



# Driving Toward a Better Future





## A MESSAGE FROM THE CEO

Element's Environmental, Social and Governance (ESG) strategy reflects our commitment to sustainability and to leading with the transparency and integrity we are known for.

As the world's largest pure-play automotive fleet manager and clear market leader in all the countries where we operate, Element is in a remarkable position to play a meaningful part in creating a cleaner, more equitable, and inclusive future.

*Every day, Element helps our clients manage a combined fleet of over 1 million cars and trucks delivering the goods and services our communities rely on.*

We are putting our unmatched expertise to work to help clients lower emissions from those vehicles through greener fleets and more efficient ways of operating, driving environmental benefits for our clients and our communities.

*Every month, we purchase thousands of new vehicles for our clients' fleets, making us one of the largest customers of the world's major automakers.*

We are working with manufacturers – both existing and emerging – to enable our clients to be at the forefront of Electric Vehicle adoption.

*Every year we buy billions of dollars of goods on behalf of our clients.*

We are making a difference by being more conscious in how we make those purchases, through our focus on diversifying our supply network to include more minority and women-owned and managed suppliers.

Sustainability encompasses all these things and more; it is a social and business imperative and it must be an enduring mindset. At Element, we are building long-term value for all our stakeholders, and that means our business must first and foremost be sustainable.

### We are aiming high

At Element, we have a track record of setting ambitious targets and achieving them. We recently completed the transformation of our business – a project nearly three years in the making – that demonstrated what we are capable of when we set our minds to an important task. As you read this, Element's first-ever ESG report, I hope you will see that same steadfast mindset in action.

We are committed to making a meaningful impact. That's why we are bringing the same rigor and focus to our ESG strategy that we have for every other aspect of our business. In the same manner we do for our corporate strategy, we have created a balanced scorecard specifically for ESG. It sets

out clear objectives and metrics, focusing the organization on the work that will move the needle on our ESG strategy. You will find it on page 4.

### Sustainability

Element is committed to playing our part in building a sustainable future for our clients, our business, our people, and our investors. For our clients, this means anticipating and delivering on their sustainability needs whether it be the electrification of their fleets or reducing their carbon footprint. At Element, it also means leading by example by investing in green technology and reducing our own environmental impact.

### Diversity & Inclusion

Thanks to our people, Element has already charted a path we can be proud of to build an inclusive and diverse workforce where employees feel a sense of belonging. We have moved well beyond talk in this regard by setting clear targets for attracting diverse talent and giving back to our communities. This commitment extends to our clients where Element's diverse global supply chain and customized diversity spend reporting allows them to achieve their own ESG goals.

### Satisfaction & Safety

At Element, we understand that one of the greatest measures for success we can aspire to is the Satisfaction & Safety of our clients and employees. Earning the loyalty of these important constituencies has been foundational to our success with transformation – and will remain so as our company grows. Whether it's continuing to prioritize the safety and well-being of our people through the pandemic, or helping our clients improve driver safety, we remain steadfast in our commitment to delivering a consistent, superior client and employee experience.

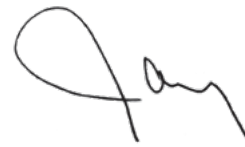
### Governance

Element aims to generate an appropriate risk-adjusted return for our investors, who are increasingly focused on ESG and corporate citizenship because of their importance to long-term success and value creation. With our commitment to ESG, we will increase our related reporting and disclosure to provide investors increased transparency on the important work we are doing to ensure the sustainability of our business.

Element's inaugural ESG report is highly anticipated by our clients, our people, and our investors – all of whom have shown a genuine interest in the conversations that have led to this document. Based on the motivation and curiosity of our people alone, I am confident we will quickly see even more momentum on everything we set out to do.

I am proud of our strong commitment to ESG and all of Element's accomplishments to date, and I am excited to imagine the possibilities for Element to be a force for change and drive toward a better future.

Sincerely,



Jay Forbes  
PRESIDENT & CHIEF  
EXECUTIVE OFFICER





# ELEMENT AT A GLANCE

Element Fleet Management Corp. (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing world-class fleet management services. Element’s purpose is to ensure that our clients’ vehicles and their drivers are safer, smarter and more productive.

Our business is exclusively focused on providing services and solutions for corporate, commercial, government and public service vehicle fleets. We are the market leader in the geographies in which we operate: the U.S., Canada, Mexico, and Australia and New Zealand. Element has approximately \$15 billion in assets and over 1 million vehicles under management.

Element provides an end-to-end suite of fleet management services that span the total fleet lifecycle, from acquisition and financing to program management and vehicle remarketing – helping clients optimize performance and improve productivity every step of the way.

We serve clients across a wide array of industries including agriculture, business services, chemicals, construction, consumer products, education, pharmaceuticals & non-profit.

## Market leader

- Well diversified across over 5,500 clients, 700+ industries, 5 geographies
- 50+ countries serviced through our Element-Arval Global Alliance
- 2,500+ employees
- Headquartered in Toronto with major offices in Mississauga, Baltimore, Minneapolis, Mexico City, Melbourne & Auckland



All monetary figures are in CAD unless otherwise noted.





### ESG AT ELEMENT

## 2020 was a milestone year at Element as we built our ESG strategy.

We engaged leading external resources to help us understand the ESG landscape, and we talked to investors to gain a deeper understanding of their priorities. We discussed with clients the ESG solutions most important to them and encouraged our people to continuously improve.

We worked with our executive team and the internal 'owners' of each of the four ESG pillars we are emphasizing to understand what work was already underway, what we wanted to accomplish and how we could best measure success.

The result is a focused and actionable ESG strategy that we believe is the right one for Element and all our stakeholders, and that we can build on for years to come.

The strategy is aligned to our Balanced Scorecard, the management tool that Element uses to focus our team on achieving our strategic priorities. It is also informed by leading ESG reporting frameworks that include the Global Standards for Sustainability Reporting (GRI), the Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (UNSDGs).



### Our strategy is based on four key pillars:

#### Sustainability

As a fleet management company, Element's core sustainability objective is to reduce carbon emissions. By expanding our Electric Vehicle offerings and continuing to offer consulting services to help our clients optimize the efficiency of their fleets, we will continue with our focus on reducing greenhouse gas emissions.

#### Diversity & Inclusion

In 2020, Element put a stake in the ground acknowledging the reality and pain of ongoing systemic racism, and we recognize the vulnerability of other groups including LGBTQ2+. We are committed to doing more – to being an organization wherein mutual respect and mutual trust are absolute and where each of us is respected and has an equal opportunity to thrive.

#### Satisfaction & Safety

Safety has long been a priority for Element. We have set meaningful targets for Safety & Satisfaction for our clients and employees. Our goals include fostering higher enrolment in safety programs, reducing accidents by clients, and maintaining a **Global Employee Engagement Score of 86%**, achieved in 2020. We also targeted a Global Net Promoter Score of 23 in 2021 but hope to exceed that, reinforcing our commitment to deliver on these initiatives, as we know that our clients care about ESG and we believe NPS will be one of many measures of our success.

#### Governance

Strong governance is a key priority for Element. We will continue to review our board composition and diversity targets to ensure they are appropriate. We have also made a commitment to increase our reporting and public disclosures of Element's ESG initiatives and results. We have set goals to improve our scores with recognized ESG ratings agencies.

"We are working to integrate ESG as a through line in our business. Aligning our objectives with Element's Balanced Scorecard will create a successful foundation that we can build on."

Jay Forbes  
PRESIDENT & CHIEF  
EXECUTIVE OFFICER



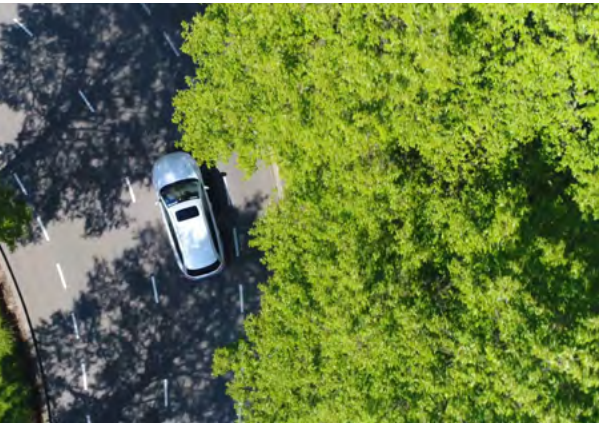


### ESG Scorecard

We developed metrics aligned with our objectives and will apply these to measure our ESG performance. As part of the executive commitment to ESG, the ESG Scorecard will be incorporated into and linked to Element’s overall Balanced Scorecard to drive

performance in the coming years. In 2021, Element’s inaugural year of formally tracking ESG metrics, our priority is to develop a more robust baseline to publish in our second annual ESG report in 2022. As our ESG strategy matures, our scorecard will evolve in alignment.

	2021 Strategic Objectives	2021 Metrics
<b>Sustainability</b> Reduce carbon footprint and invest in green technology	• Reduce client fleet petroleum consumed	• Cumulative grams of CO <sub>2</sub> saved
	• Reduce EFN carbon emissions	• Electrification of internal fleet
	• Enable client fleet electrification	• EV originations
<b>Diversity and Inclusion</b> Foster D&I in our workforce and in our communities	• Attract and develop a diverse workforce	• Diversity representation
	• Promote diversity across our supply chain	• Track pass-through spend/volume driven to minority and women-owned suppliers
	• Give back to our communities	• Total employee volunteered time • Corporate donations
<b>Satisfaction &amp; Safety</b> Prioritize client and employee Safety & Satisfaction	• Improve employee and client satisfaction	• Global Employee Engagement Index • Global NPS Score
	• Improve client and driver safety	• Number of accidents per million kilometers driven
<b>Governance</b> Increase ESG reporting, education and awareness	• Improve external ESG scores	• EcoVadis and ISS scores
	• Board composition	• Director independence, diversity and tenure





While our ESG strategy is newly developed, Element has already made significant progress in our focus areas.

## Sustainability

- We are already working with clients across all our geographies as they begin to electrify their fleets by sourcing vehicles, services and required infrastructure to make it happen
- Element ANZ (Australia and New Zealand) now offers a comprehensive ecosystem to help clients with Electric Vehicles, including sourcing charging stations, installation, and consulting services
- We added two senior leaders in 2020 to further our Electric Vehicle Strategy
- We offer many other ways for our clients to operate in a sustainable manner, including Telematics services that enable clients to improve their environmental performance, working with our large oil & gas clients to reduce field idling time and identifying opportunities for clients to move from V-8 engines to V-6 engines [and even 4-cylinder engines]

## Diversity & Inclusion

- We hired a senior Diversity & Inclusion leader in 2020
- Over 900 employees completed a Conscious Inclusion workshop in three months and an inquiry into our current status on topics impacting inclusion including structure, processes and culture
- We joined the National Minority Supplier Development Council and the Canadian Aboriginal and Minority Supplier Council
- Our corporate giving and Diversity & Inclusion strategies are deeply connected to align with the diverse values and perspectives of our communities: in 2020 we donated \$180K to six non-profit organizations in the global regions where we live and work and \$150K to Doctors without Borders in support of the global pandemic

## Satisfaction & Safety

- We rolled out a comprehensive set of driver safety tips in the wake of the COVID-19 pandemic
- Our Global Net Promoter Score increased 37.5% from 16 to 22 over the course of 2020

## Governance

- In 2020, Virginia Addicott joined the board of directors, increasing female representation on our board to 30%
- Element achieved one of the highest annual score increases in the Globe & Mail's Board Games rankings and placed in the top 20%





## SUSTAINABILITY AT ELEMENT

Element's focus on sustainability centers on doing the right thing and enabling others to do so as well. Road transportation accounts for 15% of global greenhouse gas emissions<sup>1</sup>.

Because we are the market leader in fleet management, managing a fleet of more than 1 million vehicles on behalf of our clients, Element can make a substantial impact for our clients and generations to come. We can help our clients reduce emissions from their internal combustion engine-powered vehicles, and we offer our clients the ability to transition to available models of Electric Vehicles in all the geographies where we operate.

### Making a difference in our facilities and fleet

Our work doesn't stop with our clients' fleets. We are also taking action to reduce our own emissions and environmental impact all across our operations. We have:

- Promoted employee Electric Vehicle adoption by installing workplace electric vehicle chargers
- Moved to 50% EVs for the company-owned vehicles in our New Zealand operations
- Installed efficient lighting in our Maryland office, which saves an average of 991,838 KWH per year and 15,992 BTUs

- Closed several physical offices and shifted to remote work
- Downsized our large stand-alone Minnesota office into a multi-tenant building with more modern, environmentally-friendly features
- Renovated our Toronto office with environmentally-friendly features
- Replaced existing water fountains at our Maryland office with units that have bottle fillers and calculate the number of plastic bottles saved
- Decreased landfill waste by adopting a single stream recycling program
- Switched to low sulfur diesel fuel for our emergency generators

The majority of Element's facilities are part of multi-tenant buildings and environmental metrics (usage of water, electricity, etc.) solely related to Element are not available. However, as demonstrated by the examples above, Element is taking active steps to reduce the environmental footprint of its facilities.



### EV+ — AN EV SUCCESS STORY

In Australia and New Zealand, Element has stood up a leading full-service electric vehicle offering called EV+ — the only such offering in that marketplace. We have worked with a number of major clients in the region to help them integrate EVs into their fleets with great success. EV+ has delighted clients and proved the staying power of electric vehicles. Roughly 2% of the ~30,000 vehicles we manage in New Zealand are now EVs (either battery electric or plug-in hybrid vehicles).

*Our experience with EV+ will be a great advantage as we work hand in hand with our North American clients to ensure a scalable approach to sustainability.*

<sup>1</sup>) Ritchie, H. Cars, planes, trains: Where do CO<sub>2</sub> emissions from transport come from? October 06, 2020, <https://ourworldindata.org/co2-emissions-from-transport>

### Making a difference for our clients

We are enabling our clients to reach their sustainability goals by providing the services to unlock GHG reducing opportunities and helping them plan for and streamline their electric vehicle adoption.

### Unlocking GHG reducing operational efficiencies

- **Advice:** We continue to advise clients on how to integrate into their fleets more efficient heating and cooling systems for both small and large assets, as well as other idling technologies to reduce emissions
- **Analysis:** Helping clients right-size their fleets
- **Change Management:** Using our driver training capabilities to help clients reduce idling by drivers, thereby reducing emissions
- **Fuel consumption:** Helping clients make incremental improvements through initiatives such as moving to smaller engines (such as V-6 powered vehicles instead of V-8); and promoting fuel efficient Plug-in Hybrid Electric Vehicles where battery electric vehicles are not yet feasible

### Streamlining electric vehicle adoption

- We can provide detailed feasibility analysis for EV adoption by clients
- We offer proven support for infrastructure and vehicle acquisition
- We can use our consulting team and expertise to help clients manage the transition
- We provide ongoing client care and services for EVs

### An accelerated focus on electrification

EV adoption generally in North America, our largest market, has been limited to date. That's also been true amongst our client base. Concerns about range,

a lack of suitable models, and other factors have held back adoptions. However, we know that over time, adoption will increase and as it does we will be there for our clients.

Already in the past few years, with several factors aligning favourably towards EV adoption, we are seeing an accelerated and renewed focus on electrification in North America.

There are a few fundamental trends that we see galvanizing our clients to transition to EVs:

- **Corporate sustainability** — Like Element, organizations are realizing the importance of acting on ESG and highlighting progress to their stakeholder groups. Several major clients have joined The Climate Group's EV100 initiative (voluntary commitment to fleet electrification by 2030) to drive their ambitions.
- **Vehicle availability is increasing** — Vehicle availability is also ramping up with new models from traditional OEMs and new startups being released and production being ramped up to meet expected demand.
- **Government actions** — Actions such as California's commitment to a total ban on the sale of new Internal Combustion Engine (ICE) vehicles by 2035 (2045 for heavy duty vehicles), coupled with the Biden administration's intention to electrify 600k+ government fleet vehicles, will provide impetus to scale production.
- **Costs of EVs are decreasing** — Battery costs have fallen 86% since 2010 and are expected to continue to reduce over the next several years while also increasing range. This is driving industry expectations for Total Cost of Ownership price parity between EVs and ICE vehicles within the next few years while reducing range anxiety.

- **Charging capacity** — Public charging infrastructure has grown significantly over the past 5 years and is expected to grow 30% per year through 2024.

One of the keys for fleet users will be having a partner to help them manage the complexities of infrastructure – such as charger installation and management. Element is well positioned through our partnerships and industry leadership to help our clients navigate the complex and fragmented infrastructure landscape. In short, what we do will become more valuable to clients as they transition to EVs.

### Opportunity

Element views fleet electrification as a tremendous opportunity that will become a material part of our business over the next decade. We are currently focused on the following activities to prepare for this opportunity:

- A needs-centric approach that considers general and unique use cases to deliver a comprehensive North American offering — taking lessons from our market leading EV+ offering in Australia and New Zealand.
- A detailed situational assessment focused on aligning internal capabilities to address external factors driving electrification.
- Creating a Knowledge Management process to manage, share, and distribute content and best practices throughout our organization and externally. Broader knowledge across Element will enable our clients to make the transition faster.
- Creation of an external advisory panel with large customers and industry stakeholders in industry, academia and government.

The actions above, coupled with the shift in the market, will allow us to take stewardship to help shape the future of fleet electrification.





### Sustainability – Element will take action and provide leadership

Through demonstrable action, Element is supporting our clients' electrification goals and paving the way for a successful EV future. In this way, we will make a difference to the sustainability of our clients, our communities and our planet.

To this end, Element has expanded the team focused on sustainability and electrification, highlighting our commitment to expand our knowledge base, build external EV partner relationships, and stay ahead of the evolving EV landscape.

While many factors support EV adoption, our clients can still face several hurdles including:

- Increased costs of EVs and associated charging infrastructure over current ICE fleets
- Increased operational complexity (charging vs fueling), as well as nascent and fragmented EV support networks, vendors and services
- Charging considerations are made complicated by the multiple scenarios that need to be considered (such as home vs. depot charging, vehicle type, etc.)
- Navigating the additional stakeholders (utilities, facility managers, etc.) necessary for successful EV adoption

We will build on our foundation and early successes to retain leadership in EVs:

- We are already the market leader for EV Fleets in Australia and New Zealand, and our major focus for 2021 is building out a North American focused model that considers the uniqueness of this emerging EV market

- Element has advised numerous clients on the considerations for adopting EVs and has released a white paper dedicated to raising knowledge and awareness
- Element supports active knowledge sharing through EV-focused client round tables, industry forums and client case studies

We will support our clients as they make the transition:

- Following a tried-and-true path, we first seek to understand our client's sustainability goals and metrics for success
- Through careful analysis we build a cost-effective multi-year EV transition roadmap
- We ensure coordination with infrastructure providers and OEMs to ensure that the EV fleet is fully supported from Day One
- We continue to provide our industry-leading, comprehensive fleet services and customized analysis to ensure normal business operations are maintained and improved

And we will achieve meaningful results:

- Element clients that have made the transition to EVs are continuing down the electrification path. Initial concerns around range anxiety have been eliminated with careful planning and on-road experience

The year 2021 is off to a strong start with continued client interest in electrification even amid the ongoing global COVID-19 pandemic. Using the strength of our dedicated EV team, the power of Element's market-leading platform and the advantages we gain from our success in Australia and New Zealand, we are redefining our traditional ICE-focused services for an EV world to support our global client base and work toward a greener future.





Element is looking carefully at how our actions align with the United Nations' 17 Sustainable Development Goals (UNSDGs). As we look ahead, we will continue to deepen our engagement.

## SUSTAINABLE DEVELOPMENT GOALS

ELEMENT IS ALIGNED WITH THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:



The work we do at Element contributes to a number of UNSDGs but Climate Action is where we think that we can have the most impact. As we work to electrify our own and our clients' fleets in each of our regions and focus on investing in tools that create efficiencies for our clients, we have an opportunity to help reduce emissions at scale. We support the goals of the Paris Agreement and will continue to pursue climate action.



Our work to increase the efficiency of our own vehicles and our clients' fleets to improve environmental performance is an example of ensuring sustainable consumption and production within our business activities. We will continue to build on this over time.



Element ANZ has created a comprehensive ecosystem that supports the sourcing of EV infrastructure. We are working to promote inclusive and sustainable industrialization and foster innovation.



Our business is client-focused, and we bring our sustainability values to bear with each of our client interactions. We draw on the strength of this collaboration to increase our impact and our learning in partnership for the goals.



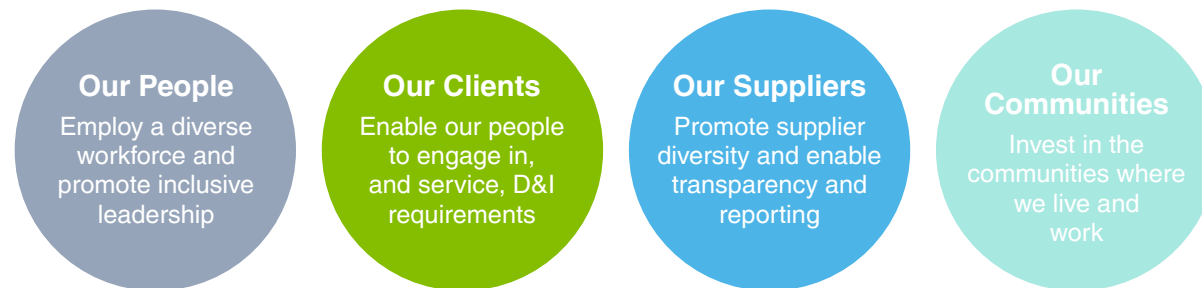
## DIVERSITY & INCLUSION

### Our D&I Strategy

During a year punctuated by a global pandemic and social unrest, we began our Diversity & Inclusion (D&I) journey by asserting our intention to lead with integrity and inclusion.

Led by our Head of Diversity & Inclusion, we looked within. We undertook a comprehensive assessment to inform our D&I strategy, which centres on four key stakeholders: our people, our clients, our suppliers and our communities.

### Our objectives



### D&I METRICS, MILESTONES & AWARDS

#### Key Metrics

- D&I Index Score of 89%
- Achieved target of 30% women on our Board
- Employee engagement score of 86% - up 9% from 2019

#### Milestones

- Appointed Element's first Head of Diversity & Inclusion
- Took action to engage employees on topics of inclusion and systemic racism following social unrest
- Completed a company-wide D&I diagnostic to deepen our understanding of priorities and employee sentiment
- Worked with our clients to apply metrics that will help them meet their own diversity targets with suppliers
- Joined the National Minority Supplier Development Council (NMSDC) and the Canadian Aboriginal and Minority Supplier Council (CAMSC)
- Active corporate partner with Disability:IN Minnesota

#### Awards

- Awarded Johnson Controls Supplier Diversity Partner
- Advance Auto Parts 2020 Supplier of the Year
- Named among the Best Places to Work in Mexico

### Our People

Element is committed to fostering a diverse and inclusive work culture founded on respect, where differences are genuinely embraced, and psychological safety is prioritized. Our people — our greatest asset and differentiator with clients — represent many facets of diversity — from ethnicity, race, and gender, to age, ability, sexual orientation, military status, education, cultural backgrounds, and beliefs.

### Workforce Diversity

With more than 2,500 employees globally we are proud that women make up 50% of our workforce. Women represent 40% of management and one third of our senior leadership team. In 2018, we set a goal to ensure 30% gender diversity at the Board level and achieved that goal in 2020. We continue to focus on attracting, developing and retaining women at all levels of the organization with specific focus at the leadership level.

We have taken important steps on our journey to advance diversity and inclusion by putting plans in place for voluntary self-identification and incorporating key D&I metrics into our Balanced Scorecard. To action our goals, we are implementing diverse hiring practices as well as leadership development programming. Our senior leaders serve as sponsors to critical and diverse talent.

We are monitoring and measuring hires and regrettable attrition globally for women and in the U.S. and Canada for our BIPOC employees. We recognize that what gets measured, gets improved. We continue to focus on our culture of accountability that values the uniqueness of our people and fosters their growth and development.

Element offers live, facilitated Conscious Inclusion training to all employees to increase their awareness of biases and cultural competency. More than one third of our employees voluntarily attended Conscious Inclusion training globally in 2020.

### D&I and Our Clients

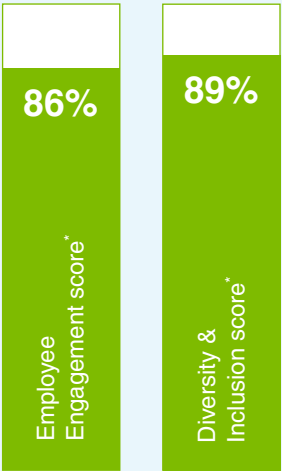
Our commitment to D&I extends to the way we work with our suppliers and clients. We are integrating D&I as a through line to our business, making a partnership with Element a partnership in Diversity & Inclusion. Our trusted, customized, reportable and actionable insights allow us to support clients in reaching their D&I targets.

### DIVERSITY & INCLUSION PERFORMANCE METRICS

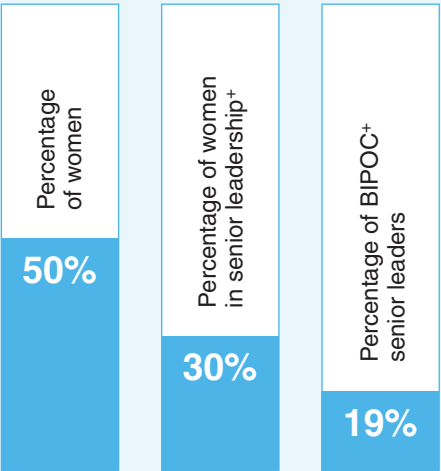
To properly understand the direction we need to take, we must first understand where we are. This past year Element assessed baseline diversity and inclusion metrics. The following represents key findings on gender diversity and seniority.

### MEASURING OUR PROGRESS

#### Employee Engagement Survey



#### Workforce Diversity



\*Perceptyx global engagement survey Q4 2020  
+Senior Leadership is defined as Executives and their direct reports (VP/Director) as of Dec. 2020

“Our shared goal must be a company where all are respected and have the opportunity to thrive, regardless of the colour of their skin, ethnicity, religion, sexual orientation or gender... in doing so, we can do our part to help foster needed change more broadly in society.”

Jay Forbes  
PRESIDENT & CHIEF EXECUTIVE OFFICER



Employee Brittney Davis attends a literary works display recognizing and celebrating Black authors at Element's African American Literacy themed week, during Black History Month in February 2019.



In January and February 2020, Element employees collected and donated 625 pairs of shoes for Pencils of Promise, which accounted for 18% of the total number collected locally! The shoes will be donated to those who need them most in Africa.





## QUESTION & ANSWER

# Interview with Sheri McGrath

HEAD OF DIVERSITY & INCLUSION

Sheri McGrath joined Element Fleet Management in October of 2020 as Head of Diversity & Inclusion. She is a passionate champion for diversity, equity and inclusion in the workplace and believes in creating and fostering a workplace that enables people to thrive.

## Q: What drives Diversity & Inclusion at Element?

**A:** Diversity & Inclusion is a cornerstone of Element's culture. As a global company with operations in Canada, the U.S., Mexico, Australia, and New Zealand, our diversity is a big part of our strength. Element just successfully completed a three-year business transformation, which has created a solid platform to launch more in-depth programs and strategies, one of which centres on D&I.

At Element, our first step is to listen, understand, and ask questions so we can improve our understanding of how our employees are impacted by challenging topics and events. Last spring, we were reminded of the painful and systemic racism that continues to exist in our society. It impacts us all and we must acknowledge its existence. We started the difficult conversations required to combat it.

In an address to employees our CEO articulated his vision of a shared company goal for Element, wherein mutual respect and mutual trust are absolute, where all employees have an equal opportunity to thrive, regardless of the colour of their skin, ethnicity, religion, ability, sexual orientation, or gender. From there, leadership took action to gain additional perspectives and better understand how to support employees. This process formed the basis for a real inquiry into our current state which, in turn, served as the basis for a Diversity & Inclusion strategy designed by us - for us.

I also believe in the power of our employees. Our employee-led Business Resource Groups (BRGs) created in 1991, focus on underrepresented groups and their allies. Our BRGs are the pulse of our organization, our culture and a foundational employee engagement program.

## Q: What has been your focus since joining Element?

**A:** My focus will always begin with our people. In my role I have an obligation to listen, learn and act to address inequalities that exist.

I was fortunate to start my journey at Element with the results of a comprehensive Diversity & Inclusion assessment that reinforced our people's commitment to D&I. We had organic readiness and interest, but we needed a roadmap and a concentrated focus to sustain the effort. I quickly got to work creating a plan.

I recognize that each of us is at a different place in our D&I journey and it's a very personal journey. D&I cannot be about blame or shame or we won't be able to change as individuals or as a company. Our D&I efforts must centre on growth – expanding our thinking and challenging ourselves to have the courage to discuss difficult topics.

When our employees feel valued, respected and have a sense of belonging, they will give their best and our clients will feel and experience such positive change. As a fast-paced, client-centric organization, we work with our clients, providing a diverse supplier network, enabling diversity spend reporting and collaborating on programs in our shared communities.

What I love most about my role is that no two days are alike – there are always thought-provoking discussions to be had and lots of work to do.

## Q: How does Element work with communities?

**A:** Our people are committed to the communities in which they live and work – in fact, their spirit and drive to give back is contagious! When working with communities, we aim to make a sustainable, positive impact and reinforce our commitment to D&I.

Beyond our employee-led volunteer and community outreach, we have a long history of philanthropic donations to support three key areas of focus: education, employment and community aid. Our focus enables us to support those who need it most – when they need it most. A good example of this was our support for Doctors without Borders – when the pandemic struck, we made a \$150,000 donation towards providing critical care services.

We also made significant donations on behalf of our people in recognition of our business transformation success, donating \$180,000 to several diverse global flagship partners in each of our regions.

2020 was a challenging year and we are incredibly proud to have donated over \$3M to several non-profit community organizations.

## SATISFACTION

### Employee Engagement

2020 was a pivotal year for our people as we lived and worked through a global pandemic. Despite unprecedented challenges, Element's people delivered – and continue to deliver – a consistent, superior service experience for our clients.

Our people emerged from the year having enriched our culture in ways we could have never anticipated, resulting in an overall **employee engagement score of 86% - up 9% from 2019**. This represents a significant increase in the satisfaction that our people feel working at Element.

**Our Communities:** Our Diversity & Inclusion and Corporate Social Responsibility (CSR) strategies are intricately connected to ensure Element's philanthropic strategy is aligned with the diverse values and perspectives of our people, clients, suppliers and communities.

Community engagement is a vital pillar of Element's corporate culture. We choose local initiatives based on the unique needs of each community and support organizations that address vehicle safety, education, hunger and more.

We are committed to being a good global corporate citizen through our employee volunteer programs and active involvement in the community with our Business Resource Groups, as well as significant philanthropic donations focused on three core areas: education, employment, and community aid.

**In 2020 we donated over \$3M to non-profit organizations in our communities.**

Element has a long history of supporting hospitals providing critical services in Toronto.

- In 2020, we donated \$2.5M to St. Michael's Hospital toward the new atrium and hospital tunnel construction as part of our \$15M pledge
- We supported Mt. Sinai Hospital with \$125K as part of our \$1M pledge
- As the pandemic struck, we supported Doctors without Borders with a \$150K donation to provide critical services.

In recognition of our commitment to Diversity & Inclusion and the dedication of our people as they persevered through our business transformation, in December 2020 we donated \$180,000 Canadian to several global flagship partners in each of our regions including Killara (Australia), First Foundation (New Zealand), the United Negro College Fund (U.S.), the Human Rights Campaign (U.S.), Catalyst (Canada/U.S.) and Casa Hogar (Mexico).

We have nine Business Resource Groups (BRGs) focused on bringing historically underrepresented groups and their allies together to foster a culture of inclusion, acceptance, and respect. BRG programs began in 1991, participation is voluntary and all BRGs are employee-led. All BRGs are sponsored by Element senior leaders.

Our BRG programming includes the following: Able & Disabled Empowering People Together (ADEPT); Activate! Wellness; Asian Employee; Black Employee; Communities, activities, recreation at Element (CARE); LatinX; LGBTQ2+ Allies; Veterans; and Women's.

We focus on employee wellness through our Activate program which centres programming on financial, mental and physical wellbeing.

These employee-led BRGs organize programs and volunteerism centred on careers, cultures, community and our clients.

Our BRG programming centers on supporting our employees' career growth and professional development, expanding their network by making meaningful connections across continents and business lines, learning about other cultures, employee well-being and giving back to the community through volunteerism and community outreach.

### Client Satisfaction & Net Promoter Score

Our clients rely on our expertise to identify and action productivity improvements, making our value proposition even more compelling through the economic challenges of COVID-19.

**In 2020, we identified over \$1.5 billion of client productivity improvement opportunities**, 25% of which were actioned by our clients.

Our global Net Promoter Score (NPS) measures client satisfaction and asks how likely a client is to recommend Element to a friend or colleague. We run the NPS Survey quarterly with clients with 100 or more vehicles. The score reported on the Balanced Scorecard (BSC) reflects a rolling 12-month score.

Globally, our **NPS increased 37.5%** over the course of 2020 from 16 to 22 and we hope to exceed that in 2021.

We also receive simple scores from clients following each interaction. These scores are independent of our BSC and continue to indicate that our service delivery is strong, and that client satisfaction remains high.

We care deeply about supplier diversity and began our journey in earnest in the early 1990s. We are purposeful in directing spend to minority-, women-, veteran- and service-disabled veteran, and LGBTQ2+ -owned businesses as well as small businesses. We continue to invest in innovation to support and consult with our clients on diverse spend.

**We are active corporate members with both the National Minority Supplier Development Council (NMSDC) as well as the Canadian Aboriginal and Minority Supplier Council (CAMSC). We are also active corporate partners with Disability:IN Minnesota.**

### CLIENT FEEDBACK

"Best customer service, best fleet options for our needs and amazing and knowledgeable staff."

"Consolidation of data and fleet metrics is extremely valuable."



### SAFETY

Safety is a priority at Element. Our commitment to employee and driver safety is underpinned by technology solutions that drive a culture of safety in our clients' organizations and their communities.

Our DriverCare Risk Manager solution imports various data such as collision history, traffic camera violations and other factors into a risk scoring model that addresses driving behaviour with online training and coaching. This solution continues to reduce client collision rates on average by 15%, resulting in fewer accidents and injuries for our clients' employees.

In 2021, Element will be enhancing our safety product offerings with the development of a more proactive solution to avoid driver collisions. By integrating driver data such as braking, speeding, acceleration, and distracted driving events into our risk scoring solution, clients can take incremental steps to remediate driver behaviour before a collision occurs.

Our suite of driver safety training modules is available for all Element employees. The lessons address safety techniques such as proper spacing, braking, hazard and distracted driving awareness so that our employees can advise our clients on the importance of proper driving techniques.

In 2020, our development team created an online learning module that provides education about the COVID-19 virus and how drivers can protect themselves while behind the wheel. This module is available to all clients with the goal of keeping drivers safe during the pandemic.

Element continues to deploy educational resources to our employees and clients and will be launching a new series of training modules focused on "Driver Well-Being" in 2021. These resources go beyond the traditional safe driving techniques by presenting helpful tips for driver wellness, including how to address healthy eating, fatigue, fitness, and stress management for drivers who spend long periods of time on the road.

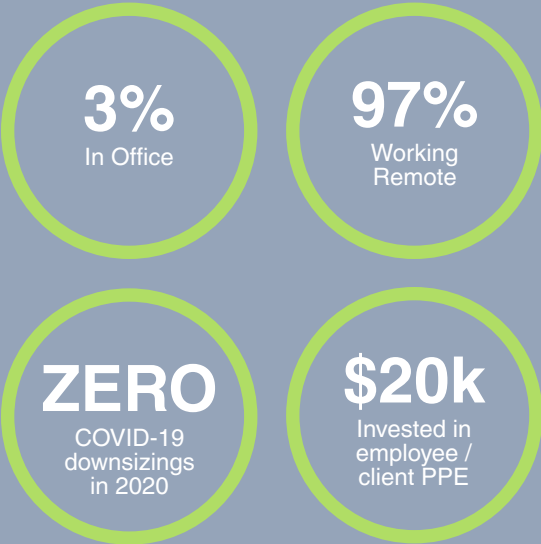


Driver training saves lives. Ensuring the safety of our clients and our employees is a key priority. Safety metrics are driven by our Balanced Scorecard and we are continuously looking at how to improve upon them.

Keeping our clients and our employees safe and healthy during the pandemic has been an ongoing priority. We continue to safeguard our people by providing up-to-date training, reinforcing positive care, and keeping lines of communication open.

### SUCCESSFULLY ADAPTING TO COVID-19

Full Time Employees:





## GOVERNANCE

Strong governance is a focus for Element and it starts with the Chair of the Board, David Denison. Mr. Denison joined the Element Board in late 2018 and assumed the role of Chair on January 1, 2019.

Mr. Denison has extensive experience both as an executive and a director with a number of organizations, including some of Canada's largest companies, and previously served as Chair of the Canadian Coalition for Good Governance. His experience is a tremendous asset to Element and establishes a strong foundation for good governance, which extends to the rest of the Board. A few key attributes of the Board's composition include:

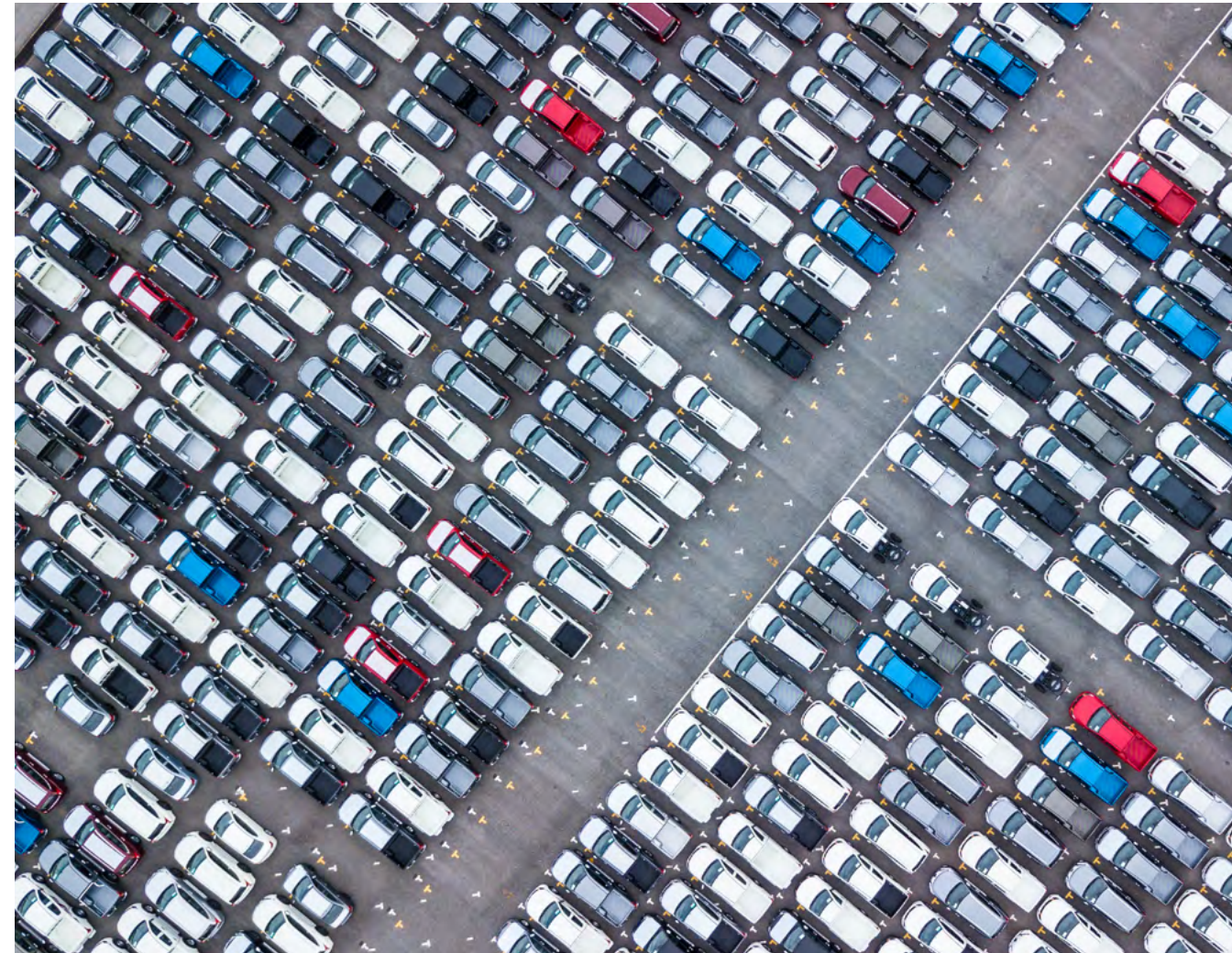
- **9 out of 10 directors are independent**, with Jay Forbes (President & CEO) as the only non-independent director
- **3 out of 10 directors are female**, achieving Element's previously stated goal of 30% gender diversity
- The Board has no director entrenchment and continuously brings in new perspectives with over half of the Board joining since 2018 and new directors joining the Board in each of the last three years

Since 2018 the Board has overseen the rebuilding of the senior management team under CEO Jay Forbes, who has demonstrated extensive experience, skill and integrity in leading the organization through a successful transformation.

Element's strong governance has translated to an engaged and supportive shareholder base.

**At Element's 2020 Annual Meeting, over 85% of shareholders voted with over 97% approval for every director as well as Element's Say on Pay resolution.** The overwhelming support for Element's Say on Pay resolution is a reflection of Element's commitment to sensible executive compensation practices, including a compensation program that promotes close alignment between compensation and shareholder returns.

Element's strong governance performance was recognized in the Globe and Mail's Board Games, a comprehensive ranking of Canada's corporate boards from one of Canada's leading publications. In 2020 Element increased its score in the annual Board Games considerably, placing in the top 20%.





### Key Governance Policies

#### Ethics

Element considers ethics a core value within the organization and expects its employees to conduct themselves in an ethical manner. This starts with Element's Code of Conduct and Ethics (the "Code"), which is reviewed and approved by Element's Board of Directors. Employees are required to certify their adherence to the Code upon joining the organization and on an annual basis thereafter. The Code sets out Element's policies with respect to issues such as harassment, health & safety, concern reporting, prohibition against retaliation, competition and fair dealing and confidentiality, among others. Employees are encouraged to report any concerns through a number of available channels without fear of retaliation of any kind. Element has an additional Whistleblower Policy for matters related to financial reporting where concerns can be raised directly with the Audit Committee of the Board of Directors. In addition, Element's Credit Policy, which is reviewed and approved annually by Element's Board of Directors, has Know-Your-Client obligations to protect Element against money-laundering. Element also runs its outgoing payments through a database to ensure that funds are not sent to entities that may appear on any government watch list.

Element takes pride in the fact that we have not been subject to any harassment or discrimination lawsuits. We will continue to place significant emphasis on maintaining transparency within our organization, built on strong ethics and integrity. Not only does Element prioritize our own ethical conduct, but we also seek to ensure that our suppliers live up to the same high standards outlined in Element's Vendor Code of Conduct. Both Element's Code of Conduct and Ethics and Vendor Code of Conduct can be found at Element's website under the Investor Relations > Corporate Governance page.

#### Data Governance

Data governance is a critical component of any business, especially in the current digital environment, and Element places significant emphasis on its data governance. As part of Element's approach to enterprise risk management, both the executive management team and the Board of Directors, through its Credit & Risk Committee, provide oversight of Element's information security. The Credit & Risk Committee receives quarterly risk assessments from executive management, including risks related to information security, and mitigation efforts. Element's legal team, in consultation with external experts, has developed data governance policies to ensure that Element is meeting its data security obligations. In addition, Element's IT team works extensively to protect Element's systems and continuously monitors Element's systems to detect vulnerabilities and prevent data breaches. All Element employees are required to complete information security training to protect against phishing and other malicious activities. To date, Element has not experienced any material data security breaches and no personally identifiable information for any individual has been compromised. Element will continue to focus on data security and will engage both legal and technical experts, if and when necessary, to maintain strong data governance and security. Element has also worked with its insurance providers to put in place appropriate cyber coverage to insure against information security risk.

#### Human Rights

In addition to the Code of Conduct and Ethics, Element has a Human Rights Policy that is reviewed and approved annually by its Board of Directors. The Human Rights Policy outlines Element's principles in respect of human rights, including prohibitions against child labour, forced labour and discrimination, as well as Element's commitment to a safe working environment, and the freedom of association of its employees.

#### Stakeholder Consultation

Element believes that it is important to consider all of its stakeholders, including employees, clients, investors and suppliers. As such, Element engages all stakeholders to solicit their feedback and considers such feedback when setting its corporate strategy. In addition to our Employee Engagement survey and our Client NPS Survey, Element also meets with investors regularly to answer investor questions and obtain feedback on Element's strategic objectives and ESG matters.





## QUESTION & ANSWER

# Interview with Joan Lamm-Tennant

BBA, MBA, PhD  
DIRECTOR SINCE 2014

## Q: How does Element's Board action its responsibilities to integrate ESG into its work?

**A:** The Board has a responsibility to provide oversight over, and endorsement of, Element's ESG strategy. This responsibility has been facilitated by Management's introduction of a new ESG Scorecard, which reflects Element's strategic and risk management goals. The Board fully endorses this scorecard, which is an effective tool to help our leaders engage their people and focus on actions that will meaningfully advance our ESG strategy.

A good example of the Board's oversight and endorsement is our working with Management to build a more diverse and inclusive organization. Element has started the important work of benchmarking to gain clarity on the implications of where we are and how to move forward. This benchmarking will provide management the insight to set the right targets, which the board will then review. We maintain an open dialogue with management in board meetings as to how we can successfully deliver against our goals.

As for the board itself, we recently achieved our goal of having 30% women directors. Going forward, it will be critical to foster and maintain all types of diversity on the board and throughout the organization. Our aim is to be thought partners with management so that we invest the appropriate time and resources to move these high level ESG objectives towards hard measurement goals.

## Q: How has managing ESG risk shifted the board's priorities?

**A:** The Board recognizes ESG less as a risk and more as an opportunity that is core to the value proposition of our company. It touches everything we do. I've written a lot about stakeholder capitalism and how companies must consider all their stakeholders, rather than just their shareholders. This is what drives the true well-being of a company.

At Element, we have always focused on multiple stakeholder groups by considering our strategy from the point of view of our employees, our clients and our business. This approach has been integrated into our Global Balanced Scorecard from the beginning, and now we're going deeper. We believe that having a

strong ESG mindset fosters the same conditions that drive productivity, creativity, and courage; all of which are linked to higher profitability. These conditions include employee engagement, organizational trust, and developing dense social relationships, both internally and externally.

By integrating ESG as a through line to the business, it becomes a larger, more integral piece of our strategy discussions with the management team.

## Q: How do you see ESG as a currency in the business world? How will things shift as we recover from Covid?

**A:** ESG will be a tremendous currency on a number of fronts, first and foremost, in the race for talent. I think companies working on the principles of ESG, and who are authentic, clear, and committed, will have an advantage in hiring and retaining the best people. Companies will be very competitive with talent when they can demonstrate commitment and an action plan.

Early research has shown that the strength of Element's ESG currency will also show up in a reduced cost of capital. As we move rapidly towards more standardized reporting, ESG commitments will become more robust, companies will make better capital allocation decisions, and stakeholder dialogues will be enhanced. This will lead to higher market valuations – the true currency of ESG.

And as companies move towards creating more substantive ESG programs, we will continue to see how interlinked the topics of environment, social, and governance are – and they have only become more so in the wake of the pandemic. Data shows that globally, marginalized communities are more impacted by the effects of climate change. COVID quickly exposed additional systemic inequities and social injustices that exist for racial and economically marginalized populations, shining a spotlight on them. It is clear that environmental, social, and governance issues can no longer be treated distinctly. As we move forward, a more holistic approach to ESG – one where stakeholders receive the net benefit from an E-S- and G perspective, will be critical.



DRIVING FORWARD

This is just the start of our ESG journey, and we have an ambitious agenda for 2021 and beyond.

2021 PRIORITIES

Establish a robust ESG baseline:

- Continue rollout of priority initiatives (i.e., EV, D&I training)
- Include greenhouse gas emissions as part of client monthly business reviews
- Full employee D&I baseline
- Pay equity analysis
- Supplier diversity fact base

LONGER-TERM PLANS

- Leverage baseline to publish more detailed ESG reporting in line with SASB and GRI standards and incorporate ESG into investor disclosures, client communications, RFPs, etc.
- Identify indicators that align with the United Nations Sustainable Development Goals
- Explore new technology, such as our Telematics offerings, to improve environmental and safety outcomes
- Commit to internal fleet electrification
- Review procurement options to reflect our focus on more climate-friendly and/or diverse supplier-certified options





[elementfleet.com](https://elementfleet.com)