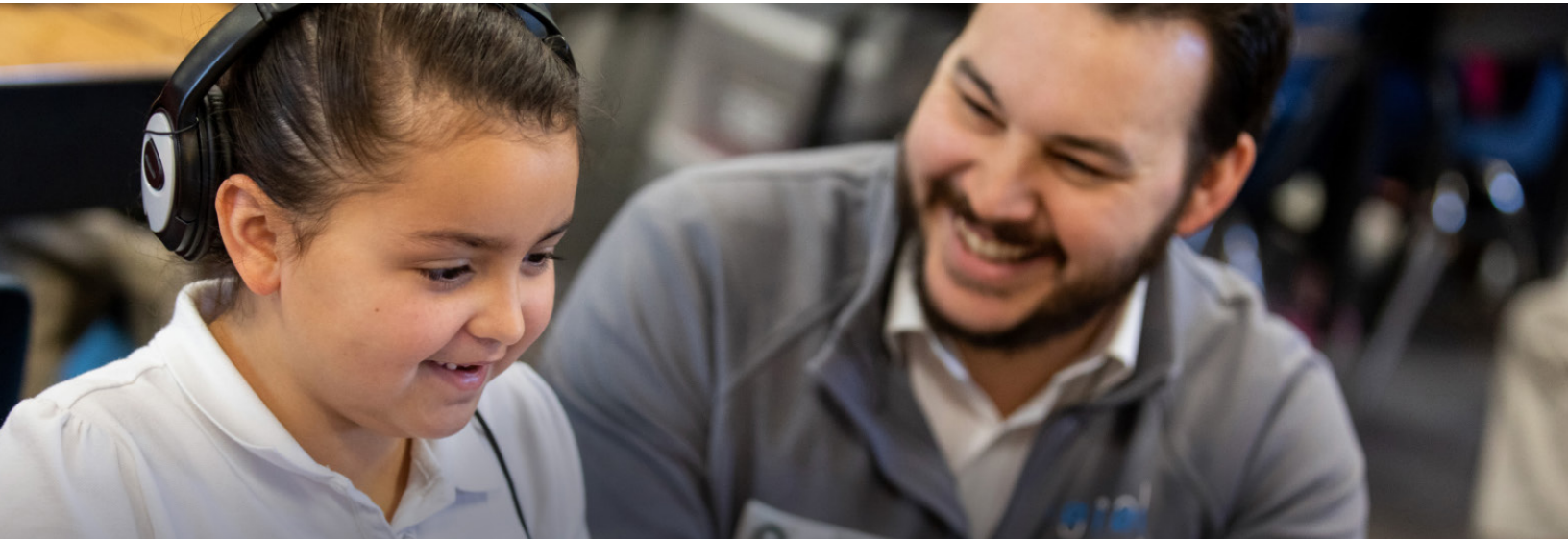


A PUBLICATION OF KOCH COMPANIES

Discovery

Volume 27 | Number 4 | October 2021



KOCH'S STEWARDSHIP FRAMEWORK



Discovery

WHY BE DIFFERENT?

Sometimes we forget or take for granted the advantages of working at a different kind of company.

Because Koch Industries is privately held, short-term constraints such as quarterly earnings estimates and annual budgets are not a driver for us. We're free to focus on creating long-term value in a responsible way. We also have shareholders who are eager to reinvest 90% of our earnings rather than paying out big dividends. That helps us fund all sorts of new growth and opportunities.

We promote innovation — and not just the technical kind. We value new ways of thinking that will help remove barriers and enable more and more people to succeed. We don't mind being in the minority when it comes to opposing cronyism, special treatment and government favors for the few. Koch has lobbied for changes we knew would hurt our bottom line short term — such as eliminating special tax credits and subsidies — because we believe society will be better off long term without them.

Our Vision and Guiding Principles emphasize that the key to personal and corporate success is self-actualization. We do everything we can to create an environment where all employees can contribute in their own unique way. That's why we try to align roles and responsibilities with individual strengths and passions.

All these things — and more — not only make Koch different, they make us successful. And we want to continue that trend.

At Koch, stewardship is about more than just the environment.

Like many other companies, we have recently been pressured to implement or accept ESG (environment, social and governance) goals devised by special interest groups. It's hard to ignore the growing number of companies that are adopting these top-down mandates and rules that aren't rooted in mutual benefit.

We prefer to address these issues by using a principles-based approach toward stewardship. We're all about bottom-up solutions and empowering individuals.

Here's what our Guiding Principle 2 says: **Act with proper regard for the rights of others. Put safety first. Drive environmental excellence and comply with all laws and regulations. Stop, think and ask.**



Dave Robertson, President and COO, KII

As you'll see in this issue of *Discovery*, following Principle 2 has helped us improve the environment, enable human progress and create real value for society.

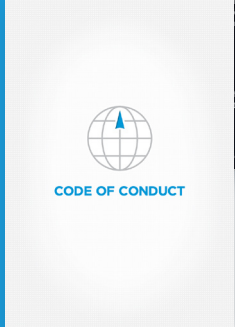
In particular, I want to emphasize how stewardship is reflected in our work to help individuals self-actualize, to become the best they can be. Real stewardship requires a genuine appreciation for the dignity of every individual, something we reinforce with Guiding Principle 7 – Respect: **Treat everyone with honesty, dignity, respect and sensitivity. Embrace different perspectives, experiences, aptitudes, knowledge and skills in order to leverage the power of diversity.**

We believe it is disrespectful to judge someone, positively or negatively, based on generalizations about their group identity. No single characteristic should be used to define another person. We want to create and perpetuate an environment where we all help others in a spirit of mutual benefit. Our commitment to this way of thinking is reflected in the many philanthropies we support, such as the mikeroweWORKS Foundation, the Thurgood Marshall College Fund and those organizations mentioned on pages 4 through 7.

As you'll see on pages 8 through 12, we are also passionate about the environment and are continually improving in the areas of energy conservation, air quality, water, greenhouse gas emissions and waste elimination. If we fall short in any of those efforts, we take responsibility and adjust accordingly.

Given the choice between virtue signaling or implementing an actual framework for positive change, there's no question in my mind which approach actually works. We all need to be responsible for our actions, thoughtful about the resources entrusted to our care and always respectful of the rights of others. That's what real stewardship is all about.

A handwritten signature in black ink that reads "Dave Robertson". The signature is fluid and cursive, written in a professional style.



GOVERNANCE PRIORITIES

Corporate governance is not an everyday concern for most people. It is, however, a big part of what makes companies act the way they do.

Koch’s Stewardship Vision for addressing governance encompasses seven priorities: Shared Vision and principles, private ownership, compliance and ethics, oversight and continuous improvement, our corporate board, financial strength and responsibility, and open communication.

There are a number of other governance priorities that could have been included based on what other companies are doing. But we are different and remain true to our MBM® principles. Being a private company is a competitive advantage. It allows us to have a long-term focus, enabling us to more fully concentrate on creating value for others.

For example, although Koch Industries is privately held, its leadership is committed to openly and proactively communicating about important governance issues. Although it is not obligated to do so, Koch continually reaches out, not just to employees and customers, but to suppliers, communities, co-investors, regulators and society as a whole. There are abundant examples of this:

Curious about Koch’s environmental performance? You’ll find websites and publications with page after page of detailed information. Did you know that Koch recycles, reuses or treats more than 90% of the waste it produces?

Wondering what Koch expects of its employees? Check out the company’s Code of Conduct, which includes this admonition: “The company appreciates the value of diversity.

To deny someone’s contribution to the company because of unlawful discrimination or harassment would be an injustice not only to the individual, but to the company as well, and will not be tolerated.”

Need to know more about Koch’s unique business philosophy, Market-Based Management®? Charles Koch has written three books on the subject, all of which are filled with detailed explanations of how and why the company operates the way it does. The most popular of these, “Good Profit,” was an instant New York Times bestseller.

When Charles Koch commented on “Good Profit” recently, he said: “Six years ago, I wrote a different kind of business book. It was not about getting rich quick or crushing the competition or trendy management techniques. Instead, it was about using proven principles to conduct business in a mutually beneficial way.”

We approach governance with the desire to act responsibly in a spirit of mutual benefit. We focus on maximizing bottom-up solutions rather than top-down mandates, which puts the focus on (and provides opportunities to) individuals rather than hierarchies. Our compliance standards and risk management systems are geared toward helping employees make good decisions. We audit frequently to make sure our systems are resilient.

Yes, we believe our words and commitments matter. That’s why we seek employees and partners who strive to act consistently with our principles. The same is true for our approach to social and environmental priorities.

SOCIAL PRIORITIES



As Dave Robertson emphasized on page 2, we strive to treat every person with dignity and respect. We believe every person is unique and — if given the right opportunities — can make a contribution that not only benefits society but helps that individual self-actualize. Self-actualization is essential for Koch, or any company, to create virtuous cycles of mutual benefit.

Koch's approach to diversity and inclusion focuses on valuing the range of experiences, thoughts, ideas and backgrounds of our 120,000 global employees — and bringing them together to solve problems, experiment, innovate and transform. As Charles Koch has pointed out, our stewardship framework is “built around human flourishing.”

The health and well-being of our employees and communities is always our first priority. Our people build capabilities daily by learning and transforming themselves and their work to reduce hazards and create resilience in the systems designed to protect them. A great example of this is the monitoring solution designed by Molex, which is not only an environmental compliance tool, but a way to detect process and product releases that would be harmful.

The following are some specific examples of how Koch is addressing these priorities in the social arena.

GLOBAL COMMUNITY ENGAGEMENT

Molex, the Koch company with the most employees, recently launched a global engagement program to help employees find ways to make a difference where they work and live.

According to Erica Holm, community affairs program manager at Molex, implementing a community engagement program during a time of COVID concerns has been challenging but rewarding.

“We decided to focus on four areas where we think Molex can make the biggest difference for our communities,” Holm said.

Helping coordinate and implement Molex's initiatives is a network of community ambassadors. Thirteen regional leaders support the local ambassadors in 18 countries. They all connect with each other and senior leadership to share knowledge and celebrate successes.



“That gives us a platform for learning cross-cultural practices from international teams,” noted Lucy Li, the regional lead for China.

Although the program is new this year, it has already led to successful projects benefitting recovery and relief programs, education, mentoring, and environmental cleanup and planting events. Many Molex employees have provided unprecedented, hands-on support to local hospitals and organizations during the COVID crisis in their local communities.

“We’ve already seen the ways we can help people transform their lives and their communities. Our employees are thrilled to have the opportunity to contribute by helping others.”



Counterclockwise from top of page 4:

Atlanta — The Georgia-Pacific Foundation funds a wide variety of community enrichment investments focused on improving the social and economic well-being of citizens.

Chicagoland — Molex is a global supplier and sponsor of the FIRST (For Inspiration and Recognition of Science and Technology) student robotics program. So far this year, the company has distributed robotics kits to more than 4,100 student teams around the world.

Barcelona — Molex employees in Spain helped clean up a beach June 5, World Environment Day. **Malaysia** — In June, Molex employees were given approval from the National Security Council to set up the very first COVID vaccination clinic in their community.



KNOWLEDGE NETWORKS

In keeping with our Stewardship Framework and Vision, Koch promotes diversity in a more inclusive way, from an individual's standpoint.

“Our starting point,” said Steve Daley, president of Koch’s MBM capability, “is an absolute belief in the importance of having an inclusive workforce. We are convinced we can’t succeed long term without diversity. Our Guiding Principle 7 – Respect, makes it absolutely clear that we are to ‘embrace different perspectives, experiences, aptitudes, knowledge and skills in order to leverage the power of diversity’ in all Koch companies.”

There’s nothing wrong with having a group based on shared interests, Daley continued, “as long as the group is voluntary, inclusive, encourages diverse perspectives and doesn’t request special treatment. Otherwise, they run the risk of becoming exclusionary, divisive or self-focused.”

From an MBM perspective, the purpose of any network or business group should be to build and broaden our employee base. “If we ringfence ourselves with only those people who have backgrounds like ours or the same perspective,” Daley said, “that limits discoveries and sets us up for failure. What we value most at Koch is an individual’s character and contribution mindset, not credentials, connections or group affiliation.”

Does Koch’s unique approach work? Cara Chennault-Reid, the COO of Koch Global Services group, says “yes, it does work. While it’s not always perfect, we do have a great recent example with Koch’s intern program,” which made Forbes’ list of Top 100 Internship Programs this year.

Discovery

“We want everybody to have the opportunity to be included.”

Cara Chennault-Reid, COO Koch Global Services — HR Solutions and Facilities & Real Estate (LIFT)



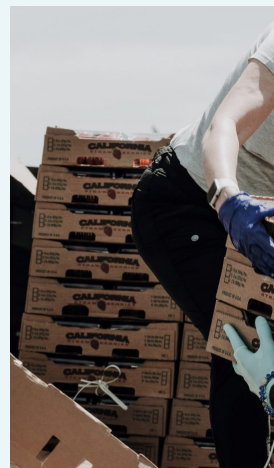
“One of the first criteria for this recognition was having a bias for action as it relates to advancing diversity and inclusion. Time and time again our interns tell us they are amazed by the access they have to senior leadership, including Mr. Koch himself.” (Charles Koch makes a point of addressing the interns and answering their questions every year.)

When it comes to promoting diversity, Daley, who has a passion for history, points to a word of caution in Abraham Lincoln’s most famous speech before becoming president. “Lincoln warned us all that ‘a house divided against itself cannot stand.’ The verse he was quoting also says the same about cities and nations. True diversity means we work *together* in identifying opportunities, solving problems, and creating greater value for others rather than retreating into closed groups, no matter how well intended those groups may be.”



“We can all win together. And the bigger the ‘we,’ the bigger the win.”

Charles Koch





1900 – Students in a pharmacy lab at Howard University. (Image credit: [Buyenlarge]/Getty Images.)

A PICTURE IS WORTH A THOUSAND... SCHOLARSHIPS?

Whenever artists, ad agencies, web developers or historians need great pictures, Getty Images is often their go-to source. The Getty Images platform includes one of the largest collections of privately owned photographs in the world. (Three years ago, Koch Equity Development became an investor in Getty Images.)

Stand Together, an extensive philanthropic community founded by Charles Koch and strongly supported by the company and many of its leaders, recently funded an exciting new project that leverages Getty Images' capabilities in a new way to benefit selected HBCUs (Historically Black Colleges and Universities) and UNCF (formerly the United Negro College Fund and recipient of more than \$25 million in funding from the Koch Family Foundation and Koch Industries). It's called the Getty Images Photo Archive Grant for HBCUs.

This multi-year commitment begins with Stand Together and the Getty family donating a total of \$500,000 to help digitize up to 200,000 archival photographs owned by selected HCBUs. Getty Images will then represent those images, making them available for licensing worldwide. The HCBUs will retain all copyrights and receive half of the revenue generated from photos licensed. Thirty percent of the revenue generated will fund a new UNCF scholarship exclusively for HBCU students. The remaining 20% will be reinvested to help fund future grants to additional HCBUs for years to come.

"As a society, we can only learn from history if we tell everyone's story," said Mark Getty, co-founder and CEO of Getty Images. "This partnership is an important step in that direction."

"By bringing these images to millions more people," added Brian Hooks, Stand Together's CEO, "this new curation will help celebrate the unique contributions that HCBUs, their graduates and faculty members have made and continue to make for our country."



Stand Together is partnering with VOMO, a cloud-based volunteer platform, to connect volunteers with more than 250,000 service opportunities around the world. Together, they helped engage 20,000 volunteers for 1DayLA July 2.

Discovery

ENVIRONMENTAL PRIORITIES

Koch's commitment to environmental excellence is well documented but also broader than most people realize. As Dave Robertson mentioned on page 2, all Koch companies share five environmental priorities:

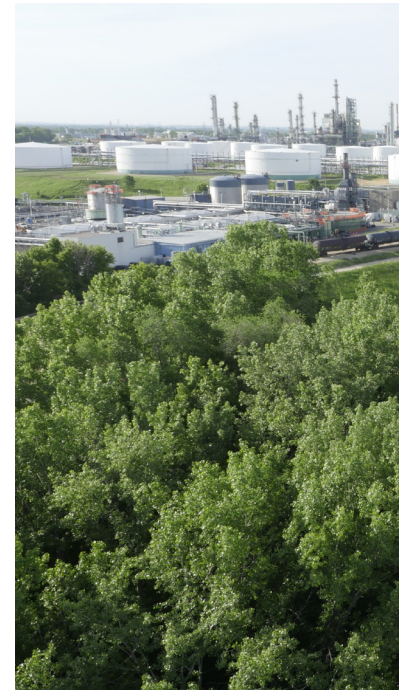
Innovation involves discovering and developing new technologies for creating more value while using fewer resources, minimizing waste and improving environmental performance. Doing an even better job of improving **energy efficiency** will help further reduce greenhouse gases. **Air quality** initiatives are focused on finding new ways to reduce and improve air emissions even more. Our longtime focus on **water use** is reflected in the efforts by several Koch companies to further reduce water consumption and improve the quantity and quality of water discharge from plants. And by effectively **managing our resources**, including the land where our facilities are sited, we can create more value for Koch and our constituencies.

PARTNERSHIP ON ENVIRONMENT

Few people realize how much Koch Engineered Solutions has done to improve the world's environment. Although the company is best known for designing and making fractionation and combustion systems, it is also a leader in CO₂ and overall emissions reduction technologies.

By using mass-transfer equipment from Koch-Glitsch, customized combustion innovations from John Zink Hamworthy and purification technology from Koch Separation Solutions, process facilities of all kinds can reduce emissions. KES also provides turnkey design and construction expertise for building emission control systems of all types.

KES is well known for its capabilities in the rapidly evolving arena of next-generation fuels, which can now be made from a broad array of alternative feedstocks. Its Optimized Process Design unit can design and deliver a new fuel plant in less time (20% faster) and at a lower



overall cost (10% less) than competitors. KES has also earned a great reputation for water filtration products and has partnered with Georgia-Pacific to build a recycling facility that is turning municipal waste into pulp for making boxes and containers.



Many Koch facilities use KES technology. Pine Bend Refinery in Minnesota (above) has relied on KES innovations to help reduce targeted emissions by more than 70% since 1997.

KES's capabilities in engineered equipment and analytics help industries remain compliant with increasingly stringent environmental regulations. They also help customers use resources more efficiently. Being able to use less water for processing and less fuel for combustion or power generation can have enormous benefits for the environment.

Dan Haycock, chief commercial officer for KES, is pleased with how the company offers so many important environmental benefits to customers outside of Koch. "It's important for us to help our customers achieve their own stewardship goals."

"Our innovations and environmental technology have helped them operate in ways that are cleaner, more efficient, more compliant and more reliable," Haycock said. "Although we look at things through the lens of stewardship rather than ESG checklists, the simple fact is we all have stewardship responsibilities and we all want to achieve environmental excellence."

PUTTING DOWN ROOTS

Georgia-Pacific is known for using forest products to make everything from plywood to paper towels. In the communities where its employees live and work, GP is also known for helping make public spaces such as ballfields, playgrounds, parks and trails even better. "By doing that," said Jack Priblo, GP's senior director of marketing, "we help bring people together in ways that benefit the community. That's been especially important during this time of COVID."

"It only makes sense that a leader in sustainable forestry would also be a leader in helping our communities thrive. These are the places where we as families put down our roots. It also makes sense," Priblo added, "that GP invests in America's greatest natural resource — our children — by supporting equal access to a quality education. We are working to increase access to opportunity by actively supporting our teachers and schools, innovative STEM and vocational instruction, job training and workforce development."



Discovery



THOUSANDS, MILLIONS AND BILLIONS

Imagine you're a groundskeeper responsible for maintaining a football field. Then imagine you're responsible for 4.4 million football fields. What's more, you're expected to keep track of nearly 2 billion trees growing on all those properties. That's the size of the challenge facing Bobby Maddrey at Georgia-Pacific.

Maddrey is GP's director of global forestry and biodiversity. He's responsible for making sure GP does not buy any timber harvested from the 6 million acres of endangered forests and protected wildlife habitats. (GP owns no forest land, so it buys timber and feedstocks from hundreds of suppliers in the U.S.) In the past, monitoring all those properties meant Maddrey and GP's small army of foresters had to drive what he describes as "thousands and thousands and thousands of miles" to inspect sites from Pennsylvania to Texas and all along the Pacific coast. Thankfully, a combination of two technologies — digital forest mapping and satellite monitoring — has changed how he looks at things.



Bobby Maddrey, Georgia-Pacific's director of global forestry and biodiversity.



GP is the first and only forest products company that maps and monitors endangered forests to help ensure it only purchases sustainably sourced wood.



In March, GP's Leaf River facility in New Augusta, Miss., became the first pulp mill in the nation to earn EPA ENERGY STAR certification.





“Our mapping process is very complex,” Maddrey explained. “We combine state biodiversity data, sophisticated modeling and inputs from environmental groups to create customized maps. Then we overlay those with satellite imagery to get the best possible picture of these forested tracts.

“An algorithm our team developed can identify any changes in vegetation and produce a detailed display showing exactly where those changes have occurred.” Maddrey said he can monitor timber tracts in any one of 19 states on a monthly basis, all from his desktop.

The satellite technology GP relies on is provided by Planet, a San Francisco-based company founded in 2010. Planet has deployed about 200 mini-satellites (“they’re smaller than a football”) that photograph every inch of the earth’s land mass every day. Koch Strategic Platforms recently became an investor in Planet, which plans to go public before the end of 2021.



Maddrey emphasized how Georgia-Pacific has made it clear to suppliers it does not want to purchase any products — logs, chips or even sawdust — from trees harvested in endangered forests.

“Whenever our investigative process confirms a cutting in one of those areas, we track the material to make sure it does not end up in a GP mill. We’ve been pretty effective at communicating our message.”

Despite its success, Maddrey said, this program is unique in the industry, “probably because it’s so complex and costly. But we do it anyway, because we think it’s the right thing to do. I believe GP’s approach to protecting the environment in this way is the best there is.”

“What Bobby and our team have accomplished with programs like this is really impressive,” said John Mulcahy, GP’s vice president of sustainability. “You don’t always think of trees and technology in the same breath but that’s a daily reality for us. When you combine our endangered forests program with our companywide support for sustainable forestry and our innovative new products, such as recyclable padded mailers for e-commerce, it becomes clear that GP is committed to stewardship in every sense of the word.”

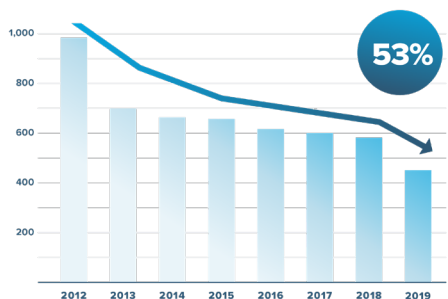


“I’m proud to work for a company that cares deeply about using resources wisely and creating an environment that empowers individuals to be the best they can be.”

Sheryl Corrigan, Director of Environmental, Health & Safety

Koch by the numbers

Check out the data around our ongoing commitment to environmental responsibility and the strides we've made in increasing efficiencies and conserving resources through the years.



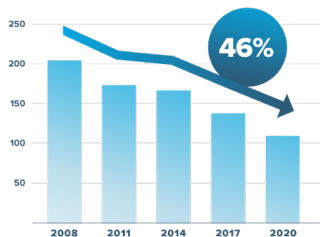
LESS WASTE

From 2012 to 2019, our U.S. facilities decreased the amount of production-related waste from our facilities by 527 million pounds. That's 53% – including a year-over-year reduction of approximately 125 million pounds from 2018. The latest U.S. EPA TRI report (2019) reflects how Koch companies have responsibly managed our production-related waste across numerous industries.



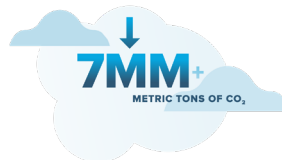
REUSE & RECYCLE

In 2019, Koch reporting facilities recycled, reused for energy or treated 91% (415 million pounds) of all waste produced while making the things that make life better.



CRITERIA AIR POLLUTANTS

Koch companies reduced EPA criteria air pollutants – among those most common to industry – by 46% from 2008 to 2020.



GREENHOUSE GASSES

In the U.S., we've reduced greenhouse gas emissions by 15% since 2014 – that's a reduction of more than 7 million tons of CO₂.



INVESTING IN EFFICIENCY

We've invested more than \$1.5 billion in energy efficiency projects across Koch's U.S. facilities since 2015. Since 2011, Koch has implemented more than 1,500 energy-efficiency projects and initiatives in the U.S. alone.



The digital version of *Discovery* has been updated, making it more convenient to read on your desktop and mobile devices.



DISCOVERY | OCTOBER 2021 | VOLUME 27 | NUMBER 4

Email us: discovery@kochind.com



koch.link/Discovery

