



Fiscal Year 2021

# Sustainability Report

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Advanced Drainage Systems, Inc.

[www.adspipe.com](http://www.adspipe.com)

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# A Letter from our CEO

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## Dear Fellow Shareholders,

Sustainability and resiliency are at the core of what we do at Advanced Drainage Systems, Inc., (ADS). As the second largest plastic recycler in North America and a leading water management company, we are guided by our commitment to preserve and protect Earth's most precious resource: water. I am proud of the work we've continued this year towards building a stronger, more sustainable, and resilient business while also working to improve the communities in which we operate.



In fiscal 2021, we continued our journey to improve upon an already strong commitment to Environment, Social & Governance standards. We reduced our energy and greenhouse gas emissions intensity, reduced injuries at our focus sites, increased our focus on diversity, continued to make an impact through charitable contributions and initiated key external partnerships.

As an essential business, ADS continued operating through the pandemic to meet the critical needs of our water management customers and the communities they serve. The ADS Environmental, Health & Safety team, like many companies, worked diligently to keep up with evolving guidance around COVID-19 health & safety protocols and vaccination information to ensure the health and safety of our employees, their families, and the communities where we live and work.

Over the last year, we have been busy developing our sustainability goals for the future and we are pleased to share those goals in this report.



Our 10-Year goals are built around REASON, a nod to our company tagline "Our reason is water™."

For more detailed information on how we plan to reduce our impact and increase our positive contributions, please keep reading.

I want to thank you for taking the time to learn more about everything we are doing here at ADS to create a more sustainable business. We look forward to continuing to share our progress in the future and building a better tomorrow together.

Sincerely,

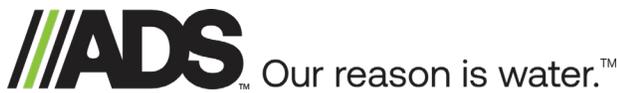
A handwritten signature in black ink that reads "D. Scott Barbour". The signature is written in a cursive, flowing style.

D. Scott Barbour  
President and CEO

# 10-Year Goals

## Our Reason is Water™

At ADS, simply put, Our Reason is Water™. We have always operated in a socially and environmentally responsible manner, with the publication of our 10-Year goals we are furthering our commitment to the triple bottom line: people, planet and product. Our inaugural 10-Year goals have been developed to address the areas that are most material to our business, based on stakeholder feedback, and represents the areas where we believe our business can make the greatest impact. For decades we have been dedicated to recycling, water, and community. With the announcement of our 10-Year goals, we have expanded our commitment to be more inclusive in the areas of Environmental Impact, Operational Impact, Supply Chain Engagement, and Diversity, Equity and Inclusion. Additionally, we are a signatory to the United Nations Global Compact (UN Global Compact) and our goals are aligned with the United Nations Sustainable Development Goals (UN SDGs).



**Our Reason is Water™.** And we are expanding that REASON to encompass our core focus areas for sustainability:

**R – Recycling**

**E – Environmental impact reduction**

**A - Accountability**

**S – Social purpose**

**O – Operational excellence**

**N – News**



**Recycling** – 1 billion pounds recycled material used annually by 2032

**Environmental Impact Reduction** – Science Based Targets in line with 1.5°C

**Accountability** – continued transparency in reporting annual progress toward 10-Year goals; implementation of a supplier sustainability program

**Social Purpose** – continued good work through our ADS Foundation, community partnerships, and an increased focus on Diversity, Equity & Inclusion

**Operational Excellence** – Reduce TRIR to below 1 by 2032; Commit to Operation Clean Sweep; Implement closed loop water usage at 100% of manufacturing locations

**News** – we will keep lines of communication open and transparent and will share news of our progress on a regular basis via the ADS sustainability website and our annual sustainability report.

ADS believes that the goals we have outlined are both ambitious and achievable.

By setting our goal at a billion pounds of recycled material annually 2032, nearly double our current annual usage, we demonstrate our commitment to recycling both post-consumer and post-industrial plastic. We transform this material into long term durable goods that manage stormwater, which is critical to building a future that is both sustainable and resilient. We are committed to doing our part in the circular economy, and we will continue to build on our recycling efforts to increase the recycled content of our products and to keep more material out of landfills and avoid GHG emissions. Efficient

use of materials is critical to meeting the needs of both the growing population on this earth as well as mitigating the effects on climate change.

To reduce our Environmental Impact, ADS is committed to pursuing science-based targets in line with the 1.5°C scenario. Simply put, ADS is working to define absolute targets for reduction of scope 1 (direct) & 2 (indirect) greenhouse gas emissions (GHGs) that align with limiting future temperature rise to 1.5°C above baseline. We will also be setting a scope 3 reduction target and look forward to engaging with our suppliers, who account for roughly 95% of our scope 3 emissions, to achieve that goal. As with any growing company, setting absolute reduction goals is a challenge. We have outlined a plan for achieving our goals that includes energy efficiency improvements, renewable energy and renewable energy credits, if necessary. Approximately one third of our scope 1 emissions are attributable to our company-owned fleet, and we plan to continue our efforts to increase fleet efficiency and reduce fuel usage. Additionally, as technology becomes viable, we will evaluate fleet electrification. In the meantime, we will focus on those items that have the greatest impact on fuel reduction to minimize the emissions from our fleet.

To increase our accountability, ADS is implementing a supplier sustainability program that will consist of the following:

- **Supplier Code of Conduct**
- **Supplier ESG Self Assessments**
- **Supplier Workshops**
- **Focus on increasing spend with diverse suppliers, where possible**
- **Collection of scope 3 emissions data**

Engaging with suppliers is key to the success of our sustainability goals. Through this engagement we will share our efforts and partner with our suppliers for optimum impact.

Our commitment to Social Responsibility will continue through the ADS Foundation as well as

our efforts to increase Diversity, Equity and Inclusion. ADS will continue to partner to advance sustainability in the communities we live, work and play in.

With our continued commitment to Operational Excellence, we will focus on reducing our Total Recordable Injury Rate (TRIR) to below 1.0 by 2032. The health and safety of our employees is a primary focus for our operations team. We are committed to making real changes to reduce our TRIR and ensure the health and safety of all our employees and contractors.

Additionally, we are committed to keeping plastic pellets out of the environment as demonstrated by our alignment with Operation Clean Sweep, an initiative started by the American Chemistry Council and the Plastics Industry Association. Efforts to reduce plastic pellet loss at our facilities are already underway and robust measures are being implemented to ensure that no pellets leave our plants. Further, for the first time, ADS is announcing a pledge to reduce manufacturing water usage and is committed to implementing closed loop cooling water at all our manufacturing locations.

Finally, ADS is committed to being transparent in our progress toward the goals. We look forward to sharing real time news and updates with our stakeholders via the ADS sustainability website and through our annual sustainability report.

We welcome feedback from all stakeholders. If you would like to share your thoughts, please contact:

[InvestorRelations@adspipe.com](mailto:InvestorRelations@adspipe.com)

# Industry Leading Recycling Solutions



**2nd largest**

plastic recycling company  
in North America



**670 million  
pounds**

of GHG emissions  
avoided



GHG emissions avoided  
amounts to taking

**64,000 cars  
off the road**



**Consumed  
28%**

of the recycled HDPE  
bottles in the US in 2020

**Sustainability is at the core  
of who we are and what we do.**



We are proud of the important work we are doing to have a positive environmental, operational and social impact. We are the 2nd largest plastic recycling company in North America. In Fiscal 2021, we purchased over half a billion pounds of recycled plastic, keeping it out of landfills and further preventing over 670 million pounds of Greenhouse Gas emissions (GHG) from being released into the atmosphere. Our industry-leading resin blending programs convert this recycled plastic into pipe, chambers and other products that can support America's stormwater management and on-site septic needs.

# Sustainability By-the-Numbers

Fiscal 2021 Highlights



## Environmental



**6% decrease**  
in GHG emissions  
intensity



**510 million**  
pounds of  
plastic recycled



**66%**  
of pipe revenue derived  
from re-manufactured  
products



**4% decrease**  
in energy intensity



## Operational



**33% decrease**  
in total recordable incident  
rate (TRIR) at  
focus plants



**21% decrease**  
in scrap rate



**5% increase**  
in payload efficiency



**9% decrease**  
in downtime rate



## Social & Governance



**\$2 million**  
contributed to The  
ADS Foundation



**\$450,000**  
contributed to  
charitable organizations



**50%**  
of senior level hires  
were diverse



Established partnership  
with The Recycling  
Partnership

# Environmental Impact

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## Environmental Stewardship

We are committed to developing innovative solutions that protect our Earth's most precious resource, water, while keeping hundreds of millions of pounds of plastic out of landfills each year.

Our focus on water management constitutes a key element of our environmental stewardship. At Advanced Drainage Systems (ADS), our products and solutions keep waterways safe from pollution and prevent excessive stormwater runoff. Our long history of bringing innovative solutions and industry-leading technologies to market has helped develop standards that have transformed the stormwater management industry over the years.

Every day we contribute to the circular economy by using environmentally sustainable materials in our products. Our expertise in incorporating recycled material into our products has fundamentally changed—and ultimately shaped—our approach to environmental stewardship and the way the industry views and uses recycled plastic in construction projects today.

Additionally, this past year we worked on expanding our environmental stewardship into other material areas of the business. As demonstrated by our 10-Year goals, we are committed to reducing our greenhouse gas emissions and water consumption at our manufacturing facilities, among other important initiatives.

## Management of a precious resource

Water is precious and the source of life. Preserving this natural resource for present and future generations is among our highest priorities.

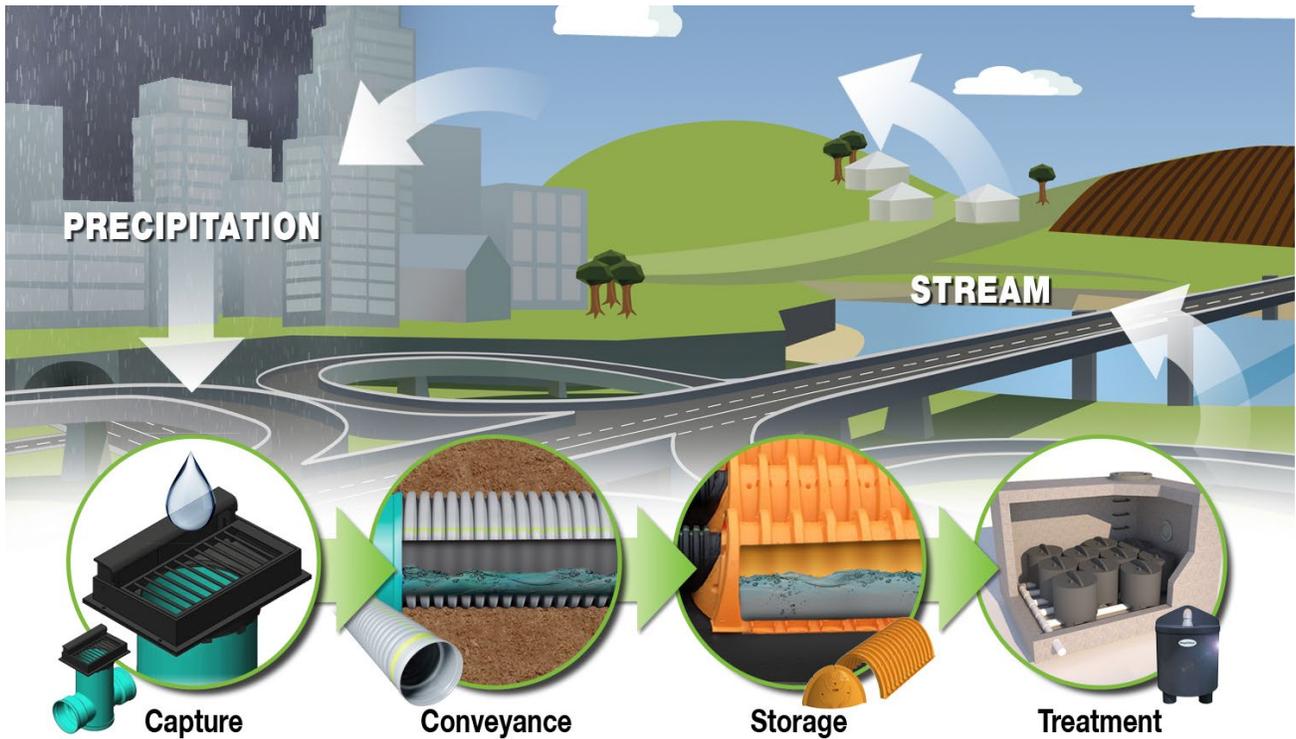
At the heart of our mission is the creation of sustainable water management solutions that keep waterways free of pollution and prevent unnecessary stormwater runoff and erosion. With the increasing frequency and intensity of storms, management of this precious resource will continue to be a focus for infrastructure improvements.

ADS works closely with cities, towns, and communities around the world to provide sustainable water management systems that address their challenges and help advance their sustainability goals. Today, our products help contractors, engineers, and architects meet sustainability goals for programs such as Leadership in Energy and Environmental Design ("LEED"), the International Green Construction Code and the Institute for Sustainable Infrastructure's Envision program.

## Managing the Lifecycle of a Raindrop

ADS products are designed to manage the entire lifecycle of a raindrop, from the moment water hits the ground until it is released back into the ecosystem. Our product portfolio is built around each step of this lifecycle.

Neglecting stormwater management can result in flooding, pollution, destruction, erosion, and many other environmental and health issues. Construction of buildings, housing, roads and highways disrupts the natural ability of stormwater infiltration but is a key component of a growing society. Our solutions safely and efficiently manage stormwater with sustainable and resilient products.



- **Capture:** As the first step in preserving the planet’s most precious resource, water, our structures collect and direct stormwater runoff on project sites to an underground conveyance system.
- **Conveyance:** To prevent flooding at job sites, which could lead to significant structural and environmental problems, our pipe, fittings and other products safely move stormwater away from developed sites to be reintroduced back into the water cycle.
  - *10+ billion feet of ADS Pipe are installed around the world.*
- **Storage:** To mitigate erosion and flooding, our retention and detention systems manage infiltration and recharge stormwater prior to the treatment process.
  - *Our current footprint of StormTech® retention/detention chambers can infiltrate 2+ billion gallons of stormwater runoff.*
- **Treatment:** Our Water Quality products remove trash, debris and pollutants from the stormwater runoff collected in previous steps, ensuring only clean water is discharged back into our communities.

- *Our Barracuda water quality units treat 955,000+ gallons of water per minute during storm events*

## Recycling & Circular Economy

ADS is the largest consumer of recycled plastic in North America. In fiscal 2021, we purchased 510 million pounds of recycled plastic, incorporating this material into products that last decades. We primarily source recycled plastics through our vertically integrated recycling operations, ADS Recycling. In addition, we internally reprocess the majority of the recycled material we consume, which makes us the second largest plastic recycler in North America. We are dedicated to doing our part to ensure that the transition from a take, make, waste economy to a circular economy becomes a reality. Our products are made from recycled content and fully recyclable at end of life.

Remanufactured product revenue is calculated as the percentage of revenue from products that contain recycled plastic material. These products primarily include certain high-density



polyethylene (HDPE) pipe product lines, such as our Mega Green N-12 pipe, singlewall pipe and Flexible N-12 pipe products. Certain Allied product offerings such as pipe fittings and on-site septic chambers also include recycled material.

Total revenue from remanufactured products and pipe revenue from remanufactured products were flat year-over-year.

### Performance Indicators

Remanufactured Product Revenue 1	Unit of Measure	Fiscal 2019	Fiscal 2020	Fiscal 2021
Percent of revenue from remanufactured products	% of gross sales	54.0%	55.2%	55.2%
Percent of pipe revenue from remanufactured products	% of gross pipe sales	63.3%	65.8%	65.7%

ADS remains committed to maximizing our contribution to the circular economy by converting recycled plastics into durable stormwater and on-site septic wastewater management products with a life span of up to 100 years. In fiscal 2021, recycled materials as a percent of overall direct material purchases decreased to 47% as compared to 51% in the prior year. This was primarily due to availability of virgin material at a more competitive price, as well as a decrease in overall inventory levels.



# How Our Recycling Process Works



In fiscal 2021, we consumed  
**28%**  
of the recycled pigmented HDPE  
bottles in the United States.

The amount of recycled plastic we consumed in fiscal 2021  
reduced our Greenhouse Gas emissions by over 730 million  
pounds, which amounts to taking

**64,000**

cars off the road.



In fiscal 2021, we consumed 28% of the recycled pigmented HDPE bottles in the United States.



These bottles as well as other plastics and recyclable materials are picked up through curbside recycling programs and taken to recycling centers.



At the recycling centers, materials are sorted and packed into bales. The bales are then taken to our recycling facilities.



We sort, shred and wash the material, turning it into clean plastic flakes. We test all plastic material for quality assurance.



Flake may be further pelletized and is then used in the manufacturing process.



ADS pipe products are installed in stormwater systems that are designed to last over 100 years

**<1**  
year  
LIFE SPAN

**100+**  
years  
LIFE SPAN

Figures based on "Life Cycle Impacts For Postconsumer Recycled Resins: PET, HDPE, and PP" report prepared for the Association of Plastics Recyclers by Franklin Associates, A Division of Eastern Research Group, published in December 2018.

ADS continues to look at ways to increase the amount of plastic diverted from landfills and ensure recycled material is available to support our business. As such, this year we joined The Recycling Partnership to help promote consumer access to recycling across the United States, especially in underserved areas. Additional information related to The Recycling Partnership is available in the partnerships section of this report. Additionally, ADS signed on to US Environmental Protection Agency's (U.S. EPA's) America Recycles Pledge, a commitment to build on the existing efforts to address the challenges facing the U.S. recycling system, to identify solutions that create a more resilient materials economy and protect the environment. The U.S. EPA established The National Recycling Goal to increase the national recycling rate to 50 percent by 2030, and ADS is committed to doing our part to help achieve this goal.

As a leader in the recycling industry, we continue to push the limits of what is possible. As part of our 10-Year goals established in this report, our target is to recycle 1 billion pounds of plastic annually by fiscal 2031, nearly doubling the amount of recycled material we consume today.

## Energy & GHG Emissions

ADS is committed to helping our businesses, our customers, and the world increase energy efficiency and reduce Greenhouse Gas (GHG) emissions. In addition, we offer innovative solutions that have lower GHG emissions than alternative materials used for the same purpose.

We continue to collaborate with both internal and external stakeholders to identify project opportunities to reduce our energy usage and GHG emissions on an absolute basis. Through these engagements, we ensure the development of a sustainable business that benefits our stakeholders and the environment.

In fiscal 2021, we continued collecting energy and emissions data from our US and Canadian facilities. All data is tracked at the facility level.

As discussed in the 10-Year goals section of this report, we are proud to announce that as part of our ongoing efforts to improve our environmental impact we are planning to pursue Science Based Targets to reduce our GHG emissions by 42% from our fiscal 2020 baseline, limiting our emissions to 1.5°C

		Energy Usage <sup>1</sup>		
Energy Consumption	Unit of Measure	Fiscal 2019	Fiscal 2020	Fiscal 2021
Purchased Electricity <sup>2,3</sup>	Gigajoules (GJ)	1,155,552	1,224,544	1,291,986
Purchased Natural Gas <sup>4</sup>	GJ	63,711	64,757	57,934
<b>Total Energy Consumption</b>	<b>GJ</b>	<b>1,219,262</b>	<b>1,289,301</b>	<b>1,349,920</b>
ADS Sales	\$, in thousands	\$1,385	\$1,506	\$1,654
<b>Energy Intensity</b>	<b>GJ per thousand revenue dollars</b>	<b>881</b>	<b>856</b>	<b>813</b>

1. Data does not include Infiltrator Water Technologies data
2. 100% grid electricity. We did not purchase any renewable energy in Fiscal 2021, 2020 or 2019.
3. Converted from kilowatt hours (kWh) to GJ at a rate of 0.0036 GJ per 1 kWh
4. Converted from therms to GJ at a rate of 0.10548 GJ per 1 therm.

in accordance with the Paris Climate Accord. We expect to become a signatory to the Science Based Targets Initiative (SBTi) in due course.

Approximately 99% of our energy consumption is from our manufacturing operations. In Fiscal 2021, our absolute energy consumption increased 6%, primarily due to an 8% increase in pipe production pounds.

We achieved the year-over-year improvement in energy intensity by executing on our operational excellence objectives, including more efficient manufacturing by reducing downtime and scrap. Additionally, we made headway on capital projects to improve our environmental footprint, including upgrading to LED lighting and investing in more efficient machinery at several of our facilities. We continue to evaluate opportunities to reduce our environmental footprint throughout our operations. For more information, please reference the Operational Excellence section of this report.

## Transportation Efficiency

With the industry's largest company-owned fleet, ADS provides a tremendous service to its customers. We are a proud partner of SmartWay, an EPA program to help companies advance supply chain sustainability by measuring, benchmarking and improving freight transportation efficiency. We are continuously optimizing our vehicle use, fleet routes and shipping methods to meet our efficiency goals.

		Fleet Metrics		
Fleet Efficiency <sup>1</sup>	Unit of Measure	Fiscal 2019	Fiscal 2020	Fiscal 2021
Fuel Economy <sup>2</sup>	Miles per Gallon (MPG)	6.47	6.60	6.35
Payload Efficiency <sup>3</sup>	Pounds shipped per miles traveled	22.7	23.7	24.8
Fuel Consumed <sup>4</sup>	Gigajoules (GJ)	1,210,110	1,175,953	1,164,786
NOx emissions <sup>5</sup>	Grams per mile (g/m)	Not Available	Not Available	3.25 [4.65]
	Grams per ton mile (g/tm)			0.26 [0.26]
CO2 emissions <sup>5</sup>	Grams per mile (g/m)	Not Available	Not Available	1,610 [1510]
	Grams per ton mile (g/tm)			107 [107]
Particulate matter emissions <sup>5</sup>	Grams per mile (g/m)	Not Available	Not Available	0.0445 [0.0445]
	Grams per ton mile (g/tm)			0.0028 [0.0028]

1. Fleet efficiency data is representative of the entire ADS fleet, which operates in the United States and Canada.
2. MPG is defined as total miles traveled divided by total fuel consumed. MPG is tracked through a third-party telematics program. Telematics are installed on all ADS medium- and heavy-duty ADS trucks.
3. ADS defines payload efficiency as the total pounds shipped on ADS fleet divided by the total miles traveled on the ADS fleet. ADS uses payload efficiency as a measure of capacity utilization.
4. Fuel is tracked through a third-party telematics program. Converted from gallons to GJ at a rate of 0.13176 GJ per 1 gallon
5. As part of our commitment to the USEPA Smartway Program, NOx, CO2 and Particulate Matter emissions are tracked on a calendar year basis. Values for FY21, represent calendar year 2020 data since the majority of our fiscal year 2021 falls in calendar year 2020. Data in brackets represents data for ADS Canada fleet which is tracked and reported to USEPA Smartway Program separately.
6. Fuel Usage data for FY19 & FY20 has been corrected to account for more accurate tracking and a previous conversion error.

Our fleet is comprised of drop-side trailers, tractor trailers, box trucks and flat beds. We choose the best trailer for the job, depending on products, delivery site and distance. Regardless of job location, our fleet can deliver what the customer needs, when they need it.

In fiscal 2021, the improvement in fleet efficiency was primarily due to continued execution on initiatives to increase compliance, improve driver training and further adoption of monitoring technology. Through compliance and driver training programs, we increased awareness of route management, load optimization and other value-added activities. Additionally, further adoption of monitoring technology has allowed us to provide additional oversight to our driver practices as well as implement preventative repair and maintenance strategies. We believe there is further opportunity to improve fleet efficiency through adoption of additional technology solutions, active tire monitoring and self-inflation technologies, managed maintenance programs and training programs focused on reducing idle time, improving MPG and improving engine efficiency. We have annual internal targets for payload efficiency which drives continuous improvement in route optimization and load maximization. In addition, reducing the emissions of our fleet will be a component of our strategy to achieve our Science Based Target to reduce scope 1 & 2 GHG emissions by 42% from our fiscal 2020 baseline.

The reduction in fuel consumption in fiscal 2021 was driven by an increase in payload leading to a reduction in miles, the use of a third-party logistics partner for longer deliveries, as well as an increase in driver compliance and further adoption of monitoring technology.

Sustainable Accounting Standards Board (SASB) recommends companies in the Industrial Machinery & Goods sector report on fuel economy and emissions in the use-phase. ADS and Infiltrator products are not powered by fossil fuels and do not release greenhouse gases and other air emissions during use. We have therefore taken a modified approach to this topic. We reviewed the SASB-recommended Road Transportation sector standards and incorporated a portion of these metrics. Fleet-related GHG metrics are included in the emissions discussion on the previous page of this section. For the first time, ADS is including emissions data for NOx, CO2 and particulate matter associated with our fleet as reported above.

Direct GHG emissions increased 2% in fiscal 2021, primarily due to an increase in sales volume, which drove an increase in fleet miles and an increase in fuel consumed by our fleet.

Our operations team continues to evaluate the most efficient modes of transportation used for deliveries. The ADS fleet is designed for jobsite delivery, with custom trailers designed for efficient unloading on site. We are streamlining our fleet capabilities by more efficiently shipping certain non-core deliveries, such as less than full truckload shipments, retail deliveries, and certain long-distance or one-way trips, via third-party logistics partners designed with the specific load of trip type in mind.

In fiscal 2021, we continued using a third-party logistics partner for retail deliveries in certain geographies. Retail orders are primarily less than a full truckload of product. Results continue to demonstrate a significant improvement in service levels for the customers in the program, as well as shorter lead times for construction jobsite deliveries and multi-truckload deliveries due to our increased fleet capacity.

Indirect GHG emissions increased 6%, primarily due to an 8% increase in pipe production. Our operational excellence objectives to manufacture more efficiently by reducing downtime and scrap overall resulted in an improved production rate and less energy consumed on a per pound basis (for more information, please see the Energy Consumption discussion above).

The 6% reduction in GHG emissions intensity is primarily a result of the factors above. With the release of our 2030 Sustainability Goals, our Science Based Target established for GHG emissions includes an absolute reduction target of 42% for 2030.

	GHG Emissions		
Scope 1 Emissions (Metric Tons CO2-e)	Fiscal 2019	Fiscal 2020	Fiscal 2021
<b>Direct Greenhouse Gas Emissions by Type</b>			
Fuel	73,887	69,001	70,524
Natural Gas	3,207	3,260	2,911
<b>Total Direct GHG Emissions</b>	<b>77,094</b>	<b>72,261</b>	<b>73,435</b>

Scope 2 Emissions (Metric Tons CO2-e)	Fiscal 2019	Fiscal 2020	Fiscal 2021
<b>Indirect Greenhouse Gas Emissions by Type</b>			
Purchased Electricity	137,909	146,143	154,195
<b>Total Indirect GHG Emissions</b>	<b>137,909</b>	<b>146,143</b>	<b>154,195</b>

Estimated Scope 3 Emissions (Metric Tons CO2-e)	Fiscal 2019	Fiscal 2020	Fiscal 2021
<b>Scope 3 Greenhouse Gas Emissions by Type</b>			
Purchased Goods and Services*	Not Calculated	Not calculated	443,924
<b>Total Scope 3 GHG Emissions</b>	<b>Not Calculated</b>	<b>Not Calculated</b>	<b>533,871</b>

Emissions Intensity	Fiscal 2019	Fiscal 2020	Fiscal 2021
Total GHG Emissions (Metric Tons CO2-e)	215,004	218,405	227,630
Total sales (\$, in millions)	1,385	1,506	1,654
<b>Total GHG Emissions Intensity</b>	<b>155</b>	<b>145</b>	<b>137</b>

**Note:** Emissions data is representative of the ADS Legacy business in the United States and Canada. The data does not include joint ventures facilities in Mexico or Other International, which represent less than 5% of ADS Legacy net sales. The data does include Infiltrator Water Technologies, which was acquired in fiscal 2020. All other scope 3 categories are less than 10% of the total emissions.

In fiscal 2019 and the majority of fiscal 2020, our pipe production and recycling facilities self-reported energy data through the Resource Advisor system from Schneider Electric. In fiscal 2020, we transitioned all facilities, including distribution yards, allied production facilities and office locations in the US and Canada to Resource Advisor. In fiscal 2021, we continued to collect data for scope 1 & 2 GHG emissions via Resource Advisor. Fleet emissions data is monitored using SmartWay, an EPA program that helps companies advance supply chain sustainability by measuring, benchmarking, and improving freight transportation efficiency. More information on Fleet Impact and efficiency can be found in the Operational Excellence section of this report.

While GHG Emissions information is not included in the SASB recommendation for the Industrial Machinery & Goods sector, we believe this metric is important to investors, customers and other stakeholders as well as to the effectiveness of our overall ESG program. The Scope 1 emissions data presented does not include fuel for forklifts used in our manufacturing plants or yards because the data is not readily available, and the administrative burden associated with collecting and managing this data is not practical at this time.

## Position on Climate Change

ADS recognizes climate change to be one of the most critical global challenges facing our environment, communities, and global economies today. Everyone has an important role in combating this global challenge and we are proactively doing our part by implementing sustainable environmental practices and manufacturing products to protect our most precious resource: **water**.

With water being integral to the health of communities everywhere, ADS takes our responsibility to produce effective, reliable, and sustainable water management products and solutions very seriously. More so, our products and solutions address some of the primary effects of climate

change on the water cycle, such as shifts in precipitation patterns due to a warming atmosphere. We are well positioned to meet the needs of the many cities, contractors, and developers proactively working to improve stormwater management practices as well as protect and restore water quality.

While ADS currently implements a sustainable business model that directly addresses water-related climate change risks, we are also focused on improving our internal operations, procedures, and policies to respond to this global challenge. We are committed to monitoring and managing climate-related risks and opportunities related to our business strategy, product solutions, and operations.

## Climate-Related Risks and Opportunities

In our assessment of climate-related risks and opportunities, we have identified potential transition and physical impacts across three core areas: our manufacturing, our fleet, and the demand for our products and services.

### Managing Climate-Related Risks

The transition to a low-carbon economy can raise several risks for our industry. As such, preparing for these potential impacts is important to our overall business. From a regulatory standpoint, the potential introduction of CO<sub>2</sub> prices, limits on emissions, and stricter environmental standards may introduce additional costs to our manufacturing processes and to our fleet. Further, potential shifts in the demand and supply of our key raw materials, including recycled and virgin plastic, could impact the cost of doing business, while stakeholder concerns about the plastics industry may create reputational risks across our value chain.

Additionally, the physical risks associated with climate change, such as extreme weather events and changes to weather patterns may lead to disruptions in our supply chain, the transportation of our products, and potential slowdowns in revenue. However, most of these adverse

impacts are short-term in nature. Over the long term, our products and services can protect communities against extreme weather events and changes in precipitation patterns, as discussed below.

In the effort to address climate-related risks, we are working hard to reduce our carbon footprint, limit energy consumption, and improve fuel efficiency. In fiscal 2021, we continued collecting data to monitor our energy and fuel consumption as well as greenhouse gas emissions at our manufacturing facilities, distribution yards, and corporate facilities across the United States and Canada. Establishing these processes marked ADS' first big step towards improving energy efficiency in our facilities and meaningfully reducing our carbon footprint. This will be essential to setting Science Based Targets for GHG emissions, which are a component of our 10-Year goals.

### **Our View on Plastics**

At ADS, we are part of the solution to end plastic waste. We consciously purchase over 500 million pounds of recycled plastic annually, primarily high-density polyethylene (HDPE) and polypropylene (PP), from both post-consumer and post-industrial sources. This plastic is then used to manufacture our products, certain of which have a service life of 100 years. Using recycled plastic in our manufacturing process directly reduces ADS' carbon footprint as well as the carbon footprint of jobsites when our products are used in place of competing materials.

### **Seizing Climate-Related Opportunities**

As a water management solutions provider, we believe we can help our communities mitigate against some of the most damaging transitory and physical effects of climate change.

As discussed above, our innovative solutions preserve the integrity of our natural resource most at-risk to climate change: water. Our stormwater management solutions, particularly storm pipes, retention/detention systems, and sediment removal products, are paramount to

reducing water runoff, improving water quality, and preserving water in communities facing extreme weather events.

Cities, governments, contractors, and engineers are more focused than ever on reducing their carbon footprints through the adoption of more energy efficient solutions. Our manufactured products are more energy efficient than traditional materials, requiring less heavy machinery during installation and fewer deliveries per jobsite. Most importantly, ADS' plastic pipes have a lower carbon footprint than that of traditional reinforced concrete and corrugated steel pipes. Our plastic products are beneficial to the communities we serve and can help these communities achieve their sustainability and climate change-related goals.

Finally, the transition to a low-carbon economy also presents meaningful operational opportunities for ADS. Our strategic manufacturing initiatives currently focus on improving efficiency through reducing downtime and minimizing scrap and our logistics and transportation initiatives are working towards increasing payload efficiency and reducing fleet miles per gallon. Successful execution on these important initiatives will not only reduce our carbon footprint, but also cut future operating costs.

The table below outlines key climate-related risks and opportunities related to our industry and the potential impacts to ADS.

Transition Risks and Opportunities	Examples of Relevant Trends and Developments	Impacts to ADS
<b>Policy, Legal, and Regulatory</b>	Increased regulatory reporting requirements	<p><b>ADS MANUFACTURING</b>  <b>Risks:</b> We may face a potential increase in the cost of operations and capital expenditures due to higher carbon prices and the additional costs associated with fitting plants and buildings to meet environmental standards.</p> <p><b>Opportunities:</b> We may use policy incentives to shift towards lower- emission energy sources.</p> <p>Capital investments in greener equipment, machinery and facilities will result in more energy-efficient operations.</p> <p><b>ADS FLEET</b>  <b>Risks:</b> Transportation-related policies may lead to a potential increase in costs related to improving fuel efficiency of our fleet.</p> <p><b>Opportunities:</b> Our efforts to improve the fuel efficiency of our fleet may result in improved network optimization.</p> <p><b>DEMAND FOR ADS PRODUCTS</b>  <b>Opportunities:</b> With recycled plastics making up 60 percent of our raw pipe materials, we are in a strong position to benefit from an increased demand of recycled material products. Higher environmental standards for buildings and infrastructure may also increase demand for our products.</p> <p><b>ADS CORPORATE</b>  <b>Risks:</b> We may face costs associated with increased reporting obligations.</p> <p>We may be exposed to litigation related to resin pellets by suppliers.</p>
	CO2 prices	
	Phasing out of fossil fuel subsidies	
	Emission limits	
	Introduction of strict environmental standards for industrial plants and buildings	
	Policies to support recycling	
	Transportation: support for electric mobility, energy efficiency, and alternative fuels	

Transition Risks and Opportunities	Examples of Relevant Trends and Developments	Impacts to ADS
Market	Shifts in demand of our products and services.	<p><b>ADS MANUFACTURING</b>  <b>Risks:</b> We may face increased cost of raw materials (virgin and recycled plastic); decreased availability of recycled material.</p>
	Shifts in supply and demand of raw materials, including plastic (a petroleum-based product)	<p><b>ADS FLEET</b>  <b>Risks:</b> We may face increased cost of fuel.</p>
	Shifts in supply and demand of transportation fuel	<p><b>DEMAND FOR ADS PRODUCTS</b>  <b>Opportunities:</b> We believe there is a significant opportunity to partner with governments and communities as our products are part of the climate-change mitigation solution. As we seek opportunities in new markets to diversify and better position our company in the transition to a lower-carbon economy, we may capitalize on public-sector incentives related to our offerings.</p> <p>Our products and services are, by design, more energy efficient than traditional materials, requiring less heavy material and fewer deliveries per job site.</p> <p>While plastic is a petroleum-based product, it has a lower carbon footprint compared to incumbent pipe materials.</p> <p><b>ADS CORPORATE</b>  The growing market for sustainable investments may create additional financial opportunities for our company as our products address key climate-related challenges.</p>

Transition Risks and Opportunities	Examples of Relevant Trends and Developments	Impacts to ADS
<b>Technology</b>	Changes in technologies that support the transition to lower- carbon and energy- efficient products	<p><b>Opportunities:</b> Our existing products constitute the lower-carbon and energy-efficient alternatives on the market. We will continue to monitor for new technologies and materials that allow for further carbon footprint improvements and energy savings.</p> <p>We plan to develop adaptive capacity to respond to changing market needs through new product development.</p>
<b>Reputational</b>	Reputational risk tied to changing customer or community perceptions	<p><b>Risks:</b> We recognize the climate-related risks associated with the use of plastic as a potential reputational risk.</p> <p><b>Opportunities:</b> We are deliberate in our efforts to use recyclable materials in our production and manufacturing, and to source our raw materials in a responsible manner.</p>

Physical Risks and Opportunities	Relevant Actions	Impacts to ADS
<b>Acute Risk</b>	Increased severity of weather events, such as cyclones, hurricanes, and floods	<p><b>ADS MANUFACTURING</b></p> <p><b>Risks:</b> We may need to allocate additional capital expenditures to secure our facilities from extreme weather conditions.</p> <p>We may face supply chain interruptions, as extreme weather events may cause shortages.</p> <p><b>ADS FLEET</b></p> <p><b>Risks:</b> We may face disruptions to transportation availability.</p> <p><b>DEMAND FOR ADS PRODUCTS</b></p> <p><b>Risks:</b> Market disruptions may result in short-term revenue slowdowns.</p> <p><b>Opportunities:</b> Our products serve as direct solutions to addressing the physical impacts of climate change. Therefore, we see a significant opportunity for increased demand for our products and services over the long term.</p>

## Water Scarcity, Stress & Planning

In fiscal 2020, ADS began collecting data on water input and wastewater discharge across our manufacturing footprint to calculate our water consumption. We are committed to sharing our water impact with our stakeholders to increase transparency and share the efforts we are undertaking to reduce our impact. In addition to collecting the data, we also took a critical look at how we use water at our pipe manufacturing facilities. During the pipe production process, water is used to cool down smaller diameter pipe products after the plastic is extruded. Water is not consumed in the pipe production process. We utilize a closed-loop water design in 87% of our pipe production facilities, which means the water is recycled multiple times and reused in cooling process.

In 2021, we completed a water risk analysis across our manufacturing facilities, using Aqueduct Water Risk Atlas, developed by the World Resources Institute. Water scarcity is one of the defining issues of the 21st century. It is of the utmost importance we are mindful of water consumption, particularly in areas of water stress. The results of our analysis are provided in the tables below. Baseline water stress is defined as a measure of the ratio of total water withdrawals to available renewable surface and groundwater supplies.

Baseline Water Stress		
Baseline Water Stress	Percent of ADS Manufacturing Facilities	Number of ADS Manufacturing Facilities
Extremely High	8%	4
High	4%	2
Medium - High	27%	13
Low-Medium	21%	10
Low	40%	19

We are using the results of the water risk analysis to begin reducing our impact in a very mindful way. As part of our 2030 Sustainability Goals, we are planning to implement closed loop manufacturing at all of our manufacturing locations.

Water Consumption Data		
Water Consumption	Unit of Measure	Fiscal 2021
Total Water Intake <sup>1</sup>	Megaliters	348

1. Water intake data does not include Infiltrator. Additionally, water intake data is not yet available for 8 of 48 manufacturing facilities, 8 of 25 distribution yards, and 3 of 6 offices and is therefore also not included. We plan to include data for these locations in future reports.

# Operational Excellence

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## Health & Safety

During this challenging year of the COVID-19 pandemic, the health & safety of our employees, their families, and the communities we all live and work in remained a paramount priority for ADS. We implemented health and safety measures in accordance with the CDC, OSHA and local state and community requirements. Where possible, we transitioned employees to remote work to ensure their continued health and safety and suspended non-essential travel. Essential workers in our manufacturing locations continued to work in accordance with directives from the appropriate authorities. Essential employees in our manufacturing locations were educated on COVID-19 symptoms and prevention measures. The ADS Environmental, Health and Safety (EH&S) team diligently tracked the data and guidance on COVID-19 pandemic as it continued to evolve. When data suggested it was safe to return to the office, employees comfortable with returning were invited to return to the office. Meanwhile, employees who preferred to continue working remote were also allowed to do so. All employees were required to complete a daily questionnaire and temperature check prior to entering any ADS facility. ADS worked with a third party to manage all covid positive cases. Additionally, after the holidays in December 2020, ADS completed select testing prior to returning to work to reduce exposure and minimize risk of transmission after the holiday break. The safety of all employees is the primary focus of ADS management and the EH&S team throughout the pandemic.

As vaccines were approved, ADS encouraged employees to get vaccinated as soon as they were eligible. Employees received information related to the COVID-19 vaccination to promote vaccination throughout the workforce. Additionally, as part of our commitment to safe and healthy operations,

ADS is using a third party to track COVID-19 vaccination status for all employees.

Fiscal 2021 was no exception to our everyday commitment to ensuring the health and safety of all employees. Our operations follow a comprehensive, proactive safety and health management system that includes a collaborative process to find and fix workplace hazards prior to injury occurrence. Our U.S. facilities follow all Occupational Safety and Health Act (OSHA) safety and health standards, as required by law; and our Canadian facilities follow the Canadian Federation of Construction Safety Association (CFCSA) Certificate of Recognition (COR) program, as required by law.

### **The ADS Environmental, Health and Safety Team**

The Director of EH&S, in conjunction with our CEO, is responsible for overseeing compliance with applicable safety standards. The EH&S team includes regional safety coordinators who monitor a group of facilities, while each facility has a dedicated safety committee. Safety committees meet at least monthly to identify trends, discuss injuries, and address issues. Regional safety coordinators meet weekly to share best practices, improvements, progress and assess the current environment.

The EH&S team is focused on improving safety performance by focusing on behaviors and processes. Our EH&S team utilizes continuous improvement programs to improve processes, including safety risk assessments, finding ways to utilize light automation to make processes safer, and engineering out risk from a process. In addition, our manufacturing and transportation organizations work with our EH&S team to find opportunities for heavier automation, especially in areas where safety is a concern.

Improvement in our safety performance from these process improvements is demonstrated in the data we collect. Just as important as engineering safety into our processes is the focus on behavior and its impact on safety. We encourage all of our employees to think about safety in every step of their jobs. We deployed a “Take 5 for Safety” program throughout our operations to encourage employees to focus on safety. At the beginning of each shift, manufacturing leaders meet with operators to talk about a safety topic. The topic is in focus for a period of time and employees are encouraged to share ideas to make things safer or improve processes. As part of the Take 5 for Safety program, we also assess personal protective equipment, our approach to housekeeping and maintain a clear and safe physical work environment, root cause analysis and our Stop Work Program, discussed in more detail below.

### **Hazard Identification, Risk Assessment and Incident Investigation**

The first factor in our safety program is hazard identification.

ADS uses Velocity EHS, a web-based program, to manage hazard identification and incident investigation. This system tracks observations and hazards and then creates preventative and corrective action suggestions. All employees are encouraged to report hazards directly to Velocity EHS or by a paper form submitted to the plant supervisor.

In addition to hazard identification, ADS performs regular risk assessments to ensure a safe work environment for employees. In fiscal 2021, we completed a facility risk assessment at each of our Focus Few facilities with engineering corrective actions on track for completion. “Focus few” facilities are those facilities that exhibit a higher risk for employee safety. All sites identified as “Focus Few” sites receive additional attention to improve employee safety.

In conjunction with the facility risk assessment, all historical injury and near miss data were collected to facilitate task risk assessments and identify risk mitigation. We plan to phase in these risk assessments across all facilities to ensure appropriate actions are being taken and best practices are being shared across all groups.

In fiscal 2021, we continued the Stop Work Program. This program empowers every ADS team member, visitor or contractor with the authority, responsibility, and obligation to initiate a Stop Work intervention when the control of safety, health and environmental risks are not clearly established.

Stopping unsafe work is authorized and there is no retaliation towards any employee, visitor or contractor for doing so. Further, work is not resumed until the concerned parties all agree the risk has been mitigated and it is safe to continue.

### **Worker Participation, Consultation and Communication**

Employee safety is under constant review and we are working under a continuous improvement mindset for safety practices. Each location has an active safety committee comprised of employees from different departments with leadership support. We believe the best way to establish effective solutions to safety issues is to include employees in creating mitigation actions. Interviews with injured employees are conducted following an incident and employees are involved in designing practices and procedures to mitigate risk.

## Training

All new hires and position changes are assigned curriculum-based training courses and hands-on activities, as applicable, specific to their position. New hires are also assigned general safety on-boarding, which include day 1, 2, 30, 60 and 90 safety training requirements as well as a no-touch period. Annual refresh courses on relevant topics are required for all employees.

Shift supervisors are encouraged to start each shift with a current safety related topic. Plant supervisors provide weekly safety action items from the Focus of the Week distribution to be completed by the plant employees as well as periodic updates to safety procedures. On a monthly basis, we provide required virtual training and require a documented toolbox talk. A toolbox talk is a short, informal safety meeting that heightens awareness of hazards or safe practices related to a specific job. They are intended to supplement formal training and are a good way to promote safety culture and facilitate discussions onsite.

In addition to our manufacturing and distribution footprint, ADS operates the industry's largest company-owned fleet, and the safety of every driver is important to us. To aid in driver hazard recognition and reduce the risk of injury, we communicate daily safety messages to every driver to reinforce the importance of every employee leaving work in the same condition they showed up in, every day.

Employee Health and Safety <sup>1,2</sup>	Fiscal 2019	Fiscal 2020	Fiscal 2021
Total recordable incident rate (TRIR) <sup>3</sup>	2.9	3.1	3.1
Fatality rate	0.03	0.00	0.00
Near miss frequency rate (NMFR) <sup>4</sup>	9.6	8.5	11.7

1. Safety statistics are representative of the ADS Legacy operations in the United States and Canada. The data does not include facilities in Mexico or Other International, which represent less than 5% of ADS Legacy net sales. The statistics for Fiscal 2020 and 2019 do not include Infiltrator Water Technologies, acquired in fiscal 2020. Infiltrator Water Technologies results are included in the Fiscal 2021 data and will continue to be included moving forward.
2. Rates are calculated as: (Statistic count x 200,000) / hours worked.
3. TRIR: A work-related injury or illness is considered a recordable incident if it results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. Additionally, a significant injury or illness diagnosed by a physician or other licensed health care professional is considered a recordable incident, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.
4. NMFR: A work-related near miss is defined as an unplanned incident in which no property or environmental damage or personal injury occurred, but where damage or personal injury easily could have occurred but for a slight circumstantial shift.

For the first time since acquisition in 2019, the results from our Infiltrator Water Technologies (Infiltrator) business are being reported with the ADS safety related results for Fiscal 2021. The majority of our recordable injuries are related to strains and sprains in specific employee groups; primarily related to highly manual tasks and short service employees. While we continue to conduct training and awareness to reduce risk, the goal is to mitigate risk where feasible, including automating processes and updating equipment to reduce touchpoints. The EH&S team has identified 5 high-risk tasks at the plants and are working with engineering to develop engineered solutions to mitigate the risk. TRIR at our Focus Few facilities decreased 21% over the prior year, proof that targeting locations with the highest safety concern is working. We reevaluate the "Focus Few" locations annually to ensure we are focused on the right locations.

In fiscal 2021, ADS spent \$4.5 million in capital projects related to environmental, health and safety projects to mitigate risk.

Downstream manufacturing processes are some of our biggest safety challenges. To mitigate this concern, we are focused on automating these processes to improve both safety efforts and employee retention in addition to preparing for future workforce composition. We do this with the participation of our employees, who are encouraged to share their automation and other improvement ideas through our sharing operational improvements program.

Our sharing operational improvements process is designed to share knowledge among manufacturing locations and engage team members to improve safety, reduce cost and improve quality. Once a team member identifies an improvement practice, they submit a form to our continuous improvement team. The concept is reviewed and distributed to applicable plants, who categorize the implementation effort and effectiveness of the solution. Based on feedback and viability, plants receive direction as to whether it is a must implement solution or should be considered for implementation, including freedom to create an alternative best practice that achieves the same result in certain situations. This process encourages creativity and accountability among our employees.

We continued to make progress in the below areas of focus in Fiscal 2021 and remain dedicated to ensuring our facilities are operating to the highest safety standards. Our current automation efforts are focused on downstream automation for our stick pipe products (gasket application, trimming, length adjustments), automated coiling machines for our more flexible pipe products, automated stacking for chamber products, and other machinery to simplify operator jobs and circumvent risk.



# Employees, Community & Partnerships

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ADS is dedicated to our employees, the communities we live, work and play in, and forming lasting partnerships with likeminded organizations that will help build a more resilient and sustainable future. Fiscal 2021 was a year of successes across all three of these areas. During Fiscal 2021, ADS created and filled the role of Director of Diversity, Equity and Inclusion to drive our efforts in this area forward. While COVID-19 made employee volunteer efforts at scale a challenge, ADS continued to make an impact through charitable contributions stemming from the ADS Foundation as well as localized efforts from the company. ADS also entered into several key partnerships In Fiscal 2021 that we will discuss in more detail in this section of the report.

## Employees

### Diversity, Equity & Inclusion

As a global company, ADS is dedicated to fostering an inclusive culture, empowering employees and communities by embracing the dynamics of different backgrounds, experiences and perspectives. ADS is committed to creating an environment where employees feel valued, respected and fully engaged in contributing to the future success of the company. In 2021, our executive leadership team participated in diversity, equity and inclusion awareness training as the first step in our journey to build an inclusive and empowering culture. Building culture doesn't happen overnight, that's why we are taking the time to consciously build a solid foundation for growth. The results of these efforts are demonstrated in our hiring practices, in fiscal 2021 50% of our director level hires were diverse. While this is a step in the right direction, we are aware that we still have a long way to go.

### Board Adopted Resolution

The Board of Directors affirmed its commitment to diversity, equity and inclusion (DE&I) as funda-

mental elements of the company's strategic goals, programs, policies, outreach, and operations.

### Four Pillar DEI Strategy

DE&I are at the heart of our values and play an important part of our company's success and growth strategy. Our ambition is to harness the power of DE&I by attracting, retaining, and developing a diverse workforce at all levels of our organization. To achieve are focus, we have an intentional focus on:

- **Workforce:** Enhance throughout our organization:
  - *Executive and Sr. Leadership level diversity expansion*
  - *Targeted development for top diversity talent*
  - *Build diversity recruiting network*
  - *Diversity entry-level professional development programs*
- **Workplace:** Cultivate throughout our actions:
  - *DE&I communication programs*
  - *DE&I educational and training experiences*
  - *Employee two-way feedback and engagement*
  - *Workplace policies and programs evolution*
- **Partners:** Drive throughout our operations:
  - *XBE customer growth and penetration*
  - *XBE supplier and spend expansion*
  - *DE&I professional association partnerships*
  - *University and vocational diverse talent programs*
- **Community:** Support throughout our communities
  - *DE&I purposed philanthropic support and engagement*
  - *Employee volunteerism*
  - *External company messaging and branding*

### **Organizational DE&I Survey and identify priorities**

All of our employees participated in a survey to collect feedback on their ADS experience with DE&I.

### **Expanding our Diverse Recruiting and Sourcing Strategy**

Our team has partnered with universities and professional organizations to support the development and placement of diverse talent.

### **ADS Women's Network**

ADS Women's Network celebrated their third year helping to foster a culture that attracts, inspires, engages and retains diverse talent, including women. The leadership team at ADS believes in the mission and vision of the ADS Women's Network, and executive sponsors include Executive Vice President and CFO, Scott Cottrill; and Executive Vice President of Supply Chain, Darin Harvey. The network is focused on professional development, cultivating leadership skills, influencing the company's vision and executing ADS strategic initiatives. One of the primary pillars of the group is fostering a culture that inspires and retains diverse talent to support the growth of ADS. Though primarily for women, men are also encouraged to attend events to support diversity of thought and understanding.

To further promote women in the workplace, ADS signed the Columbus Commitment: Achieving Pay Equity. The Columbus Commitment is a voluntary, employer-led initiative to close the wage gap in Columbus, OH where our corporate headquarters is located. Although it is locally focused, this message permeates throughout our organization. ADS is dedicated to supporting women and minorities through equal pay.

We are working to implement thoughtful action and initiatives to champion diversity, equity and inclusion in the workplace and across our business in the coming year.

### **Equal Employment Opportunity, Non-Discrimination and Non-Retaliation**

Advanced Drainage Systems believes in equal opportunity of all employees and applicants regardless of race, color, religion, sex, age, national origin ancestry, pregnancy status, gender, marital status, medical condition, sexual orientation, gender identity, disability, veteran status, or any other category protected by law.

We base hiring and promotional decisions on job qualifications, such as work records, performance history and length of service, to ensure equal opportunity to all. We also ensure equal opportunity across all relevant aspects of employment such as recruiting, job assignment, compensation, benefits, transfers, promotional opportunities, company sponsored training, and recreation programs, among others.

We do not tolerate harassment in the workplace and take all reasonable steps to protect workers from harassment by management, other employees, clients, independent contractors, and others that maintain a relationship with the company. Such conduct is considered a serious offense for which prompt action will be taken.

In the event an employee or related party needs to report an incident, a 24-hour ethics hotline is available to all employees to utilize as needed, which can be accessed at <http://ads-pipe.alert-line.com> and 1-888-234-4790. All reports made via the hotline may be made anonymously.

Once an employee reports a harassment incident or any other violation of company policy or law, that employee is protected against any potential retaliation. ADS is committed to a strict anti-retaliation standard as part of our efforts to build a comfortable work environment that welcomes questions about company policies and reporting concerns. We ensure that there are no reprisals for raising concerns or reporting violations in good faith. Retaliation for participating

in any investigation of possible violations is prohibited as well. If a complaint of retaliation is substantiated, then appropriate disciplinary action will be taken against the retaliating person, up to and including termination of employment.

Formal policies (including Equal Employment Opportunity, Harassment Free Workplace and Anti-Retaliation standards) are clearly documented and conveyed to all employees by management and posted on our internal and public websites. The policies may be accessed at <https://sustainability.ads-pipe.com/corporate-purpose/policies>.

## Workplace Flexibility and Benefits

At ADS, we understand the importance of work-life integration and work hard to implement the benefits and practices that support it. Where possible, we allow employees the flexibility to work with their managers to establish schedules to meet their needs. In addition, manufacturing positions offers 8-hour and 12-hour shifts – in first, second and third rotations – to provide flexibility and address employee needs during evening hours. We have established a Remote Work policy for emergency or adverse situations, such as weather, unsafe working environment or public health emergencies, like the ongoing coronavirus global pandemic. These policies are approved on an as needed basis.

Advanced Drainage Systems also offers employees the flexibility to transition between full-time to part-time roles across all departments when opportunities are present and/or if the employee is seeking this arrangement.

Additionally, Advanced Drainage Systems provides many services to its employees based on a desire for all employees to achieve physical, financial and personal well-being. Advanced Drainage Systems offers the following types of leave to employees:

- **Vacation Policy:** addresses employees' need to take time off.
- **Employee Assistance during COVID-19:** Employees are given two additional weeks of

paid leave if they are unable to come to work due to extraneous circumstances (including childcare, elderly care, sickness, etc.) during a pandemic.

- **Bereavement Leave:** If additional time is needed by the employee due to extended travel or other personal needs, including supporting family members or friends, their manager may approve as appropriate.
- **FMLA:** Advanced Drainage Systems abides by all FMLA rules and offers intermittent leaves (including dependent care).
- **Personal Leave:** ADS offers time off for reasons outside of other policies listed above, as needed, in 30-day increments. Multiple increments may be approved depending on circumstances.
- **Military & Reserve Policy:** Advanced Drainage Systems supports its military employees by providing up to 5 years of leave with subsidized pay to active duty employees.

Advanced Drainage Systems is a proud member of the **Employer Support Guard and Reserve Group**, which encourages cooperation, understanding and flexibility between members of the Army National Guard® and Reserves as well as their civilian employers.

## Collective Bargaining

Advanced Drainage Systems prides itself on being a good corporate citizen and respects the rights of its employees, including the rights to exercise freedom of association and collective bargaining. Our company policies and procedures adhere to all applicable laws concerning freedom of association and collective bargaining, nondiscrimination, forced labor and underage workers in the workplace. We have not identified any operations in which employee rights to exercise freedom of association and collective bargaining have been violated or are at significant risk. As of March 31, 2021, approximately 200 employees in our Mexican Joint Venture were covered by collective bargaining agreements.

## Training and Education

Developing the skills and capabilities of our employees is a key part of our priority to cultivate talent and leadership development. We offer a variety of ways to support our employees' professional growth, and training is a key part of this effort.

In Fiscal 2021, ADS partnered with the Leadership Alliance to improve our talent selection and development capability. In conjunction with The Leadership Alliance, ADS created a leadership competency model, designed a leadership assessment, assessed the capability of employees at director level and above, and revised the talent planning tools and processes, including succession planning. Through our work with the Leadership Alliance, we have improved our ability to categorize the capability and potential of our talent, leaving the company poised for successful growth. During Fiscal 2021, over 50 employees, director level and above participated in the leadership assessment. The number of employees involved with this program will continue to grow as the company grows and the program matures.

### Attracting and Developing Future Leaders

Advanced Drainage Systems has a multi-year Developing Leadership Program to give recent college graduates the opportunity to hone leadership and functional skills while preparing for an operations management career. The faceted rotational program supplements a structured training plan with mentorship by senior managers and hands-on experience across our many manufacturing facilities. Participants will develop their operations and project management skills before advancing to focus on financial fundamentals and talent management, all while transitioning through a variety of supervisory and managerial roles.

Within the first two years in the Program, participants will be leading teams within key functional areas, becoming active members of leadership committees and leading corporate global-impact projects. At the end of the Developing Leader-

ship Program, they will have to skills to:

- work with people of differing backgrounds, generations and personalities;
- assess and leverage the talents of their teams;
- set clear expectations and manage team performance;
- manage change, conflict and critical conversations; and
- develop and coach teams toward extraordinary achievements.

We are dedicated to building a best-in-class team at ADS and our Developing Leadership Program provides a strong foundation for successful future leaders at ADS.

### Training for New Leaders

Our Exceptional Management training program is designed to help new managers cultivate and strengthen their leadership skills. Participants are trained on a variety of topics including talent management, development and coaching, managing conflict and change, as well as setting goals and expectations. We believe this program results in reduced turnover and improved team performance.

### Educational Assistance Program

ADS believes in promoting education and professional certification for employees and offers a tuition reimbursement program to qualifying employees. We believe this helps us attract and retain talent and also offers our employees another avenue for professional growth, ultimately a benefit for both the company and our employees.

### ADS Scholarship Program

Each year ADS grants five scholarships to the children of employees. This program provides financial assistance to high school seniors who want to pursue higher education. Recipients are selected on the basis of academic achievement, demonstrated leadership, participation in community service and extracurricular activities and financial need.

## Manufacturing Certification Program

We have a manufacturing certification program for employees seeking to achieve a greater level of expertise in their role. Employees complete role-based curriculum and at least 90 days of on-the-job training before starting the certification test. To encourage participation in this training program, the employee receives a financial reward in the form of an hourly increase and/or lump sum amount, as applicable, once the certification is successfully completed. This certification pay is intended to reward an employee for achieving certification of certain skills and is considered separate from their regular pay increases. Further, employees may be certified for a role that is not their primary role, promoting education on the manufacturing process outside of day-to-day activities.

## Community

At Advanced Drainage Systems' core, we are working towards a better society for future generations and improving quality of life for all. Preservation and smart management of water—the resource that makes life on earth possible—is an essential part of achieving that goal. Still, we have always felt a need to do more and use our resources for good.

We do this by volunteering and donating to charitable organizations, deepening our connection to the communities in which we operate.

In fiscal 2021, ADS donated \$2 million to the ADS Foundation. Here are some of the things we did to give back to our community this year:

- We continued our work through the philanthropy of the **ADS Foundation**, which began in Fiscal 2020, to deepen our ties to the community. This foundation will provide assistance and education to causes that align with our Environmental, Social and Governance priorities, water, recycling and community. This past year, we funded the foundation with a \$2 million contribution.
- Since 1994, we have partnered with the **United Way** to help fight for the health, edu-

cation, and financial stability of our community. We continued that partnership in fiscal 2021, contributing funds to the COVID-19 Community Response Fund.

Finally, we are also proud to support veterans and their families by offering financial benefits during active duty and we have a benefit committee dedicated to supporting the families of members serving in the United

States Armed Forces. To support these efforts, our employees started **America's Dedicated Service Members** to provide support to our families with members serving, or who have served, in any branch of the United States Armed Forces. Founded in 2004, this employee-led organization has given back to 65 families and veteran organizations over the past 15+ years.

## Partnerships



### The Recycling Partnership

In Fiscal 2021, ADS partnered with The Recycling Partnership (TRP) to increase access to recycling for underserved communities. Through our work with The Recycling Partnership, ADS has been instrumental in bringing access to and education on recycling to underserved communities across the US. We agree with TRP that “recycling only works if everyone can participate and the materials collected can be processed”. This past year, TRP published a report titled “Paying IT Forward: How Investment in Recycling Will Pay Dividends” and we encourage you to check it out.

ADS is also a member of The Recycling Partnerships Polypropylene Recycling Coalition. Through our membership in the Polypropylene Recycling Coalition, we are working to increase recycling rate and availability of recycled polypropylene. The recycling process is complex and not all plastics are accepted for recycling, sorted,

and available for recycling at the same despite the inherent value to companies like ADS that are working to increase the recycled content of our products.

Our partnership with TRP is critical to advancing ADS's commitment to developing innovative solutions that promote environmental stewardship by protecting water and keeping millions of pounds of plastic out of landfills each year.

In Fiscal 2021, ADS recycled 510 million pounds of plastic and avoided 670 million pounds of greenhouse gas emissions through our use of recycled plastic. ADS is proud of our partnerships and the results and is looking forward to advancing our recycling efforts and participation in the circular economy. For more on our bold goals for the future with respect recycled material please see the 10-Year goals section at the end of this report.



### Green Partner of the Columbus Blue Jackets

In Fiscal 2021, ADS continues to be the official sustainability partner of the Columbus Blue Jackets and the presenting sponsor of the Blue Jacket's participation in NHL Green Week, with teams across the league showcasing and promoting environmentally conscious and sustainable activities.

ADS also continues to be the presenting sponsor of the hockey club's "Between the Pipes" fundraising initiative. As part of the initiative, ADS donates \$5 for every regulation save and \$10 for every shootout save by Blue Jackets goaltenders during all games. Donations benefit the Blue Jackets Foundation, dedicated to promoting and supporting youth health and wellness in central Ohio.



### Building a Field of Dreams for the Miracle League in New Albany, OH

ADS is a proud sponsor for the new Mirolo Dream Field at ADS Stadium that will be home to the Miracle League of New Albany. The Miracle league of New Albany will provide young athletes with physical and mental disabilities the opportunity to participate in America's favorite pastime, baseball, while assisted by adult "buddies".



### Rapid 5 Project Support

ADS is a proud funding partner for the Rapid 5 Project that kicked off in Columbus in 2021. The stated goal of the project is to develop a vision for an integrated open space network in central Ohio that will prescribe how to best use our natural assets to benefit our economy, manage growth, provide access for recreation, education, and health; preserve natural resources and environmental health. It is a vision to reframe the connectivity of the region based on the natural geography defined by our waterways; to connect all Franklin County residents to the region's natural resources, cultural, and economic resources for recreation, commuting, commerce, education, and relaxation.



### **Habitat for Humanity**

In Fiscal 2021, Infiltrator Water Technologies donated over 40 septic systems, valued at over \$86,000, to 30 different Habitat for Humanity partners across 14 states. In addition to financial and environmental benefits, septic tanks also help reduce the risk of exposure to unhealthy drinking water, infections, or disease. The partnership between Infiltrator and Habitat has been growing for the past four years and is a natural fit. Infiltrator shares Habitat's commitment to empowering more families with eco-friendly, cost-effective, affordable housing solutions.

# Governance & Stakeholder Engagement

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## Stakeholder Engagement

ADS believes engaging with our investors, customers and employees to consider their views as we make formative decisions is integral to building a leading ESG program. Over the past 2 years, we engaged with more than 2,000 key stakeholders, including investors representing nearly 40% of our institutional shareholder base. ADS' outreach covered a range of objectives, including:

- Measuring the importance of ESG in stakeholder decisions.
- Analyzing familiarity with ADS' ESG initiatives and program.
- Gauging our program's effectiveness.
- Identifying key areas of improvement and characteristics of a best-in-class ESG program.

In part because of shareholder feedback, last year our Board approved corporate governance enhancements including the declassification of the board, the elimination of supermajority vote requirements for changes to the bylaws and charter, and the adoption of the majority vote standard for director elections.

ADS gathers feedback from internal sources to better understand how the company interacts with key stakeholders. This analysis is conducted on an on-going basis. The table below shares some of our many stakeholder engagement practices. Although it is not inclusive of all stakeholder engagement practices, it summarizes the core elements of how the company engages stakeholder groups on topics of interest.

Stakeholder Group	How ADS Engages	Issues of Interest
<p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Company straight talk meetings with CEO</li> <li>• Regular employee communications from executive leadership team</li> <li>• Training</li> <li>• Employee networks</li> <li>• Employee hotline</li> <li>• Employee surveys</li> <li>• Employee roundtable</li> <li>• Wellness programs</li> <li>• Volunteerism</li> </ul>	<ul style="list-style-type: none"> <li>• Company performance and strategy</li> <li>• Business opportunities</li> <li>• Benefits program</li> <li>• Compensation</li> <li>• Community outreach</li> <li>• Volunteering</li> <li>• Education &amp; training programs</li> </ul>
<p><b>Customers &amp; Distributors</b></p>	<ul style="list-style-type: none"> <li>• Direct contact through sales and customer / distributor relationship partners</li> <li>• Customer service call centers</li> <li>• Surveys</li> <li>• Trade shows</li> <li>• Industry meetings</li> <li>• Technical applications and support</li> <li>• Training sessions and workshops</li> </ul>	<ul style="list-style-type: none"> <li>• New products</li> <li>• Product performance</li> <li>• Product specification</li> <li>• Carbon footprint of products</li> <li>• Costs</li> <li>• Business process improvements</li> </ul>
<p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>• One on one meetings</li> <li>• Quarterly earnings calls</li> <li>• Conference calls</li> <li>• Investor conferences</li> <li>• News releases and SEC filings</li> <li>• Annual Report</li> <li>• Annual meeting of shareholders</li> <li>• Online investment center</li> <li>• Environmental, Social and Governance Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance and outlook</li> <li>• Pricing, input costs and outlook</li> <li>• Capital allocation priorities</li> <li>• Growth opportunities</li> <li>• Mergers &amp; acquisitions</li> <li>• Innovation</li> <li>• Sustainability program maturity</li> <li>• Dividend Commitment</li> </ul>
<p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• One on one meetings</li> <li>• Contract negotiations</li> <li>• Performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Growth opportunities</li> <li>• Quality</li> <li>• Cost</li> <li>• Innovation</li> <li>• Sustainability of business relationship</li> </ul>

Stakeholder Group	How ADS Engages	Issues of Interest
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Interaction with civic organizations</li> <li>• Public education support and interaction</li> <li>• Local sponsorships</li> <li>• Community volunteerism</li> <li>• Visit by community emergency services</li> </ul>	<ul style="list-style-type: none"> <li>• Jobs/employment</li> <li>• Safety</li> <li>• Environmental protection</li> <li>• Charitable giving</li> </ul>
<b>Government &amp; Regulatory Agencies</b>	<ul style="list-style-type: none"> <li>• Industry trade organizations</li> <li>• Visits with elected officials</li> <li>• Direct contact</li> <li>• Plant tours and site visits for government officials</li> <li>• Grassroots advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for open materials competition, advancing recycling and increasing funding for infrastructure</li> <li>• Job preservation and creation</li> </ul>
<b>Philanthropic and non-profit organizations</b>	<ul style="list-style-type: none"> <li>• Charitable contributions and employee giving</li> <li>• Employee volunteerism and giving programs</li> <li>• Local sponsorships</li> <li>• Collaborative partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Giving programs</li> <li>• Employee engagement and community involvement</li> <li>• Collaboration and partnerships primarily focused on water and recycling</li> </ul>
<b>Third party ESG Ratings agencies</b>	<ul style="list-style-type: none"> <li>• ESG Surveys</li> </ul>	<ul style="list-style-type: none"> <li>• ESG and financial performance</li> </ul>



**2,011**  
investors, customers  
and employees surveyed



**86%**  
of employees believe ESG is important  
when considering a job or career



**79%**  
of investors surveyed use ESG as  
an investment criterion



**87%**  
of customers surveyed believe  
ADS' program to be effective

## Material Topics

Material Aspect	Internal Boundary	External Boundary
<b>Economic Performance</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Energy</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Greenhouse Gas Emissions</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Transportation Efficiency</b>	ADS Fleet	Governmental agencies, communities surrounding our manufacturing locations and transportation routes, investors, customers & distributors, NGOs
<b>Employee Health &amp; Safety</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Recycling</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Water</b>	All operations	Governmental agencies, communities surrounding our manufacturing locations, investors, customers & distributors, NGOs
<b>Diversity, Equity &amp; Inclusion</b>	All operations	Governmental Agencies, investors, NGOs
<b>Ethical Supply Chain</b>	All operations	Customers & Distributors, suppliers, governmental organizations, NGO

## ADS Code of Business Conduct and Ethics

Our success as a company is built on the Honesty, Professionalism, and Core Values of our employees, directors, and agents. These three tenets serve as the guiding principles of our Code of Business Conduct and Ethics (the “Ethics Code”).

- **Honesty:** We believe in always being honest in dealing with our customers, suppliers, and others and complying with all laws and regulations applicable to our business at all levels.
- **Professionalism:** We believe in providing our products and services in a prompt and professional manner, gaining the loyalty and trust of our customers and suppliers.
- **Core Values:** We believe in certain “core values” centered upon ensuring quality throughout our product and organization for long-term growth and profitability.

The Ethics Code provides a framework by which we maintain the highest ethical standards in the conduct of our business and is an integral part of implementing our vision of ethically and sustainably maximizing value. All members of our organization are expected to adhere to each of the policies of the Ethics Code, while also employing good ethical judgment. The Ethics Code provides guidelines in relation to conflicts of interest, fair dealing, confidential information and intellectual property, fair employment practices, environmental health and safety, and improper payments to third parties, among many other areas of ethical business conduct. ADS conducts annual training on the Code of Business Conduct and Ethics for all Employees.

### Non-Retaliation Policy

As part of the Ethics Code, we uphold a strong culture of compliance by ensuring that all employees feel comfortable questioning company policies and reporting concerns. To support these efforts, we are committed to a strict “no

retaliation” standard with respect to reports of violations of company policies as well as reports of violations of law. There are no reprisals for raising concerns or reporting violations in good faith.

We also protect our employees from retaliation for participating in any investigation of possible violations. ADS has a zero-tolerance policy against retaliation and retains the right to take the appropriate disciplinary action against the retaliating person, up to and including termination of employment if a retaliation complaint is substantiated.

### Position on Human Rights

In addition to the ADS Code of Business Conduct and Ethics, we also have a Position on Human Rights which further explains our guidelines with respect to human rights including:

- Commitment to child labor laws.
- Providing a safe and healthy working environment.
- Promoting equal opportunity of all employees and applicants regardless of race, color, religion, sex, age, national origin ancestry, pregnancy status, gender, marital status, medical condition, sexual orientation, gender identity, disability, veteran status, or any other category protected by law.
- Maintaining work environments free from any form of illegal harassment and are dedicated to the prevention of harassment in the workplace.
- Protecting individual privacy.
- Providing compensation and benefits that are competitive and comply with applicable laws for minimum wages, overtime hours and mandated benefits.
- Encouraging open communication between management and employees.

## Public Policy

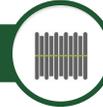
ADS established a political action committee (PAC) to provide opportunities for employees to participate in the American political process. The Advanced Drainage Systems, Inc. PAC (ADS PAC) is a nonpartisan organization run and overseen by ADS employees. When choosing to contribute to a candidate, the ADS PAC considers candidates' views on issues that impact ADS and its employees as well as the presence of ADS facilities or employees in the candidate's district or state. The PAC executive board made up of ADS employees reviews and approves all recommendations for PAC contributions.

In Fiscal 2021, the Advanced Drainage Systems, Inc. PAC contributed \$61,000 toward political candidates and organizations. ADS has not contributed corporate funds or dollars to any political institution. Additional information on the Advanced Drainage Systems, Inc. PAC contributions can be found at [www.fec.gov](http://www.fec.gov).

### Primary Objectives

The ADS PAC has three primary objectives that guide its political donations. The objectives reflect betterment of society, in addition to supporting Advanced Drainage Systems' interests.

#### 1. FOSTERING OPEN COMPETITION FOR MATERIALS



Current legislation gives states the autonomy to bid and select a single material for culvert pipes (which includes stormwater pipe). Culvert pipes are the only product within the Federal Highway Code to have an exclusion from federal oversight in the procurement process. The ADS PAC supports legislation to fix this anomaly, which causes significant cost disadvantages for developers, municipalities and public agencies. Open competition would remedy this issue as well as promote quality and encourage technological development, which benefits society overall. The ADS PAC supports legislation that defines system performance requirements and requires bidding of all technically qualified materials.

#### 2. ENCOURAGING RECYCLING PROGRAMS AND THE USE OF RECYCLED MATERIAL



With recycling at the heart of ADS' operations, the ADS PAC advocates for the use of recycled plastic in construction materials, creating a circular economy for plastics. ADS supports legislation that encourages recycling – from educating consumers to improving the recycling material stream – as well as the use of recycled material in construction.

#### 3. INCREASING FUNDING FOR INFRASTRUCTURE



ADS supports federal funding for infrastructure because investments are key to promoting economic growth and job creation. Infrastructure spending results in higher economic output, which in turn leads to many benefits including construction and land development. Additionally, there is a gap in infrastructure needs and available funding, and ADS supports legislation to bridge this gap.

## Governance

Corporate governance serves as the foundation of how we do business, providing a necessary framework for the roles, responsibilities, processes, and procedures across the organization. Our corporate governance framework also allows us to better address the needs of our shareholders, employees, customers, suppliers, and communities.

ADS' Corporate Governance Guidelines outline the key components of our corporate governance framework, including the role of the Board, our director nomination process, Board independence, Board leadership, our performance evaluation process for the Board and management team, our compensation philosophy for directors and executives, and how we engage with shareholders.

Finally but most importantly, honesty and professionalism are core to who we are and guide our Code of Business Conduct and Ethics. This code applies to all members of our organization, including employees, managers, executives, and Board members. You find these documents along with other information regarding our corporate governance practices on our website.

### The Role of the Board

Our Board of Directors serves as the cornerstone of our corporate governance structure. The Board oversees and provides guidance on the business and affairs of the Company. The Board oversees our strategic and business planning processes and monitors corporate performance as well as the integrity and effectiveness of our controls, legal, ethics, and compliance programs. The Board is also responsible for appointing Board leaders, the Chief Executive Officer, and other directors and officers. Finally, the Board reviews and assesses risks facing the Company and management's approach to addressing such risks.

### Board Leadership

We believe that strong and independent leader-

ship at the Board level is essential to the success of our corporate governance program. While we do not have a formal policy on whether the roles of Chairman and CEO should be separate or combined, we believe that our shareholders are currently best served by separate Chairman and CEO roles.

Separate Chairman and CEO roles ensure the Board's independent authority and oversight of the business and management, while allowing the management team to focus on day-to-day operations and responsibilities.

Separating the Chairman and CEO roles fosters accountability, creates an environment that is more conducive to objective evaluation of management's performance, and enhances the effectiveness of the Board as a whole.

Currently, Scott Barbour serves as our Chief Executive Officer, and Robert Kidder serves as the Chairman of the Board.

### Board Committees

Our Board has established the following five key committees:

1. Audit Committee
2. Compensation and Management Development Committee
3. Nominating and Corporate Governance Committee
4. Executive Committee
5. Stock Repurchase Committee

In addition, we introduced a sub-committee under the responsibilities of the Nomination and Governance Committee to focus on the monitoring and coordination of our efforts around sustainability issues (referred to as the ESG sub-Committee) in fiscal 2020.

All members of our key committees are independent directors. Our Board has adopted written charters that outline the roles and responsibilities of the Audit Committee, the Compensation and Management Development Committee, and

the Nominating and Corporate Governance Committee. You can find these charters on our website. Read more about committee composition, roles, and responsibilities in our [2021 proxy statement](#).

## Board Composition

Our Board comprises a group of diverse, highly qualified, and accomplished individuals in their respective fields, each bringing a wealth of skills, experience, knowledge, and valuable expertise. All Board members, except for the CEO, are independent directors per NYSE listing rules and in accordance with our Corporate Governance Guidelines. Currently, our Board includes two female directors and two directors of a diverse racial background.

	2021
<b>Size of Board</b>	11
<b>Number of Independent Directors</b>	10
<b>Average Age of Directors</b>	63
<b>Average Director Tenure (in years)</b>	4
<b>Annual Election of Directors</b>	Yes <sup>1</sup>
<b>Mandatory Retirement Age</b>	No
<b>Gender and Diversity</b>	36%
<b>Majority Voting in Director Elections</b>	Yes
<b>Independent Presiding Director</b>	Yes
<b>Code of Conduct for Directors, Officers and Employees</b>	Yes
<b>Supermajority Voting Threshold for Mergers</b>	Yes
<b>Proxy Access</b>	Yes
<b>Shareholder Action by Written Consent</b>	No
<b>Shareholder Ability to Call Special Meetings</b>	No
<b>Poison Pill</b>	No
<b>Stock Ownership Guidelines for Directors and Executive Officers</b>	Yes
<b>Anti-Hedging and Pledging Policies</b>	Yes
<b>Clawback Policy</b>	Yes

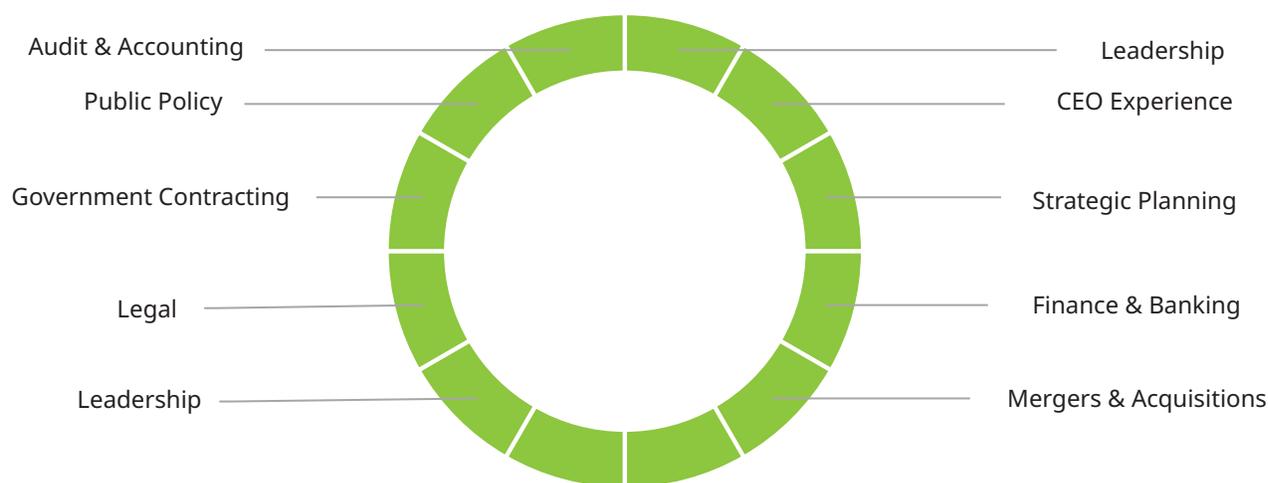
<sup>1</sup> fully implemented in 2023

Our directors bring a wealth of knowledge and expertise to the board, including skills and experiences that are relevant for our strategy development and long-term sustainable performance. Many of our directors have extensive leadership experience, with several having served as CEOs of public companies, and additional experience in mergers and acquisitions, strategic planning, and operations. Further, several of our board members have direct knowledge and experience related in the industrial sector both in terms of technical knowledge and in relation to the markets we operate. Additional skills and backgrounds of our directors that

bring significant value to our board include legal expertise, audit and accounting, public policy and government contracting, and international operations.

Individual	Role	Years on Board	Other Public Company Boards	Gender
Scott Barbour	CEO	4	0	Male
Michael B Coleman	Independent Director	3	0	Male
Robert M Eversole	Independent Director	7	0	Male
Alexander R Fischer	Independent Director	7	0	Male
Tanya Dianne Fratto	Independent Director	7	3	Female
Mark A Haney	Independent Director	7	1	Male
Ross Marshall Jones	Independent Director	3	0	Male
Charles Robert Kidder	Independent Director	7	0	Male
Carl A Nelson Jr	Independent Director	5	1	Male
Manuel Perez de la Mesa	Independent Director	2	1	Male
Anesa Chaibi	Independent Director	1	1	Female

### Our Board's Skills



## Board Self-Evaluation Process

We believe that a robust Board evaluation process is critical to maintaining an effective and dynamic Board. Our nominating and corporate governance committee authorizes our Board Chair to conduct an annual evaluation of the overall performance of the Board and each of its members. In addition, each committee conducts an annual performance evaluation. These performance evaluations, along with an assessment of the Board's compliance with Corporate Governance principles as well as areas of potential improvement, are presented to the Board in a report annually.

Our Board's annual self-evaluation process allows us to assess the effectiveness of the Board in fulfilling its duties and responsibilities related to strategy development, the review of business plans, and the monitoring of operational and financial performance and compliance with laws and regulations. In addition, the annual self-evaluation process gives the Board an opportunity to review the effectiveness of the administrative process, such as the number and duration of Board meetings, the amount, quality, and timing of information that directors receive, and the agenda and conduct at Board meetings. Further, the annual evaluation helps the Board assess its strategic needs related to Board size, Board composition, Board renewal, and relevant skills and expertise.

## Board Oversight of Sustainability

Historically, our full Board has been responsible for monitoring and assessing ESG risks. In fiscal 2021, we continued our focus and coordination of our ESG efforts through the work of a sub-committee of the Nominating and Corporate Governance Committee. The ESG sub-committee is chaired by Mr. Coleman with participation from other members of the Board, including Messrs. Fischer and Barbour, to develop and review ADS' corporate citizenship and sustainability programs as well as our environmental and employee health & safety policies. The ESG sub-committee periodically reviews the Company's sustainability strategy

and performance, including, but not limited to, material environmental, social, and governance (ESG) trends and related long- and short-term Company impacts, as well as the Company's ESG reporting and disclosure practices.

## Shareholder Engagement and Governance Improvements

Our commitment to good governance practices extends to building trusting relationships and partnerships with our stockholders through continued engagement and accountability.

Our engagement with our stockholders serves a crucial role in preserving a robust and effective corporate governance program that serves their long-term interests and positions us for sustainable growth. We engage with our stockholders regularly to understand their perspective and ensure that our practices are aligned with expectations. Over the past year, we engaged with investors representing approximately 40% of our stockholder base around the effectiveness of our corporate governance program and our sustainability efforts.

As a result of an internal review of our governance practices and the feedback we receive during this outreach, our Board approved enhancements to our corporate governance program that are up for a vote at this

Annual meeting, including the proposal to declassify the Board and the reduction of the supermajority vote requirements for certain charter and bylaws changes. We also intend to adopt a majority vote standard for uncontested director elections (with a plurality carve-out for contested elections). We continue to value the views of our stockholders as we strive for continuous improvement across our corporate governance practices and processes.

## Management Incentives

Our Board and management team believe in a strong performance culture and we strive to regularly adopt compensation practices that reflect our commitment to performance-based pay. Importantly, by rewarding performance that

meets or exceeds the goals established by our Compensation Committee and the Board, our compensation programs also align our executives' interests with those of our shareholders.

Our compensation programs aim to drive our culture and company values, reward sustained performance, and attract, retain and motivate top talent. To achieve these objectives, we are guided by our compensation principles, which seek to structure compensation within a competitive market range, place emphasis on at-risk, variable pay, and link executive compensation to sustainable shareholder value using equity awards.

Read more about ADS' compensation program in our 2021 proxy statement.

## Awards & Recognition



### Columbus Smart 50 Sustainability Award 2021

ADS is honored that our very own CEO, Scott Barbour was awarded the Columbus Smart 50 Sustainability Award in 2021 in recognition of our commitment to sustainability as one of the world's largest recyclers.



### MSCI Rating – AA

ADS recognizes the importance of third party assessments of our sustainability practices. This past year our rating with MSCI improved from A to AA. And while we don't do what we do for the recognition, it is nice when your efforts and progress as company are recognized.

# Disclosures

	Performance Indicators		
Energy Consumption (GJ)	Fiscal 2019	Fiscal 2020	Fiscal 2021
Purchased Electricity	1,155,552	1,224,544	1,291,986
Natural Gas	63,711	64,757	57,934
<b>Total Energy Consumption</b>	<b>1,219,262</b>	<b>1,289,301</b>	<b>1,349,920</b>
ADS Sales (in thousands)	\$1,385	\$1,506	\$1,654
<b>Energy Intensity<sup>1</sup></b>	<b>881</b>	<b>856</b>	<b>813</b>
Remanufactured Product Revenue <sup>2</sup>	Fiscal 2019	Fiscal 2020	Fiscal 2021
Percent of revenue from remanufactured products	54.0%	55.2%	55.2%
Percent of pipe revenue from remanufactured products	63.3%	65.8%	65.7%
GHG Emissions (metric tons)	Fiscal 2019	Fiscal 2020	Fiscal 2021
Direct (Scope 1)			
Fuel	73,887	69,001	70,524
Natural Gas Used	3,207	3,260	2,911
<b>Total Direct GHG Emissions</b>	<b>77,094</b>	<b>72,261</b>	<b>73,435</b>
Indirect (Scope 2)			
Purchased Electricity	137,909	146,143	154,195
<b>Total Indirect GHG</b>	<b>137,909</b>	<b>146,143</b>	<b>154,195</b>
<b>Total GHG emissions</b>	<b>215,004</b>	<b>218,405</b>	<b>227,630</b>
(Scope 3)			
ADS Sales (in millions)	\$1,385	\$1,506	\$1,654
<b>GHG Intensity<sup>3</sup></b>	<b>155</b>	<b>145</b>	<b>138</b>

Safety	Fiscal 2019 <sup>4</sup>	Fiscal 2020 <sup>4</sup>	Fiscal 2021 <sup>5</sup>
Total Recordable Incident Rate (TRIR)	2.9	3.1	3.1
Fatality Rate	0.03	0.00	0.00
Near miss frequency rate (NMFR)	9.6	8.5	11.7

Fleet Efficiency	Fiscal 2019 <sup>4</sup>	Fiscal 2020 <sup>4</sup>	Fiscal 2021 <sup>5</sup>
Miles per Gallon (MPG)	6.47	6.60	6.35
Payload Efficiency <sup>6</sup>	22.8	23.7	24.8
Fuel Consumed (GJ) <sup>7</sup>	1,088,207	1,057,491	1,047,449

1. Total Energy Consumption / ADS Sales.
2. Include certain high-density polyethylene (HDPE) pipe product lines, such as our Mega Green N-12 pipe, singlewall pipe and Flexible N-12 pipe products, certain pipe fittings and on-site septic chambers.
3. Total GHG Emissions / ADS Sales.
4. FY19 & FY20: Data revised from previous year's report to account for increased accuracy in tracking and correction to conversion from gallons to gigajoules.
5. Fiscal 2021 Safety data includes Infiltrator Water Technologies (IWT); previous years data do not include IWT data.
6. Payload efficiency - All shipped fleet pounds / all fleet miles.
7. Definitions: Gigajoules (GJ)



# Organizational Profile

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## Overview

Advanced Drainage Systems (“ADS”) is the leading manufacturer of high performance thermo-plastic corrugated pipe, with headquarters in Hilliard, Ohio, USA, and operations across the United States, Canada, Mexico, South America, Europe and the Middle East. We provide a comprehensive suite of water management products and superior drainage solutions for use in the underground construction and infrastructure marketplace. Our broad product line includes corrugated high-density polyethylene (or “HDPE”) pipe, polypropylene (or “PP”) pipe, related water management products and plastic leach field chambers and septic tanks. We refer to our ancillary product categories as Allied Product & Other and to our plastic leach field chamber and septic tank products as Infiltrator Water Technologies. Our products are generally lighter, more durable, more cost effective, have a lower carbon footprint and are easier to install than comparable alternatives made with traditional materials.

We have a large, active customer base of approximately 20,000 customers, spanning national and independent waterworks distributors, major national retailers that carry drainage products (The Home Depot, Lowe’s,

Ace Hardware and Do it Best) and buying groups and co-ops in the United States that serve the plumbing, hardware, irrigation and landscaping markets. Two customers, Ferguson Enterprises and Core and Main, each represented more than 10% of annual net sales. Our customer base is diversified across the range of end markets that we serve.

Advanced Drainage Systems, Inc. (ADS) is incorporated in Delaware, publicly held, and listed on the New York Stock Exchange (NYSE: WMS). We conduct our operations primarily through our subsidiaries and substantially all

of our consolidated assets are held by our subsidiaries, which include BaySaver Technologies, StormTech LLC, ADS Recycling, Inc., Inlet Pipe and Protection, Inc., Sewer Tap, Inc. and Infiltrator Water Technologies Ultimate Holdings, Inc.

## Business Footprint

In addition to our manufacturing and distribution facilities across the U.S., we also own manufacturing facilities in Canada to produce our products for sale in the Canadian markets. Additionally, we serve other international markets primarily in Mexico and South America through joint ventures with local partners. Our joint venture strategy has provided us with local and regional access to key markets such as Mexico, Brazil, Chile, Argentina, and Peru. Our international joint ventures produce pipe and related products to be sold in their respective regional markets. We also have wholly-owned subsidiaries that distribute our pipe and related products in Europe and the Middle East.

Combining local partners’ customer relationships, brand recognition and local management talent, with our world-class manufacturing and process expertise, broad product portfolio and innovation creates a powerful platform and exciting opportunities for continued profitable international expansion.

Scale of the Organization	FY 2019	FY 2020	FY 2021
<b>Net Sales (\$ in MM)</b>			
United States	\$1,224	\$1,520	\$1,805
Canada	94	97	119
Other International	67	57	59
<b>Total</b>	<b>\$1,385</b>	<b>\$1,674</b>	<b>\$1,983</b>
<b>Manufacturing Plants</b>			
United States	44	52	52
Canada	4	4	4
Mexico <sup>1</sup>	4	4	4
South America <sup>1,2</sup>	4	4	4
Other <sup>3</sup>	-	-	-
<b>Total</b>	<b>56</b>	<b>64</b>	<b>64</b>
<b>Distribution Centers</b>			
United States	21	21	21
Canada	5	5	5
Mexico <sup>1</sup>	-	-	-
South America <sup>1,2</sup>	5	5	5
Other <sup>3</sup>	1	1	1
<b>Total</b>	<b>32</b>	<b>32</b>	<b>32</b>

<sup>1</sup>Manufacturing plants and distribution centers in Mexico and South America are owned or leased by our joint ventures.

<sup>2</sup>Manufacturing plants and distribution centers owned or leased by our South America joint venture are not consolidated.

<sup>3</sup>The other facility is located in the Netherlands.

## Employee Information

As of March 31, 2021, in our domestic and international operations, the company and its consolidated subsidiaries had approximately 5,000 employees, consisting of approximately 3,450 hourly personnel and approximately 1,550 salaried employees. As of March 31, 2021, approximately 225 hourly personnel in our Mexican joint venture were covered by collective bargaining agreements.

Employees	FY 2019	FY 2020	FY 2021
<b>Full-time<sup>1</sup></b>			
Male	3,470	4,010	4,095
Female	490	560	555
<b>Total</b>	<b>3,960</b>	<b>4,570</b>	<b>4,650</b>
<b>Part-time<sup>1</sup></b>			
Male	10	20	15
Female	10	10	15
<b>Total</b>	<b>20</b>	<b>30</b>	<b>30</b>
<b>By Region</b>			
United States	3,670	4,290	4,340
Canada	310	310	340
Other	420	350	320
<b>Total</b>	<b>4,400</b>	<b>4,950</b>	<b>5,000</b>

<sup>1</sup>Include U.S. and Canada employees at ADS and Infiltrator Water Technologies

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Topic	Accounting Metric	Category	Unit of Measure	Code	Location in Report
Energy Management	Total energy consumed	Quantitative	Gigajoules (GJ), Percentage (%)	RT-IG-130a.1	Pg. 12
	Percentage grid electricity				
	Percentage renewable				
Employee Health & Safety	Total recordable incident rate (TRIR)	Quantitative	Rate	RT-IG-320a.1	Pg. 25
	Fatality rate				
	Near miss frequency rate (NMFR)				
Fuel Economy & Emissions in Use- phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	Gallons per 1,000 ton-miles	RT-IG-410a.1	Not applicable
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	RT-IG-410a.2	Not applicable
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	RT-IG-410a.3	Not applicable
	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Quantitative	Grams per kilowatt-hour	RT-IG-410a.4	Not applicable

Topic	Accounting Metric	Category	Unit of Measure	Code	Location in Report
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion & Analysis	N/A	RT-IG-440a.1	Not applicable
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Quantitative	Reporting currency	RT-IG-440b.1	Pg. 45
Greenhouse Gas Emissions  (SASB standards for Road Transportation sector)	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO2-e	TR-RO-110a.1	Pg. 45
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against targets	Discussion & Analysis	N/A	TR-RO-110a.2	Pg. 45
	(1) Total fuel consumed, (2) percentage natural gas, (3) percentage renewable	Quantitative	Metric tons (t)	TR-RO-110a.3	Pg. 45

Activity Metric	Category	Unit of Measure	Code	Location in Report
Number of units produced by product category	Quantitative	Number	RT-IG-000.A	Not applicable
Number of employees	Quantitative	Number	RT-IG-000.B	Pg. 49

## Current Board of Directors

**Robert Kidder**

Chairman

**Scott Barbour**

Director, President and  
Chief Executive Officer

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Former CEO  
Optimas OE Solutions, LLC

**Michael Coleman**

Partner  
Ice Miller LLP

**Robert M. Eversole**

Managing Partner  
Stonehenge Partners, Inc.

**Alexander R. Fischer**

President and Chief Executive Officer  
Columbus Partnership

**Tanya Fratto**

Retired President and Chief Executive Officer  
General Electric Superabrasives

**M.A. (Mark) Haney**

Retired Executive Vice President of Olefins  
and Polyolefins  
Chevron Phillips Chemical Company LP

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**Manuel J. Perez de la Mesa**

Retired President and Chief Executive Officer  
Pool Corporation

**Anil Seetharam**

Managing Director  
Berkshire Partners

## Current Executive Officers

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Chief Executive Officer

**Scott A. Cottrill**

Executive Vice President,  
Chief Financial Officer, Secretary

**Darin Harvey**

Executive Vice President, Supply Chain

**Brian King**

Executive Vice President  
Product Management and Marketing

**Robert M. Klein**

Executive Vice President,  
Market Management

**Roy E. Moore, Jr.**

Executive Vice President, Infiltrator

**Kevin C. Talley**

Executive Vice President and  
Chief Administrative Officer

**Michael Huebert**

Senior Vice President, Sales

**Thomas Waun**

Senior Vice President, International,  
Product Development and Material Sciences

## Chairman Emeritus

**Joe Chlapaty**

Chlapaty Investments LLC  
Retired Chairman, President and  
Chief Executive Officer  
Advanced Drainage Systems

# About Advanced Drainage Systems, Inc.



Advanced Drainage Systems is a leading provider of innovative water management solutions in the stormwater and on-site septic wastewater industries, providing superior drainage solutions for use in the construction and agriculture marketplace. For over 50 years, the Company has been manufacturing a variety of innovative and environmentally friendly alternatives to traditional materials. Its innovative products are used across a broad range of end markets and applications, including non-residential, residential, infrastructure and agriculture applications. The Company has established a leading position in many of these end markets by leveraging its national sales and distribution platform, overall product breadth and scale and manufacturing excellence. Founded in 1966, the Company operates a global network of approximately 60 manufacturing plants and 30 distribution centers. To learn more about ADS, please visit the Company's website at [www.adspipe.com](http://www.adspipe.com).



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