

# SUSTAINABILITY REPORT

## 2019



**MERITOR**  
RUN WITH THE BULL





*Meritor's first electric axle – the 14Xe*

**A**t Meritor, our commitment to sustainability is integral to how we conduct business.

Through 110 years of innovation, sustainability has been part of our company culture. It is who we are and what we do – designing, engineering and building superior products with improved fuel efficiency, cleaner emissions, lighter weight and increased safety, with less waste.

As global transportation accelerates into a future increasingly shaped by electrification, we are moving toward a higher level of sustainability in every area of company performance. As demand and desire grows to improve air quality, conserve natural resources and increase fuel efficiency and safety, our products are evolving to meet customers' needs in diverse regions of the world.

We are leading the way in **Product Innovation** with the launch of our Blue Horizon technology platform centered on electric drivetrain, efficiency and connectivity systems, including integrated electrified solutions for Class 4-8 commercial vehicles. Our development of full-electric axle and braking systems is a proactive step toward a greener future. We are pleased to report that our global electrification initiative currently includes 22 programs and more than 130 vehicles.

As we strive to conserve the Earth's limited resources and reduce greenhouse gas emissions, we are developing **Sustainable Products** and eco-friendly components. We are one of the first major suppliers in the heavy-duty aftermarket to offer copper-free brake pads. Our RPL series drivelines are permanently lubricated and sealed, reducing the need to dispose of and replace grease and we are developing lightweight composite drivelines made of carbon fiber that increase payloads and fuel economy.

““ Much of our product development focuses on improving vehicle efficiency to reduce greenhouse gas emissions and optimize vehicle operating costs. ””

– Jay Craig  
Chief Executive Officer and President





In **Quality Management**, we are focused on establishing a zero-defect culture. By driving toward zero defects, we set ourselves apart from competitors. Twenty-seven of our facilities are certified to quality management system standards. Seven sites have IS 9001 certification, 19 sites hold IATF 16949 certification and 1 facility has both certifications.

With regard to **Supply Chain Management**, Meritor has taken steps to audit any supplier that we have reason to believe may be engaged in an activity that would violate applicable laws against human rights, including human trafficking. And we back it up with our own zero-tolerance policy.

In **Manufacturing Processes** and **Environmental Stewardship**, four manufacturing facilities around the globe are landfill-free. Many of our facilities have initiated actions to minimize negative environmental impact while conserving energy and natural resources.

Beyond our products, we are making breakthroughs in how we work together. In **Human Capital**, we are creating new training and development opportunities for managers worldwide. And through new staffing initiatives, we're advancing **Diversity and Inclusion**.

We take pride in our diverse Board of Directors and executive team. We are also proud of our recognition by the State of Michigan as a leader in hiring military veterans for our U.S. workforce. And we are happy to report that independent surveys indicate that a high level of employee engagement is driving our consistently strong business performance.

Meritor is making a lasting difference in our communities worldwide through charitable giving, employee contributions and volunteering. Our **Philanthropy** is focused on the areas of diversity, education, health and human services and industry. We support a wide variety of organizations including those that promote a greener tomorrow – like Choose Outdoors, a nonprofit that promotes and preserves access, use and the future of outdoor recreation on public lands.

Underlying everything we do is our commitment to good **Corporate Governance**. It is critical to the success of Meritor that we demonstrate high ethical standards, exemplary business practices and unquestioned integrity. Beginning in July 2019, Meritor's Corporate Governance and Nominating Committee assumed responsibility for oversight of ES&G.

As a manufacturing company, we understand the importance of our actions. As a global team, we are dedicated to making a difference.

Sincerely,



Jay Craig  
*Chief Executive Officer and President*

**MERITOR** IS A LEADING GLOBAL SUPPLIER OF DRIVETRAIN, MOBILITY, BRAKING AND AFTERMARKET SOLUTIONS FOR COMMERCIAL VEHICLE AND INDUSTRIAL MARKETS. WITH A 110-YEAR LEGACY OF PROVIDING INNOVATIVE PRODUCTS THAT OFFER SUPERIOR PERFORMANCE, EFFICIENCY AND RELIABILITY. THE COMPANY SERVES COMMERCIAL TRUCK, TRAILER, BUS AND COACH, CONSTRUCTION, SPECIALTY AND AFTERMARKET CUSTOMERS AROUND THE WORLD. MERITOR IS COMMITTED TO **SUSTAINABILITY** AND WE HAVE EMBEDDED THIS COMMITMENT IN OUR COMPANY CULTURE.



#### Meritor's Executive Team

From left to right: Krista Sohm – Vice President and Chief Marketing & Communications Officer; Joe Plomin – Senior Vice President and President, Aftermarket & Industrial and Trailer; Cheri Lantz – Vice President and Chief Strategy Officer; Carl Anderson – Senior Vice President and Chief Financial Officer; Tim Heffron – Senior Vice President, Human Resources and Chief Information Officer; Jay Craig – Chief Executive Officer and President; April Miller Boise – Senior Vice President, Chief Legal Officer and Corporate Secretary; Chris Villavarayan – Senior Vice President and President, Global Truck



# MERITOR IS LEADING AN INDUSTRY REVOLUTION.



Meritor's brand is well-established globally and reflects a broad and growing portfolio of high-quality products for various applications. For 110 years, our products have evolved to meet the changing needs of customers in major regions of the world.

As technology has advanced, we have worked hard to become an innovation partner for our customers. From concept to launch, we work closely together to ensure we are designing reliable and high-quality products that meet or exceed their expectations now and in the future.

As customers have responded to air quality and fuel efficiency regulations, our portfolio has evolved to include products that are more fuel efficient, lighter weight, safer, more durable and more reliable.

Some technologies under development include:

- Superfast ratios that will reduce engine RPMs to 1,000 or lower on cruising speeds, improving fuel efficiency over current systems
- Disengageable tandem axles that deliver significant fuel economy benefits particularly when additional torque is not required
- Single-piston air disc brakes and industry-leading dual-piston brakes with active and positive pad retraction to reduce rolling friction at cruising speeds
- Active lubrication management which removes lubrication from the gearing and axle at cruising speeds reducing parasitic losses and increasing fuel economy
- Composite drivelines made of carbon fiber that significantly increase fuel economy, reduce weight and increase payload capability
- Advanced data collection and analysis to evaluate metrics such as lube health, maintenance timing and automatic tire inflation on truck and trailer and pad sensing on brakes

## Alstom Aptis

*Meritor will supply key drivetrain components for an electric urban bus developed by Alstom. Production for the manufacturer's first orders of the all-electric Aptis buses is scheduled to begin this summer.*

## Port of Long Beach, California

*Representing one of the largest contracts ever awarded for battery-electric terminal tractors, Meritor was selected to supply all-electric drivetrain systems for 38 terminal tractors for use at Port of Long Beach and the Port of Oakland, California*



We created the Blue Horizon brand to revolutionize commercial vehicle transportation. It represents the company's emerging platform of advanced technologies centered on electric drivetrain, efficiency and connectivity systems. Blue Horizon products will include integrated electrified solutions for Class 4-8 commercial vehicles across multiple vocations, including pick-up and delivery, drayage/terminal tractors, transit and school buses, as well as linehaul and other heavy-duty applications.

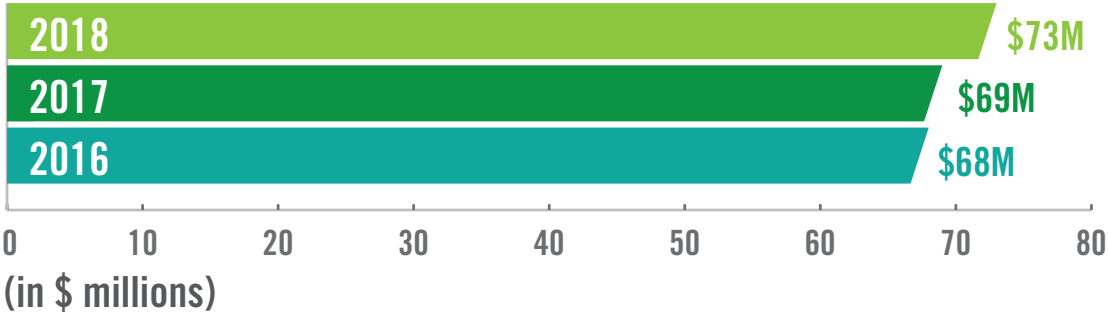
Backed by years of experience as a leading manufacturer and innovator, Blue Horizon is uniquely positioned to deliver efficiency, connectivity and electric solutions to meet the needs of companies today with a commitment to being the leader in developing the advanced technologies of tomorrow.

As part of this strategic focus, we have researched and developed a number of innovative products that support the trend toward electrification.

- eAxle Solutions
  - Integrate the electric motor into the differential or wheel ends
  - Reduce weight, cost and space required
- eBrakes
  - Optimize electric vehicles with regenerative braking
  - Lower weight, cost and improved packaging for air and hydraulic brake platforms
- Precision gearing
  - Improve efficiency through greater power density gear design
- Suspensions
  - eCarrier or in-wheel motor solutions for independent suspension electric vehicles

Our significant research, development, engineering and product design capabilities, and highly talented engineers and scientists, are driving these innovations. We have advanced technical centers in North America, South America, Europe and Asia Pacific (primarily in India and China). The table below shows the amount spent on research, development and engineering.

Research, Development and Engineering Spend



In addition to investing in the organic growth of our clean technology expertise, we are pursuing opportunities for industry collaboration.

In recent years, we have made strategic investments in TransPower, a leader in electrification technologies for commercial vehicles to help accelerate the introduction of our flexible electric axle platform and enable large-scale manufacturing of electric drive components and systems. We seek to leverage the core competencies of TransPower such as software/controls, electric and hybrid products and on-road electrification experience while building on our own core capabilities which include commercial relationships, large-scale product manufacturing and a worldwide sales and service network.

Meritor has 22 active electric programs with global OEMs. These programs are expected to put fully electric medium and heavy-duty commercial trucks on the road beginning in 2020. In the first half of 2019, a major fleet customer began operating the first of six medium-duty Peterbilt Model 220EV Class 6 pick-up and delivery trucks equipped with Meritor's 14Xe electric drive systems and fully integrated subsystems from TransPower.

Many of the commercial vehicles expected to be placed into service by 2020 have received funding from the California Air Resources Board as part of a broader effort to reduce carbon emissions.



“Revolutionary technical advancements like the eAxle™ portfolio have the potential to transform our industry by meeting the rising global demand for clean, electric-powered drivetrains with a high-efficiency solution.”

— Cheri Lantz  
Vice President and Chief Strategy Officer



# ENVIRONMENT, HEALTH AND SAFETY

## Environment

Environment, health and safety (EH&S) risk management is a prerequisite for commercial success and forms an integral part of our business strategy.

Meritor's commitments are guided by our EH&S Policy, which is global in scope and covers all company entities, affiliates and consolidated joint ventures.

We are committed to complying with all applicable environmental, health and safety laws and regulations and are building a performance-based culture that encourages employees to strive for best practices in EH&S performance. EH&S responsibility and performance are relevant factors in employment, retention, compensation and business decisions. We provide our employees with regular training on EH&S issues.

EH&S coordinators at each facility report to their plant manager. EH&S responsibilities are managed within the operations team of the respective business unit, ultimately reporting up to the senior vice president and president of that segment.

The operations team works closely with our legal group's environmental compliance experts to ensure we are aware of the latest trends in environmental compliance and sustainability.

More than 60 percent of our manufacturing and distribution facilities are in compliance with ISO 14001 certification. In addition to systematic management of environmental risks under normal operations, ISO certification also requires the adoption and regular verification of emergency plans and procedures and related staff training. These procedures define roles, responsibilities and responses when tackling emergency situations to protect people and the environment.

The environmental certification maintenance process includes a series of external third-party audits, carried out by accredited bodies. The audit process requires annual surveillance monitoring with certification renewal every three years.

Furthermore, plants are required to perform an internal audit annually to verify the performance of their environmental management systems and to document their processes. Ensuring compliance with environmental regulation is a core competency of our environmental management system.



## “I Have A Hand In Safety” Campaign

*With hand injuries being the most common safety issue at Meritor accounting for 44 percent of overall injuries, the company launched the “I Have A Hand In Safety” campaign in 2019 designed to actively engage employees in behaviors that reduce or eliminate these injuries and raise awareness of potential hand hazards. New hires are paired with a safety mentor for the first two weeks and temporary safety coaches are assigned to everyone returning from a vacation of more than five days.*



# ENVIRONMENT, HEALTH AND SAFETY

## Health and Safety

Employee safety is our top priority. We strive to achieve incident-free operations through continuous improvement processes, guided by Meritor’s EH&S Policy, and managed through our Health and Safety Management Systems.

Plant managers globally have responsibility for health and safety management system compliance, implementing safety procedures and tracking safety metrics. Plant safety reports are published at the end of each month and shared with Jay Craig, Meritor’s CEO and president, who is also chief safety officer.

At Meritor, we track the lost time incident rate as well as the total recordable case rate on a company-wide basis. These statistics offer important safety information and are tracked per 200,000 labor hours worked.

Even with the significant increase in hours, 14 out of our 40 measured facilities had no recordable incidents during fiscal year 2018. We attribute this to the diligence of our employees and the safety programs and equipment at our global operations to protect them. To continually improve the safety rate, we will maintain diligence through employee training and education, reducing certain behaviors that are known to create safety issues and continue to maximize risk identification and hazard assessment.

To reinforce Meritor’s commitment to safety, we have increased our safety target for the M2022 planning period (FY20-FY22). The overall case rate target for 2022 is 0.55 per 200,000 hours worked, an improvement from the 0.65 target in 2019. Our ultimate goal is zero injuries.

## Safety Incident and Total Recordable Case Rates

	2016	2017	2018
Lost Time Incidence Rate	0.15	0.16	0.20
Total Recordable Case Rate	0.76	0.48	0.74

In fiscal year 2017, we achieved a total recordable case rate of 0.48 injuries per 200,000 hours, which we believe is world class for an industrial company like Meritor. In 2018, we achieved a total recordable case rate of 0.74 injuries per 200,000 hours, slightly above our M2019 target of 0.65 due in large part to the 15-percent increase in hours worked in our manufacturing facilities. High production required the onboarding of many new employees in a short timeframe.

## Quality Management

At Meritor, quality is of utmost importance. Our quality policy states:

We are passionate about quality, integrity and we strive to exceed customer expectations by:

- Placing product safety first
- Listening to the voice of our customers in all aspects of our business
- Practicing continuous improvement to achieve zero defects
- Partnering with suppliers to maximize value

Meritor is focused on establishing a zero-defect culture. Although a zero-defect quality culture has been part of the automotive industry for some time, this level of performance expectation is a growing trend within the trucking industry – and our customers are demanding it. By building quality into our processes and delivering consistently lower PPMs at a competitive cost, we set ourselves apart from competitors.

In our M2019 plan, we set an overall quality target of 25 parts per million (“PPM”). We believe achieving this will further differentiate us in the commercial vehicle industry.

In fiscal year 2018, Daimler Trucks North America awarded four Meritor production sites with Masters of Quality awards. An additional three facilities earned PACCAR’s 2017 10 PPM Quality award that is given to suppliers who meet or exceed its rigorous standard

of 10 or fewer defective parts for every 1 million parts shipped to this customer.

In fiscal year 2019, five of Meritor’s global facilities received a 2018 10 PPM Quality Award from PACCAR recognizing suppliers that meet or exceed its rigorous standard of 10 or fewer defective parts for every 1 million parts shipped to the OEM.

Twenty-eight of Meritor’s facilities are certified to quality management systems standards. Eight sites are ISO 9001 certified, 19 sites have IATF 16949 certification and 1 facility has both certifications.



Forest City, North Carolina axle manufacturing facility



# ENVIRONMENT, HEALTH AND SAFETY

*More than 60 percent of our manufacturing and distribution facilities are in compliance with ISO 14001 certification*

## Supply Chain Management

Meritor's EH&S policy confirms our commitment to consider EH&S impacts in our work with suppliers to mutually address safety and sustainability concerns.

We have a formal policy requiring all suppliers to certify their compliance with applicable laws against human trafficking and slavery. As part of this policy, our buyers are required to be trained to comply with laws against human trafficking and slavery, including steps to ensure that our suppliers are aware of, and agree to comply with, this policy. To ensure compliance with these laws, we will audit suppliers which we have reason to believe may be engaged in any activity that would violate applicable laws against human trafficking and slavery to ensure compliance with these laws.

We have also implemented a conflict minerals compliance program and a policy intended to promote responsible sourcing of tin, tantalum, tungsten and gold (3TG) from the Democratic Republic of Congo and surrounding region, where revenues from the extraction of natural resources have historically funded armed conflict and human rights abuses.

The conflict mineral policy provides that all materials and products provided to us should meet or exceed all applicable conflict mineral regulations of the jurisdictions in which the supplier does business. Suppliers must meet the same requirements that our customers demand of us. We encourage all suppliers to install environmental systems in their facilities that are compliant to ISO 14001.

Meritor has been a fully validated Tier II member of the Customs Trade Partnership Against Terrorism (C-TPAT) program since 2006. This membership includes all of our manufacturing facilities in the United States and Mexico.

C-TPAT is a U.S. Customs-led security program that strengthens the overall global supply chain and border security. It confirms that our international supply chain security program meets certain compliance levels. Benefits include reduced levels of inspections and clearance times and eligibility for expedited release programs.



C-TPAT participation is an industry requirement and Meritor requires our supply base to participate and support the program.

We consider our suppliers an extension of our team and recognize the following certified diverse classifications: minority, woman, veteran-owned and small business.

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Meritor is also a long-time member of the EPA SmartWay program which helps companies advance supply chain sustainability by measuring, benchmarking and improving freight transportation efficiency.



# MANUFACTURING INITIATIVES



“ Remanufactured truck and trailer replacement parts preserve raw materials and offer equal or better quality than new parts. The environmental benefits of extending the productive life of a part that might otherwise be scrapped offer a carbon footprint reduction of up to 40 percent. ”

— Joe Plomin  
Senior Vice President and President, Aftermarket & Industrial and Trailer

## Plainfield, Indiana | UNITED STATES

- Recycled more than 11,775,000 pounds of steel in the past 12 months (5,888 tons) saving:
  - 3.78 million kilowatt hours of electricity
  - 447,488 gallons of oil
  - 4.4 billion BTUs of energy
  - 23,552 cubic yards of landfill space
  - 14.7 million pounds of iron ore

# NORTH AMERICA

## Ciénega de Flores | MEXICO

- Collects 230 tons of cartons, scrap metal and wood for recycling each month
- Reduced water consumption by 3.64 million liters in 2018

## Livermore, California | UNITED STATES

- Improved lighting in paint booth leading to 50 percent decline in the use of aerosol

## Frankfort, Kentucky | UNITED STATES

- Lowered natural gas consumption by setting the thermostat to 55 degrees and recirculating warm air from weld area
- Implemented electric DC tools to displace pneumatically powered low-efficiency tools

## Franklin, Kentucky | UNITED STATES

- Converted facility to LED lights
- Recycled metal from other plants to eliminate 2,500 tons of metal per year going to landfill
- Recycled paper, cardboard, wood, scrap metal, pour pots and batteries to eliminate 1,451 tons of waste going to landfill annually

## Livonia, Michigan | UNITED STATES

- Landfill free
- Converted facility to LED lights to decrease carbon dioxide emissions

## Fletcher, North Carolina | UNITED STATES

- Converted gear, pinion and shaft cutting and finishing operations to dry cut, eliminating 28,000 gallons of under-floor coolant recirculation systems
- Reduced non-hazardous special/industrial waste streams 55 percent over the past three years through product processing efficiency changes
- Reduced un-recycled waste by 70 percent in a six-year period through introduction of packaging improvements, reusable dunnage and recycling awareness programs

## Forest City, North Carolina | UNITED STATES

- Landfill free since 2014

## Laurinburg, North Carolina | UNITED STATES

- Changed to non-solvent based primer to reduce volatile organic compounds (VOC)
- Implemented glove/sleeve/apron washing program to decrease landfill use

## Manning, South Carolina | UNITED STATES

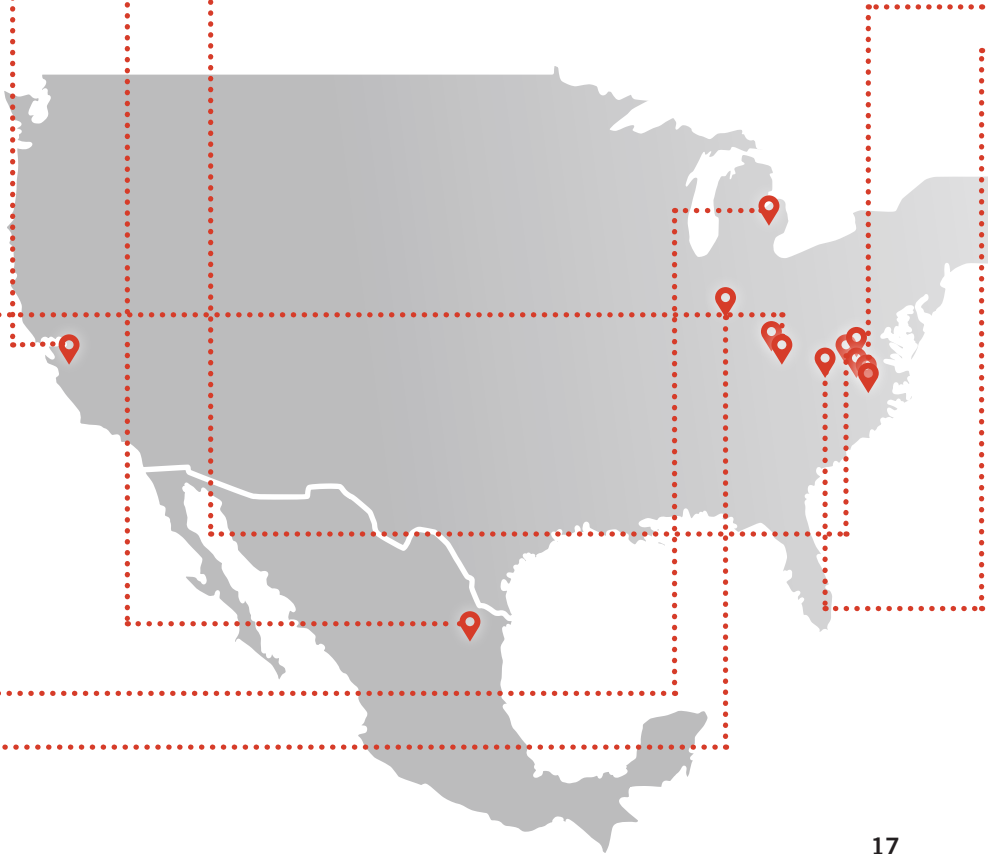
- Landfill free
- Reduced wood recycling by 25 percent with use of plastic pallets
- Installed energy efficient air compressor system and plant cooling/heating system to reduce greenhouse gases
- Replaced heat-absorbing roof with white heat-reflecting thermoplastic

## York, South Carolina | UNITED STATES

- 97 percent landfill free
- Recycles about 2 million gallons of industrial process water annually in water treatment facility
- Computer-controlled fresh-air makeup system in production areas use outdoor air for HVAC system
- Replaced solvent-based dip-coating system with electro-deposited water-based pigment system, reducing volatile organic compound (VOC) emissions by 75 percent

## Morristown, Tennessee | UNITED STATES

- Recycle waste from cleaning operation, general scrap metal, machine shop turnings and wood
- Installed LED lighting in forging and machining department resulting in 15 percent reduction of electricity







*Cameri, Italy paint process*

Meritor's manufacturing facility in Cameri, Italy has woven a sustainability mindset throughout its operation with meaningful results.

Cameri has reduced:

- Water consumption by 30 percent since 2015 with support from the Research and Development Water Free Project
- Natural gas consumption by 17 percent since 2017 due to HT optimization in heat treatment area and housing half forming furnace
- Electricity consumption by 11 percent from 2016-2017 through LED lighting project (more than 1,000 mercury vapor overhead lights changed to LED) and optimization of central oil management pumping system
- Waste by more than 95 percent in 2018 through recycling, reduction and elimination
- NO<sub>x</sub> (oxides of nitrogen) emissions by 80 percent in 2017 by converting central heating system from heavy combustible oil to natural gas
- VOC emissions by 20 percent from 2014-2018 through conversion to nitrogen gas painting with nozzle/spray
- Cutting oils by 80 percent from 2016-2017 through revolutionized gear cutting

# EUROPE



## Lindesberg | SWEDEN

- 99 percent landfill free
- Use wood materials as source of fuel for local paper mill in heating process
- Recycle metals, cardboard, paper and plastic; burn general waste and hazardous special industrial waste for energy
- Evaporate process water containing coolant externally; collect and compost waste food
- Moved deliveries from southern Europe to rail to reduce CO<sub>2</sub>
- Use water-soluble solvent for axle paint to reduce VOC emissions

## Cwmbran | UNITED KINGDOM

- 100 percent landfill free since 2015
- Converted more than 400 tons of waste to energy from waste plant between 2015 and 2019
- Reused or converted all wood waste into peat-free compost
- Reused, recycled or converted 99.3 percent of all waste in 2019
- Reduced water usage by more than 50 percent per piece compared to 2016
- Recycled all electrical waste equipment

## Steyr | AUSTRIA

- Installed state-of-art air-to-water heat pump for significant CO<sub>2</sub> reduction
- Changed radiators and roof-mounted heating elements to floor heating for better efficiency
- Installed air ventilation system with pre-heating or pre-cooling to improve air quality and avoid energy loss
- Installed modern LED systems in office and shop floor that include presence detectors and light intensity sensors



*“We believe in good environmental stewardship through the development of efficient products and the disciplined management of operations that respects our earth's limited and precious resources.”*

— Chris Villavarayan  
Senior Vice President and President, Global Truck



# ASIA PACIFIC

## Mysore | INDIA

In India, Meritor was an early adopter of initiatives to sustain our business and reduce our impact on the planet. In Karnataka State, we are involved in multiple programs focusing on social awareness, education and improvement of living standards.

- We contributed to the State's Mysuru Water Positive project which rejuvenates bodies of water. One example is the transformation of the 9.5-acre Thippayanakere Lake. Today, the lake is filled with clean water due to a financial contribution from Automotive Axles Limited (AAL), a joint venture between Meritor and the Kalyani Group and a partnership with the Confederation of Indian Industry and the Mysuru District administration. Rejuvenation work at Kenchenahalli Lake in Bengaluru is now in progress.



*Mysore, India assembly facility*

- We established an in-house sewage and effluent treatment facility to harvest rainwater for domestic and industrial purposes. The stormwater harvesting and groundwater recharging will help rejuvenate additional bodies of water. Our Mysore facility reuses 80 percent of coolants to maximize usable lifetimes and maintain zero-discharge status at the manufacturing sites.
- Other natural resource conservation initiatives include distribution of LED lighting at government schools during Diwali, a go-green initiative of planting saplings near our Mysore facility, replacing ozone depleting substances from LPG-hydrocarbon fuel-based forklifts with battery operated units and renewable energy utilization through the installation of solar-based streetlights, rooftop panels and water heaters.



**Before**



**After**

*Thippayanakere Lake rejuvenation project*

# MANUFACTURING INITIATIVES

## SOUTH AMERICA

### Osasco | BRAZIL

- Installed LED lights throughout entire facility
- Replaced gear cutters with modern dry-cutting models reducing the environmental impact by 18,000 liters of oil per month

- We give more than 250 ecofriendly idols to employees during the Ganesh Festival resulting in lower pollution than idols made from traditional plaster of paris.



*Ecofriendly Ganesha idols*

- We adopted four government schools and provide them each with books and uniforms. We conduct environmental and safety awareness sessions for children to explain the impact of fireworks on the environment and the need for safety during Diwali. We work with the Kalisu Foundation to help fund libraries in Hinkal and Hootagalli benefitting more than 500 students.



*Meritor provides books and uniforms to four government schools*

- Due to Meritor's contribution, Mysuru Palace now has its first public convenience facility. The facility has rainwater harvesting and is built with the latest sensor technology to minimize water waste and maximize conservation. The facility's water treatment plant provides drinking water for the public.





# HUMAN CAPITAL

## Investing In Our Employees

We believe that our ability to compete in the global market depends on the engagement of every Meritor employee, and that a high-performing team is critical to the level of performance we want to achieve. We have collaborated with leading world-class universities to identify and drive top talent to the company.

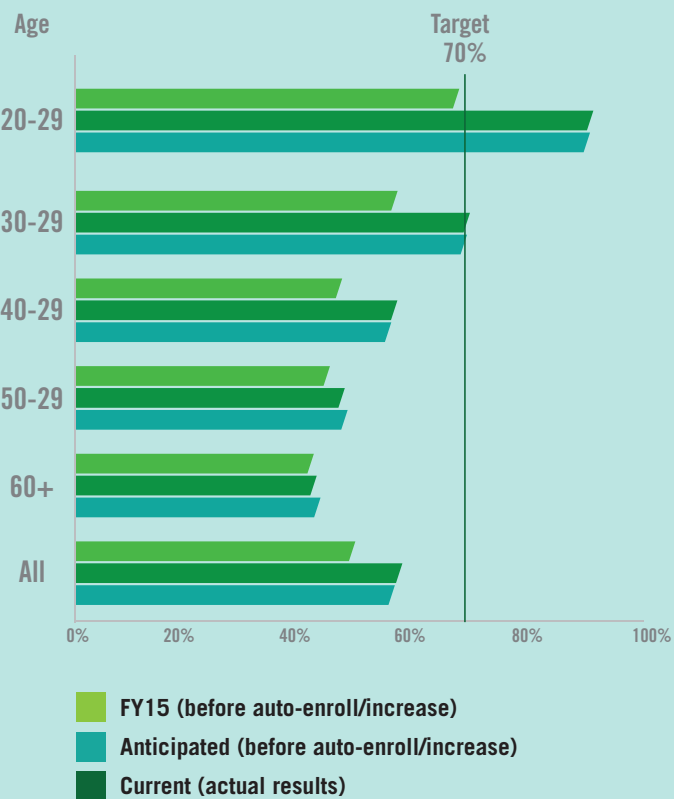
Employment at Meritor includes:

- Financial and non-financial benefits
- Health and wellness benefits
- Personal development opportunities

We have established various development and training programs to help employees grow as we grow, and executed leadership development programs for managers, directors and senior leaders around the world.

- For managers, we initiated e-learning modules that address important areas for advancement including accountability and delegation, as well as providing and receiving feedback.
- For high-potential, director-level employees, we sponsor Leadership Edge – a 10-month program focused on developing advanced leadership skills and preparing mid-level managers for senior level positions.
- For certain senior-level leaders, we offer the Summit which provides executive coaching and an opportunity to attend executive training sessions tailored to each individual’s background and career goals, participation in a MBA-level finance course, if appropriate, and mentorship opportunities with a member of Meritor’s Board of Directors.

## Median Income Replacement



## Employee Retirement Readiness

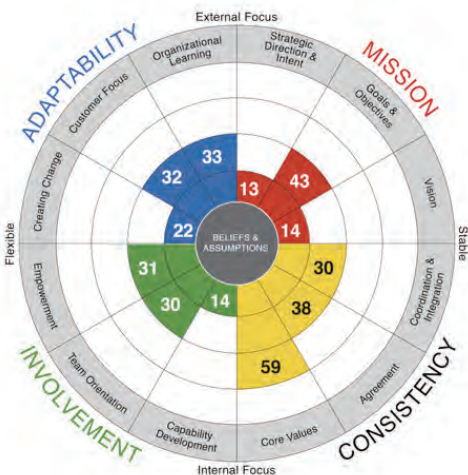
We pride ourselves in offering programs that assist in securing our employees’ future retirement goals. We contribute 50 percent of total contributions toward employee 401(k) retirement plans with programs such as auto-enrollment and auto-increase. Nearly 95 percent of employees participate in Meritor’s 401(k) program, which is significantly above the industry average of 80 percent, helping our employees prepare for retirement.

## Organizational Culture

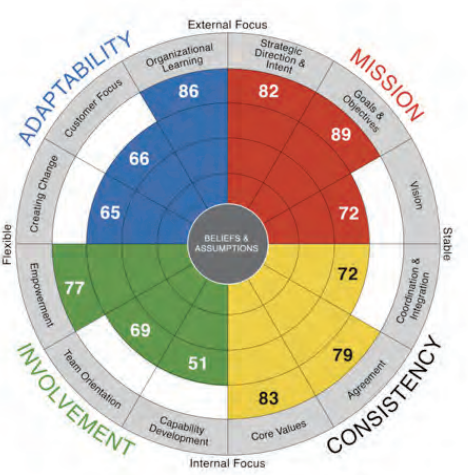
To ensure we provide a rich experience to our employees, we will continue to measure employee engagement to build on the competencies that are important to our future. We routinely engage an independent third party to conduct an employee engagement survey. Results during the past five years have shown dramatic improvement. Surveys in 2018 show top quartile performance in every category. These results are indicative of high employee engagement driving strong business performance.

## Organizational Culture Survey

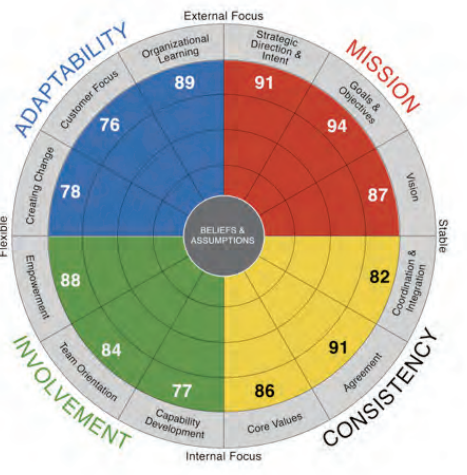
2013



2015



2018



Source: Dension Organizational Culture Survey. Numbers indicate percentile ranking based on 1,000 companies that participate in the survey.



2019 Leadership Edge graduates with Meritor's executive team



HUMAN CAPITAL

Diversity and Inclusion

We are driven to diversify our workforce because we recognize the value of different opinions and backgrounds in a global company. We are committed to recruiting, developing and retaining a high-performing and diverse workforce. Meritor employee groups participate in activities that are a part of an engaged, diverse work environment and a culture of diversity, inclusion and continuous learning of new concepts, skills and behaviors. We were named a Veteran Friendly employer by the Michigan Veterans Affairs agency for positive military veteran recruitment, training and retention practices, with veterans comprising approximately 5 percent of Meritor’s U.S. workforce.

We reject all forms of discrimination, specifically discrimination based on race, gender, sexual orientation, personal and social status, health, physical condition, disability, age, nationality, religious or personal beliefs or against other protected groups.

Driving inclusiveness is an element of the company’s business plan to drive the business through a highly engaged workforce. As a part of an established employee development program, we launched *Unconscious Bias: Driving Inclusion Through Action* training to our global workforce.

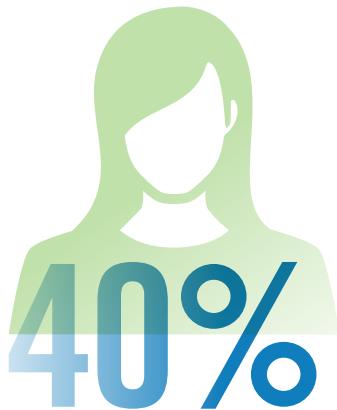
Meritor is represented by a diverse Board of Directors, and women comprise nearly 40 percent of the executive team. Additionally, almost 20 percent of the organization based in the United States comes from ethnically diverse backgrounds. The tables shown indicate the diversity statistics for our global and U.S. locations.



“ We believe diversity and inclusion is a competitive advantage that improves creativity, innovation, performance and the well-being of our employees. ”

– Tim Heffron  
Senior Vice President, Human Resources and Chief Information Officer

Meritor has taken actions to accelerate its diversity recruiting initiatives, including targeting universities with significant populations of racial minorities, building relationships with women and minority student-led organizations and attending diversity conferences.



WOMEN COMPRISE  
NEARLY 40 PERCENT  
OF THE EXECUTIVE TEAM

Minority Workforce

Ethnicity % (US Only)	FY16	FY17	FY18
Board*	20%	13%	11%
Executive Committee*	25%	22%	25%
Total Company (Global)	16%	17%	18%

Female Workforce

Female % (Global)	FY16	FY17	FY18
Board*	30%	25%	22%
Executive Committee*	25%	33%	38%
Total Company (Global)	24%	24%	24%

\*Total number of directors and executives has changed year-over-year.

Plainfield, Indiana Facility Supports  
Chin Refugee Population

Meritor’s Plainfield, Indiana plant is becoming more diverse through its growing Chin population that comprises more than 40 percent of the site’s workforce. The Chin people are one of the major ethnic groups in Myanmar, formerly called Burma, in Southeast Asia. Many have fled Myanmar and relocated to the United States, Australia, New Zealand and other countries. Kennedy Lian, production facilitator for Meritor’s brake operation at the plant, came to the United States after his sister relocated to Indianapolis, Indiana.

“Many Chins live in Indiana,” Lian said. “There are a lot of jobs available here for non-English speaking people and in-house interpreters are present in schools, clinics and hospitals, banks and more.”

The Plainfield facility works with the Burmese American Community Institute to support the Chin population and offer employment opportunities.



Kennedy Lian, production facilitator for brakes recently immigrated from Myanmar to work at our Plainfield, Indiana facility



# SOCIAL RESPONSIBILITY

Meritor is making a positive difference in people's lives through charitable giving, employee contributions and volunteerism. We are supporting programs as diverse as training service dogs for military veterans' workplace development and STEM education for individuals in underserved communities.

The common thread is an alignment with our industry, business and employees. Our giving is primarily focused in the following areas:

- Diversity
- Industry
- Education
- Health and Human Services

The annual Meritor Trust budget of \$700,000 is distributed through five main channels:

- Single-year contributions
- Signature sponsorships
- University relations
- Local community contributions
- Company match

MORE THAN  
130

NONPROFIT ORGANIZATIONS  
BENEFITED FROM DONATIONS  
RANGING FROM \$500-\$150,000  
IN FISCAL YEAR 2018



“ Meritor has a long history of community support. Each year, we assess our contributions to ensure that we are providing support to organizations that make a real impact in people's lives. We are proud of our employees and their unwavering passion to help others. ”

— Krista Sohm  
Vice President and Chief Marketing & Communications Officer

## DIVERSITY

As an employer, Meritor treats all employees and applicants for employment without discrimination. Meritor has made significant contributions to organizations that spearhead diversity initiatives from scholarships for women in engineering fields to the annual United Negro College Fund (UNCF) Walk for Education and being one of the first supporters of the Michigan Armed Forces Hospitality Center, to name just a few. Meritor also supports organizations like DirectWomen founded in 2007 as a project of the American Bar Association to increase the representation of women lawyers on public company boards.

## Supporting Military Service Members and Veterans

With more than a century of supplying drivetrains for tactical wheeled vehicles, we know the importance of supporting those who serve. Meritor has a long history of working with organizations that make a difference in the lives of veterans and their families.

### Veteran Thanks Meritor For Bull, The Service Dog

Today, Jeffrey Terrian can walk into a shopping mall, ride an elevator and drive a car. Severe injuries have hampered the veteran, who served in the U.S. armed forces for more than 15 years, from doing the things that most people take for granted. Terrian credits Meritor and a service dog named Bull for helping to remake his life.

“I can't thank Meritor enough for helping to bring Bull to me and making a huge impact on my life,” said Terrian, who lives in Saginaw, Michigan. “Bull makes going out in public enjoyable again. I can focus and learn to love life.”

Named after Meritor's logo, the German shepherd went through more than two years of training at Guardian Angels Medical Service Dogs, Inc., a Williston, Florida-based nonprofit organization dedicated to rescuing, raising and training highly

skilled service dogs for veterans. Bull was trained with a \$20,000 grant from the Meritor Trust to monitor Terrian for signs of anxiety such as panic attacks and wake him from nighttime terrors resulting from his experiences in the military.



## INDUSTRY

More than 120 Detroit residents have found new jobs in the trucking industry since 2016, thanks to a unique partnership between Meritor and Focus: HOPE, one of largest nonprofits in Detroit addressing the problems of hunger, economic disparity, inadequate education and racial divisiveness. Together, we developed a model that allows candidates to become work ready in eight weeks through a 160-hour truck driver career training program that typically includes four weeks of readiness training and four weeks of Commercial Driver License (CDL) Class A license training. These newly trained CDL drivers are then paired with fleets of all sizes to begin a new career – and a new life.

### 2019 IMPACT

- 58 students trained
- 95 percent completion
- 91 percent employment



The training advances Focus: HOPE's mission of providing meaningful work for underserved populations in Detroit, as well as helping the trucking industry meet its need for qualified drivers.



# SOCIAL RESPONSIBILITY

## EDUCATION

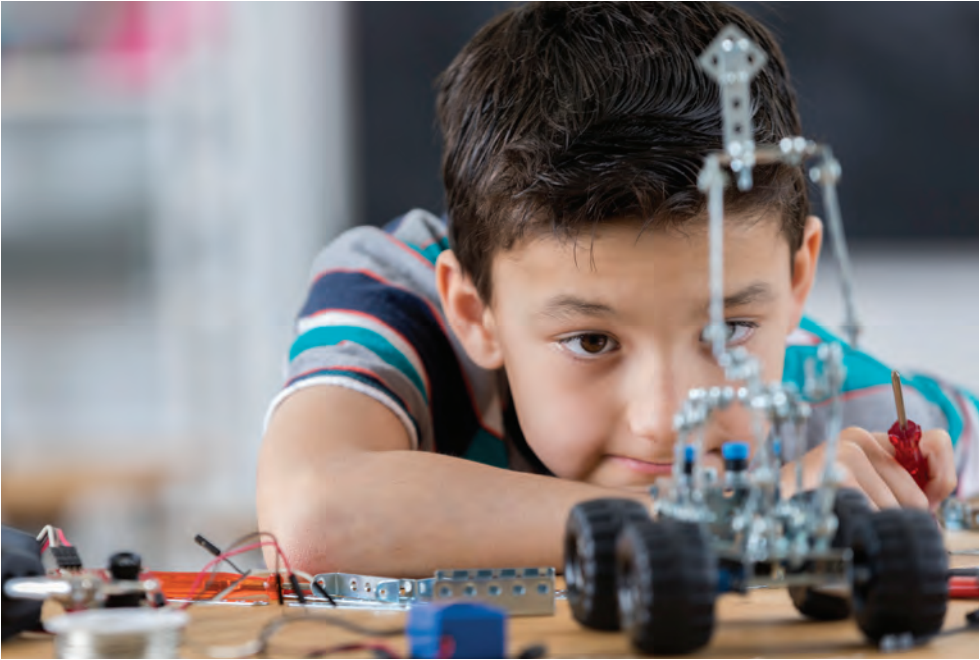
We recognize that introducing students to science, technology, engineering and math (STEM) subjects will ultimately drive innovation in the manufacturing industry, resulting in fulfilling careers and a positive impact on our communities.

Our contributions from the Meritor Trust encourage an interest in STEM education at all levels, from elementary schools to technical colleges and universities. Some of our community work has included:

- Introducing more than 700 middle school students to the way STEM concepts are being applied to the real world by using streaming technology between the classroom and our York, South Carolina facility
- Sponsoring capstone projects, career days, mentoring and scholarships to introduce hundreds of college students each year to a variety of STEM career opportunities
- Training the next generation of America’s repair technicians through our longstanding involvement with SkillsUSA that attracts 300,000 students and instructors annually, which aims to improve the quality of America’s skilled workforce through structured technical and professional skills training

### Meritor Hosts Hands-on STEM Experience for Girl Scouts® in Southeastern Michigan

More than 70 Girl Scouts, representing multiple troops from eight counties in grades 6-12, toured labs and testing facilities before conducting hands-on brake activities alongside Meritor technicians. Several Meritor leaders shared their experiences as women working in STEM careers. The company has a longstanding commitment through the Meritor Trust to encourage an interest in STEM because students in elementary schools, colleges and universities are the foundation for the next generation of scientists and engineers who will lead our industry.



## HEALTH AND HUMAN SERVICES

Meritor is making a difference in people’s lives through contributions to non-profit organizations that deliver health and human services to those in need. From breast cancer awareness to disaster relief to food banks and homeless shelters, nearly half of all Meritor contributions are focused on individual health and well-being.

Employees at our headquarters and in manufacturing locations around the world generously dedicate their time and offer financial contributions to those in need throughout the year.

### Meritor Employees Raise \$1 Million for Metro Detroit Charities

Employees at Meritor open their wallets and their hearts during jeans days fundraising events to support nonprofit organizations across southeast Michigan, raising more than \$1 million since 2012.

Employees entering the facility on Friday mornings donate \$5 to wear jeans to work. The collections are matched at 50 percent with a contribution from the Meritor Trust and provided each week to a different charity selected by employees.

Typically, charities are selected because a Meritor employee, family member or friend has received support from the organization during a challenging time in their life.

*Exercise flash mob event at Meritor global headquarters to benefit Susan G. Komen Greater Detroit*

### Meritor Supports Parents of Hospitalized Children in Italy

A hospital in Novara, Italy used an \$8,000 contribution from the Meritor Trust to purchase armchairs for parents of hospitalized children being treated for a variety of ailments, including cancer. Ospedale Maggiore della Carità, near Milan, is a major healthcare facility in the region that includes Cameri, Italy – the location of a Meritor facility. The soft, reclining armchairs for 11 rooms purchased with Meritor’s contribution offer parents a comfortable place to rest next to their children.





# HOW WE OPERATE - CORPORATE GOVERNANCE

Meritor is committed to good corporate governance. The foundations of our corporate governance principles and practices are an independent and engaged Board of Directors whose primary responsibility is to Meritor’s shareholders, our commitment to ethical behavior and standards of business conduct, our system of internal controls and internal audit and accessibility of employees and shareowners to management and the board to report concerns about violations of ethical standards and other issues of business conduct.

All employees, including our chief executive officer, chief financial officer, controller, and members of the Board of Directors are required to comply with corporate policies regarding standards of business conduct and conflicts of interest. These policies have been in place since the company’s inception. The purpose of these corporate policies is to ensure that we conduct business in a legal and ethical manner.

They form the basis of a comprehensive process that includes compliance with all Meritor policies and procedures, training and certification and procedures for reporting violations and include such areas as conflicts of interest, protecting sensitive information, gifts and payments, export controls, environmental compliance and adherence to other laws and regulations applicable to the conduct of our business.

“We believe that operating in an ethical manner, in compliance with the laws of the countries in which we operate, is crucial to our stability and long-term success.”

— April Miller Boise  
Senior Vice President, Chief Legal Officer and Corporate Secretary

All employees undergo training at the time of hire to familiarize them with our Standards of Business Conduct and Conflicts of Interest policies, and participate in periodic refresher courses to keep their knowledge up to date. Also, all salaried employees must certify annually as to their awareness of any conflicts of interest.

Employees are obligated to report any conduct that they believe in good faith to be an actual or apparent violation of Meritor’s Standards of Business Conduct and Conflicts of Interest policies. Procedures are in place for the reporting of each such complaint to either the complainant’s supervisor, the employee Helpline, the office of the general counsel or the Business Standards Compliance Committee (composed of representatives of Internal Audit, Human Resources and Legal), and for subsequent investigation and resolution of each complaint. Reports through the helpline can be made anonymously.



# BOARD OF DIRECTORS



Jay Craig  
Chief Executive Officer  
and President of Meritor, Inc.



Jan A. Bertsch  
Retired Senior Vice President  
and Chief Financial Officer  
of Owens-Illinois, Inc.  
• Audit Committee  
• Corporate Governance and  
Nominating Committee



Rodger L. Boehm  
Retired Senior Partner of McKinsey  
& Company, Inc.  
• Audit Committee



Rhonda L. Brooks  
President of R. Brooks Advisor  
• Audit Committee  
• Compensation and Management  
Development Committee



Ivor J. “Ike” Evans  
Former Executive Chairman, Chief  
Executive Officer and President  
of Meritor, Inc.  
• Compensation and Management  
Development Committee  
• Corporate Governance and  
Nominating Committee



William J. Lyons  
Retired Chief Financial Officer  
of CONSOL Energy Inc.  
• Audit Committee (Chairperson)  
• Compensation and Management  
Development Committee



William R. Newlin  
Chairman of Newlin Investment  
Company, LLC.  
Independent Chairman of Meritor, Inc.  
• Compensation and Management  
Development Committee  
• Corporate Governance and  
Nominating Committee



Thomas L. Pajonas  
Retired Executive Vice President  
and Chief Operating Officer  
of Flowserve Corp.  
• Audit Committee  
• Corporate Governance and  
Nominating Committee  
(Chairperson)



Lloyd G. Trotter  
Managing Partner of GenNx360  
Capital Partners  
• Compensation and Management  
Development Committee  
(Chairperson)  
• Corporate Governance and  
Nominating Committee





“ We are resolute in our commitment to take actions during the next decade that will improve the well-being of our employees, reduce our carbon footprint, uniquely design products that improve efficiency and support and strengthen communities. ”

– Carl Anderson  
Senior Vice President and Chief Financial Officer

