income mothers and seniors.

In Tychy, Poland, Nexteer sponsored the Poland Business Run which took place in September 2018. This event promotes healthy living and helping others. Over 500 volunteer hours were logged by Nexteer employees over the course of this event.

## NEXTEER STEERING THE FUTURE FUND

Nexteer's Steering the Future Fund is administered by a committee of Nexteer employees in Saginaw, Michigan, USA responsible for reviewing all grant applications and making determinations based on the merits of each application and the amount of funding requested. To be eligible for funding, applicants must demonstrate that the activity to be funded meets one or more the following criteria:

- Improves international relations or promotes international commerce
- Promotes entrepreneurialism and innovation in business
- Creates workplaces, communities and economies with greater diversity in ethnicity, national origin, gender, skill sets and thought
- Improves communication skills in home, school, workplace, civic and global settings
- Trains the next generation of industry leaders by improving business, math, engineering and technology education
- Fosters innovation in technology and transportation
- Improves the economies and quality of life in the communities of Nexteer's facilities and customers
- Creates a cleaner, safer environment for future generations

In 2018, we received 18 funding requests and granted 11 for a total of \$32,000.

In this section—Our Suppliers Our Partners  
Holding ourselves to a Higher Standard  
Going Global

## Our Suppliers Our Partners

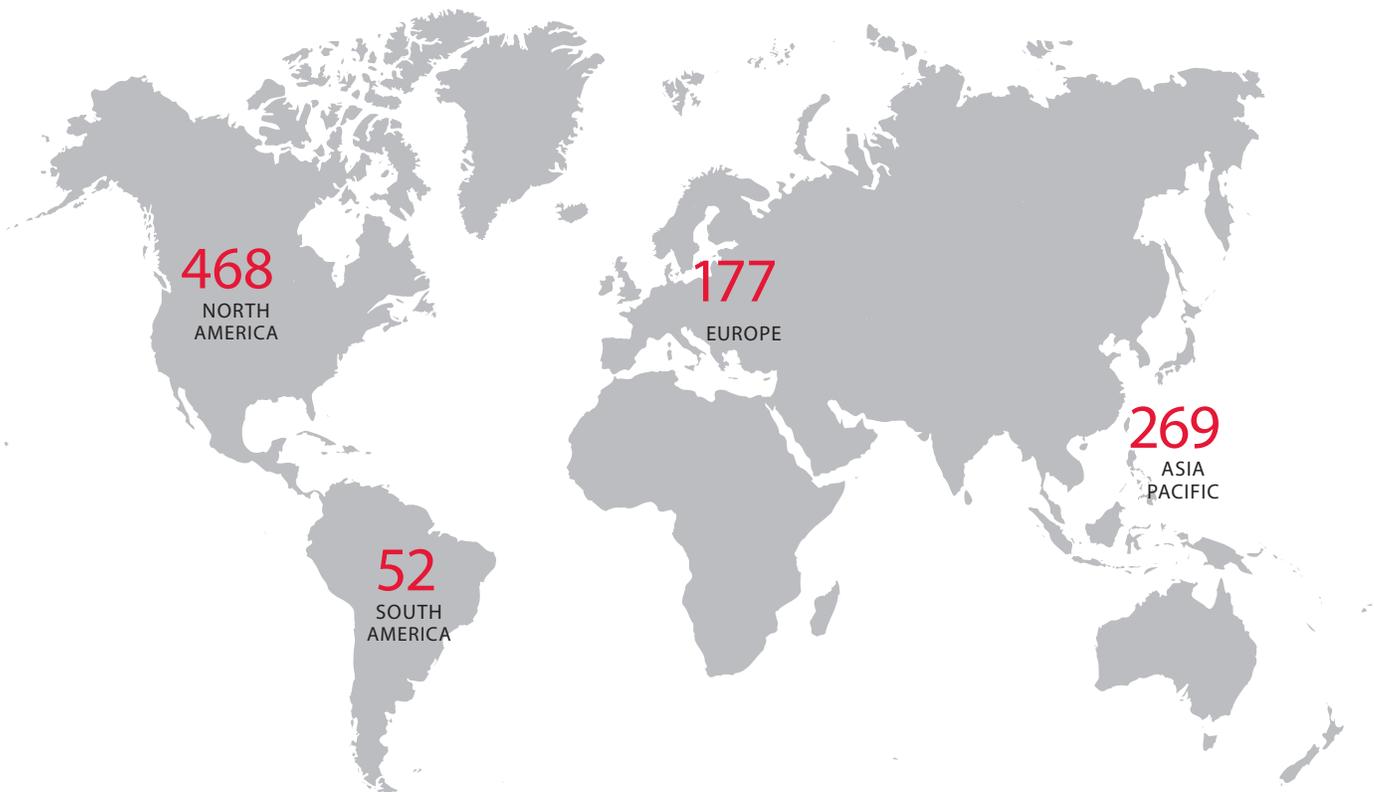
HKEX B5

Our relationship with our suppliers is one that is built on mutual loyalty and reciprocity. We have established meaningful, long-term relationships with many suppliers in the industry. Our suppliers bring unique capabilities that we do not have internally and we depend on supplier-partners to succeed globally.

Both our Nexteer Supplier Requirements (NSRs), which were last updated in September 2018, and General Terms and Conditions (GT&Cs) are part of every request for quotation and purchase order and serve to communicate our policy on managing social and environmental risks throughout our supply chain.

# 966

TOTAL NUMBER  
OF SUPPLIERS



Our Suppliers Our Partners

In our NSRs, we communicate our commitment to environmental responsibility to our suppliers, which includes striving towards increasingly efficient use of raw materials, energy, water and other inputs. We consider the life-cycle impacts of the products we source and strive to continuously improve the environmental footprint of our supply chain. As a result of our commitment to environmental responsibility, we expect all products manufactured, and the applied materials and substances in the process, to meet environmental standards for design, development, distribution, use, disposal or recycling. Such items include, but are not limited to: reducing energy consumption, reducing emissions, increasing use of renewable energy, appropriate waste management, environmental testing, training of employees and sub-contractors and regulatory requirements. We expect our suppliers to communicate to their employees an Environmental Policy Statement reflecting their commitment. Suppliers shall, upon request, provide evidence of adherence to these requirements, including any government environmental regulatory requirements, such as audit or testing results. Our NSRs also encourage suppliers to seek environmental training and strongly recommend registration to the International Standards Organisation’s Environmental Management Standard, ISO 14001.

In our GT&Cs, we communicate Nexteer’s expectations to suppliers with respect to complying with all applicable laws, rules, regulations, orders, ordinances and standards relating to the manufacture, labelling, transportation, importation, exportation, licensing, approval, performance and certification of the goods or services being provided. This includes those related to environmental matters, wages, hours and conditions of employment, selection of subcontractors, discrimination, occupational health and safety and motor vehicle safety. We also specifically communicate our expectations that no supplier or any of its subcontractors will resource their operations with enslaved persons, prisoners or any other form of forced or involuntary labour in the supply of goods or services to Nexteer. Suppliers are expected to provide evidence of compliance upon request and any form of non-compliance will result in the supplier being removed from Nexteer’s supply chain.

HKEX B5.1

In 2018, we worked with 966 direct materials and service suppliers across North America, Asia-Pacific, Europe and South America.

Our suppliers provide us with a range of commodities; in total, we source 23 different direct material commodities.

Number of Suppliers by Commodity

Commodity	Number of Suppliers
Assemblies	34
Bearings	38
Castings	56
Chemical Raw	14
Driveline	34
ECU	9
Electrical/Electronics	10
Extruded Parts	3
Fasteners	68
Forging (Hot, Cold, Cold Formed)	8
I-Shafts	7
Machined Parts	57
Motors	6
Outside Services	26
Plastic Components	68
Powder Metal Component	30
Rubber Components	85
Service	313
Springs	13
Stampings	61
Steel	10
Tubing	14
Wire Harness	2
<b>Total</b>	<b>966</b>

## Our Suppliers Our Partners

### HKEX B5.2

All (100%) new direct material suppliers undergo our manufacturing capability assessment (MCA), which evaluates the capability of a supplier's process to produce and deliver a new purchased part that meets customer program requirements. The MCA includes questions and observations regarding human rights, employment compliance, health and safety, environmental and overall sustainability concepts. The MCA includes a visual plant visit and inspection.

Additionally, Nexteer's global supply chain management expects the entire direct material supply chain to adhere to the International Automotive Task Force (IATF) 16949 Quality Management Standard and verifies the certification status of all direct material suppliers prior to engaging in business. Specifically, the IATF standard requires the implementation of corporate responsibility policies, which include complying with an anti-bribery policy, an employee Code of Conduct and an ethics policy. If any supplier is not certified to the IATF standard by a third-party certification body, Nexteer validates compliance to the IATF standard as needed via a risk-based model that consists of the supplier's quality standing, safety critical features of the part provided and certification status of the supplier.

### HOLDING OURSELVES TO A HIGHER STANDARD

Our Global Supply Management (GSM) team holds itself accountable and strives for continuous improvement.

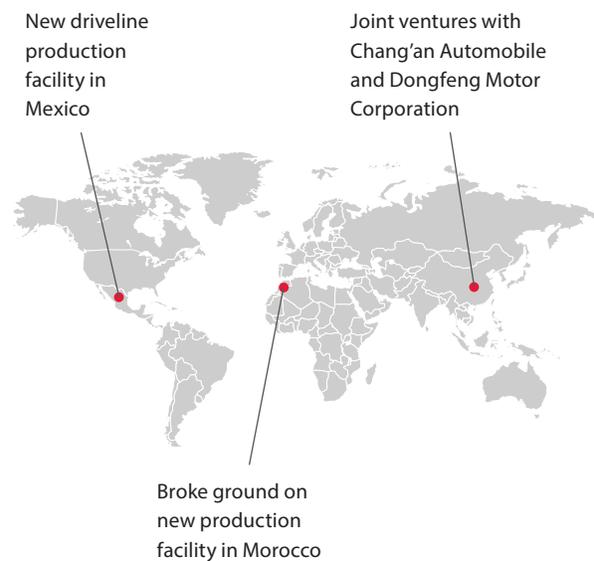
Relative to sustainability, in the United States, we have implemented improvements by eliminating the printing of paper purchase orders for direct material purchasing. We are now working on paperless purchase orders for indirect purchasing. Globally, we are developing a new interactive application that will support our supplier set-up process for our systems. This application will have built-in capability to require our suppliers to confirm their commitment to sustainability during this initial set-up phase.

### GOING GLOBAL

In the first half of 2018, Nexteer broke ground on a new production facility in Morocco and opened a new driveline production facility in Mexico.

We have also entered into a joint venture with Dongfeng Motor Corporation, providing us unique opportunities to grow significantly in China in the coming years.

We have a manufacturing footprint of 25 facilities spanning six continents and have 14 customer service centres worldwide. While we operate in English, we have regional representatives in our customer support centers that speak the languages of our customers as we understand the importance of developing lasting relationships with our customers, of which a big part of that is being able to clearly communicate and understand their needs. We also make a point of producing in the region of consumption, taking the opportunity to keep supply lines short. We believe this approach enables us to operate efficiently, be more responsive to our customers' needs and tailor our solutions to the local regions.



In this section–Product Responsibility

## Product Responsibility

### HKEX B6

Over our more than 110-year history, Nexteer has brought to market product introductions that have enhanced passenger safety and comfort, including Safety Steering, Tilt-Wheel Steering, Brushless Electric Power Steering and more. Safety is a foundational principle that guides the design, manufacturing and quality across the company. Our Quality Management System started its transition to the IATF 16949 standard in November 2017 and completed certification of all sites in August 2018.

### HKEX B6.4

Our Product Safety Compliance and Reporting Requirements procedure defines how we meet global governmental product safety compliance and reporting requirements. This procedure conforms to the laws and regulations of every country where we do business. Additionally, the packaging and labelling design for our products complies with all customer-specific packaging and labelling standards and guidelines, including applicable service part packaging standards and regulatory requirements.

### HKEX B6.1

As our products are considered safety-critical, we do not at this time release specifics pertaining to product safety events or specific recall procedures.

### HKEX B6.2

### HKEX B6.4

### HKEX B6.5

Nexteer respects the privacy of individuals whose personal information we need to access, collect, process, use, transmit, disclose and store in the course of doing business. In 2018, Nexteer was certified that it adheres to the EU-US Privacy Shield principles of notice, choice, accountability for onward transfer, security, data integrity and purpose limitation, access, recourse, enforcement and liability to satisfy the requirements under Privacy Shield and other global privacy regulations.



Nexteer's recently constructed facility in Chennai, India opened in 2019

### HKEX B6.3

At Nexteer, we are dedicated to protecting the company's intellectual property rights, which are crucial to our sustainable business growth and our ability to differentiate ourselves from competitors. Nexteer complies with all applicable intellectual property laws and regulations. We actively apply for protection for Nexteer intellectual property to guard our exclusive rights.

## A Culture of Health & Safety

### HKEX B2

### HKEX B2.3

We are committed to protecting the health and safety of each employee, visitor and contractor on our premises. The implementation of actions to help individuals realise a healthy, injury-free environment is a leadership responsibility and supporting this effort is the responsibility of everyone throughout our company. In our corporate health and safety policy, we articulate our belief that all accidents are preventable. We work tirelessly to ensure that we are always in compliance with or go above and beyond all applicable health, safety and environmental laws, government regulations and rules in the countries where we operate. We do this through our ongoing maintenance of our ISO 14001:2004 and OHSAS 18001 certifications for environmental management and occupational management.

At Nexteer, we promote a culture of health and safety through ongoing education, training and awareness. All employees are encouraged to speak up if they witness or are privy to unsafe acts or working conditions.

Our health and safety management system is built on a foundation of 25 elements covering a comprehensive list of safety topics ranging from leadership roles and responsibilities to promoting a culture of health and safety; to developing and implementing emergency control plans; to ergonomics, industrial hygiene and machine safeguarding; to the proper use of personal protective equipment. Each of our locations completes a health and safety self-assessment annually, and each is subject to corporate audits which occur annually or at least once every two years. Members of the plant staff, also called our health and safety champions, are assigned one or more of the health and safety aspects upon which our health and safety management system is built to ensure compliance. When plant audits are conducted, they consist of thorough plant walk-throughs and interviews with these health and safety champions to verify compliance.

In this section—A Culture of Health & Safety

Training in Health & Safety

2018 Global Health & Safety Conference

Our Safety Based on Prevention Program

Ergo Cup Competition

Our speak up health and safety culture is promoted by top leadership and plant managers are responsible for chairing monthly plant safety review board meetings to manage and monitor the safety process and ensure compliance with our health and safety policies and procedures. Annually, each plant is required to develop its Plan for Zero, a plan for zero injuries, illnesses and fatalities. These Plans for Zero are based on an analysis of performance to established goals. Initiatives are monitored throughout the year to ensure each plant stays on track toward meeting health and safety goals and performance objectives.

### HKEX B2.1

Regrettably, in 2018, an employee of Nexteer Lingyun Driveline (Wuhu) Co., Ltd., a subsidiary of the company operating in Wuhu, China, suffered a fatal injury. A thorough investigation was completed followed by a corporate-wide review of safety procedures and processes through similar operations throughout the company. This unfortunate incident has further increased our resolve to protect the health and safety of each employee and we will continue to develop and implement more policies and measures to become an even safer employer.

#### Number and Rate (per 100 workers) of Work-Related Fatalities

2016	0	0
2017	0	0
2018	1	0.007

A Culture of Health & Safety

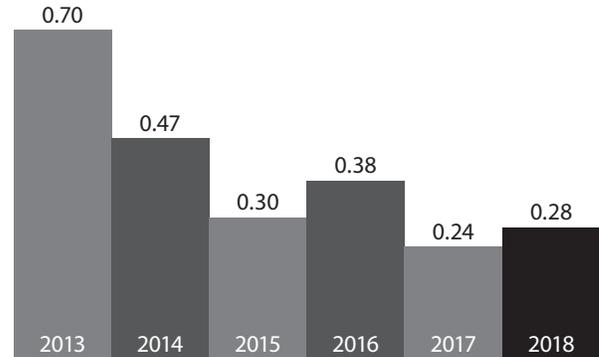
HKEX B2.2

At Nexteer, we track and report on our global lost work day case rates on a monthly and annual basis, as well as our total global recordable incident rates. The lost work day case rate describes the number of lost work day cases per 100 full-time employees in a given time frame. The lost work day case rate accounts for occupational injuries or illnesses which results in an employee being unable to work a full assigned work shift. Fatalities are not factored into this rate.

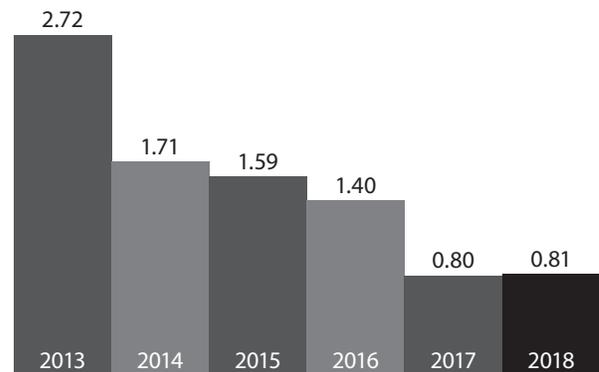
Recordable incidents include all work-related fatalities or illnesses resulting in days away from work activity, job reassignment or medical treatment beyond basic first aid.

In our business, these metrics – lost work day case rate and recordable incidents – are metrics that are widely considered to be industry norm and are more accurate than other health and safety metrics such as lost days due to work injury which can be skewed by a single person who loses many days of work to an injury or illness.

Global Lost Work Day Case Rates by Year



Global Recordable Incident Rates by Year



## A Culture of Health & Safety

### TRAINING IN HEALTH & SAFETY

Ensuring that all employees are properly trained in health and safety is a top priority for Nexteer. The table below presents the number of employee trainings in health and safety conducted by geographic region. Note that some employees participate in multiple health and safety training sessions per year; as such, all training sessions are counted and presented in the table below. The significant increase in training sessions between 2017 and 2018 is due to the inclusion of monthly safety talks in the 2018 data (this data was not tracked in 2017).

Global Distribution of Employee Training in Health and Safety

Geographic Location / Year	2017	2018
North America	5,267	33,521
Asia Pacific	3,879	2,698
Europe and South America	1,573	18,450

### 2018 GLOBAL HEALTH & SAFETY CONFERENCE

In August 2018 we held a global Health & Safety Conference. This event, hosted by Nexteer's Corporate Health and Safety team every two years, was held in our state-of-the-art training centre in Saginaw, Michigan. Health and safety professionals from Mexico, Brazil, Poland, China, India and the United States participated in this week-long event. Participants completed 14 courses, including design-in layout, lock out placarding, machine guarding, electrical safety, injury/illness record keeping and robot safety. Participants shared best practices from their locations and were given the opportunity to network to enhance camaraderie and strengthen future communications. Participants also toured a local vehicle assembly facility to review health and safety best practices.

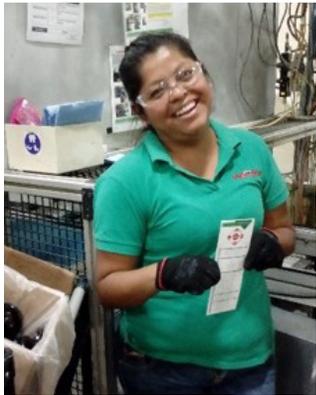
### OUR SAFETY BASED ON PREVENTION PROGRAM

Nexteer's Queretaro, Mexico location developed and implemented a Safety Based on Prevention (SBP) program to involve every employee in ensuring positive health and safety practices and outcomes. In 2018 over 3,000 employees were trained in safety observation. Monthly safety walks were increased 11-fold and over 14,000 one-on-one safety talks were conducted to ensure Nexteer's message of "I care" was delivered to each employee. A safety Failure Modes and Effects Analysis risk assessment tool was developed utilising a Risk Priority Number to drive corrective actions. This

tool covers 15 health and safety topics and is based on corporate and legal safety requirements. Over 350 people were trained on the use of this tool with over 440 operations assessed in 2018. The SBP process creates a continuous improvement loop between each employee on the floor, engineering and operations management.

### ERGO CUP COMPETITION

In October 2018 we held our 12<sup>th</sup> annual internal Ergo Cup competition as a means of sharing ergonomics lessons learned. The Nexteer Ergo Cup is an award that recognises and encourages the development of innovative ergonomics solutions and education within the company. Three Ergo Cup awards are given in the categories of team-driven solutions, engineering-driven solutions and ergonomic program initiatives. Over 50 entries were received from global Nexteer locations. The internal competition has led to participation in eight international Ergo Cup competitions with finalists representing Nexteer locations from Brazil, Mexico, Poland, China, Australia and the United States. In prior years, Nexteer won an International Ergo Cup in 2017 and an Ergo Excellence Award in 2011 when competing at annual conferences sponsored by the Applied Ergonomics Society. Lessons learned through competition are posted to the company internal website in a filterable and searchable list so that all employees have access to this knowledge base.



2018 Global Health & Safety Conference

In this section—Managing Our Environmental Footprint  
Air and GHG Emissions

## Managing Our Environmental Footprint



Our environmental management approach is centred around a number of processes that monitor and identify opportunities to conserve energy and water resources, reduce air pollution and greenhouse gas (GHG) emissions and recycle and reuse materials while complying with all applicable environmental and climate-related laws, government regulations and rules in countries where we operate. Our approach includes engaging with business leaders, experts and local staff to identify and leverage collaboration and to identify innovative opportunities to address some of our toughest challenges.

HKEX A1

HKEX A2

HKEX A3

As part of Nexteer’s strategic planning process we assess policies, practices and procedures to minimise impact on the environment and natural resources. We review and update our sustainability monitoring framework to assess progress towards formal sustainability targets and establish new goals and targets. We also complete risk planning with annual updates to review for financial coverage of any facility asset retirements and environmental liabilities. Since most of our short-term climate-based risks are regulatory-driven, they are assessed and reported continuously through our ISO 14001 Environmental Management System (EMS) which is audited by a third party annually and recertified

every three years. We continuously work to reduce and mitigate risks and improve the effectiveness of our EMS, our policies and procedures and, as a result, we did not receive any environmentally based fines or monetary sanctions in 2018.

Incorporating environmentally sustainable actions into our business processes has long been a part of our everyday work. By integrating environmental management into our operations, we are able to limit effects on biodiversity, conserve and reduce energy and water, reduce and re-use our waste and reduce our GHG emissions while meeting local, regional and federal laws and requirements.

HKEXA1.5

HKEX A2.3

We also set relevant and impactful environmental goals like our year-over-year goal of reducing energy use by 3%, waste diversion by 4% and water use by 3% on a per unit of production basis. In 2018, to move us closer to achieving these targets, we implemented several projects – ranging from lighting retrofits and the installation of cool roofs to waste recycling – which are estimated to result in a savings of more than \$1.82 million annually.

## Managing Our Environmental Footprint

## A COOL ROOF INSTALLATION LOWERS ENERGY DEMAND AND REDUCES HEAT ISLAND EFFECT.

In 2018, approximately 36,604 square metres of roofing on Plant 3 in Saginaw, Michigan, USA, was replaced with a single ply PVC roofing system, often called a cool roof. The white roofing material reduces the need for air conditioning while improving indoor comfort for non-air-conditioned areas. The heat island effect, in which urban infrastructure absorbs and holds solar radiation that causes unnatural heating of an area, is also reduced. The insulation on this new roof was also increased from an R-Value of 11 to an R-Value of 20 helping to reduce heating energy usage during the winter months. Cool roofs can be found on Nexteer-owned facilities in Brazil, India, Mexico, Poland and the USA.



Cool Roof on Plant 3 in Saginaw, Michigan, USA

## Managing Our Environmental Footprint

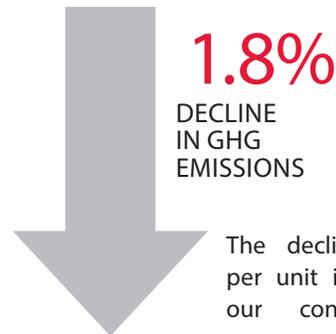
## AIR AND GHG EMISSIONS

HKEX A1.1

HKEX A1.2

HKEX A1.5

Almost all of our GHG emissions result from our energy use to power our manufacturing facilities. Recognising our role in reducing global GHG emissions, our 2018 goal was to reduce annual energy usage on a per unit of production basis by 3%. Although we did not meet our 3% reduction in energy use target, our energy reduction efforts in 2018 focused on those areas that contribute to the largest share of our energy use and waste – the heating and cooling of buildings, the treatment and heating of process water, lighting and the use of compressed air. As a result of our actions in 2018, we expect our annual energy consumption to decline by 11.1 million kilowatt hours (kWh), which will result in us avoiding the release of approximately 7,800 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) into the atmosphere every year.



The decline in GHG emissions per unit is directly the result of our continuous improvement energy reduction efforts.

For the 2018 reporting year, we estimate that as a result of our operations, we emitted 340,573 tCO<sub>2</sub>e – a decrease of 1.8% from the 2017 reporting year. On an intensity or per unit of production basis, our GHG emissions have decreased 1.1%. The decrease in GHG emissions is attributable to our grid emission intensity improvements in Saginaw, Michigan, USA, as well as our onsite energy reduction and waste reduction efforts.

## Summary GHG Emissions by Scope

Metrics	2017 (tCO <sub>2</sub> e)	2018 (tCO <sub>2</sub> e)	Change (%)
Scope 1 GHG Emissions – Direct	59,581*	62,780	5.4%
Scope 2 GHG Emissions – Indirect	271,533	262,027	-3.5%
Scope 3 GHG Emissions – Other indirect	15,651	15,766	0.7%
Total GHG Emissions (tCO <sub>2</sub> e)	346,764	340,573	-1.8%
GHG Emissions Intensity (tCO <sub>2</sub> e per Unit of Production)	0.0079	0.0091	15.9%

## Notes:

Scope 1 (direct) emissions are those that occur within operational boundaries, such as boilers for steam for production equipment, steam heating.

Scope 2 (indirect) emissions are those that occur from the use of electricity, steam and/or heating/cooling supplied by grids, which tend to occur outside of operational boundaries.

Scope 3 (other indirect) emissions occur indirectly as a result of operations. For example, a scope 3 GHG emissions source included in Nexteer's GHG inventory are GHG emissions occurring from business travel.

\* Reflects data update from the 2017 Nexteer Sustainability Report.

## Managing Our Environmental Footprint

**OUR ENERGY REDUCTION EFFORTS IN 2018**  
**FOCUSED ON** those areas that contribute to the largest share of our energy use and waste—the heating and cooling of buildings, the treatment and heating of process water, lighting and the use of compressed air.



New High-Efficiency Plant Lighting

## HKEX A2.1

The table below presents a breakdown of our energy usage in kilowatt hours (kWh) for the 2018 reporting year. Overall, on an absolute basis, our energy usage increased 2.0% compared to 2017, which is mainly due to increased natural gas and diesel consumption at our facility in Saginaw, Michigan, USA. On a per unit of production basis, our energy use increased 2.8% from the 2017 reporting year. These increases were offset by our continued focus on reducing electricity consumption at this plant.

## Summary of Energy Use by Fuel Type

Energy Source	2017 Energy Consumption (kWh)	2018 Energy Consumption (kWh)	Change (%)
Natural Gas	300,001,721	322,373,744	7.5%
Fuel Oil	—	—	—
Coal	—	—	—
Electricity	394,437,511	385,520,856	-2.3%
Heat	2,616,947	2,000,557	-23.6%
Steam	—	—	—
Cooling	—	—	—
Gasoline	3,149,835	2,607,918	-17.2%
Diesel	1,876,372	2,086,320	11.2%
Propane	1,266,061	3,107,708	145.5%
<b>Total Energy Use (kWh)</b>	<b>703,348,446</b>	<b>717,697,104</b>	<b>2.0%</b>
<b>Energy Use Intensity (kWh Per Unit of Production)</b>	<b>22.8</b>	<b>23.5</b>	<b>2.8%</b>

## Managing Our Environmental Footprint



Saginaw, Michigan, USA Facility

To comply with all applicable emissions laws and regulations, our air emissions are reviewed periodically by each manufacturing facility based on air discharge permits or regulatory reporting requirements. At the time of this report, only the Saginaw, Michigan, USA facility is required to monitor its annual air emissions. This is presented in the table to the right.

Overall, our air pollutant emissions increased since 2017 because we used more natural gas in our boilers as a result of increased production at the Saginaw facility and a colder winter season. In light of this increase, we achieved a 12.2% reduction in volatile organic compounds (VOC) due to using substantially fewer chemicals in our operations.

### Summary of Air Pollutant Emissions (USA only)

Pollutant (lbs)	2017	2018	Change (%)
Ammonia	2,066	2,252	9.0%
CO	2,427	2,974	22.5%
Lead	—	—	—
NO <sub>x</sub>	104,342	124,749	19.6%
PM <sub>10</sub> (Primary)	73,530	73,859	0.4%
PM <sub>2.5</sub> (Primary)	4,906	5,349	9.0%
SO <sub>2</sub>	387	422	9.0%
SO <sub>x</sub>	214	227	6.1%
VOC	85,136	74,739	-12.2%

We are not anticipating any future air reporting requirements at any other Nexteer location, and thus do not plan on capturing these data.

In this section—Our Response to the CDP

Packaging and Waste

Water

Land Use & Biodiversity

## Our Response to the Carbon Disclosure Project (CDP)

A growing number of companies are integrating environmental and social responsibilities into their business approaches, including reducing the environmental impacts of their operation, products and services and voluntarily disclosing this information under the Carbon Disclosure Project (CDP). The CDP is an international organisation that provides a global system for companies and cities to disclose their environmental impacts, examining management policies, long-range planning and carbon emissions. Top scores indicate a high level of transparency in disclosing information related to potential climate change, providing a level of comfort to assess corporate accountability and preparing for changing market demands and GHG regulation.

For the 2018 reporting year climate change assessment, Nexteer achieved a score of a B- which is a management rating level associated with companies that are taking coordinated action on climate change issues. This score is a significant improvement from the prior year where we scored a C and shows that our efforts to integrate climate change and sustainability into all aspects of our organisational processes are paying off.

Although this is an improvement over the current Automobiles and Components industry average of D, we are working diligently to improve our CDP responses to the climate change questionnaire so that our rating reflects our current actions and potential climate change impact awareness. Our 2018 water score was a B- which also demonstrates we have taken coordinated action on the potential of water-related climate change issues.

### PACKAGING AND WASTE

HKEX A1.3

HKEX A1.4

HKEXA1.6

Like most global automotive manufacturers, we produce hazardous and non-hazardous waste, much of which is recycled, re-used and recovered. However, other forms of waste are sent to landfills which eventually result in the release of methane, a potent GHG. All of our hazardous and non-hazardous wastes are properly characterised, handled, transported and disposed of and all plants work to minimise waste generation. In general, our hazardous and non-hazardous wastes are treated and discharged to publicly owned wastewater treatment plants (WWTP), treated/solidified and landfilled or burned for energy recovery or recycled (some as a direct feedstock in other industries). No materials from the United States are disposed of internationally.

As part of our 2018 sustainability initiatives, our goal was to divert waste from the landfill by 4% per unit of production from the previous year. Although we did not achieve this waste diversion target, we did reduce total hazardous waste and non-hazardous waste volumes compared to the 2017 reporting year by 11.7% and 5.8%, respectively. This is the direct result of several initiatives to reduce waste, energy use and GHG emissions. For instance, in 2018, our WWTP engineers initiated an innovative recycling project to move our used oil recycling program from an off-site third party's facility to our on-site WWTP. This recycling project extracts usable oil from our wastewater sludge (i.e., oils and rag layer) and then blends the oil into multiple types of grinding fluid for use in our manufacturing processes in a closed-loop system. The remaining wastewater (water only) is pretreated and discharged to the local WWTP. In addition to avoiding potential liabilities by using a third-party recycling facility to perform this

## Our Response to the Carbon Disclosure Project (CDP)

recycling operation and transporting numerous tanker trucks of sludge over the highway, we estimate our actions have avoided the combustion of 1,502,752 litres of diesel fuel (that would have been used to transport the wastewater sludge) and the release of over 4,000 tonnes of GHG into the atmosphere.

In 2018, we produced 4,626 tonnes of hazardous waste and 54,869 tonnes of non-hazardous waste. This amounts to 0.0001514 tonnes of hazardous waste per unit of production and 0.0017957 tonnes of non-hazardous waste per unit of production. In 2018, we reused, recycled, composted and recovered almost 84.7% of our waste streams, an improvement of 7.9% from the 2017 reporting year. In general, approximately 14.1% of our waste generated ends up in a landfill.

### Summary of Hazardous and Non-Hazardous Waste Treatment

Treatment Method	Treatment of Global Hazardous and Landfilled Waste (Tonnes)	Treatment of Global Non-Hazardous and Landfilled Waste (Tonnes)
Composting	291	25
Deep Well Injection	—	—
Incineration	513	146
Landfill	539	6,142
On-site Storage	—	—
Other	1,531	204
Recovery	986	80
Recycling	216	47,983
Reuse	549	289
Total Waste (Tonnes)	4,626	54,869
Waste Generation Intensity (Tonnes/Per Unit of Production)	0.0001514	0.0017957
Change from 2017	-11.7%	-5.8%

### HKEX A2.5

The type of packaging materials that we used for finished products are dictated by our customers' packaging specifications which we are required to follow. Most types of these packaging materials are easily recyclable and reusable. As the recycling and reuse of packaging materials occurs at our customer locations, we are unable to track the total volume of packaging material used for finished products (in tonnes).

At this time, Nexteer has no policies on the procurement and usage of raw materials that would minimise the impact on the environment and natural resources. Our current focus is on establishing long-term relationships with ethical suppliers who provide quality materials at fair prices. Any requirements for sustainable raw material procurement policies will continue to be monitored as part of our EMS processes.

## Our Response to the Carbon Disclosure Project (CDP)

## WATER

## HKEX A2.2

Water serves vital functions in our manufacturing processes – from non-contact cooling water, parts washing, heating and (limited) landscaping use.

A total of 97.7% of our water withdrawals occur in locations with medium and high water risk scores according to the WRI Aqueduct Country and River Basin Rankings Tool, which measures water stress, seasonal variability and drought severity of river basins by area. Since the majority of our water withdrawals occur in such locations, we recognise that we must limit our water consumption by improving efficiency and increasing the recyclability of water in our plants.

To reduce our water consumption, we implemented a formal water (use and discharge) data collection and tracking program and established a 3% reduction target (on a per unit of production basis). In 2018, we consumed 1,085 million litres of water globally which was a 1.7% increase from our 2017 base year. On an intensity basis, this works out to 35.5 litres per unit of production – a 2.5% increase from 2017. In light of this increase, which was due to the addition of two new plants, we have implemented several water savings projects which are estimated to save 1.7 million litres of water annually. Going forward, we will continue to improve our processes and implement additional water conservation and efficiency programs to achieve this annual per unit of production target.

## HKEX A2.4

At the time of reporting, we do not have any water sourcing issues globally. As each new location is established and goes through its due diligence process, water sourcing is one of many items considered. As we believe access to clean water is fundamental, all our facilities include fully-functioning water supply, adequate sanitation and hygiene (WASH) services for workers.

## 2017 and 2018 Total Water Use by Source

Water Sources	2017 Water Consumption (Litres)	2018 Water Consumption (Litres)	Change (%)
Groundwater	—	—	—
Municipal water supplies or other waste utilities	1,066,643,619	1,066,524,591	-0.01%
Rainwater collected directly and stored by the plant	1,000	1,000	—
Surface water, including water from wetlands, rivers, lakes and oceans	—	—	—
Waste water from another organisation	—	18,670,000	—
<b>Total Water Use (Litres)</b>	<b>1,066,644,619</b>	<b>1,085,195,591</b>	<b>1.7%</b>
<b>Water Use Intensity (Litres / Unit of Production)</b>	<b>34.7</b>	<b>35.5</b>	<b>2.5%</b>

## Our Response to the Carbon Disclosure Project (CDP)

THROUGH INNOVATIVE DESIGN AND ENGINEERING of electric power steering (EPS) systems, we have been able to decrease the weight of our products while increasing their efficiency. This leads to improved vehicle fuel economy.



Single Pinion Assist Electric Power Steering



Rack Assist Electric Power Steering

## LAND USE & BIODIVERSITY

### HKEX A3

As we build or lease facilities globally, we deploy a series of Global Facilities and Environmental Procedures and Best Practices to minimise the impacts on the local environment. We do not build or operate any of our facilities in biological reserves or in areas with a high biodiversity value.

### HKEX A3.1

For instance, prior to the construction of one of our most recent facility in Kenitra, Morocco, we reviewed documents regarding the local requirements to build/operate in the Atlantic Free Zone and a previous due diligence report. The builders also reviewed sample data at the site to establish a baseline assessment of any potential environmental risk factors, as well as to identify and mitigate negative impacts as a result of the construction and operation of our facility. In the design of this facility, we took the external and working

environment into account by incorporating skylights to bring in natural light to the plant floor to improve working conditions; we installed equipment with variable frequency drive motors to reduce energy; and we installed closed loop cooling towers to reduce water consumption and chemical use.

By having global environmental procedures in place, we can minimise our impact on the environment, including minimising wastes, supporting recycling programs and minimising effects on biodiversity as applicable, while increasing our energy efficiency at all of our locations.

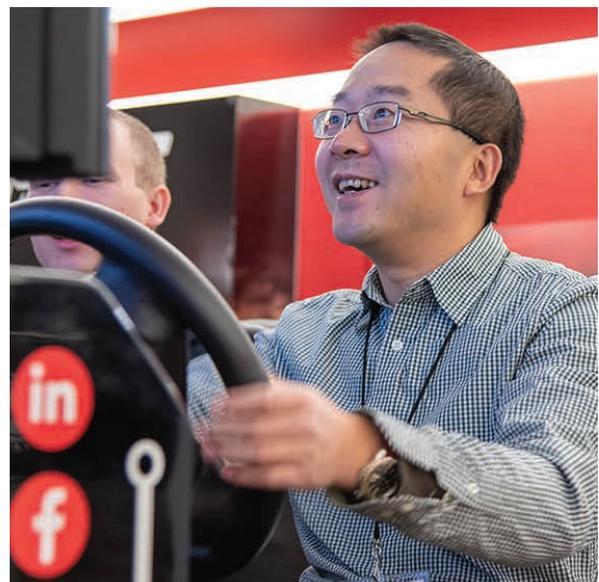
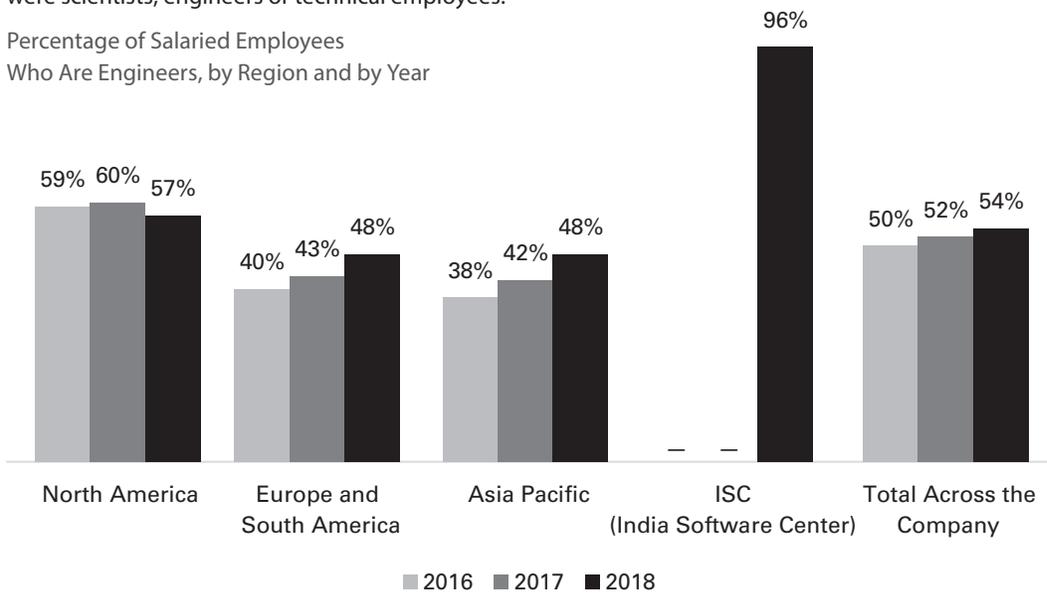
As natural resources, utilities and materials are used in our manufacturing operation, we design our products, processes and services for continuous environmental improvement. Through innovative design and engineering of electric power steering (EPS) systems, we have been able to decrease the weight of our products while increasing their efficiency. This leads to improved vehicle fuel economy. By using Nexteer products, our customers can pass on these fuel efficiencies to the consumer, thus potentially resulting in large carbon emission reductions on a global scale.

In this section—Employees: The Driving Force Behind Value Creation

## Employees: The Driving Force Behind Value Creation

Our people are the driving force behind Nexteer’s continuous innovation and leadership in intuitive motion control. In 2018, 54% of our global salaried workforce were scientists, engineers or technical employees.

Percentage of Salaried Employees Who Are Engineers, by Region and by Year



Technology Days

In this section—Recognising & Rewarding Innovation  
Internal Recognition  
External Recognition

## Recognising & Rewarding Innovation

### INTERNAL RECOGNITION

Continued innovation is encouraged at Nexteer in a variety of ways, including our robust intellectual property award program. The highlight of the program is Nexteer’s Innovation Hall of Fame which recognises and rewards personnel who have made significant intellectual property contributions and enhanced Nexteer’s competitive position.

Nexteer personnel are inducted into the Innovation Hall of Fame upon accumulation of 10 intellectual property

points. One point is awarded for each patent, defensive publication or trade secret. Five points are awarded to individuals who earn our most prestigious award: the Melvin L. Wilcox Engineering Award, named after one of the company’s founders and inventor of the Jacox Steering Gear. Individuals can advance to higher levels within the Innovation Hall of Fame in 10-point increments. There are five levels of achievement within Nexteer’s Innovation Hall of Fame: Inductee (10 points), Bronze (20 points), Silver (30 points), Gold (40 points) and Platinum (50 points).



2018 Innovation Hall of Fame inductees



Members of Nexteer’s Innovation Hall of Fame

## Recognising & Rewarding Innovation

### EXTERNAL RECOGNITION

In addition to recognising and celebrating innovation internally through the Nexteer Innovation Hall of Fame, we are also recognised for our innovation by our customers. In April 2018, Nexteer was named a GM Innovation Award winner during General Motors' 26<sup>th</sup> annual Supplier of the Year ceremony in Orlando, Florida, USA. This award recognises GM's top suppliers among thousands of global contenders who introduced innovations. Nexteer earned this recognition from GM for its High Availability Electric Power Steering System, a steering innovation that enables advanced safety for varying levels of autonomous driving.

In May 2018, Nexteer was recognised as a top-performing supplier for Ford Motor Company, receiving two awards at the company's 20<sup>th</sup> annual Ford World Excellence Awards ceremony. Only 88 companies were selected as finalists from thousands of Ford suppliers globally. Nexteer earned this award for achieving the highest levels of global excellence based on our Aligned Business Framework principles which include quality, delivery, value and innovation. Additionally, Nexteer received the Silver Award, recognising our steering gear manufacturing facility in Mexico.

Nexteer hosted members of the US Senate and US House of Representatives to view and experience Nexteer's advanced technologies. US Senator Gary Peters, who serves on the Senate Committee on Commerce, Science and Transportation and has introduced legislation focused on expanding the testing and development of self-driving vehicles across the US, visited Nexteer's Saginaw, Michigan, USA operations in July 2018. As part of his visit, Senator Peters was briefed on numerous advanced driver assistance systems (ADAS), including Steer-by-Wire, Quiet Wheel™ Steering, Stowable Steering Column and Steering on Demand™ Systems.

US Representative Dan Kildee, who serves as a member of the House Committee on Financial Services, was hosted by Nexteer in September 2018 to discuss insurance and risk management issues associated with autonomous driving.

Both Senator Peters and Congressman Kildee view Nexteer as a leader in advanced mobility technologies and regularly consult Nexteer to understand the company's views as legislation impacting future mobility is considered.



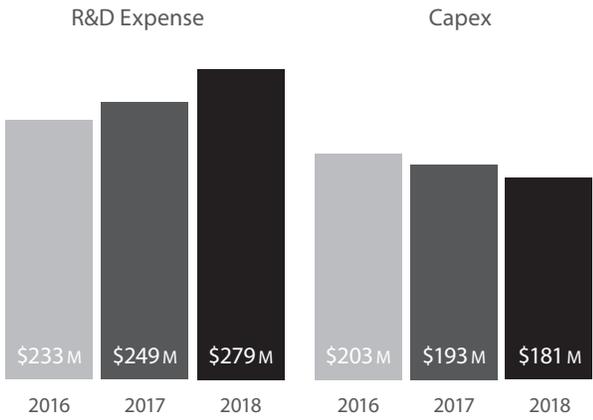
US Representative Dan Kildee, Michigan (left), reviews manufacturing operations during a technology meeting at Nexteer's operations in Saginaw, Michigan, USA



US Senator Gary Peters, Michigan, addresses media following test drives in vehicles equipped with Steer-by-Wire technology at Nexteer's test track in Saginaw, Michigan, USA

In this section—Research & Development

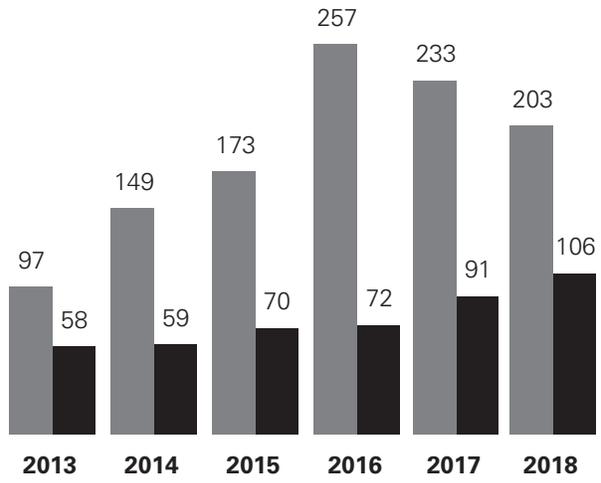
# Research & Development



Steer-by-Wire

The company's increased research and development focus, together with the automotive industry's movement to advanced driver assistance systems (ADAS) and Steer-by-Wire technology has accelerated the growth of our patent portfolio. Given our maturing development in such technologies, 2018 filings have levelled off as we move into production readiness. Issued patents continue to rise as patent applications become accepted by global patent offices. For year-end 2018, Nexteer's global portfolio included 612 patent applications and 745 issued patents.

In addition to ADAS and Steer-by-Wire, we continue to maintain a healthy portfolio of patents for our core steering and driveline technologies. We also successfully issued seven adjacent market patents in our agriculture and marine product lines as we continue to invent and explore opportunities in non-traditional markets.



■ Global Patent Filings Per Year  
 ■ Global Issued Patents Per Year

# Appendix A: Hong Kong Stock Exchange References

Hong Kong Stock Exchange (HKEX) Environmental, Social and Governance General Disclosures and Environmental Key Performance Indicators (KPIs)

HKEX Reference Aspect and KPIs	Alignment with Nexteer Focus Area	2018 Fiscal Year Response on Page
<b>Focus Area: Environmental</b>		
<b>A1: Emissions (General Disclosure)</b> Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste		
A1.1: The types of emissions and respective emissions data		36
A1.2: Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)		36
A1.3: Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)		39
A1.4: Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)		39
A1.5: Description of measures to mitigate emissions and results achieved		36
A1.6: Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved		39
<b>A2: Use of Resources (General Disclosure)</b> Provide information on Nexteer’s policies on the efficient use of resources, including energy, water and other raw materials		
A2.1: Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil), in total (kWh in ‘000s) and intensity (e.g., per unit of production volume, per facility)		37
A2.2: Water consumption in total and intensity (e.g., per unit of production volume, per facility)		41
A2.3: Description of energy use efficiency initiatives and results achieved		34

## Appendix A: Hong Kong Stock Exchange References

HKEX Reference Aspect and KPIs	Alignment with Nexteer Focus Area	2018 Fiscal Year Response on Page
A2.4: Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved		41
A2.5: Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced		40
<b>A3: The Environment and Natural Resources (General Disclosure)</b> Provide a description of Nexteer's policies on minimising the company's significant impact on the environment and natural resources		
A3.1: Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them		42
<b>Focus Area: Social</b>		
<b>B1: Employment (General Disclosure)</b> Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare		
B1.1: Total workforce by gender, employment type, age group and geographical region		17
B1.2: Employee turnover rate by gender, age group and geographical region		18
<b>B2: Health and Safety (General Disclosure)</b> Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to providing a safe working environment and protecting employees from occupational hazards		
B2.1: Number and rate of work-related fatalities		30
B2.2: Lost days due to work injury		31
B2.3: Description of occupational health and safety measures adopted, how they are implemented and monitored		30

## Appendix A: Hong Kong Stock Exchange References

HKEX Reference Aspect and KPIs	Alignment with Nexteer Focus Area	2018 Fiscal Year Response on Page
<b>B3: Development and Training (General Disclosure)</b>		
Provide information on the policies pertaining to improving employees' knowledge and skills for discharging duties at work		
Provide a description of training activities (e.g., vocational training that may include internal and external courses paid by the employer)		
B3.1: The percentage of employees trained by gender and employee category (e.g., senior management, middle management)		19
B3.2: The average training hours completed per employee by gender and employee category		20
<b>B4: Labour Standards (General Disclosure)</b>		
Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to preventing child and forced labour		
B4.1: Description of measures to review employment practices to avoid child and forced labour		21
B4.2: Description of steps taken to eliminate such practices when discovered		21
<b>B5: Supply Chain Management (General Disclosure)</b>		
Provide information on Nexteer's policies on managing environmental and social risks of the supply chain		
B5.1: Number of suppliers by geographical region		27
B5.2: Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored		28
<b>B6: Product Responsibility (General Disclosure)</b>		
Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress		
B6.1: Percentage of total products sold or shipped subject to recalls for health and safety reasons		29
B6.2: Number of products and service-related complaints received and how they are dealt with		29

## Appendix A: Hong Kong Stock Exchange References

HKEX Reference Aspect and KPIs	Alignment with Nexteer Focus Area	2018 Fiscal Year Response on Page
B6.3: Description of practices relating to observing and protecting intellectual property rights		29
B6.4: Description of quality assurance process and recall procedures		29
B6.5: Description of consumer data protection and privacy policies, how they are implemented and monitored		29
<b>B7: Anti-Corruption (General Disclosure)</b> Provide information on the policies and compliance with relevant laws and regulations that have a significant impact on Nexteer relating to bribery, extortion, fraud and money laundering		
B7.1: Number of concluded legal cases regarding corrupt practices brought against Nexteer or its employees during the reporting period (2018) and the outcomes of the cases		21
B7.2: Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored		21
<b>B8: Community Investment (General Disclosure)</b> Provide information on the policies on community engagement to understand the needs of the communities where Nexteer operates and to ensure its activities take into consideration the communities' interests		
B8.1: Focus areas of contribution (e.g., educational, environmental concerns, labour needs, health, culture, sport)		22
B8.2: Resources contributed (e.g., money or time) to the focus area(s)		22