



# ENVIRONMENTAL STEWARDSHIP STATEMENT

Environmental Stewardship is a fundamental value adopted by the Shyft Group, along with the core values of Sustainability, Health, and Safety. We strive to promote a safe, sustainable, healthy, and secure environment to protect our most important asset – our people.

To achieve our goals, we will:

- Protect people and the environment by working to prevent accidents and pollution.
- Promote ongoing environmental and safety achievement across all locations through:
  - Continuing leadership and employee involvement and education.
  - Establishing, promoting, and driving toward specific performance goals to ensure continuous safety and environmental improvements.
  - Setting sustainability targets which align with the 2° C initiative.
  - Reducing green-house gases.
  - Maintaining and operating our facilities and processes in compliance with applicable regulations.

When considering the impact of our Environmental Stewardship, we take a global approach to our operational footprint and the impact of our practices at each operating location and the combined impact across our operations in the U.S and Mexico. Each of the locations uses electricity, natural gas, and water and each produces non-hazardous waste. Certain locations generate hazardous waste in accordance with applicable regulations. Locations that emit volatile organic compounds (VOCs) from coating operations are permitted in accordance with local regulatory requirements.

In alignment with our approach to Environmental Stewardship and the principles of the 2° C initiative, The Shyft Group tracks electricity, natural gas and water use, waste generation and GHG emissions.

When reviewing our operations, we consider activities based on their actual or potential impact on the environment, specifically land, air, water, or a combination thereof. We assess the risk of each factor on a scale of 1–5, in three areas: severity; frequency of occurrence probability; and detectability. Specific actions are developed to minimize our risks to the environment.

- Land: Many of our operations and processes create scrap material, including steel, aluminum, wood, and cardboard which is diverted from landfills through recycling programs. Certain of our processes,

such as paint, may create hazardous waste which is disposed in compliance with all applicable regulations.

- Air: We view the impact of our operations on air quality based on a broad view both upstream and downstream, in addition to the direct impact from our operating activities.
  - Upstream, we use electricity which may be generated by a variety of providers using various fuel sources. Certain locations conduct regulatory permitted coating operations which generate VOCs and hazardous air pollutants (HAPs) below permitted limits.
  - Downstream, we produce vehicles that are used in the transportation and delivery space, which generally use fuel for combustion engines while our electric vehicles (EV) use electricity generated by local providers.
  - Internally, our production facilities use natural gas for heating and LP gas for powering forklifts. In addition, the operation of paint booths or welding cells may create VOCs or other emissions that are mitigated through a variety of methods required by regulation.
- Water: The primary use of water is within our paint operations as well as in water test operations for vehicles we produce.

## RISK RATING MATRIX

Risk Priority Number (RPN) Ranking Reference

RATING	CRITERIA
<b>SEVERITY</b>	
5	Violation of regulation or permit, and severe damage to environment
4	Violation of regulation or permit and minimal harm to environment
3	Excessive release or excessive depletion of resources
2	Potential for containable release or restricted to indoors
1	Minimal or no environmental impact
<b>OCCURRENCE</b>	
5	Continuously, constant, or at least once a day
4	At least once a week
3	At least once a month
2	At least yearly but less than monthly
1	Less than yearly or unlikely to ever occur
<b>DETECTION</b>	
5	Not noticeable or requires special instruments
4	Unlikely to be detected/detected through monthly tracking
3	Likely to be detected throughout day or shift
2	Able to be detected rapidly

## ENVIRONMENTAL TRACKING

With the implementation of our sustainability program, our initial focus has been our operations in Bristol, Indiana and Charlotte, Michigan, which combined represent more than 50% of our environmental footprint based on square footage and more than 66% of our commercial activity by revenue. Baseline data was collected in 2020 and 2021 at these locations as we began tracking key performance indicators (KPIs) to monitor progress and improvement goals. Our remaining locations are collecting baseline data, with the goal of including this information in our KPI tracking in 2022.

For the in-scope business operations during 2020 and 2021 we used or generated the following data:

KPI	2020 Actual Usage	2021 Actual Usage	2021 Sales Adjusted Usage
Electricity (kwh)	9,134,794	10,667,288	6,940,782
Natural Gas (ccf)	494,691	512,389	333,391
Water (gal)	18,107,306	15,018,901	9,772,204
GHG (MT – Scope 2)	6,459	7,483	4,869
Haz Waste (t)	40	66	43
Universal Waste (t)	11	6	13
VOC (t)	55	110	72

There were no major or minor environmental controversies, spills, or remediation actions required during 2021.

## OUR GOALS, PERFORMANCE AND OPPORTUNITIES

Upon establishing our baseline measures and KPIs, The Shyft Group has set the following goals toward the broader 2° C initiative. The Shyft Group, Inc. has set the following average minimum improvement targets, assessed on a rolling three-year basis, normalized for the production sales level at each location:

- Electricity: 3% minimum annual reduction
- Water: 3% minimum annual reduction
- Natural Gas: 3% minimum annual reduction
- GHG: 3% minimum annual reduction

Performance against the targets will be tracked and reviewed on a rolling three-year average to assess the impact of environmentally focused process improvements and investment.

Comparing year over year performance for 2021 as compared to 2020, the first two of three years of our baseline measurement average, indicates a decrease, on a sales adjusted basis, in the use of electricity, natural gas, and water and in the generation of GHG. Our continued focus on process improvements and targeted investments drove this performance. We saw nominal increases, on a sales adjusted basis, in generated waste

and an increase in VOCs, in each case with the opportunity for efficiency investments to influence future reductions.

## **CARBON AND CLIMATE - CLIMATE CHANGE IMPACTS RISKS AND OPPORTUNITIES**

As of year-end 2021, 193 countries, including the United States, have adopted the Paris Climate Agreement and 2° scenario. Consistent with our commitment to creating a more sustainable future, we continuously assess relevant climate related risks and opportunities, such as:

<b>RISKS</b>	<b>IMPACT/OPPORTUNITY</b>	<b>TIMELINE</b>	<b>RESULT</b>
Legal	Investment will be needed to meet new sustainability initiatives.	1–5 yrs.	New programs and policy changes will result from regulatory compliance changes. Investment in low carbon and carbon neutral alternatives to replace current carbon intensive processes.
Technology	Low carbon technology will need to be investigated as well as energy reduction initiatives accelerated.	1–5 yrs.	Advances in market-ready technology needs to be investigated for rapid deployment.
	Impact to supplier chassis costs.	1–5 yrs.	Continue growing and developing our market EV product lines.
Market	Customers may be obligated to move to low carbon to carbon neutral products.	1–5 yrs.	Continue to support our customers' needs for EV transition.
Reputation	Providing an EV alternative for customers and having readily available method to meet new regulatory guidelines can help achieve a market advantage over competitors.	Available now	Potential market growth.

## **HOW WE WILL MEET OUR GOALS – SHYFT GROUP’S COMMITMENT**

In 2021, The Shyft Group continued its investment in sustainability by investing \$8.5 million in capital on sustainability initiatives, including the following improvements:

- Installed energy efficient laser fabrication machines
- Installed energy efficient lighting wiring systems at a new R&D facility
- Replaced inefficient lighting systems over various parking lots with energy efficient LED lighting
- Installed high-efficiency paint curing ovens
- Installed test bay water recirculation technology

- Upgraded paint preparation processes

In addition, The Shyft Group invested \$6.5 million in 2021 toward the development of our proprietary, purpose-built Class 3 EV chassis in support of our customers' carbon neutral goals and our commitment to environmental stewardship.

The Shyft Group will ensure that our environmental policy remains appropriate to the nature, scale, and environmental impacts of our activities, products, and services, including commitments to pollution prevention. We are committed to continuously seeking to improve the operation of our facilities through the efficient use energy, the sustainable use of renewable resources, and a commitment to waste reduction, recycling, reducing water usage and carbon emissions, and implementing responsible waste disposal practices.