



EXPERIENCE YOU CAN TRUST<sup>®</sup>

# SUSTAINABILITY REPORT

*March 2023*

[mecinc.com](http://mecinc.com)



# Table of Contents

Message from the President & CEO.....	3
MEC Business Excellence (MBX).....	4
Environmental Footprint.....	5
Health & Safety.....	6
Talent Attraction and Retention.....	7
Supply Chain Management.....	8
Data Privacy and Cybersecurity.....	9
Business Ethics & Governance.....	10
Community Engagement.....	11



## RECOGNITION OF OUR WORK



***MEC was named the #1 Fabricator in the U.S. by The Fabricator Magazine for the 12<sup>th</sup> straight year in June 2022***



# Message from the President & CEO

In July, I was honored to accept the role of President & CEO of MEC. I am excited to lead the largest fabricator in the United States. Our position as the market leader reflects the trust of our customers across a diverse group of industries such as construction & access, heavy- and medium-duty commercial vehicles, powersports, agriculture, military, electric vehicles, renewables, and many others.

It is an exciting time for MEC. In the third quarter of 2022, we commenced production at the Hazel Park, Michigan facility that will eventually bring 390 jobs to the area. And in November, we announced our strategy deployment process, MEC Business Excellence (MBX) that outlines our strategic vision and execution plans that will guide our future sustainable value creation.

MEC's focus on a sustainable future continues to strengthen and advance. MEC's commitment to sustainability is grounded in two crucial facts. First and most importantly, ***it is the right thing to do for our planet***, our employee shareholders, and our communities. Second, the customers we serve also know that it is the right thing to do, and MEC's commitment to a sustainable future is critical to our reputation as a ***trusted supplier to our customers***

As part of our commitment, MEC completed a materiality analysis in 2022 to understand which sustainability and ESG topics were most critical to our investors, employee shareholders, customers, and other community stakeholders. To complete this assessment, we interviewed our management and Board of Directors, reviewed customer sustainability requests, and analyzed our peer companies to determine which sustainability issues are most important to our stakeholders.

MEC's commitment is not just lip service. I am excited to announce ***our goal of a 25% reduction in energy, scrap, and water intensity by 2028***. As we look to 2023 and beyond, we will continue to evaluate our commitment to a sustainable future so that MEC remains a trusted supplier and a source of value for all members of our community, regardless of their background.

Sincerely,



President & CEO

Mayville Engineering Company, Inc.

## Material Sustainability Topics

-  Materials Efficiency
-  Energy Management
-  Employee Health & Safety
-  Talent Acquisition & Retention
-  Data Privacy & Cybersecurity
-  Supply Chain Management

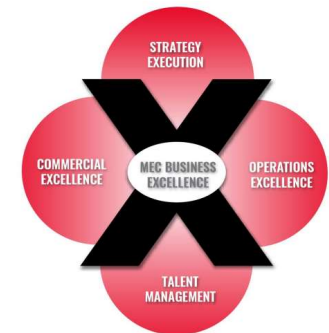


# MEC Business Excellence

Announced in November of 2022, MBX encompasses MEC's strategic deployment planning and the people, processes, and systems necessary to execute our strategy. Based in lean manufacturing principles, MEC Business Excellence **will drive commercial and operational excellence, cost reductions, and provide a platform to standardize processes and systems across MEC.**

As part of MBX, we have established clear short- and long-term objectives, key improvement priorities, and targets to improve that will drive our operational and financial goals. Each quarter the MBX team will lead special events known as the President's Kaizen. These events will include members of the executive team to illustrate our commitment to improve throughput, increase labor efficiency, reduce inventory, enhance safety, and drive meaningful cost reductions. In addition to the President's Kaizens, we also have 135 kaizens scheduled in 2023 across all of our facilities. MBX's impact **will not just be seen in our financial statements, it will also provide many positive impacts to our sustainability initiatives, commitments, and goals.**

## MBX Transformational Principles



### MBX's positive impact on sustainability



Expanding into environmentally sustainable industries such as electric vehicles and renewable energy



Implementing standard employee health & safety processes that provide consistent best practices across all of our facilities



Executing our lean manufacturing operating excellence objectives which will limit our environmental footprint by reducing waste, increasing energy efficiency, and limiting our water usage



Providing best-in-class training for our executives, engineers, and assembly line managers that will positively impact talent acquisition and retention. Areas of focus include lean manufacturing, standard introductory manufacturing training, and health and safety training

# Environmental Footprint

MEC is committed to business practices that protect and benefit the environment, especially practices that relate to energy management and material efficiency. As part of IATF 16949, a global quality management system for the automotive industry, MEC annually evaluates external issues or threats such as energy policy changes impacting utility rates and potential environmental regulation impacts on the electrical grid. While MEC continues to understand our greenhouse gas emissions and monitor emission disclosure regulations, **MEC currently does not produce engines that emit particulates while in use.**

As stewards of the environment and our financial stakeholders, we are proud that **we have decreased our energy usage and increased our material efficiency.** Since 2020, we have reduced our energy, scrap, and water intensity by 32%, 47%, and 36%, respectively, and we have set goals to further reduce our environmental footprint (see “Our Goals”).

## 2022 investments and process improvements

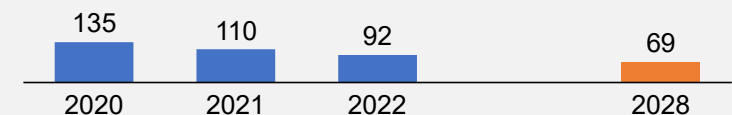
- Invested in Servo Punch Electric Presses at our Mayville, Wisconsin facility, increasing energy efficiency by more than 200%
- Implemented multiple processes to increase energy efficiency; an example was the implementation of a process that increased the racking capacity of our powder coat systems by more than 250% in Beaver Dam, Wisconsin
- Invested in robotic brake presses and energy efficient high speed fiber optic lasers at the new Hazel Park Facility
- Installed LED lighting at our Mayville, Wisconsin plant leading to improved lighting quality and reduced energy footprint
- Implemented processes to increase packaging efficiency to reduce the expense associated with transportation

## Our Goals

**To cement our environmental commitment, we have set clear goals to achieve a 25% reduction in our energy, scrap, and water intensity by 2028**

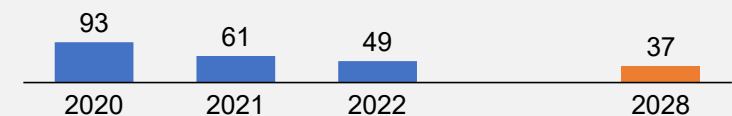
### Energy intensity

Kilowatt-hours per \$1,000 of revenue



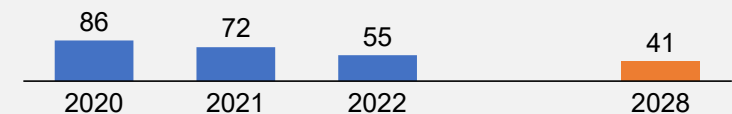
### Scrap intensity

Tons of scrap per \$1,000,000 of revenue



### Water usage intensity

Gallons of water per \$1,000 of revenue



# Health and Safety

The health and safety of our employees is critical to value creation at MEC, and **we are committed to prioritizing our employees' health in our facilities and communities**. As part of MBX, we will continue to seek ways to improve the health and safety of our employees even more, and we will target processes that facilitate standard health and safety practices across all facilities.

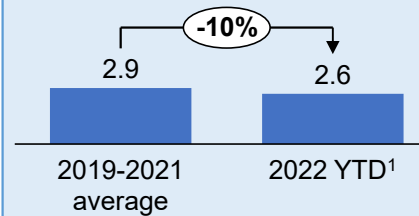
In 2022, we conducted wall to wall safety audits at all facilities to identify incident risk areas and identified best practices to implement across all of our plants. In addition, **we established a new Corrective Action Fulfillment process** to provide information on the incident and implementation plans to correct deficiencies of any workplace related safety incidents across the entire organization – and not just the facility where the incident occurred. In addition, all safety leaders participate in weekly meetings to align safety training and processes to ensure consistency across the organization.

Looking forward to 2023, we will continue to evaluate our health and safety procedures, provide consistent health and safety training, and ensure consistency across all of our facilities. **Key priorities include a focus on ergonomic design and implementing behavioral based safety processes**. While we are proud of our current safety record, we will continue to find areas of improvement for the health and safety of our employee shareholders.

## MEC's Improvement in Safety Metrics

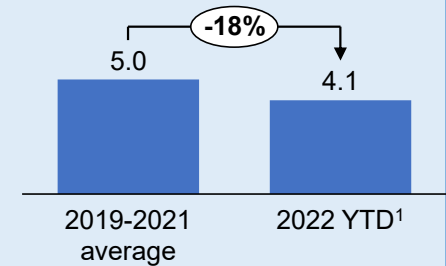
### DART Rate

Days Away Restricted or Transferred



### TCIR

Total Case Incident Rate



Fabricators & Manufacturers Association International®

In 2022, the Fabricators & Manufacturers Association (FMA) awarded 9 MEC locations (listed to the right) as part of their annual Safety Awards for safety performance exceeding the industry average

### Facilities Receiving FMA Awards

- Wautoma
- Defiance – Keller Warehouse
- Beaver Dam West
- Vanderbilt North
- Defiance – North 66
- Mayville North
- Defiance Seneca
- Neillsville

<sup>1</sup> As of November 2022



# Talent Attraction and Retention

One of the most critical elements to MEC's long-term success are the current and future employee shareholders of MEC. We continuously evaluate our Human Resources strategy and programs to attract and retain a committed and talented workforce. Going forward, **we will continue to invest in development opportunities, especially those opportunities that enable the deployment of MBX.** MEC is committed to providing an inclusive work environment for all employees, and our policy of anti-discrimination and equal employment is fundamental to this commitment.

**Employee Ownership:** Employee shareholders currently own 45%<sup>1</sup> of MEC, and the history of employee ownership a key differentiator of MEC. The benefits of employee ownership include influence on the quality and reputation of MEC's products and services, **alignment of our employees' objectives with MEC's goals, and a competitive advantage to attract and retain top talent in a strong labor market.**

**Compensation and Benefits:** For 2023, MEC added 401(K) matching and an Employee Assistance Program that provides supplemental access to mental health care. In 2021, MEC established a new wellness program, MEC Balance, with the following mission statement: To **provide wellness programs for our employees that will encompass all aspects of health and physical**

**and mental well-being and encourage positive lifestyle changes through a supporting environment.** MEC currently provides on-site healthcare at 6 facilities in Wisconsin and Ohio with plans to expand onsite healthcare to additional facilities (*see right for more information*).

**Training:** A crucial element of ensuring consistently high-quality products in today's challenged labor environment is training. As part of the MBX program, MEC is establishing **robust leadership training programs with a daily focus on lean manufacturing.** MEC also began implementing Training Within Industry (TWI) – a training system developed to effectively and efficiently train new and current employees with limited experience in manufacturing processes. We are excited to fully implement TWI in 2023 across the entire organization.

**Talent Attraction:** We partner with nearly 20 high schools and technical colleges to promote working at MEC and introducing students to a career in manufacturing. We also **provide state approved apprenticeships in the following trades: welding, metal forming and tooling, and die casting.** These practices continue to provide MEC with the best talent for our future.

## On-site healthcare

### WE TREAT THE **WHOLE** YOU

With full primary care services, the health center is your first stop for head-to-toe care.

- MINOR ILLNESSES
- BEHAVIORAL HEALTH
- MINOR PROCEDURES (STITCHES & MOLE REMOVAL)
- HIGH BLOOD PRESSURE
- BASIC DERMATOLOGY
- LAB SERVICES (INCLUDING OUTSIDE ORDERS)
- MEN'S & WOMEN'S HEALTH
- WEIGHT MANAGEMENT
- ACHEs AND PAINS
- CUTS AND SCRAPES
- DIABETES
- MINOR INJURIES

Whether body or mind, we have you covered.

*The MEC Family Health Center is open to all MEC employees, their spouses and dependents (ages 2 up) who are enrolled in the MEC medical plan.*

As part of MEC Balance, we provide onsite healthcare at 6 facilities which covers 55% of our employees. Our healthcare facilities provide primary care, physical therapy, weight management, and many other services

<sup>1</sup> As of September 2022; ownership percentage includes ESOP and 401(k) holdings

# Supply Chain Management

Our supply chain management is critical to value creation at MEC, and it is also critical to **our commitment to the environment, human rights, and sustainability.**

## Supplier Code of Conduct

We have established Quality Requirements and a Supplier Code of Conduct to communicate **our elevated legal and ethical standards** to all our partners and suppliers including labor practices such as child labor and human trafficking, ethics, compliance with environmental, health and safety, and discrimination laws and regulations. We evaluate our Supplier Code of Conduct and supply chain requirements regularly to ensure compliance with all applicable laws and regulations.

## Material Sourcing

98% of our materials are sourced from domestic suppliers in the United States. MEC continually reevaluates our supply chain to **ensure minimal disruptions, and** that MEC operates a supply chain that upholds the **highest standard of human rights.**





# Data Privacy and Cybersecurity

At MEC, we take a comprehensive and multifaceted approach to protect information in our care from customers, suppliers, and employees. **We use technical and physical safeguards as well as multiple levels of employee training to protect digital information.** We have established a wide range of data security protections and maintain a data risk management strategy that includes monitoring emerging security threats and assessing appropriate responsive measures.

Our cybersecurity policies and standards include User Owned Mobile Device Management, IT Change Management, Access Control, Password Management, IT procurement, Data Back Up and Recovery, and many others. **Our evaluation of these policies and standards include regular compliance assessments of applicable state and federal statutes and regulations and industry best practices.** We validate compliance with our internal data security controls using security monitoring software and audits performed internally or with 3rd party partners.

**All MEC employees receive data privacy and cybersecurity training as part of our annual security awareness training.** Our annual security awareness training covers a broad range of security topics, from password protection to working remotely. We also provide regular targeted training on phishing and the most common cyber security threats.



## 2022 Data Privacy and Cybersecurity Highlights

- Assessed our employees' security awareness, achieving nearly 80% employee participation and scoring above the industry average in human firewall, social media, passwords and authentication.
- Implemented live cyber attack simulation training to develop best practices to manage cyber attacks and mitigate their likelihood
- Implemented processes and technology to prevent unauthorized transmission of company digital data.

# Business Ethics and Governance

We believe that strong corporate governance is critical to creating value for MEC, and ***we are committed to operating under the highest standards of integrity, honesty, and ethical conduct.*** Our Board of Directors' commitment to good governance is reflected in our Corporate Governance Guidelines which are reviewed annually by the Nominating and Corporate Governance Committee.

***Expectations for our employees and employee shareholders are laid out in our Code of Conduct and Ethics.*** Key topics in the Code of Conduct and Ethics include Honest and Ethical Conduct, Conflicts of Interest, Protection and Proper Use of Company Assets and others.

The Board has established three standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The responsibilities of each committee are contained in MEC's bylaws and charters approved by the board.



## 2022 Governance Highlights

- Timothy L. Christen was elected to Chairman of the Board in July 2022. Tim was previously a member of the board of directors and the chair of MEC's Audit Committee.
- Jag Reddy, President & CEO of MEC was appointed to the board of directors in July 2022. Before joining MEC, Jag was a member of the senior leadership team at W.R. Grace where he was responsible for the Strategy and Growth function.
- Steven L. Fisher was appointed the chair of the Audit Committee, and Jennifer J. Kent was appointed the chair of the Compensation Committee

# Community Engagement

We understand that our continued success is inseparably linked to the continued success of the communities we live and work in. At MEC, ***we are passionate about serving our communities as good corporate citizens.*** Our community initiatives, including our volunteer and disaster relief efforts, are designed to enhance employee engagement and retention.

MEC is proud to support the following organizations

- Mayville Public Library
- **Otsego Community Foundation**
- PAVE<sup>1</sup>
- Beaver Dam Community Foundation
- The Highground Veterans Memorial Park
- Marian University
- **Neillsville STEM Club**
- Many others!



*MEC donated to the Otsego Community Foundation after an EF3 tornado impacted the town of Gaylord, Michigan which is in Otsego County. About one-third of MEC's Vanderbilt employees live in Gaylord, Michigan.*



*Our Neillsville facilities donated to the Neillsville High School and Middle School STEM Club. The donation was in support of the Rube Goldberg Teams that competed at the Mankato State University Engineering Competition in April 2022.*

<sup>1</sup> PAVE stands for Protect, Advocate Validate, and Educate: PAVE is a Wisconsin-based shelter for survivors and victims of domestic abuse