

Strategy and Goal-Setting

July 2023
Workshop #2



With that quick stage-setting, lets dive into our first topic today:

Developing ESG Goals and Strategy.

Chances are, your organization already has some level o goals or a Corporate Vision and Mission.

Today we are going to talk specifically about creating an ESG Strategy – including setting ESG Goals, creating strategy statements for those goals, and developing your tactics for achieving your goals.

This is a fun process, and one that can really pull your team together as you move through the planning process.



As we move through the steps of creating an ESG Strategy, think about whether this is likely to be in addition to your company’s business strategy – or whether it might ultimately become one in the same, depending on the services that you provide. These may be one and the same.

The steps that we’ll talk through today include:

First - Goals Setting. We’ll talk a bit about the “Why” and “What” of setting goals, then will work through some steps to create them:

1. We’ll start with the role of your materiality assessment
2. Then, its time to establishing your baseline.. Sort of the adage that you have to measure performance in order to manage it.
3. We’ll spend time talk about actually setting your goals – we’ll really dig in to this today.
4. Then you’ll need to analyzing gaps between your base line and your goals, and the nuances of this process. This may result in adjusting your goals.

Once you have your goals, it’s time to develop your strategy for each one. Each of your goals will have a Strategy Statement. This is a key element in your overall strategic plan.

After all of this, we will move to developing tactics.

And last but not least – you need to report on your progress.

While some of the steps may be interchangeable or fluid – as you may find that you will need to revisit early steps as we move through the entire process – I’d like to point out that we want to keep the tactics at the end. The other parts of the process play a key role in getting us to that point. While our industry tends to be “tactics and implementation” focused, for this exercise we need to wait to go there until we’ve done everything else.

I think you will see the rationale for as move forward.

Strategic Planning Process*



Goals: What would you like to achieve by an agreed deadline?

Strategy: The logical argument that positions you with an advantage

Tactics: The actions you will take to fulfill the strategy and to succeed.

* Reporting is an assumed function in this process



Here are the BIG IDEAS for our strategic planning process today.

We will try to keep it simple, starting with establishing ESG Goals. These goals will serve as our guiding light for our ESG efforts.

Then for each of our goals, we'll create a strategy statement that positions the company around that goal.

Finally, we'll talk about the very specific tactics, or actions, that we will implement to achieve each goal.

And of course reporting on your progress, which is one of the reasons for doing all of this.

What does strategic planning look like?

Goal: Where You Want to Go

Strategy: How you will get there (preceded by research/knowledge on why that's how you want to go)

Tactics: The actions you will take, by when, and with what resources.

Everyday Example

Goal: Get to Chicago This Month

Strategy: I will drive there.

Why: I want to be able to arrive and depart at a flexible time, I am a skilled driver, I live within a drivable distance, and I don't like airports.

Tactics: I will achieve my goal by:

- Renting a car the day before my trip.
- Saving enough money for gas and one night in a hotel for my stop along the way, before July 21
- Drive 8 hours on Day 1, stop in St. Louis and stay in a hotel.
- Drive 4 hours on Day 2.
- Arrive no later than July 28.



Here is a non ESG example of what a strategic planning process might look like.

In our example – we want get to Chicago this month.

The goal is “the End Game” – what you want to achieve, or in this case, where you want to go and by when
In this example, we want to go to Chicago this month.

The Strategy is how you will get there based on the research that you do. The strategy for reaching your goals is to drive because your research and knowledge determines that is the best option for your specific needs and skills.

And the tactics are the specific actions you will take, by when, and with what resources.

So – your tactics to get to Chicago include renting a car, saving money, driving a specified number of hours each day and arriving by a certain date.

If you go straight to the tactics, you will miss research you did and thus the reasons by you are driving, and run the risk of not achieving your goal.

Sample Goals, Strategies and Tactics

Goal: Reduce GHG emissions by 30% by 2035

Strategy: We will be a leader in employing technology solutions to reduce emissions associated with our industry

Tactics: We will achieve our goal by using renewable electricity, zero emissions vehicles, and by helping our customers achieve their GHG emissions reduction goals

- Purchase 100% renewable sources electricity by 2027
- Purchase 10% renewable fuel vehicles each year, so that 100% will be replaced by 2034.

Goal: Improve Safety Performance 2% YOY

Strategy: We will invest in industry-leading health and safety programs to ensure the health and safety of our employees and communities

Tactics: We will achieve our goal by:

- Hiring external consultant to identify and implement new programs
- Providing consistent training programs to all employees

Goal: Improve the lives of our local communities

Strategy: We will partner with our local communities to identify and implement programs

Tactics: We will achieve our goal by:

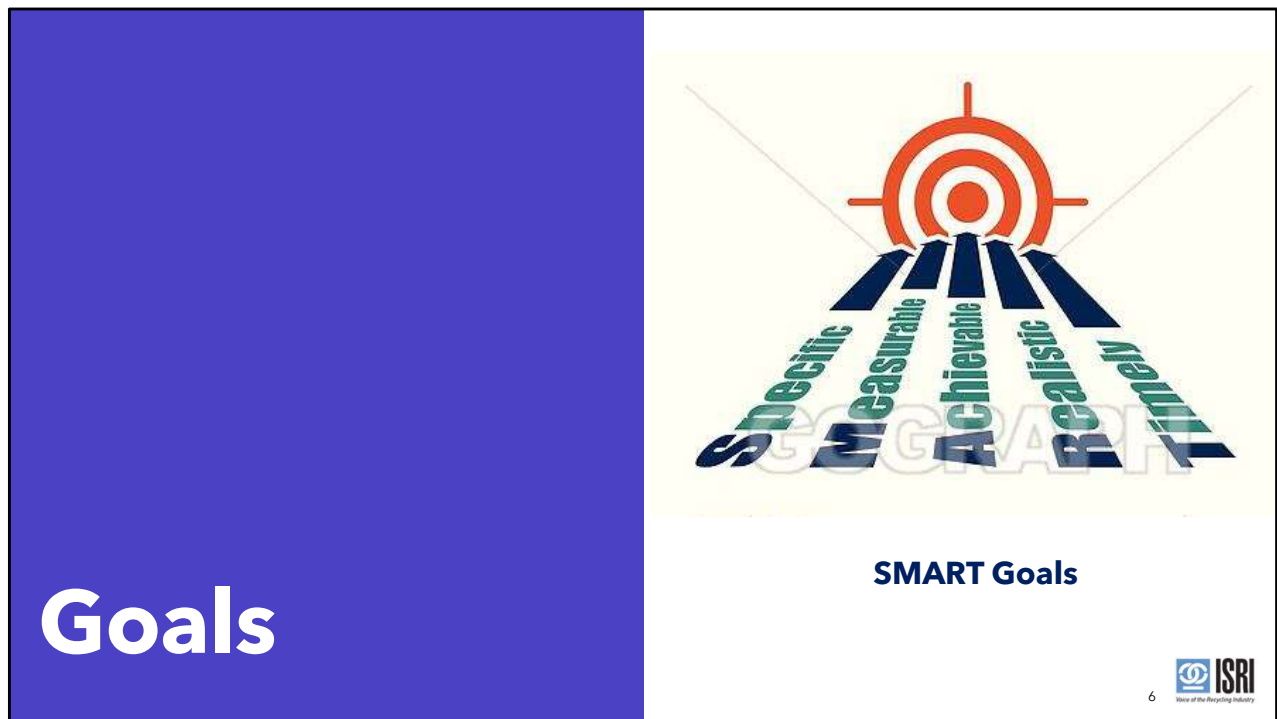
- Donating 1% of profits to local community organizations
- Continue monthly volunteer work with Habitat for Humanity



Let's now try this for examples in our industry. Here are three ESG goals for our industry type, and a strategy and tactics for each goal.

- **Each goal serves as a guiding light for your company's ESG efforts.** It is not only a key topic for your company, but the goal itself must offer meaningful benefits to your stakeholders.
 - The goals here are reducing GHG emissions by 30% by 2035
 - 2% YOY safety improvement performance; and
 - Improving the lives of your employees and communities.
- **The strategy statement is a high level statement, or your ambition, to get you to your goal.** It is the statement that positions you with an advantage to achieving your goal.
 - Strategy for GHG Goals: To be a leader in employing technology solutions to reduce your emissions
You will use renewable energy to reduce your emissions
 - Strategy for safety goals: Invest in industry-leading safety programs to improve safety performance
 - Strategy for community goal is to partner with local communities to identify and implement programs.
- **Finally, as in the Chicago example, the Tactics are the details or the actions you will implement to achieve your goal.**

If you miss the strategy section, you run the risk of implementing tactics that won't get you to your goal, or that aren't a good fit for your business' specific strengths, or your available resources.



Let's get started with our goals development process. You may have heard the term SMART Goals.

- Specific
- Measurable
- Achievable
- Realistic
- Timely

Keep this in mind as we go through the process. We'll be using the concept of developing SMART goals as part of our ESG Strategic planning process.

ESG Strategic Planning Process



Goals: What would you like to achieve by an agreed deadline?

Strategy: The logical argument that positions you with an advantage

Tactics: The actions you will take to fulfill the strategy and to succeed.



Definition: A goal is an **outcome** that you want to achieve by a **specific time or date**.

Our process today identifies specific goals that we would like to achieve by agreed upon deadlines.

Why Create Goals?

Why should a company develop ESG Goals?

- Goals communicate intention to a company's stakeholders
- Goals (and reporting on progress) drive action
- Establishing goals is the first step in creating an ESG Strategy.



Of course, not all companies have established goals at all, let alone ESG Goals.

Why should a company develop ESG goals?

- 1. Well, just like other goals, ESG goals communicate intention to a companies stakeholders.** And – as we know, more and more of your stakeholders are asking about your ESG intentions. Establishing thoughtful ESG goals lets your stakeholders know that this is an issue that is important you and that you are spending time planning for.
- 2. Also, there is evidence that goals - and reporting on them – drive action.** When an organization publicly reports on its progress to goals each year, that transparency drives action.
- 3. Finally, ESG goals are the first step in creating an ESG strategy.** How can you know what ESG projects to focus on if you haven't established priority projects and mapped out where you want to go with them and how you will get there?

Developing Goals

Think Big! Develop a few key goals as your guiding light

ESG Goal Development

- Select a few key goals – not a long laundry list of detailed goals
- Focus on 3-5 high-level goals that you can build your company's ESG strategy around
- Spend time on meaningful research and analysis behind your goal setting



Goals are your guiding light.

Based on your materiality review, they may look something like this:

- GHG emissions reduction/climate change (reduce by 50% by 2035)
 - Safety (improve by 2% each year)
 - Community Engagement (donate 2% of revenue)

Walmart 

1. Achieve zero waste to landfill in Canada, Japan, U.K and the U.S.
2. Be powered by 50 percent renewable energy sources under a plan designed to achieve science-based targets
3. Double sales of locally grown produce
4. Expand sustainable sourcing to cover 20 key commodities, including bananas, grapes, coffee and tea
5. Use 100 percent recyclable packaging for all private-label brands



How does an organization go about identifying potential goals topics?

Where we used to see long laundry lists of sustainability goals, companies are beginning to focus on a few very high level, big goals, with the details in the tactics.

I like how Walmart has done this. As big as they are, they have 5 ESG goals. Then – the details behind them are exhaustive.

- I recommend select a few key goals –
- Focus on 3-5 high-level goals that you can build your company's ESG strategy around
- Spend time on meaningful research and analysis behind your goal setting

Your goals are guiding lights for your company.

All Goals are not Created Equal

Goals are broad, long-term outcomes that are reasonable to achieve within a time frame and with available resources.

- Goals should be measurable and are your guiding principles for your company in regards to ESG.
- ESG Goals can be Aspirational (e.g. eliminate GHG emissions by 2050) or carefully researched to ensure achievability (reduce GHG emissions by 25% by 2030).
 - ✓ **Aspirational Goals set high benchmarks but may not be realistically achievable.**
 - ✓ **Realistic goals built by research may not sound as impressive but allow the opportunity for success.**

Aspirational or Fact-based? What is the best approach? Your company will need to decide but goals should be backed up by analysis.



In the world of ESG, all goals are not created equal.

Aspirational goals. Setting really aspiration goals such as “Zero Waste by 2025” sounds great, doesn’t it? But do many organizations really think that they will get there?

From my perspective, once an organization misses its goals it is hard to take them seriously. As goal dates are passed, a company’s integrity may be questioned. And who wants to report failure each year?

Also, if a company doesn’t meet its goal, it may be accused of greenwashing. We used to see a lot more with aspirational goals; however, companies are starting to move away from these lofty goals as they experience the backlash of failure.

Realistic Goals. The risk here is that stakeholders may think you didn’t aim high enough.

SMART goals will help guide you to the right balance. **Again: your goals should be specific, measurable, actionable, realistic and timely.**

Importantly, the type of goals you create could affect your ESG strategy and will certainly impact your tactics.

How do Goals Influence Tactics?

Aspirational Goal

Goal: Become the second oldest woman to climb Mt. Everest

Strategy: I will commit the time and resources necessary to summit Mt. Everest.

Tactics: I will achieve my goal by:

- Taking mountaineering classes to learn technical climbing skills
- Setting aside sufficient time to train, including follow a regimented cardio and strength building routine, and climbing local mountains each week
- Researching and select a qualified guide company for the trip.
- Setting aside funds to purchase the necessary gear.

Realistic Goal

Goal: Hike to Mt. Everest Base Camp

Strategy: I will commit the time and resources necessary to hike to Mt Everest Base Camp.

Tactics: I will achieve my goal by:

- Setting aside sufficient time to train, including follow a regimented cardio and strength building routine, and climbing local mountains each week
- Researching and selecting a qualified guide company for the trip.
- Setting aside funds to purchase the necessary gear.



Here is a personal example.

I am a big climber. About a decade ago, I decided to climb Mt Everest. Given that fact that I was over 50 at the time, and had no technical climbing experience, hiking to the top would have been an aspirational goal.

Although I was fairly confident that I was a strong enough hiker to get to the top, I was working full time with a demanding job, and am afraid of heights (Kumbu Ice Fall). I decided that climbing to the top was not a realistic goal for me.

So, instead of setting an aspirational goal of climbing to the summit of Mt Everest, I decided to go to Base Camp which is still a significant investment of training time, travel time and resources.

So – **my strategy statement was to commit the time and resources necessary to achieve my goal.** The HOW was committing the time and resources to achieve my goal.

Next, note that the tactics are very different between the two goal options – they are much more aggressive for the aspirational goals. Unless I was committed to the time, training and resources in my strategy of climbing to the summit, there was no way I would reach that goal.

This was a realistic goal, rather than an aspirational goal. It took less money, less time and a very realistic commitment. And – I achieved my goal in 2014 and feel great and proud of my accomplishment. And am pretty sure that I never would have made it to the top of Mt Everest – and – IMPORTANTLY - if that had been my goal I may not have even made it to Base Camp.

Step 1: Tap into your Materiality Assessment

Getting Started:

1. Use your Materiality Assessment to identify key topics for goals.

From our review of our industry's materiality in Workshop #1, we identified the following broad key topics as Material for our industry.

Environment

Climate Impact / Climate Change
Air Quality
Environmental Compliance
GHG emissions
Recycling

Social

Human Rights
Community Relations
Employee Training
Community Investment
Health & Safety
Talent Recruitment & Retention
Supply Chain
Vendor Training

Governance

Business Ethics
Competitive Behavior
Legal & Environmental Management
Systemic Risk Management
Critical Incident Risk Management

Your materiality assessment is important for establishing the topics that are important to your stakeholders. Use the result of your materiality review to guide your organization in the development of its ESG Goals.



Okay – Now let's jump into the process itself for how to establish specific goals for your organization.

We're going to start by tapping into the materiality assessment that we talked about in the first Workshop.

No worries if you weren't on that call.

Here is the concept:

- Start by identifying the key topics that your stakeholder identify as important to your company
- Use these to create broad topics for your goal discussion

Select Your Key Topics

Materiality identifies key stakeholder issues, priorities them and informs goal setting

- Using your Materiality results, select key topics for your goals.
- Use team meetings to discuss and determine key topics for goal setting

Reduce GHG Emissions	Improve Health & Safety	Increase Recycling	Improve Diversity, Equity & Inclusion	Improve/grow Community Relations Activities
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A well-done materiality assessment links the business of the company to its significant ESG impacts.



The key issues from your materiality work will help create priority topics for your goal setting. They should link the business of the company to significant ESG impacts. Not all of these example these topics are all relevant for our industry.

Be sure to really talk this over with your internal team to make sure that folks buy into the key topics. If you don't get their right now, you will potentially waste a lot of time and effort going down the wrong path.

I've seen leaders make changes to the basic key topics late in the process, and its really hard to have to work through the process again.

Step 2: Establish your Baseline for Key Topics

- **Use your data and reporting information to assess your current performance regarding your interim goals.**
- **Your current status becomes the foundation for improvement.** Review and analyze available data and information to establish specific goals.

You need to know where you are in order to determine where you want to go.

For example: If you ultimately create a goal is to reduce your emissions by 30%, you need to know what your current emissions and where they come from.



Step 2:

After you've identified key topics, but BEFORE creating your goals, make sure that you have, or complete an assessment of your baseline for them.

Basically - What is your performance now for each issues?

This will influence what your goals will look like.

For example - if you are thinking about creating a goal to reduce your emissions by 30%, you'll need to know what your current emissions are before you start.

Step 3: Create Initial Goal Statements

Next, determine the company's ambition and create initial goal statements for each key topic

Examples of broad statements without specifics yet:

- We will reduce **GHG emissions** by X% by XXX
- We will **increase diversity** among company's leadership by XX% in XXX
- We will **increase tons recycled** by X% by XXX
- We will **improve community relations**

Once you create these goals statement, your leadership team can discuss whether they are the right fit for your company, or whether they need to be modified.

** Interim goal statements are broad statements that convey the concept to goal without including specifics of time or magnitude*



We are already at Step #3.

It is time to create initial, or draft, goal statements. You are going to spend a lot of time poking and prodding these, so don't be surprised if they change as your work through them.

Use your priority topics start to play with your goals statements. The numbers come later. Get the concepts right first.

Again – before you go too far down the path to build these out, engage your leadership team to discuss whether they are the right fit for the company and whether they will support them. You don't need the specifics numbers and dates for your goals yet, but you do need to settle on the statements.

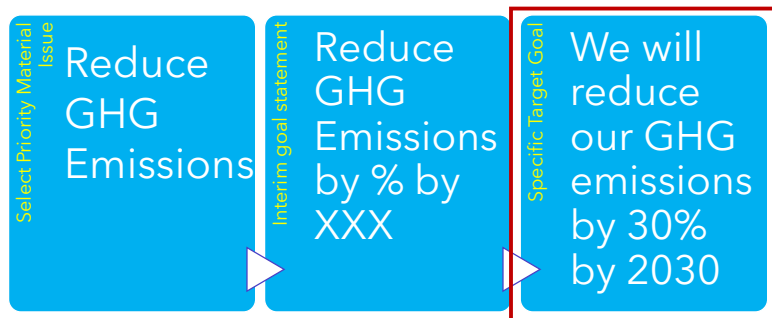
Some of your internal discussion might look like this:

- We want to reduce our emissions. By a percentage or a specific number of metric tons?
- We want to increase diversity. For the entire company? Or subgroups?
- We want to improve safety performance. What does that look like for our company?
- We want to improve community relations. Do we donate money, or do we want to develop new programs?
- We want to increase recycling. What is realistic for us?

Establish Specific Goals

After agreeing on broad goal statements and establishing your baseline it is time to create your goals

- **Your current status becomes the foundation for improvement.** Review and analyze available data and information to establish specific goals
- **Include internal subject matter expert for each goal in your goal discussion.**
- **Benchmark peer companies as a reality check**
- **Review with leaders and adjust as necessary.**



Considering all those previous questions, getting to the actual goal statement may take some time.

Getting to specific numbers may take longer.

One of the reasons by the process is so important is that you will need information to inform your recommendations and decisions.

- **Take time to benchmark other companies.** This helps a lot!!! What are your peer, or adjacent industries' doing? What do you think of their goals?
- **Review with internal SMEs.** Listen to your experts!
- **Review proposed goals in context of the company's current baselines.** Are your proposed goals too high? Too low? Realistic? Aspirational?

This is not an easy or quick internal process. Take the time to benchmark, to discuss, and make changes.

It is a great process, and your leadership team will learn a lot along the way – which also create ownership and buy in as you develop and implement you plans.

Sample Corporate Goals

UPS Sustainability Goals
Delivering what matters to the communities we serve globally.

Environmental Sustainability
Achieve carbon neutrality by 2050
UPS is determined to continue our leadership in decarbonizing the transportation sector. Our roadmap includes both existing goals and new targets.

By 2025:

- 40% alternative fuel in ground operations
- 25% renewable electricity in facilities

By 2035:

- 30% sustainable aviation fuel
- 50% reduction in CO₂ per global parcel package (2020 baseline)
- 100% renewable electricity in facilities

Social Sustainability
Positively impact 1 billion lives by 2040
UPS will deliver social impact through our commitment to diversity, equity and inclusion (DEI), employee engagement through volunteerism and charitable giving through The UPS Foundation.

- 25% of charitable donations targeted toward underserved women, youth and marginalized communities
- 28% women in full-time management globally by 2022, while maintaining 35% ethnicity diverse company management
- 30 million volunteer hours by 2030 (2015 baseline)
- 50 million trees planted by 2030 (2015 baseline)

Governance
Recent achievements
UPS remains committed to a transparent and inclusive governance structure.

- 31% ethnically diverse members on Board of Directors
- 46% women on Board of Directors
- Published annual EEO-1 Report and first Task Force on Climate-related Financial Disclosures (TCFD) report in 2021
- Reappointed chief DEI officer, a new position on the Executive Leadership Team, and elevated the chief sustainability officer to report directly to the CEO

Introducing pep+ (PepsiCo Positive)
A strategic end-to-end transformation with sustainability at the center, driving action with industry-leading 2030 goals.

pep+
pepsiCo positive planet + people

POSITIVE AGRICULTURE
Spread regenerative agriculture across 7 million acres. Sustainably source 100% of our key crops + ingredients. Improve the livelihoods of more than 250,000 people in our agricultural supply chain and communities.

POSITIVE VALUE CHAIN
Achieve Net-Zero emissions by 2040. Cut virgin plastic per serving by 50% across our global food & beverage portfolio. Launch our 2024 agenda, ahead of our peers. Save \$570 million.

POSITIVE CHOICES
Evolve our portfolio of products so they are better for the planet + people, by:

- Shortening ingredients
- Expanding positive in-pack & label category
- Accelerating science-based targets
- Scaling little to no virgin-plastic packaging platforms

 Leverage our iconic brands to inspire positive choices. Our 5 will support farmers making us regenerative practices.

ISRI
Year of the Recycling Industry

Here are some examples of goals:

UPS is interesting since they are in an adjacent business.

Pepsi – it is just so large, you can see the magnitude of their goals.

Starting with goals. You’ve likely seen corporations goals by now.

Schnitzer Steel ESG Goals

Advancing Our Sustainability Goals

First established in fiscal 2019, our Sustainability goals are embedded in our business strategy, and are focused on our three pillars of People, Planet, and Profit. Each year we review our progress against our goals and adjust our metrics as we achieve milestones and adopt new and innovative programs and technologies. We establish short-, medium-, and long-term goals which align directly with the issues that matter most to our stakeholders.

KEY: ● Just getting started ● Making progress ○ Achieved

Goal	Goal Target Date	Status	FY2022 Highlights	UN SDG Alignment
 People	Achieve a 1.00 total case incident rate (TCIR)	●	More than 20,000 hours of safety-related training completed by employees and 90% of facilities free of any lost time injuries	
	Donate at least 10,000 hours of paid volunteer time off (VTO)	●	Employees logged over 1,100 hours of VTO	
	Achieve a 25% employee participation rate in our physical and mental wellness programs	●	Launched The Invitational, Schnitzer's first-ever Company-wide wellness challenge	
	Achieve a 70% employee participation rate in our retirement benefits program	●	Achieved 52% employee participation in our retirement benefits program, a 15% improvement year-over-year	
 Planet	Maintain 100% net carbon-free electricity use every year	○	Achieved 100% net carbon-free electricity use for second consecutive year	 
	Reduce Scope 1 and 2 GHG emissions from recycling operations by 25%	●	Reduced Scope 1 and 2 emissions from recycling operations by 24% over our fiscal 2019 base year	 
	Deploy an ISO 14001:2015 certified Environmental Management System (EMS)	○	Deployed an ISO 14001:2015 certified EMS	 
 Profit	Incorporate all Company facilities within our ISO 14001 certified EMS	●	Earned ISO certification at 6 Schnitzer locations, representing 23% of Company workforce	 
	Achieve a profitability improvement target of \$15/ton, over our fiscal 2019 base year, using sustainability-based initiatives ^{1,2}	●	Our fiscal 2022 results represent the second-best fiscal year earnings in Company history	



¹ Goal adjusted to accommodate the acquisition of 10 new facilities during fiscal year 2022. Interim goal added to track progress toward 100% achievement.
² Goal timeline adjusted to reflect expected roll-out of advanced nonferrous recovery technologies across our operations and achievement of volume growth target.
³ Based on achieving operating income of \$8/ton from new advanced metal recovery technology and \$3/ton from ferrous volume growth to 5.3 million tons.



Look for this symbol throughout this report for more information on initiatives supporting progress toward our goals.



Schnitzer has specific goals identified for the E, the S, and G (People, Planet, Profit).

SIMS Metal's ESG Ambitions & Goals

SIMS Metal's 2025 Sustainability Goals: Our sustainability ambitions reflect where we want to arrive by 2025 and point to longer-term growth opportunities. Because "what gets measured gets done," we have created discreet goals under each of our ambitions. We will measure and report on our progress toward achieving these goals.

CLOSE THE LOOP	
Become carbon neutral by 2042 and achieve net zero by 2050	Multi-year targets under development for Scope 1 and 2
Achieve no waste to landfill	Build resource renewal capacity to transform 120k tonnes of ASR per year into new products
Close materials loops further by expanding capacity and services ²	<ul style="list-style-type: none"> Close loops by expanding secondary metal volumes Recycle 200,000 tonnes of cloud material Expand municipal recycling coverage by 50% Capture methane from landfill outside Australia and New Zealand³
PARTNER FOR CHANGE	
Build trusted relationships with our communities	<ul style="list-style-type: none"> Establish at key sites a community index survey; track progress for continuous improvement Annually, invest 0.5% of three-year rolling pre-tax profits in programmes that support environmental stewardship and economic empowerment Dedicate paid employee time for community engagement/volunteerism activities
Create new business models that further the circular economy	Generate 10% of our EBIT from new business models and opportunities that enable the circular economy

OPERATE RESPONSIBLY	
Foster a safe work environment	<ul style="list-style-type: none"> Total Recordable Injury Frequency Rate (TRIFR) <1 Lost Time Injury Frequency Rate (LTIR) <0.1 Achieve and maintain a safety culture index in the survey top quartile Eliminate critical safety risks, Critical Risk Incident Frequency Rate (CRIFR) <0.5
Close gender gap	<ul style="list-style-type: none"> 25% women in manager positions and above⁴ Reach 0% gender pay gap across Sims Limited Achieve representation of women on the board 24%
Develop a skilled and engaged workforce	<ul style="list-style-type: none"> Maintain an engaged and satisfied workforce as demonstrated by employee engagement survey results in the top quartile Invest in education by increasing the number of available career development training programmes by 50% and promoting them Improve annual employee performance review process to align with Sims Limited's purpose, incorporate role competencies and a skills development plan Ensure management incentive plan is consistent with sustainability goals
Ensure transparency on how our business is conducted in an ethical manner	<ul style="list-style-type: none"> Train all employees and agents on our Code of Conduct, anti-corruption and anti-bribery Provide all employees with training on human rights, modern slavery and labour rights to raise awareness and help fight human rights violations Develop a supplier Code of Conduct and implement supply chain due diligence to identify and address high risk of human rights violations and unethical practices



Sims does as well.

Goal Development: Casella

- Casella’s sustainability program is built around 5 primary goals for the year 2030
- Each was selected via their Materiality Assessment process and is aligned with the Company’s core business strengths and financial goals
- They are all consistent with the goals of their customers and communities.

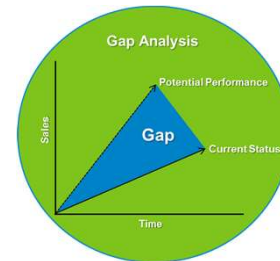


Casella does a nice job of highlighting how they’ve tied their goals to their business and stakeholders.

Step 4: Analyze Performance Gaps

The Gap Analysis is a good point for checking your goals statements:

- As you review the difference between your baseline and your goals, you may decide that the gap is too great to realistically achieve, or that this is not aggressive enough
- This will be a good point at which to review previous work to assess your goal statements
- It's okay to be flexible - and to make adjustments to your goal statements based on your analysis.



The ESG Strategy Process is a Journey!

Your team will be learning along the way and may need to adjust previous steps depending on the direction that you take and the result of your analysis.



Now that you have agreed on your goal topics, your proposed specific goals, and have your baseline for each of them, it's time to analyze the gaps between current and goals, so you can start planning for how you will reach your goals.

After you complete this analysis, you can decide if the goal is too aggressive, or not aggressive enough.

It may simply be too heavy of a lift and you may decide to reduce the goal at this point.

Your team will be analyzing data and learning through this process. They will be learning a lot about new topics and will likely be evolving in their thinking about what they want to do.

Candid team meetings will help inform your decisions and this is the time for this. Your team is in control of the process and can modify as needed.

Developing Strategy Statements



**ESG Strategy Statements are
Ambitions to Support ESG
Goal Statements**

Okay - now we are going to assume that you have your goals pretty much nailed down.

So the next thing we will do in our ESG Strategic planning process is create strategy statements for each of our goals. These statements are ambitions that will inform how we will support each goal.

Strategic Planning Process



Why do we need this strategy statements effort for our goals?

I'll confess, while I like to think of my self as a strategic thinker, I am not. I am 100% tactical.

I am really comfortable living in the "get it done" space and I would guess that there a lot of people like me ir our industry.

I really only started to understand this concept of strategic statements for separate goals after going through this process and by looking at what other companies have done.

I am hoping that my learning process can help you.



So - it's time to develop the strategy statements that will guide HOW you will achieve each goal.

- Strategy statements are ambitions to support how you will achieve each of your goals.
- **You will need to step back and ask what is currently standing in the way of achieving your goal? What needs to change to achieve your goal?**
- Companies often rely too much on tactics without a comprehensive strategy, making it difficult to accomplish their business goals.

In the example above, the goal is to reduce emissions by 30% by 2030. Through the company's goal setting research, they've established that they need to transition to renewable energy in order to achieve their goal. **By establishing a strategy of becoming an industry leader in renewable energy, they set the stage for making a commitment to developing tactics to support their strategy to achieve their goal.**

Remember your overarching goals are your high level, "North Star" Goals. Your strategy statement guides HOW you will get there, for each goal. If you only had one goal, you would only need one strategy statement. However, when comes to ESG goals, you will have 3-5 goals, and each needs a strategy statement to set your ambition for how you will achieve your goal.

Strategy vs Tactics

Strategic Planning requires:

- Taking a step back to identify your main objectives (goals)
- Creating a strategy statement for your goal(s)

Developing a strategy statement for your goals provides a broader perspective, or an ambition.

This ambition will help in case you adjust your tactics to achieve your goal.

Without a strategy statement, it is more difficult to pivot if your tactics are not working.



You can run a business based only on tactics, but you need a strategy to underpin your tactics to maximize your effectiveness.



Strategic Planning requires:

- Taking a step back to identify your main objectives (goals)
- Creating a strategy statement for each goal that gives you the **ambition** for HOW you will achieve your go

Developing a strategy statement for your goals will give you a 360-degree perspective and equip you with the ability to see the chess pieces and to adjust your moves accordingly.

Without a strategy, it is difficult to pivot if your tactics are not working.

Examples of Strategy Statements

Goal: Reduce GHG emissions by 30% by 2035

Strategy: We will be a leader in employing technologies solutions to reduce emissions associated with our industry

Tactics: We will achieve our goal by using renewable electricity, zero emissions vehicles, and by helping our customers achieve their GHG emissions reduction goals

- Purchase 100% renewable sources electricity by 2027
- Purchase 10% renewable fuel vehicles each year, so that 100% will be replaced by 2034.

Goal: Improve Safety Performance 2% YOY

Strategy: We will invest in industry-leading health and safety programs to ensure the health and safety of our employees and communities

Tactics: We will achieve our goal by:

- Hiring external consultant to identify and implement new programs
- Providing consistent training programs to all employees

Goal: Improve the lives of our local communities

Strategy: We will partner with our local communities to identify and implement programs

Tactics: We will achieve our goal by:

- Donating 1% of profits to local community organizations
- Continue monthly volunteer work with Habitat for Humanity



We saw this slide earlier in the presentation.

Now look at focusing on the strategy statement perspective.

This example highlights three ESG goals for our industry type, and a strategy and tactics for each goal.

- Each goal serves as a guiding light for your company's ESG efforts.
- The strategy statement is a high level statement, or your ambition, to get you to your goal.
 - GHG: You will use renewable energy to reduce your emissions
 - SAFETY: You will invest in industry-leading safety programs to improve safety performance
 - COMMUNITY: You will partner with local communities to improve their live

These strategy statement are VALUE CREATION for your company. We will work on Value Creation with Whole Works in September, but your strategy statements are what set you aside and give you the ESG commitment that your stakeholders are looking for.

- Finally, the Tactics are the details of the actions you will implement to achieve your goal. Which takes us to our next topic.

Tactics

Identify how you will
implement and
achieve your goals



Tactics are the specific actions your company will take to implement and achieve its goals.

I'll say it again. I love tactics.

- Tactics are programs.
- Tactics are building investments.
- Tactics are equipment.
- Tactics are ACTION

It is the meat and potatoes of our industry.

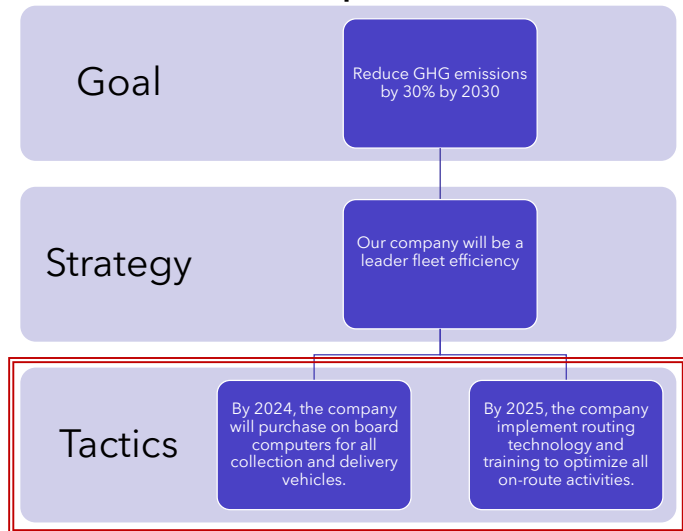
And/but – they are only really effective if they support our companies strategy and goals.

Tactics: Getting it Done!

Example #2

Our industry tends to go straight to the tactics, often ignoring the goal setting process and strategies.

A successful ESG strategy requires all of these.



Time and patience.

It is important to take the time to set up goals and strategies first, to help establish the right tactics. And to document them.

Once you have your goals and strategies, you need to identifying the tactics that you will take to implement goals. As an example - if you want to reduce your company's GHG emissions, and you've created a strategy to be a leader in fleet efficiency, you will likely create tactics around purchasing low emissions vehicles and optimizing routing.

In addition to the tactics on this page, other examples could include:

- **To support a recycling goal**, and strategy might be to invest in new MRFs and the tactic would be to Build 2 new MRFs in 2024. One in City X and another in City Y.
- **To support a safety to goal**, a strategy might be to invest in safety technology systems and the tactic would be to add Fire Rover all of our facilities by 2025.
- **To support a DEI goal**, a strategy might be to increase driver diversity, and a tactic would be to attend 3 job fairs each quarter to meet with women driver candidates.

Tactics require specific action in a given time.

Report on your progress



Using ISRI's reporting toolkit, track your progress quarterly, and report annually.



Finally – it's important to report on your progress regularly.

As we noted earlier, reporting fosters action. Once you've completed the ESG Strategic Planning process, you will have invested a lot of time and energy in the process. You owe it to your stakeholders to follow through with reporting on your progress to achieving your goals. Quarterly to your internal leadership and annually to your other stakeholders.

We'll talk more about reporting in the fall, but it does play a key role in establishing accountability and driving action towards success.

ESG Strategy Process Summary

Establish 3-5 ESG goals, determining your ambition level

1. Use your materiality benchmarking to identify goal topics

2. Develop goal statements for each goal for internal discussion

- ✓ Use company data and reporting as foundation for new goals
- ✓ Analyze programmatic options for achieving each goal

3. Create specific targeted goals

- ✓ Include SME on each topic for review
- ✓ Review with leadership team
- ✓ Benchmark peers
- ✓ Adjust as necessary
- ✓ Leadership approves

4. Analyze performance gaps and adjust goals if necessary

Develop your strategy statements for your goals

Develop your tactics for implementing the actions you will take to achieve your goals

Track progress quarterly, and report annually.



And Viola. You have all of the pieces of your ESG Strategy!

Your goals (established through research and analysis) + Your strategy statements for your goals + Your tactics
Your organization's ESG Strategy.

And – it is not a complicated process. Sometimes the words make it sound more complicated than it is, but if you just follow the steps we've outlined here, you will have the tools to get there.