



## CASE STUDY **WASTE MANAGEMENT, INC.**

Constructive dialogue contributes to framing WM's 2030 circularity target, with a long-term focus on increasing overall recovery of material for beneficial reuse

### **Company overview**

Waste Management, Inc. (WM) is North America's leading provider of comprehensive environmental solutions, serving residential, commercial, industrial, and municipal customers to manage and reduce waste. WM's solid waste business is operated and managed locally by its subsidiaries, which services include collection, transfer, recycling, resource recovery, and disposal services. WM is also an industry leader in beneficial use of landfill gas to generate renewable energy.

As the leading recycler of post-consumer materials in North America, WM plays a critical role in enabling the circular economy by embedding environmental stewardship throughout WM's business model. WM embraces the goal of increased recovery and recycling of waste material to not only reduce the amount of waste going to a landfill, but also to enhance returns on planned investment capital by being able to recover more material and higher quality material for end use markets.

"...We've appreciated the ongoing dialogue with the Rockefeller team, which helped to inform our 2030 priorities areas and how to frame our long-term goals, in particular around circularity ..."

WM, Inc 10/12/22

### **Our recommendation**

Throughout 2021 and 2022, we held multiple engagements with Company management, where conversations focused on material recovery. We strongly encouraged the Company to adopt an ambitious material recovery target in line with or ahead of peers, which would support its planned investments and returns profile related to the recycling business. Given the Company's stature in the waste management sector

in the U.S., we view deployment of capital in automation technology intended to more effectively sort recyclable material as critical in providing the secondary waste stream needed for a viable circular economy.

### **Company action – setting 2030 sustainability goals**

In the fall of 2022, the Company released its 2022 Sustainability Report which disclosed a material recovery target, along with additional goals in Environmental and Social priority areas of Climate, Safety, Diversity and Social Impact. As part of this broader strategy, WM committed to increasing recovery of materials by 60%, to a total of 25 million tons a year, by 2030. The Company also set an interim

milestone of a 25% increase in recovered materials by 2025. During a call related to material recovery and emissions reductions, we were pleased to learn that our previous engagements contributed to the Company's framing of its 2030 material recovery target. The target is ambitious compared to

peers, and the adoption of the target, along with WM's history of public disclosures and acknowledgement of shareholders' interests, sends a positive signal of the Company's willingness to meaningfully engage with stakeholders. In the Company's 2022 Sustainability Report, it also disclosed emissions reductions targets showing enhanced ambitions in climate action, and with our encouragement the Company plans to provide a more detailed action plan to support these targets in 2023.

## Constructive dialogue and ongoing engagement

Primarily engaging through constructive discourse, we have also leveraged other means of engagement, including official letters. Over time, we have built our relationship through conversations related to business strategy and how recycling and emissions reductions are contributing drivers to long-term shareholder value creation. Other areas of ESG improvement that have been discussed during our engagements include continued disclosures and transparency on recycling rates, as well as executive compensation and our desire to see relevant ESG metrics in pay plans. Incentivizing performance for material ESG risks and opportunities through pay has the potential to add another layer of accountability, in our view.

## Previous outcomes

WM has made substantive progress since 2021. The Company continues to illustrate investor interest in accelerating the recycling business strategy and increasing material recovery in executive sessions with the Board. The Company engaged with external expertise to finalize long-term ESG priorities, targets and implementation roadmaps. We note positively, WM has also formalized oversight of sustainability with the creation of a Chief Sustainability Officer position in 2021, leading both the growth in sustainability business and long-term impact goals. The Company continues to actively consider formalizing ESG metrics to its compensation plan in addition to financial metrics related to sustainability businesses, aligned with our recommendations. Over time, the Company has enhanced transparency and disclosure around utilization and material recovery rates. Its planned investments in landfill gas to energy and material recovery facilities should contribute to both the company's sustainability characteristics as well as its returns profile.

We acknowledge the key to increased recycling rates is not only infrastructure investments, but a complex combination of consumer awareness, regulatory support from policy makers, and corporate partnerships making investments that facilitate a circular economy. We are proud long-term shareholders of WM and its contributions to this space are notable. While we will continue to engage constructively with the Company, we acknowledge more work is to be done in the regulatory environment and throughout the value chain. Our activities remain focused on the topic of circularity, which will continue to be a key engagement priority for 2023.

## Timeline of RAM engagement with Waste Management, Inc.

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- 2021**
    - MAR** ▶ **Touchpoint 1:** Communicated engagement targets
    - APR** ▶ **Touchpoint 2:** Evaluated recycling and regulatory environment with Senior Director of Sustainability and Policy
    - JUN** ▶ **Touchpoint 3:** WM constructive on recycling and requests RAM provide recommendations to be passed on to the Board
    - JUL** ▶ **Touchpoint 4:** Wrote Official Letter to the Board reiterating engagement targets
    - ▶ **Touchpoint 5:** WM provides feedback on letter and confirms recommendations were used as examples in a Board presentation to show investor interest in accelerating the recycling business strategy
    - OCT** ▶ **Touchpoint 6:** Reiterated encouragement for setting more ambitious targets for material recovery with Chief Sustainability Officer
    - ▶ **Touchpoint 7:** Company is included in 'Seizing the moment for climate action' campaign
    - NOV** ▶ **Touchpoint 8:** Discussed climate action plans, metrics, and recycling initiatives. WM focuses on SBTi validated reduction targets and plans for recycling goals, aligned with engagement objectives
  - 2022**
    - FEB** ▶ **WM Milestone:** WM outlines multi-year plan for significant investments in its Renewable Energy and Recycling businesses
    - APR** ▶ **Touchpoint 9:** Sustainability updates provided by the company. RAM again encourages WM to increase material recovery volumes with targets to support and focus on 1.5C scenario for emissions
    - SEP** ▶ RAM considers options for escalating engagement to accelerate movement toward establishing targets
    - OCT** ▶ **WM Milestone:** 2022 Sustainability Report includes demonstrable progress against engagement targets, including establishment of ambitious material recovery and emissions reductions targets supported by material capex increases for MRFs and landfill gas to energy (LFG-RNG)
    - ▶ **Touchpoint 10:** WM and RAM discuss notable and welcomed progress on targets, and discuss next steps for 2023
  - 2023**
    - FEB** ▶ **WM Milestone:** WM releases investor update announcing further capex increases in LFG-RNG and recycling

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