

2021

# Environmental Report



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# Environmental Policy

## Global Environmental Policy

Through our Vision, Mission, and Values, this policy is our commitment to be a good corporate citizen, protect the environment, prevent pollution, fulfill our environmental compliance obligations, and continually improve our Environmental Management System to enhance environmental performance and other commitments.

## Governance

Top management monitors and assesses each elected facility to ensure compliance to legal requirements, conformance, and improvement of the environmental management system.

## Facilities

Facility management is responsible and accountable for responsible chemical management, water quality and consumption,

air quality, sustainable resource management and waste reduction, energy efficiency, renewable energy, and greenhouse gas emissions.

## Customers/Suppliers/Contractors

We will work closely with our stakeholders to communicate and apply our environmental responsibilities, and other specific commitments as applicable to their products or services.

## Team Members

Team members are on the front lines of environmental performance; therefore, they receive ongoing training and communication, and they participate in identifying opportunities to improve environmental performance.



# Environmental Introduction

Throughout Neapco's history as an automotive industry supplier, we have held strong environmental stewardship at the center of our operations. With cutting-edge innovation and technological capabilities, we drive towards a more sustainable future, and strive to more efficiently serve our customers.

Through our environmental management systems, we are committed to continuous improvement at each of our facilities. Additionally, over the past two years, we have cultivated our Sustainability Governance Board and Working Group to oversee and implement our sustainability practices. The Governance Board is responsible for overseeing all sustainability practices and performances including setting environmental Key Performance Indicators (KPIs) and targets. The working group is then tasked with executing the defined initiatives in conjunction with the Governance Board.

This year, Neapco has completed a thorough Materiality Assessment to identify areas where we can have the greatest impact for our stakeholders, which will have the greatest impact to Neapco's business. The results of this assessment indicated the topics that Neapco will include in sustainability initiatives and goal setting. This report will outline our management approach, plans, and quantitative performance in each of these material topics. We pride ourselves on transparent reporting to maintain our integrity and provide true security to our clients and stakeholders.

## Our Environmental Material Topics Include:

- Greenhouse Gas (GHG) Emissions
- Energy Management
- Waste Management and Circular Economy
- Water Management and Wastewater

With cutting-edge innovation and technological capabilities, we drive towards a more sustainable future, and strive to more efficiently serve our customers.





## GHG Emissions

### TOTAL

**49,783**  
metric tons CO<sub>2</sub>e

### SCOPE 1

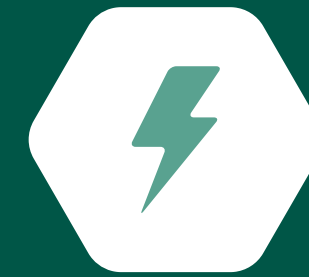
**8,258**  
metric tons CO<sub>2</sub>e

### SCOPE 2

**41,525**  
metric tons CO<sub>2</sub>e

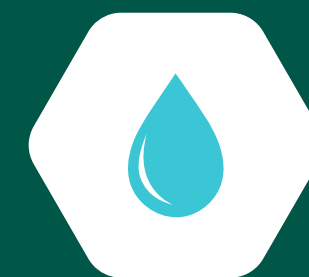
### EMISSIONS INTENSITY

**.00006**  
metric tons CO<sub>2</sub>e/  
USD revenue



## Energy Consumption

**370,677**  
gigajoules



## Water Usage

**47,926,970**  
gallons



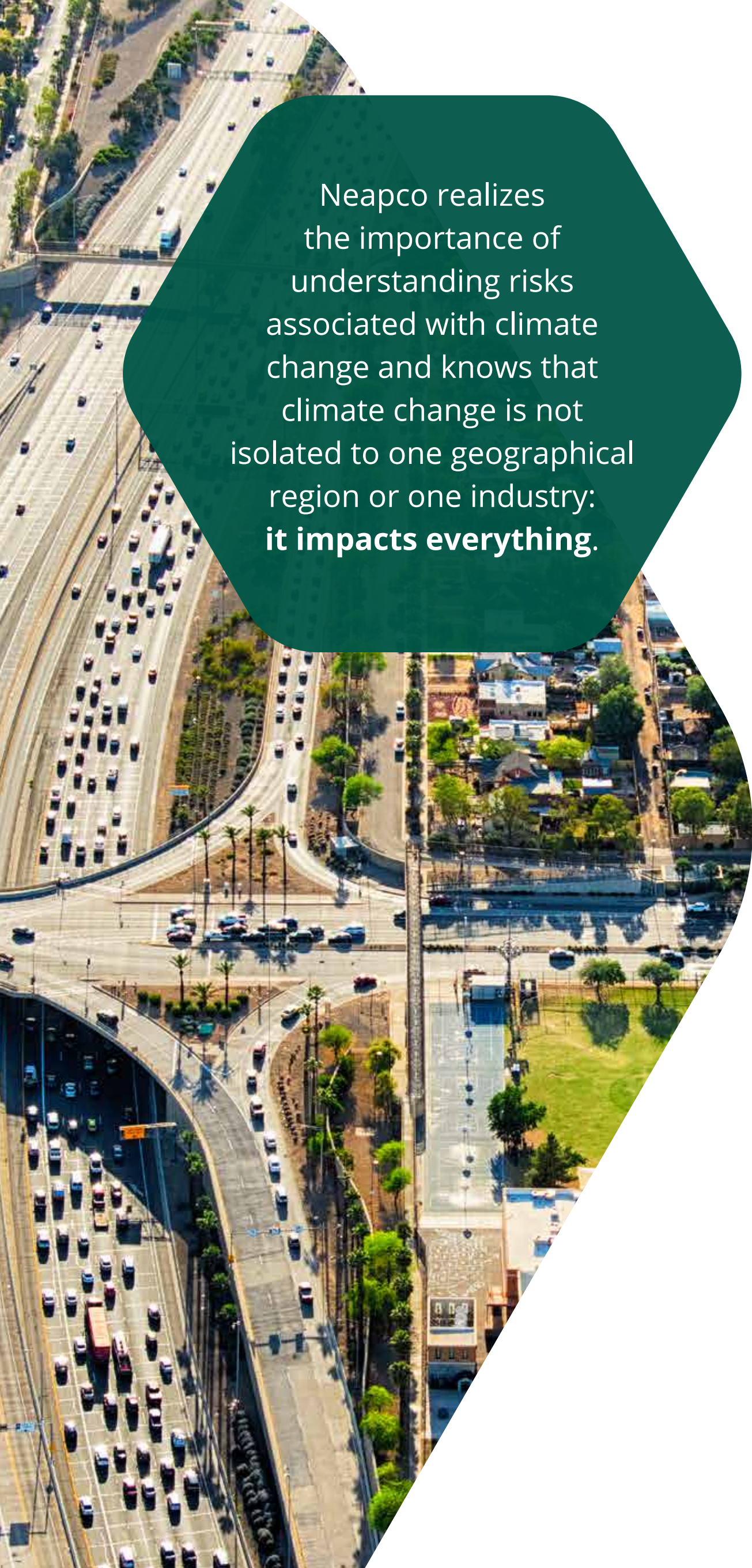
## Waste

**15,255**  
metric tons

**2,569**  
metric tons  
to landfill

**12,686**  
metric tons  
recycled





Neapco realizes the importance of understanding risks associated with climate change and knows that climate change is not isolated to one geographical region or one industry: **it impacts everything.**

# Climate Risk Analysis

**Climate change is reshaping the environment with significant implications for countries, cities, and organizations alike.** Increasing temperatures, changing precipitation, and intensifying weather conditions exacerbate current risks and create new ones. Conversely, climate change can also present opportunities via new markets, shifts in consumer demand, and advancements in technology.

Neapco realizes the importance of understanding risks associated with climate change and knows that climate change is not isolated to one geographical region or one industry: it impacts everything. We conducted our first climate risk analysis, which included the identification of both transition risks and physical risks. We partnered with a third-party sustainability consulting firm to walk us through this process and to better understand not only the implications under different climate

scenarios, but also how to integrate this analysis into our business strategy and ensure that these risks are continually monitored and proactively managed. The purpose of this Climate Risk Analysis was to identify the likelihood of future climate hazards and their potential financial, operational, and strategic impacts. This is a fundamental step for Neapco to help inform the prioritization of different projects related to both mitigation and adaptation efforts based on the likelihood and impact of these identified risks.

**Transition risks** are business-related risks that follow societal and economic shifts towards a low-carbon and more climate-friendly future. These risks can include climate-related policy and regulatory risks, technology risks, market risks, and reputational risks. We utilized the Taskforce on Climate-related Financial Disclosures (TCFD) to help shape our climate analysis and the types of transition

risks we investigated. Additionally, we used the Shared Socio-economic Pathways (SSP) which are scenarios of projected socioeconomic global changes up to 2100. The SSPs set the stage on which reductions in emissions will, or will not, be achieved based on several factors including climate policies, socioeconomic development, and technology. Our transition risks looked across our organization at a corporate level under the different SSP scenarios to determine the probability of event and magnitude of impact. This analysis resulted in the identification of several high priority risks including, but not limited to, enhanced emissions-reporting obligations and shifts in consumer preferences. Refer to the table on page 8 for further elaboration.

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**Physical risks** from climate change stem from periodic event-driven natural disasters (acute) as well as chronic, long-term changes to climate patterns. These risks can lead to reduced resilience and significant financial loss. We leveraged the CDP Climate Assessment to help determine the types of acute and chronic risks we should consider in our analysis. Our physical risks and their potential outcomes were informed by the future scenarios outlined by the Representative Concentration Pathways (RCP). The RCPs are greenhouse gas concentration trajectories adopted by the IPCC. Four pathways were used for climate modeling and research for the IPCC Fifth Assessment Report on Climate Change in 2014. These four pathways include temperatures ranging from below 2°C warming relative to 1850-1900 levels by 2100 to

approximately a 4.4°C warming relative to 1850-1900 levels by 2100. We looked at each of our facility locations to determine the most pressing acute and chronic risks. From there, we mapped out the probability of the event and the magnitude of impact under the four different scenarios.

While climate-related risks are critical to identify, climate-related opportunities can offer new paths to grow. Neapco has been working on several projects to increase efficiency and reduce emissions associated with our products. Born from the need to advance our products as well as meet the requests of our customers to reduce their scope 3 emissions of which we are part of, we were able to investigate using alternative materials for some of our products. By changing out steel for aluminum, we have been

able to reduce the weight of some of our products, which means that fewer emissions are produced to transport to our customers. Additionally, aluminum is one of the easiest materials to reuse and recycle, which allows us to reduce our reliance on raw materials and continuously work towards a circular economy. In addition to material changes, we are constantly looking for ways to increase the efficiency in our manufacturing process. This not only reduces costs, but it also reduces the amount of energy that is being consumed by our facilities.

By changing out steel for aluminum, we have been able to reduce the weight of some of our products, which means that **fewer emissions are produced** to transport to our customers.

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# Summarized Climate Risks

CLIMATE-RELATED RISK		NEAPCO SPECIFIC RISK	REASONING
Transition	Enhanced emissions-reporting obligations	Federal requirements proposed by the SEC for non-financial climate-related disclosures	While Neapco is not a publicly listed company, several of our customers are. By proactively reporting our emissions to the CDP and in our Sustainability Report, we will be able to stay ahead of enhanced emissions-reporting obligations and the non-financial climate-related disclosures that are put forth by federal regulatory agencies.
Transition	Shifts in consumer preferences	Increase in demand for electric vehicles	Neapco has predominantly manufactured auto parts for combustion engine vehicles. Given the shift towards electric vehicles, Neapco has started to think about our business model and product segments to ensure our relevance and continued success despite the shift in consumer preferences. The majority of our operations are likely to be unaffected despite this shift, however, one product segment is likely to decrease in demand since it is not needed in the manufacturing of electric vehicles.
Physical	Acute	Dependent on our specific facility locations, but commonalities included: <ul style="list-style-type: none"> <li>• heavy precipitation</li> <li>• pluvial flooding</li> <li>• heatwaves</li> </ul>	Neapco is working to mitigate our environmental footprint, while simultaneously preparing for any future risks by considering different adaptation initiatives and projects. We understand that our facilities must be shut down due to a disaster that reduces our productivity and increases the safety risk for our employees if we are not properly prepared.
Physical	Chronic	Dependent on our specific facility locations, but commonalities included temperature variability and heat stress	

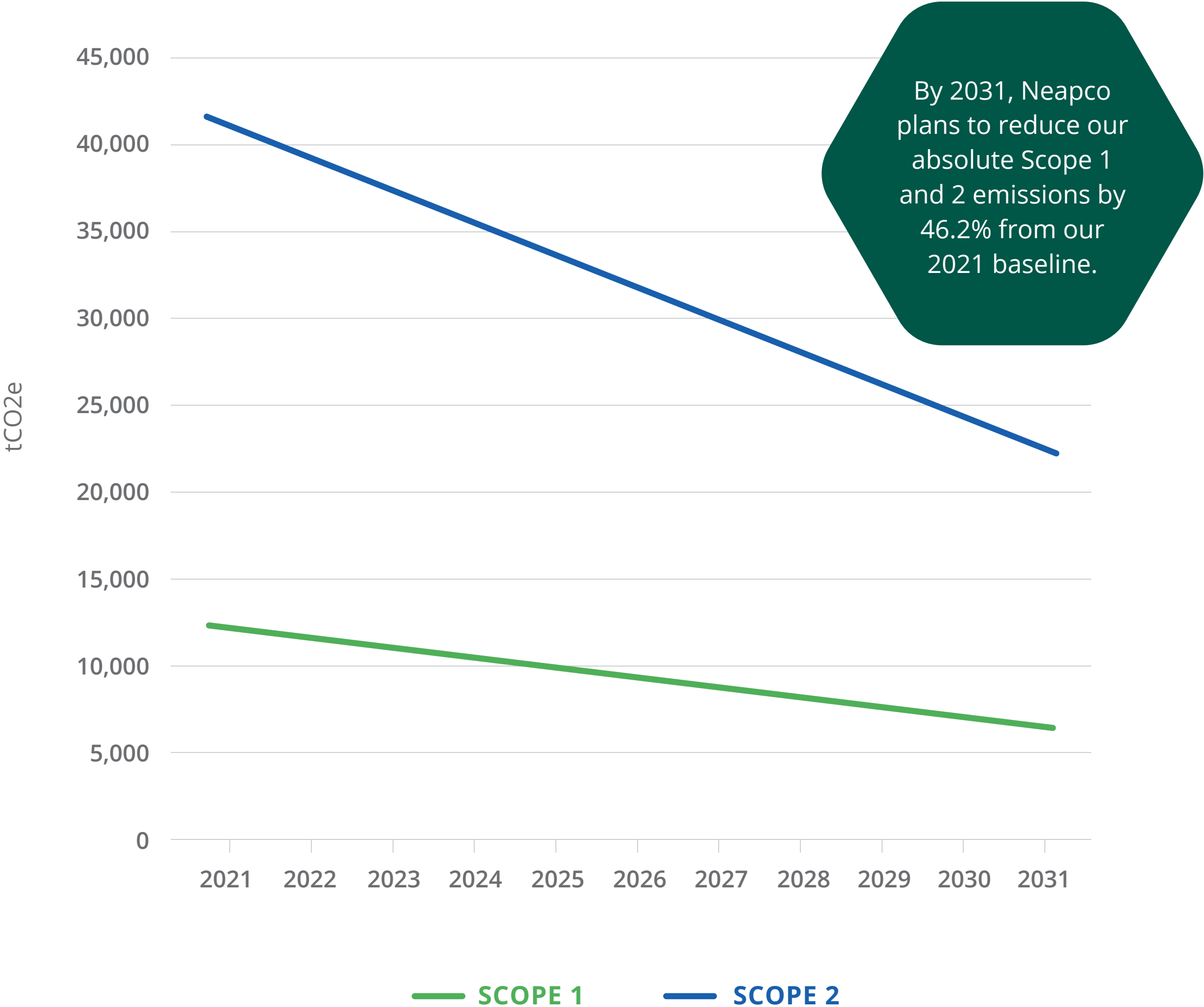


# Science Based Targets

The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. Neapco submitted our SBTi Commitment Letter because we recognize the crucial role the business community can play in minimizing the risk climate change poses to the future of our planet.

We have established a science aligned target for our Scope 1 and 2 emissions and are in the process of determining our science aligned target for our Scope 3 emissions. Once established, we will submit our Scope 1, 2, and 3 emissions reductions targets to SBTi for approval. By 2031, Neapco plans to reduce our absolute Scope 1 and 2 emissions by 46.2% from our 2021 baseline. Our year over year reduction is modeled in figure 1.

FIGURE 1  
**Greenhouse Gas Emissions Reduction Target**





## MATERIAL TOPIC

# Greenhouse Gas Emissions

Neapco is committed to the continual monitoring and reduction of the greenhouse gas emissions associated with our operations and our impact on the environment.

Neapco is committed to the continual monitoring and reduction of the greenhouse gas emissions associated with our operations and our impact on the environment. In 2021, Neapco completed our first company-wide Greenhouse Gas Inventory. Aligned with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, the inventory covered all relevant sources of Scope 1 and Scope 2 emission sources, and the data and calculations used in the inventory have been verified by a third party on the principles of relevance, completeness, consistency, accuracy, and transparency. Going forward, calendar year 2021 will be used for all baseline GHG emission targets and analysis.

Our 2021 inventory was completed using operational control and accounted for the following sources:

### Scope 1

- Natural Gas
- Transportation (Owned/Leased Vehicles)
- Purchased Gases/Chemicals
- Refrigerant

### Scope 2

- Purchased Electricity

Although Scope 3 emissions are not included in our 2021 GHG inventory, Neapco has undergone a Scope 3 Screening of relevant Scope 3 emissions categories to identify the most significant sources of Scope 3 emissions. The Greenhouse Gas Protocol's Quantis Scope 3 Evaluator tool was used to complete the Screening. The results of the Scope 3 Screening will be used to prioritize the calculation of Scope 3 emissions figures for the most significant sources in future GHG inventories to ensure Neapco is accurately reporting on our complete GHG emissions impact. The Screening identified Purchased Goods and Services as the most significant source of Scope 3 emissions (Figure 5) and, as a result, Neapco will be increasing our engagement with our supply chain to better understand our emissions impact relevant to this category.



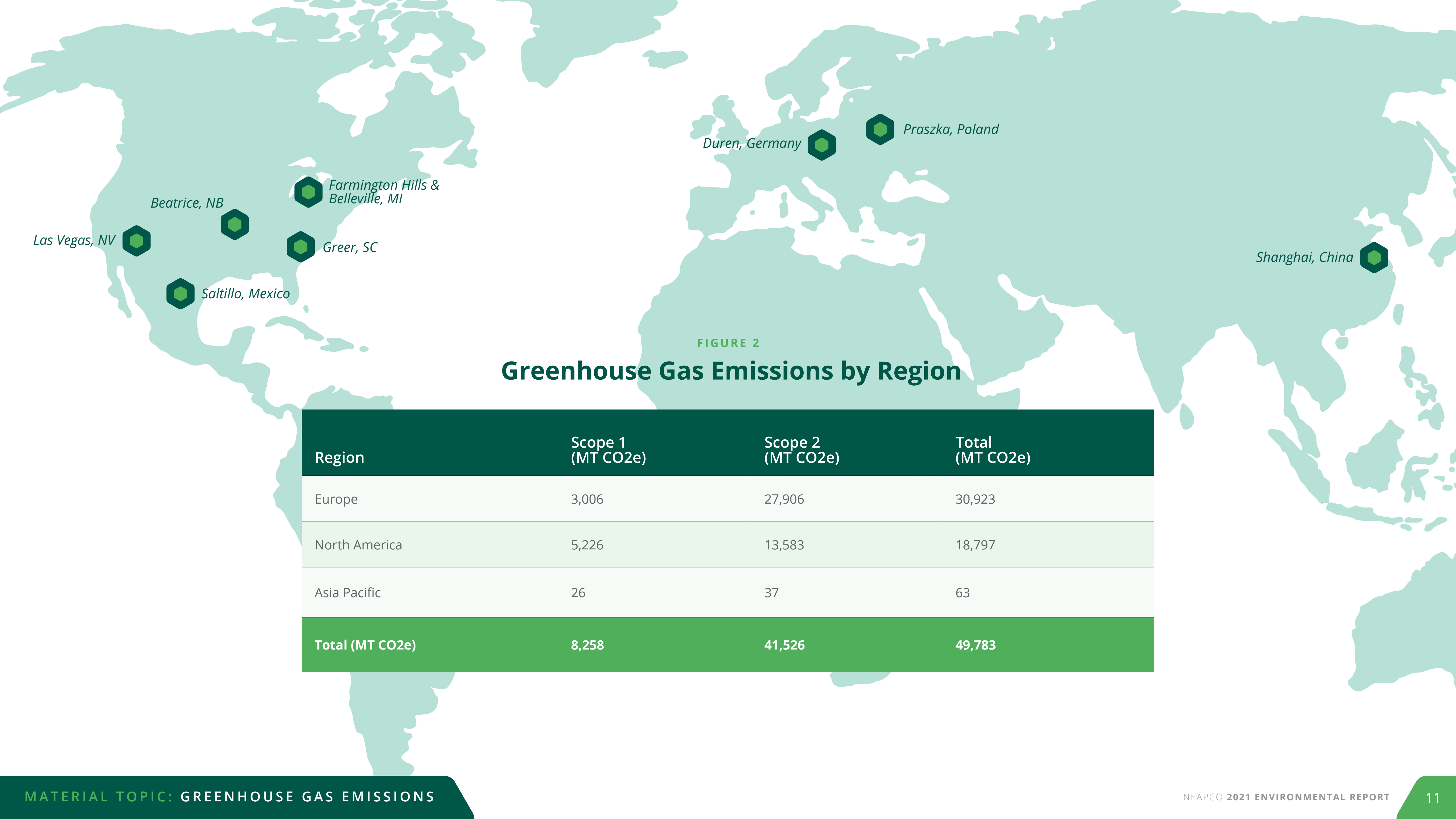


FIGURE 2

# Greenhouse Gas Emissions by Region

Region	Scope 1 (MT CO2e)	Scope 2 (MT CO2e)	Total (MT CO2e)
Europe	3,006	27,906	30,923
North America	5,226	13,583	18,797
Asia Pacific	26	37	63
Total (MT CO2e)	8,258	41,526	49,783



FIGURE 3

## Scope 1 and 2 Emissions

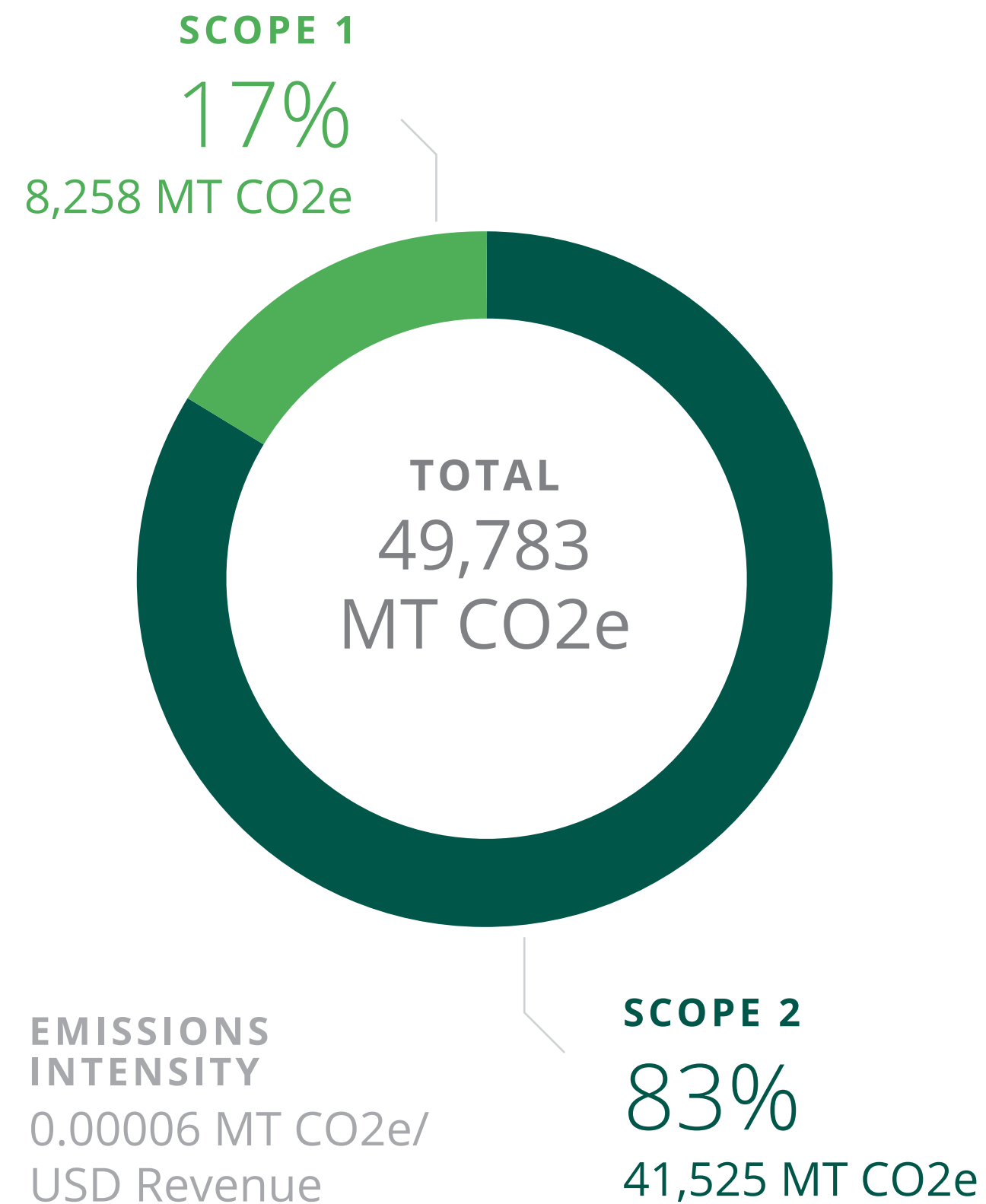


FIGURE 4

## Scope 1 Emissions Breakdown

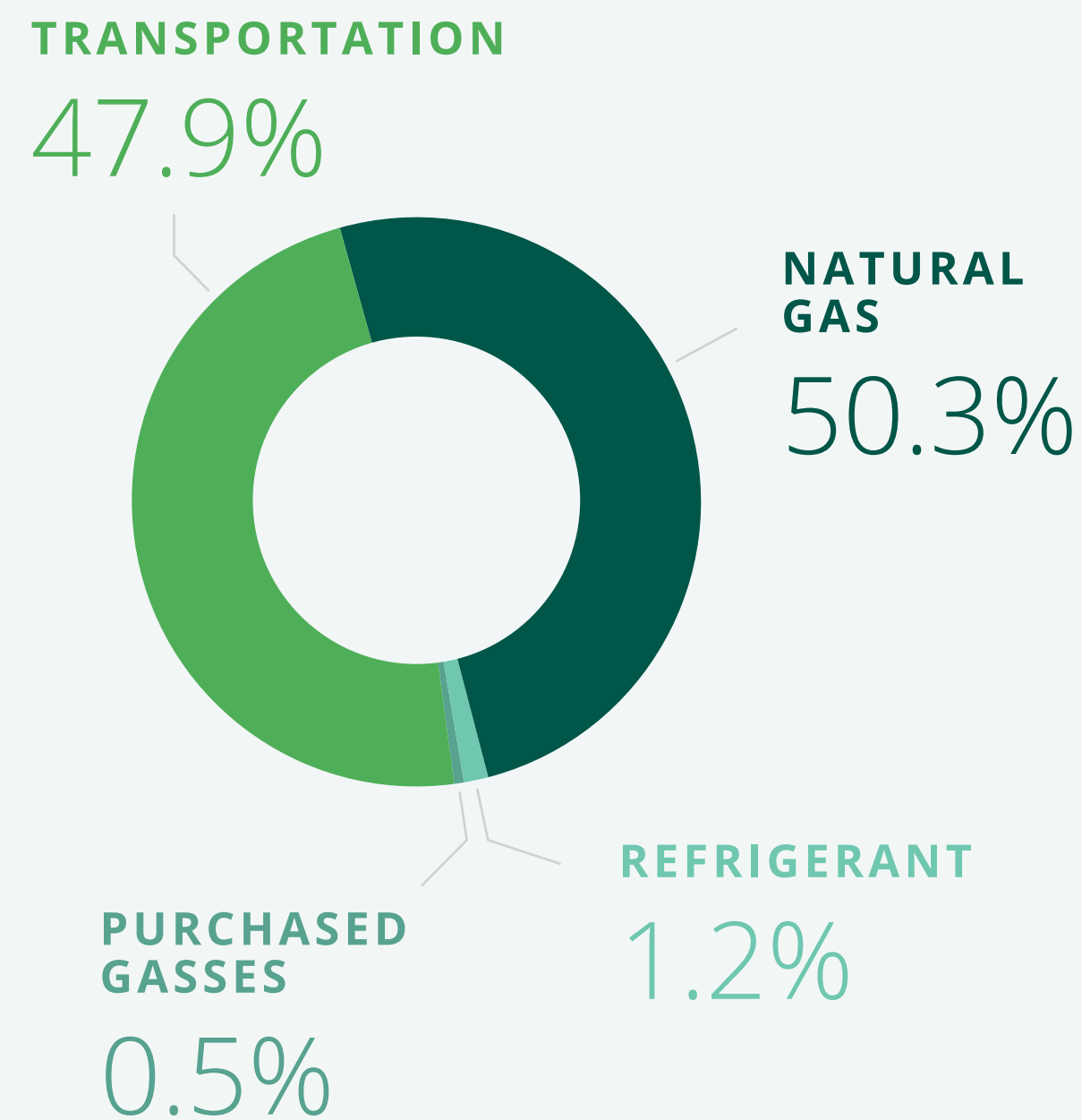
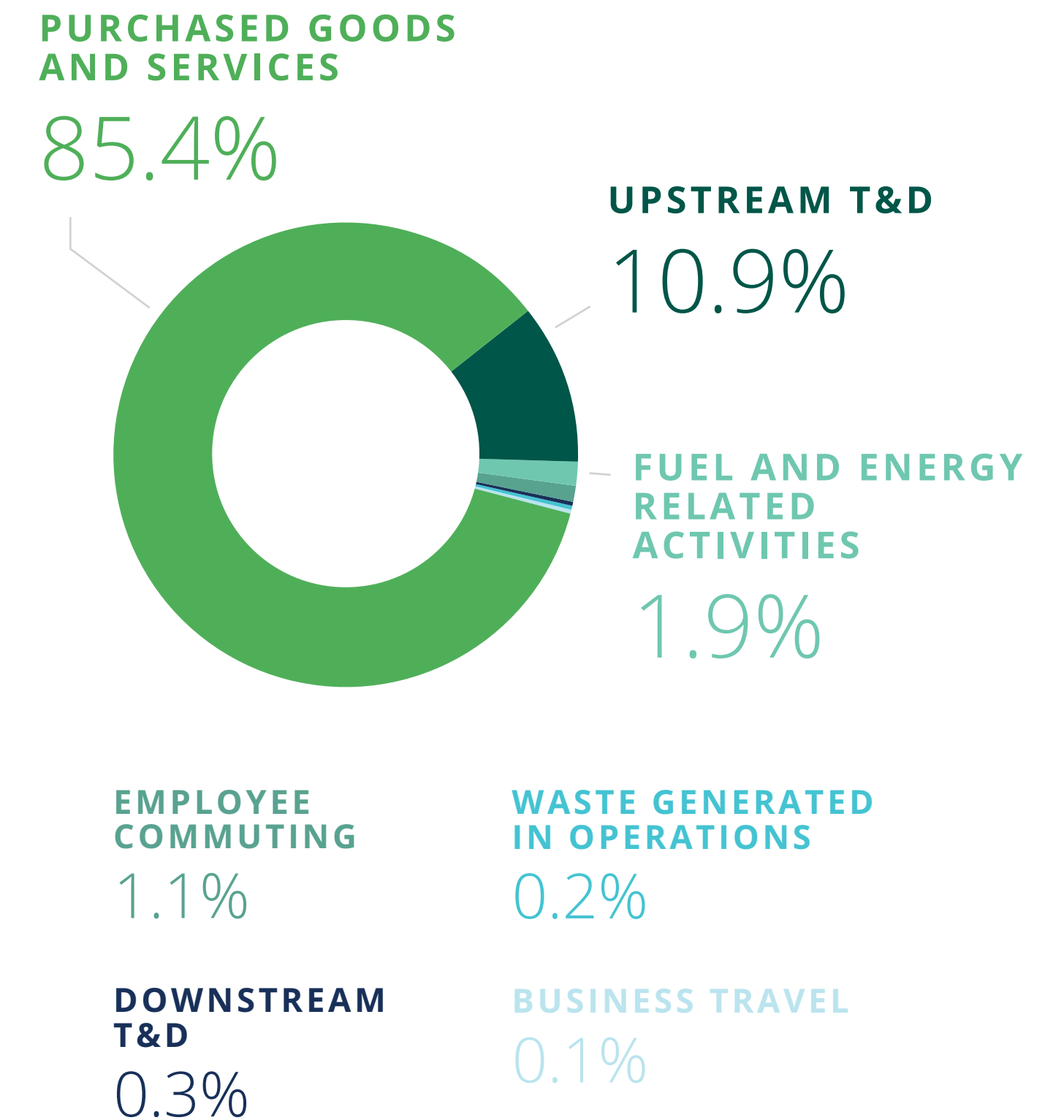


FIGURE 5

## Scope 3 Estimated Emissions







## MATERIAL TOPIC

# Energy Management

2021 has been a year of upgrades for Neapco across many facilities. We have implemented several production improvements that have reduced energy consumption.

2021 has been a year of upgrades for Neapco across many facilities. We have implemented several production improvements that have reduced energy consumption including installing LED lighting, upgrading a vacuum oven and furnace, window replacement, and optimizing the running time for ventilation.

One example of an energy efficiency initiative was the installation of energy efficient LED fixtures in our Belleville facility. Due to this project, we realized a lighting energy reduction of 60% in the office and a 75% reduction on the High Bay lights in the warehouse. This improvement resulted in the annual electricity savings of \$163,530 and an annual CO2 reduction of 1,417 MT CO2e. Due to the success of this project, we have begun to retrofit additional facilities.

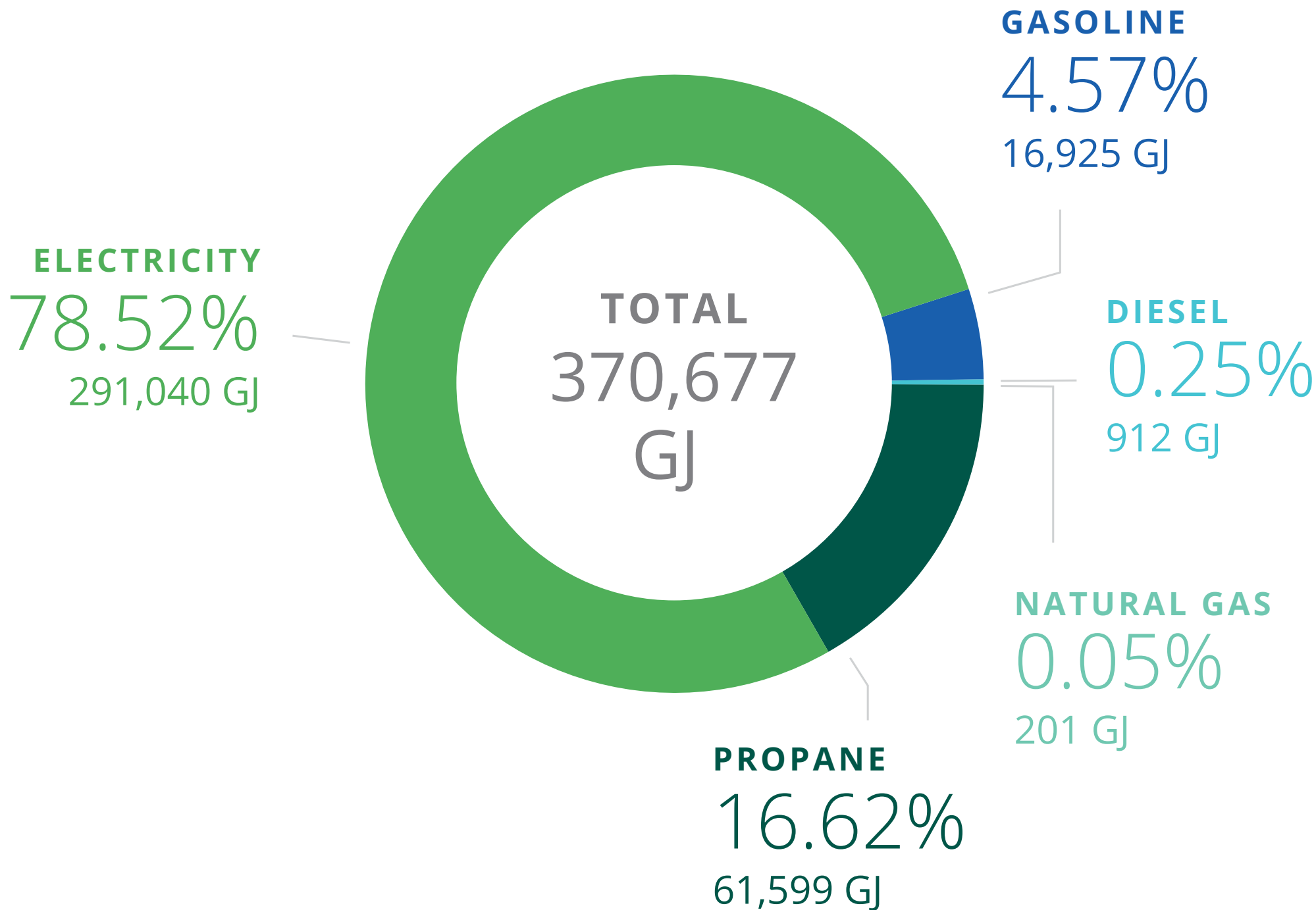
An additional program designed to improve our energy efficiency is the utilization and distribution of recover heat from our production lines to heat production halls.

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FIGURE 6

Energy Consumption by Source



ENERGY INTENSITY RATIO FOR THE ORGANIZATION  
0.0004 GJ/USD Revenue

As the world of motor vehicles drives in the direction of conservation, electric and hybrid vehicles are rapidly filling the market. Our 4EVer lineup is expanding to forge the path of the electrification trend. At Neapco, we understand our company will thrive by joining the movement and we are excited to be advancing our products such as half shafts for electric vehicles. Our engineers are developing a half shaft portfolio that is rapidly growing to accommodate the evolving requirements of vehicle electrification. These half shafts have launched or will soon be launching in Europe, China, and North America. This continues to exemplify our commitment to global energy efficiency.

Energy consumption reduction is an ongoing mission to work smarter, not harder while realizing the savings for our budget and more importantly for our planet. We are a company that works towards continuous organization-wide improvement.

As part of our future considerations, we are actively exploring the feasibility of installing solar panels and EV charging stations to further reduce our Scope 2 and Scope 3 emissions.

Energy management is overseen by plant managers and the Sustainability Governance Board. We are actively working to set targets for our key performance indicators regarding energy management.





## MATERIAL TOPIC

# Waste Management and Circular Economy

Our production process considers circularity and end-of-life for all of our products and materials.

Throughout the year we gather data on our waste procedures to continually improve the operations within the supply chain. We apply the PDCA A3 (Plan Do Check Act and A3) cycle to create the necessary changes for an upgraded work stream. The systems we implement always aim to improve our quality and output.

Now more than ever it is imperative to optimize our waste reduction measures as we follow the three R's of Reduce, Reuse, and Recycle. Our production process considers circularity and end-of-life for all of our products and materials. Currently, we are carrying out techniques which produce and utilize lighter materials for improved energy-efficient, reduced material requirements and inputs, and ultimately reduced waste. Our waste streams are managed with integrity and thoughtfulness, such as choosing the most efficient scrap yards, recycling all materials possible, and separating the waste into appropriate groups for the best possible results.

Our programs are mindful and consistent in the improvement of our waste mitigation process. Paper is one of the most used materials in any business, which is why Neapco promotes digitization with every opportunity. Waste management is overseen by plant managers and the Sustainability Governance Board. Innovation and creative design measures are continuously explored to enhance our operations to lean into the circular economy. We are actively working to set targets for our key performance indicators regarding waste management and the circular economy.



FIGURE 7  
**Landfill vs Recycled Breakdown**

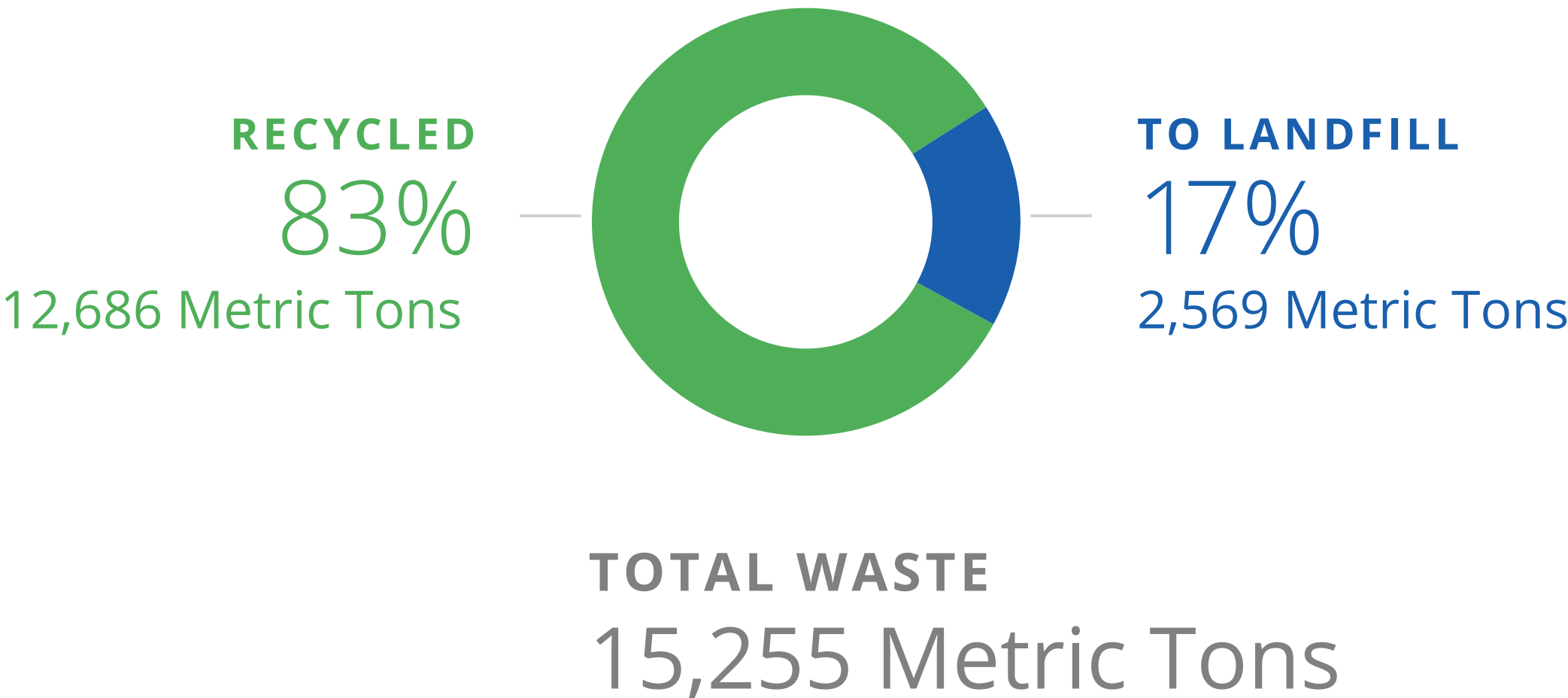
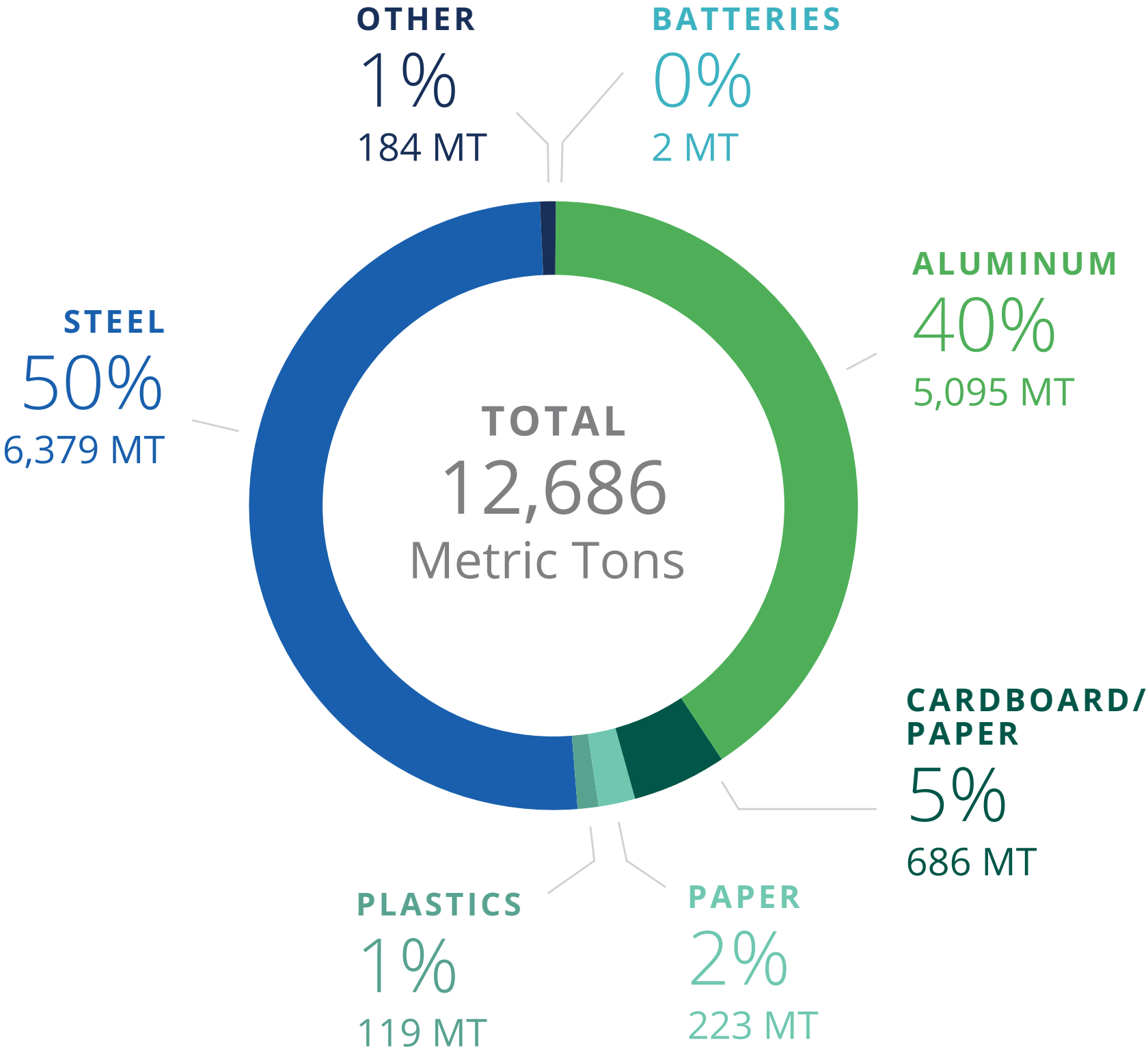


FIGURE 8  
**Breakdown of Recycled Materials**





## MATERIAL TOPIC

# Water and Wastewater Management

We are dedicated to setting targets for continual improvement of effective water usage, minimizing the impact of water usage, and preventing pollution.

Through our Vision, Mission, and Values, Neapco is committed to being a responsible steward for water management, quality, and conservation. We are dedicated to setting targets for continual improvement of effective water usage, minimizing the impact of water usage, and preventing pollution.

Top management shall ensure that all water policy requirements are managed through the environmental management system and the sustainability governance board and working group. All team members are encouraged to participate in the development, implementation, monitoring, and improvement of the water program.

We work closely with all stakeholders and affected parties to communicate and apply our water management and environmental responsibilities, as applicable to our operations and their products or services to proactively eliminate water related risks. Each facility is expected to identify and, as necessary, reduce risk. All water-related issues or events are reported to top management and appropriate agencies and are then investigated. Our risk assessment process uses a combination of the WRI Aqueduct Water Risk Atlas and the WWF Water Risk Filter to identify and assess the impacts of a variety of water risks for each facility. Risks are broken down by operational risks and basin risks. Multiple risk categories are assessed under both operational and basin risks including physical risk (i.e., water scarcity, flooding, water quality, and ecosystem services), regulatory risk (i.e., enabling environment, institutions & governance, management instruments, and infrastructure & finance) , and reputational risk (i.e., cultural importance, biodiversity importance, media scrutiny, and

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conflict). Based on these risks, each facility is given a score from 1 (very low risk) to 5 (very high risk). These risks are included in a scenario analysis from 2021 through 2050 including a business-as-usual scenario, an optimistic scenario, and a pessimistic scenario. Based on the risks identified in the WWF Water Risk Filter, Neapco will prioritize actions to mitigate these risks either at a facility level or company-wide if the risk is significant across all facilities.

At our manufacturing facilities, water is used for in the manufacturing process, sanitation, and drinking water. In our distribution centers and our offices, water is mainly used for sanitation and drinking water. Neapco does not currently track water discharges but will begin developing a method to track water discharges in the near future.

Neapco does not currently request water related impacts or disclosures from suppliers, but we are considering implementing this for future reporting.

Water and Wastewater management is overseen by plant managers and the Sustainability Governance Board. We are actively working to set targets for our key performance indicators regarding water and wastewater.

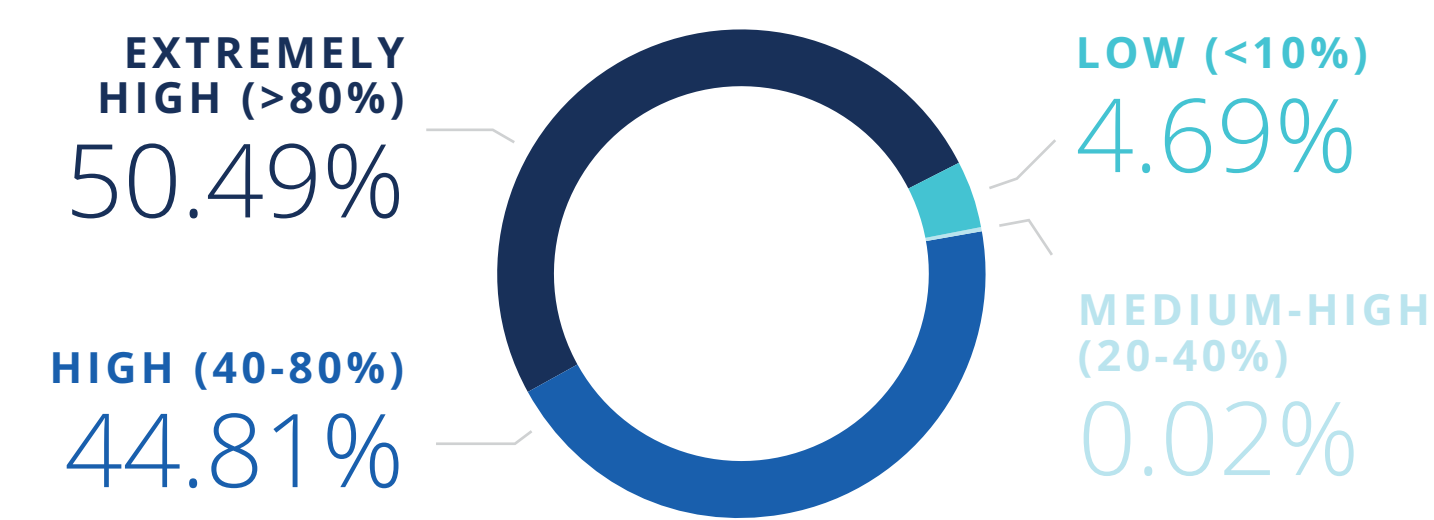
FIGURE 9

### Water Consumption by Region

Region	Consumption (Gallons)	% Total
Europe	21,428,842	44.7%
North America	26,450,211	55.2%
Asia Pacific	47,915	0.10%
Total	47,926,968 Gallons	100%

FIGURE 10

### Water Breakdown by Water Stress







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