



# SUSTAINABILITY REPORT

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April 2024





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## RECOGNITION OF OUR WORK

MEC was named the #1 Fabricator in the U.S. by The Fabricator Magazine for the 13<sup>th</sup> straight year in June 2023.







# Message from the President & CEO

Throughout our almost 80-year history, MEC's commitment to innovation has been integral to building long-lasting, trusted relationships with our customers. In 2023, we updated our mission to build on this history and further advance our goals of achieving business success while helping to create a sustainable future. Our entire team came together to create a **"One MEC. One Mission."** mindset that will **empower our team to create premium products and solutions for our customers, and enable growth for our employees, shareholders and the communities we serve.**

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 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.**

In recent years, we have shown that our commitment to sustainability is something we are serious about. In 2022, we engaged in a materiality analysis to understand which sustainability and ESG topics were most critical for our stakeholders. In the wake of that report, our organization has launched various initiatives to understand our environmental impact better. To cement our environmental commitment, we set clear goals to achieve **a 25% reduction in energy, scrap and water intensity by 2028.** The implementation and execution of our MEC Business Excellence (MBX) value creation framework is not only a conduit for strategic business transformation and value creation but also for becoming a more sustainable organization. This is reflected in our progress towards our 2028 targets as we reduced our energy, scrap and water usage intensity by 5%, 6% and 9%, respectively, in 2023 compared to 2022.

Additionally, in 2023, we have made significant strides to improve our Human Resources efforts and launched numerous initiatives to improve our ability to attract and retain skilled labor.

In 2024, we are committed to building on our progress to improve our environmental footprint and create a positive impact in our communities and the lives of our employees.

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 September of 2022, MBX is MEC's Lean initiative to drive excellence across the entire organization.

**MBX's impact will not only be seen in our financial statements; it will also have many positive impacts on our sustainability initiatives, commitments and goals.**

**In 2023, MEC completed over 125 Kaizen events, exceeding our goal of 120 events.**

MEC has 115 kaizens scheduled in 2024 across all of our facilities. Additional projects are underway to further enhance our MBX initiative, including a 6S program, leader standard work implementation and improving our APQP process. Many kaizen events are focused specifically on improving energy efficiency. Certain kaizen events that focused on improving energy efficiency included upgrading our CO2 laser cutting capabilities to fiber lasers at our Heber Springs, AR plant reducing electricity consumption and improving cutting efficiencies, as well as upgrading to energy efficient LED lighting across our plants.



## MBX's positive impact on sustainability



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



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



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



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.**

## 2023 investments and process improvements

- ✔ Expanded piping grid to deliver direct line Weld Shielding gas eliminating inefficient use of bottled gas, improved work efficiency and reduced scrap intensity.
- ✔ Relocated corporate headquarters to Milwaukee, reducing travel time for most corporate employees.
- ✔ Implemented higher efficiency welding power supplies.
- ✔ Replaced air compression equipment with new low-emission, high efficiency compressors.
- ✔ Replaced numerous HVAC systems with new high-efficiency units.
- ✔ Instituted a paperless manufacturing concept at multiple locations.
- ✔ Implemented in-house water treatment process to clean wastewater prior to discharge into sewer.

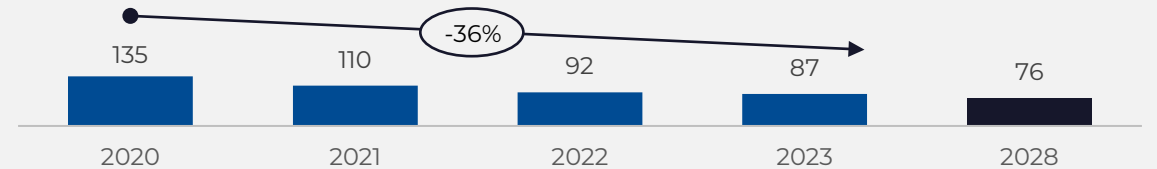
\*MEC acquired Mid-States Aluminum (MSA) on July 1, 2023. To present comparable metrics, MEC included the full year energy, scrap and water usage intensity from MSA and revised our 2028 goals to include a 20% reduction in each category relating to MSA baseline amounts.

### Our Goals

To cement our environmental commitment, MEC set clear goals in 2022 to achieve a 25% reduction in our energy, scrap and water intensity by 2028\*

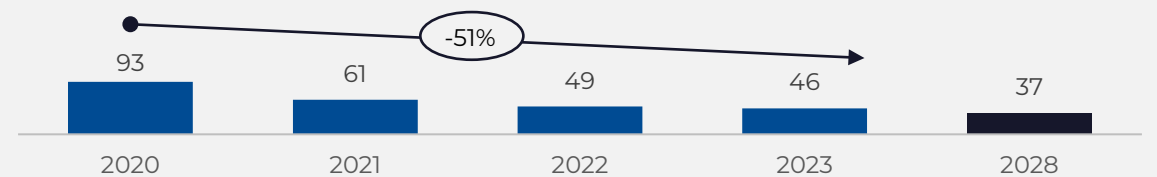
#### Energy intensity

Kilowatt-hours per \$1,000 of revenue



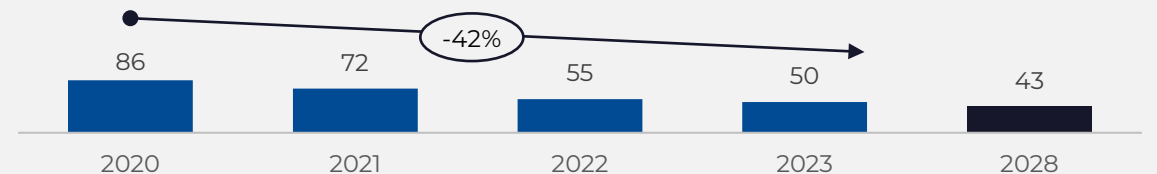
#### Scrap intensity

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.**

## In 2023, MEC:

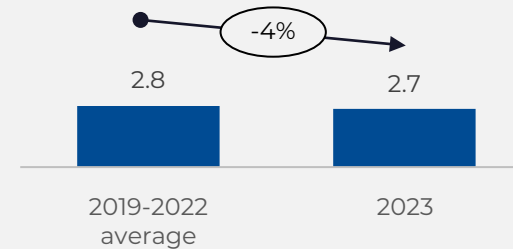
- ✔ **New Corrective Action Fulfillment process** to provide information on safety incidents and implementation plans to correct deficiencies.
- ✔ Implemented weekly meetings to align safety training and processes to ensure consistency across the organization.
- ✔ Invested in new air purification technology in manufacturing settings,
- ✔ Installed new emergency alert systems and onsite nursing care infrastructure,
- ✔ Implemented new ergonomic material handling systems,
- ✔ Improved Forklift Safety Management systems,

Looking forward to 2024, we will continue to evaluate our health and safety procedures, provide consistent health and safety training, and ensure consistency across all facilities. **Key priorities include focusing on ergonomic design and implementing behavioral-based safety processes.**

## MEC's Safety Metrics Monitoring

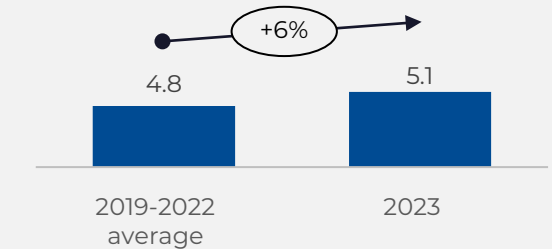
### DART Rate

Days Away Restricted or Transferred



### TCIR

Total Case Incident Rate



Fabricators & Manufacturers Association International®

In 2023, the Fabricators & Manufacturers Association (FMA) awarded 8 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
- Mayville South
- Mayville North
- Defiance – North 66
- Defiance Seneca
- Wayland



# Talent Attraction and Retention



## As the largest domestic steel fabricator,

- ✔ We are heavily reliant on a stable pipeline of skilled labor and an experienced talent pool.
- ✔ 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.**



### Compensation and Benefits:

- In 2023, MEC added a High Deductible Healthcare Plan Option, allowing employees to participate in Health Savings Accounts.
- In 2024, MEC will launch QuadMed Everywhere – a virtual health center with a dedicated primary care provider every time you schedule a virtual visit – regardless of where you are.



### Training:

As part of the MBX program, MEC is establishing **robust leadership training programs with a daily focus on lean manufacturing**. MEC implemented Training Within Industry (TWI) – a training system developed to effectively and efficiently train new and current employees with limited experience in manufacturing processes across the entire organization.



### Talent Attraction & Retention:

- 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.
- The Company is committed to improving talent retention and targets an annual turnover rate at or below industry average.



### New Headquarters:

MEC has initiated a move to a new corporate headquarters located in the Metro Milwaukee area. This initiative provides opportunities to attract talent and hire individuals from the greater Milwaukee area.



# 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.**

1

## 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.

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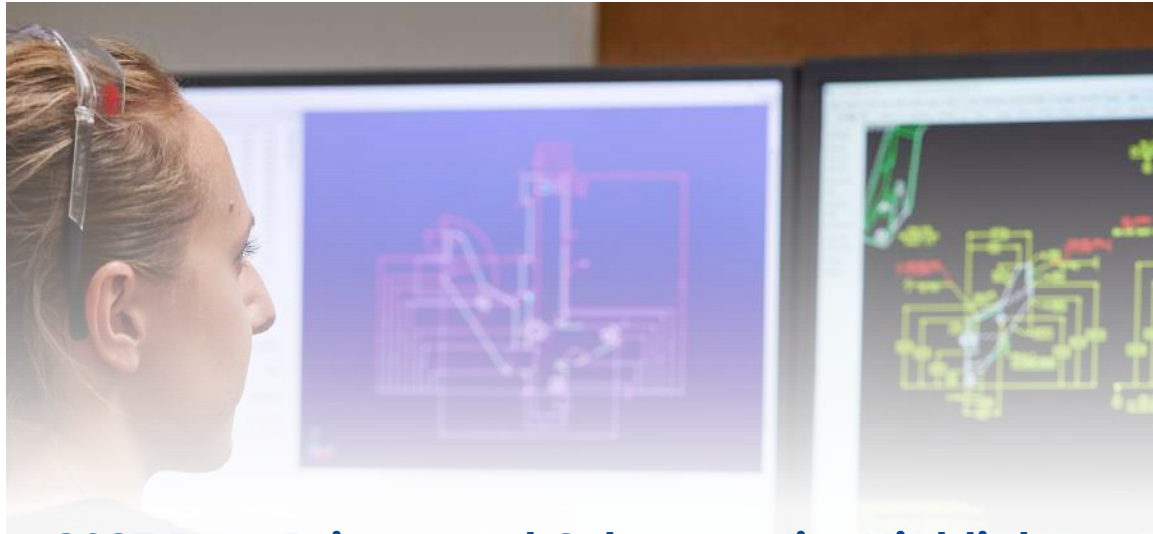
## Material Sourcing

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



## 2023 Data Privacy and Cybersecurity Highlights

- ✔ Assessed our employees' security awareness, achieving nearly 99% 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.



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 risk management program aligns with the National Institute of Standards and Technology (NIST) framework, which organizes cybersecurity risks into five categories: identify, protect, detect, respond and recover.

**The Company monitors and evaluates our cybersecurity position and performance on an ongoing basis through regular vulnerability scans, penetration tests and threat intelligence feeds.** We validate compliance with our internal data security controls using security monitoring software and audits performed internally or with 3rd party partners.



**Oversight of cybersecurity risk is maintained by the Company's Board of Directors and supported by the Audit Committee of our Board of Directors (Audit Committee).**

The Audit Committee is primarily responsible for setting expectations and accountability for management and reviewing management's assessment of the effectiveness of our cybersecurity controls, including policies and procedures to address our cyber risks and overseeing the Company's cybersecurity disclosures.

# Business Ethics and Governance

➤ Our values, integrity, respect and teamwork combined with our commitment to agility, customer focus and collaboration drives how we do business. **We are dedicated 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.



# 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
- Mayville Audubon Days
- Fond du Lac Literacy Services
- Highground Rising Campaign
- PAVE<sup>1</sup>
- Junior Achievement of WI
- Clark County Community Foundation
- Many others!



MEC hosts a manufacturing day, inviting students from a local high school to tour the Hazel Park facility. MEC is dedicated to building a stronger future by inspiring the next generation of workers.



MEC is a proud sponsor of the Herber Springs Community Pee Wee Basketball team. MEC values community engagement and recognizes the importance of building a better community.

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