

The "S" (Social) in ESG

July 2023
Workshop #2



The "S" in ESG is more than just doing good for your surroundings.

It includes all the topics connected to how a company relates to people within and outside its walls. It examines the company's relationships with the other businesses and communities, as well as how the companies treat their employees.



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Now that we are squared away with our goals and strategy, lets pivot to talk about the "S" ir Social.

The social component of ESG is big and broad and can feel messy. I suppose that is because its about people – and people are messy.

The S in Social is about companies taking care of their employees and their communities. It is about helping ensure that your employees and neighbors are as healthy and comfortabl as possible.

It means supporting local businesses, causes, charities and building better communities. Its about improving society in general.

It feels like a lot, and can be overwhelming but chances are that your companies are already doing a lot – both from an employee and a community perspective.

In this section, we'll talk about some of the nuances of the evolving expectations of companies when addressing social issues.

Social

The financial world defines the “S/Social” in ESG as ***how a company manages its relationships with its workforce, the societies in which it operates, and the political environment.***

It is also often equated with DEI, or diversity, equity and inclusion (gender, race, religion, geography, age, sexual preference and other identity markers).

It includes:

- The supply chains we participate in
- The people we employ
- How staff are treated
- Engagement with neighbors and local communities; and
- The working conditions organizations create to bring out their human best.

Companies are being held accountable for all aspects of their business: Corporate governance, policies, goals, transparent reporting and community relations



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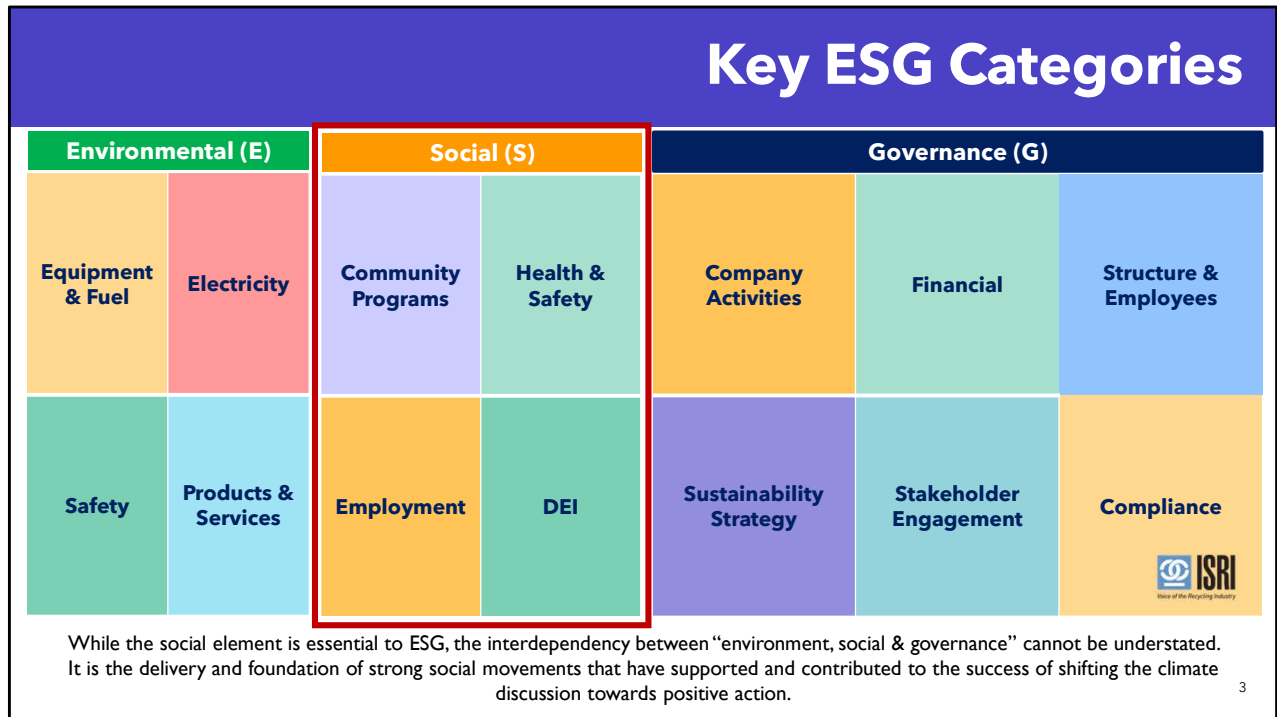
The “S” in ESG is how a company manages its relationship with its employees, the societies in which it operates, and the political environment.

Interestingly, the investor community is all over the Social element of ESG. They’ve figure out that well-run companies with good employee relations and community programs that take care of the environment are much **lower risk and better partners.**

So –we are seeing more interest from investors in companies’ social programs and they want more information on them.

And the topics are broad. For example, DEI is part of a company’s social program. And this includes not only the people we employ but our supply chains. Companies are expected to establish programs and policies – AND to hold their vendors accountable to the same workforce policies around DEI that they’ve put in place.

Treating our staff well and engaging with neighbors and communities have become table stakes.



Here are some of the categories that fall under the Social Rubric.

- Community programs
- Health and Safety
- Employment
- DEI

Some of this overlaps with governance. For example, having human right policies in place are addressed in both.

And of course there are many details behind these categories.

Social Impact: Employees

A company's overall corporate health is tied to its employees relationships:

- Employee and community programs are taking center stage.
- Diversity, equity and inclusion, hiring, training are table stakes
- Employee benefits will determine whether your company is an employer of choice.... which is important our labor market.

Getting ahead of these trends through programs and policy development makes good business sense.

Social Analysis/Reporting:

Assesses your company's social impact and associated risk from societal actions, including from its direct and indirect employees:



Labor practices



Employee investment



Organizational culture, diversity & inclusion

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Let's break this down - starting with the expectations about company's relationships with its employees: There is increasing scrutiny on the details of this.

Whether it is employee benefits – which do make a difference in hiring and retaining good employees, or DEI policies, or other employee programs - getting ahead of these trends makes good business sense.

- **What about the culture at your company? Do you have programs to build a healthy culture?**
- **What about your labor practices? Do you have good labor practices?**
- **Training.** What about Training programs for employees? Safety. Computer. Skill development. Support for further education? These all matter.
- **Do you invest in your employees? Family wages, Health care? Retirement plans?** I was on a call last week for the new Oregon EPR plan. MRFs there must be certified in order to receive funding in the state's new program. I was really interested in the conversation about paying a Living Wage and the concerns about what that looks like. Specific employee programs will be required.

Social Impact: Communities

Company engagement with local communities is increasingly under scrutiny.

Proactively recognizing, researching and developing programs and policies to get ahead of these trends makes good business sense.

- Community programs are more important than ever.
- Pro-active and strong community relations can help provide resiliency before it is needed (ie. zoning/permitting/ Environmental Justice concerns).

The benefits of these efforts will increase resiliency and will pay dividends with your long-term operations.

Social Analysis/Reporting:

Assesses your company's social impact and associated risk from societal actions, including from its direct and indirect impact on the communities in which it operates.



Community
impact



Product &
service
attributes

Across the board stakeholders are aligning around sustainable outcomes and driving change, often ahead of government policies.

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Next – community.

Company engagement with local communities is important and is increasingly under scrutiny.

Pro-active and strong community relations can help provide resiliency before it is needed. For example, good community relations can be helpful if you have any permitting or zoning actions to take. And, as Environmental Justice conversations increase, understanding and addressing local community concerns ahead of time could be invaluable.

An important note on this:

It's easy to say that you don't have any problems because you aren't hearing about them. But, the question might really be – are you asking the right people the right questions? If a group organized and canvassed the area around your facility, are you confident that you would have support – or at least not opposition – to your business? Wouldn't you rather know ahead of time?

Building a healthy community relationship – meeting your neighbors on their terms – will increase resiliency and will pay dividends with your long-term operations.

Proactively recognizing, researching and developing programs and policies to get ahead of these trends makes good business sense.

Environmental Justice

- **Environmental Justice is how our operations intersect with our communities**
 - Successful communications require community engagement and listening
 - Neighbor relationship building is a key component of resiliency
- **Proactively reaching “invisible” neighbors before you need them, or if you never do, to engage and get feedback.**
 - May not see neighbor as a stakeholder but can create relationship now before there is an issue.
 - Sometimes it means going door-to-door to understand your neighbors
- **ISRI has developed resources to help its members work through EJ related issues.**
- **EPA resources also provide Environmental Justice perspectives:**
<https://www.epa.gov/environmentaljustice/community-voices-environmental-justice>

Environmental justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies.

U.S. EPA

Environmental Justice is correcting inequities arising from the unequal distribution of negative consequences among minority, low-income, and other disadvantaged communities that often are disproportionately exposed to health and environmental risks.



During my last two years in the corporate world, the topic of environmental justice really took off, legislation was passed in several states, and my company had an investor relations inquiry that required a massive study of our facilities and neighbors to develop an EJ report.

I learned a lot and gained enormous respect for the effort and rationale for Environmental Justice efforts. I became more aware of my biases and the impact that working for a large corporation for most of my career had on my thinking about EJ communities.

Environmental Justice is how our operations intersect with our communities. Successful communications require community engagement and listening. Neighbor relationship building is a key component of resiliency.

I really think the most important learning I had was to proactively find your “invisible” neighbors to hear what they need. It is not about what you want to give, but about what they need. Sometimes it means going door-to-door to understand your neighbors.

These are neighbors who are impacted by the business in your area. Maybe your company doesn't impact them as much as others, but you are benefiting from doing business in this area and have an important role to play in supporting your local neighborhood.

ISRI has developed resources to help its members work through EJ

EJ: Taking Action

Taking Action

- 1. Facility Review.** Find out if you are located in an EJ zone using mapping tools . Creating a database with information on your facilities and reviewing notices of violation.
 - ✓ Create a list of neighborhoods and associations in the EJ zone in which you are located
 - ✓ Set up regular communications with state and federal regulators and representatives
 - ✓ Review the impact of your company on the communities you serve.
- 2. Community Outreach.** Participate in outreach to engage in efforts with environmental advocates and local communities. Look for opportunities to go beyond regulatory compliance and for partnerships and activities with the communities you serve by going into the community first, and actively learn their specific needs.
 - ✓ Review your facilities objectively. Are they visually a value-add to the community? Are you in compliance with all regulations?
 - ✓ Create a communication relationship plan that result in higher levels of trust and improved communities.
 - ✓ Prepare best practices for facilities to consider in conducting outreach and engagement with EJ communities.
 - ✓ Make sure that your communications address the realities of your business impacts.
- 3. Create a corporate environmental justice policy and oversight structure to ensure that principles of EJ are followed in your operations.**
 - ✓ Develop a training program to increase familiarity with certain environmental justice screening tools,
 - ✓ Consider appointing someone to oversee these efforts.

Map out your game plan, and challenge your team to think and act differently about all aspects of your business



1. Do Community Outreach.

Engage in efforts with environmental advocates, and local communities. Look for opportunities to go beyond regulatory compliance and for partnerships and activities with the communities you serve by going into the community first, and actively learning about their specific needs.

2. Next take a close look at your facilities:

- ✓ Try to see the impact of your company on the communities you serve from their perspective.
- ✓ Create a database with information on your facilities and review notices of violation.

3. Finally - Take Action.

- ✓ **Create a corporate environmental justice policy** and oversight structure to ensure that principles of environmental justice are followed in your operations.
- ✓ **Prepare best practices** for facilities to consider in conducting outreach and engagement with environmental justice communities
- ✓ **Make sure that your communications address the realities of your business impacts.** A communication piece, such as a newsletter, should be focused on those things relevant to your company's impact - not other community activities.
- ✓ **Develop a training program** to increase familiarity with certain environmental justice screening tools. EPA and some states have developed screening programs. They are interesting to look at, but it may take some effort to fully understand them. Getting training on them and offer it to your staff will help.
- ✓ **Consider appointing someone to oversee these efforts.** All effective programs need to have someone who has responsibility for them. Don't assume this will get done, or done well, without that person.

Human Rights

1) Complete a risk assessment within your operations and supply chain for:

- a. Wage and hour violations
- b. Working conditions
- c. What about your supply chain? How do your vendors treat their employees?

2) Create a Human Rights Policy that states that the company will not tolerate child labor or modern slavery in its operations or supply chain (see resources below).

- ✓ Be sure to do some basic due diligence on your supply chain, as well.
- ✓ Provide awareness training for staff on modern slavery—what it is and what to do

Resource: UN Global Compact Business and Human Rights Navigator: <https://bhr-navigator.unglobalcompact.org/>



And lastly, Human Rights. This can be a tough one.

From Wages to working conditions, Human Rights issues are a big deal.

As we talked about earlier, wages and working conditions matter. Are you paying a fair, or a Living Wage? How are your working conditions. Be honest with yourself.

Also – start to pay attention to your supply chain.... How do your vendors treat their employees?

This also includes slave labor and child labor. As easy as it seems to dismiss this as no relevant in the U.S., it can happen here.

It is important to be aware of it and have policies around it. I definitely think that I live in a bubble sometimes, but Natalie sent an article about a very large, well known recycling company in the UK that was identified as having a slave labor practice operating at its facilities. Apparently, the corporate was not aware the activity – but it was taking place, and at a pretty significant level.

This is a reminder that these issues are real, they impact people, and we need to provide awareness training and policies to address all possible situations. And, this is starting to be an area of increased focus for policymakers, even here in the US. Large companies operating in California are now required to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chains.

One resource to look to is the UN Global Compact which has a navigator page specifically for businesses who are learning more about human rights issues within their supply chains.

Social-at-a-glance: Reporting Expectations

Community Programs	Safety	Staffing	Supply Chain
Community Relations Programs	Managing safe workplaces	Human rights policies	Procurement and Human Rights Policies
Philanthropic/Community Donations	Measurement	Diversity	Fair pay
Health & Safety	Training	Retention	Occupational health and safety management of suppliers
NGO Partnerships/Trade Memberships	Community safety programs	Training	Modern slavery assessments



The reporting expectations on all of this continue to evolve and expand. Here are some of them as they pertain to the social section of the reporting data files.

Community programs

- Examples include NGO support = memberships in organizations such as ISRI, Plastics Pact, etc. fit here
- Also track corporate philanthropy, employee volunteering, and employee donation match programs.
- Financial donations to environmental organization fit into this category as well.

Safety

- Workplace safety
- Measuring safety
- Safety training
- Reporting on Community safety

Staffing/Employees

- Human right policies, diversity reporting, retention numbers, and training programs.

Supply Chain

- There is a lot here – and it is growing. And basically, your vendors are being asked to comply with the same policy expectations as you are.

Final Example: Sun Valley Recycling Park

Proposed Recycling Park Sun Valley, CA



- Initial resistance to the proposed facility evolved after a shift in approach to dialogue with local stakeholders.
- WM helped to form a citizens' council for members of the Sun Valley community—voluntarily providing \$500,000 in seed funding for the council to hire consultants and develop suggestions for permitting conditions—and attended hundreds of community meetings.
- Despite WM funding and involvement, they had no control over the council's recommendations,
- WM was able to incorporate many of the council's requests in the final project, including designing the park to avoid emissions and dust, operating a fleet of clean vehicles at the facility, and funding local programs on health care, environmental improvements.



To wrap up. I thought would describe my AHA! Moment

- Closed landfill
- Leadership had worked on site for 20-30 year. Knew the area well – or thought they did
- Thought the community would be thrilled with a new recycling facility - environmental after all, right?

Wrong.

The local community was adamantly opposed to the facility. Local WM staff was stunned. The local manager got in his car and drove around and saw the area through a different lens. There was a real community there: Homes, businesses, schools. He thought he knew it, but had an epiphany when he really looked at, and saw the number of people living nearby.

The company hired local staff who could knock on doors and talk with their diverse group of neighbors. They funded a citizen council and hired consultants to get feedback from the community about what THEY wanted. The company did not control the outcome of this process.

They ended up getting the permit years later for a project that looked very different than the original one. It is fully enclosed with a negative air system, trucks using the facility use renewable fuel, landscaping and design improvements were made to the site, and the company created funding for a community health site. All of these came from the citizens council.

The finished product is a beautiful facility, and one that instills great company and community pride.

Quite frankly, I think one of the greatest accomplishments is the learning that took place by the company's staff along the way.

Social: Summary of Areas of Focus

- **Listen first**
- **Create ambitious social goals**
- **Create corporate policies that address social issues** (DEI policies, anti-slavery policies, etc.).
- Create a **Purchasing policy and Vendor Relations Policy** that drives your vendors to engage in activities that reflect your social goals. Your vendor policies should mirror your corporate policies.
- **Research and partner with non-profit organizations**
- **Consider the impacts of your business on individuals that may not be located geographically near your operations**
- **Keep an open mind** to thinking differently about the impact of your business on your neighbors, communities and other that you may not be aware of.



To wrap up – a Social Summary:

- **Listen first.** Reach out and ask questions.
- **Create ambitious social goals** – whether it is improving diversity or increasing community engagement – be thoughtful and ambitious.
- **Create corporate policies that address social issues** (DEI policies, anti-slavery policies, etc.). There will be a whole list of these in our excel file. You can also look at examples from other publicly held companies that post their policies on their investor page.
- **Create a Purchasing policy and Vendor Relations Policy that drives your vendors to engage in activities that reflect your social goals (DEI, employment, written policies).** Make sure that your vendor policies mirror your corporate policies. Increasingly it is not enough to report on what you are doing – you need to make sure that your vendors are using good practices, as well. For example, over 95% of the emissions from companies like Walmart and Target come from their supply chains – the people who make the stuff they sell. This applies to the social impacts those manufacturers have as well. This is driving a lot of focus on suppliers.
- **Research and partner with NGO's.** Look for potential non-profit organizations in your communities to see if they will be a good community partner for your company.
- **Consider the impacts of your business on individuals that may not be located geographically near your operations.** This is an interesting one...What about the people who process your material at your end markets?
- **Keep an open mind** to thinking differently about the impact of your business on your neighbors, communities and other that you may not be aware of. Over the past few years I've realized that I bring my perspective of having worked for large companies for 30 years to my view of social engagement. I am having to stop, and think carefully before making judgments about social topics.