



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



2017 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 have established a sustainability monitoring and reporting framework (SMRF) outlining five key focus areas to serve as the basis for our annual reporting. We regularly review this framework to make sure we are meeting our commitments to sustainability and transparent public disclosure.

In 2017, we updated the materiality assessment previously conducted in 2015 to confirm we are focused on the issues that matter most to our business and our stakeholders. We also began to work toward several new sustainability initiatives, the results of which are presented in this report. Where possible, year-over-year data are presented to show trends over time.

Our sustainability initiatives and associated key performance indicators (KPIs) establish a basis from which we can show our development as a company. We have

aligned our KPIs with the Hong Kong Stock Exchange Limited (HKEx or Hong Kong Exchange) sustainability disclosure requirements, which are in turn aligned with Global Reporting Initiative (GRI) sustainability indicators. This Sustainability Report includes information about Nexteer's performance for our 2017 fiscal year. Unless otherwise noted, it covers all Nexteer's global operations.

To check that information in this report is accurate and reliable, Nexteer established internal controls and a formal review process, including final approval from Nexteer's Global Operating Committee (GOC).

In addition to annually publishing a sustainability report, Nexteer also provides information to CDP (formerly, the Carbon Disclosure Project). Furthermore, 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.

NEXTEER'S FIVE KEY FOCUS AREAS



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.



Mike Richardson

NEXTEER AUTOMOTIVE'S SUSTAINABILITY TEAM

CHAMPION:

Luis Canales, executive director, global corporate affairs

WORK GROUP LEADS:

Kim Bostek, environmental management

Beth Brazier-Rydesky, human resources

Piotr Dembinski, corporate affairs

Rob Desimpelare, materials management

Todd Hare, information technology

Summer Hou, corporate affairs

Crystal Huizar, global supply management

Steven Leiger, internal audit

Julie Malesky, human resources

Frederique Mira, quality management

Aaron Seyuin, engineering

Myiesha Smith, human resources

Don Taylor, health and safety

Sharon Wisniewski, global supply management

UNITED IN PURPOSE

Welcome to the 2017 Nexteer Automotive Sustainability Report.

Three years ago, we took the first steps of an important journey—one that started with a commitment to become a more transparent and sustainable company. We began this journey in the long-term interest of our customers, investors, employees, and the communities in which we operate.

Our initial, voluntary report was published in 2015 to introduce a sustainability framework and five key areas of focus. It provided a forum to communicate both our current state and intended direction.

In our second report, we updated Nexteer's environmental, social, economic, and governance performance for the 2016 fiscal year.

During 2017, we've made progress in each of the five key focus areas as measured by the metrics used to monitor performance.

MAKING STRIDES

As a growing company with 13,400 employees in 27 locations around the globe, we recognize that sustainability is a continuing journey, requiring us to approach global improvement as One Nexteer. We are working to establish systems that assemble data in alignment with the key performance indicators set forth

by the Hong Kong Stock Exchange, and meet the local, regional, and national requirements in each country of operation.

I'm proud to say that we've made tremendous progress and will continue to do so. Our processes will improve, as will our ability to capture more robust and relevant metrics.

CELEBRATING THE WINS

We now have opportunity to offer a balanced report that demonstrates where we've improved, where we've held steady, and where attention is required.

This report covers Nexteer's 2017 fiscal year, ending December 31. Through these pages, you'll see we have much to celebrate. It was one of our safest years on record, as we exceeded nearly every environmental goal. We've also introduced several innovative technologies for vehicle autonomy that will positively impact the future of our Company. We look forward to the years to come.

Mike Richardson
President and
Board Executive Director
Nexteer Automotive

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At Nexteer, we're committed to being good partners in the communities where we have a presence. You'll find photographs throughout this report that represent many of the global locations where we operate. We chose to include landscape photographs to celebrate this year's publication of Nexteer's environmental KPIs. We're proud of the positive contribution we make to our communities.

WE WANT TO HEAR FROM YOU

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



High Expectations

Continuous training empowers Nexteer Automotive employees to act ethically and responsibly in any situation.



Saginaw, Michigan, USA

Nexteer Automotive is committed to conducting business with the highest degree of integrity—and empowering its employees with the tools they need to operate ethically, in every situation. These guiding principles can be found in Nexteer’s Code of Conduct, a global document that provides ethical guidelines for all Nexteer employees globally.

“We strive to be a top-notch, ethical company wherever we do business,” says Beth Brazier-Rydesky, global talent management director for Nexteer Automotive. “We continue to keep our employees engaged and thinking about doing the right thing.”

Hourly employees in the United States, Mexico, Brazil, and Poland received training on the code in 2017. Additional training on diversity, anti-corruption, and data privacy—to help prepare Nexteer for the EU’s General Data Protection Regulation—was also held for salaried employees.



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.

Further, to be equitable in hiring, 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, including our Code of Conduct.



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.

ANNUAL GLOBAL SALARIED EMPLOYEE TRAINING

Human Rights Policies and Procedures = 100%
Anti-corruption Policies and Procedures = 100%

When recent highly publicized events in the United States brought sexual harassment into sharp focus, Nexteer responded immediately with further anti-harassment training for top management. From a human resources perspective, internal investigation training specific to harassment claims has been provided on a global basis. Because the fear of retaliation is one of the factors that prevent people from reporting harassment, global anti-retaliation training has been provided to managers and the human resources staff. Ongoing efforts to cascade additional anti-harassment training throughout the organization continue.

The Nexteer Employee Handbook stays current with continual updates

In 2017, enhanced sections on anti-harassment, anti-discrimination, workplace violence prevention, and equal employment headlined recent revisions and updates to

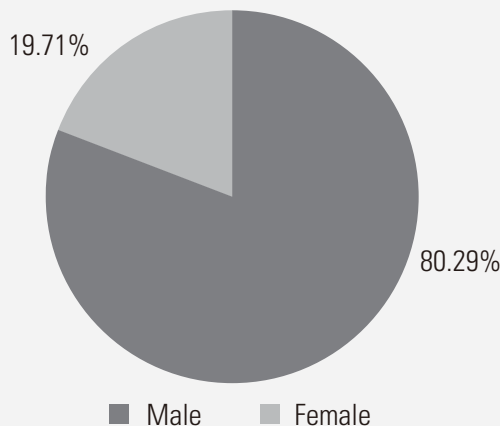
the Nexteer Employee Handbook. The objective for the changes is to help align the handbook more closely with the company's Code of Conduct.

Salaried employees in Italy, Germany, France, Poland, Mexico, Brazil, India, and the United States all received training on the updates and now have electronic access to the document in their native language.

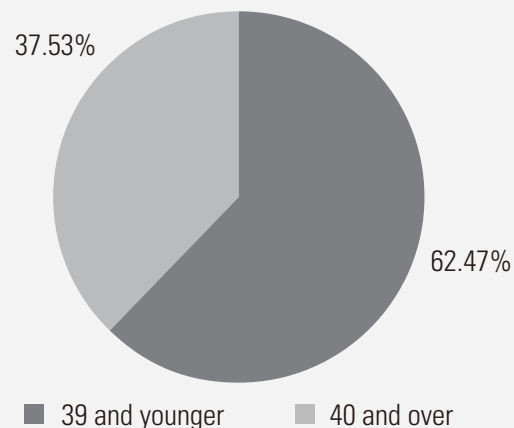
Each Employee Handbook contains the same topics, but there may be slight differences to account for the differing laws and regulations of each country. Topics include compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other employee benefits.

A new Employee Handbook that is specific to employees who are subject to the U.S. collective bargaining agreement will be rolled out to hourly employees in 2018.

Global Employees by Gender



Global Employees by Age Group



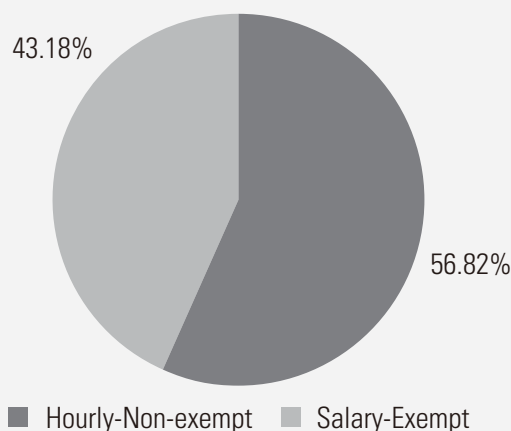
Global Employee Turnover Rate by Employment Type



Global Employee Turnover Rate by Age Group



Global Employees by Employment Type



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, work 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.

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.



Connecting People. Strengthening Communities.

Employees are finding more and more ways to support their local communities.

W

hether it's donating blood, cleaning up parks, or mentoring youth about engineering career possibilities, Nexteer Automotive employees generously volunteer time and resources in support of local communities.

"They enjoy being a part of something bigger, and it makes them feel closer to the [Nexteer] brand," says Piotr Dembinski, corporate affairs manager for Nexteer Automotive's Europe, Middle East, Africa, and South America division.

"At Nexteer, we're aware of how important corporate social

ANNUAL MONETARY CONTRIBUTIONS

US\$340,000

ANNUAL CONTRIBUTION OF VOLUNTEER SERVICE HOURS

13,500 GLOBAL
HOURS

responsibility is to our future. Not only because our customers expect it, but because we want to be a responsible global citizen in the industry and within our communities,” says Dembinski.

Global outreach has a local flair

Nexteer hosted its second

annual Global Service Day in July 2017 to support environmental activities and serve communities around the globe. More than 415 volunteers contributed an estimated 1,534 hours of service in one day. However, community service continues throughout the year.



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 do this by:

- supporting the economic prosperity of the communities where we live, work, and play.
- encouraging the involvement of our employees in company-endorsed community endeavors.
- enhancing technical and economic education by advancing STEM (science, technology, engineering, and math) educational opportunities.
- promoting a culture of collaboration by sponsoring community-based initiatives that engage our employees, make a difference in the lives of others, and matter to the communities where we operate.

JULY 2017 GLOBAL SERVICE DAY

In one day, more than 415 Nexteer Automotive volunteers contributed an estimated 1,534 hours of service to support environmental activities and serve communities around the globe.

Brazil's apprentice program trains disadvantaged youths. Nexteer worked with five at-risk students to help them develop professional skills in the workplace.

Poland's grant program encourages employee community involvement. Employees passionate about particular charitable organizations submit funding requests to Nexteer Poland.

Japan employees donate to flooding disaster victims. Monetary and household donations were distributed to victims in the Kyusyu area.

Chongqing, China, employees deliver gifts to children with special needs. They also played games, took photos, and shared refreshments with the youngsters.

Saginaw, USA, sponsors regional STEM festival. The Science, Technology, Engineering, and Math (STEM) festival was hosted at a local college for hundreds of elementary school students.

There's still more to do

Although volunteer hours remained steady, the 2017 goal to increase participation by 5 percent was not met. Organizational restructuring also postponed a planned software purchase designed to help Nexteer leaders identify community needs by region, commit financial resources to community causes, and track employee volunteer engagement. In 2018, the focus will be on improving the reporting structure of volunteer hours and financial contributions.



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.

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Safety Wins

A record low Lost Work Day Case rate caps a milestone health and safety year at Nexteer Automotive.



In what will be recognized as one of the safest years to date at Nexteer Automotive, 2017 saw 16 Nexteer facilities with Lost Work Day Case (LWDC) rates of zero, which means no employees suffered work-related injuries or illnesses that caused them to miss a day of work.

"It's exciting to see the policies and procedures we work so hard to implement and improve each year make a meaningful difference," says Don Taylor, Nexteer Automotive's global health and safety medical manager. The company's overall LWDC rate of 0.24, its lowest on record, marks a 66 percent drop over the past five years.

NUMBER
AND RATE
OF WORK
RELATED
FATALITIES

0



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.

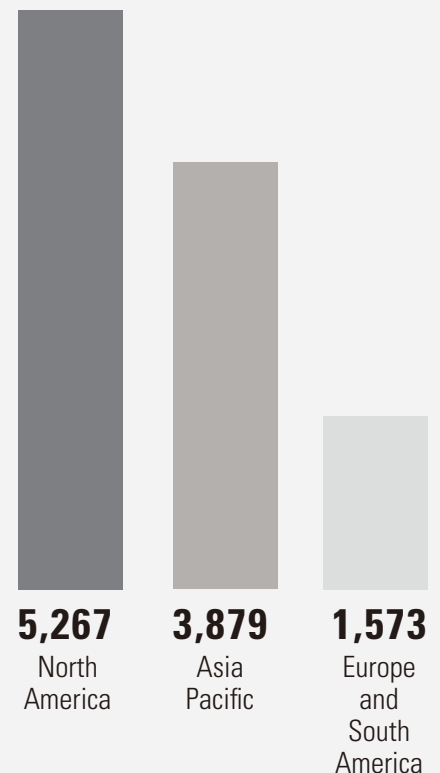
We promote a culture of health and safety responsibility in all of our activities and embed health and safety into all aspects of corporate culture through education, training, and awareness.

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Tychy, Silesia, Poland

Global Distribution of Employees Trained in Health and Safety



Identifying safety improvements is an ongoing mission

Nexteer's robust health and safety (H&S) management system is built on a foundation of 25 common core elements covering a comprehensive list of safety topics ranging from emergency control plans and design in safety to machine safeguarding and personal protective equipment. Plant Safety Review Boards perform annual self-assessments, which are subject to audit.

Ongoing collaboration among ergonomic specialists, H&S professionals, assembly engineers, and production employees

guarantees new ideas come from everywhere and everyone. Here are a few H&S highlights from 2017.

Safety shoes reduce injuries. A global policy calling for steel-toed, nonslip shoes—to help prevent toe injuries and slip-and-fall accidents—is now in place for all manufacturing employees.

Cards keep contractors—and employees—safe. Poland's new green card process helps Nexteer employees identify and track unsafe work practices performed by contractors and subcontractors working in the facilities. When employees see an unsafe

practice, they clip a corner of the contractor's green card. If all four corners get clipped, the contractor is no longer allowed on site.

Software ensures no one misses a safety walk. Employees occasionally miss facility safety walks due to sick days, job changes, and other factors. A Saginaw, USA, employee developed a computer software program that cross-checks H&S walks/talks that have been completed, and quickly identifies any open or closed issues.

Nexteer Australia Ergonomics Team wins international award. The team earned the International

TOTAL GLOBAL LOST WORK DAY CASE RATE

Monthly Rate

2016 =
0.16
2017 =
0.00

Yearly Rate

2016 =
0.38
2017 =
0.24

ANNUAL
AROUND
THE WORLD
LEADERSHIP
SAFETY
OBSERVATION
TOURS =
1,080

TOTAL GLOBAL RECORDABLE INCIDENT RATE

Monthly Rate

2016 =
0.73
2017 =
0.25

Yearly Rate

2016 =
1.40
2017 =
0.80



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. If they do have a health and safety concern, they can talk with their immediate supervisor or directly to their responsible Nexteer contact. If they need further assistance, they can notify the location’s health and safety professional. All Nexteer facilities are measured on how each reported health and safety issue is addressed.

Ergonomics Cup for its use of 3-D printing in developing ergonomic manufacturing solutions. The winning initiative allows all team members to develop an idea, design it, and print it within 24 hours to solve problems on the manufacturing floor.

“The Ergo Cup is prestigious among ergonomics practitioners

and [receiving it] is a significant accomplishment,” says Martin Saltiel, Nexteer’s global ergonomist. “We’re a small company competing against many large, well-known companies with lots of resources, so having Nexteer Australia’s hard work recognized is a great feeling.”



Global Perspective. Local Impact.

From cool roofs to cooling tower improvements, eco-friendly projects around the world help conserve natural resources.

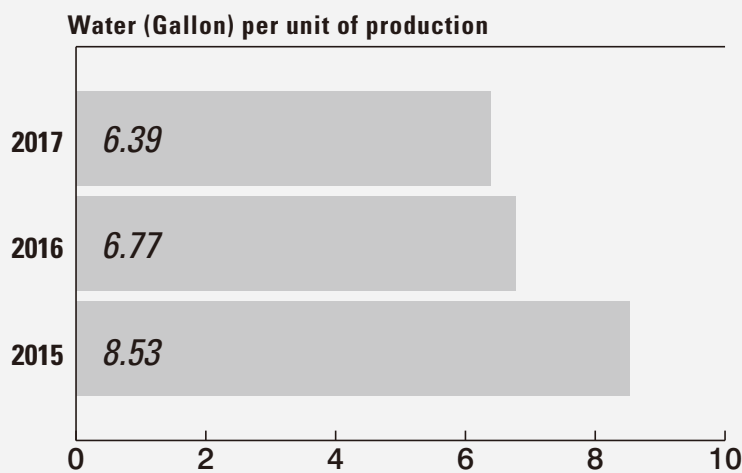
Kimberly Bostek, supervisor of environmental engineering at Nexteer Automotive, knows putting in place environmentally sustainable actions has long been a part of her everyday work. But, she says, as the Company's sustainability teams have begun implementing Nexteer's Sustainability Framework over the past two years, she's seeing an even greater emphasis on continuous improvement and teamwork.

Efforts to align environmental data collection and reporting from all Nexteer locations are paying off. The teams can confidently report that global greenhouse gas emissions are down. Energy usage and water consumption are also down.

Environmental sustainability projects are making an impact

"Not only does Nexteer's commitment to sustainable practices open new business opportunities, it also allows

Global Water Usage



us to channel our passion for programs that positively affect our environment, communities, and employees,” says Alex Juhasz, environmental engineer for Nexteer Automotive.

Here are a few of the environment improvement projects—big and small—that were completed in 2017.

A new magnetic separator reduces hazardous waste. At one facility in Suzhou, China, technology used to reclaim elements of grinding sludge, a hazardous waste

byproduct containing oil and tiny pieces of metal that forms during the manufacturing process, has reduced oil usage by roughly 40 percent, filter change-outs by 75 percent, and hazardous waste disposal by 40 percent.

A “cool” roof installation lowers energy demand and reduces heat island effect. More than 336,600 square feet of roofing on Plant 3 in Saginaw, USA, was replaced with white plastic PVC roofing, often called a “cool” roof because it reflects more sunlight and absorbs



ENVIRONMENTAL AND NATURAL RESOURCES

Nexteer is committed to minimizing our impact on the environment and actively promoting environmental responsibility in all that we do. We comply with all applicable environmental and climate-related laws, government regulations, and rules in countries where we operate. Through the implementation of our Global Environmental Policy, endorsed by Nexteer’s leadership, our focus remains on conserving resources, reducing air and GHG emissions, recycling and reusing materials, limiting our effects on biodiversity, and increasing energy efficiency at all our locations while meeting local, regional, and federal laws and requirements. Globally, we do this by:

- annually assessing the risks and effects of climate change as part of the company’s strategic planning and management review.
- reviewing and updating our sustainability monitoring framework to assess progress toward formal sustainability targets and establishing new goals and targets.
- 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.

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

less heat than a standard dark-colored roof. R-values, a measure of insulation efficiency, nearly doubled from 11 to 20, reducing the heating energy used during the winter months, while lowering the need for air conditioning and improving indoor comfort for non-air conditioned areas during summer. The heat island effect, in which urban infrastructure absorbs and holds solar radiation that causes excessive heating of an area, is also reduced. Saginaw Plant 3 will be replacing an additional 394,000 square feet of roofing in 2018. Cool roofs can be

found on Nexteer-owned facilities in Brazil, India, Mexico, and Poland.

Cooling tower upgrades save energy and water. Improvements at two Nexteer Mexico facilities saved 817 million liters of water and 147,485 KWh of electricity in their first year.

A recycling program diverts concrete away from landfills. Since 2014, nearly 10,153 tons of concrete were crushed to be reused as a drainage or base layer in new foundations, slabs, roadways, and other on-site building projects in Saginaw, USA.

GHG EMISSIONS INTENSITY

Total GHG Emissions =
346,529 tCO₂e

GHG Emissions Per Unit Total Production = 0.0079 tCO₂e

Total GHG Emissions (tCO₂e)

METRICS	2013	2014	2015	2016	2017
tCO ₂ e per unit produced	0.0142	0.0119	0.0118	0.0085	0.0079
Year Over Year Change (GHG/Unit)		-16.43%	-8.62%	-21.95%	-7.09%

Annual GHG Emissions per 1,000 Units of Production (tCO₂e)

METRICS	2013	2014	2015	2016	2017
Scope 1 GHG Emissions	78,876	72,421	74,082	61,505	59,345
Scope 2 GHG Emissions	245,317	260,038	274,499	272,791	271,533
Scope 3 GHG Emissions				11,300	15,651
Total GHG Emissions	324,193	332,459	348,581	345,596	346,529

Lighting improvements drive down energy use. Nexteer facilities around the world continue to install LED lighting and lighting motion sensors—a project that started in 2013 and is 70 percent complete—as a way to reduce energy consumption and bring down costs. In 2017, lighting upgrades saved Nexteer an additional 4,885,714 KWhs in electrical consumption for a savings of approximately US\$88,000. The lighting improvements have translated into a total project savings of 14,689,800 KWhs.

Employees embrace environmental initiatives. Whether it's hosting a home electronics recycling program at the office, planting trees and shrubs around company grounds, cleaning up local rivers, or distributing reusable grocery bags as part of on-site environmental awareness programs, employees support environmental initiatives on Earth Day and every day. Ongoing improvements and many new projects are already underway in 2018.



ENVIRONMENTAL AND NATURAL RESOURCES CONTINUED...

- 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.
- monitoring and reporting trends, risks, opportunities, and progress toward improvement goals at each of our locations.

Because most of our risks are regulatory driven, they are assessed and reported continuously through the EMS ISO 14001 system, which is audited by an outside third party annually, and are recertified every three years. We continuously work to reduce and mitigate risks and improve the effectiveness of our EMS and our policies and procedures, and, as a result, we did not receive any environmentally based fines or monetary sanctions in 2017.

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

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Treatment of Global Hazardous and Landfilled Waste <i>(in Tonnes)</i>	Treatment of Global Nonhazardous and Landfilled Waste <i>(in Tonnes)</i>
Reuse = 661 Recycling = 379 Composting = 0 Recovery = 1,357 Incineration = 68 Deep Well Injection = 0 Landfill = 662 On-site Storage = 46 Other = 2,068	Reuse = 560 Recycling = 51,363 Composting = 29 Recovery = 411 Incineration = 54 Deep Well Injection = 0 Landfill = 5,291 On-site Storage = 201 Other = 365
Total = 5,241	Total = 58,274



AIR AND GHG EMISSIONS

There is increasing evidence that global climate change resulting from emissions of carbon dioxide and other GHG emissions is having a significant impact on the ecology of the planet. In addition, climate change is expected to have serious negative impacts on global economic growth and development. In 2005, the UK government commissioned an independent economic review called the Stern Review, which states that the “costs of stabilizing the climate are significant but manageable; delay would be dangerous and much more costly.” Recognizing our role in reducing global GHG emissions, our 2017 goals were to establish a complete GHG emissions inventory, reduce annual energy usage on a per-unit-of-production basis by 6 percent, and reduce landfill waste on a per-unit-of-production basis by 4 percent.

In 2017, a full GHG inventory of scope 1, 2, and some scope 3 GHG emissions was prepared, where we estimate that Nexteer emitted 346,529 tonnes of CO₂e – a 0.27 percent increase from the 2016 reporting year. On an intensity or per-unit-of-production basis, our GHG emissions have declined 7.09 percent. The decline in GHG emissions per unit is directly the result of our energy and waste reduction efforts. 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

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Global Energy Consumption

Natural Gas = 300,002,000 KWh
Electricity = 394,438,000 KWh
Heating Consumption = 2,617,000 KWh
Gasoline = 3,150,000 KWh
Diesel = 1,876,000 KWh
Propane = 1,266,000 KWh

**Total Energy Intensity =
15.94 KWh per unit of
production**

Suzhou, Jiangsu, PRC

AIR AND EMISSIONS CONTINUED...

requirements. At the time of this report, only the Saginaw, USA, facility is required to monitor its annual air emissions.

We are pleased to report that through these energy efficiency projects and increased production efficiency, our energy intensity declined 11.48 percent per unit produced from the prior reporting year. As with prior years, electricity and natural gas use amount to 98 percent of our total energy use, and, therefore, will continue to be the focal points of our energy reduction initiatives. These initiatives will also reduce GHG emissions as a result.

Air emissions are reviewed annually by each manufacturing facility based on air discharge permits or regulatory reporting requirements. Only the US facility tracks specific air pollutants due to Federal and State requirements—the air pollutant and total volumes for the reporting year are as follows:

• Ammonia (lbs)	2,066
• CO (lbs)	2,427
• NOX (lbs)	104,342
• PM10 (lbs)	73,530
• PM2.5 (lbs)	4,906
• SO2 (lbs)	387
• VOC (lbs)	85,136
• Lead (lbs)	0.3
• SOX (lbs)	214

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

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PACKAGING AND WASTE

As like most global automotive manufacturers, we produce hazardous and non-hazardous waste, much of which is recycled, re-used, and recovered, but other forms of waste are sent to landfills, which eventually results in the release of methane, a potent GHG. All of our hazardous and non-hazardous wastes are properly characterized, handled, transported, and disposed of, and all plants work to minimize 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, 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 2017 sustainability initiatives, our waste goals were to establish a comprehensive waste baseline and reduce landfill waste by 4 percent per unit of production from the prior year to which both targets were achieved. In 2017, we produced 5,241 tonnes of hazardous waste and 58,274 tonnes of non-hazardous waste, which on a per unit of production amounts to 0.00012 tonnes hazardous waste/unit of production and 0.0013 tonnes of non-hazardous waste/unit of production. In 2017, we reused, recycled, composted, and recovered almost 90 percent of our waste streams. As such, our 4-percent reduction target on landfilled production waste was met, as our reporting year volume of waste sent to the landfill decreased by 13.9 percent. As manufacturing expansion and production changes tend to continually occur, we are looking to modify this target to meet the challenges proposed for the future. In general, approximately 9 percent of all wastes generated globally end up in a landfill.

The type of packaging materials that we used for finished products are dictated by our customers' packaging specifications to which we are required to follow. Most types of these packaging materials are easily recyclable and re-usable and, therefore, not measured by the Company.

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NEXTEER'S RESPONSE TO THE CARBON DISCLOSURE PROJECT

PRIMARY PACKING MATERIALS

AFTER-USE HANDLING

Plastic ▶ Recycled

Steel ▶ Recycled

Corrugated ▶ Recycled

Wood Packaging ▶ Recycled

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.

For the 2017 reporting year climate change assessment, Nexteer achieved a score of a C, which is an awareness rating level that is associated with companies that have begun operationalizing sustainability and climate related initiatives into business operations. 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 climate change awareness. Our 2017 water score improved from a B- to a B, which demonstrates we have taken coordinated action on climate change issues.



WATER

Water is an important aspect to our production processes, and we treat this as a valuable re-usable resource. Part of our 2017 goals was to implement a formal water (use and discharge) data collection and tracking program, and to achieve a 6 percent reduction target on a per-unit-of-production basis. We were successful in establishing our 2017 water baseline to which we consumed 282 million gallons of water globally, which was a 1.75 percent increase from 2016. On an intensity basis, this works out to 24.2 liters (L) per unit of production. Although we narrowly missed our 6 percent per unit produced water reduction target, a total of 5.72 percent in water usage was achieved because of various projects being implemented in 2017. 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.

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 a fundamental human right, all of our facilities include fully functioning WASH services for workers (i.e., access to Water supply, Adequate Sanitation, and Hygiene).



Eyes on the Supply Chain

Nexteer Automotive takes steps to put the right information into the right hands at the right time.

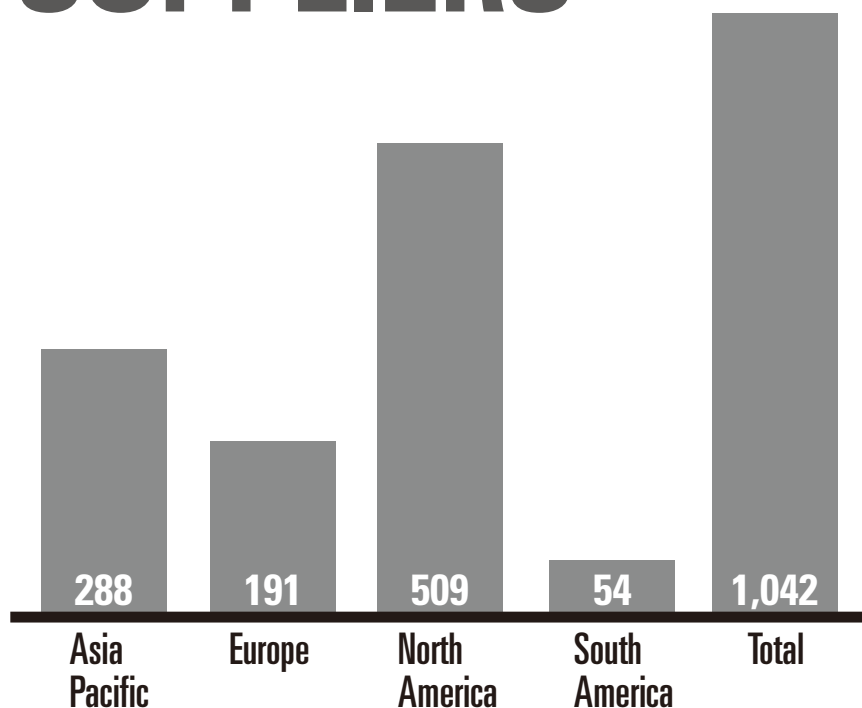
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ith more than 900 production suppliers delivering parts to 24 Nexteer manufacturing locations worldwide, timing is critical. So when events threaten to

disrupt the supply chain, such as a storm or worker strike at a major port, employees must act quickly to alleviate the risk.

“When you have a complex supply base like we do, it’s nearly impossible to manage on stand-

NUMBER OF NEXTEER SUPPLIERS



alone audits,” says Eric Chavez, global systems manager for Nexteer Automotive.

That’s why, in addition to on-site audits, the Company invests in web-based monitoring services to scan hundreds of databases

and public news sources to help identify potential risks.

One such service, RiskMethods, monitors all of the Company’s production suppliers in five major categories, including geographical/geopolitical, image



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

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SUPPLIER SCREENING

One-hundred percent of Nexteer’s suppliers must undergo a Manufacturing Capability Assessment (MCA), which is a visual plant inspection to evaluate the capability of a supplier’s process to produce/deliver a new program purchased part, or a future business part, that meets our customer requirements. Through the 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 regardless of their location. For the reporting year, we did not identify any significant actual and potential negative impacts to society, human rights, labor, or the environment in the supply chain.

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and compliance, market and cost, quality and performance, and viability.

There's complete visibility throughout the supply chain

In 2017, Chavez set out to change the way the RiskMethods data are collected and distributed so that the right information immediately gets to the right decision maker. Rather than one or two employees monitoring all alerts, now global supply management (GSM) regional directors, buyers, and production control and logistics employees have immediate access to alerts that directly impact their facilities.

All supply paths are mapped to their end destination or destinations to ensure complete visibility throughout the supply chain. That visibility extends to several second-tier suppliers.

In 2018, Nexteer plans on connecting the company's buyers and enterprise commodity managers to RiskMethods data, so they get alerts for their region and for their specific commodity group (e.g., castings, bearings, assemblies).

"We're putting a lot into instance risk mitigation so when something does happen, we can take in historical data and make assumptions for the future," says Chavez. "It's extremely important for us to make the best decisions possible, based on all of the available data."





Queretaro, Queretaro, Mexico



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.

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Dream. Create. Improve. Repeat.

Nexteer Automotive's innovative product research and development fuels next-generation automated driving advancements.

It's an exciting time to be an engineer at Nexteer Automotive. Industry sights are firmly set on the automated driving experience, and Nexteer is designing safe, intuitive wheel-to-wheel systems for the future, now.

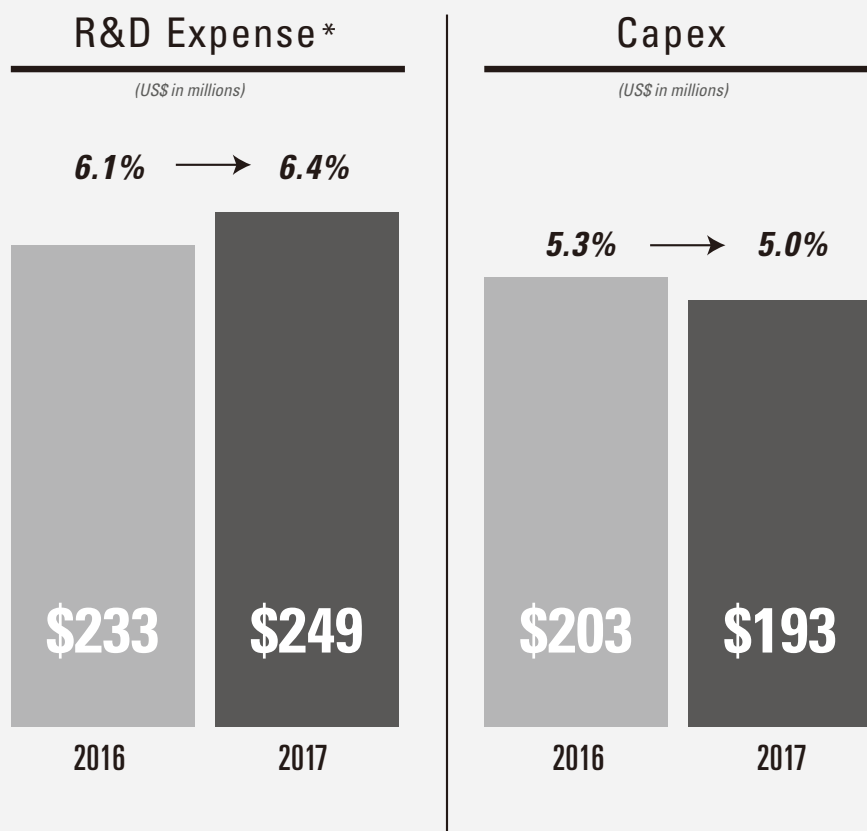
"Our engineers have the freedom and tools to create the next generation of steering products. Access to our in-house prototype, validation, and vehicle evaluation centers—coupled

with a fast, iterative design approach—allows the global team to quickly evaluate their ideas," says Aaron Seyuin, Nexteer Automotive's director of corporate engineering.

"Our in-house capabilities are only part of the Nexteer difference," adds Seyuin. "Our deep competency is rooted in 100+ years of technical leadership, most of which was done as part of an original equipment manufacturer (OEM).

YEAR-OVER-YEAR R&D SPENDING

R&D and Capex Investment for the Future



* Including engineering and product development costs charged to income statements and development costs capitalized as intangible asset of US\$7.3M in 2016 and US\$10.7M in 2017

This vehicle-level thinking is ingrained in our DNA, allowing us to better understand and anticipate our customers' needs."

The safety net is always on

In 2017, Nexteer Automotive launched a suite of Advanced Driver Assistance Systems steering technologies and capabilities that are designed to progress through the various levels of vehicle automation—with safety at the forefront.

Nexteer Steering on Demand™ System enables the transition between driver and automated driving control while Nexteer Quiet Wheel™ Steering eliminates steering wheel rotation during automated driving.

The company's High Availability Electric Power Steering enhances reliability and safety by building in back-up measures throughout the steering system, and Steer-by-Wire Technology removes the



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.



PRODUCT RESPONSIBILITY

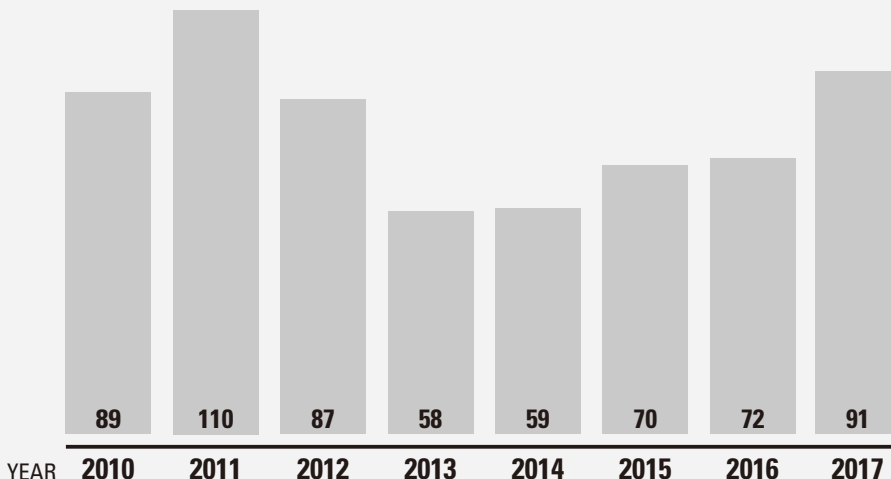
Over its 110-year history, Nexteer has brought to market product introductions that have enhanced passenger safety and comfort: Safety Steering, Tilt-wheel Steering, Brushless Electric Power Steering, and more. Safety is a foundational principle that guides the design, manufacturing, and quality across the enterprise. Nexteer's Quality Management System has started its transition to IATF 16949:2016 in November 2017 and is targeting to have all its manufacturing sites certified by August 2018.

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.

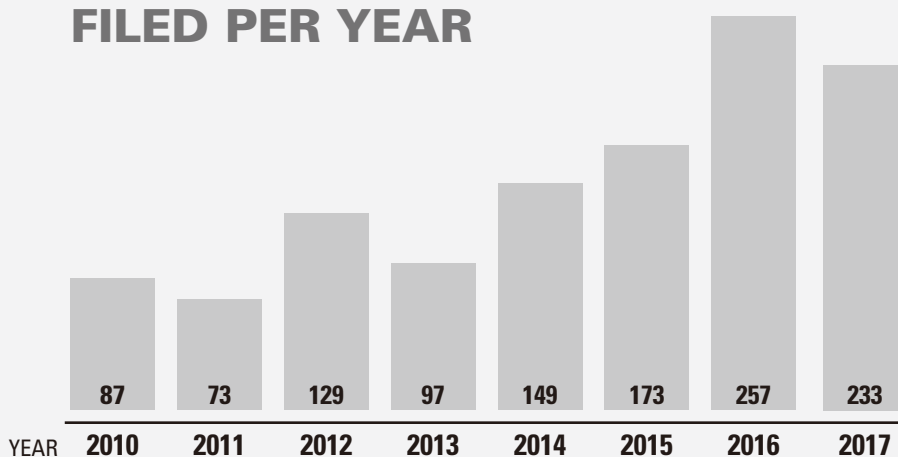
As our products are considered safety-critical, we do not at this time release specifics pertaining to product safety events. Nexteer respects the privacy of individuals whose personal information we need to access, collect, process, use, transmit, disclose, and store in the course of doing business. Nexteer is in the process of certifying that it adheres to the EU-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.

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GLOBAL PATENTS ISSUED PER YEAR



GLOBAL PATENTS FILED PER YEAR



need for a mechanical link between the road wheels and steering wheel. For added layers of security, Nexteer's market-leading Advanced Cybersecurity Technology protects against malicious intrusions and unverified steering commands.

"Nexteer has developed Steering on Demand and Quiet Wheel Steering around a robust steer-by-wire system. We've designed these products and their underlying technologies to seamlessly integrate with our

customers' vehicle systems and to provide an extra layer of security," says Jeff Zuraski, Nexteer Automotive's executive director of research and development. "By implementing cybersecurity and redundant component best practices, we like to say our 'safety net is always on.'"

Nexteer's automated driving applications are set to fuel future growth at the company for years to come.



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, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS OFFICE

1272 Doris Rd
Auburn Hills, MI 48326
United States

PLACE OF BUSINESS IN HONG KONG

31/F. Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

2017 REVENUE

US\$3.878 billion

2017 NET PROFIT









US\$356 million

FIND OUT MORE IN THE NEXTEER AUTOMOTIVE 2017 ANNUAL REPORT:

2017 Annual Report

HONG KONG STOCK EXCHANGE REFERENCES

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

HKE _x REFERENCE ASPECT AND KPIs	NEXTEER FOCUS AREA	2017 FISCAL YEAR RESPONSE
A. ENVIRONMENTAL		
A1: Emissions	 Environment (part of the Health, Safety & Environment focus area)	See page 19
A1.1-1.6 KPIs		See pages 16-20
A2: Use of Resources	 Environment (part of the Health, Safety & Environment focus area)	See pages 15 and 17
A2.1-2.5 KPIs		See pages 15-21
A3: The Environment and Natural Resources	 Environment (part of the Health, Safety & Environment focus area)	See pages 15, 17, and 21
A3.1 KPI		See pages 15 and 17
B. SOCIAL		
Employment and Labor Practices		
B1: Employment	 Business Ethics	See page 5
B2: Health & Safety	 Health & Safety (part of the Health, Safety & Environment focus area)	See pages 11 and 13
B3: Development and Training	 Business Ethics	See page 7
B4: Labor Standards	 Business Ethics	See page 7
Operating Practices		
B5: Supply Chain Management	 Supply Chain Excellence	See pages 23 and 25
B6: Product Responsibility	 Value Creation	See page 28
B7: Anti-corruption	 Business Ethics	See page 5
Community		
B8: Community Investment	 Community Relations	See pages 9 and 10

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



One Nexteer Culture



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, including 1 non-consolidated joint venture, 3 technical engineering centers, and 14 customer service centers

Global workforce: More than 13,400 full-time equivalent

Global customers: Over 50, including BMW, FCA, Ford, GM, PSA Group, Shanghai GM, SGMW, Toyota, Renault-Nissan-Mitsubishi Alliance, Volkswagen, and domestic automakers in India, China, and South America

World headquarters: Auburn Hills, Michigan, USA

Revenue: US\$3.878 billion in 2017

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.

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 5 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

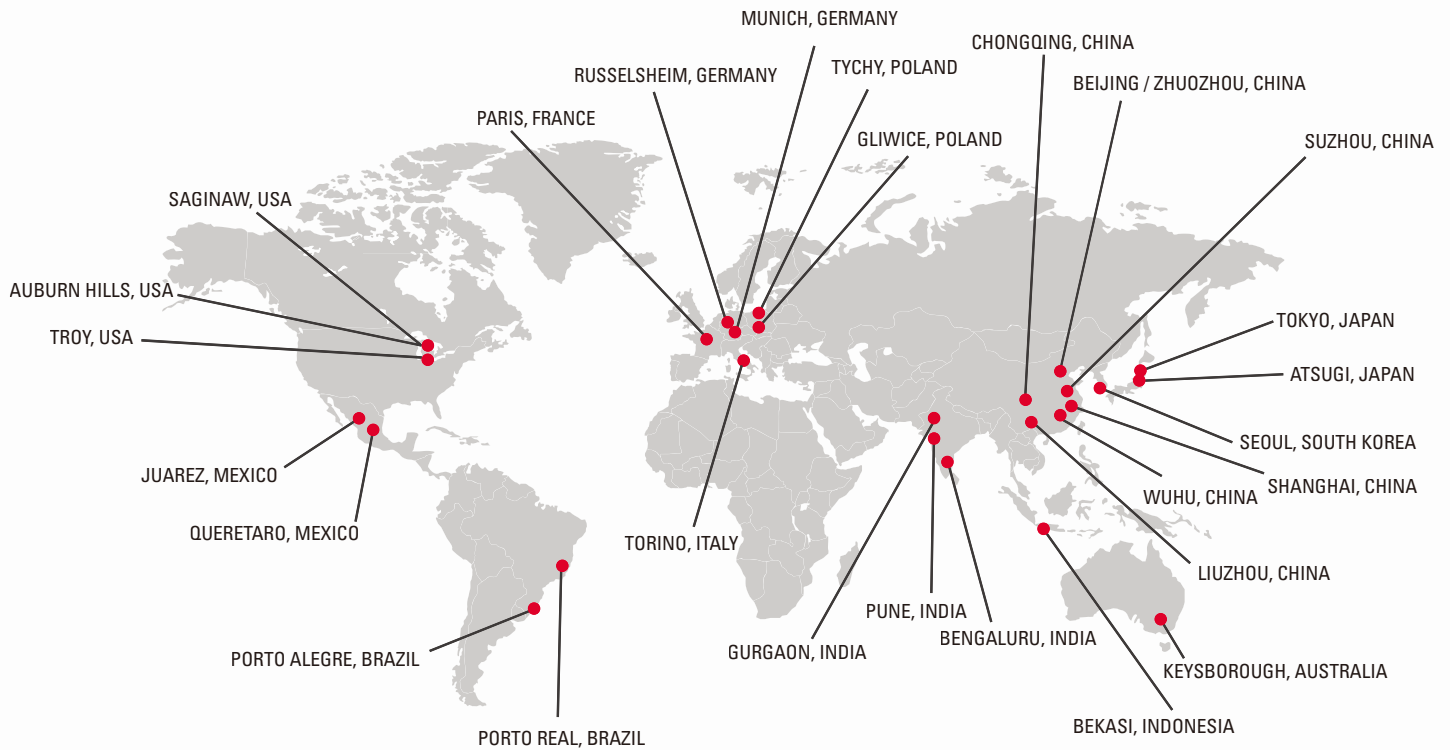
As a leader in intuitive motion control, we're poised to expand our in-house technologies to:

- 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



World Headquarters
1272 Doris Rd
Auburn Hills MI 48326
United States of America
+1 248-340-8200
www.nexteer.com