



NEXTEER AUTOMOTIVE GROUP LIMITED
耐世特汽車系統集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code : 01316)



**DRIVING A
SUSTAINABLE
FUTURE**

2016 SUSTAINABILITY REPORT

NEXTEER'S COMMITMENT TO SUSTAINABILITY

As a responsible corporate citizen and a leader in intuitive motion control, Nexteer Automotive Group Limited ("Nexteer Automotive," "Nexteer," or "our Company") continues to grow our capabilities in a way that creates value for our Company, our shareholders, our customers, and our communities. We pledge to annually communicate progress on our sustainability goals and targets in a balanced and transparent manner. This annual reporting helps us to improve sustainability performance each year while fulfilling our commitment to transparent public disclosure.

In 2015, we completed a comprehensive assessment of the issues that matter most to our business and stakeholders. Based on those results, we established a sustainability monitoring and reporting framework (SMRF) outlining five key focus areas (Figure 1) and published our first sustainability

report, sharing stories of the efforts we're making, along with preliminary goals and targets, where available.

In 2016, we reviewed our framework even more extensively, identifying specific initiatives we will pursue and measure—all toward making sure we are meeting our commitments to sustainability.

These key performance indicators establish a basis from which we can show our development as a company.

At Nexteer, we commit to being a responsible global corporate citizen by embedding the principles of sustainability into our operations and culture. We will actively engage with our stakeholders on environmental, social, and governance matters to promote continued alignment between our sustainability commitments and the interests of our stakeholders.

NEXTEER'S FIVE KEY FOCUS AREAS

Figure 1



NEXTEER'S SUSTAINABILITY MONITORING AND REPORTING FRAMEWORK

Nexteer Automotive has developed a sustainability monitoring and reporting framework to identify the required actions our Company must take to achieve desired sustainability outcomes. The resulting processes align sustainability goals and initiatives with global best practices and stakeholder needs and expectations. For more information on this framework, including materiality assessment, stakeholder identification, data methodology, and sustainability initiative goal timelines, please visit [Nexteer 2016 Monitoring Reporting Framework](#).



Luis Canales

NEXTEER AUTOMOTIVE'S SUSTAINABILITY TEAM

CHAMPION:

Luis Canales, executive director, global corporate affairs

WORK GROUP LEADS:

- Jerry Rush (retired), corporate affairs
- Kim Bostek, environmental management
- Catherine Colvin, legal
- Rob Desimpelare, materials management
- Todd Hare, information technology
- Kathy Keith, human resources
- Steven Leiger, internal audit
- Frederique Mira, quality management
- Aaron Seyuin, engineering
- Myiesha Smith, corporate affairs
- Don Taylor, health and safety
- Sharon Wisniewski, global supply management

FORWARD MOMENTUM

Welcome to Nexteer's 2016 Sustainability Report.

When Nexteer first began operating independently of its predecessors six years ago, we put our heads down and focused on taking care of our customers, growing our technology, and becoming financially stable. Thanks to the hard work of our global team and a focus on operational excellence, we've achieved a position of sustainable growth.

Now, we're using our forward momentum to expand the idea of sustainable growth into something bigger: the sustainability of our Company, our communities, and our planet for generations to come. It's what our customers want, our investors require, and our people desire.

SHARING OUR SUCCESS

Environmental, Social, and Governance requirements of The Stock Exchange Hong Kong Limited (the "Hong Kong Stock Exchange" or "HKEx") taking effect this year and reflecting 2016 progress are a welcome opportunity to highlight our well established and increasing sustainability efforts. We started the process early—before it was required—by publishing our 2015 sustainability results with a voluntary report last year.

Our efforts are making a difference. Nexteer earned a silver rating in a recent assessment by Ecovadis, a

collaborative platform that provides supplier sustainability ratings for global supply chains, that placed us among the top 30 percent of all suppliers assessed. Among manufacturers of parts and accessories for motor vehicles, we rank among the top 7 percent in the Fair Business Practices category, and in the Environment category, we place in the top 26 percent.

LOOKING AHEAD

Sustainable growth requires us to measure—and make visible—our progress.

In 2016, we clearly defined our goals in each of these sustainability focus areas and the metrics by which we will measure them moving forward. In this report, you'll find information about Nexteer's environmental, social, economic and governance performance for the 2016 fiscal year, as well as our plans for 2017 and beyond.

Unless otherwise specified, the information contained in this report relates to all Nexteer operations globally. Turn to the back cover for a map of our locations.

Luis Canales
Executive Director,
Global Corporate Affairs
Nexteer Automotive

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At Nexteer Automotive, we firmly believe in supporting communities in which we live, work, and play. Throughout this report, you'll find photographs of employees and their families participating in an array of volunteer activities during our first annual Global Service Day. Read more about the day's events on page 7.

WE WANT TO HEAR FROM YOU

Share your thoughts on how to build upon Nexteer's sustainability momentum by emailing us at nexteer.contact@nexteer.com or [completing a five-question survey.](#)



Saginaw, USA

Honoring the Code of Conduct

Honesty, integrity, and sound judgment form the foundation of Nexteer's commitment to high ethical standards.

W

hen faced with a challenging business decision that calls into question ethical or legal issues, employees at Nexteer have a series of user-friendly, easy-to-understand compliance resources (Figures 2 and 3) available at their fingertips.

Whether they choose to reference the Company's Code of Conduct, talk

to a supervisor, or take advantage of Nexteer's ethics hotline (available in 11 countries), help is never far away. Calls to the ethics hotline came in from India, China, Mexico, and the United States this past year.

"We're all involved in this effort, and we're all committed to doing the right thing," says Catherine Colvin, compliance counsel for Nexteer Automotive. "It's going to take all of



EMPLOYMENT

We commit to acting in accordance with employment laws and treating each other with dignity, fairness, and respect. That's why all salaried employees complete training every year on our policies and employment laws. Topics covered include benefits, compensation, discrimination, dismissal, diversity, equal opportunity, fair labor practices, harassment, human rights, promotions, recruitment, retention, rest periods, safety, working hours, and violence prevention. Employment decisions are based on merit.

Every employee is responsible for performing with integrity, including reporting violations consistent with applicable laws. Our global compliance standards, including our Code of Conduct, help us to achieve greater accountability to our stakeholders and ensure our continued compliance with relevant employment laws and regulations.

CODE OF CONDUCT POLICIES

- Anti-discrimination
- Anti-harassment
- Fair labor practices
- Human rights
- Violence prevention
- Workplace safety

Figure 2



ANTI-CORRUPTION

Nexteer is committed to preventing incidents of bribery, extortion, fraud, and money laundering. We follow global policies that promote ethical behavior and compliance with the laws and regulations where we do business. To the best of our knowledge, we have complied with relevant anti-corruption laws and regulations applicable to us.



Wuhu, China

us working together in order to ensure we're moving forward in the right direction."

ETHICS AND VALUE TRAINING

A Nexteer employee in China had wanted to send a thank-you gift to a local government official who had helped with a job-related matter. But because of his Code of Conduct training, the employee realized that a gift could

have unintended consequences. He called Nexteer's Asia Pacific legal director who confirmed that the gift potentially could be a Foreign Corrupt Practices Act violation—and should not be given.

In 2016, the Company's Code of Conduct training and acknowledgment were given to 3,377 direct salaried employees around the world. "The acknowledgement indicates that the

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EMPLOYEE HANDBOOK Policies & Information

- Affirmative action and nondiscrimination
- Anti-bullying
- Anti-harassment
- Appearance
- Business expense reimbursements
- Commitment to diversity
- Commitment to health and safety
- Communications
- Compensation
- Confidential and proprietary information
- Diversity
- Educational options
- Equal employment opportunity
- Gifts and gratuities
- Hours of work and workweek
- Length of service
- Recruitment and promotion
- Resignation and termination
- Rest periods
- Travel
- Work/life balance programs

Figure 3

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entire salaried employee base is on board and committed to ensuring we are an ethical company," says Colvin. The course is now a part of the onboarding process for all new salaried employees (Figures 4 and 5).

Colvin notes that some employees received additional training on the function of specific policies, while more in-depth trainings on other compliance policies were also completed throughout the year. In

2017, Colvin plans to roll out the Global Code of Conduct to all hourly employees in the United States, followed by training for hourly employees around the world. "We're committed to doing business in an ethical and lawful manner wherever we do business," says Colvin. She points to Nexteer's sustainability efforts as another example. "Quite simply, we're committed to doing the right thing," she says. ●

Global Salaried Employees by Age

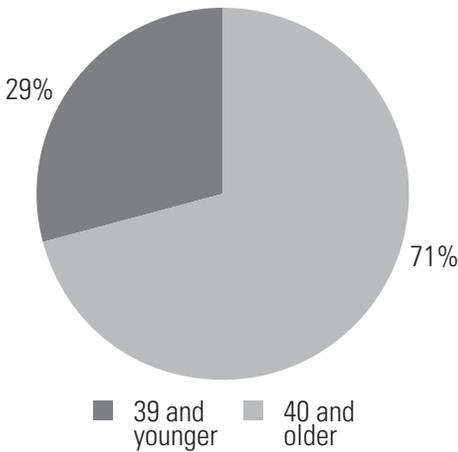


Figure 4

Global Salaried Employees by Gender

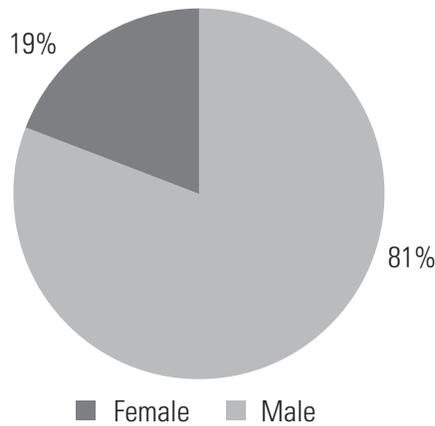


Figure 5



LABOR STANDARDS

Nexteer believes in human rights and dignity. We respect and comply with applicable labor and employment laws pertaining to employment discrimination, forced compulsory or child labor, freedom of association, hours, immigration, privacy, and wages. We do not knowingly use suppliers that provide unsafe products or services, violate labor 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 violating applicable laws, is encouraged to report their concern to our Human Resources Department. Employees also may [report potential supplier violations to our international whistleblower hotline](#) or our legal department.



DEVELOPMENT AND TRAINING

Nexteer supports employee growth and development through our learning culture. Employees participate in education and training opportunities throughout their career to increase their effectiveness. New employees learn the basics of their job responsibilities and receive feedback, while more experienced employees learn new skills to adapt to changes in technology, products, policies, practices, and procedures. A highly trained workforce helps Nexteer achieve its business goals.



San Clemente, Mexico

5 Time Zones + 4 Continents + 394 Volunteers = 1 World of Difference

Global Service Day brings together Nexteer employees to support education and environmental activities in local communities.

Children at a school in San Clemente, Mexico, returned to kindergarten last fall to find freshly painted classrooms, new play-based learning toys, functional playground equipment, and working windows thanks to more than 80 Nexteer employees and their families.

"It was rewarding to see the reactions on the kids' faces because they were so excited to see the equipment actually work," says Bárbara Morfín, organizational communications coordinator for Nexteer Automotive Mexico.

The school improvements are a result of Nexteer's first annual Global Service Day, a one-day event to support education and environmental activities in communities across North

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COMMUNITY INVESTMENT

We recognize that being a good global corporate citizen is making a positive impact where we do business and is the basis for sustainability. We do this by building collaborative relationships—readily sharing knowledge and experience with others; actively participating in discussions and the exchange of ideas; recognizing and celebrating the success of others; showing appreciation for people’s contributions; thanking people for their help and assistance; and partnering with key community organizations that make a difference in the lives of others.

We seek to be the business neighbor of choice in every community where we maintain a presence. We support the economic prosperity (Figure 7) of the communities where we live, work, and play. We support and encourage the involvement of our employees in company-endorsed community endeavors. We enhance technical and economic education by supporting STEM (science, technology, engineering, and math) educational opportunities. We promote a culture of collaboration by supporting community-based initiatives that engage our employees, make a difference in the lives of others, and matter to the communities where we operate.



Tychy, Poland

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America, South America, Europe, and Asia.

DOING GOOD ON A GLOBAL SCALE

On July 15, 2016, a total of 394 volunteers from Nexteer’s global workforce contributed 1,324 hours to community service. The event boosted Nexteer’s yearly global volunteer hours to more than 13,500 hours (Figure 6)—a 44 percent increase over the previous year.

“Global Service Day is a coordinated team effort among many Nexteer employees, our families,

partner organizations, and charities,” says Luis Canales, executive director, Global Corporate Affairs, Nexteer Automotive. “It gives us a chance to give back to our communities where we work and raise our children. It’s rewarding to see the impact we can make—together around the world—in just 24 hours across five time zones.”

GLOBAL SERVICE DAY ACTIVITIES AROUND THE WORLD

- **Saginaw, USA:** Clean up and playground equipment

maintenance at a local park and adjacent municipal lots.

- **Tychy, Poland, and Porto Alegre, Brazil:** Fundraising for local children’s charities and hands-on, STEM-related activities for kids, including a test track event in Poland.
- **Suzhou, Liuzhou, Wuhu, and Zhouzhou, China, and Bengaluru, India:** Clean up and facility maintenance in multiple parks and public areas, with an emphasis on recycling. ●

ANNUAL CONTRIBUTION OF VOLUNTEER SERVICE HOURS

13,500 GLOBAL HOURS

Figure 6



Saginaw, USA



TAKING CARE OF OUR COMMUNITIES

Around the world, communities face an ongoing challenge of finding talented young people interested in pursuing careers in STEM fields. That's why Nexteer is committed to enhancing STEM education in our communities through a variety of industry-education partnerships, skill-based volunteerism, and philanthropy initiatives.

Not only do these efforts help build the future talent pipeline of our Company, they also give our employees an opportunity to share their knowledge and passion with today's youths. Working with our communities, we hope to inspire the next generation of scientists, technologists, engineers, and mathematicians who will change our world.

ANNUAL MONETARY CONTRIBUTIONS

US\$0.4 million

Figure 7



HELPING HANDS

In 2016, Nexteer met its annual commitment to increase participation in volunteer programs by 5 percent.



Saginaw, USA

Speak UP

Nexteer's award-winning health and safety culture focuses on awareness and prevention.

Don Taylor wouldn't mind working himself out of a job.

As the global health and safety medical manager for Nexteer Automotive, he's responsible for ensuring that all people coming to Nexteer facilities leave in just as good of condition as when they arrive.

The challenge: Manufacturing facilities are in a constant state of change—with new hires, new designs, new layouts, new machines, or new products introduced weekly. Constant vigilance and ongoing safety improvements are critical—so is having the right culture.

Global Distribution of Employees Trained in Health and Safety

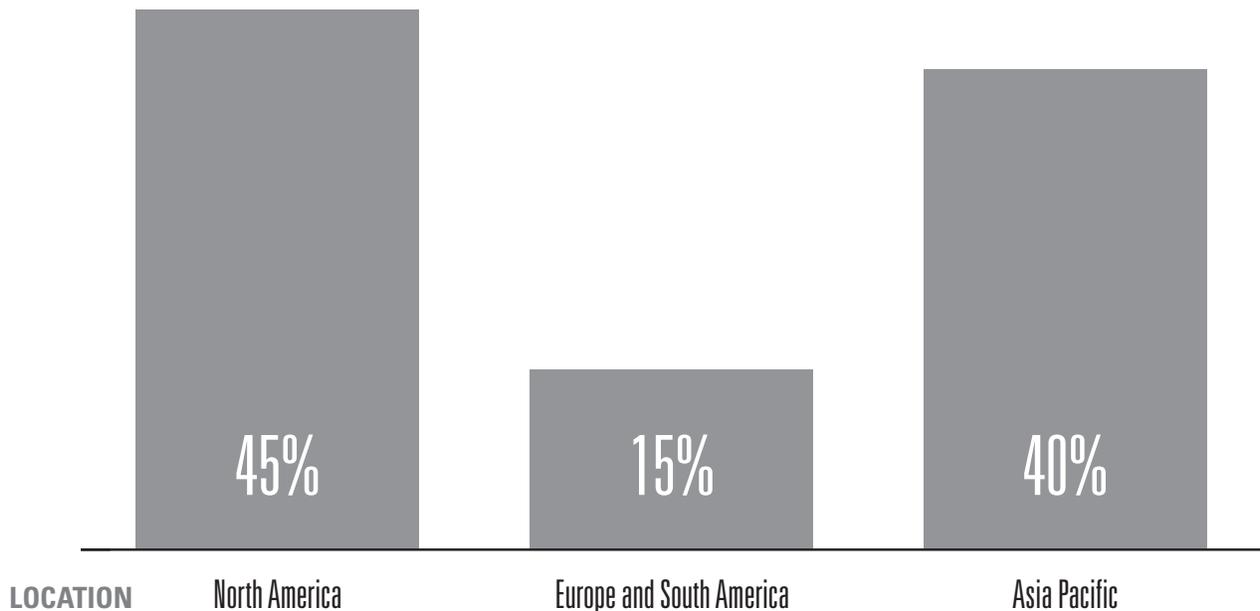


Figure 8



HEALTH & SAFETY

We comply with all applicable health and safety laws, government regulations, and rules in the countries where we operate. We do this through ongoing maintenance of OHSAS 18001 certifications for occupational management. We focus on continual improvement, reducing health and safety impacts, and meeting regulatory health and safety regulations.

We promote a culture of health and safety responsibility in all of our activities and embed health and safety into all aspects of corporate culture through education, training, and awareness.

“A safety culture is getting people to speak up if they see an unsafe act or unsafe condition,” says Taylor.

CREATING A “SPEAK UP” ENVIRONMENT

Nexteer’s award-winning safety culture starts with leadership and ripples through the entire workforce. Taylor and his team of global health and safety (H&S) professionals rely on ongoing training (Figure 8) and sharing of best practices to keep people safe at Nexteer facilities worldwide. Examples of H&S training and improvements include:

- **Common Core Element H&S Audits** - All Nexteer manufacturing

facilities undergo a comprehensive, week-long audit of H&S practices every year. Each audit includes a wall-to-wall walkthrough to review machines, material stacking and storage, mobile equipment, pedestrian safety, electrical safety, and other H&S components. In all, 25 modules covering key safety requirements are examined. Suggestions for corrective action are given and followed up on throughout the year.

- **Safety Culture Change Training** - Employees in the United States, Poland, Brazil, and Mexico participated in a 1½-hour course

that underscored the importance of speaking up when safety is a concern and immediately correcting unsafe acts and conditions before an incident occurs. Participants are trained on hazard identification and also how to coach others when an unsafe act is observed.

- **Safety Requirements in Job Instructions** - H&S requirements are being incorporated into standardized work instructions.
- **Ergonomic & Safety Design-in Checklists** - When designing and building new machines, Nexteer engineers and outside vendors follow a checklist to ensure

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San Clemente, Mexico

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appropriate ergonomic and safety features are included.

- **Global H&S Conference** - In August 2016, 15 Nexteer H&S professionals visited facilities in Saginaw, USA, for a week-long, hands-on safety training class that included H&S vision and mission workshops, fall hazard control, electrical safe work practices, lockout/hazardous energy control, and confined space.
- **Fork Truck Lighting** – A safety initiative first proposed by H&S professionals in Nexteer facilities in Poland, trucks are fitted with blue spotlights that illuminate approximately 20 feet (6.1m) in front and behind the vehicle to help avoid collisions. ●



A COMMITMENT TO SAFETY

Each Nexteer location must follow our Nexteer health and safety policies, procedures, and safety rules, which keep our Company in compliance with laws and regulations for each country where we operate. The Leadership Safety Observation Tours and Global Common Core Health & Safety Audits monitor compliance. Additionally, each facility has written safety plans to reduce plant hazards, and lockout audits are completed monthly.

When a health and safety issue arises, we appropriately and immediately address it. Nexteer asks all employees, students, contractors, and visitors to “Speak Up” and tell us if they have a concern. To do so, they can talk to their immediate supervisor or directly to a Nexteer contact, or they can place a note in one of the multiple safety drop boxes located throughout the many Nexteer sites. All Nexteer facilities are measured (Figures 9 and 10) on how each reported health and safety issue is addressed.



WE'RE ON THE JOB

In 2016, 12 out of 24 Nexteer locations achieved a lost work day case rate of zero.

2016 = 0
WORK-RELATED FATALITIES

Figure 9

TOTAL GLOBAL LOST WORK DAY CASE RATE

2016 = 0.38

Figure 10

Lost Work Day Case (LWDC) = Any work-related injury or illness that results in the employee losing one or more full days away from work.

LWDC Rate = $\frac{\text{Number of LWDCs}}{\text{Hours Worked} \times 200,000}$
 (100 employees x 40 hours x 50 weeks)

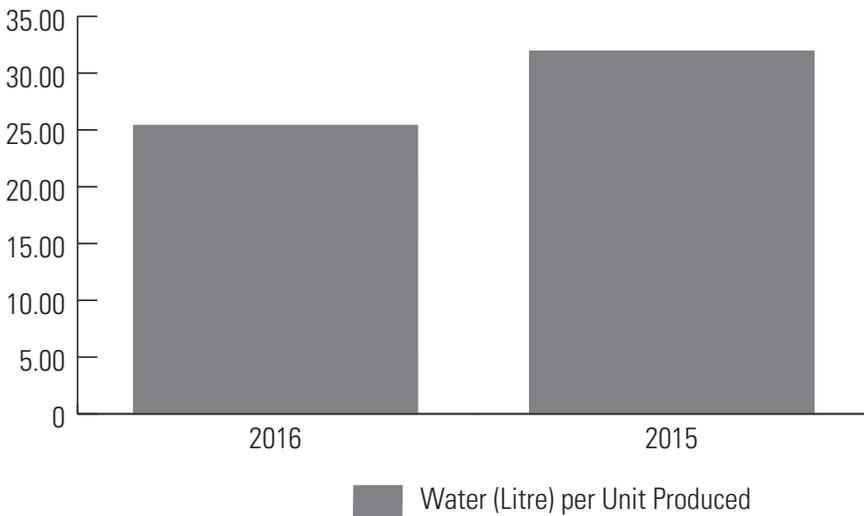


Wuhu, China

The Sky is the Limit

Energy efficiency and reduction measures lead to planet-friendly improvements and long-term savings.

Water Use Per Unit of Production *Figure 11*



At many Nexteer facilities around the world, particularly those located in warmer climates with abundant sunshine, rooftop sky domes flood the interiors with natural light. The domes work so well, in many cases, artificial lights can be turned off during daylight hours.

But cost-savings and energy reduction aren't the only benefits (Figure 11), says Richard Harris, global manager of facilities, environmental, utilities, and real estate at Nexteer

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Automotive. "The sky domes improve productivity," he says. "People feel better because of the natural light."

Sky domes are one of the many investments Nexteer is making in order to reduce its carbon footprint around the globe. To measure its progress, the Company maintains an annual goal of 6 percent reduction of kilowatts used per standard hour (the amount of energy used during one hour of manufacturing production).

"Globally, we've met our 6-percent year-over-year reduction for the past three years," says Harris.

CONSERVING NATURAL RESOURCES

In addition to sky domes, Nexteer facilities around the world have installed LED lights along with motion-sensor light systems that only turn on the lighting when someone is in the vicinity. Other environmental sustainability investments include:

Mexico:

- **Improved motors** - New cooling towers are equipped with variable frequency drives, a type of motor that consumes

only the amount of energy required to do the work.

- **Water recycling** - Industrial wastewater is now cleaned through a filtration system and used for watering landscaping and as toilet water.

Brazil:

- **Solar-water heating** - Energy derived from the sun heats potable water used in locker rooms.

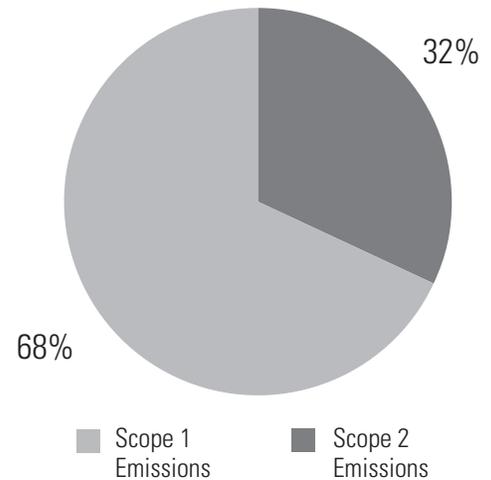
China and Poland:

- **Heat-energy recycling** - Heat generated by air compressors is captured, passed through a heat exchanger, and used to heat potable water supplies.

As a result of all of Nexteer GHG (greenhouse gas) initiatives in 2016, carbon emissions (tCO₂e) were reduced by 3,751 metric tonnes. Global savings totaled US\$3,854,697 in utilities costs and US\$2,500,884 in electrical costs. ●

Total GHG Emissions (tCO₂e)

Figure 12



Annual GHG Emissions Per 1000 Units of Production (tCO₂e)

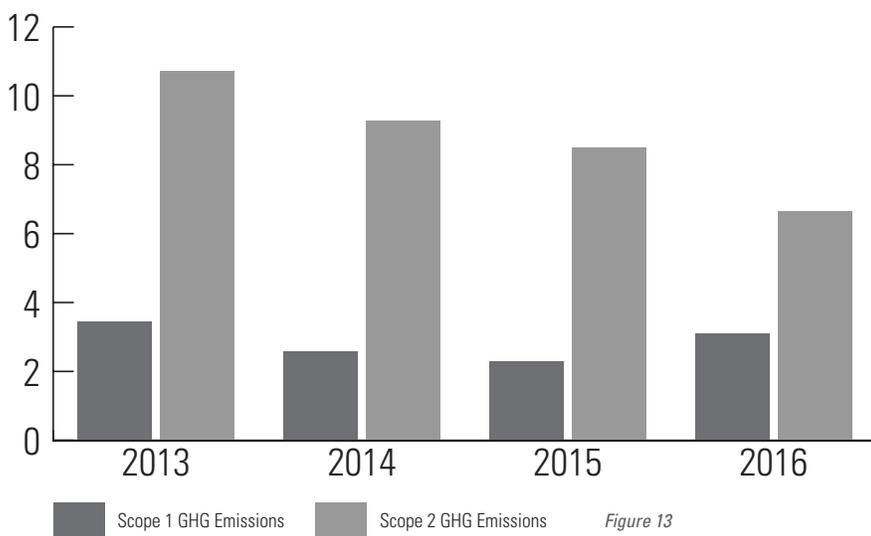


Figure 13

tCO₂e = Tonnes of carbon dioxide equivalent (CO₂e is the shorthand for carbon dioxide equivalents). It is the standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions, and carbon credits. It is expressed as metric tonnes of CO₂ equivalent, and it represents the standard unit for measuring an organization's carbon footprint.

Scope 1 Emissions = Direct emissions from owned or controlled sources, such as boilers for steam for production equipment, steam heating for buildings, natural gas usage in furnaces, etc.

Scope 2 Emissions = Indirect emissions from the generation of purchased electricity (electricity used per our electrical bills).



EMISSIONS

Each of our global manufacturing sites maintains an ISO 14001 Environmental Management System (EMS). ISO 14001 is an international set of standards designed to improve environmental performance through efficient use of resources and reduction of waste. And it's a simple way to let customers, suppliers, employees, and shareholders know that we take our environmental responsibilities seriously. The systems are audited by an outside third party annually and are recertified every three years.

Air and greenhouse gas emissions (Figures 12 and 13) are reviewed periodically by each manufacturing facility based on air discharge permits or regulatory reporting requirements. Though all manufacturing sites produce hazardous and non-hazardous wastes, we properly characterize, handle, transport, and dispose of these materials and make an effort to reduce overall waste production across all facilities. We comply with all applicable emissions laws and regulations and, as a result, received no fines or monetary sanctions in 2016.

ISO 14001 = Is an international set of standards designed to improve environmental performance through efficient use of resources and reduction of waste. It requires that an organization implement a systematic approach to all environmental issues relevant to its operations, such as air pollution, water and sewage issues, waste management, soil contamination, climate change mitigation and adaptation, and resource use and efficiency.



NEXTEER'S RESPONSE TO THE CARBON DISCLOSURE PROJECT

A growing number of companies are integrating environmental and social responsibilities into their business approach, 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 organization 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 the disclosure of climate change-related information, providing a level of comfort to assess corporate accountability and preparedness for changing market demands and Greenhouse Gas emissions (GHG) regulation.

Nexteer completed its first full report to the CDP in 2015 after submitting a partial report the prior year. With the recent change in scoring at CDP, for the 2016 reporting year, Nexteer achieved an awareness rating level that is associated with companies that have started to operationalize sustainability into business operations. This score is in alignment with recent actions to operationalize sustainability across the

organization through the formalization of a Sustainability Work Group and the development and implementation of a Sustainability Monitoring and Reporting Framework (SMRF).

Nexteer's SMRF was developed in accordance with international best practices—in particular, the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) guidelines, and sector-specific frameworks such as the Automotive Industry Action Group (AIAG). The SMRF identifies five sustainability focus areas—business ethics; health, safety, and environment; supply chain excellence; community relations; and value creation—and establishes relevant and achievable sustainability targets, short-term and long-term actions, and corresponding GRI and HKEx indicators that will be used to measure and report on progress toward achieving each target in future sustainability communications (i.e., the annual sustainability report). The objective of each of the sustainability focus areas contained within the SMRF is intended to clearly tie sustainability and climate change mitigation and adaptation risks and rewards into business operations. The details of Nexteer's 2016 CDP scores are located at:

- [2016 Supply Chain Water Nexteer Automotive Group](#)
- [2016 Supply Chain Climate Change Nexteer Automotive Group](#)



ENVIRONMENT AND NATURAL RESOURCES

Nexteer is committed to minimizing our impact on the environment and actively promoting environmental responsibility in all that we do (Figures 14, 15, and 16). In fact, it's what we've done for a long time. Our focus remains on reducing waste, supporting recycling programs, limiting effects on biodiversity, and increasing energy efficiency at all of our locations.

To guide our efforts, we rely on our Global Environmental Policy, endorsed by Nexteer's leadership. Our environmental preservation efforts center on conserving resources, reducing pollutants, and recycling materials. We do this by:

- Reviewing air and greenhouse gas emissions at each manufacturing facility, based on air discharge permits or regulatory reporting requirements.
- Following environmental procedures and best practices to minimize impact on the environment related to new or leased plants, modifications to existing plants, or plant shutdowns. Due diligence surveys and potential environmental risk assessments are conducted for each item under review.
- Maintaining strict environmental standards for the design of new and existing facilities that address waste management, air quality, wastewater and storm water, remediation of contamination, and collection of energy and environmental metrics.
- Completing risk planning with annual updates to review for financial coverage of any facility asset retirements and environmental liabilities.

In 2016, our Global Utilities Group set a 6-percent reduction target on utilities usage and met its goal. Our Global Environmental Group sets a 4-percent reduction target on landfilled production waste. While the volume of production waste to landfill remained the same as 2015, overall production increased by 10 percent, resulting in a decrease in the overall production waste to landfill ratio.



Figure 14

Electric Power Steering Environmental Benefits

for Drivers, Automotive Manufacturers & Our Environment

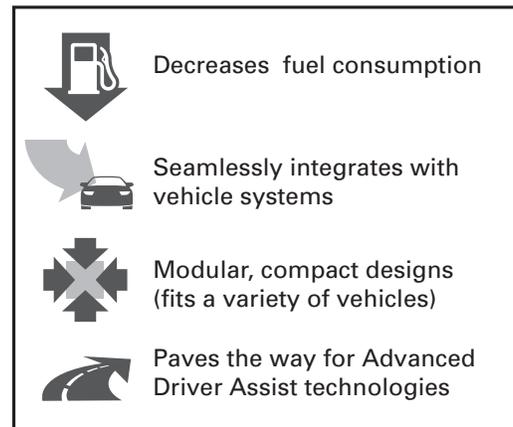


Figure 15

2016 Waste (kg)

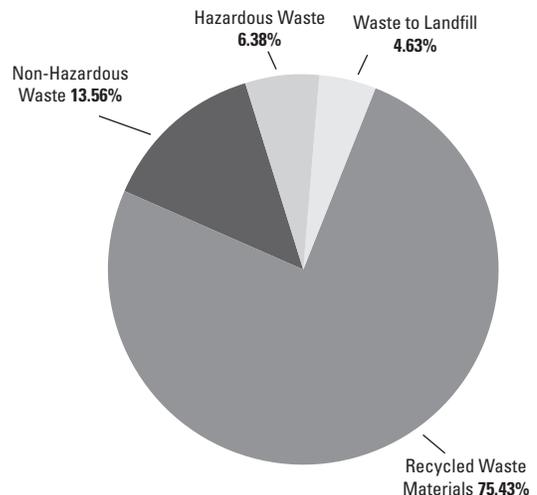


Figure 16



Saginaw, USA



USE OF RESOURCES

We comply with all applicable environmental and climate-related laws, government regulations, and rules in countries where we operate. We do this by monitoring and reporting trends, risks, opportunities, and progress toward improvement goals at each of our locations.

Nexteer's leadership believes in promoting a culture of environmental sustainability in all of our activities, and every year we review our overall impact in the areas of sustainability, energy use, and climate change. We continuously work to reduce and mitigate risks and improve the effectiveness of our environmental management system to conserve resources, reduce pollutants, and recycle materials.

Doing Our Part

Nexteer adheres to strict border security measures and expects suppliers to do the same.

O

n a typical day, 74,417 truck, rail, and sea containers are processed at U.S. borders.

And with more than 325 ports of entry to secure, U.S. Customs and Border Patrol (CBP) relies on a sturdy base of partnerships to help safeguard the American public and promote legitimate international commerce.

That's why Nexteer is a voluntary participant in Customs-Trade Partnership Against Terrorism (C-TPAT), a supply chain security program led by CBP. It's focused on improving the security of private companies' supply chains with respect to terrorism.



SUPPLIER SCREENING

The Manufacturing Capability Assessment (MCA) is a visual plant visit and inspection that 100 percent of new direct material suppliers for Nexteer must undergo. Through MCA audits, we verify that new suppliers are screened for and do not contribute any negative outcomes to human rights, the environment, labor practices, and society.

NUMBER OF NEXTEER SUPPLIERS

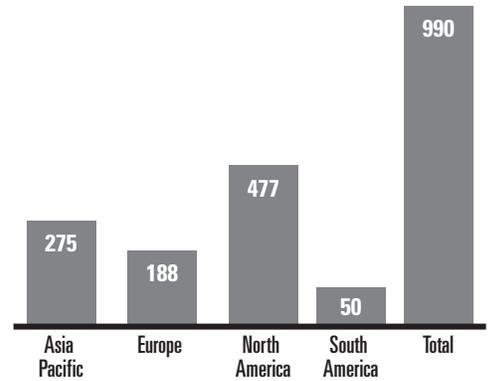


Figure 17

STRINGENT SECURITY MEASURES

According to Rob Desimpelare, materials manager for Nexteer Automotive's Steering Systems Business Unit and former manager of the Central Production Control & Logistics Group, Nexteer is committed to "doing the right thing" when it comes to securing U.S. borders.

Security measures in place at Nexteer include:

- hauler security
- container security
- physical access controls
- screening process for all visitors, customers, suppliers, and contracted service providers
- background checks for all employees and contracted service providers
- security in shipping and receiving
- information technology security
- security training and threat awareness



Bengaluru, India



SUPPLY CHAIN MANAGEMENT

We are dedicated to providing best-in-class technology, quality, and value to every customer, every day. We do this by instilling a culture of quality throughout our Company and global supply chain (Figure 17) and by expressing a clear, consistent message to our supplier partners about requirements and expectations.

We are committed to the welfare and health and safety of all our employees and contractors and to delivering socially and environmentally responsible products to our customers. We have a moral and ethical responsibility to respect human rights throughout our supply chain and make a difference where we operate.

The Supplier Requirements Manual adopted by us, which includes policies and guidelines each supplier must adhere to, is intended to help us achieve each of our goals in supply chain management.

EXPECTATIONS EXTEND TO NEXTEER SUPPLY CHAIN

“We want to make sure we’re doing our part in improving security in the supply chain,” says Sharon Wisniewski, purchasing process senior analyst on Nexteer Automotive’s Global Supply Management team.

That’s why Nexteer requires all logistics providers and direct material suppliers that ship product into its U.S. facilities to be either C-TPAT certified

or to have security measures in place. Existing suppliers who lose certification or don’t have appropriate security measures are placed on new-business hold.

“We adhere to ethical practices, and we want our suppliers to do the same. Our supplier base reflects our principles as well,” says Wisniewski. ●



MANAGING SUPPLY CHAIN RISKS

Nexteer Supplier Requirements, which are part of every request for quotation and purchase order, communicate our policy on managing social and environmental risks in the supply chain.

We comply with all applicable laws, government regulations, and rules in the countries where we operate, and we have established a Code of Conduct that governs the actions of our employees. We expect that our suppliers honestly and equitably enforce the listed policies and laws pertaining to the Code of Conduct in their own operations.

We encourage suppliers to seek training in corporate compliance, ethics, diversity, and environmental training, and we strongly recommend registration to the current versions of ISO14001.

We expect our suppliers to be environmentally responsible throughout their own supply chains and reduce the lifecycle environmental footprint of products. All manufactured products and the applied materials and substances used in processes are expected to meet environmental standards for design, development, distribution, use, disposal, or recycling. Suppliers are expected to communicate with their employees an Environmental Policy Statement that reflects commitment to environment responsibility.

When requested, suppliers must provide Nexteer with evidence that they adhere to each of these requirements. Failure to comply or failure to work with us to correct non-compliant situations is grounds for termination of our business relationship.



San Clemente, Mexico

Game CHANGERS

Employee innovation fuels the future of Nexteer.

GLOBAL PATENTS ISSUED PER YEAR

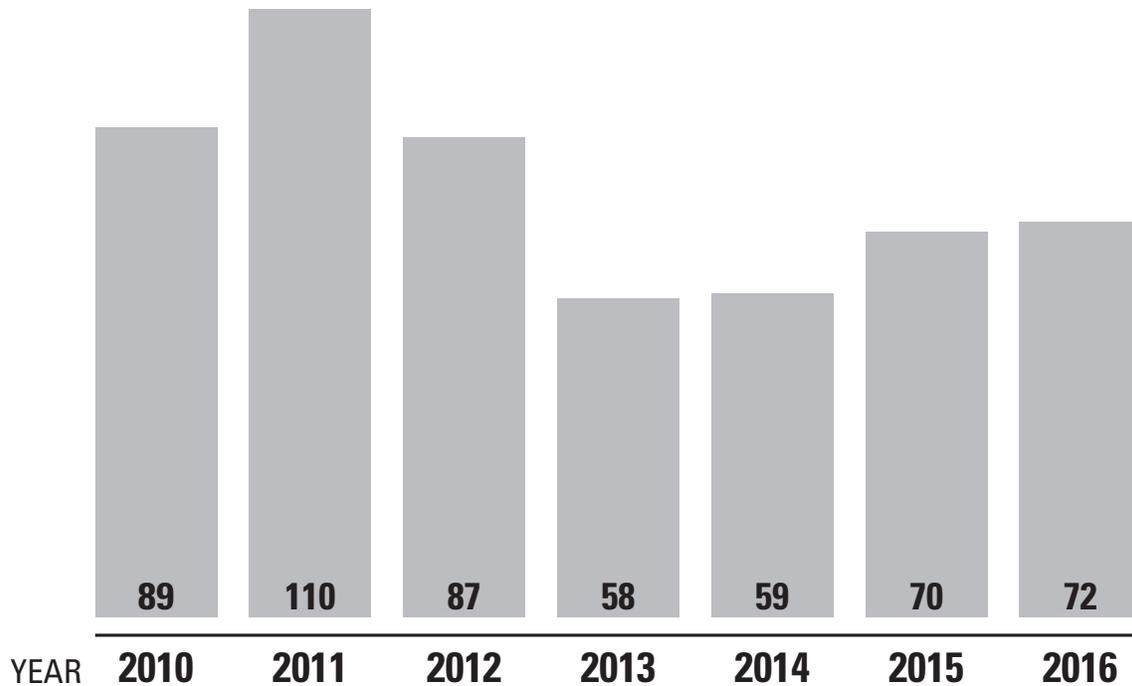


Figure 18



VALUE CREATION

Our commitment to sustainability focuses on achieving profitable and balanced growth by creating value through innovation, partnering with winning original equipment manufacturers, and growing geographic, customer, and vehicle platform diversity. We work toward designing product solutions that consider the full product lifecycle to provide our customers with the environmental performance and value they expect.



ining the wall of Nexteer Automotive's Global Technical Center are the names of 65 men and women inducted into our Company's Innovation Hall of Fame.

The Innovation Hall of Fame honors inductees from around the world for their relentless innovation and creative

spirit, as determined by the number of patents, formal trade secrets, and defensive publications each has garnered.

Nexteer recognizes that its success is built on an industry-leading intellectual property portfolio, and it depends on the innovators and inventors who contribute to it.

DEVELOPING TALENT THAT DRIVES INNOVATION

"We hire for talent—then we develop the skills and the knowledge," says Rick Nash, product line executive and chief engineer for Nexteer Automotive. "It's an environment that generates learning and new products or product features every day."

(continued on next page)

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According to Aaron Seyuin, Nexteer Automotive's director of corporate engineering, the company also supports employees through continuing formal education, industry association participation, and robust training programs.

As of December 31, 2016, Nexteer holds 640 patents, and it has 459 patents pending (Figures 18 and 19). "A strong pipeline of innovation improves our technological reputation with our customers and investors—and surely through the attraction and retention of our most important resource: our global talent," says Seyuin.

THE MELVIN L. WILCOX ENGINEERING AWARD

In 2012, Nexteer developed the Melvin L. Wilcox Engineering Award, named after a company founder. Seyuin describes it as the pinnacle achievement for an inventor, signifying an extraordinary intellectual property contribution.

"To receive this level of recognition, the innovation has to be a game-changer," says Nash. Each submission faces rigorous scrutiny and must demonstrate significant contribution to not only Nexteer's technology but also to its business impact and brand promotion. The first "Melvin" was awarded in 2016 to four employees in honor of their intellectual contributions to the Optimized Energy Absorbing Steering Column. ●



EMPLOYEE TRAINING AT NEXTEER

Nexteer offers employees access to several training programs and is in the process of implementing a global learning management system to track training metrics and number of training hours for improving courses and analyzing outcomes.

GLOBAL PATENTS FILED PER YEAR

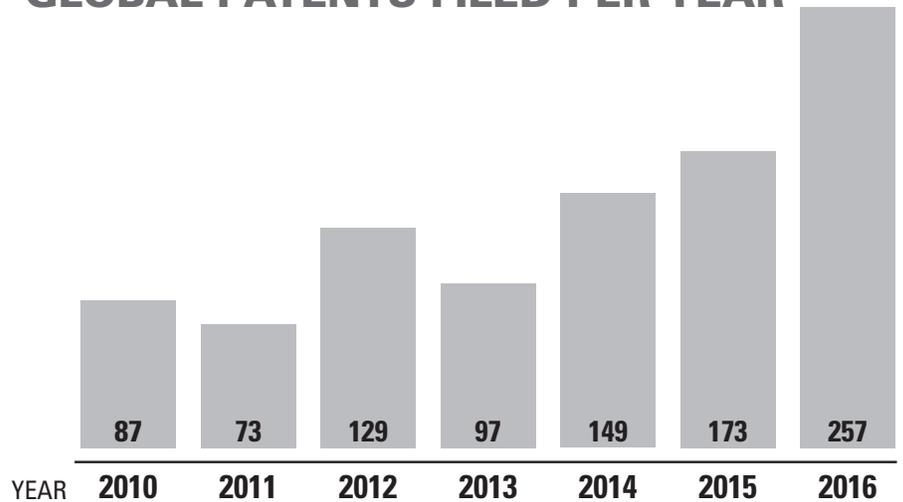


Figure 19



PRODUCT RESPONSIBILITY

Over its 110-year history, Nexteer has brought to market product introductions that have enhanced passenger safety and comfort: 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 enterprise. Nexteer's Quality Management System also meets ISO/TS 16949:2009 standards.

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

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. Nexteer is in the process of certifying that it adheres to the EU-U.S. 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.



ECONOMIC STANDING

STOCK EXCHANGE INFORMATION

Nexteer Automotive is registered in the Cayman Islands, with headquarters in the United States of America and operations around the world.

The Company is listed on The Stock Exchange of Hong Kong Limited. (Stock Code: 01316)

NEXTEER AUTOMOTIVE GROUP LIMITED

Incorporated under the laws of the Cayman Islands with limited liability.

REGISTERED OFFICE

PO Box 309, Umland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS OFFICE

1272 Doris Rd
Auburn Hills, MI 48326
United States

PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

2016 REVENUE

US\$3.842 billion

2016 NET PROFIT

US\$302 million

FIND OUT MORE IN THE NEXTEER AUTOMOTIVE 2016 ANNUAL REPORT:

[2016-Annual-Report](#)

HONG KONG EXCHANGE REFERENCES

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

HKEx REFERENCE ASPECT AND KPI	NEXTEER FOCUS AREA	2016 FISCAL YEAR RESPONSE
A. ENVIRONMENTAL		
A1: Emissions	 Environment (part of the Health, Safety & Environment focus area)	See page 15
A1.1-1.6 KPIs		Nexteer 2016 HKEX KPIs
A2: Use of Resources	 Environment (part of the Health, Safety & Environment focus area)	See page 17
A2.1-2.5 KPIs		Nexteer 2016 HKEX KPIs
A3: The Environment and Natural Resources	 Environment (part of the Health, Safety & Environment focus area)	See page 16
A3.1 KPI		Nexteer 2016 HKEX KPIs
B. SOCIAL		
Employment and Labor Practices		
B1: Employment	 Business Ethics	See page 4
B2: Health & Safety	 Health & Safety (part of the Health, Safety & Environment focus area)	See pages 11,12
B3: Development and Training	 Business Ethics	See page 6
B4: Labor Standards	 Business Ethics	See page 6
Operating Practices		
B5: Supply Chain Management	 Supply Chain Excellence	See pages 18,19
B6: Product Responsibility	 Value Creation	See page 22
B7: Anti-corruption	 Business Ethics	See page 5
Community		
B8: Community Investment	 Community Relations	See page 8

Figure 20

CREATING VALUE RESPONSIBLY FOR OUR PEOPLE, OUR PROSPERITY, AND OUR PLANET.

At Nexteer Automotive, we believe in doing business the right way. That means we actively involve our stakeholders on environmental, social, economic, and governance matters to create value in a responsible way.

NEXTEER AT-A-GLANCE

Products: Electric power steering, hydraulic power steering, steering columns and intermediate shafts, driveline systems, advanced driver assistance systems, and automated driving

Global facilities: 24 manufacturing plants, 5 application engineering centers, and 11 customer service centers

Global workforce: More than 13,700 full-time equivalent

Global customers: Over 50, including BMW, FCA, Ford, GM, Toyota, PSA Group, Volkswagen, and automakers in India, China, and South America

World headquarters: Auburn Hills, Michigan, USA

Revenue: US\$3.842 billion in 2016

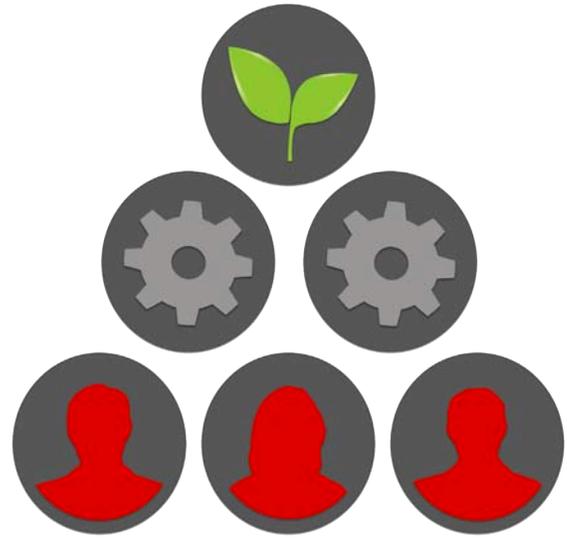
WHAT MATTERS MOST

We're committed to being a responsible global corporate citizen. Our One Nexteer culture is fueled by:

Our people. Employees are empowered to act. We encourage constructive communication and personal growth.

Operational excellence. We have a passion for perfect quality. We make clear and timely decisions with integrity and accountability.

Sustainable growth. We are customer-focused. We pursue innovation relentlessly and seek to build long-term collaborative relationships.



One Nexteer Culture



DRIVING INNOVATION

Products such as our breakthrough electric power steering (EPS) systems help drivers:

- improve fuel economy.
- reduce vehicle carbon emissions.
- enhance the "feel of the road."
- shape the "personality" and performance of passenger cars and trucks.
- enhance safety and steering control under all driving conditions.

Since 1999, the efficiency of our EPS systems has helped save more than 3 billion gallons of fossil fuel.

BUILDING ON A RICH HISTORY

With more than 110 years innovating and shaping today's steering and driveline technologies, our notable breakthroughs include:

- the first power steering systems.
- tilt-wheel steering.
- energy-absorbing steering columns.
- front-wheel-drive halfshafts.
- brushless electric power steering systems.

WHAT'S AHEAD

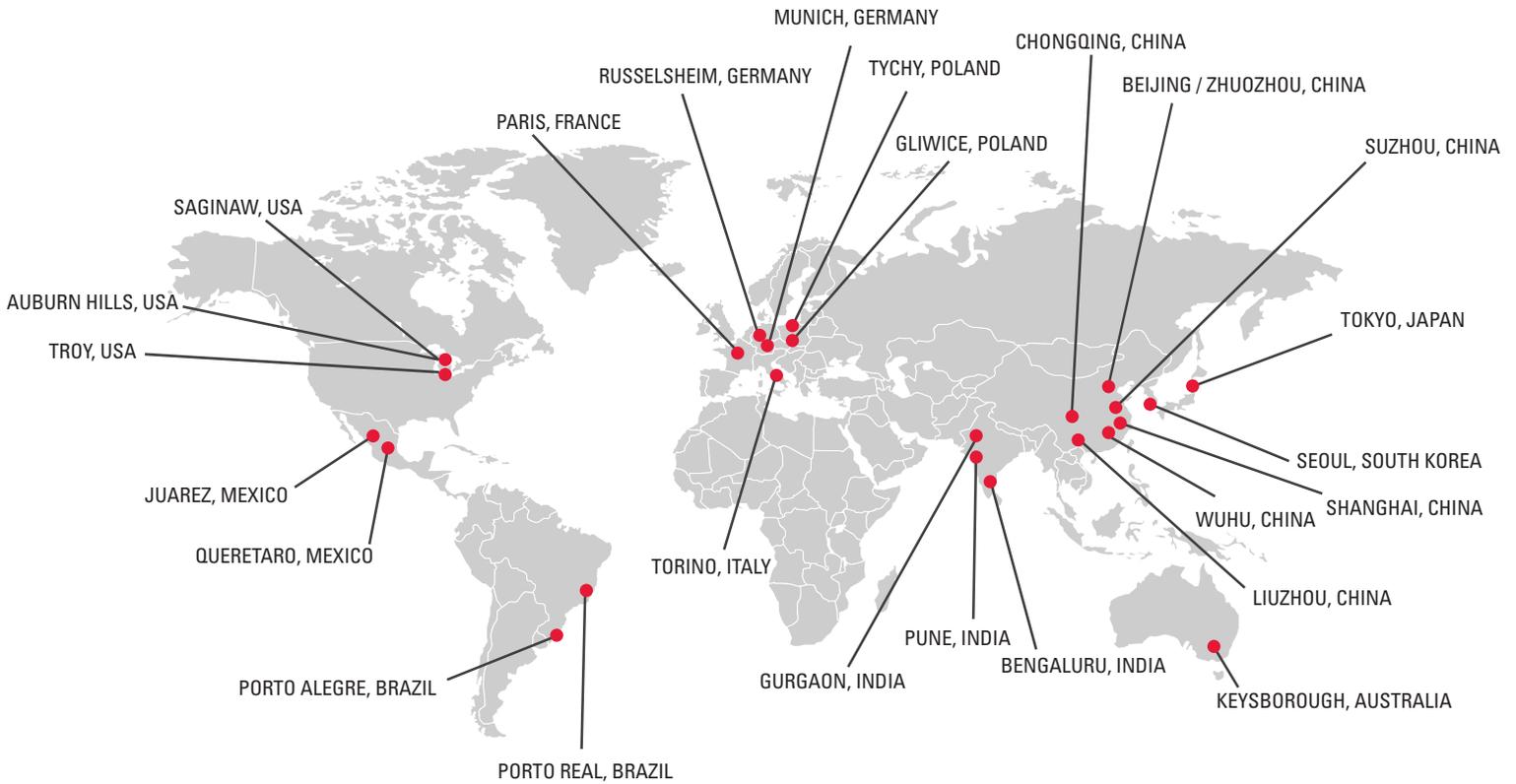
As a leader in intuitive motion control, we're poised to expand our in-house technologies to:

- further assisted/automated/connected driving.
- meet efficient, clean energy demands.
- improve personal mobility.

Nexteer's vision for the future is more of the same: innovative, responsible and sustainable. We invite you to journey with us.



GLOBAL LOCATIONS



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