



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

May 13, 2020

Tomago Collins
Chair, Sustainability & Corporate Responsibility Committee
Republic Services, Inc.
18500 N. Allied Way
Phoenix, AR 85054

Dear Mr. Collins,

I am writing as a long-term investor seeking to convene a meeting on human capital management issues at Republic Services, Inc. ("Republic Services") that have come to light in the wake of COVID-19.

Serious issues have come to our attention, and as a long-term investor, we seek a dialogue with you, Chair of the Board's Sustainability & Corporate Responsibility Committee, to better understand Board oversight and company management of fast-evolving challenges related to workforce health and safety, employee protections, and labor relations.

While we certainly respect the considerable challenges facing the company, this is a critically important moment for Board directors to exercise their responsibility to shareholders, actively oversee developing risk exposures, and provide robust, transparent disclosure to investors and stakeholder groups. Not only has the SEC called on companies to report on their COVID-19 response,¹ including efforts to protect the health and well-being of its workforce, but over 322 institutional investors with over \$9.2 trillion in assets under management have joined in urging companies to enhance worker protections, paid sick leave, and exercise financial prudence.²

Accordingly, we are eager to discuss these issues directly with you and your Board counterparts given that unanswered questions and risk exposures remain, including the following specific items.

¹ <https://www.sec.gov/news/public-statement/statement-clayton-hinman>

² <https://www.iccr.org/investor-statement-coronavirus-response>

Items for Consideration

1. Workplace Healthy and Safety

Investors in Republic Services are particularly concerned with recent reports, both communicated in media stories and directly from workers, about occupational health and safety shortfalls, including shortages of personal protective equipment (PPE) and cleaning materials, and the insufficient cleaning of trucks and heavy equipment.^{3, 4, 5} These issues clearly present heightened operational, legal, regulatory, and reputational risks for the company and its investors, and we are concerned about the discrepancy between company communications and reports from front-line workers. Accordingly, we are interested to learn how the Board is monitoring these issues, what metrics, sight-lines, and reporting mechanisms are being used, and what enterprise risk management and business continuity plans are in place to manage this crisis and future threats.

2. Employee Protections and Benefits

Second, we are concerned with reports that Republic Services is lagging behind competitors regarding the provision of employee benefits and protections related to COVID-19. Given the gravity of workforce and safety issues during these difficult times, we believe the company should consider aligning its practices with peer companies, including (1) lowering the threshold for paid leave to exposure to COVID-19 (as opposed to receipt of a positive test result) and (2) committing to compensate workers for 40 hours/week.

3. Communication with Senior Labor Representatives

Third, we are concerned with reports that Republic Services has neglected to communicate with senior labor representatives, specifically with leadership at the International Brotherhood of Teamsters (“Teamsters”).⁶ The Sustainability Accounting Standards Board (SASB) astutely emphasizes:

“Proper management of, and communication around, issues such as worker pay and working conditions can prevent conflicts with workers that could lead to extended strikes, which can slow or shut down operations and create reputational risk. Waste management companies need a long-term perspective on managing workers—including their pay and benefits—in a way that protects workers’ rights and enhances their productivity while ensuring the financial sustainability of a company’s operations.”⁷

³ <https://www.fastcompany.com/90501828/garbage-collectors-are-on-the-front-lines-of-covid-response-but-without-the-protection-they-need>

⁴ <https://teamster.org/news/2020/04/message-waste-division-members-director-chuck-stiles-april-27-2020>

⁵ https://www.vice.com/en_us/article/epgwak/sanitation-workers-say-theyre-not-getting-basic-protective-equipment-during-pandemic?utm_campaign=sharebutton

⁶ <https://thehill.com/news-by-subject/labor/496625-teamsters-call-on-bill-gates-to-provide-ppe-for-sanitation-workers>

⁷ https://www.sasb.org/wp-content/uploads/2016/03/IF0201_WasteManagement_Standard.pdf

Given the material importance of labor practices, especially during volatile times, it behooves Republic Services to consider responding to calls from its workers and investors to communicate directly with senior labor representatives.

We recognize that Republic Services has taken initial steps to address human capital management and operational issues related to COVID-19, including new measures to increase worker protections, enhance compliance monitoring, and mitigate evolving risk exposures to investors, as detailed in the company's new Commitment to Serve initiative.⁸ We commend the company for these preliminary actions, but given conflicting reports from workers on the front-lines, ongoing labor and reputational challenges, shortfalls compared to peers, and the potential for adverse impacts on investors, we believe a robust discussion of the Board's oversight activities is warranted.

Given the immediacy of these issues, we would sincerely appreciate an opportunity to meet with you at your earliest convenience. To that end, please address correspondence to Max Dulberger, Director of Corporate Governance & Sustainable Investment at the Illinois State Treasurer's Office, at MDulberger@illinoistreasurer.gov or (217) 843-0132.

Thank you for your attention and we look forward to working together on these matters.

Sincerely,



Michael Frerichs
Illinois State Treasurer

Cc: Catharine D. Ellingsen, Executive Vice President, Chief Legal Officer, Chief Ethics & Compliance Officer, and Corporate Secretary
Nicole Giandinoto, Senior Vice President, Finance and Treasurer

⁸ <https://www.republicservices.com/committed-to-serve>