# You're What Drives Us

2022 Environmental, Social and Governance Report

eGen Power® 100S

3000 Series™

eGen Flex™

# What Drives This Report

## 2022
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Allison VISION**

Be the global leader in commercial-duty propulsion solutions that *Improve the Way the World Works.*

**Allison PROMISE**

Provide the most reliable and valued propulsion solutions in the world to enable Allison customers to work more efficiently.

**Allison VALUES**

**Quality** – We are driven by a total commitment to excellence in everything we do.

**Customer Focus** – We believe each customer is unique, and Allison's success is tied to their success.

**Integrity** – We hold ourselves to the highest ethical standards in everything we do.

**Innovation** – We seek ways to improve products and processes in an effort to add value and create solutions for Allison customers.

**Teamwork** – We develop better solutions by working together toward a common goal.

# CHIEF EXECUTIVE OFFICER LETTER

We remain committed to *Improving the Way the World Works* and are eager to meet the challenges that lie ahead.

## Dear Stakeholders,

We are delighted to present the 2022 Allison Transmission Environmental, Social and Governance (ESG) Report, where we provide data regarding our environmental performance, our social impacts and our discussions on how we govern these issues. The report is aligned with the guidelines of the Sustainability Accounting Standards Board (SASB) for the Industrial Machinery and Goods sector and addresses topics of interest to the United Nations (U.N.) Global Compact and the Universal Declaration of Human Rights (UDHR), thus allowing us to highlight our commitment to the ideals of corporate citizenship.

Allison met a year of challenges, opportunities and accomplishments as we navigated an evolving commercial vehicle industry. The world took steps toward recovery from the pandemic, but global markets continued to experience inputs constraints as a result of lingering impacts from the pandemic, global economic uncertainty and the Russia-Ukraine war. Allison was not immune to these influences and events. However, we worked tirelessly with our suppliers and customers to ensure that these constraints had minimal impact on Allison's ability to meet our commitments.

Despite the challenges Allison and our peers faced, the evolving industry presented strong opportunities for innovation and growth. Our business achieved record revenue, driven by strength in demand in our global on-highway and off-highway end markets, continued realization of our growth initiatives and further improvement in operating performance.

Innovation is more than a philosophy at Allison. It's a way of life. As commercial vehicle electrification continues to build momentum and regulatory standards continue to change, Allison is committed to offering a breadth of propulsion solutions designed to meet the needs of our 350+ OEM partners and 15,000 fleet customers across various applications and end markets. This includes evolving our conventional transmissions to provide an ideal blend of fuel economy and efficiency as well as continuing to advance our electric hybrid and fully electric propulsion solutions.

In 2022, we once again expanded the Allison eGen Power® family of fully electric axles to include the eGen Power 130S, specifically designed to support the 13-ton gross axle weight rating often required in Europe and Asia-Pacific markets. Allison announced several partnerships this year with leading OEMs to integrate eGen Power e-Axles into electric vehicles that will serve a variety of market applications. In addition, the first transit buses equipped with the Allison eGen Flex™ electric hybrid system were delivered to the Indianapolis Public Transportation Corporation (IndyGo) in June, marking a milestone in our efforts to provide transit agencies with technology that reduces emissions and supports sustainability goals.

Allison's dedication to advancement extends beyond commercial vehicles to defense vehicles. This past year, we combined our decades of experience in both defense and electric hybrid propulsion solutions to develop the new eGen Force™ electric hybrid system for tracked defense vehicles. This revolutionary power distribution system enables engine-off mobility to reduce enemy detection and, in turn, increase soldier survivability.

Due to our extensive experience and legacy of innovation, I believe Allison is well-positioned to drive the next generation of propulsion solutions that will help our customers and the world reduce emissions and protect our planet. We remain committed to *Improving the Way the World Works* and are eager to meet the challenges that lie ahead.

I would like to thank the Allison team and our partners for their unwavering dedication in delivering on the Allison brand promise to provide the most reliable, durable and valued propulsion solutions in the world to help our customers work more efficiently. Without their support, the successes we achieved this year would not have been possible.

Sincerely,

**David S. Graziosi**
Chairman and Chief Executive Officer

# Key Facilities

# ABOUT ALLISON

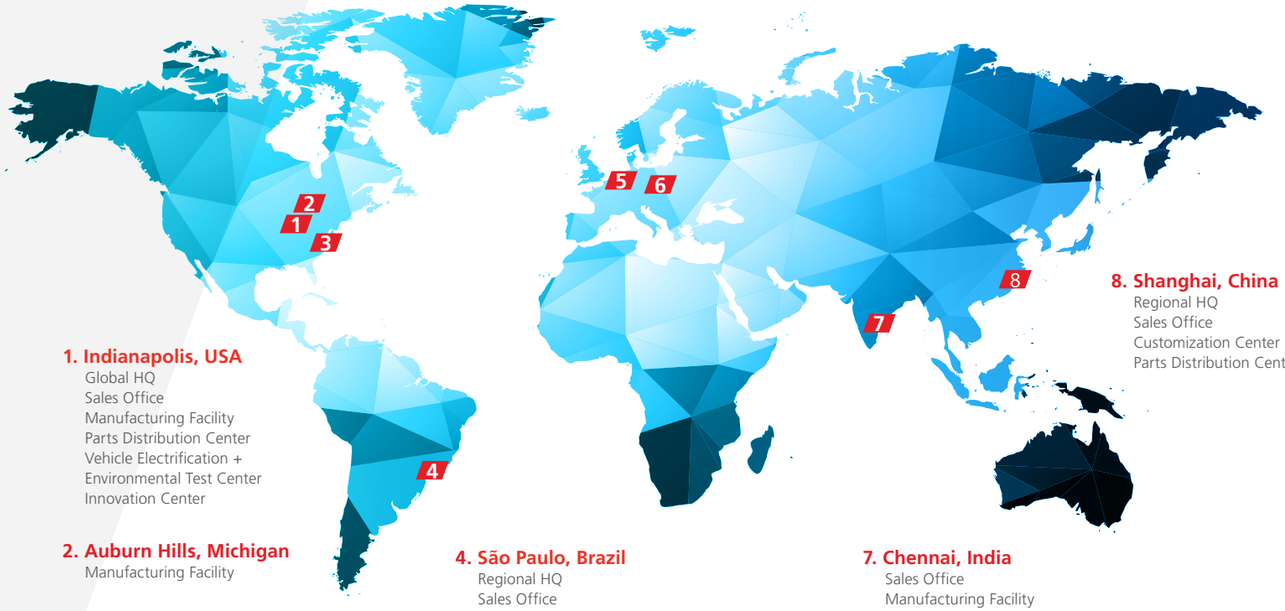
Allison Transmission is a leading designer and manufacturer of vehicle propulsion solutions for commercial and defense vehicles, the largest global manufacturer of medium- and heavy-duty fully automatic transmissions, and a leader in electrified propulsion systems that *Improve the Way the World Works.* Allison products are used in a wide variety of applications, including on-highway trucks (distribution, refuse, construction, fire and emergency), buses (school, transit and coach), motorhomes, off-highway vehicles and equipment (energy, mining, and construction applications) and defense vehicles (tactical, wheeled and tracked).

Founded in 1915, the company has been headquartered in Indianapolis, Indiana, since its inception. Approximately 74% of 2022 revenues were generated in North America. Allison is traded on the New York Stock Exchange under the symbol ALSN.

With a presence in more than 150 countries, Allison has regional headquarters in the Netherlands, China and Brazil and manufacturing facilities in the USA, Hungary and India. Allison supports customers through approximately 1,600 independent distributor and dealer locations worldwide.

**5. Sliedrecht, Netherlands**
Regional HQ
Sales Office
Parts Distribution Center

**6. Szentgotthárd, Hungary**
Manufacturing Facility
Customization Center




**8. Shanghai, China**
Regional HQ
Sales Office
Customization Center
Parts Distribution Center

**1. Indianapolis, USA**
Global HQ
Sales Office
Manufacturing Facility
Parts Distribution Center
Vehicle Electrification +
Environmental Test Center
Innovation Center

**2. Auburn Hills, Michigan**
Manufacturing Facility

**3. Lewisburg, Tennessee**
Walker Die Casting
Manufacturing Facility

**4. São Paulo, Brazil**
Regional HQ
Sales Office
Customization Center
Parts Distribution Center

**7. Chennai, India**
Sales Office
Manufacturing Facility
Customization Center
Parts Distribution Center

# 2022 AT A GLANCE

## ENVIRONMENTAL

**2022 ENERGY USAGE**

814,010
Direct Energy

867,630
Indirect Energy

**2022 GLOBAL GHG EMISSIONS (TOTAL)**

46,079
Direct (Scope 1)

115,655
Indirect (Scope 2)

**5 sites** certified to ISO 14001 environmental management standards

**14,600 tons of production waste** at Allison Indianapolis manufacturing operations, **96% of which was recycled**

## SAFETY

**2.26** recordable case rate per 100 employees

## PEOPLE

**GENDER**

19%
Women

**RACIALLY/ ETHNICALLY DIVERSE**

26%
BIPOC

**46%** of employees represented by the UAW

150+
countries in which Allison operates

3,500
global employees

## COMMUNITY

$268,000
to community organizations that serve women and racially/ ethnically diverse populations.

## FINANCIAL

**$450 million** in direct investments to advance electric propulsion technology

$531M
net income

$2.8B
revenue

# INNOVATION

For more than 100 years, Allison has continuously innovated and discovered new ways to make work easier and more efficient. Allison is a leader in commercial-duty propulsion, supplying the global market with fully automatic transmissions and electric hybrid and fully electric propulsion solutions.

Over many decades, Allison has developed an entire family of products suitable for internal combustion applications, across on- and off-highway and defense end markets. This family of conventional technology products has evolved to support continuously improving fuel economy and emissions standards.

As the commercial vehicle market begins to transition toward alternative energy solutions, Allison is expanding its product lines to include a similar portfolio of solutions for the electric vehicle market. As with Allison conventional products, one solution cannot cover the breadth of commercial vehicle applications, so the company is developing a portfolio of products designed to meet the needs of the industry.

As the commercial vehicle industry evolves, Allison remains committed to its brand promise to provide the most reliable, durable and valued propulsion solutions in the world to help its customers work more efficiently. The company's propulsion solutions deliver premium performance, fuel efficiency, improved emissions, reduced downtime for maintenance and lower total cost of ownership.

# New Product Development

Allison's structured New Product Development (NPD) process drives the development of new products and product variants. The company's product teams are also focused on enhancing its conventional solutions to reduce emissions and increase efficiencies when paired with diesel, gasoline and natural gas internal combustion, spark-ignited engines and future hydrogen internal combustion engines.

Allison's NPD process categorizes product ideas by innovation type and then executes development plans accordingly: one path to consider new, disruptive products, a second path to improve upon existing platforms and products and a third path to develop new processes and procedures to maintain the company's products so they are operating optimally. Whichever path is taken, each step of the process includes stage gate reviews to ensure technical and business-related factors are achieved. Allison's test operations team supports the NPD process by performing a range of activities to determine the impact of new products and technologies on greenhouse gas and NOx emissions. Some examples of the type of activities performed by the test operations team include spin loss testing to maintain $CO_2$ certification for the European Union's 2017/2400 vehicle regulations, testing powertrain emissions or verifying the $CO_2$ emissions reductions of Allison's eGen Flex™ electric hybrid system, developing and validating Allison's eGen Power® family of fully electric axles and vehicle electrification testing at the company's Vehicle Environmental and Electrification Test Center in Indianapolis.

In the last five years alone, Allison has made over **$450 million** in direct investments to advance electric propulsion technology.

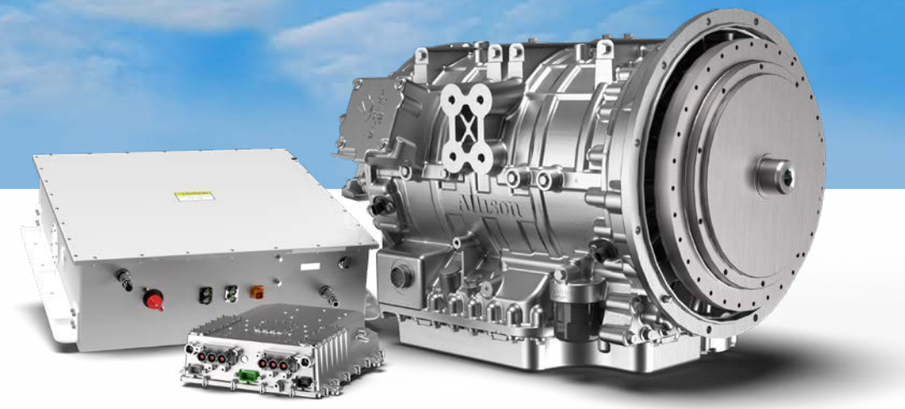
# 2022 Product & Partnership Highlights

## eGen Flex™

In 2022, Allison saw the continued success of the eGen Flex™ electric hybrid system for transit buses. The eGen Flex offers industry-leading capabilities, including the ability to operate up to 50% of a route in fully electric mode. The system's electric-only mode is activated through geofencing technology and eliminates engine emissions and noise while loading and unloading passengers and when operating in predefined pedestrian-dense areas and zero-emission zones.

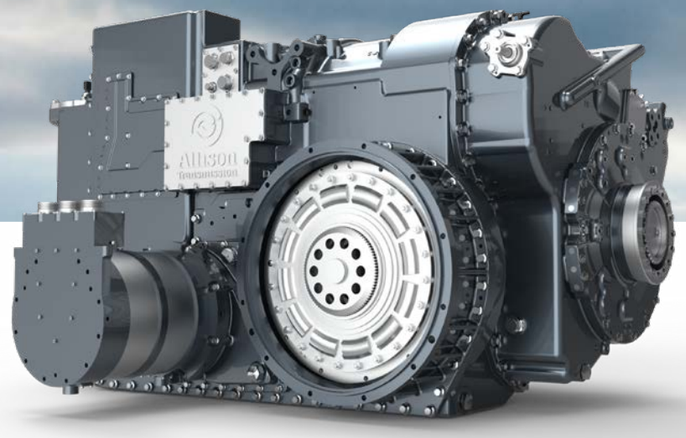
Allison received certification from the California Air Resources Board (CARB) for the model year 2022 eGen Flex electric hybrid system paired with Cummins B6.7 and L9 engines. Since 2014, Allison has received annual certification from CARB for the Allison H 40/50 EP™ electric hybrid system. For the first time this year, the certification was awarded for the eGen Flex, the next generation of the proven H 40/50 EP system.

The first buses equipped with the eGen Flex were delivered to IndyGo in June, marking a major milestone in Allison's efforts to provide transit agencies with a propulsion solution that reduces emissions and supports sustainability efforts. It is helping to transport passengers with clean and quiet electric power today, leading an enhanced quality of life for residents of multiple communities.



**Throughout the year, several public transit agencies across North America selected the eGen Flex™ for their buses.**

- **The Metropolitan Evansville Transit System**, which provides public transportation services for Evansville, Indiana, chose to integrate GILLIG buses equipped with the eGen Flex into its fleet.
- **GO Transit**, based in Oshkosh, Wisconsin, and the **Muncie Indiana Transit System** selected eGen Flex-equipped New Flyer buses for their fleets.
- Allison also **partnered with New Flyer** to deliver buses equipped with the eGen Flex to **Southern Nevada Transit Coalition**, a public transportation system in Laughlin, Nevada.
- **The Santa Clara Valley Transportation Authority** placed the largest order of eGen Flex-equipped buses to date. The first eGen Flex-equipped GILLIG bus is expected to be delivered in summer 2023.




## eGen Force™

Allison combined its decades of experience in both defense vehicles and electric hybrid propulsion solutions to develop the innovative eGen Force™ electric hybrid system, designed to meet requirements across a broad spectrum of tracked defense applications, including the heavy infantry fighting vehicle and future main battle tank markets.

The eGen Force meets the requirements for the U.S. Army's optionally manned fighting vehicle program and has been selected as the propulsion solution for the American Rheinmetall Lynx vehicle. The eGen Force is more than a transmission — it is a power distribution system featuring an electric motor and inverter for on-board vehicle power and parallel hybrid operation. This enables engine-off mobility to reduce enemy detection — both acoustic and thermal — ideally to increase soldier survivability.

Allison Transmission FUELSENSE® 2.0 WITH DYNACTIVE® SHIFTING

## FuelSense 2.0®

As part of the company's ongoing efforts to evolve its family of conventional transmissions to improve fuel economy and emission performance, Allison offers software calibrations, including FuelSense 2.0®, which leverages a unique set of algorithms within Allison electronic controls to deliver quantifiable fuel savings of up to 6% without sacrificing performance.

A key feature of FuelSense 2.0 is DynActive® Shifting, an innovative shift-scheduling technology that uses an algorithm to choose the most efficient shift points based on the customer's specifications and vehicle and environmental parameters. Transmissions equipped with FuelSense 2.0 can continuously deliver the ideal balance of fuel economy and performance based on dynamic and real-time inputs.

As an illustrative example, Allison collaborated with leading U.K. waste management company Biffa to determine optimal axle settings for Mercedes-Benz Econic refuse collection trucks. Allison's internet System for Computerized Application Analysis (iSCAAN) program optimizes vehicle configurations, evaluates vehicle acceptability and predicts vehicle performance for more than 20 vocational applications. Through matrix analysis, iSCAAN quickly evaluates changes to driveline ratios and shift calibration features. iSCAAN also evaluates the performance or fuel economy of Allison features, such as FuelSense 2.0. Through iSCAAN analysis, Allison and Biffa partnered to select the optimal performance and fuel economy bias for Biffa's operations. As a result of that collaboration and optimization, FuelSense 2.0 delivered fuel savings of up to 9% and a reduction of approximately 4,500 kg of $CO_2$ per year in Biffa's vehicles.

## eGen Power®

In 2022, Allison expanded its eGen Power® family of fully electric axles to further address the wide range of applications and market segments Allison serves. The company introduced the eGen Power 130S for the Europe and Asia-Pacific regions. Key components of the e-Axle, including new suspension systems, V-rod brackets, banjo housing, brakes, wheel ends and axle spindles, were designed specifically to support the heavier 13-ton gross axle weight rating often required by commercial vehicles in Europe and Asia-Pacific markets.

Throughout the year, interest in Allison's eGen Power family continued to gain momentum. Allison announced partnerships with several OEMs, including Anadolu Isuzu, Emergency One and Hino Trucks, to integrate the e-Axles into their vehicles.

## Improving Sustainability in Conventional Markets Through Alternative Energy Sources

As a result of the sustained high cost of diesel, reducing fuel costs was top of mind for commercial vehicle fleets over the past year. Many are exploring alternative fuel solutions to improve fuel economy and support emission-reduction initiatives. Allison's propulsion solutions are fuel agnostic, meaning they can accommodate any fuel type. The company's transmissions have been paired with natural gas engines for decades. When paired with a natural gas engine, Allison automatics deliver up to 90% less noise than a diesel-powered vehicle. Allison's patented torque converter supports the engine during frequent start-stop duty cycles, enabling peak fuel efficiency and reducing $CO_2$ emissions to further support the environment through cleaner air.

As an example of Allison transmissions being paired with an alternative energy source today, one of the largest private fleets in North America and a major wholesale restaurant food distributor recently chose to pair the Allison 3414 Regional Haul Series™ transmission with a Cummins X12N natural gas engine in a Freightliner Cascadia® tractor.

Hydrogen is another clean energy source that is being introduced in commercial vehicle applications. As a range extender in fuel cell applications, hydrogen can extend vehicle range and reduce on-board battery requirements. This enables zero-emission operation while mitigating range anxiety for fleets.

Similar to natural gas engines, Allison's fully automatic transmissions integrate well with hydrogen combustion. Allison transmissions support various hydrogen-fueled propulsion systems around the world, using both fuel cells and internal combustion engines.

Allison has been selected to provide the propulsion systems for hydrogen fuel cell vehicles, including:

- Aberdeen City Council selected the Allison 3000 Series™ transmission in conjunction with a 45-kW fuel cell to develop the U.K.'s first hydrogen fuel cell refuse collection vehicle.
- Abfallentsorgungs-Gesellschaft Ruhrgebiet mbH (AGR), a waste management company in Germany, integrated the Allison 3200 fully automatic transmission into its waste collection vehicle when it converted the diesel truck to hybrid propulsion as part of the E.U.-funded HECTOR project.
- Allison is also the propulsion provider for the Hyundai XCIENT Fuel Cell vehicle, which was announced in 2020 as the world's first mass-produced fuel cell heavy-duty truck. With a short recharging time, the vehicle has proven success in the field in Switzerland where it has delivered a range of over 400 km on a single charge.

These partnerships are a testament to Allison transmissions' capability to be paired with a variety of fuel sources.

## Investing in Infrastructure to Drive Innovation

Allison expanded the capabilities of its Vehicle Electrification + Environmental Test Center to offer hydrogen fuel cell and compressed natural gas (CNG) testing, which supports customers in the development and optimization of alternative fuel offerings intended to reduce emissions.

In 2022, Allison collaborated with Nikola to conduct testing of its Class 8 battery-electric vehicle (BEV) and hydrogen fuel cell electric vehicle (FCEV) at the facility. The two companies collaborated to test vehicle performance through controlled thermal environments and dynamometer road simulations capable of simulating a wide range of duty-cycles. The tests utilized Nikola's hydrogen refueling equipment along with a constant flow of hydrogen supplied by the facility to allow for uninterrupted test runs. Evaluation of the vehicles included monitoring battery management and HVAC testing, which leveraged solar simulation to replicate extreme temperatures.

The facility now has the capabilities to support external customer test and validation programs for vehicles powered by every major propulsion type, including diesel, gasoline, natural gas, battery electric and hydrogen fuel cell. In addition to its enhanced testing services, customers find that the facility's stationary testing capabilities operating under controlled conditions provide additional safety benefits by reducing the potential for motor vehicle accidents to occur on public roads during the validation process.

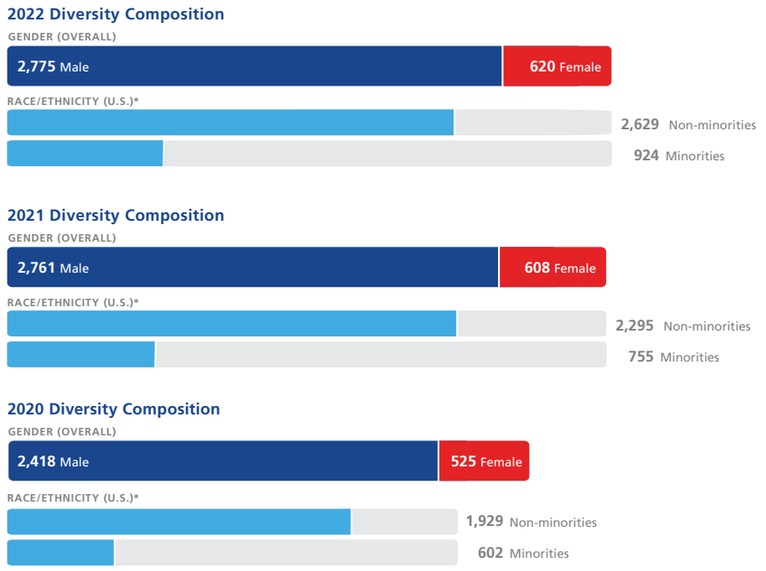
As a range extender in fuel cell applications, hydrogen can extend vehicle range and reduce on-board battery requirements. This enables zero-emission operation while mitigating range anxiety for fleets.

# THE ALLISON TEAM

With more than 3,500 highly skilled employees around the globe, the Allison team is one of the company's most valuable assets. Through Allison's productive and collaborative relationship with the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), which represents approximately 46% of the company's U.S. employees, Allison has developed employee training that provides team members with the skills necessary to perform at a high level and to advance to roles of increasing responsibility based on seniority and ability.

Whether they are salaried or hourly employees, the Allison team shares a commitment to the company's values of innovation, quality, customer focus, integrity, teamwork and the fair treatment of all people, regardless of their gender, race, ability, religion, nationality, sexual orientation, age and other like criteria.

## 2022 Diversity Composition




*non-identified not included

# Inclusion and Diversity

Allison's Inclusion and Diversity (I&D) Executive Council is chaired by the company's Chief Executive Officer and includes eight executive members. The council exists to provide leadership advice, analyze progress of the company's I&D strategy and ensure alignment with Allison's business strategy. These efforts, along with numerous I&D activities, have proven to have positive momentum in creating and maintaining an inclusive and diverse environment.

In 2022, Allison implemented several initiatives focused on fostering a workplace culture of inclusion. The company hosted six unconscious-bias training events to help employees understand how bias can unintentionally permeate everyday interactions. Approximately 1,000 employees have participated in the training events since the program launched in 2021. Allison creates a space to share and learn the different diversity dimensions within its workforce. This includes celebrations and community engagements focused on honoring employee diversity. Allison hosted events in honor of Black History Month, International Women's Day, International Women in Engineering Day and Asian American and Pacific Islander Heritage Month.

In celebration of Hispanic Heritage Month, Allison hosted a luncheon where employees engaged in an open dialogue about the professional and personal journeys of its Hispanic and Latino colleagues. In honor of Disabilities Awareness Month, Allison partnered with the Arc of Indiana to host a meaningful panel discussion. Panelists shared their professional stories to build awareness and help others better understand the role people with disabilities play in an inclusive workplace.

On Veterans Day, Allison hosted a speaker from the Travis Manion Foundation, a national veteran organization whose mission is to empower veterans and families of fallen heroes to develop character in future generations. Sgt. Eden Puente spoke with attendees about resilience, positive psychology and personal growth, themes that not only resonate with veterans but with Allison's entire workforce. In addition to the Veterans Day celebration, Allison honors veterans throughout the year in its leadership practices. In 2022, Allison was honored with the Pro Patria Award from the Indiana committee for Employer Support to the Guard and Reserve (ESGR). The award is presented to employers who demonstrate exceptional support for national defense by adopting leadership practices and personnel policies that make it easier for employees to serve in the National Guard and Reserve.

77%

The Multicultural ERG saw a 77% increase in membership in 2022.

63%

The Emerging Professional ERG's membership increased by 63%.

## Developing Future Leaders Through Employee and Community Engagement

Allison is focused on diversifying its talent pool by intentionally expanding the company's recruitment strategy to reach underrepresented groups. Throughout the year, Allison engaged with historically Black colleges and universities, predominant Hispanic-serving institutions, veterans and people with disabilities by participating in career fairs and other professional development opportunities.

Allison is dedicated to fostering the growth of the next generation of talent by providing educational opportunities for youth in local communities. The company forged several partnerships to support this initiative.

- Allison participated in JA JobSpark, an annual two-day career expo attended by more than 10,000 Indianapolis eighth graders. Allison was one of 100 companies that volunteered its time to the event in order to encourage students to consider the many pathways and future in-demand careers available.
- The company partnered with local high schools in the greater Indianapolis area to attend career fairs and sessions focused on skilled trade and apprentice opportunities.
- To celebrate High School Manufacturing Day, Allison invited four Indianapolis-area high schools to engage in STEM activities, participate in a plant tour and learn about their potential career options at Allison.
- Allison awarded $25,000 in scholarships to enable five students to pursue their dreams through higher education.
- Allison hosted a lunch-and-learn event with Starfish Initiative to encourage employees to become mentors and make a difference in the lives of marginalized youth.

To increase employee connectivity across the organization, Allison facilitates a virtual mentoring program to connect team members from different regions, departments and backgrounds. More than 70 employees participated in the program, which was in its second year.

Allison's Employee Resource Groups (ERG) power the company's efforts to foster an inclusive workplace by positively impacting the attraction, retention and development of Allison workforce.

- The Multicultural ERG saw a 77% increase in membership in 2022. This group supports Allison's diverse outreach and creation of a global mindset as well as corporate engagement at community events.
- The Emerging Professional ERG's membership increased by 63%. This group creates a community for the next generation of leaders in the commercial vehicle industry by providing them with professional development and networking opportunities, including involvement in the annual Society of Automobile Engineers Commercial Vehicle Engineering Congress (SAE COMVEC™) conference in Indianapolis.

Allison's employee development programs help establish camaraderie within its global workforce and provide employees with support and valuable mentorship as they progress in their careers at Allison.

Allison is dedicated to investing in facilities and programs that offer a safe and healthy environment for its team members. As an example of these efforts, Allison Transmission India earned an Eat Right Campus certification in 2022. This recognition is awarded to companies that follow proper food safety standards and offer nutritious, local, seasonal meal options to their employees.

# COMMUNITIES

Allison's commitment to inclusion and diversity extends beyond the workplace to the communities where its employees live and work. For more than 100 years, as Allison has grown, so has the company's commitment to being a responsible and compassionate corporate citizen. Allison focuses its efforts on giving back to local communities through advancing education and STEM initiatives, promoting equality of opportunities and engaging employees in supporting the company's commitment to making a difference.

Allison is dedicated to helping communities grow and thrive. Whether the company is reducing trash waste, improving facilities for energy efficiency, reducing fuel consumption, decreasing emissions through its products or volunteering for any number of causes, Allison wants to improve the lives of people around the world.

# Community Giving

Allison's founder, James A. Allison, recognized the power of community, education and innovation. In 1915, he donated funds to renovate and electrify a community church's organ. In 1924, Allison used its resources to construct a hospital. The Great Depression brought about a philanthropic awareness among Allison employees, and participation in improving lives and strengthening communities became part of the company's culture. The phrase "Quietly do good work" came into being.

To this day, Allison employees proudly roll up their sleeves to improve the lives of people in need by routinely participating in a host of activities and fundraisers that support the communities where employees live and work. In 2022, Allison gave back through several community engagements. For example:

- The team in India visited a **local kindergarten and primary school**, where they spent time engaging with the students. In addition, they donated sports equipment, toys and educational games.
- Allison provided local high school students the opportunity to attend the **SAE COMVEC™ 2022 conference** in Indianapolis. As the only North American engineering conference that focuses on commercial vehicles spanning across several markets and applications, this event provided the next generation of leaders in the field with real-world education and networking opportunities.
- In honor of **Pride Month**, Allison hosted a food drive to give back to the community.
- On Thanksgiving morning, more than 500 employees participated in the **Wheeler Mission Drumstick Dash** to raise funds to serve those experiencing homelessness in Indianapolis. For the fourth year in a row, Team Allison was the largest team fielded by any organization.
- Allison and its employees joined forces to donate a total of $336,000 to the **United Way of Central Indiana's Annual Campaign**. 2022 donations helped fight poverty, expand opportunity for people who need it most and respond to community crises in real time.
- Through its **Making Spirits Bright** campaign, Allison partnered with an Indianapolis-based school where 95% of the student population is from underrepresented communities, and all the students qualify for free or reduced lunch. The campaign provided gifts for third- and fourth-grade students and food for the school's community food pantry to ensure that students and their families were fed during the holiday season.
- Allison's **Cash for Caring** initiative provides the opportunity for its employees to nominate a not-for-profit organization that is close to their hearts. Five organizations are then selected as recipients of a $1,000 donation.

Allison's marketing, sales and service teams collectively spent more than 1,000 hours volunteering to support local community service projects across all of the company's global locations.

# HEALTH & SAFETY

The health and safety of employees and visitors is a guiding principle of Allison Transmission. Allison has in place a wide variety of measures, including training and reporting mechanisms, to ensure that its employees remain as safe as possible. The company is continuously improving its processes and programs to increase safety standards globally. Allison reviews its health and safety metrics regularly, including first-aid, recordable injuries and lost workday case injuries. Manufacturing shifts begin with a daily start-of-shift meeting on the plant floor with a safety message. In 2022, Allison offered over 60 safety training modules and trained over 1,700 employees at its Indianapolis manufacturing operations.

As part of its continuing improvement safety process, Allison is undertaking the ISO 45001 Occupational Health and Safety Management System certification process and expects to be certified by the end of 2023. By completing this certification process, Allison will ensure that it is mitigating risk in the workplace and providing a safe and healthy workplace for employees and visitors.

# ALLISON DATA

Allison maintained strong health and safety performance in 2022. Across its Indianapolis locations, Allison achieved an overall recordable rate of 2.26, equating to 2.26 employees per 100 employees incurring an injury that resulted in recordable medical treatment. The company's number of lost workdays was 0.87, meaning that for every 100 employees, 0.87 individuals experienced an incident that resulted in days away from work.

## Continuous Improvement

Continuous improvement is a fundamental aspect of Allison's business, especially as the company strives to create the safest possible environment for employees. In 2023, Allison will continue to build upon another critical insight recently understood regarding employee injuries. By analyzing all the data in detail and through categorization, the company understands that there is more to learn from near-miss injuries, safety observations (conditions and behaviors), risk assessment and the integration of operational excellence.

Health and safety activities are governed by the first of 10 pillars of Allison's Operational Excellence system. Pillar champions, along with their teams, evaluate, learn and implement new ideas that incorporate opportunities that enable a better workplace and improved performance.

In 2023, Allison will continue its comprehensive risk assessment across all functions. This detailed process will help uncover new risks to the health and safety of the team and better understand known risks to ensure the company is mitigating them properly.

### Training

Training is key to properly maintaining any Allison transmission, and having a first-rate training program can make all the difference. In December, Allison was honored with a prestigious award for its Off-Highway Maintenance and Overhaul training program. The ASE Training Manager Council (ATMC), a division of the National Institute for Automotive Service Excellence dedicated to the advancement of training and professional development in the transportation service industry, recognized Allison with a 2022 National Excellence in Training "Grand Award." Allison's Off-Highway Maintenance and Overhaul training program ensures that service channel technicians have the expertise needed to effectively diagnose and repair the company's transmissions. Through an innovative, immersive training experience, Allison-authorized technicians gain valuable knowledge and skills, which leads to high-quality and efficient repairs that maximize vehicle uptime for customers.

Allison Transmission.

***Allison Transmission, Inc.***
***Global Environmental Policy***

As a responsible corporate citizen, Allison Transmission, Inc. is dedicated to protecting human health, natural resources and the local and global environment. This dedication reaches further than compliance with the law to encompass the integration of sound environmental practices into our business decisions. This Policy is based on the integration of risk-based cost-effective management practices into site activities, with the aim of continually improving environmental performance.

Allison Transmission, Inc. is committed to establishing environmental management programs that improve the impact on the environment from the organization's activities, products and services.

In particular, Allison Transmission, Inc. will strive to achieve the following objectives through continued execution of our Environmental Management System:

1. Comply with all applicable environmental laws, regulations, and other requirements to which we subscribe.
2. Assign management responsibility for the environmental activities and services within the organization.
3. Practice and promote effective pollution prevention by executing the philosophy of reduce, reuse, recycle and recovery to improve the organization's impact on the environment.
4. Maintain good communications with our employees, community, and other interested parties.

This policy establishes Allison Transmission Inc.'s commitment to protecting the environment, achieving compliance obligations, and continually improving environmental performance.

Signed by:

David Graziosi
Chairman and CEO
Allison Transmission, Inc

Issue Date: 09/07/2000
Revision Date: 11/29/2022

# ENVIRONMENT

Allison Transmission is dedicated to protecting human health, natural resources and the local and global environment. This dedication reaches further than compliance with the law to encompass the integration of sound environmental practices into its business decisions. In 2022, Allison adopted a global environmental policy to establish Allison's commitment to protecting the environment, achieving compliance obligations and continually improving environmental performance.

While Allison's biggest environmental impact is related to the GHG emission reductions and fuel efficiency improvements its technologies make possible, the company recognizes that the energy Allison uses to operate has its own environmental impacts.

Allison reports here the total electricity and fuels usage from Allison main facilities and the corresponding GHG emissions. The energy sources the company used for this report are:

- Electricity, which powers, lights, cools and heats Allison's offices, manufacturing and assembly plants.
- Natural gas, which provides heat for both building and manufacturing processes.
- Diesel and gasoline fuel, which are used for maintenance vehicles, product testing and emergency generators.

# ISO 14001

Allison has identified five sites globally that are ISO 14001 certified and has annual objectives to continually improve the impact on the environment. Specific improvement examples are listed to the right.

In 2023, Allison will focus on implementing several environmental impact improvement initiatives, including a comprehensive review of how the company utilizes renewable energy sources to power its facilities.

## 1. INDIANAPOLIS

- Upgrading on-site pre-treatment of wastewater to improve reliability and repeatability of effluent water quality.
- Measuring and trending utility metrics yielded a decrease in well water consumption by 23% year over year.
- Executing a comprehensive plan to replace all manufacturing legacy lighting with light-emitting diode (LED) lighting.
- Replacing diesel engine test stands with electric test stands.
- Reducing legacy remediation requirements due to proactive and aggressive cleanup processes.
- Piloting eco-friendly packaging in onsite cafés.

## 2. LEWISBURG, TENNESSEE (WALKER DIE CASTING)

- Partnered with Tennessee Valley Authority to replace metal halide lights with LED lighting.
- Replaced a portion of existing bulbs with lumen fixtures to reduce energy consumption and improve lighting quality.

## 3. BRAZIL

- Replaced sodium vapor lamps with LED lamps outside the site to improve luminosity and reduce power consumption.
- Replacement of sodium vapor lamps with LED lamps inside the site — this effort is 60% complete.

## 4. HUNGARY

- Energy efficiency is monitored by a specific energy consumption KPI (MWh/produced unit).
  - » Targets and programs are determined to increase energy efficiency, including the installation of LEDs and motion sensors.
  - » Submeters were installed to measure the electricity consumption of the main users.

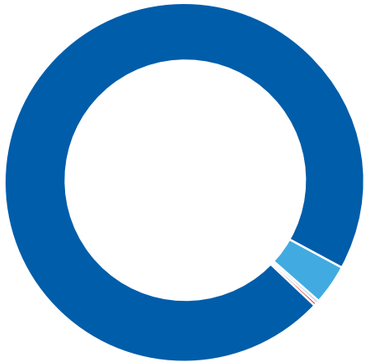
## 5. INDIA

- LED lighting footprint across the site increased from 25% to 40%.
- Planted 5,100 trees in celebration of Earth Day.
- Enhanced renewable energy (wind and solar power) sourcing from 68% to more than 76%.

# Environmental Overview

Allison has been ISO 14001 certified since 2001. The company renewed its membership to the Indiana Environmental Stewardship Program, a voluntary, performance-based leadership program designed to recognize and reward Indiana-regulated entities for going above and beyond current environmental regulations. In addition, Allison participates in the Green Power option to support further development of renewable energy sources, encourages voluntary actions directed at reducing air pollution, and promotes better air quality through the Central Indiana Partners for Clean Air. Allison is an active member and sponsor of the Partners for Pollution Prevention Initiative and Earth Day Indiana.

The company's Indianapolis manufacturing operations have been Zero Waste to Landfill (ZWTL) for production waste since 2009. Allison's waste reduction programs start with a goal to first reduce the amount of waste produced by manufacturing operations by creating waste minimization plans as part of the company's Environmental Management standards. Allison then achieves its ZWTL initiatives through reuse, recycling and energy recovery. In 2022, the company disposed of production waste at its Indianapolis manufacturing operations as follows:



96.02%
of production waste was recycled

**Energy Recovery — 3.67%**
Other Treatments — 0.23%
Incineration — 0.07%
Landfill — 0%

| Activities | | Performance Indicator | Unit | 2022 |
|---|---|---|---|---|
| **Energy** | Electricity | Grid electricity | GJ | 867,630 |
| | Building or process heating | Natural gas | GJ | 789,755 |
| | Vehicle and test stand fuels | Diesel and gasoline | GJ | 24,255 |
| | | **Total Energy Usage** | **GJ** | **1,681,640** |

| Activities | | Unit | 2022 |
|---|---|---|---|
| **GHG** | Building electricity | $MTCO_2e$ | 115,655 |
| | Building or process heating | $MTCO_2e$ | 44,305 |
| | Vehicles and test stand fuels | $MTCO_2e$ | 1,774 |
| | **Total GHG Emissions** | **$MTCO_2e$** | **161,734** |

| Activities | | Unit | 2022 |
|---|---|---|---|
| **GHG** | Direct (Scope 1) | $MTCO_2e$ | 46,079 |
| | Indirect (Scope 2) | $MTCO_2e$ | 115,655 |
| | **Total GHG Emissions** | **$MTCO_2e$** | **161,734** |

# SUPPLY CHAIN

Allison operates an extensive and complex supply chain that provides everything from bulk commodity products to highly specialized components that enable its propulsion solutions to deliver fuel-efficient performance. In addition to the company's commercial and technical requirements for its suppliers, as a supplier to the United States Department of Defense (U.S. DOD), Allison is also obligated to apply certain regulatory requirements to suppliers that support the provision of products and services to the U.S. DOD.

# Managing the Allison Supply Chain

The world took steps toward recovery from the pandemic in 2022, but impacts to the supply chain remained across the globe. Allison worked closely with its supply base to minimize disruptions. Allison maintained its commitment to both customers and suppliers to ensure products were delivered in the most efficient manner possible.

## Supplier Code of Conduct

To ensure that Allison's suppliers are operating in a manner consistent with the values of the company and its customers, Allison has adopted a Supplier Code of Conduct. This Code includes guidelines that reflect the company's core values and the principles of the U.N. Global Compact and the U.N. Universal Declaration of Human Rights. Specific topics addressed in the Supplier Code of Conduct encompass human rights, including forced labor and child labor, human trafficking, labor rights, freedom of association, health and safety, anti-corruption, ethical behavior and environmental performance.

Allison chooses its suppliers carefully and expects that they will satisfy contractual requirements, comply with applicable laws and regulations and act in a manner consistent with the principles and values of the Allison Code of Business Conduct and the Supplier Code of Conduct.

## Supplier Risk Assessment Process

To ensure that the company's supply chain operates efficiently and with minimal interruptions, Allison has instituted a four-step global Supplier Risk Assessment Process to identify, quantify, mitigate and monitor risk stemming from supply chain disruptions such as those caused by pandemics and extreme weather events. This process provides an objective assessment that allows the Allison team to implement concrete countermeasures, such as pursuing first claims on supply and buffering inventory, to mitigate supply chain risk. This adaptive process enables continuous learning and adjustments as the risk landscape evolves.

# GOVERNMENT RELATIONS

As a responsible corporate citizen, Allison actively engages with industry associations, legislators and executive branch officials to secure funding and incentives for the commercial vehicle industry, drive a balanced approach to new power that considers technology and infrastructure readiness and incorporate alternatives to electric vehicle only-strategies (i.e., using only electric vehicles) for commercial vehicles, including spark-ignited and electric-hybrid technologies.

Allison Transmission supported the Inflation Reduction Act (IRA) throughout its passage. The IRA focused on setting the United States on course to meet its climate goals, job creation and economic growth; enabled more Americans to join and remain in the labor force; focused on onshoring the supply chain. As part of the plan, the administration has set a goal for the U.S. to achieve a 100% clean energy economy and net-zero emissions by no later than 2050.

As a result, the Bipartisan Infrastructure Law was also established. This initiative is focused on improving the United States' transportation infrastructure. Projects will range from repaving roads and upgrading water systems, which will be funded through formula grants to states, to bridge and transit projects facilitated through competitive funding. The Build America, Buy America Act requires the iron, steel, manufactured products and construction materials used in infrastructure projects to be produced in the U.S.

In addition, Allison is a proud member of Motor & Equipment Manufacturers Association (MEMA), a trade association for motor vehicle and mobility suppliers and parts manufacturers and remanufacturers. The company is committed to working with MEMA to advocate for the largest manufacturing sector in the U.S. This will include speaking out on behalf of the industry to educate key stakeholders on the needs of the industry, Allison OEM partners and customers to aid in the transition to electric vehicle technology.

# GOVERNANCE

Allison is led by a 10-person Board of Directors, which is ethnically diverse and includes two women. Nine of the directors are considered independent under SEC guidelines.

Expectations for the Board's responsibilities are outlined in Allison's Corporate Governance Guidelines. The Board has four committees: Audit, Nominating and Corporate Governance, Compensation and Finance.

ESG issues are managed by Allison's functions and reported to the Chief Executive Officer through the organization's reporting structure. The Nominating and Corporate Governance Committee of the Board of Directors is responsible for overseeing reporting on the company's ESG efforts and receiving updates on ESG-related issues, while the Compensation Committee of the Board of Directors is responsible for overseeing Human Capital Management initiatives. Allison has also established an internal cross-functional working group to oversee the company's reporting relative to ESG. During 2022, this group was chaired by the corporate secretary, who reported directly to the Nominating and Corporate Governance Committee on its activities.

## Ethics and Compliance

Expectations for all salaried employees, including directors and officers of Allison Transmission, Inc., its holding company and its subsidiaries, are described in the Allison Code of Business Conduct, and employees receive ongoing annual training. All employees are introduced to these expectations as part of the new-hire and new-director onboarding processes, where they must agree to abide by all the Code of Business Conduct standards. The Code of Business Conduct includes expectations regarding issues such as fair treatment and nondiscrimination, health and safety, anti-corruption, fair competition, insider trading, environmental protection, child labor and modern slavery.

Allison has teams of individuals specifically dedicated to ensuring compliance with a wide range of categories, including but not limited to product compliance, emissions regulations, environmental compliance and rules and regulations specific to the company's role as a U.S. defense contractor. The General Counsel's team is responsible for adherence and reporting regarding the Code of Business Conduct. Allison has a whistleblower hotline for employees and other stakeholders to anonymously report any concerns or suspicions of malfeasance, and the Board of Directors is updated quarterly on any issues that arise from this reporting mechanism.

All employees receive training regarding compliance issues relevant to their specific areas of responsibility, as well as general training on the Code of Business Conduct, export compliance, anti-corruption, bribery, information security, anti-competitive behavior, cybersecurity and other topics of general interest to the company.

# SASB TABLE

## SASB Table

| Topic | Accounting Metric | Disclosure | Code |
|---|---|---|---|
| Energy Management | (1) Total energy consumed<br>(2) % of grid electricity<br>(3) % renewables | Page 19<br><br>In the U.S., we utilize renewable-powered landscape and parking lot lighting at some locations. Also, approximately 10% of power consumed at Allison global headquarters is generated from renewable energy sources such as wind and solar. International sites, such as those in India, utilized nearly 50% of power in 2022 from renewable energy. | RT-IG-130a.1 |
| Employee Health & Safety | (1) Total recordable incident rate (TRIR)<br>(2) Fatality rate<br>(3) Near-miss frequency rate (NMFR) | Page 16<br><br>There were no fatalities at Allison sites in 2022. | RT-IG-320a.1 |
| Fuel Economy & Emissions in Use-phase | Allison's products are used on vehicles, but the products themselves are not responsible for fuel consumption. | | |
| Materials Sourcing | Description of the management of risks associated with the use of critical materials | Allison has built a robust and resilient supply chain that includes redundancy for critical materials where possible. We seek to avoid sole-sourcing of critical materials where possible and do not believe that we are at substantial risks for supply chain disruptions regarding essential materials. | RT-IG-440a.1 |
| Remanufacturing Design & Services | Revenue from remanufactured products and remanufacturing services | While we do offer some remanufactured products, they are not a significant part of Allison total revenue. | RT-IG-440b.1 |

| Activity Metrics | | |
|---|---|---|
| Number of units produced by product category | See page 6 of Allison 2022 Form 10-K for revenue shares by geography and product type. | RT-IG-000.A |
| Number of Employees | 3,500 | RT-IG-000.B |