Westport™

The global leader in natural gas engines.

Westport Innovations

fiscal 2011

Sustainability Report

for the year ending December 31, 2011

Sustainability Report

Welcome to our fifth Sustainability Report, providing information on our economic, social and environmental performance impacts. Data from five fiscal years have been included to reflect trends, achievements and areas for improvement.

As a clean-technology company, our approach to sustainability encompasses more than compliance, risk management and philanthropy. Our natural gas engines move people and freight around the world and our corporate impact goes beyond the immediate communities where we live and work.

Our approach to sustainability has been driven by data and quantifiable measures but the story behind the numbers is even more compelling. More comprehensive discussion will occur on our website, **westport.com**.

Social Performance

Community Impacts

Communities and the sustainability and liveability of specific locales or areas may be significantly impacted by an organization's activities. Westport's geographic location, with our technical facilities adjacent to homes, schools and other businesses requires us to monitor and manage the potentially adverse impacts our operations might have on our immediate neighbours. Our Facilities Engineering Group maintains a preventative maintenance schedule for key equipment to minimize the likelihood of environmental releases and noise levels in excess of municipal by-laws.

Westport responds to community concerns regarding our facilities, infrastructure, noise levels and environmental impacts in a timely manner. No formal community complaints were received during this reporting period.

Human Rights

Westport is committed to the respect of all fundamental and universally recognized human rights based on accepted international laws and practices such as those set out in the United Nations Universal Declaration of Human Rights and the International Labour Organization. Our commitment to value and uphold human rights is stated in our Code of Conduct that is reviewed annually and signed by all employees.

The Importance of the Global Reporting Initiative

The Global Reporting Initiative (GRI) provides a consistent means for companies to voluntarily report on the economic, social and environmental impacts of their business. The GRI's 72 indicators and associated methodologies enable companies to facilitate decision-making and improve sustainability performance based on globally recognized indicators.

Perhaps one of the more significant advantages of the GRI is the ability to compare the performance of Westport to our OEM partners and competitors. We work with the largest engine and truck manufacturers in the world and are committed to transparency.

This report, prepared in accordance with the GRI Third Generation Guidelines (G3), discloses data from January 2011 to December 2011. Historical data from the past four fiscal years have been included for comparative purposes, where appropriate.

Westport has self-declared this report to correspond to application Level B in the six-level grid of the GRI G3 guidelines. Application Level B requires us to disclose our performance on at least twenty core economic, social and environmental indicators The GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For further information about the GRI, visit globalreporting.org.

We welcome your feedback. Any questions or observations regarding the sustainability performance of Westport may be directed to sustainability@westport.com.

Sustainability Indicator Index

Legend

AA1	(we report on this indicator)
BB2	(we partially report on this indicator)

Economic Performance

EC1	Direct economic value generated and distributed
EC2	Financial implications and risks and opportunities of climate change

Social Performance
(Human Rights, Labour Practices, Societal Impacts, and Product Responsibility)

HR3	Employee training on human rights
LA1	Total workforce by employment type, employment contract, and region
LA3	Benefits provided to full-time, part-time and temporary employees
LA6	Workforce represented in Occupational Health and Safety Committees
LA7	Rates of injury, occupational disease, lost days, and work-related fatalities
SO1	Nature, scope and effectiveness of programs to manage impact on communities
SO2	Percentage and total number of business units analyzed for risks related to corruption
SO3	Percentage of employees trained on anti-corruption policies and procedures
PR1	Life cycle stages: health and safety impacts of products—assessed for improvements
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products

Environmental Performance

EN3	Direct energy consumption by primary energy source
EN4	Indirect energy consumption by primary source
EN5	Energy saved due to conservation and efficiency efforts
EN6	Initiatives to provide energy-efficient or renewable based products and reductions
EN7	Initiatives to reduce indirect energy consumption and reductions achieved
EN8	Total water withdrawal by source
EN16	Total direct and indirect greenhouse gas emissions
EN18	Initiatives to reduce GHG emissions and reductions achieved
EN22	Total amount of waste by type and disposal method
EN23	Total number and volume of significant spills
EN28	Value of fines and non-monetary sanctions for environmental non-compliance

Anti-Corruption Efforts

All business units are analyzed for risks related to corruption and all employees are trained in ethics and compliance. Our expectations for individual integrity and ethical, moral and legal conduct are outlined in our Code of Conduct. The Code of Conduct has mandated compliance with all applicable laws in the jurisdictions where we operate and has always prohibited the giving or receiving of improper payments to influence business decisions.

In addition, Westport maintains a confidential Ethics Hotline to provide an avenue for employees to raise concerns about corporate conduct. The policy includes the reassurance that they will be protected from reprisals or victimization for "whistle blowing" in good faith.

Employee Development

We strive to provide a healthy work environment characterized by respectful relationships, training and advancement opportunities, respect for human rights and diversity and competitive salaries and benefits.[1] A similar benefits package is offered to both full-time and part-time employees.[2]

Occupational Health and Safety

The health and safety of our employees, facilities and communities is an integral part of daily business at Westport. When gauging world-class safety performance, recordable injury rates and lost-time injury rates are statistical, comparative industry measures. Our results are indicative of our ongoing and significant commitment to injury prevention, risk mitigation, regulatory compliance and continuous safety improvement.

Our Health and Safety Committee members are champions for workplace safety. Westport maintains two Health and Safety Committees in British Columbia or approximately one Committee for every 160 employees.[3] Our Committees are made up of cross-functional management and employee representatives who advise and recommend action on any unresolved workplace health and safety issues brought to them.

Safety Incidents *(unaudited)*	*12 months ended*				
	Dec. 31, 2011	**Mar. 31, 2011**	**Mar. 31, 2010**	**Mar. 31, 2009**	**Mar. 31, 2008**
Recordable injury frequency	1	0	2	0	0
Recordable injury rate [4]	0.31	0	0.82	0	0
Lost time injury frequency	1	0	1	0	1
Lost time injury rate [5]	0.31	0	0.41	0	0.54

Product Responsibility

Quality and safety are imperatives across the product life cycle. Our Quality Management System is certified to ISO 9001:2008 standards for the design, assembly and commercialization of its liquefied natural gas (LNG) fuel systems.

Westport QMS comprises the organization's policies and procedures that aim to ensure that customer requirements are met with consistency, resulting in enhanced customer confidence and satisfaction. The QMS, other internal requirements and engineering systems have contributed to no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our products. Internal systems and processes have been established to ensure that the health and safety impacts of our products are assessed in each of the following life-cycle stages:[6]

Health and Safety Impacts Assessed at Life-Cycle Stage	**Status**
Development of product concept	**YES**
Research and development	**YES**
Certification	**YES**
Manufacturing and production	**PARTIAL**
Marketing and promotion	**YES**
Storage, distribution, and supply	**PARTIAL**
Use and service	**YES**
Disposal, reuse, or recycling	**PARTIAL**

It is important to identify improvements and goals beyond regulatory compliance to further expand the life cycle analysis of our products. Our efforts to build on industry best practice and further develop our internal processes will be outlined in future sustainability reports.

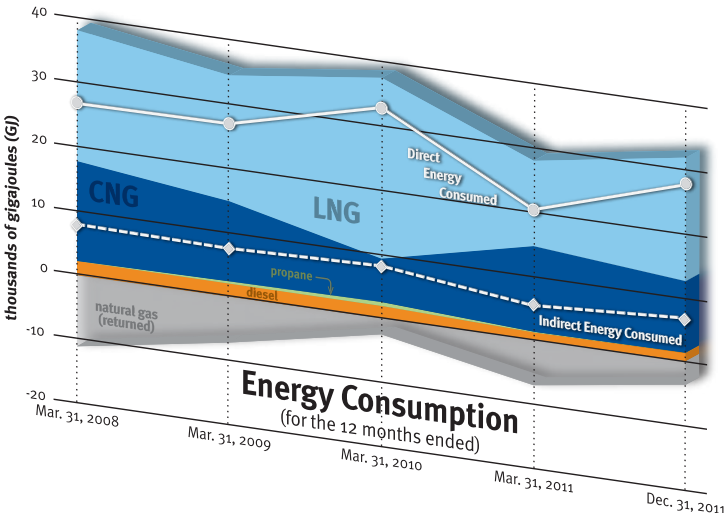
Community Engagement

Our employees make significant contributions to the communities in which they live and work. Westport has supported the United Way of the Lower Mainland with a spirited and employee-driven workplace campaign since 2002. Since that time, Westport employees have donated more than $590,000 to the United Way and our campaigns have been recognized as leading workplace efforts.

A key challenge for us is how to link or integrate our voluntary and philanthropic activities with business strategy. We are pleased to support internal fundraising efforts and offer each employee 16 hours of paid leave each year to volunteer with a charitable organization of his/her own choosing.

IMPACT is an employee leadership team established to drive community engagement and community enrichment. Launched in 2007, IMPACT brings together the various volunteer activities, events and initiatives that Westport employees were already involved with into one coordinated effort. IMPACT's vision of community is broad and encompasses the communities in which we live, our immediate neighbours in Vancouver and our workplace.

IMPACT initiatives and its three pillars of Environment, Education and Community are profiled in more detail on **westport.com**. These three platforms are the vehicles by which Westport can contribute to solutions related to the alleviation of poverty, a more sustainable environment and a dialogue on the importance of science and technology.



Environmental Performance

Environmental stewardship is a core corporate value. In addition to the environmental benefits of our natural gas engine technologies, it is critical that our facilities are operated with a commitment to sustainability and energy efficiency. Our employees remain the best source of suggestions for how to minimize Westport's environmental impacts and much progress has been made to date to improve our facilities, testing equipment, fuel system technologies and general operations.

In November 2011, we announced that our Environmental Management System (EMS) was certified as having met the international standards of ISO 14001:2004. Our EMS encompasses the development, design, testing and assembly of alternative fuel systems for original equipment manufacturer (OEM) clients and the general operation of Westport facilities. This certification formalizes the effective environmental practice and process already in place at our Vancouver operations and demonstrates our level of commitment and sophistication to key partners and customers.

Energy

Given the complexity of fuel system testing and the number of engines currently in development at Westport facilities, it is challenging to identify a meaningful energy consumption target at the beginning of the year. What we can do however is emphasize the importance of energy efficiency and operational improvements.

The overall consumption of direct energy decreased in the reporting period. This trend can be attributed to a number of factors:

1 The installation of a new bulk tank in January 2011 enables us to test liquefied natural gas (LNG) pumps and other fuel system components on liquid nitrogen. Nitrogen is an inert gas with similar properties to LNG and will further minimize the greenhouse gas (GHG) emissions from our pump testing operations.

2 Our engineering trucks ran extended hours with increased mileage and the extensive testing of production pumps explains the higher consumption of LNG.

3 A number of test cells were occupied with engine development and durability performance work resulting in the consumption of more compressed natural gas.

Westport is a BC Hydro Power Smart Partner, one of the province's leading business customers working towards positively impacting their bottom line via the adoption of energy efficient practices to manage consumption in a more sustainable manner.

We now operate four transient dynamometers at our High-Tech Centre facility. A transient dynamometer generates electricity during the engine test thereby offsetting the amount we need to purchase. In the same way that solar panels produce power for the building where they are installed, a transient dynamometer enables our engine development activities to generate electricity that can be used in the same technical facility.

Energy Consumption *(unaudited)*	*gigajoules (GJ) for the 12 months ended*				
	Dec. 31, 2011	**Mar. 31, 2011**	**Mar. 31, 2010**	**Mar. 31, 2009**	**Mar. 31, 2008**
Direct					
Diesel	1,250.1	1,146.3	1,919.8	2,050.0	2,200.9
Propane	99.4	119.8	614.5	353.0	38.3
LNG	11,193.0	13,395.0	6,795.0	12,551.1	15,625.2
CNG	19,352.4	13,362.8	28,327.8	19,707.5	20,508.9
Natural gas returned	(3,663.2)	(7,101.5)	(2,508.0)	(7,167.4)	(11,122.1)
Net direct consumption	20,922.3	33,420.3	27,494.2	27,251.3	16,557.6
Indirect					
Electrical	7,392.3	5,960.9	8,725.9	8,114.5	8,403.5

Water

As global water resources will be impacted by climate change, water use is becoming an increasingly critical component of each organization's sustainability performance. Despite this, only the largest industries in British Columbia have water meters with data logging capability and the city of Vancouver does not currently provide meters to light industrial or commercial customers.

Our calculations indicate that Westport facilities cumulatively have an average daily rate of water use of approximately 13.5 m^3 per day. Engine and fuel system component testing activities use process water that flows in a closed-loop thereby minimizing total water withdrawals. Water conserving domestic appliances and fixtures have been installed at all locations in an effort to further reduce our impact.

Greenhouse Gas Emissions

The Greenhouse Gas Protocol developed by the World Business Council on Sustainable Development (WBCSD) is the globally

accepted standard for GHG emissions accounting. The organizational boundary of this inventory includes all of the British Columbia-based Westport facilities and includes both scope one and scope two emissions.[7] We have not measured scope three emissions to date.

Greenhouse Gas Inventory[8] *(unaudited)*	*tonnes CO_2 equivalent for the 12 months ended*				
	Dec. 31, 2011	Mar. 31, 2011	Mar. 31, 2010	Mar. 31, 2009	Mar. 31, 2008
Total Scope 1 Direct Emissions	1,805.5	1,192.3	2,005.4	1,383.2	1,563.6
Total Scope 2 Indirect Emissions	237.0	194.0	245.0	244.0	253.0
Total GHG impact	2,042.5	1,386.3	2,250.4	1,627.2	1,815.6

A heavy-duty liquefied or compressed natural gas engine offers a range of environmental benefits including a reduction in GHG emissions. As a clean-technology leader we ask our customers to demonstrate environmental leadership and therefore must do so ourselves. It is critical that we understand the carbon impact of our operations and look for efficiency and process improvements to minimize our own emissions.

Finding comparable organizations against which to benchmark our GHG emissions remains a challenge. There are currently no regulatory requirements for a company of our size to disclose its emissions.[9] The process of compiling a GHG inventory is an important first step in understanding reduction opportunities and measuring progress.

Climate Change Risks

Climate change may yield multiple, interrelated business risk encompassing physical, operational and regulatory dimensions.

Extreme weather events and changing weather patterns may result in physical damage to Westport property and facilities. The physical impacts of climate change may result in increased financial costs such as higher insurance premiums for operations in areas prone to flooding or other natural events. Property taxes may increase as local governments identify infrastructure adaptation requirements. Energy demands per facility are likely to increase due to extreme temperatures. Carbon pricing mechanisms such as cap and trade regimes and/or a carbon tax will result in higher energy costs.

Westport's direct operations and actual greenhouse gas emissions are considered low-impact so the actual and anticipated regulatory risks associated with climate change mitigation or compliance obligations are low.

Waste Generation and Diversion

Waste reduction, reuse and recycling programs are well-established and well-maintained. Using generic formulas based on bin size and frequency of collection, Westport generates approximately 200 tonnes of waste annually. Reducing the amount of waste sent to landfill remains a priority and we have launched employee education and awareness efforts to communicate the importance of minimizing the amount of waste generated.

Our Facilities Engineering Group tracks the amount of waste recycled via our hazardous waste program, scrap materials collection and office waste initiatives.

Types of Hazardous and Solid Waste Recycled			
Aluminum	Coolant	Lube oil	Stainless steel
Batteries	Diesel	Other plastic	Tires
Beverage Containers	E-waste	Paper	Viscor
Cardboard	Filters / rags	Plastic oil pails	Wastewater[10]
Cellphones	Light bulbs	Solvents	Wood

Environmental Compliance

Compliance with applicable federal, provincial, and municipal regulations is a baseline environmental performance standard and we believe that leading organizations must go beyond minimum environmental requirements. Since its inception in 1996, Westport has not received any fines or non-monetary sanctions for environmental non-compliance.

Footnotes

1. As of December 31, 2011, Westport had a world-wide total of 779 employees consisting mostly of engineers and technicians, 426 of which were employed by Westport LD and 79 of which were employed by Westport HD. Of the total number of Westport employees, we had 679 full-time employees and 100 contract or part-time staff in our offices in Vancouver, Canada, Argentina, Australia, China, France, Italy, Korea, Sweden and throughout the United States. CWI had 62 full-time employees, including 52 employees seconded from Cummins, 10 employees seconded from Westport plus one contract staff seconded from Cummins.
2. Part-time employees must work at least three days per week to be eligible for the same benefits package as full-time employees. Casual employees or contractors are not eligible for benefits.
3. Health and Safety Committees are located at our main technical facility in Vancouver and at the Westport Assembly Centre in Delta.
4. The recordable injury incident rate is the annualized rate of occupational injuries and illness per 100 employees. It is a calculation of the number of injuries x 200,000/employee hours worked. First aid classified injuries are not included.
5. The lost time injury rate is a calculation of the total number of lost time injuries x 200,000/employee hours worked. Lost days refer to scheduled work days and the count begins on the next scheduled work day immediately after the injury.
6. This list of life cycle stages is contained within the GRI G3 guidelines.
7. Scope One Direct Emissions encompass both liquefied and compressed natural gas, diesel, propane, and fuel used in company vehicles. Scope Two Indirect Emissions include emissions associated with the purchase and use of electricity. Scope Three Indirect Emissions include emissions associated with raw materials processing, employee travel, waste management and materials production.
8. The GHG Protocol methodology used at this time only includes emissions associated with fuel consumption and not energy and emissions associated with fuel production, distribution and transport.
9. In Canada, Large Final Emitters (LFEs), those facilities that emit the equivalent of 100,000 tonnes (100 kT) or more of **carbon dioxide (CO_2) equivalents** per year are required to disclose their emissions.
10. Wastewater includes ultrasonic cleaner solution and alkaline water from cooling water towers.