



**INSPIRED BY
INNOVATION**



2022
ESG ANNUAL REPORT

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LETTER FROM OUR CEO

All of us at NN, Inc. are proud of the progress we have made towards a sustainable future.

Our environmental, social, and governance (ESG) objectives are the foundation for serving our customers well, contributing to our industry, and providing a supportive environment for our employees and the communities we serve.

Having joined the company in May 2023, I am new to NN's sustainability journey, and the actions outlined in this report were undertaken prior to my arrival. That said, I am excited to lead NN's ESG efforts going forward. Challenging NN to become a better version of itself—for our employees, investors, and planet—is my fundamental duty and privilege as CEO.

In NN's inaugural ESG Annual Report last year, three factors were named as critical to the company's success:

STRATEGY

Key market segments such as passenger vehicles, commercial vehicles, and electric/electronic products are increasingly important as greenhouse gas emission reductions accelerate. We are proactively—and advantageously—positioning the company to address this shift.

DIVERSITY

An inclusive workplace in which everyone feels their perspective and background are valued is a must. As such, we are laying the groundwork by developing a formal Diversity, Equity, and Inclusion (DEI) policy.

ENVIRONMENT

Analyzing our global emissions will help us understand which areas of our business need the most attention. To that end, NN conducted its first carbon footprint analysis in 2022.

There is much to celebrate, yet also much more to do. One of my highest priorities is to ensure that NN's impact is positive in every way. As the company achieves milestones and strives for even higher goals, it will be my pleasure to share updates with you via our yearly ESG Annual Report.

Regards,



HAROLD BEVIS



NN OVERVIEW

ABOUT NN

NN is a full-service manufacturing solutions partner, providing a broad range of high-precision metal and plastic components and assemblies to the electrical, automotive, general industrial, medical, and aerospace and defense markets. Headquartered in Charlotte, North Carolina, NN employs more than 3,500 employees across North America, South America, Europe, and Asia, who proudly serve our customers around the globe.



4 Continents	3,500 Employees	NNBR NASDAQ Ticker	~\$500mm 2022 Revenue
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Every product NN makes is a custom component for a specific customer. As such, every facet of our global operations revolves around each customer’s unique needs. Our team finds the intersection of **application, cost, requirements, and manufacturability** to produce components at scale. Our expertise in engineering the ideal manufacturing processes around these four parameters—with the quality and speed that customers demand—positions NN as a single source for custom industrial manufacturing.

CORE VALUES

NN’s commitment to excellence powers its manufacturing processes, and NN’s core values guide the way we do business and interact with our employees. It is both our responsibility and our mandate to:

<p>DEMONSTRATE ethical behavior in every aspect of our business</p>	<p>ENSURE a safe and inclusive work environment for our employees</p>	<p>EMPOWER employees to do their best by recognizing innovation and superior performance</p>
<p>PROMOTE personal responsibility at every level</p>	<p>SERVE as a good corporate citizen in the communities in which we operate</p>	<p>INVEST in our customers’ success</p>

SUSTAINABILITY STRATEGY

SUSTAINABILITY—INSPIRED BY INNOVATION

In 2021, we established four pillars that serve as the foundation for our sustainability strategy. To do so, we engaged with our stakeholders, utilizing several frameworks designed to assess sustainability-related actions and priorities (e.g., the **Task Force for Climate-related Financial Disclosures (TCFD)** and the **Sustainability Accounting Standards Board (SASB)**). These pillars form the foundation of our global sustainability strategy.



<h3>PRIORITIZING PEOPLE</h3> <p>Continuously seeking to improve the health and well-being of our employees and the communities we serve</p>	<h3>OPERATING SUSTAINABLY</h3> <p>Serving as good stewards of the environment</p>	<h3>DELIVERING SUSTAINABLE COMPONENTS</h3> <p>Manufacturing sustainable products inspired by innovation</p>	<h3>MANAGING OUR BUSINESS</h3> <p>Demonstrating ethical behavior in every aspect of our business</p>
Employee Health & Safety	Climate Impact	Sustainable Products	Governance & Business Ethics
Human Capital	Waste & Hazardous Waste Recycling	Materials Sourcing & Efficiency	Management of the Legal & Regulatory Environment
Human Rights	Water & Wastewater Management	Supply Chain Management	Data Privacy & Security
Community Relations	Air Quality	Product Quality & Safety	

To guide and monitor the company's sustainability actions, we formed an NN Sustainability Executive Council as well as an Environmental, Social, and Governance (ESG) Leadership Committee. Collectively, these ESG committees work together to identify and execute sustainability initiatives. The Executive Council oversees sustainability initiatives and assesses their impact, whereas the Leadership Committee, comprised of individuals from various

roles throughout the company, executes sustainability initiatives and identifies ideas to enhance the sustainability program.

In 2022, our ESG committees met to discuss and prioritize initiatives. As a result, development of our first Diversity, Equity, and Inclusion policy is underway, and we have outlined supplier expectations that now include sustainability-related criteria.

ESG MATERIALITY ASSESSMENT

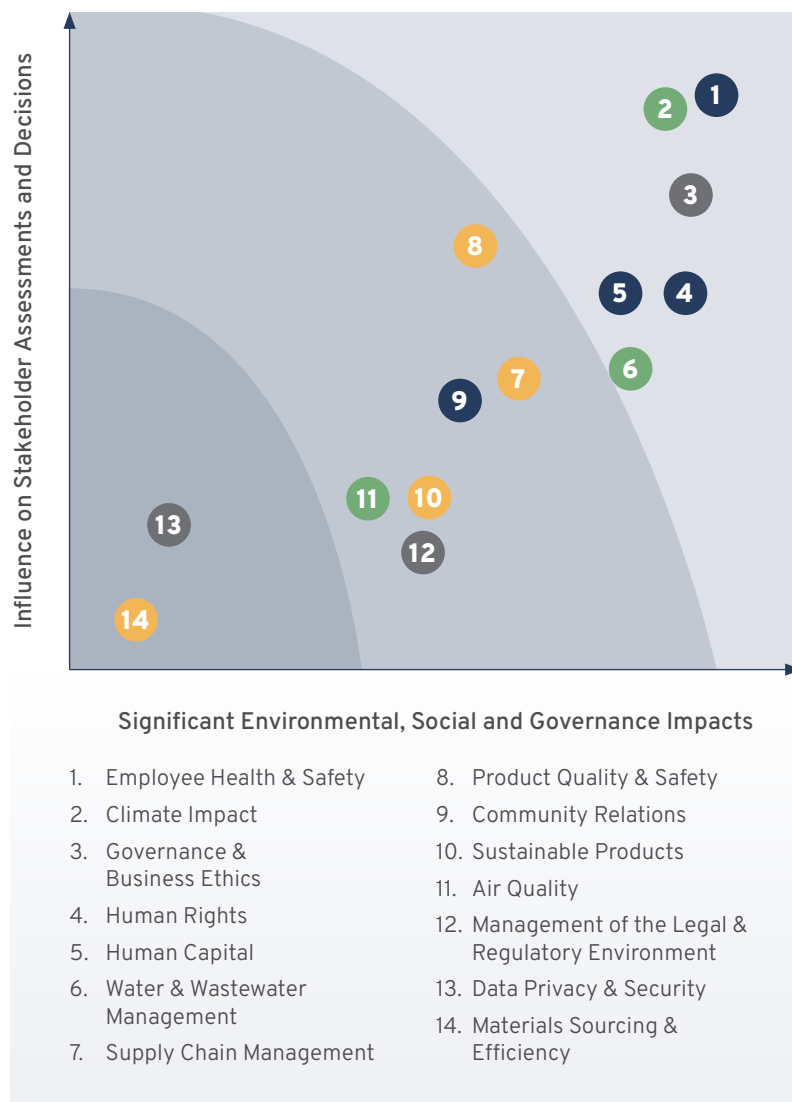
NN conducted a materiality assessment in 2021 to help the company identify the key issues that matter to stakeholders inside and outside the company. The assessment provided a framework for understanding stakeholder perceptions, and for managing risks and leveraging opportunities related to the company's ESG goals.

NN engaged employees, NN Board members, customers, shareholders, and community groups in this process, using the SASB and TCFD frameworks, as well as the United Nations Sustainable Development Goals (UN SDGs), as the basis for this work. The materiality assessment consisted of the following steps:

- Identified all relevant ESG topics to NN's business
- Identified internal and external stakeholders for engagement
- Engaged with stakeholders to rate the importance of ESG topics to both NN's business and stakeholder relationships
- Prioritized topics based on stakeholder feedback and business context
- Developed the following materiality matrix that indicates our ESG assessment findings

This matrix reflects our most significant economic, environmental, and social impacts, determined through an intentional and focused review of our business and engagement with our stakeholders.

For more information on how NN defines materiality for purposes of our sustainability program, please refer to the description at the end of this report.



Our sustainability journey is the product of teamwork, careful planning, and mindful intention. We are pleased to share on the following pages the progress NN has made on its goals and initiatives through 2022.

PRIORITIZING PEOPLE

NN's employees, families, and the communities in which we operate are the heart of our company.

We owe employees a safe, respectful, and inclusive work environment where everyone is empowered to do their best, and owe it to our communities to be good neighbors and engage with them through various local initiatives. In conformance with the United Nations Universal Declaration of Human Rights, we respect the value and dignity of each individual, recognize our responsibility to respect human rights, and further strive to protect the rights of women and minorities.



EMPLOYEE HEALTH & SAFETY

The health and safety of our employees is an integral part of NN's mission.

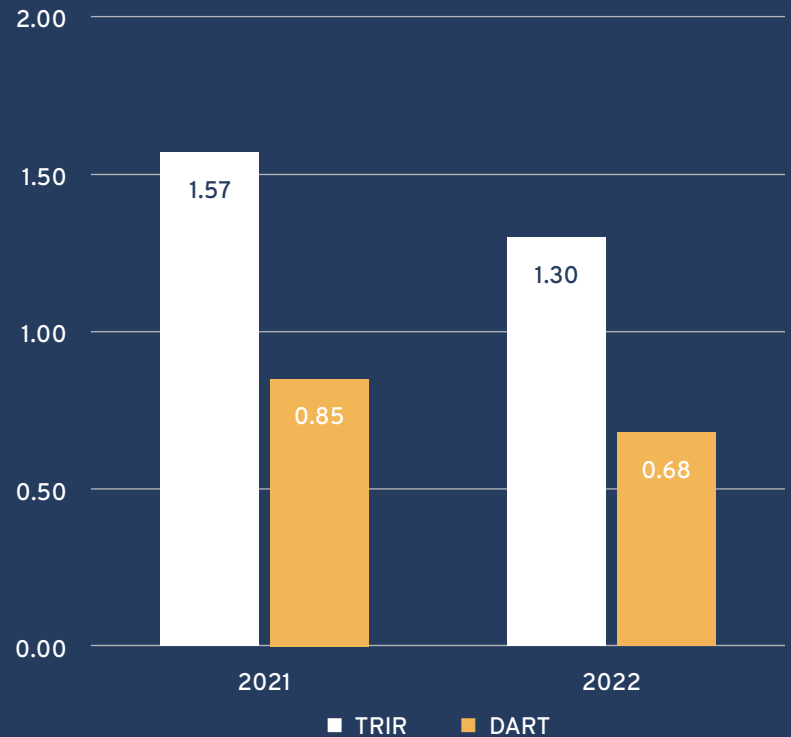
Safety is a priority at NN and is regularly discussed from the site to the enterprise level. We strive to implement health and safety practices that enable NN employees to work illness- and injury-free at every location, rooted in a common environmental health and safety policy. Safety is overseen by senior leadership, and performance is reviewed during weekly operations meetings, monthly operating reviews, and regular town hall meetings.

Each NN site has a dedicated health and safety representative who works with the facility's plant manager. Together, they ensure relevant health, safety and environment (EHS) training, systems, and procedures are administered appropriately and consistently. Each facility's EHS team conducts regular safety audits of its facility, and five sites have earned ISO 14001 certification to date. We are exploring ways to help more NN locations achieve this certification in future years.

Health & Safety Performance

Robust health and safety risk management processes have been a priority at NN for many years. In 2020, we developed and piloted an 8D Root Cause Analysis (RCA) program at select facilities to enable more efficient incident monitoring, including all workplace safety incidents and near misses. In 2022, we expanded this program to all company facilities. This proprietary system collects information on the incident, its root cause(s), corrective actions taken, and any additional actions required to prevent recurrences. Throughout this period, NN has had zero workplace fatalities, and continually seeks out opportunities to improve safety for our teams.

Further, our safety goal is to reduce injury rates by 10% each year for both **Total Recordable Incidence Rate (TRIR)** and **Days Away, Restricted, or Transferred rates (DART)**. In 2022, we achieved this goal for both measures, reducing TRIR by 17% and DART by 20% versus 2021. We believe that our facilities’ strong safety focus—including RCA, kaizen, and continuous improvement activities—are key to discovering and preventing the underlying causes of workplace injuries and illnesses.



NN facilities maintain certifications on a site-by-site basis, including the following certifications related to quality control and health and safety practices:

IATF 16949

16 of 24 facilities

ISO 9001

11 of 24 facilities

ISO 14001

5 of 24 facilities

ISO 13485

4 of 24 facilities

NADCAP AC7108

1 of 24 facilities

NADCAP AC7004

1 of 24 facilities

Additionally, seven of our facilities were ITAR registered and compliant in 2022.

HUMAN CAPITAL

NN's success is due in great part to the dedication and engagement of more than 3,500 global team members.

We ensure fair labor practices are followed, which prohibit forced labor, child labor, and human trafficking in all of our operations around the world. Further, employees receive competitive salaries and benefits packages, and our global human resources team regularly reviews wage rates to ensure employees are paid at or above the level required in each geography. Additionally, NN maintains programs through which employees may earn quarterly or annual bonuses if the company meets goals at the site, group, and corporate levels, giving employees a financial incentive for working together to achieve success.

Many of our sites also have individual employee recognition programs, which vary by geography, such as service awards and employee of the month programs.



Ten-year service award recipients are recognized in Wuxi, China

NN Connect

Clear and open communication is vital to engaged employees and quality work. Like many companies, NN experienced communication challenges during the COVID-19 pandemic. To facilitate better collaboration and engagement on an ongoing basis, we developed a global internal communication platform called NN Connect.

NN Connect highlights important company information and policies. It also provides a forum for leaders to connect with employees, and for employees to share information with one another. The NN Community channel has been particularly popular, as many people choose to post highlights from their professional and personal lives. In the Employee Spotlight channel, individual employees are recognized and celebrated. All employees can post on NN Connect and can use the platform to instant message each other, facilitating collaboration across geographies and cultures.

Leadership & Management Training

Sites conduct leadership and management training, tailoring common content to the needs of their particular location. We consistently find that this training positively impacts our teams and enriches the employee experience. In Fall 2022, the Algonquin, Illinois facility began a leadership and management training program for employees who manage others. Central to the training is the identification of different work styles. The training provides practical ways for soliciting and receiving feedback from employees, facilitating important discussions, and improving general management practices.

“

Participating in any leadership training enables managers and supervisors to focus on developing specific skills and traits that will help them become more successful leaders. This particular training has helped us identify better strategies for managing our people, and also reinforces what we are doing right.

PAT HOLTON

Human Resources Manager,
Algonquin, Illinois

Professional development at NN may take a variety of forms. In Lubbock, Texas, the site facilitates a monthly session where employees select a book on leadership and strategy to discuss over lunch. These sessions, which are open to all plant employees, act as a forum for hearing perspectives from various levels and departments. The Lubbock HR team also offers a more structured leadership training program for managers.

Learn and Earn Programs

NN has established a Learn and Earn Program, partnering with local universities and community colleges to provide opportunities for students interested in machining, manufacturing, and maintenance roles. The program structure varies from facility to facility, but all allow participating students to develop on-the-job technical skills and real-world work experience, while simultaneously earning course credits. Due to the success of the program, NN continues to expand offerings at sites across the organization.

Sample NN Learn and Earn Program Structure

	APPRENTICESHIP	AMP	CO-OP / INTERNSHIP
Work or School Requirement	Work full-time (40 hours)	Attend school full-time (9-16 credits)	Attend school full-time (9-16 credits)
NN Provides	Employment plus one group class one day per week	Part-time employment three days per week	Full-time work every other semester (total of three 4-month rotations)
Program Timeframe	Two years	Six semesters	Two years; eligible after sophomore year
Credit or Degree Requirements	None, but earn 27 articulated college credits after classroom hours completed	Pursuing a two-year degree (ex: Tooling & Manufacturing Technologist)	Pursuing a four-year engineering degree

DIVERSITY, EQUITY, AND INCLUSION

NN is committed to promoting diversity, equity, and inclusion (DEI) within our workforce and maintaining a work environment that is free from discrimination and harassment.

A diverse, fair, and inclusive workplace drives business growth and innovation, fosters engagement, and empowers our people to do their best work. NN expects all employees to support these ideals in their everyday interactions, and the company is committed to providing opportunities for employment where qualifications, performance, skills, and experience form the basis for selection and advancement. Together, we celebrate diversity of people, thought, and experience, so that everyone feels valued and respected.

Further, we strive to hire employees who reflect the diverse communities in which NN operates. As part of this commitment, we are developing a formal, company-wide DEI Policy; we intend to assemble a cross-functional, cross-cultural team to understand where our organization is from a DEI perspective and set a path forward.

Total Employees¹

35% | 1,175 Female

65% | 2,189 Male

Managers and Above

20% | 40 Female

80% | 157 Male

1. 3,363 full-time and part-time employees

HUMAN RIGHTS

NN maintains a comprehensive [Human Rights Policy](#), which details our expectations related to workplace discrimination, DEI, workplace conditions, and freedom of association. NN directors, officers, employees, contractors, vendors, and suppliers are all expected to abide by this policy, irrespective of role or geographic location. The policy prohibits discrimination based on characteristics such as gender, race, ethnicity, national origin, disability, religion, sexual orientation, and gender identity/gender expression. Further, NN has a formal process for reporting human rights concerns worldwide.

COMMUNITY RELATIONS

Each year, NN participates in local events and volunteer opportunities to help foster and maintain positive relationships with our local communities.

Many NN sites participate in manufacturing consortiums which introduce middle, high school, and college students and their families to the manufacturing industry. NN and other participating companies provide tours of their facilities and conduct information sessions. Partnerships such as these provide opportunities for students to experience the world of manufacturing while also helping NN attract the next generation of talent.

Other charitable and community events the NN team supported in 2022 include:

- FIRST Robotics–West Michigan / Grand Valley State University
- Grand Valley State University SAE Formula Racing Team
- MFG Block Party for Godwin Heights High School
- Junior Achievement Dream Girls Event
- Manufacturing Week (hosted approximately 200 students onsite)
- International Manufacturing & Technology Show (took 300 students to event)
- Juarez, Mexico “Help for the Grandparents” event
- Wuxi, China Children’s Welfare Home activities and donations
- São João da Boa Vista, Brazil food and clothing donations
- City of Kentwood 4th of July Celebration sponsor and Food Truck Festival sponsor
- YMCA Camp Manitou–Fall Festival



OPERATING SUSTAINABLY

NN's sustainability efforts are championed by our senior leadership team, guided by a cross-functional ESG Leadership Committee, and actioned throughout our company by our worldwide site teams.

Our CEO and Board of Directors are actively engaged in the governance of our ESG program across the company, and engage with both internal and external stakeholders to understand their perspectives and priorities.

As described previously, NN engaged these stakeholders to conduct a materiality assessment in 2021, and in 2022 we completed our first carbon footprint assessment. Greenhouse gas (“GHG”) emissions are categorized as belonging to one of three sources, or “scopes.” These scopes include direct emissions, which are those directly controlled or created by an organization (such as emissions from fuel combustion in a site furnace or a company vehicle); indirect emissions that result from purchased energy, such as electricity; and value chain emissions, which are emissions associated with producing the fuel and electricity that is later used by a company.

CLIMATE IMPACT

The 2022 assessment included Scope 1, Scope 2, and limited Scope 3 categories, such as fuel and energy-related activities and waste.

We plan to evaluate other relevant Scope 3 categories in the future as we refine our data collection process, and as more robust data becomes available. The results of this assessment will serve as our baseline for future emissions reporting. Our 2022 emissions are summarized below, expressed in metric tons:

	2022 MT CO ₂ E
Scope 1 (direct emissions)	6,000
Scope 2 (indirect emissions)	36,000
Scope 3 (value chain emissions)	17,000
Fuel & energy-related activities	11,000
Waste	6,000
Total	59,000



We recognize that part of our sustainability strategy must be to reduce our own energy and water use, and to the extent feasible, eliminate the use of toxic chemicals and non-recyclable materials in our products. We are committed to responsible environmental management practices at all global sites, as we promote a culture of working together for a more sustainable world. To that end, our sites are focused on a number of activities, including projects to maximize energy efficiency, responsibly manage chemical use, and improve waste, water, and air quality outcomes. A sampling of these activities is included below.

Energy Efficiency

Facility	Energy Reduction Initiatives	Overview	Approx. Energy Savings (kWh / year)
São João da Boa Vista, Brazil	LED lighting upgrades	Installed LED lighting in each of our facilities and administrative buildings. A more energy efficient air compressor generates an additional energy savings annually.	263,000
	Air compressor upgrade		180,000
Juarez, Mexico	Energy efficient lighting upgrades	Installed energy-efficient lighting in the production area, including split circuits that enable specific sections of the plant to be turned off when not in use Installed skylights to increase natural light	*
Kamienna Góra, Poland	LED lighting upgrades	Replaced fluorescent lamps with LED lighting in production halls Divided the lighting network into individual sections to allow some to be turned off when not in use	70,000
Wellington, Ohio, USA	LED lighting upgrades	Replaced some conventional lights with LED lighting within the manufacturing areas. This project will continue until we replace the remaining lighting fixtures with LEDs. Installed a new compressor with a variable frequency drive (VFD), enabling enable further cost and energy savings.	262,000
	Compressor upgrade with VFD		*
Marnaz, France	LED lighting upgrades	Began replacing all lighting with LEDs in 2021, with an expected completion date of 2024 Hired a third-party specialist to analyze and control air leaks at this site, where air compressors are the highest energy consumer Identified machines that can be powered off when not in use to reduce energy Conducted employee education on eco-friendly strategies to apply on a daily basis	*
	Other energy initiatives & education		
Foshan City & Wuxi, China	Renewable energy (solar power)	Began using solar energy to generate electricity and replace steam use Upgraded to a more efficient air conditioning and electric refrigeration system	1,529,000
	Efficient air conditioning and electric refrigeration system		
2022 Total Energy Savings			2,304,000

* Savings not yet estimated, as implementation of these initiatives is in process

Environmental Stewardship of Chemicals

An example of NN's focus on chemical management can be seen at NN's plating facility in Attleboro, Massachusetts.

This site regularly evaluates ways to manage, reduce, or eliminate chemical usage, which involves substituting chemicals with more environmentally friendly alternatives, as well as reducing overall usage where possible. Additionally, the site analyzes chemicals to assess where they are in their lifecycle. By getting the most use from each chemical as possible, it minimizes wasteful premature disposal.

Previously, the site used methanol to dry parts during its rinsing and heating processes. A toxic chemical, methanol is subject to annual regulatory reporting requirements. Our team found a more environmentally friendly alternative which reduced over 10,000 pounds of methanol usage, providing both cost savings and a safer option for the facility. With this change, the cleaning process is now 99% solvent-free. The site also reduced cyanide usage by 5.7% from 2021 utilization and logged a 20% reduction in phosphoric acid.

WASTE & HAZARDOUS WASTE RECYCLING

NN's recycling programs are growing, and in 2022 we surpassed recycling goals at several facilities.

These programs focus on:

- Tracking and reducing the amount of scrap created
- Selling the plastic and metal scrap that is generated to recycling companies

For example, NN's Michigan sites partner with a local recycling and scrap materials collector to track plastic and corrugated waste, who also purchases our corrugated waste. There are opportunities to expand the partnership to include plastic waste in the future.

Lean Manufacturing strategies help our operations minimize waste and optimize efficiency. We have continued our efforts to designate a Continuous Improvement Coordinator for each facility and intend to do so by 2024. Individual facilities set recycling goals that are tracked and refined each year, and NN encourages and empowers all employees to participate in waste reduction efforts.

As part of our ongoing carbon footprint tracking, we have begun company-wide monitoring of our waste metrics and plan to share trends in future reports.

Waste Management

Our facilities train employees on minimizing and disposing of waste, and have implemented several additional waste management initiatives, including:

1) Marnaz, France

Set a goal to recycle 80% of its waste. In 2022, the team surpassed this goal by recycling 87.6%, thanks to selective sorting of waste.

2) Kamienna Góra, Poland

Surpassed its package recycling goal of 61% in 2022. Additionally, the plant set a scrap recycling target (2.5% scrap as a percent of sales, or less) which it also exceeded.

3) Algonquin, Illinois

Doubled the lifecycle of a chemical used in its operations, allowing the site to reduce both purchases and disposal.

4) Lubbock, Texas

Participates in recycling programs for oils and cardboard boxes.

5) Attleboro, Massachusetts

Extending the lifecycle of chemicals, reducing the quantity of waste disposed.

Assessing internal processes to maximize the useful life of carbon filters used in the air scrubbers.

Disposing of waste with vendors that can reclaim heavy and precious metals.



WATER & WASTEWATER MANAGEMENT

NN continues to make strides in water conservation. Our facilities work to minimize or eliminate unnecessary water usage and the creation of wastewater, where feasible. A few of these actions include:

CONDUCTING

onsite inspections to ensure there are no leaks during operations

ASSESSING

and replacing water-intensive machines with more efficient equipment

OPTIMIZING

equipment to conserve water and reduce wastewater during processes

COMMUNICATING

water-saving strategies to employees

Water Management Focus

In Kamienna Góra, Poland, we optimized our sewage network in 2021 by constructing a separator pipe to divert rainwater from sewage before reaching the municipal treatment facility. By minimizing the amount of wastewater the facility needs to treat, NN helps reduce energy usage and pollution, while also reducing costs.

Additionally, the São João da Boa Vista, Brazil, Wuxi, China and Kentwood, Michigan sites process all wastewater onsite. Other locations are developing or have established in-house wastewater treatment capabilities, so that they may leverage this capability in the future.

AIR QUALITY

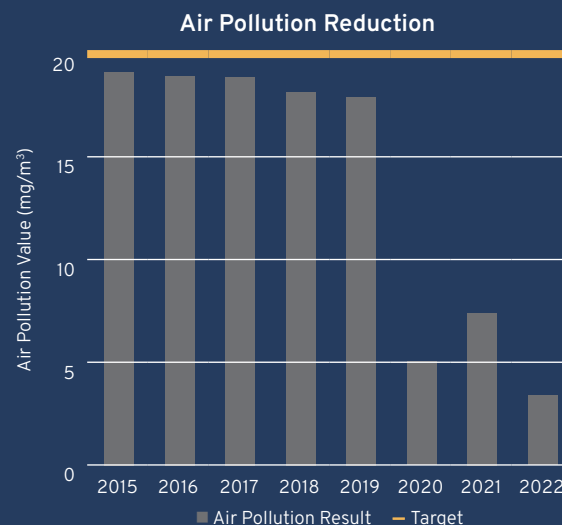
NN has improved air quality by phasing out chemicals, acids, and volatile organic compounds (VOCs) where possible.

We replace these with other chemicals that are safer, yet equally effective. Additionally, we have transitioned from testing all chemicals on a routine cadence to testing chemicals only when they are to be used at a facility, thereby reducing chemical use and onsite storage. These actions help provide a healthier environment for our employees and our local communities.

Air Quality Focus

In our Attleboro, Massachusetts plating facility, we use and continually refine our air quality dashboard. Air quality is an area of focus at this site due to the nature of the chemicals used in the plating process. The dashboard is a tool by which we can ensure compliance with chemical quantities and air permit limits, and it additionally streamlines the air permitting reporting process. These factors have helped NN exceed the state's air quality requirements.

NN's Kamienna Góra, Poland facility has an annual goal to keep its air pollution below 20 mg/m³. In 2022, the site achieved its lowest air pollution result—3.4 mg/m³—since the facility started monitoring in 2015, an 83% reduction from its initial score.



DELIVERING SUSTAINABLE COMPONENTS

NN's mission is to provide high-quality products that exceed our customers' expectations. It is important to us that we do so both safely and sustainably.

SUSTAINABLE PRODUCTS

When we collaborate with our customers to develop products, we take into account the product's manufacturability, material costs, scrap reduction, recyclability, shipping requirements, and other key parameters. Many of these factors have an inherent sustainability impact. Our goal is to manufacture as efficiently as possible, and we plan to incorporate more clearly defined sustainability criteria into our development process.

In 2022, we continued expanding our offerings into the electrical, electric vehicle, and automotive market segments. The expansion efforts have been positively impacting the shift towards more sustainable markets as approximately 60% of our 2022 new business wins were in these markets. Additionally, NN implemented several initiatives to support the transition, including:

- Launching a restructured incentive plan for the sales organization to drive new business growth toward strategic, secular market segments, including electrical, electric vehicle, and components that can be used across all automotive platforms, whether electric vehicles, hybrids, or legacy ICE vehicles, such as components for air bags, windows, seats, and braking systems.
- Attending various industry forums and events related to the EV and hybrid market space, including the Battery Show in Novi, Michigan; the Battery Show Europe in Stuttgart, Germany; and IAA Transportation 2022 in Hannover, Germany.
- Strategically positioned business development efforts towards the electrical, electric vehicle, and the rapidly growing energy storage market. Further, NN continues to leverage the knowledge of our independent directors, who have expertise in electrification and other key markets.



Product Awards

NN is proud to have earned several 2022 quality awards from our customers.

Schaeffler recognized NN's Wuxi, China manufacturing plant with its 2022 Supplier Best Quality Award. Out of more than 600 suppliers in China, NN is the only machining supplier to receive this prestigious award. Cummins awarded NN with two 2022 Best Delivery Performance—Direct Sourcing awards, covering both North America and the global category. These honors highlight NN's ability to deliver a broad range of high-precision products at high volume, with on-time delivery around the world.



The Wuxi, China team displays its Cummins 2022 Best Delivery Performance Award

MATERIALS SOURCING & EFFICIENCY

NN is committed to sourcing all raw materials from conflict-free regions.

In accordance with Section 1502 of the U.S. Dodd-Frank Act, we include a verification process to ensure all minerals are sourced from a pre-approved smelters list. Vendors that supply minerals are required to present appropriate documentation demonstrating this compliance.

SUPPLY CHAIN MANAGEMENT

The success of our business relies not only on our direct operations, but also our supply chain. As such, NN's suppliers are expected to comply with our Code of Conduct and Ethics.

As a global company that draws from a worldwide supply base, NN and its suppliers must abide by various environmental, social, and economic regulations and standards at both the domestic and international level. We manage these risks and regulatory differences in our supply chain primarily through our policies and procedures, in which we outline our expectations for suppliers.

Some of our North American sites have begun evaluating supplier compliance, quality, and performance on a monthly basis, using a supplier self-assessment and a supplier performance scorecard. If a score indicates improvement is needed, NN engages with the supplier on mitigation efforts. We have also begun developing a company-wide supplier code of conduct and will consider adding environmental and social impact criteria as part of the screening process.

In 2022, several global challenges caused supply chain disruptions. We continue to work to diversify our material sourcing and improve business continuity planning to help protect the company and its customers going forward.



PRODUCT QUALITY & SAFETY

Product quality and safety is a responsibility shared by all NN employees.

If there is an anomaly or deviation that an employee believes will negatively impact product quality or safety, that employee is empowered to stop the production line to assess the situation.

Regular audits are built into the early stages of product development to ensure product quality and safety from the start. NN's goal is to provide customers with products that contain zero defects. We use a parts-per-million (PPM) indicator to monitor and track defects, and set rigorous continuous improvement targets to help us achieve the goal.

MANAGING OUR BUSINESS

Employees at all levels of the organization are expected to uphold NN's ethical standards. This commitment to doing the right thing is integral to our success.

BOARD OF DIRECTORS OVERSIGHT

The Board and its Governance Committee are responsible for the strategy and policies related to ESG. The executive leadership team provides updates to the Board on a quarterly basis regarding current sustainability activities.

The Board of Directors brings diverse experience, knowledge, and professional judgement to the company, allowing us to draw upon broader and deeper insights to achieve our strategic objectives. Our Board, which has been largely reconstituted since 2019, brings key expertise in the areas of electric grid, automotive (both EV and ICE), aerospace and defense, leadership, strategic planning, M&A, capital markets, and technology.

Board Diversity Metrics

Women on the Board

22.2% | 2 of 9

Underrepresented Minorities on the Board

33.3% | 3 of 9

Independents on the Board

88.9% | 8 of 9

GOVERNANCE & BUSINESS ETHICS

NN's commitment to doing business the right way starts at the highest level of leadership and cascades throughout the global organization.

We expect all directors, officers, and employees to use the highest level of professional integrity when conducting business. Our [Code of Conduct and Ethics](#) serves as the standard for all. In 2022, we updated this code by making it more accessible and adding topics such as sustainability, environmental stewardship, and cybersecurity. As an example, employees can now scan a QR code that provides a direct link to our whistle blower online reporting portal, should employees feel more comfortable submitting complaints anonymously. All employees are required to complete ethics training during the onboarding process and receive refreshers annually thereafter.

We also updated our [Whistle Blower Policy](#) and [Non-Retaliation Policy](#) in 2022 to further enhance our conflict resolution process. This procedure ensures an easily accessible and safe platform to report ethical violations and resolve concerns. It also facilitates incident monitoring so that concerns are investigated and addressed fairly and promptly. Employees know they can share feedback, concerns, or suspected violations of law or company policy through the whistle blower hotline, directly to the Audit Committee, or to members of management. NN prohibits retaliation against any employee who engages in this process in good faith.

MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT

As a global manufacturing company, NN faces a complex legal and regulatory environment that can vary by geography.

For that reason, we have developed systems to support compliance with all current applicable legal and regulatory requirements and monitor emerging regulations that have the potential to impact our business.

As part of our regulatory management program, we conduct annual audits to ensure our facilities have in place all necessary local, state, and federal environmental and operating permits. During these audits, we often share information and best practices from other facilities. A new dimension to these exchanges is in the area of NN's sustainability efforts; these discussions have been enthusiastically received, and we intend to continue these conversations to help inspire and develop sustainability efforts at the local level.

In 2023, we will launch an Enterprise Risk Management (ERM) process to further our audit efforts. We plan to share more information in future reports.



BUSINESS CONTINUITY & RESILIENCE

The COVID-19 pandemic and the resulting supply chain disruptions, as well as the challenges associated with geopolitical conflict, motivated NN to examine its processes and policies, and take appropriate measures to support business continuity during challenging times. Our sites maintain a range of plans—including emergency response, pandemic preparedness, and contingency plans. Going forward, we intend to craft a single business continuity plan to address these topics in a consistent manner organizationally.

DATA PRIVACY & SECURITY

NN operates an extensive data security program, which includes annual compliance audits and gap analysis against new and existing privacy legislation. We have also taken steps to ensure employees are equipped to identify email phishing and social engineering attempts. A third-party firm conducts monthly phishing drills, as well as periodic employee training sessions. Employees who fail these drills must complete additional training.

Through our data security program, we utilize recognized guidelines and maintain compliance with all applicable legislation in the locations in which we operate. NN operates using NIST guidelines to strengthen our security program, while also following legislation such as the EU General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), China Personal Information Protection Law (PIPL), and the Brazilian General Data Protection Law (LGPD). We continually monitor and update our policies as new regulations and industry best practices develop.

To spread awareness and facilitate continuing education for employees, we also address data privacy and security topics during quarterly town hall meetings. We anticipate developing more detailed data privacy and security training in 2023.



CONCLUSION

NN'S COMMITMENT TO THE FUTURE

As we consider the four foundational pillars of our sustainability journey—prioritizing people, operating sustainably, delivering sustainable components, and managing our business—we see clear opportunities for improving outcomes for our enterprise and our stakeholders.

These opportunities form the basis for establishing our first goals around ESG and sustainability as a company and demonstrate NN's commitment to the future—both for our company and our planet:

Prioritizing People

We recognize the benefit of having diverse populations within our company, bringing unique perspectives and new thinking to the organization. We believe a diverse, fair, and inclusive workplace results in business growth and encourages innovation, talent retention, and greater engagement.

To that end, **NN has committed to achieve diversity within our organization, including among management roles, by 2030.**

Attaining intentional representation of a diverse workforce at all levels of the organization will enable us to think more broadly, while helping us better serve our employees, customers, and communities.

Operating Sustainably

Having conducted our first carbon footprint assessment in 2022, we now have a baseline against which we may compare future sustainability efforts. **Our goal is to achieve a 30% reduction in Scope 1 and Scope 2 emissions by the year 2030,** and expand our Scope 3 evaluation as better methods and data become available.

SUMMARY OF 2022 ACTIVITIES

We are proud of the strides we made in 2022. While there is still more to do, these positive changes make an impact that goes far beyond our company's walls. We are determined to continue making progress each year on our sustainability goals, and we are honored by the opportunity to share that progress with our stakeholders.

PRIORITIZING PEOPLE

- Launched company-wide 8D Root Cause Analysis (RCA) program to monitor workplace safety incidents and near misses.
- Decreased our Total Recordable Incidence Rate (TRIR) by 17% and Days Away, Restricted, or Transferred (DART) by 20% in 2022 as compared to 2021.
- Introduced NN Connect, a global internal communication platform designed to support employee engagement and communication.

OPERATING SUSTAINABLY

- Conducted NN's first carbon footprint to assess company-wide emissions.
- Implemented several facility-level energy initiatives, including energy efficiency upgrades through equipment, lighting, and procurement of renewable energy.
- Conducted waste initiatives related to reduction of waste disposal and improved management and reduction of chemical usage.

DELIVERING SUSTAINABLE COMPONENTS

- Continued expansion of our offerings into the electrical, electric vehicle, and universal auto market segments.
- Earned several customer awards for product quality and performance, including Schaeffler's 2022 Supplier Best Quality Award, and Cummins' two 2022 Best Delivery Performance – Direct Sourcing for both the North America and the Global category.

MANAGING OUR BUSINESS

- Updated our Code of Conduct and Ethics, Whistle Blower Policy, and Non-Retaliation Policy.
- Engaged the Board of Directors as needed, to leverage their strategic expertise in key markets.

A NOTE ON MATERIALITY

While certain matters discussed in this report may be significant, any significance should not be read as necessarily rising to the level of materiality used for the purposes of complying with the U.S. federal securities laws and regulations. We use the definition of materiality established under U.S. federal securities laws for the purposes of complying with the disclosure rules and regulations promulgated by the U.S. Securities and Exchange Commission (SEC) and applicable stock exchange listing standards. However, in our voluntary ESG disclosures, including those that relate to our climate change-related efforts, we have adapted our approach to materiality based on both the subject matter and purpose of the disclosures. In particular, our approach to these voluntary disclosures often considers broader definitions of materiality promulgated by certain external frameworks and reporting guidelines that take into consideration a wider range of factors relevant to climate and ESG disclosures. For the purposes of discussing climate risks and opportunities in this report, we use an approach to materiality that is consistent with the TCFD recommendations. This approach means that this report and many of our other voluntary disclosures capture details on ESG issues, including climate-related risks and opportunities that may not be, and are not necessary to be, incorporated into our required disclosures with the SEC. Our approach to materiality in this report and other voluntary ESG disclosures also means that statements made in this report and in our other voluntary disclosures use a greater number and level of assumptions and estimates than many of our required disclosures. These assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these voluntary disclosures, make any assessment of materiality inherently uncertain. As a result, we expect that certain disclosures made in this report and our other voluntary ESG disclosures are likely to be amended, updated, or restated in the future as the quality and completeness of our data and methodologies continue to improve. Therefore, the information relating to the Company in this report should not be read as a characterization regarding the materiality or financial impact of such potential risks and such other information for purposes of applicable securities laws or any other laws of the United States. For a discussion of risks that NN has determined could be financially material, please see “Risk Factors” and other sections in and exhibits to our Form 10-K, as well as any such risk factors and other sections in and exhibits to our subsequent Form 10-Q and other filings that we make with the SEC.