
REPUBLIC SERVICES®

# Sustainability in Action™

2021 Summary Annual Report


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This Summary Annual Report reflects results as of and for the year ended December 31, 2021, except where noted.

## FINANCIAL

**$11B**
**REVENUE**
11% YOY increase

**30%**
**ADJUSTED EBITDA MARGIN**
60 basis points YOY expansion

**$1.52B**
**ADJUSTED FREE CASH FLOW**
23% YOY increase

## CUSTOMER

**13M**
**CUSTOMERS**

**5M**
**AVERAGE DAILY PICKUPS**

**95%**
**CUSTOMER RETENTION**

## TEAM

**35K**
**EMPLOYEES**

**38%**
**BETTER SAFETY PERFORMANCE**
than the industry average over the past 10 year period based on OSHA recordable rates

**84%**
**EMPLOYEE ENGAGEMENT SCORE**

## OPERATIONS

**5TH**
**LARGEST VOCATIONAL FLEET**
in the nation with 16,000+ trucks

**900**
**LOCATIONS NATIONWIDE**

**5M**
**TONS OF MATERIALS PROCESSED**
in recycling centers

# Dear Shareholder,

**It is an exciting time to be at Republic Services. We had a record year in 2021, which demonstrates both the value our strategic investments are creating and the power that can be harnessed from our differentiated capabilities. We continued to make substantial progress toward our multi-year financial, operational and sustainability goals. We further advanced our aspiration as an employer of choice, being the place where the best people come to work. We value people with exceptional talents and diverse backgrounds who thrive in a culture where they feel respected, supported and encouraged.**

## 2021 FINANCIAL HIGHLIGHTS

In 2021 we delivered record-setting growth and profits. The team generated adjusted earnings per share of $4.17, which increased 17 percent over the prior year; produced $1.52 billion of adjusted free cash flow, a 23 percent increase over the prior year; and expanded adjusted EBITDA margin 60 basis points to 30 percent.[1]

Profitable growth remains our objective, and we continue to invest in acquisitions to create long-term value. In 2021, we invested more than $1 billion in acquisitions to further enhance our market position and increase cash flow—the highest level of acquisition investment in over a decade. This included investments in recycling and solid waste as well as the environmental solutions business. We expect another outsized acquisition investment year in 2022 in addition to above average organic growth.

As part of our balanced approach to capital allocation, we returned $805 million to our shareholders in 2021 through dividends and share repurchases. The strength of our 2021 performance demonstrates the value our strategy is creating and our ability to execute.

**17%**
**Increase in adjusted EPS**

**$1.52B**
**Of adjusted free cash flow generated**

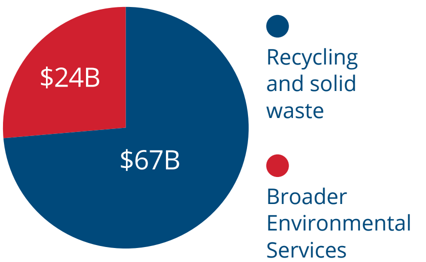
**$1.06B**
**Invested in acquisitions**

**$805M**
**Returned to shareholders**

## PARTNERING WITH CUSTOMERS TO CREATE A MORE SUSTAINABLE WORLD

I believe our company is at an inflection point. Our 35,000 employees have worked hard over the past decade, building a foundation that is enabling us to compete in new ways. Initiatives such as One Fleet, Priority Based Selling and our RISE digital platform have created significant value and differentiated Republic in the industry. This success positions us to do new things, and we have a new company vision that reflects these opportunities.

This vision, partnering with customers to create a more sustainable world, is intentionally ambitious, because we believe we are uniquely positioned to help our customers achieve their own sustainability goals. We're going to continue to expand where we compete by providing customers the most complete set of products and services. This continued expansion strengthens our relationship with our customers and takes us from competing in a $67 billion recycling and solid waste industry to competing in a broader $91 billion environmental services industry.




**$91B**
**Total addressable Environmental Services market**

## Our team delivered 2021's record growth and profitability by executing consistently on our strategy supported by Republic's three differentiating capabilities: customer zeal, digital and sustainability.

**01**

**With customers, we have made progress over the years, but we must continually raise the bar.** Our goal is to not just be the best in our industry, but to be world class. Our customer retention rate remains at a record-setting level of 95 percent, and our NPS score remains well above pre-pandemic levels. We're building a culture that has a heart for the customer throughout every area of our business.

**02**

**Our digital initiative focuses on three areas: customer, operations and core systems.** We are working to enhance the customer experience with new digital tools over the next two to three years. To date, we have implemented tablets in approximately 90 percent of our large and small container fleet, which enabled us to send more than one million proactive automated customer notifications last year alone. We also are in the midst of our multi-year plan to update our core systems. We've already implemented new systems across sales, customer service and human resources, and finance and procurement updates are scheduled for this year.

**03**

**We remain committed to sustainability, because we know we have both an opportunity and responsibility to make our world better while growing our business.** We think of sustainability holistically, including climate leadership, safety, talent and community. It's imperative for us to reduce emissions and achieve greater circularity with the materials we handle to help preserve the environment now and for future generations.

[1] Adjusted EPS, adjusted free cash flow and adjusted EBITDA are defined in Republic's Current Report on Form 8-K, dated February 10, 2022.

We view sustainability as more than just how we operate. We see it as a platform for growth, allowing us to drive circularity while creating additional value for our shareholders. We continue to partner with developers to capitalize on landfill gas to energy opportunities. We expect four of these projects to be completed in 2022, another 14 in the next couple of years and an opportunity for 40 projects beyond this current pipeline. We're bullish on fleet electrification and continue to add electric vehicles to our fleet. We also are making recycling investments beginning this year to forward integrate in the plastics value chain. Recently we announced plans for the nation's first integrated plastics recycling facility—The Republic Services Polymer Center. These investments will provide a platform for future revenue growth with attractive returns and drive a more sustainable world for future generations.

### CULTURE AND VALUES

In addition to updating our vision, we recently updated our company values. We believe that it is not only what we do that matters, but also how we do it. Our first value is obvious for anyone familiar with our company priorities and culture—above all else, we have always been committed to safety. By making "Safe" our first company value, we emphasize the importance of protecting the livelihoods of our coworkers and communities.

Our second value is Committed to Serve. Committed to Serve began as an initiative in the early days of the COVID-19 pandemic as a way to thank our frontline employees and support local small businesses. Our frontline employees continue to rise to the challenge as essential employees, going above and beyond to exceed our customers' expectations.

We take action to improve our environment, so our third value is Environmentally Responsible. It's not enough that our company is delivering on our ambitious sustainability goals, we're also providing services and solutions that help our customers meet their sustainability goals. We have a unique opportunity as well as a responsibility to take care of the environment now and for future generations.

Our fourth value is Driven, because we are committed to delivering results in the right way. Our company operates within a comprehensive corporate governance framework that sets expectations for professional and personal conduct, defines responsibilities and helps ensure ethics and compliance. This has led to multiple achievements in the past year, including recognition as one of Fortune's World's Most Admired Companies and 3BL Media's 100 Best Corporate Citizens of 2021.

Finally, we are Human-Centered. We respect the dignity and unique potential of every person. We need a broad range of ideas and perspectives to allow our team members to grow, thrive and exceed our customers' expectations. Republic will continue to be a model for inclusiveness and equal opportunity.

**I am incredibly optimistic about our future and the impact we will deliver for all of our stakeholders. We're committed to delivering superior service to our customers. We continue to be the place where the best people come to work. We help the communities in which we operate to thrive. Our investments and efforts with these stakeholders will continue to drive outstanding results for shareholders.**

**I want to thank all of our employees for their achievements over the past year and our Board of Directors for their guidance and support. Together, we'll put sustainability in action.**

Jon Vander Ark

**Jon Vander Ark**
President and Chief Executive Officer

## Our Values

### Safe
We protect the livelihoods of our colleagues and communities.

### Committed to Serve
We go above and beyond to exceed our customers' expectations.

### Environmentally Responsible
We take action to improve our environment.

### Driven
We deliver results in the right way.

### Human-Centered
We respect the dignity and unique potential of every person.

OUR VISION

# Partnering with customers to create a more sustainable world

We're dedicated to providing sustainable solutions for customers across our operations.

Through landfill and fleet innovations, renewable energy production and advanced recycling technology, we deliver on customer promises.

"It's imperative for us to reduce emissions and achieve greater circularity with the materials we handle for our customers to help preserve the environment now and for future generations."

**Jon Vander Ark**
President and Chief Executive Officer

At Republic Services, we are

# Sustainability in Action

Customers care about sustainability now more than ever. They're looking for a partner that demonstrates real commitment. We are that partner, and we are taking action.

## Action for our customers

Partnering with customers to deliver on their sustainability goals, from responsible recycling and waste disposal to carbon neutrality and materials circularity.

## Action with our people

Hiring and retaining a workforce that represents the communities we serve, while creating a best-in-class employee experience where people of all backgrounds can grow and thrive.

## Action in the communities where we live and work

To help ensure cleaner and healthier neighborhoods for years to come so that the moments that matter most can be enjoyed and passed on to future generations.

# Awards & Recognition

3BL MEDIA 100 BEST CORPORATE CITIZENS 2021

CDP DISCLOSER 2021

FORTUNE WORLD'S MOST ADMIRED COMPANIES® 2021

Sustainability Yearbook
Member 2021
S&P Global

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

TOP 100
BARRON'S
Most Sustainable Companies 2021

2021 People COMPANIES THAT CARE

Great Place To Work®
Certified
AUG 2021-AUG 2022
USA

## Committed to Serve

Republic Services is proud to be an essential environmental services provider making a difference for our customers, communities and our team. That's why we launched Committed to Serve, which has provided **$50M of support** since the beginning of the pandemic.

**$3 million**
contribution to our charitable foundation to support the rebuilding of small businesses

**$6 million**
to local restaurants for meals for employees and their families

**$11 million**
in gift cards to frontline employees to support the local economy

**$14 million**
in Committed to Serve awards of $500 to each of our 28,000 frontline employees

**$17 million**
in year-end awards to recognize frontline employees and support staff

# Our 2030 Sustainability Goals

**SAFETY**

### Safety Amplified

**0**

Employee fatalities

### Incident Reduction

**<2.0**

Reduce our OSHA Total Recordable Incident Rate (TRIR) to 2.0 or less by 2030

**CLIMATE LEADERSHIP**

### Science-Based Target

**35%**

Reduce absolute Scope 1 and 2 greenhouse gas emissions 35% by 2030 (2017 baseline year)

Approved by SBTI[1]

### Circular Economy

**40%**

Increase recovery and circularity of key materials by 40% on a combined basis by 2030 (2017 baseline year)

### Renewable Energy

**50%**

Increase beneficial reuse of biogas by 50% by 2030 (2017 baseline year)

**TALENT**

### Engaged Workforce

**88%**

Achieve and maintain employee engagement scores at or above 88% by 2030

**COMMUNITIES**

### Charitable Giving

**20M**

Positively impact 20 million people by 2030

1. SBTi is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF)

# Board of Directors

### Manuel Kadre
Chairman of the Board

### Kim S. Pegula
Director

### Tomago Collins
Chair, Sustainability & Corporate Responsibility Committee

### James P. Snee
Chair, Finance Committee

### Michael A. Duffy
Director

### Brian S. Tyler
Director

### Thomas W. Handley
Chair, Talent & Compensation Committee

### Jon Vander Ark
President and Chief Executive Officer

### Jennifer M. Kirk
Chair, Audit Committee

### Sandra M. Volpe
Director

### Michael Larson
Chair, Nominating & Corporate Governance Committee

### Katharine B. Weymouth
Director

# Executive Leadership Team

### Jon Vander Ark
President and
Chief Executive Officer

### Catharine Ellingsen
Executive Vice President,
Chief Legal Officer,
Chief Ethics & Compliance Officer

### Brian Bales
Executive Vice President,
Chief Development Officer

### Amanda Hodges
Executive Vice President,
Chief Marketing Officer

### Sumona De Graaf
Executive Vice President,
Chief Human Resources Officer

### Katrina Liddell
Executive Vice President,
Chief Commercial Officer

### Brian DelGhiaccio
Executive Vice President,
Chief Financial Officer

### Tim Stuart
Executive Vice President,
Chief Operating Officer

# Corporate Information

### Headquarters
Republic Services, Inc.
18500 N. Allied Way
Phoenix, Arizona 85054
480-627-2700

### Investor Relations
18500 N. Allied Way
Phoenix, Arizona 85054
investor@RepublicServices.com

### Independent Registered Public Accounting Firm
Ernst & Young, LLP
101 E. Washington St., Suite 910
Phoenix, Arizona 85004

### Common Stock Transfer Agent & Registrar
EQ Shareowner Services
P.O. Box 64859
St. Paul, Minnesota 55164

Learn more about our products as well as view our Sustainability Report and Annual Report at RepublicServices.com.

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
## Washington, D.C. 20549

# Form 10-K

## ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2021**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission file number: 1-14267**

# REPUBLIC SERVICES, INC.

*(Exact Name of Registrant as Specified in its Charter)*

| | |
|---|---|
| **Delaware** | **65-0716904** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(IRS Employer Identification No.)* |
| **18500 North Allied Way**<br>**Phoenix, Arizona** | **85054** |
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

**Registrant's telephone number, including area code: (480) 627-2700**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange On Which Registered |
|---|---|---|
| **Common Stock, par value $0.01 per share** | **RSG** | **The New York Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act:**
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

**Note** – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐
Non-accelerated filer ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of June 30, 2021, the aggregate market value of the shares of the Common Stock held by non-affiliates of the registrant was $35.0 billion.

As of February 3, 2022, the registrant had outstanding 316,431,349 shares of Common Stock (excluding treasury shares of 3,146,953).

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement relative to the 2022 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

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Unless the context requires otherwise, all references in this Form 10-K to Republic, the Company, we, us and our refer to Republic Services, Inc. and its consolidated subsidiaries.

# PART I

## ITEM 1. BUSINESS

### Overview

Republic is one of the largest providers of environmental services in the United States, as measured by revenue. As of December 31, 2021, we operated facilities in 41 states through 356 collection operations, 239 transfer stations, 198 active landfills, 71 recycling processing centers, 3 treatment, recovery and disposal facilities, 3 treatment, storage and disposal facilities (TSDF), 6 salt water disposal wells, and 7 deep injection wells. We are engaged in 77 landfill gas-to-energy and other renewable energy projects and had post-closure responsibility for 124 closed landfills. We were incorporated in Delaware in 1996.

We believe the total addressable environmental services market in which we operate generates approximately $91 billion of annual revenue, which includes the $67 billion U.S. recycling and solid waste industry and $24 billion of the broader environmental services industry. Within our recycling and solid waste business, we prioritize investments in market verticals with above average growth rates and higher return profiles. Environmental services remains fragmented which provides consolidation opportunities to drive scale. We believe we will be able to further expand our addressable market into other segments of the environmental services industry over time by leveraging our differentiated capabilities.

Our operations are national in scope, but the physical collection and recycling or disposal of material is very much a local business and the dynamics and opportunities differ in each of our markets. By combining local operating management with standardized business practices, we drive greater overall operating efficiency across the Company while maintaining day-to-day operating decisions at the local level, closest to the customer.

Our purpose-driven vision is to partner with customers to create a more sustainable world. We believe that our products and services are valuable to our customers and essential for long-term sustainability. We further believe our focus and commitment to sustainability allows us to attract and retain the best talent, win more customers, increase customer loyalty, and ultimately drive higher revenue and profits.

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has impacted the global economy as well as certain aspects of our operations and performance. During this time, we continued to provide essential services to our customers while prioritizing the health and safety of our employees. In April 2020, we launched our Committed to Serve initiative to help our employees, customers and communities across the United States. The impact of COVID-19 on our business and associated costs are discussed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this Annual Report on Form 10-K.

### Foundational Elements

Our strategy is designed to generate profitable growth by sustainably managing our customers' needs, and it is underpinned by three foundational elements – (1) our market position, (2) our operating model, and (3) our people and talent agenda.

#### *Market Position*

Our goal is to develop the best vertically integrated market position to enable us to build density and improve returns. We strive to have a number one or number two market position in each of the markets we serve, or have a clear path on how we will achieve a leading market position over time. In situations where we cannot establish a leading market position, or where operations are not generating acceptable returns, we may decide to divest certain assets and reallocate resources to other markets.

We have a robust market planning process to identify opportunities to grow internally through capital investments and infrastructure development, and externally through acquisitions and public-private partnerships. Additionally, our market planning process allows us to analyze market conditions and proactively adjust to trends as they emerge, including the effects of demographic shifts, and changes in the market and the competitive landscape.

*Internal Growth*

- Volume Growth—We believe volumes are driven by population growth, household formation and new business formation. Volume growth through increases in our customer base and service offerings is the most capital efficient method to grow our business. We seek to obtain long-term contracts for collecting recyclable and solid waste material under residential collection contracts with municipalities, exclusive franchise agreements, and small-container and large-container contracts. We also look to enter into long-term disposal and recycling processing contracts with municipalities and other third parties. By obtaining such long-term agreements, we can grow our contracted revenue base at a rate consistent with the underlying economic growth in these markets. In addition, by securing long-term agreements, we are better able to help ensure we earn an appropriate return on the capital deployed.

- Price Increases - We seek to secure price increases necessary to offset increased costs, improve our operating margins and earn an appropriate return on our substantial investments in vehicles, equipment, landfills, transfer stations and recycling processing centers.

- Expansion of Recycling Capabilities - Based on the most recent U.S. Environmental Protection Agency (EPA) data, we believe approximately 32% of municipal solid waste is recycled and/or composted. We expect that percentage to increase over the long-term as communities enhance and expand their recycling programs for their residents. As a key player in the circular economy, we are strategically focused on expanding recycling volume through innovative material handling processes and programs to help our customers achieve their goals related to sustainability and environmentally sound waste practices while also generating an appropriate return. We will continue to look for opportunities to expand or enhance our recycling capabilities in markets where customers are demanding these services and demonstrating a willingness to pay, and we can earn an appropriate return on our investment.

- Infrastructure Development—We seek to identify opportunities to further our position as a vertically integrated service provider in markets where we are not fully integrated. Our goal is to create market-specific, vertically integrated operations typically consisting of one or more collection operations, transfer stations, landfills and recycling processing centers. Where appropriate, we seek to obtain permits to build transfer stations, recycling processing centers and landfills that would vertically integrate our waste services or expand the service areas for our existing disposal sites. Additionally, we seek opportunities to expand and permit new airspace at our existing landfills in order to replace airspace consumed. Development projects, while generally less capital intensive than acquisitions, typically require extensive permitting efforts that can take years to complete with no assurance of success. We undertake development projects when we believe there is a reasonable probability of success and where reasonably priced acquisition opportunities are not available. Through landfill and fleet innovation, recycling and circularity of key materials, and renewable energy production, we're committed to environmentally responsible operations that increase our efficiency as well as our ability to partner with customers to create a more sustainable world.

*External Growth*

- Acquisitions and Public-Private Partnerships - Our acquisition growth strategy focuses primarily on acquiring privately held recycling and solid waste companies and environmental solutions businesses that complement our existing business platform. We believe our ability to successfully complete these acquisitions is enhanced by the challenges facing many privately-held companies, including increasing competition in the environmental services industry, increasing capital requirements due to changes in regulatory requirements and technology and the limited number of exit strategies for privately-held companies. We also evaluate opportunities to acquire operations and facilities that are being divested by other publicly-owned companies.

We continue to invest in value-enhancing acquisitions in existing markets. Given our free cash flow, availability under our credit facilities and our ability to access the public capital markets, we have the financial flexibility to make additional acquisitions that will complement our existing business platform, including larger acquisitions if the right opportunities present themselves.

We also focus on growth through public-private partnerships, which include the recycling and waste operations and facilities of municipal and other local governments. We believe over time we have an opportunity to acquire operations and facilities from municipalities and other local governments, as they seek to raise capital and/or reduce risk.

We realize synergies from consolidating businesses into our existing operations, whether through acquisitions or public-private partnerships, which allows us to reduce capital expenditures and expenses associated with truck routing, personnel, fleet maintenance, inventories and back-office administration.

***Operating Model***

Our operating model allows us to deliver a consistent, high-quality service to all our customers through the Republic Way: *One Way. Everywhere. Every Day*. This approach of developing standardized processes with rigorous controls and tracking allows us to leverage our scale and deliver durable operational excellence. The Republic Way is the key to harnessing the best of what we do as operators and translating that across all facets of our business. Key elements of our operating model are our organizational structure, safety, fleet automation, compressed natural gas vehicles, fleet electrification and standardized maintenance.

*Organizational Structure*

A key enabler of the Republic Way operating model is our organizational structure that fosters a high performance culture by maintaining 360-degree accountability and full profit and loss responsibility with local management, supported by a functional structure to provide subject matter expertise. This structure allows us to take advantage of our scale by coordinating functionally across all of our markets, while empowering local management to respond to unique market dynamics.

Through this operating model, we have rolled out several productivity and cost control initiatives designed to deliver the best service possible to our customers in an efficient and environmentally sound way.

*Safety*

Republic is dedicated to the safety of our employees, customers and the communities we serve. We have a dedicated team of safety professionals at our corporate headquarters and in our field operations, the leader of which reports directly to our Chief Operating Officer. Due to the nature of our industry, we make safety a top priority and we recognize and reward employees for outstanding safety records. Over the past 10 years, our safety performance (based on OSHA recordable rates) has been 38% better than the industry average. Our *Think, Choose, Live* slogan encapsulates our everyday safety messaging to our employees to: *Think* about what you are doing, *Choose* the safe answer, and *Live* to go home to your family. With the phrase printed on numerous items, including hard hats and the equipment our employees touch, there are constant reminders for employees to go home in the same condition in which they came to work. Our goal is to ensure every one of our employees returns home safely each night.

Through our Safety Amplified program, we are providing even more tools and driving even greater awareness to help our teams better execute our safety standards. Regular training, multifaceted programs and strategic partnerships are key components to this program. It is simple by design and comprised of actions and activities that ensure safety is embedded in all we do. The program includes six initiatives to help us achieve our goal to have zero employee fatalities and reduce our OSHA Total Recordable Incident Rate.

- Focus Together: This effort is the very core of our safety program and is designed to help frontline employees eliminate the six most common types of serious incidents.
- Lead Together: We provide best-in-class communication channels and advanced training techniques for all frontline supervisors and managers to help them guide their teams.
- Partner Together: Staying safe requires involvement by employees at all levels. We've increased leadership visits with frontline employees and supervisors to support each divisions' safety goals.
- Celebrate Together: We take pride in recognizing employees who demonstrate a relentless commitment to safety. Employees with the best driving records are eligible for the industry's most prestigious award, the National Waste & Recycling Association's Driver of the Year. Republic drivers have won 72% of the Driver of the Year awards issued for the large truck category since 2009. In addition, our best drivers are recognized and rewarded with competing in our National Road-EO competition.
- Analyze Together: We analyze real-time data to make short- and long-term decisions and identify opportunities for improvement. Examples include analysis of roadway awareness training, data mapping and other employee protection and preparedness insights.
- Innovate Together: We employ the latest technologies in our fleet, including automation, rear cameras, in-cab backup alarms, and event recording systems and take a data-driven approach to support our employees. We're also working with equipment manufacturers to incorporate safety elements such as seat belt alarms, blind spot awareness, lane departure alarms and other potentially lifesaving equipment in our fleet.

We believe our Safety Amplified program will provide additional benefits for our Company and stakeholders including:

- further strengthening relationships within the communities we service;
- enhancing customer trust;
- streamlining operational processes and increasing productivity;
- delivering a reputational advantage, including positioning our Company as an employer-of-choice;
- building and sustaining a safety culture in all areas of our business; and
- contributing to employee engagement.

For more information regarding our safety performance, refer to our Sustainability Accounting Standards Board (SASB) report, which can be found at republicservices.com/sustainability. The information contained on our website shall not be deemed incorporated by reference in this Annual Report on Form 10-K or in any other filing we make under the Securities Exchange Act of 1934, as amended (Exchange Act).

*Fleet Automation*

Approximately 77% of our residential routes have been converted to automated single-driver trucks. By converting our residential routes to automated service, we reduce labor costs, improve driver productivity, decrease emissions and create a safer work environment for our employees. Additionally, communities using automated vehicles have higher participation rates in recycling programs, thereby complementing our initiative to expand our recycling capabilities.

*Compressed Natural Gas (CNG) Vehicles*

Approximately 21% of our fleet operates on CNG. Approximately 13% of our replacement vehicle purchases during 2021 were CNG vehicles. We believe using CNG vehicles provides us a competitive advantage in communities with strict clean emission initiatives that focus on protecting the environment. Although upfront capital costs are higher, using CNG vehicles reduces our overall fleet operating costs through lower fuel expenses. As of December 31, 2021, we operated over 40 CNG fueling stations.

*Fleet Electrification*

We are taking a leadership position in electric technology innovation for our fleet. This is a critical step toward reducing our environmental impact through lower fleet emissions, and we believe it will also improve our total cost of ownership while providing a competitive advantage in certain communities. We are partnering with multiple manufacturers to pilot electric-powered recycling and solid waste trucks. As electric vehicle technology continues to develop, we will further deploy electrification to our fleet.

*Standardized Maintenance*

Based on an industry trade publication, we operate the fifth largest vocational fleet in the United States. As of December 31, 2021, our average fleet age in years, by line of business, was as follows:

| | Approximate Number of Vehicles | Approximate Average Age |
|---|---|---|
| Residential | 7,000 | 7.3 |
| Small-container | 4,900 | 6.7 |
| Large-container | 4,500 | 8.8 |
| Total | 16,400 | 7.6 |

OneFleet, our standardized vehicle maintenance program, enables us to use best practices for fleet management, truck care and maintenance. Through standardization of core functions, we believe we can minimize variability in our maintenance processes, resulting in higher vehicle quality and a lower environmental footprint, while extending the average service life of our fleet. Additionally, our focus on preventative maintenance is improving the reliability of our fleet and enabling us to provide superior service to our customers, differentiating us from our competition.

***People and Talent Agenda***

Being human-centered is at the core of our robust people and talent agenda. We strive to maintain an environment that attracts and retains the best talent. Our over 35,000 full-time employees are a critical component in successfully executing our strategy and running our operations. We aspire to always be a company where the best people, with exceptional talents and diverse backgrounds, can thrive, and we foster a culture of caring where people feel respected, supported, and encouraged to bring their best selves to work.

We are dedicated to driving our people and talent agenda, which includes (1) representing the diversity of the communities we serve and sustaining a safe and inclusive culture, (2) maintaining a highly engaged workforce, (3) developing our talent through learning and development experiences, and (4) offering rewards that attract and retain the best workforce. We review key progress metrics such as representation, engagement and turnover and regularly report on these metrics to our Board of Directors. This level of reporting holds all of our leaders accountable for the continued growth and development of our people.

*Inclusion and Diversity*

We believe the composite strength of our employees' ideas – built on their unique experiences and backgrounds – is essential to our ability to meet and anticipate our customers' needs. We are proud of the diversity of our front-line workforce, as it closely represents the demographics of the communities we serve. We are relentless in our focus to improve representation of diverse groups across all levels of the Company. Our commitment to inclusion and diversity starts at the top of our organization, as outlined in our Mission of Supporting an Inclusive Culture (MOSAIC), established in 2013, and supported by the MOSAIC Council. The MOSAIC Council consists of leaders from across the Company who serve as ambassadors and thought partners for inclusion and diversity. This enables us to continue to develop new strategies and activities that are tied to the needs of our employees, customers and business with the goal of creating an even more inclusive work environment and diverse workforce.

We support inclusion and connectivity for our diverse populations through our business resource groups, including Women of Republic, VALOR (Veterans, Advocacy, Learning, Outreach and Recruiting), and the Black Employee Network (BEN). Given the representation of LatinX employees in our workforce and the desire to create community amongst this valued population, we launched Unidos in the summer of 2021. While business resource groups help to drive a more inclusive environment for our diverse populations, we remain committed to driving inclusion for all of our employees.

As the nation continues to experience inflection points in race relations, we are well-positioned to address the call for social justice because it aligns with our human centered values and is reinforced by our existing commitment to advancing and supporting Black employees and Black communities.

In 2021, we continued our focus on providing programs and virtual events to advance awareness, education and connectivity across our workforce. Our "Let's Talk" series, which has had over 10,000 virtual attendees, is aimed at furthering our employees' understanding and empathy related to the topic of inclusion and diversity. In conjunction with this series, we launched "Let's Connect" – an opportunity for employees and diverse groups to share their unique experiences and perspectives directly with our CEO. We will continue to offer opportunities to help our employees conduct courageous and authentic conversations with one another, and we are committed to maintaining a work environment where people of all backgrounds feel valued and safe to share their perspectives.

*Employee Engagement*

We believe an engaged workforce is a key element of our success as engaged employees deliver better customer service and are more productive. We measure employee engagement through a third-party survey, assessing employee sentiment on a variety of topics such as pride for the Company, job satisfaction and intention to stay. Our data reinforces that business units with a highly engaged workforce experience less turnover. We also found that employees whose leaders are highly inclusive are more likely to speak up and share their perspective. Regularly hearing from our employees allows us to understand how to support and strengthen an exceptional employee experience. Our goal is to achieve and maintain employee engagement scores at or above 88% by 2030. Our employee engagement score was approximately 84% in 2021, which is above national benchmarks by almost eight points. Approximately 98% of our employees participated in the engagement survey process in October 2021 which represented an all-time high participation rate, compared to approximately 92% in April 2021. Employee engagement is a core part of our business strategy, which is why we compensate our General Managers on their employee engagement scores. This reinforces our commitment for leaders to listen and take action on employee feedback and helps to ensure that our leaders are held accountable and rewarded for their efforts to drive a more engaged workforce.

*Talent Development*

We are committed to providing our employees with opportunities to develop throughout their careers. Our programs, including new hire onboarding and new leader assimilation, reinforce our Company values, expectations, and business approach. Targeted development experiences support the growth of people in key roles, including Driver Training, Technician Training, Supervisor Training, Sales Acceleration, General Manager Onboarding, and more. We believe these programs provide the fundamental skills necessary to be successful across roles. In order to meet the specific needs of the business, in July 2021, we opened a comprehensive Technical Training Institute where we are able to train and develop technicians. In 2021, 20 technicians participated in the program.

Our leadership programs are a critical part of growing our people. We remain focused on attracting, hiring and developing early career leaders. Our rotational training and development programs, including our General Manager Acceleration Program and Leadership Trainee Program, help us attract, develop and advance a diverse and talented pool of individuals from across our organization. Our Executive Leadership team sponsors these programs, providing visibility and support for the career advancement of our high-potential talent across the organization. Since the beginning of these programs in 2017, approximately 60 leaders have graduated into leadership positions. We have found that these programs and experiences help ensure that the next generation of leaders build the necessary skills and experiences to be successful in their roles today, and in the future.

We continue to leverage innovative training methods using mixed mediums to deliver trainings and instruction to our employees across the country. We remain committed to expanding employee participation in learning programs that are relevant to our business strategy and contribute to career advancement for our employees.

As we continue to grow as a Company, we are investing in new technology and tools so employees can do their jobs safely and effectively, while providing day-to-day stability and professional development.

*Rewards*

We offer compensation and benefits that help improve our employees' overall financial, physical, and emotional wellbeing, as well as recognize hard work with opportunities to grow. Our commitment to paying market competitive wages enables us to attract and hire talent all across the country, including an expansion of many opportunities to work remotely. Our approach to paying for performance supports our focus on pay equity. Our compensation packages are designed to provide employees with a stable and livable wage and growth potential. Our focus on wellness also provides our employees with access to preventative care, advice on financial planning and support for mental health, contributing to our efforts to provide a total rewards package that improves and enhances the lives of our employees.

**Differentiating Capabilities**

To effectively execute our strategic plan, we prioritize the development and investment in capabilities that will differentiate us in the marketplace. These capabilities include – (1) customer zeal, (2) digital, and (3) sustainability.

***Customer Zeal***

The goal of customer zeal is to drive customer loyalty by offering differentiated products and services specifically designed to meet our customers' needs. We believe this increases customer satisfaction and willingness to pay for a higher value service. Customer Zeal is a cultural commitment to enable and empower our employees to own their role in the customer experience.

To help our sales team identify specific customer needs and configure the right offering, we use a Priority Based Selling (PBS) technique and our Capture pricing tool nationwide.

- PBS enables us to identify and segment customers' buying priorities, and attract customers that are willing to pay for enhanced offerings.

- Capture is a cloud-based pricing tool that creates a more professional sales experience, helps realize better pricing levels at the point of sale and provides enhanced controls over the price quoting process.

In response to our customers' requests, we expanded our suite of products to include electronics recycling and universal recycling. For those services that we don't provide, we fulfill demand through our alliance partnerships while maintaining the customer facing relationship.

To help ensure a consistent customer experience, we invested in our customer service capabilities and our centralized Customer Resource Center. This state-of-the-art center and the technology it employs provide our customer service employees with the tools and capabilities they need to provide better levels of service though a variety of communication channels. These centers enhance the customer experience and provide us a platform to reduce the cost to service our customers.

To help ensure our efforts are making an impact and building customer loyalty, we solicit feedback from our customers, including Net Promoter Score℠, so that every General Manager receives recent, relevant feedback that allows him or her the ability to reach out to customers directly and address issues immediately.

***Digital***

The goal of our digital priority is to allow us to provide a consistent experience across our business while enabling our customers to do business with us through more channels and with better access to information.

By increasing the ease of use and functionality of our web-based market presence, we believe we enhance customer satisfaction, interaction, and connectivity while lowering our costs. These tools reinforce to our customers that they can rely on us to handle their recycling and waste service needs in a way that is easy and convenient for them.

- Our website and mobile app are online account management tools, allowing customers access to their accounts and our services.

- Our e-commerce sales channel allows customers to secure services on a real-time basis, provides capabilities to meet our customers' evolving buying preferences, and provides a lower cost sales channel.

We are also leveraging technology to digitally connect our customers, drivers, dispatchers, supervisors and trucks via our "RISE" dispatch platform and in-cab technology. We are utilizing an agile iterative approach to the development and multi-year roll-out of this technology to ensure durable adoption and an appropriate return on our investment. With the roll-out of this technology we will improve productivity through more real-time routing information and data visualization tools, increase customer connectivity and enable automated service verification communications, and enhance the employee experience by providing better tools and technology designed around employee interaction. The implementation of the "RISE" dispatch platform was substantially completed in 2020. The rollout of the "RISE" in-cab technology enhancements across our collection fleet will continue through 2023.

***Sustainability***

The goal of our sustainability strategic pillar is to provide our customers with sustainable solutions that support a cleaner, safer, and healthier world. We have long been a leader in environmental services and sustainability. We introduced our Elements of Sustainability, the foundation of our sustainability platform, in 2014. Our elements—Safety, Talent, Climate Leadership, and Communities—are deeply integrated into our business and anchor our ambitious 2030 sustainability goals.

Our Board of Directors' Sustainability & Corporate Responsibility Committee has oversight responsibility with respect to our sustainability performance, our corporate responsibilities, our role as a socially responsible organization and our enterprise risks, including cyber security, environmental, climate related risks and opportunities, and reputational risks. The Committee meets at least quarterly to be updated on progress and conducts a formal comprehensive review of the Company's performance in these areas on an annual basis.

### *Our 2030 Sustainability Goals*

As we grow, so does our opportunity to make a meaningful, positive impact on the environment and society. Our ambitious 2030 goals are aligned with the UN Sustainable Development Goals[(1)] and have guided our strategy since 2019. Each goal is aligned with one of the Company's elements of sustainability, and together they are designed to significantly benefit the environment and society, while enhancing the foundation and profitability of our business for the long-term.

- *Safety Amplified:* Achieve zero annual employee fatalities and reduce OSHA Total Recordable Incident Rate (TRIR) to 2.0 or less by 2030
- *Engaged Workforce:* Achieve and maintain employee engagement scores at or above 88% by 2030
- *Science Based Target:* Reduce absolute Scope 1 and 2 greenhouse gas emissions 35% by 2030[(2)], approved by SBTi[(3)], with an interim goal of achieving a 10% reduction by 2025
- *Circular Economy:* Increase recovery of key materials by 40% on a combined basis by 2030[(2)]
- *Renewable Energy:* Increase beneficial reuse of biogas by 50% by 2030[(2)]
- *Charitable Giving:* Positively impact 20 million people by 2030[(2)]

We believe that reducing our impact on the planet and improving the quality of life for its inhabitants are the right things to do, and they are also necessary actions to ensure a vibrant future for our organization.

Refer to our Sustainability, Task Force on Climate-Related Financial Disclosures (TCFD), SASB, and Global Reporting Initiative (GRI) Reports and CDP Climate Change Questionnaire for updates regarding our progress towards these goals, which can be found at republicservices.com/sustainability. The information contained on our website shall not be deemed incorporated by reference in this Annual Report on Form 10-K or in any other filing we make under the Exchange Act.

## Cash Utilization Strategy

We take a consistent and balanced approach to capital allocation to drive long-term, sustainable value for our shareholders. The predictability of our free cash flows allows us to efficiently execute our capital allocation strategy, which includes investing in acquisitions and returning free cash flow to our shareholders through dividends and share repurchases. We are committed to an efficient capital structure and maintaining our investment grade credit ratings on our senior debt, which was rated BBB+ by Standard & Poor's Ratings Services, BBB by Fitch Ratings, Inc. and Baa2 by Moody's Investors Service, Inc. as of December 31, 2021. Such ratings have allowed us, and should continue to allow us, to readily access capital markets at competitive rates.

We manage our free cash flow by ensuring that capital expenditures and operating asset levels are appropriate in light of our existing business and growth opportunities, and by closely managing our working capital.

### *Dividends*

In July 2021, our Board of Directors approved an increase in the quarterly dividend to $0.46 per share, which represents an increase of approximately 8% over the prior year. Over the last five years, our dividends have increased at a compounded annual growth rate of 5.9%. We expect to continue paying quarterly cash dividends and may consider additional dividend increases if we believe they will enhance shareholder value.

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(1) We have aligned our 2030 goals with the following UN Sustainable Development Goals: (8) Decent Work and Economic Growth, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production and (13) Climate Action.

(2) Data points used 2017 as the baseline year.

(3) SBTi, or Science Based Targets initiative, is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

### *Share Repurchases*

In October 2020, our Board of Directors approved a $2.0 billion share repurchase authorization effective starting January 1, 2021 and extending through December 31, 2023. Share repurchases under the current program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the Board of Directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The share repurchase program may be extended, suspended or discontinued at any time. On a quarterly basis, our Board of Directors reviews the intrinsic value of our stock and the parameters around which we repurchase our shares. Refer to *Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* for repurchase authority remaining as of December 31, 2021.

### *Shareholder Value*

We are committed to creating long-term shareholder value by generating consistent earnings and cash flow growth, while continually improving returns on invested capital. Our incentive compensation programs are aligned with these objectives at all levels of management. We have an active shareholder outreach program and routinely interact with shareholders on a number of matters, including environmental, social, governance, and executive compensation.

## Management Team

We believe that building and blending a diverse team of strong industry veterans, along with talented people from other industries who bring unique skill sets, will contribute to what we call our Composite Strength. Composite Strength combines the vast, varied experience and capability of both strong environmental services industry veterans and talented people from other industries. Additionally, Composite Strength helps ensure the continuity of leadership and preservation of institutional knowledge, while also bringing in skills and new ideas from other companies outside of our industry—many of them from leading companies.

*Jon Vander Ark* was named Chief Executive Officer in 2021. Since joining Republic in 2013, Mr. Vander Ark has held management roles of increasing responsibility, including Executive Vice President, Chief Marketing Officer, Executive Vice President, Operations, Executive Vice President, Chief Operating Officer, President and his current role as President and Chief Executive Officer. Prior to joining the Company, he served as a partner at McKinsey & Company's Detroit office, managing clients across a variety of industries, including transportation, logistics, manufacturing and consumer products.

*Brian Bales* was named Executive Vice President, Chief Development Officer in February 2015. Mr. Bales has been with Republic for over 20 years, serving as Executive Vice President, Business Development from December 2008 to February 2015, and Vice President, Corporate Development from 1998 to December 2008. Prior to his time at Republic, Mr. Bales held roles of increasing responsibility in finance and business development for Ryder System, Inc. from 1993 to 1998, and served as chief financial officer for EDIFEX & VTA Communications from 1988 through 1993. Prior to that, Mr. Bales was an accountant for PwC (formerly Price Waterhouse) from 1986 to 1988. Mr. Bales serves on the Board of Directors of Insurance Auto Auctions, Inc.

*Sumona De Graaf* was named Executive Vice President, Chief Human Resources Officer effective January 2022. Ms. De Graaf joined the Company in January 2020 as Senior Vice President and Chief Human Resources Officer where she was responsible for overseeing and executing our talent strategy. Prior to joining the Company, Ms. De Graaf worked for ghSMART advising boards and coaching executive leaders. Before ghSMART, Ms. De Graaf was the Global Head of Career Development at Bloomberg LP and held roles in learning and diversity for both American Express and Goldman Sachs.

*Brian DelGhiaccio* was named Executive Vice President, Chief Financial Officer in June 2020. Mr. DelGhiaccio has over 20 years of experience in a variety of roles of increasing responsibility. He was named Executive Vice President and Chief Transformation Officer in June 2019. Before that, Mr. DelGhiaccio served as Vice President, Investor Relations from 2012 to 2014, progressed to Senior Vice President, Finance from 2014 to 2017 and then to Senior Vice President, Business Transformation in 2017. Prior to his time at Republic, Mr. DelGhiaccio was a senior consultant with Arthur Andersen.

*Catharine D. Ellingsen* was named Executive Vice President, Chief Legal Officer, Chief Ethics & Compliance Officer, and Corporate Secretary in June 2016. Ms. Ellingsen joined the Company as Corporate Counsel in August 2001 and has experience in a variety of roles of increasing responsibility. She was named Managing Corporate Counsel in January 2003, Director, Legal and Associate General Counsel in January 2005, and Vice President and Deputy General Counsel in June 2007. Ms. Ellingsen was named Senior Vice President, Human Resources in August 2011 and served in that position until June 2016. Before joining the Company, Ms. Ellingsen was an attorney at Steptoe & Johnson LLP from 1996 to 2001 and at Bryan Cave LLP from 1993 to 1996. Ms. Ellingsen serves on the Boards of Directors of Bunker Hill Group, Nebraska Distributing Company and Daseke, Inc.

*Amanda Hodges* was named Executive Vice President, Chief Marketing Officer in November 2020. In this role, Ms. Hodges oversees marketing, communications, product development, customer engagement, and revenue management for the Company. Prior to joining Republic, Ms. Hodges spent 15 years in leadership roles for Dell Technologies, most recently serving as Senior Vice President of North America Marketing and the Global Executive Briefing Program. Before joining Dell, Ms. Hodges worked as a consultant for McKinsey & Company.

*Jeffrey A. Hughes* was named Executive Vice President, Chief Administrative Officer in December 2008. Before that, Mr. Hughes served as Senior Vice President, Eastern Region Operations for Allied Waste Industries, Inc. (Allied) from 2004 until the Allied acquisition in December 2008. Mr. Hughes served as Assistant Vice President of Operations Support for Allied from 1999 to 2004 and as a District Manager for Allied from 1988 to 1999. Mr. Hughes has over 29 years of experience in the solid waste industry.

*Katrina Liddell* was named Executive Vice President, Chief Commercial Officer in June 2021. In this role, she is responsible for leading the Company's Sales organization, which includes Field Sales, National Accounts, Manufacturing and Environmental Services, and Municipal Services. She also oversees the Customer Resource Centers. Prior to joining the Company, Ms. Liddell held the role of President, Global Forwarding and Expedite for XPO Logistics Inc., a global transportation and contract logistics company. Before joining XPO, Ms. Liddell spent 14 years with Johnson Controls International, where she held senior leadership roles in enterprise account management, vertical market development, operations, product development and customer relations.

*Tim Stuart* was named Executive Vice President, Chief Operating Officer in May 2019. Prior to his current role, Mr. Stuart served as Executive Vice President, Operations from January 2016 to May 2019, where he was responsible for maximizing field performance, executing the operating plan, and achieving financial and operational results across the Company. Mr. Stuart has over 20 years of experience in the waste industry. He previously served as the Company's East Region President from September 2013 to January 2016. He joined Republic in April 2006 as Director of Operations, and has held a variety of roles with the Company, including Area President, Vice President of Customer Experience, and Region Vice President. Mr. Stuart serves on the Board of Directors of Romeo Power, Inc.

Our local and area management teams have extensive industry experience in growing, operating and managing environmental services companies and have substantial experience in their local geographic markets. This allows us to quickly respond to and meet our customers' needs and stay in touch with local businesses and municipalities. We believe our strong area management teams allow us to effectively and efficiently drive our initiatives and help ensure consistency throughout the organization. Our area management teams and area presidents have extensive authority and responsibility over operations within their respective geographic markets. As a result of retaining experienced managers with extensive knowledge of and involvement in their local communities, we are proactive in anticipating customers' needs and adjusting to changes in our markets. We also seek to implement the best practices of our various business units throughout our operations to continue improving our operations and our operating margins.

## Integrated Operations

We have a strong, national, vertically-integrated operating platform that allows us to compete more effectively and efficiently in the local markets in which we operate. Where appropriate, we seek to achieve a high rate of internalization by controlling material streams from the point of collection through recycling processing or disposal. During the year ended December 31, 2021, approximately 68% of the total solid waste volume we collected was disposed at landfills we own or operate (internalization). Our fully integrated markets generally have a lower cost of operations and more favorable cash flows than our markets that are not fully integrated. Through acquisitions, landfill operating agreements and other market development activities, we create market-specific, vertically-integrated operations typically consisting of one or more collection operations, transfer stations and landfills. We also operate recycling processing centers in markets where diversion of waste is a priority, customers are willing to pay for the service, and we can earn an appropriate return on our investment.

Our operations primarily consist of providing environmental services, including the collection and processing of recyclable materials, collection, transfer and disposal of non-hazardous solid waste, and other environmental solutions.

### *Collection Services*

We provide residential, small-container, and large-container collection services through 356 collection operations. In 2021, approximately 74% of our total revenue was derived from our collection business, of which approximately 22% of our total revenue related to residential services, approximately 30% related to small-container services, and approximately 21% related to large-container services.

Our residential collection business involves the curbside collection of material for transport to transfer stations, or directly to landfills, recycling processing centers, or organics processing facilities. We typically perform residential collection services under contracts with municipalities, which we generally secure through competitive bids, which give us exclusive rights to service all or a portion of the homes in the municipalities. These contracts usually range in duration from one to five years, although some of our exclusive franchises are for significantly longer periods. We also perform residential services on a subscription basis, in which individual households contract directly with us. The fees received for subscription residential collection are based primarily on the market, collection frequency, type of service, the distance to the disposal facility and the cost of disposal. In general, subscription residential collection fees are paid quarterly in advance by the customers receiving the service.

In our small-container business, we supply our customers with recycling and waste containers of varying sizes. We typically perform small-container collection services under one- to three-year service agreements, and fees are determined based on a number of factors including the market, collection frequency, type of equipment furnished, type and volume or weight of the material collected, transportation costs and the cost of processing or disposal. Our small-container services are typically offered to small business complexes, multi-family housing and strip malls, and include industries such as restaurants, retail, real-estate, and professional and other services.

Our large-container collection business includes both recurring and temporary customer relationships. For the recurring portion, we supply our customers with recycling and waste containers of varying sizes and rent compactors to large generators of material. We typically perform the collection services under one- to three-year service agreements, and fees are determined based on a number of factors including the market, collection frequency, type of equipment furnished, type and volume or weight of the material collected, transportation costs and the cost of disposal. Our recurring large-container services are typically offered to larger facilities, hotels and office buildings, and include industries such as manufacturing, retail, hospitality, professional and other services.

For the temporary portion of our large-container collection business, the majority of the material relates to construction and demolition activities and is typically event-driven. We provide temporary collection services on a contractual basis with terms ranging from a single pickup to one-year or longer.

***Transfer Services***

We own or operate 239 transfer stations. Revenue at our transfer stations is primarily generated by charging tipping or disposal fees, which accounted for approximately 6% of our revenue during 2021. Our collection operations deposit material at these transfer stations, as do other private and municipal haulers, for compaction and transfer to disposal sites or recycling processing centers. Transfer stations provide collection operations with a cost effective means to consolidate material and reduce transportation costs while providing our landfills with an additional mechanism to extend their geographic reach.

When our own collection operations use our transfer stations, this improves internalization by allowing us to retain fees we would otherwise pay to third-party disposal sites. It also allows us to manage costs associated with material disposal because: (1) transfer trucks have larger capacities than collection trucks, allowing us to deliver more material to the landfill or processing center in each trip; (2) material is accumulated and compacted at strategically located transfer stations to increase efficiency; and (3) we can retain volume by managing the material to one of our own landfills or processing centers rather than to a competitor's.

***Landfill Services***

We own or operate 198 active landfills. Our landfill tipping fees charged to third parties accounted for approximately 13% of our revenue during 2021. As of December 31, 2021, we had 39,618 permitted acres and total available permitted and probable expansion disposal capacity of 5.0 billion in-place cubic yards. The in-place capacity of our landfills is subject to change based on engineering factors, requirements of regulatory authorities, our ability to continue to operate our landfills in compliance with applicable regulations, and our ability to successfully renew operating permits and obtain expansion permits at our sites. Some of our landfills accept non-hazardous special waste, including utility ash, asbestos and contaminated soils.

Most of our active landfill sites have the potential for expanded disposal capacity beyond the currently permitted acreage. We monitor the availability of permitted disposal capacity at each of our landfills and evaluate whether to pursue an expansion at a given landfill based on estimated future waste volumes and prices, market needs, remaining capacity and the likelihood of obtaining an expansion. To satisfy future disposal demand, we are seeking to expand permitted capacity at certain landfills; however, all proposed or future expansions may not be permitted.

Republic is committed to harnessing landfill gas, the natural byproduct of decomposing waste, and converting it to energy. The use of landfill gas provides economic and environmental benefits, including reducing greenhouse gas emissions through the capture and use of methane. As of December 31, 2021, we operated 77 landfill gas and renewable energy projects. The majority of these projects were developed and are owned by a third party.

We also have responsibility for 124 closed landfills, for which we have associated closure and post-closure obligations.

***Recycling Processing Services***

We own or operate 71 recycling processing centers. These centers generate revenue through the processing and sale of old corrugated containers (OCC), old newsprint (ONP), aluminum, glass and other materials, which accounted for approximately 4% of our total revenue during 2021. Approximately 80% of our total recycling processing center volume is fiber based and includes OCC, ONP and other mixed paper. During 2021, we processed and sold 2.2 million tons, excluding glass and organics, from our recycling processing centers. An additional 2.1 million tons were collected by us and delivered to third parties. We are investing in advanced recycling technology and have expanded our organics operations to help customers meet their diversion goals, processing and selling 1.0 million tons of organic material from our recycling processing centers in 2021.

Changing market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a $10 per ton change in the price of recycled commodities would change annual revenue and operating income by approximately $22 million and $10 million, respectively.

In certain instances, we issue recycling rebates to our municipal or large-container customers, which can be based on the price we receive upon the final sale of recycled commodities, a fixed contractual rate or other measures. We also receive rebates when we dispose of recycled commodities at third-party processing facilities.

As consumer demand for recycling services has increased, we have met that demand by integrating recycling components into each of our collection service offerings. Our goal is to provide a complete material stream management solution to our customers in a vertically integrated, environmentally sustainable way.

We continue to invest in proven technologies to control costs and to simplify and streamline recycling for our customers. For example, robotics and advanced sorting equipment, such as disk screens, magnets and optical sorters, identifies and separates different kinds of paper, metals, plastics and other materials to increase efficiency and maximize our recycling efforts.

#### *Environmental Solutions*

In addition to certain of our landfill disposal sites, we own or operate 3 treatment, recovery and disposal facilities, 3 treatment, storage and disposal facilities, 6 salt water disposal wells and 7 deep injection wells. Environmental solutions volume is generated by the daily operations of industrial, petrochemical and refining facilities, including maintenance, plant turnarounds and capital projects. Additionally, it is generated from the by-products of oil and natural gas exploration and production activity. We provide these customers with environmentally responsible solutions to manage their waste needs including treatment, consolidation and disposal of solid and liquid material, field and industrial services, rental, and in-plant services, such as transportation and logistics. In 2021, approximately 2% of our revenue was derived from environmental solutions.

#### *Other Services*

Other revenue consists primarily of National Accounts revenue generated from nationwide or regional contracts in markets outside our operating areas where the associated material handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

### Competition

We operate in a competitive industry. Competition in the environmental services industry comes from a few other large, national publicly-owned companies, several regional publicly- and privately-owned companies, and thousands of small privately-owned companies. In any given market, competitors may have larger operations and greater resources. In addition, we compete with municipalities that maintain material collection or disposal operations. These municipalities may have financial advantages due to the availability of tax revenue and greater opportunities for tax-exempt financing.

We compete for collection accounts primarily based on our product offering, quality of service and price. From time-to-time, our competitors reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. Our ability to maintain and increase prices in certain markets may be impacted by our competitors' pricing policies. This may have an effect on our future revenue and profitability.

### Seasonality and Severe Weather

Our operating revenues tend to be somewhat higher in the summer months, primarily due to higher volumes of construction and demolition waste. The volumes of large-container and residential recycling and waste in certain regions of the country also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect this seasonality.

We provide essential recycling and solid waste collection and disposal services in the communities we serve and our operations can be adversely affected by periods of inclement or severe weather and natural disasters, which could increase the volume of material collected under our existing contracts (without corresponding compensation), delay the collection and disposal of material, reduce the volume of material delivered to our disposal sites or delay the construction or expansion of our landfill sites and other facilities and may increase with the physical impacts of climate change. The impacts from adverse weather and natural disasters have the potential to last several months and to affect several facilities. We have business continuity plans in place for severe weather, natural disasters and other emergencies—hurricanes, tornadoes, flooding, winter storms, earthquakes and wildfires, among others—to help limit disruptions in our operations and help ensure the continuity of our services. Our operations can also be favorably affected by severe weather and natural disasters, which could increase the volume of material in situations where we are able to charge for our additional services.

## Regulation

Our facilities and operations are subject to a variety of federal, state and local requirements that regulate, among other things, the environment, public health, safety, zoning and land use. Operating and other permits, licenses and other approvals generally are required for landfills and transfer stations, recycling processing centers, certain solid waste collection vehicles, fuel storage tanks and other equipment and facilities that we own or operate. These permits are subject to denial, revocation, modification and renewal in certain circumstances. Any revocation, modification or denial of permits could have a material adverse effect on us. Federal, state and local laws and regulations vary, but generally govern wastewater or storm water discharges, air emissions, the handling, transportation, treatment, storage and disposal of hazardous and non-hazardous waste, and the remediation of contamination associated with the release or threatened release of hazardous substances. These laws and regulations provide governmental authorities with strict powers of enforcement, which include the ability to revoke or decline to renew any of our operating permits, obtain injunctions, or impose fines or penalties in the event of violations, including criminal penalties. The U.S. EPA and various other federal, state and local authorities administer these regulations.

In order to comply with these regulations, we must incur substantial capital expenditures relating to our vehicles, landfills, transfer stations, and recycling processing centers, and in connection with our capping, closure, post-closure and environmental remediation activities. Compliance with existing and future legal and regulatory requirements, including changes relating to per- and polyfluoroalkyl substances (commonly referred to as PFAS) and other chemicals of emerging concern, and limitations or bans on disposal of certain types of wastes or on the transportation of waste, could increase our costs to operate or require additional capital expenditures.

A decrease in regulation may lower barriers to entry for our competitors. Further, we compete with counties and municipalities that operate their own collection and disposal facilities, have the benefits of tax revenue, and greater opportunities for tax-exempt financing.

We strive to conduct our operations in compliance with applicable laws, regulations and permits. However, from time to time we have been issued citations or notices from governmental authorities that have resulted in the need to expend funds for remedial work and related activities at various landfills and other facilities or in the need to expend funds for fines, penalties or settlements. Citations and notices may be issued in the future, notwithstanding our strong regulatory compliance efforts. We have established final capping, closure, post-closure and remediation reserves that we believe, based on currently available information, will be adequate to cover our current estimates of regulatory costs; however, actual costs may exceed our reserves.

***Federal Regulation***

The following summarizes the primary federal, environmental, and occupational health and safety-related statutes that affect our facilities and operations:

- *The Solid Waste Disposal Act, including the Resource Conservation and Recovery Act* (RCRA). RCRA establishes a framework for regulating the handling, transportation, treatment, storage and disposal of hazardous and non-hazardous solid waste, and requires states to develop programs to ensure the safe disposal of solid waste in sanitary landfills.

  Subtitle C of RCRA establishes a framework for regulating the disposal of hazardous waste, and Subtitle D of RCRA establishes a framework for regulating the disposal of municipal solid waste. Regulations under Subtitle C set requirements for hazardous waste generators, transporters, and treatment, storage and disposal facilities. Regulations under Subtitle D currently include minimum comprehensive solid waste management criteria and guidelines, including location restrictions, facility design and operating criteria, final capping, closure and post-closure requirements, financial assurance standards, groundwater monitoring requirements and corrective action standards. The EPA may authorize states to implement certain hazardous waste requirements of Subtitle C, and if a state program does not exist, the EPA directly implements the hazardous waste requirements. Nearly all of the states in which we operate have implemented permit programs pursuant to RCRA and Subtitles C and D. These state permit programs may include landfill requirements that are more stringent than those of Subtitles C and D. Our failure to comply with any of these environmental requirements at any of our locations may lead to temporary or permanent loss of an operating permit, which would result in costs in connection with securing new permits, reduced revenue from lost operational time, and increased third party disposal costs.

  All of our planned landfill expansions and new landfill development projects have been engineered to meet or exceed Subtitles C and D requirements, as applicable. Operating and design criteria for existing operations have been modified to comply with these regulations. Compliance with Subtitles C and D regulations has resulted in increased costs and may in the future require substantial additional expenditures in addition to other costs normally associated with our waste management activities.

- *The Comprehensive Environmental Response, Compensation and Liability Act of 1980* (CERCLA). CERCLA, among other things, provides for the cleanup of sites from which there is a release or threatened release of a hazardous substance into the environment. CERCLA may impose strict joint and several liability for the costs of cleanup and for damages to natural resources upon current owners and operators of a site, parties who were owners or operators of a site at the time the hazardous substances were disposed of, parties who transported the hazardous substances to a site, and parties who arranged for the disposal of the hazardous substances at a site. Under the authority of CERCLA and its implementing regulations, detailed requirements apply to the manner and degree of investigation and remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment. Liability under CERCLA is not dependent on the existence or disposal of only hazardous wastes, but also can be based upon the existence of small quantities of more than 700 substances currently characterized by the EPA as hazardous, many of which are found in common household waste. The EPA may also designate additional substances as hazardous. Among other things, CERCLA authorizes the federal government to investigate and remediate sites at which hazardous substances have been or are threatened to be released into the environment, or to order persons potentially liable for the cleanup of the hazardous substances to do so themselves. In addition, the EPA has established a National Priorities List of sites at which hazardous substances have been, or are threatened to be, released and which require investigation or cleanup.

  CERCLA liability is strict liability. It can be founded upon the release or threatened release, even as a result of unintentional, non-negligent or lawful action, of hazardous substances, including very small quantities of such substances. Thus, even if we have never knowingly transported or received hazardous substances, it is possible that hazardous substances have been deposited or released at landfills or other facilities that we presently or historically have owned or operated, or at properties owned by third parties to which we have transported waste. Therefore, we could be liable under CERCLA for the cost of cleaning up, or protecting against the release of, such hazardous substances at such sites and for damages to natural resources, even if those substances were deposited at our facilities before we acquired or operated them. The costs of a CERCLA cleanup can be very expensive and can include the costs of disposing of hazardous substances at appropriately-licensed facilities. Given the difficulty of obtaining insurance for environmental impairment liability, any such liability could have a material effect on our business, financial condition, results of operations and cash flows.

- *The Federal Water Pollution Control Act of 1972* (the Clean Water Act). This act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites, into streams, rivers and other waters of the United States. Runoff from our landfills and transfer stations that is discharged into surface waters through discrete conveyances must be covered by discharge permits that generally require us to conduct sampling and monitoring, and, under certain circumstances, to reduce the quantity of pollutants in those discharges. Storm water discharge regulations under the Clean Water Act require a permit for certain construction activities and for runoff from industrial operations and facilities, which may affect our operations. If a landfill or transfer station discharges wastewater through a sewage system to a publicly-owned treatment works, the facility must comply with discharge limits imposed by that treatment works. In addition, states may adopt groundwater protection programs under the Clean Water Act or the Safe Drinking Water Act that could affect the manner in which our landfills monitor and control their waste management activities. Furthermore, if development at any of our facilities alters or affects wetlands, we may be required to secure permits before such development starts. In these situations, permitting agencies may require mitigation of wetland impacts.

- *The Clean Air Act.* The Clean Air Act imposes limitations on emissions from various sources, including landfills. In March 1996, the EPA promulgated regulations that require large municipal solid waste landfills to install landfill gas monitoring systems along with landfill gas control systems unless emissions are below established thresholds. These regulations apply to landfills that commenced construction, reconstruction or modification on or after May 30, 1991, and, principally, to landfills that can accommodate 2.5 million cubic meters or more of municipal solid waste. The regulations apply whether the landfills are active or closed. The date by which each affected landfill must have a gas collection and control system installed and made operational varies depending on calculated emission rates at the landfill. On July 14, 2016, the EPA issued final amendments to its regulations that require large landfills that commenced construction, reconstruction, or modification on or after July 17, 2014 to capture additional landfill gas to reduce emissions of methane and certain non-methane gases, which are recognized as greenhouse gases. In a separate rule finalized that same day, the EPA issued updates to its 1996 Emission Guidelines to reduce emissions of landfill gas from existing active landfills. Both actions were part of the Obama Administration's Climate Action Plan—Strategy to Reduce Methane Emissions. As part of the Biden Administration's focus on climate change, the EPA has taken further steps to implement these regulations. These and other efforts to curtail the emission of greenhouse gases and to ameliorate the effect of climate change may require our landfills to deploy more stringent emission controls and monitoring systems, with resulting capital or operating costs. Many state regulatory agencies also currently require monitoring systems for the collection and control of certain landfill gas. Certain of these state agencies are also implementing greenhouse gas control regulations that would also apply to landfill gas emissions. See Item 1A, *Risk Factors – Regulation of greenhouse gas emissions and other governmental regulations could impose costs on our operations, the magnitude of which is difficult to estimate*, in this Annual Report on Form 10-K.

  In addition, our vehicle fleet also may become subject to higher efficiency standards or other carbon-emission restrictions. Over the past decade, the EPA and the National Highway Traffic Safety Administration (NHTSA) have adopted regulations mandating the reduction of vehicle tail pipe emissions as a means of reducing greenhouse gas emissions. The regulations take the form of fuel economy standards. The EPA and the NHTSA have developed fuel economy standards in two vehicle categories: (1) passenger automobiles and light-duty trucks (collectively, light-duty vehicles); and (2) heavy-duty trucks, including solid waste collection vehicles and tractor trailers. We own and operate vehicles in both categories. For light-duty vehicles, in May 2010 the EPA and the NHTSA finalized fuel economy standards for model years 2012 through 2016. In October 2011, the EPA and the NHTSA initiated a second round of rulemaking for light-duty vehicles for model years 2017 through 2025. In 2018, the EPA and the NHTSA proposed to revise the light-duty vehicle standards for model years 2021 through 2024 to make them less stringent; final action on the proposal occurred in 2020 but has been challenged in court. In 2021, the EPA issued a rule further setting the standards for model years 2023 to 2026, making them more stringent. In August 2011, the EPA and the NHTSA finalized standards for heavy-duty trucks, including solid waste collection vehicles and tractor trailers, for model years 2014 through 2018. On August 16, 2016, the EPA and the NHTSA jointly issued additional regulations that would impose more stringent standards for heavy-duty vehicles through model-year 2027. In issuing the proposed fuel economy standards for heavy-duty trucks (including tractor trailers), the government estimated that the increased equipment cost would be recouped over a period of two years for a tractor/trailer combo, and over a period of 6 years for a garbage truck, and each vehicle would continue to save fuel costs over its operating life. On August 5, 2021, the EPA announced its intent to move forward with a Clean Trucks Plan, which would involve setting emissions standards for model years 2027 and beyond.

- *The Occupational Safety and Health Act of 1970* (OSHA). This act authorizes the Occupational Safety and Health Administration of the U.S. Department of Labor to promulgate occupational safety and health standards. A number of these standards, including standards for notices of hazardous chemicals and the handling of asbestos, apply to our facilities and operations.

***State and Local Regulation***

Each state in which we operate has its own laws and regulations governing solid waste disposal, water and air pollution, and, in most cases, releases and cleanup of hazardous substances and liabilities for such matters. States also have adopted regulations governing the design, operation, maintenance and closure of landfills and transfer stations. Some counties, municipalities and other local governments have adopted similar laws and regulations. In addition, our operations may be affected by the trend in many states toward requiring solid waste reduction and recycling programs. For example, several states have enacted laws that require counties or municipalities to adopt comprehensive plans to reduce, through solid waste planning, composting, recycling or other programs, the volume of solid waste deposited in landfills. Additionally, laws and regulations restricting the disposal of certain waste in solid waste landfills, including yard waste, food waste, newspapers, beverage containers, unshredded tires, lead-acid batteries, electronic wastes and household appliances, have been adopted in several states and are being considered in others. Some jurisdictions have enacted or are considering enacting “extended producer responsibility” regulations, which are designed to obligate producers to fund the post-use life cycle of their products by providing recycling programs for their products. State and municipal governments may also enact “organic diversion” regulations that require food waste to be managed separately from the other waste streams, similar to the rules recently enacted in California. Several states have also enacted or are considering “minimum recycled content” regulations mandating certain minimum post-consumer recycled content in certain types of packaging, including California. Legislative and regulatory measures to mandate or encourage waste reduction and recycling also have been considered, or are under consideration by, the U.S. Congress and the EPA. These regulations may present new opportunities to offer sustainable environmental services to our customers but may require investment of time, effort and money to be able to offer these new solutions and expose us to additional regulatory requirements and competition from others offering these services.

To construct, operate and expand a landfill, we must obtain one or more construction or operating permits, as well as zoning and land use approvals. These permits and approvals may be burdensome to obtain and to comply with, are often opposed by neighboring landowners and citizens’ groups, may be subject to periodic renewal, and are subject to denial, modification, non-renewal and revocation by the issuing agency. Significant compliance disclosure obligations often accompany these processes. In connection with our acquisition of existing landfills, we may be required to spend considerable time, effort and money to bring the acquired facilities into compliance with applicable requirements and to obtain the permits and approvals necessary to increase their capacity.

### *Other Regulations*

Many of our facilities own and operate underground storage tanks that are generally used to store petroleum-based products. These tanks can be subject to federal, state and local laws and regulations that mandate their periodic testing, upgrading, closure and removal. In the event of leaks or releases from these tanks, these regulations require that polluted groundwater and soils be remediated. If underground storage tanks we own or operate leak, we could be liable for response costs and, if the leakage migrates onto the property of others, we could be liable for damages to third parties. We are unaware of facts indicating that issues of compliance with regulations related to underground storage tanks will have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

With regard to our solid waste transportation operations, we are subject to the jurisdiction of the Surface Transportation Board and are regulated by the Federal Highway Administration, Office of Motor Carriers, and by regulatory agencies in states that regulate such matters. Various state and local government authorities have adopted, or are considering adopting, laws and regulations that would restrict the transportation of solid waste across state, county, or other jurisdictional lines. In 1978, the U.S. Supreme Court ruled that a law that restricts the importation of out-of-state solid waste is unconstitutional; however, states have attempted to distinguish proposed laws from those involved in and implicated by that ruling. In 1994, the U.S. Supreme Court ruled that a flow control law, which attempted to restrict solid waste from leaving its place of generation, imposes an impermissible burden upon interstate commerce and is unconstitutional. In 2007, however, the U.S. Supreme Court upheld the right of a local government to direct the flow of solid waste to a publicly-owned and publicly-operated waste facility. A number of county and other local jurisdictions have enacted ordinances or other regulations restricting the free movement of solid waste across jurisdictional boundaries. Other governments may enact similar regulations in the future. These regulations may cause a decline in volumes of waste delivered to our landfills or transfer stations and may increase our costs of disposal, thereby adversely affecting our operations and our financial results.

### *Liabilities Established for Landfill and Environmental Costs*

We have established reserves for landfill and environmental costs, which include landfill site final capping, closure and post-closure costs. We periodically reassess such costs based on various methods and assumptions regarding landfill airspace and the technical requirements of Subtitles C and D of RCRA, and we adjust our amortization rates used to expense final capping, closure and post-closure costs accordingly. Based on current information and regulatory requirements, we believe that our recorded reserves for such landfill and environmental expenditures are adequate; however, environmental laws may change, and our recorded reserves may not be adequate to cover requirements under existing or new environmental laws and regulations, future changes or interpretations of existing laws and regulations, or adverse environmental conditions previously unknown to us. Refer to the M*aterial Cash Requirements and Intended Uses of Cash* section of our Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of this Annual Report on Form 10-K and to Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

## Liability Insurance and Bonding

The nature of our business exposes us to the possible risk of liabilities arising out of our operations, including damages to the environment, property, employees or the general public. We focus on operating safely and prudently, but occasionally we receive claims, alleging damages, negligence or other wrongdoing in the planning or performance of work, which resulted in harm to the environment, property, employees or the general public. These liabilities can be significant. We also could be subject to fines and civil and criminal penalties in connection with alleged violations of regulatory requirements. We maintain various policies of insurance that, subject to limitations, exclusions, or deductibles, provide coverage for these types of claims. While we believe the amount of insurance is appropriate for our type of business, such insurance may not be adequate, in scope or amount, in the event of a major loss, and we may be exposed to uninsured liabilities that could have a material adverse effect on our consolidated financial condition, results of operations or cash flows. We may choose not to continue to maintain the insurance should market conditions in the insurance industry make such coverage cost prohibitive.

Accruals for deductibles are based on claims filed and actuarial estimates of claims development and claims incurred but not reported. Due to the variable condition of the insurance market, we have experienced, and may experience in the future, increased deductible retention levels and increased premiums or unavailability of insurance. As we assume more risk through higher retention levels, we may experience more variability in our insurance reserves and expense.

In the normal course of business, we also purchase surety bonds, insurance policies, letters of credit or marketable securities deposits in connection with, among other things, municipal residential collection contracts, financial assurance for closure and post-closure of landfills, environmental remediation, environmental permits, and business licenses and permits as a financial guarantee of our performance.

### Availability of Reports and Other Information

Our corporate website is republicservices.com. We make available on that website, free of charge, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, and amendments to those materials filed or furnished with the Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. We make such materials available as soon as reasonably practicable after we electronically submit them to the SEC. Our corporate website also contains our Certificate of Incorporation, Bylaws, Corporate Governance Guidelines, Code of Ethics and Conduct, Political Contributions Policy, Human Rights Policy, and Charters of the Audit Committee, Management Development and Compensation Committee, Nominating and Corporate Governance Committee, and Sustainability and Corporate Responsibility Committee of the Board of Directors. In addition, the SEC makes available at its website (sec.gov), free of charge, reports, proxy statements, and other information regarding issuers, such as us, that file electronically with the SEC. Information on our website or the SEC website is not part of this Annual Report on Form 10-K. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K and applicable New York Stock Exchange (NYSE) rules regarding amendments to or waivers of our Code of Ethics by posting this information on our website at republicservices.com.

## ITEM 1A.RISK FACTORS

### Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward-looking information about us that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "guidance," "expect," "will," "may," "anticipate," "plan," "estimate," "project," "intend," "should," "can," "likely," "could," "outlook" and similar expressions are intended to identify forward-looking statements. Among other sections of this Form 10-K, the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements. These statements include statements about our plans, strategies and prospects. Forward-looking statements are not guarantees of performance. These statements are based upon the current beliefs and expectations of our management and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such expectations may not prove to be correct. Among the factors that could cause actual results to differ materially from the expectations expressed in the forward-looking statements are:

- general economic and market conditions, including inflation and changes in fuel, interest rates, labor, risk, health insurance and other variable costs that generally are not within our control, and our exposure to credit and counterparty risk;

- fluctuations in prices for recycled commodities that we sell to customers;
- the effects of the evolving COVID-19 pandemic and actions taken in response thereto;
- whether our estimates and assumptions concerning our selected balance sheet accounts, income tax accounts, final capping, closure, post-closure and remediation costs, available airspace, projected costs and expenses related to our landfills and property and equipment, fair values of acquired assets and liabilities assumed in our acquisitions, and labor, fuel rates and economic and inflationary trends, turn out to be correct or appropriate;
- competition and demand for services in the environmental services industry;
- price increases to our customers, which may not be adequate to offset the impact of increased costs, including labor, third-party disposal and fuel, and may cause us to lose volume;
- our ability to manage growth and execute our growth strategy;
- our compliance with, and future changes in, environmental and flow control regulations and our ability to obtain approvals from regulatory agencies in connection with operating and expanding our landfills;
- the impact on us of our substantial indebtedness, including on our ability to obtain financing on acceptable terms to finance our operations and growth strategy and to operate within the limitations imposed by financing arrangements;
- our ability to retain our investment grade ratings for our debt;
- our dependence on key personnel;
- our dependence on large, long-term collection, transfer and disposal contracts;
- the capital intensive nature of our business, which may consume cash in excess of cash flow from operations;
- exposure to liabilities or losses, to the extent not adequately covered by insurance, which could result in substantial expenses;
- risks associated with undisclosed liabilities of acquired businesses;
- risks associated with pending and future legal proceedings, including litigation, audits or investigations brought by or before any governmental body;
- severe weather conditions, including those brought about by climate change, which could impair our financial results by causing increased costs, loss of revenue, reduced operational efficiency or disruptions to our operations;
- compliance with existing and future legal and regulatory requirements, including changes relating to PFAS and other chemicals of emerging concern, and limitations or bans on disposal of certain types of wastes or on the transportation of waste, which could limit our ability to conduct or grow our business, increase our costs to operate or require additional capital expenditures;
- our ability to achieve reduction in our greenhouse gas emissions and our other sustainability goals;
- safety and operational risks, including the risk of personal injury to our employees or third parties;

- potential increases in our costs if we are required to provide additional funding to any multiemployer pension plan to which we contribute or if a withdrawal event (including our voluntary withdrawal, which we consider from time to time, or the mass withdrawal of all contributing employers from any underfunded multiemployer pension plan) occurs with respect to any such plan;
- the negative impact on our operations of union organizing campaigns, work stoppages or labor shortages;
- the negative effect that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills;
- changes by the Financial Accounting Standards Board or other accounting regulatory bodies to generally accepted accounting principles or policies;
- the impact of U.S. and international tax laws and regulations on our business;
- risks related to interruptions and breaches of our information technology systems that could adversely affect, or temporarily disable, all or a portion of our operations or have a negative effect on our infrastructure;
- the negative impact that a cyber-security incident could have on our business and our relationships with customers and employees; and
- acts of war, riots or terrorism, including the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the United States.

The risks included here are not exhaustive. Refer to the Risk Factors in this Item 1A for further discussion regarding our exposure to risks. You should be aware that any forward-looking statement in this Annual Report on Form 10-K and the documents incorporated herein by reference or elsewhere, speaks only as of the date on which we make it. Additionally, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors, or to assess the impact such risk factors might have on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. You should not place undue reliance on any forward-looking statement. Except to the extent required by applicable law or regulation, we undertake no obligation to update or publish revised forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K and the documents incorporated by reference, as the case may be, or to reflect the occurrence of unanticipated events.

## Risks Related to Our Business and Operations

***The environmental services industry is highly competitive and includes competitors that may have greater financial and operational resources, flexibility to reduce prices or other competitive advantages that could make it difficult for us to compete effectively.***

We principally compete with large national waste management companies, numerous municipalities, and numerous regional and local companies. Competition for collection accounts is typically based on the quality of services, ease of doing business and/or price. Competition for disposal business is primarily based on geographic location, quality of operations, and price. One of our competitors may have greater financial and operational resources than we do. Further, many counties and municipalities that operate their own collection and disposal facilities have the benefits of tax revenue and greater opportunities for tax-exempt financing. Our ability to obtain solid waste volume for our landfills also may be limited by the fact that some major collection operations also own or operate landfills to which they send their waste. In certain markets in which we do not own or operate a landfill, our collection operations may have difficulty competing effectively. If we were to lose market share or if we were to lower prices to address competitive issues, it could negatively impact our consolidated financial condition, results of operations and cash flows.

***Increases in the cost of fuel or petrochemicals increase our operating expenses, and we cannot assure you that we will be able to recover such cost increases from our customers.***

We depend on fuel purchased in the open market to operate our collection and transfer trucks and other equipment used for collection, transfer and disposal. Fuel prices are unpredictable and fluctuate significantly based on events beyond our control, including geopolitical developments, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, changes in refinery operations, supply and demand for oil and gas, war, terrorism and unrest in oil-producing countries, adverse weather and regional production patterns. Due to contractual or market factors, we may not be able to offset increased fuel costs resulting from such volatility through fuel recovery fees. Our fuel costs were $383.0 million in 2021, or 3.4% of revenue, compared to $271.7 million in 2020, or 2.7% of revenue.

At current consumption levels, a twenty-cent per gallon change in the price of diesel fuel changes our fuel costs by approximately $26 million on an annual basis. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, we believe a twenty-cent per gallon change in the price of diesel fuel changes our fuel recovery fee by approximately $26 million. A substantial rise or drop in fuel costs could materially affect our revenue and cost of operations.

Over the last decade, regulations have been adopted mandating changes in the composition of fuels for motor vehicles. The renewable fuel standards that the EPA sets annually affect the type of fuel our motor vehicle fleet uses. Pursuant to the Energy Independence and Security Act of 2007, the EPA establishes annual renewable fuel volume requirements for four different categories of renewable fuels (renewable fuel, advanced biofuel, cellulosic biofuel, and biomass-based diesel). These volume requirements set standards for the proportion of refiners' or importers' total fuel volume that must contain renewable fuels (as designated by regulation). The total volume metrics for each year vary based upon a number of factors (e.g., the availability of such fuels), and it is difficult to predict the ultimate quantity that the EPA will eventually mandate for future years. These regulations are one of many factors that may affect the cost of the fuel we use.

Part of our fleet of vehicles is powered by CNG and we also operate CNG fueling stations. We have invested higher upfront capital costs in order to purchase and support our CNG vehicles and fueling stations in order to reduce our overall fleet operating costs through lower fuel expenses and to create a competitive advantage in communities that focus on protecting the environment. CNG is not yet widely adopted in North America. As the CNG industry develops, new regulations, the availability of alternative fuel technologies, fluctuations in the price or availability of CNG or reductions in tax incentives for the use of CNG vehicles could substantially affect our revenue and costs of operations and reduce the benefits sought by investing in CNG vehicles and fueling stations.

Our operations also require the use of products (such as liners at our landfills) whose costs may vary with the price of petrochemicals. An increase in the price of petrochemicals could increase the cost of those products, which would increase our operating and capital costs. Petrochemical prices, and hence our operating and capital costs, may be further affected by regulatory efforts to reduce greenhouse gases from the industries that produce such petrochemicals. We are also susceptible to increases in fuel recovery fees from our vendors.

***Fluctuations in prices for recycled commodities that we sell to customers may adversely affect our consolidated financial condition, results of operations and cash flows.***

We purchase or collect and process recyclable materials such as paper, cardboard, plastics, aluminum and other metals for sale to third parties. Our results of operations may be affected by changing prices or market requirements for recyclable materials. The resale and purchase prices of, and market demand for, recyclable materials are volatile due to changes in economic conditions and numerous other factors beyond our control. For instance, in 2017 the Chinese government imposed strict limits on the import of recyclable materials, including by restricting the amount of contaminants allowed in imported recycled paper. These limitations significantly decreased the global demand for recyclable materials and resulted in lower commodity prices. Significant price fluctuations or increased operating costs may affect our consolidated financial condition, results of operations and cash flows. In 2021, approximately 80% of our recycling processing center volume was fiber based and included OCC, ONP and other mixed paper.

At current volumes and mix of materials, we believe a $10 per ton change in the price of recycled commodities would change annual revenue and operating income by approximately $22 million and $10 million on an annual basis, respectively. Accordingly, a substantial rise or drop in recycled commodity prices could materially affect our revenue and operating income. Although we have entered into hedging agreements to help offset volatility in recycled commodity prices in the past, we may not enter into these agreements in the future.

***Acute and chronic weather events, including those brought about by climate change, may limit our operations and increase the costs of collection, transfer, disposal, and other environmental services we provide.***

Our operations could be adversely impacted by extreme weather events, changing weather patterns, and rising mean temperature and sea levels, some of which we are already experiencing. For example, we have operations in multiple states that are affected by hurricanes and we have seen the impact of storms and associated flooding in our day-to-day operations and our infrastructure. The Intergovernmental Panel on Climate Change (IPCC), which includes more than 1,300 scientists from the United States and other countries, forecasts a temperature rise of 2.5° to 10° Fahrenheit over the next century. Changing weather patterns and rising temperatures are expected to result in more severe heat waves, fires, storms, and other extreme weather events. Any of these factors could increase the volume of material collected or processed under our existing contracts (without corresponding compensation), impede our employees' and equipment's ability to operate, disrupt our supply chain, delay the development of landfill capacity, or reduce the volume of material generated by our customers. In addition, adverse weather conditions may result in the temporary suspension of our operations, which can significantly affect our operating results in the affected regions during those periods.

***The environmental services industry is a capital-intensive industry and our capital expenditures may exceed current expectations, which could require us to obtain additional funding for our operations or impair our ability to grow our business.***

Our ability to remain competitive and to grow our business largely depends on our cash flow from operations and access to capital. If our capital efficiency programs cannot offset the effect of inflation and business growth, it may be necessary to increase the amount we spend. Additionally, if we make acquisitions or further expand our operations, the amount we spend on capital, capping, closure, post-closure, environmental remediation and other items will increase. Our cash needs also will increase if the expenditures for capping, closure, post-closure and remediation activities increase above our current estimates, which may occur over a long period due to changes in federal, state or local government requirements and other factors beyond our control. Increases in expenditures would negatively impact our cash flows.

***We may be unable to obtain or maintain required permits or to expand existing permitted capacity of our landfills, which could decrease our revenue and increase our costs.***

We cannot assure you that we will be able to obtain or maintain the permits required for our operations because permits to operate new landfills and transfer stations, or to expand the permitted capacity of existing landfills or increase acceptable volume at transfer stations, have become more difficult and expensive to obtain and maintain. Permits often take years to obtain as a result of numerous hearings and compliance requirements with regard to zoning, environmental and other regulations. These permits are also often subject to resistance from citizen or other groups and other political pressures. Local communities and citizen groups, adjacent landowners, governmental agencies and others may oppose the issuance of a permit or approval we may need, allege violations of the permits under which we currently operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage. Such actions could also create risks related to our reputation, which may limit our ability to do business. Responding to these challenges has at times increased our costs and extended the time associated with establishing new landfills and transfer stations and expanding existing landfills. In addition, failure to receive regulatory and zoning approval may prohibit us from establishing new landfills or transfer stations or expanding existing landfills. Our failure to obtain the required permits to operate our landfills and transfer stations could have a material adverse effect on our consolidated financial condition, results of operations and cash flows. In addition, we may have to dispose collected waste at landfills operated by our competitors or haul the waste long distances at a higher cost to one of our other landfills, either of which could significantly increase our waste disposal costs.

***If we do not appropriately estimate landfill capping, closure, post-closure and remediation costs, our financial condition and results of operations may be adversely affected.***

A landfill must be closed and capped, and post-closure maintenance commenced, once the landfill's permitted capacity is reached and additional capacity is not authorized. Further, we undertake remediation activities at some of our solid waste facilities. We have significant financial obligations relating to capping, closure, post-closure and remediation costs at our existing owned or operated landfills, and will have material financial obligations with respect to any future owned or operated landfills. We establish accruals for the estimated costs associated with capping, closure, post-closure and remediation obligations. We could underestimate such costs, and our financial obligations for capping, closure, post-closure or remediation costs could exceed the amounts accrued or amounts otherwise receivable pursuant to trust funds established for this purpose. Additionally, if a landfill must be closed earlier than expected or its remaining airspace is reduced for any other reason, the accruals for capping, closure, post-closure and remediation could be required to be accelerated. If our capping, closure, post-closure or remediation costs exceed the amounts accrued, or if such accruals are required to be accelerated, this could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

***Alternatives to landfill disposal could reduce our disposal volumes and cause our revenues and operating results to decline.***

Most of the states in which we operate landfills require counties and municipalities to formulate comprehensive plans to reduce the volume of solid waste deposited in landfills through waste planning, composting, recycling or other programs. Some state and local governments mandate waste reduction at the source and prohibit the disposal of certain types of wastes, such as yard waste, at landfills. Further, many of our customers voluntarily are diverting waste to alternatives to landfill disposal, such as recycling and composting, while also working to reduce the amount of waste they generate. Many of the largest companies in the U.S. are setting zero-waste goals in which they strive to send no waste to landfills and some jurisdictions have enacted or are considering waste reduction regulations such as extended producer responsibility, organic diversion and minimum recycled content regulations. Although such actions help to protect our environment and reduce the impact of waste on climate change, they have reduced, and will in the future reduce, the volume of waste going to landfills and may affect the prices that we can charge for landfill disposal. Accordingly, we cannot assure you that we will be able to operate our landfills at their current volumes or charge current prices for landfill disposal services due to possible decreases in demand for such services. If we cannot expand our service offerings and grow lines of business to service waste streams that do not go to landfills and to provide services for customers that wish to reduce waste entirely, this could have a negative effect on our consolidated financial condition, results of operations and cash flows. Further, even if we can develop such service offerings and lines of business, disposal alternatives nonetheless could have a negative effect on our consolidated financial condition, results of operations and cash flows.

***The possibility of landfill and transfer station site development projects, or expansion projects not being completed or certain other events could result in material charges to income.***

In accordance with U.S. GAAP, we capitalize certain expenditures relating to development, expansion and other projects. If a facility or operation is permanently shut down or determined to be impaired, or a development, expansion or other project is not completed or is determined to be impaired, we will charge against earnings any unamortized capitalized expenditures relating to such facility or project that we are unable to recover through sale, transfer or otherwise. We also carry a significant amount of goodwill on our consolidated balance sheets, which we must assess for impairment annually, and more frequently in the case of certain triggering events. We may incur charges against earnings in accordance with this policy, or other events may cause impairments. Such charges could have a material adverse effect on our results of operations.

***The business and assets we operate expose us to safety, operational and other risks, including the risk of personal injury to our employees or third parties.***

The provision of environmental services, including the operation of our facilities, a substantial fleet of trucks and other waste-related assets, involves risks. These risks include, among others, the risk of truck accidents, equipment defects, malfunctions and failures, improper use of dangerous equipment, the release of hazardous substances, fire and explosion, any of which could result in environmental liability, personal injury, loss of life, business interruption or property damage or destruction. While we carry insurance to cover many contingencies, and seek to minimize our exposure to these risks through maintenance, training and compliance programs, any substantial losses could have a material adverse effect on our business, results of operations and financial condition.

***We may be subject to work stoppages and other workforce effects, which could increase our operating costs and disrupt our operations.***

As of December 31, 2021, approximately 24% of our workforce was covered by collective bargaining agreements. If our union-represented employees engage in strikes, work stoppages or other slowdowns, we could experience a significant disruption of our operations and an increase in our operating costs, which could have an adverse effect on our consolidated financial condition, results of operations and cash flows. We have experienced interrupted service when our union-represented employees have engaged in strikes and work stoppages in the past, and we would expect the same to occur as a result of any future strikes or work stoppages. Additional groups of employees may seek union representation in the future which could result in increased operating costs. If a greater percentage of our workforce becomes union-represented, our consolidated financial condition, results of operations and cash flows could be adversely impacted due to the potential for increased operating costs.

***We may not be able to achieve reduction of our greenhouse gas emissions and our other sustainability goals.***

Climate change and other sustainability matters are embedded in our core value and vision. As part of our strategic long-term plans to address sustainability, we are committed to reducing our absolute Scope 1 and Scope 2 greenhouse gas emissions 35% by 2030 among other sustainability goals. The execution of our plans and achievement of our goals are subject to risks and uncertainties, including our ability to develop, obtain, license or scale the innovations, technologies and modeling and measurement tools that may be necessary to achieve our plans and the availability, cost and benefits of materials and infrastructure associated with our sustainability projects, such as our CNG vehicles, fleet electrification, recycling, circularity of key materials, landfill gas-to-energy and other renewable energy projects.

In addition, increasing governmental and societal attention to sustainability matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. These and other rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for us. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, and meet the sustainability values, standards and metrics that we set for ourselves, it could negatively impact our reputation and our business results.

## Risks Related to our Legal and Regulatory Environment

***We are subject to costly environmental regulations and flow-control regulations that may affect our operating margins, restrict our operations and subject us to additional liability.***

Complying with laws and regulations governing the collection, treatment, storage, transfer and disposal of material, air quality and emissions of greenhouse gases, water quality and the remediation of contamination associated with the release of hazardous substances is costly. Laws and regulations often require us to, among other things, enhance or replace our equipment and to modify landfill operations or initiate final closure of a landfill. We may not be able to implement price increases sufficient to offset the costs of complying with these laws and regulations. In addition, environmental regulatory changes, including those relating to per- and polyfluoroalkyl substances (commonly referred to as PFAS) and other chemicals of emerging concern, could accelerate or increase expenditures for capping, closure, post-closure and environmental and remediation activities at solid waste facilities and obligate us to spend sums in addition to those presently accrued for such purposes, which could have a negative effect on our consolidated financial position, results of operations and cash flows. For example, the EPA has indicated it is considering listing certain PFAS as hazardous substances under CERCLA, which if finalized could trigger additional obligations or liabilities under CERCLA or other laws and regulations.

Our business is and will continue to be affected by state or local laws or regulations that restrict the transportation of solid waste across state, county or other jurisdictional lines or that direct the flow of waste to a specified facility or facilities. Such laws and regulations could negatively affect our operations, resulting in declines in landfill volumes and increased costs of alternate disposal.

***Regulation of greenhouse gas emissions and other governmental regulations could impose costs on our operations, the magnitude of which is difficult to estimate.***

Efforts to curtail the emission of greenhouse gases and to ameliorate the effects of climate change continue to progress. Our landfill operations emit anthropogenic methane, identified as a greenhouse gas, and our vehicle fleet emits, among other things, carbon dioxide, which also is a greenhouse gas. While passage of comprehensive, federal climate change legislation appears unlikely in the near term, we expect any such legislation, if enacted, to impose costs on our operations, which could be material.

Absent comprehensive federal legislation to control greenhouse gas emissions, the EPA has taken certain actions administratively under its existing Clean Air Act authority. The EPA is compelled to issue rules by the U.S. Supreme Court's April 2007 *Massachusetts v. EPA* ruling that greenhouse gases are pollutants for purposes of the Clean Air Act and the EPA's December 2009 finding that continued emissions of greenhouse gases endanger human health and welfare. With respect to our light- and heavy-duty vehicle fleet, the EPA has finalized regulations limiting greenhouse gas emissions and increasing fuel economy standards. The EPA and the NHTSA have finalized such regulations applicable to light-duty vehicles through model year 2025. In 2018, the EPA and the NHTSA proposed to revise the light-duty vehicle standards for model years 2021 through 2024 to make them less stringent; final action on the proposal took place in 2020 but has been challenged in court. On August 16, 2016, the EPA and the NHTSA issued additional regulations that would impose more stringent standards for heavy-duty vehicles through model-year 2027. These standards and further federal efforts to curtail greenhouse gas emissions and to increase the fuel efficiency of light-duty and heavy-duty vehicles could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

With regard to greenhouse gas emissions from our landfills, on July 14, 2016, the EPA issued amendments to its regulations that require large landfills that commenced construction, reconstruction or modification on or after July 17, 2014 to capture additional landfill gas to reduce emissions of methane and certain non-methane gases, which are recognized as greenhouse gases. In a separate action finalized that same day, the EPA issued updates to its 1996 Emission Guidelines to reduce emissions of landfill gas from existing active landfills. As part of the Biden Administration focus on climate change, the EPA has taken further steps to implement these regulations.

These regulations, or an amended version of them that eventually goes into effect, may require our landfills to deploy more stringent emission controls and monitoring systems, with resulting capital or operating costs. The application of these or other greenhouse gas regulations to our landfills could have a material adverse effect on our landfill operations and on our consolidated financial condition, results of operations and cash flows. We cannot predict what other actions or regulations the current administration may undertake that would affect our industry.

***We may incur losses from liabilities that are not covered by our insurance. Changes in insurance markets also may impact our financial results.***

We may incur liabilities or suffer losses arising from our operations or properties that resulted in harm to the environment, property, employees or the general public. We maintain insurance for these liabilities and losses, including high deductibles for our environmental liability insurance coverage. If we were to incur substantial liability or loss in connection with these contingencies, our insurance coverage may be inadequate to cover such liability or loss. This could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

Also, due to the variable condition of the insurance market, we have experienced, and may experience in the future, increased insurance retention levels and increased premiums or unavailability of insurance. As we assume more risk for insurance through higher retention levels, we may experience more variability in our insurance reserves and expense.

***Despite our efforts, we may incur additional liability under environmental laws in excess of amounts presently known and accrued.***

We are a potentially responsible party at many sites under CERCLA, which provides for the remediation of contaminated facilities and imposes strict, joint and several liability for the cost of remediation on current owners and operators of a facility at which there has been a release or a threatened release of a hazardous substance. CERCLA liability also extends to parties who were site owners and operators at the time hazardous substances were disposed, and on persons who arrange for the disposal of such substances at the facility (e.g., generators of the waste and transporters who selected the disposal site). Hundreds of substances are defined as hazardous under CERCLA and their presence, even in minute amounts, can result in substantial liability.

Notwithstanding our efforts to comply with applicable environmental laws, we may have additional liability under environmental laws in excess of our current reserves because, among other things, hazardous substances may be present in waste collected by us or disposed of in our landfills (or in waste collected, transported or disposed of in the past by businesses we have acquired), environmental laws or regulations may change, or there may be adverse environmental conditions that develop or were otherwise previously unknown to us. Environmental liabilities in excess of our current reserves could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

***Currently pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.***

We are and will continue to be involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings. Many of these matters raise complicated factual and legal issues and are subject to uncertainties. The timing of the final resolutions to lawsuits, regulatory inquiries, and governmental and other legal proceedings is uncertain. Further, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments and adversely affect our consolidated financial condition, results of operations and cash flows.

For example, we incur costs to defend against litigation brought by government agencies and private parties who allege we are in violation of our permits and applicable environmental laws and regulations, or who assert claims alleging nuisance, environmental damage, personal injury or property damage. As a result, we may be required to pay fines or judgments or implement corrective measures, or we may have our permits and licenses modified or revoked. A significant judgment against us, the loss of a significant permit or license, or the imposition of a significant fine could have a material adverse effect on our consolidated financial condition, results of operations and cash flows. We establish accruals for our estimates of the costs associated with lawsuits, regulatory, governmental and other legal proceedings. We could underestimate such accruals. Such shortfalls could result in significant unanticipated charges to income.

## Risks Related to Financial Strategy and Indebtedness

***We have substantial indebtedness, which may limit our financial flexibility.***

As of December 31, 2021, we had approximately $10 billion in principal value of debt and finance leases outstanding. This amount of indebtedness and our debt service requirements may limit our financial flexibility to access additional capital and make capital expenditures and other investments in our business, to withstand economic downturns and interest rate increases, to plan for or react to changes in our business and our industry, and to comply with the financial and other covenants of our debt instruments. Further, our ability to comply with these financial and other covenants may be affected by changes in economic or business conditions or other events that are beyond our control. If we do not comply with these covenants, we may be required to take actions such as reducing or delaying capital expenditures, reducing or eliminating dividends or stock repurchases, selling assets, restructuring or refinancing all or part of our existing debt, or seeking additional equity capital.

***We may be unable to maintain our credit ratings or execute our financial strategy.***

Our ability to execute our financial strategy depends in part on our ability to maintain investment grade ratings on our debt. The credit rating process is contingent upon a number of factors, many of which are beyond our control. We cannot assure you that we will be able to maintain our investment grade ratings in the future. If we were unable to do so, our interest expense would increase and our ability to obtain financing on favorable terms may be adversely affected.

Our financial strategy also depends on our ability to generate sufficient cash flow to reinvest in our existing business, fund internal growth, acquire other environmental services businesses, pay dividends, repurchase stock, and take other actions to enhance shareholder value. We may not succeed in executing our broad-based pricing initiatives, and we may not generate sufficient cash flow to execute our financial strategy, pay cash dividends at our present rate, or increase them, or be able to continue our share repurchase program.

***Weakness in the U.S. economy may expose us to credit risk for amounts due from governmental entities, large national accounts, industrial customers and others.***

Weakness in the U.S. economy, including contractions caused by the COVID-19 pandemic, reduces the amount of taxes collected by various governmental entities. We provide services to a number of these entities, including numerous municipalities. These governmental entities may suffer financial difficulties resulting from a decrease in tax revenue and may ultimately be unable or unwilling to pay amounts owed to us. In addition, weakness in the economy may cause other customers, including our large national accounts, or industrial or environmental services clients, to suffer financial difficulties and ultimately to be unable or unwilling to pay amounts owed to us. This could negatively impact our consolidated financial condition, results of operations and cash flows.

***Our consolidated financial statements are based on estimates and assumptions that may differ from actual results. The liabilities we record based on such estimates and assumptions may not be adequate to cover the costs we ultimately will face.***

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and necessarily include amounts based on management’s estimates. Actual results may differ from these amounts. Significant items requiring management to make subjective or complex judgments that are inherently uncertain include the recoverability of long-lived assets, the depletion and amortization of landfill development costs, accruals for final capping, closure and post-closure costs, valuation allowances for accounts receivable and deferred tax assets, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation, multiemployer pension plans, employee benefit plans, deferred taxes, uncertain tax positions, insurance and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. We cannot assure you that the liabilities recorded for items such as these will be adequate to cover the costs we ultimately will face.

***Our obligation to fund multiemployer pension plans to which we contribute, or our withdrawal from such plans, may have an adverse effect on us.***

We participate in multiemployer pension plans that generally provide retirement benefits to participants of contributing employers. We do not administer these plans and generally are not represented on the boards of trustees of these plans. The Pension Protection Act enacted in 2006 (the PPA) requires under-funded pension plans to improve their funding ratios. Based on the information available to us, we believe that some of the multiemployer plans to which we contribute are either critical or endangered as those terms are defined in the PPA. We cannot presently determine the amount of additional funding, if any, we may be required to make to these plans. However, plan assessments could have a material adverse effect on our results of operations or cash flows for a given period.

Further, under current law, upon the termination of a multiemployer pension plan, or in the event of a withdrawal by us (which we consider from time to time) or a mass withdrawal of contributing employers (each, a Withdrawal Event), we would be required to make payments to the plan for our proportionate share of the plan's unfunded vested liabilities. We cannot assure you that there will not be a Withdrawal Event with respect to any of the multiemployer pension plans to which we contribute or that, in the event of such a Withdrawal Event, the amounts we would be required to contribute would not have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

For additional discussion and detail regarding multiemployer pension plans see Note 12, *Employee Benefit Plans,* of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

***The costs of providing for pension benefits and related funding requirements are subject to changes in pension fund values and fluctuating actuarial assumptions, and may have a material adverse effect on our financial condition, results of operations and cash flows.***

We sponsor a defined benefit pension plan that is funded with trustee assets invested in a diversified portfolio of debt and equity securities. Our costs for providing such benefits and related funding requirements are subject to changes in the market value of plan assets. Our pension expenses and related funding requirements are also subject to various actuarial calculations and assumptions, which may differ materially from actual results due to changing market and economic conditions, interest rates and other factors. A significant increase in our pension obligations and funding requirements could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

## Risks Related to Our Growth Strategy

***We may be unable to manage our growth effectively.***

Our growth strategy places significant demands on our financial, operational and management resources. To continue our growth, we may need to add administrative, managerial and other personnel, and may need to make additional investments in operations and systems. We cannot assure you that we will be able to find and train qualified personnel, or do so on a timely basis, or to expand or otherwise modify our operations and systems to the extent, and in the time, required.

***We may be unable to execute our acquisition growth strategy.***

Our ability to execute our growth strategy depends in part on our ability to identify and acquire desirable acquisition candidates and on our ability to successfully integrate acquired operations into our business. The integration of our operations with those of acquired companies may present significant challenges to our management. In addition, competition for acquisition candidates may prevent us from acquiring certain acquisition candidates. Thus, we cannot assure you that:

- desirable acquisition candidates exist or will be identified;
- we will be able to acquire any of the candidates identified;
- we will effectively integrate and manage companies we acquire; or
- any acquisitions will be profitable or accretive to our earnings.

If any of these factors force us to alter our growth strategy, our growth prospects could be adversely affected.

***Businesses we acquire may have undisclosed liabilities.***

Our due diligence investigations of acquisition candidates may fail to discover certain undisclosed liabilities. If we acquire a company with undisclosed liabilities such as environmental, remediation or contractual liabilities, as a successor owner we may be responsible for such undisclosed liabilities. We try to minimize our exposure to such liabilities by conducting due diligence, by obtaining indemnification from each seller of the acquired companies, by deferring payment of a portion of the purchase price as security for the indemnification, by obtaining representations and warranties insurance and by acquiring only specified assets. However, we cannot assure you that we will be able to obtain indemnification or insurance coverage or that any indemnification or insurance coverage obtained will be enforceable, collectible or sufficient in amount, scope or duration to fully offset any undisclosed liabilities arising from our acquisitions.

## Risks Related to Technology and Intellectual Property

***Our strategy includes an increasing dependence on technology in our operations. If any of our key technology fails, our business could be adversely affected.***

Our operations are increasingly dependent on technology. Our information technology systems are critical to our ability to drive profitable growth through differentiation, continue the implementation of standardized processes and deliver a consistent customer experience. One of our three differentiating capabilities is to enable our customers to do business with us through more channels and with better access to information and, accordingly, we have made substantial investment in our e-commerce platform. Problems with the operation of the information or communication technology systems we use could adversely affect, or temporarily disable, all or a portion of our operations. Inabilities and delays in implementing new systems can also affect our ability to realize projected or expected revenue or cost savings. Further, any systems failures could impede our ability to timely collect and report financial results in accordance with applicable laws.

Emerging technologies, including those that are used to recycle and process waste as an alternative to disposal of waste in landfills, represent risks, as well as opportunities, to our current business model. The costs associated with developing or investing in emerging technologies could require substantial capital and adversely affect our results of operations and cash flows. Delays in the development or implementation of such emerging technologies and difficulties in marketing new products or services based on emerging technologies could have similar negative impacts. Our financial results may suffer if we are not able to develop or license emerging technologies, or if a competitor obtains exclusive rights to an emerging technology that disrupts the current methods used in the environmental services industry.

***A cyber security incident could negatively impact our business and our relationships with customers.***

We use information technology, including computer and information networks, in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees and our customers. Such uses give rise to cyber security risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' personal information, private information about employees, and financial and strategic information about us and our business partners. We also rely on a Payment Card Industry compliant third party to protect our customers' credit card information. In connection with our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and corresponding exposure to cyber security risk. If we fail to assess and identify cyber security risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventive measures and incident response efforts may not be entirely effective. Also, the regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. This changing regulatory landscape may cause increasingly complex compliance challenges, which may increase our compliance costs. Any failure to comply with these changing security and privacy laws and regulations could result in significant penalties, fines, legal challenges and reputational harm. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

## Other Risks Relevant to Our Business

***The COVID-19 pandemic has negatively impacted, and is likely to continue to negatively impact, our business, results of operations and financial performance.***

The COVID-19 pandemic has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and our customers. As a result of the COVID-19 pandemic, our costs of doing business have increased, including for the purchase of additional safety equipment and hygiene products, increased facility and equipment cleaning, and the expansion of certain aspects of our existing healthcare programs. Additionally, if the pandemic continues and conditions worsen or if there is a large outbreak or resurgence of COVID-19 in various regions, we expect to experience additional adverse impacts on our operational and commercial activities and our collections of accounts receivable, which adverse impacts may be material. The degree to which COVID-19 impacts our results going forward will depend on future developments, which are uncertain and cannot be predicted, including, but not limited to, the duration, variants and spread of COVID-19, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our business and damage our results of operations and our liquidity position, possibly to a significant degree.

***Price increases may not be adequate to offset the effect of increased costs and may cause us to lose volume.***

We seek to secure price increases necessary to offset increased costs, improve our operating margins and earn an appropriate return on our substantial investments in assets such as our landfills. From time to time, our competitors reduce their prices in an effort to expand their market share. Contractual, general economic or market-specific conditions also may limit our ability to raise prices. For example, many of our contracts have price adjustment provisions that are tied to an index such as the consumer price index. Particularly in a weak U.S. economy, our costs may increase in excess of the increase, if any, in the consumer price index. This may continue to be the case even when the U.S. economy recovers because a recovery in the environmental services industry historically has lagged behind a recovery in the general economy. As a result, we may be unable to offset increases in costs, improve our operating margins and obtain adequate investment returns through price increases. Price increases also might cause us to lose volume to lower-cost competitors.

***The loss of key personnel could have a material adverse effect on our consolidated financial condition, results of operations, cash flows and growth prospects.***

Our future success depends on the continued contributions of several key employees and officers. The loss of the services of key employees and officers, whether through resignation or other causes, or the inability to attract additional qualified personnel, could have a material adverse effect on our consolidated financial condition, results of operations, cash flows and growth prospects. In some of our markets, we compete with other similar businesses which may drive labor costs or reduce the amount of available qualified personnel.

***The introduction of new accounting rules, laws or regulations could adversely impact our reported results of operations.***

Complying with new accounting rules, laws or regulations, such as, for example, those related to our asset retirement obligations and environmental liabilities, could adversely impact our results of operations or cause unanticipated fluctuations in our results of operations or financial conditions in future periods.

***Weakened global economic conditions, including those resulting from the recent COVID-19 pandemic, may harm our industry, business and results of operations.***

Our business is directly affected by changes in national and general economic factors and overall economic activity that are outside of our control, including consumer confidence and interest rates. For example, the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. A weak economy generally results in decreases in volumes, which adversely affects our revenues. In addition, we have certain fixed costs (e.g., facility expense associated with long-term leases, depreciation expense and accretion expense), which may be difficult to adjust quickly to match declining volume levels. Consumer uncertainty and the loss of consumer confidence may decrease overall economic activity and thereby limit the amount of services we provide. Additionally, a decline in volumes may result in increased competitive pricing pressure and increased customer turnover, resulting in lower revenue and increased operating costs. Operating in an environment of worsening economic conditions could have a material adverse effect on our consolidated financial condition, results of operations and cash flows. Further, recovery in the environmental services industry historically has lagged behind recovery in the general economy. Accordingly, we cannot assure you that an improvement in general economic conditions will result in an immediate, or any, improvement in our consolidated financial condition, results of operations or cash flows.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our corporate office is located at 18500 North Allied Way, Phoenix, Arizona 85054, where we currently lease approximately 145,000 square feet of office space.

Our principal property and equipment consists of land, landfills, buildings, vehicles and equipment. We own or lease real property in the states in which we conduct operations. As of December 31, 2021, we operated facilities in 41 states through 356 collection operations, 239 transfer stations, 198 active landfills, 71 recycling processing centers, 3 treatment, recovery and disposal facilities, 3 treatment, storage and disposal facilities (TSDF), 6 salt water disposal wells and 7 deep injection wells. In the aggregate, our active solid waste landfills total 111,539 acres, including 39,618 permitted acres. We are engaged in 77 landfill gas-to-energy and other renewable energy projects and had post-closure responsibility for 124 closed landfills. We believe that our property and equipment are adequate for our current needs.

## ITEM 3. LEGAL PROCEEDINGS

### General Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some may result in fines, penalties or judgments against us, or settlements, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, we do not believe the outcome of any of our pending legal proceedings will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

As used in the immediately following paragraph, the term *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers' compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with self-insured employee health care costs, are discussed in Note 7, *Other Liabilities,* to our consolidated financial statements in Part II, Item 8 of this Annual report on Form 10-K; and (2) environmental remediation liabilities, which totaled $454.9 million at December 31, 2021 and which are discussed in Note 8, *Landfill and Environmental Costs,* to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately $11 million relating to our outstanding legal proceedings as of December 31, 2021. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we had used the high ends of such ranges, our aggregate potential liability would be approximately $3 million higher than the amount recorded as of December 31, 2021.

### Legal Proceedings over Certain Environmental Matters Involving Governmental Authorities with Possible Sanctions of $1,000,000 or More

Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions unless we reasonably believe the monetary sanctions will not equal or exceed a threshold which we determine is reasonably designed to result in disclosure of any such proceeding that is material to our business or financial condition. We have determined such disclosure threshold to be $1,000,000. We have no matters to disclose in accordance with that requirement.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market Information, Holders and Dividends

The principal market for our common stock is the New York Stock Exchange, and it is traded under the symbol RSG.

There were 529 holders of record of our common stock at February 3, 2022, which does not include beneficial owners for whom Cede & Co. or others act as nominees.

In October 2021, our Board of Directors declared a regular quarterly dividend of $0.46 per share for shareholders of record on January 3, 2022. We expect to continue to pay quarterly cash dividends, and we may consider increasing our dividends if we believe it will enhance shareholder value.

We have the ability under our credit facilities to pay dividends and repurchase our common stock if we are in compliance with the financial covenants in our credit facilities. As of December 31, 2021, we were in compliance with those financial covenants.

### Issuer Purchases of Equity Securities

The following table provides information relating to our purchases of shares of our common stock during the three months ended December 31, 2021:

| | Total Number of Shares Purchased (a) | Average Price Paid per Share (a) | Total Number of Shares Purchased as Part of Publicly Announced Program (b) | Dollar Value of Shares that May Yet Be Purchased Under the Program (c) |
|---|---|---|---|---|
| October 1 – 31 | 599,017 | $ 122.13 | 599,017 | $ 1,747,826,634 |
| November 1 – 30 | - | $ - | - | $ 1,747,826,634 |
| December 1 – 31 | - | $ - | - | $ 1,747,826,634 |
| | 599,017 | | 599,017 | |

(a) In October 2020, our Board of Directors approved a $2.0 billion share repurchase authorization effective starting January 1, 2021 and extending through December 31, 2023. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the Board of Directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The share repurchase program may be extended, suspended or discontinued at any time. As of December 31, 2021, there were no repurchased shares pending settlement.

(b) The total number of shares purchased as part of the publicly announced program were all purchased pursuant to the October 2020 authorization.

(c) Shares that may be purchased under the program exclude shares of common stock that may be surrendered to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock units and performance stock units issued to employees.

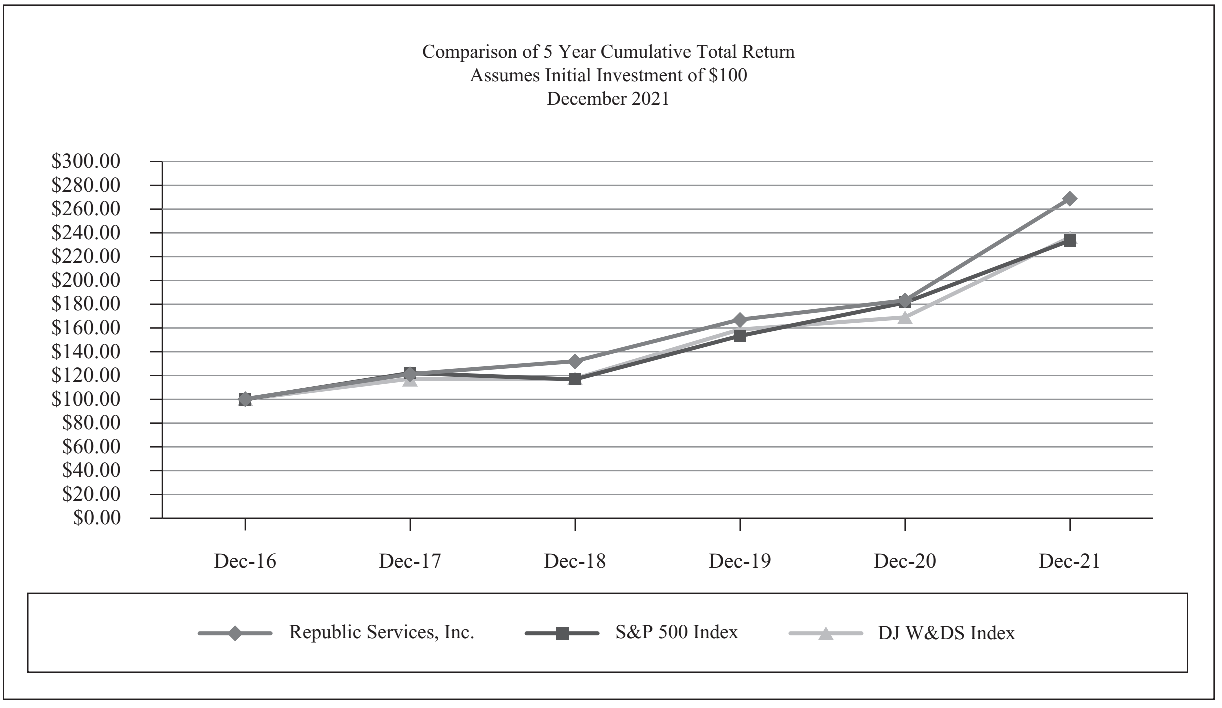
### Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the three months ended December 31, 2021.

**Performance Graph**

The following graph compares the performance of our common stock to the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Dow Jones Waste & Disposal Services Index (DJ W&DS Index). The graph covers the period from December 31, 2016 to December 31, 2021 and assumes that the value of the investment in our common stock and in each index was $100 as of December 31, 2016 and that all dividends were reinvested.

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.




| | Indexed Returns for the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Republic Services, Inc. | $ 100.00 | $ 120.97 | $ 131.67 | $ 166.70 | $ 182.59 | $ 268.47 |
| S&P 500 Index | $ 100.00 | $ 121.83 | $ 116.49 | $ 153.17 | $ 181.35 | $ 233.40 |
| DJ W&DS Index | $ 100.00 | $ 117.08 | $ 117.21 | $ 158.35 | $ 168.74 | $ 235.89 |



## ITEM 6. [RESERVED]

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with our audited consolidated financial statements and the notes thereto included in Part II, Item 8 of this Annual Report on Form 10-K. This discussion may contain forward-looking statements that anticipate results that are subject to uncertainty. We discuss in more detail* *various factors that could cause actual results to differ from expectations in Part I, Item 1A, Risk Factors in this Annual Report on Form 10-K.*

For further discussion regarding our results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019, refer to Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

**Impact of the COVID-19 Pandemic**

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The full extent of the impact of the COVID-19 pandemic on our operations and financial performance will depend on future developments, including the duration and spread of the pandemic, all of which are uncertain and cannot be predicted at this time.

In mid-March 2020, certain customers in our small- and large-container businesses began adjusting their service levels, which included a decrease in the frequency of pickups or a temporary pause in service. In addition, we experienced a decline in volumes disposed at certain of our landfills and transfer stations. As service levels decreased, we also experienced a decrease in certain costs of our operations which are variable in nature. This decline in service activity peaked in the first half of April 2020 and improved sequentially through December 31, 2021.

In April 2020, we launched our Committed to Serve initiative and committed $20 million to support frontline employees and their families, as well as small business customers in the local communities where we serve. In addition to this initiative, we have experienced an increase in certain costs of doing business as a direct result of the COVID-19 pandemic, including costs for additional safety equipment and hygiene products and increased facility and equipment cleaning. These costs are intended to assist in protecting the safety of our frontline employees as we continue to provide an essential service to our customers. In 2020 and 2021, we recognized our frontline employees for their commitment and contributions to their communities during the pandemic with awards that were paid in January 2021 and November 2021, respectively. In addition, we incurred incremental costs associated with expanding certain aspects of our existing healthcare programs. We may continue to incur similar costs in future years, although we expect the annual amount of such costs to be less than those incurred in 2020.

The effects of the COVID-19 pandemic on our business are described in more detail in the *Results of Operations* discussion in this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**Recent Developments**

***Acquisition of US Ecology***

On February 8, 2022, we entered into a definitive agreement to acquire all outstanding shares of US Ecology, Inc. (US Ecology) in a transaction valued at approximately $2.2 billion, including debt. US Ecology is a leading provider of environmental solutions offering treatment, recycling and disposal of hazardous, non-hazardous and specialty waste. We intend to finance the transaction using existing and new sources of debt.

The guidance included herein does not contemplate the impact from the pending acquisition of US Ecology, which is subject to regulatory and other approvals.

***2022 Financial Guidance***

In 2022, we will focus on driving profitable growth, making disciplined acquisition investments, maintaining an inclusive and engaging culture for our people, delivering a superior customer experience, and advancing technology to drive operational excellence. Our team remains focused on executing our strategy to deliver consistent earnings and free cash flow growth, and improving return on invested capital, while partnering with customers to create a more sustainable world. We are committed to maintaining an efficient capital structure, preserving our investment grade credit ratings and increasing cash returned to our shareholders.

Our guidance is based on current economic conditions and does not assume any significant changes in the overall economy in 2022. Specific guidance follows:

*Revenue*

We expect an increase in average yield of approximately 3.4% and volume growth to be in a range of 1.5% to 2.0%.

*Adjusted Diluted Earnings per Share*

The following is a summary of anticipated adjusted diluted earnings per share for the year ending December 31, 2022 compared to the actual adjusted diluted earnings per share for the year ended December 31, 2021. Adjusted diluted earnings per share is not a measure determined in accordance with U.S. GAAP:

| | (Anticipated) Year Ending December 31, 2022 | (Actual) Year Ended December 31, 2021 |
|---|---|---|
| Diluted earnings per share | $ 4.53 to 4.60 | $ 4.04 |
| Restructuring charges | 0.05 | 0.04 |
| Loss on business divestitures and impairments, net | - | 0.02 |
| Accelerated vesting of compensation expense for CEO transition | - | 0.07 |
| Adjusted diluted earnings per share | $ 4.58 to 4.65 | $ 4.17 |

We believe that the presentation of adjusted diluted earnings per share provides an understanding of operational activities before the financial effect of certain items. We use this measure, and believe investors will find it helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate effect on our results for a particular period. We have incurred comparable charges and costs in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Our definition of adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

The guidance set forth above constitutes forward-looking information and is not a guarantee of future performance. The guidance is based upon the current beliefs and expectations of our management and is subject to significant risk and uncertainties that could cause actual results to differ materially from those shown above. See Item 1A. *Risk Factors—Disclosure Regarding Forward-Looking Statements*.

**Overview**

Republic is one of the largest providers of environmental services in the United States, as measured by revenue. As of December 31, 2021, we operated facilities in 41 states through 356 collection operations, 239 transfer stations, 198 active landfills, 71 recycling processing centers, 3 treatment, recovery and disposal facilities, 3 treatment, storage and disposal facilities (TSDF), 6 salt water disposal wells, and 7 deep injection wells. We are engaged in 77 landfill gas-to-energy and other renewable energy projects and had post-closure responsibility for 124 closed landfills.

Revenue for the year ended December 31, 2021 increased by 11.2% to $11,295.0 million compared to $10,153.6 million in 2020. This change in revenue is due to increased volume of 3.8%, average yield of 2.9%, acquisitions, net of divestitures of 2.8%, recycling processing and commodity sales of 1.1%, and fuel recovery fees of 0.8%, partially offset by decreased environmental solutions revenue of 0.1%. Additionally, revenue decreased 0.1% due to one less workday in 2021 as compared to 2020.

The following table summarizes our revenue, costs and expenses for the years ended December 31, 2021 and 2020 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Revenue | $ 11,295.0 | 100.0% | $ 10,153.6 | 100.0% |
| Expenses: | | | | |
| Cost of operations | 6,737.7 | 59.7 | 6,100.5 | 60.1 |
| Depreciation, amortization and depletion of property and equipment | 1,111.7 | 9.8 | 1,015.9 | 10.0 |
| Amortization of other intangible assets | 33.3 | 0.3 | 21.2 | 0.2 |
| Amortization of other assets | 40.5 | 0.4 | 38.8 | 0.4 |
| Accretion | 82.7 | 0.7 | 82.9 | 0.8 |
| Selling, general and administrative | 1,195.8 | 10.6 | 1,053.0 | 10.4 |
| Withdrawal costs - multiemployer pension funds | - | - | 34.5 | 0.3 |
| Loss on business divestitures and impairments, net | 0.5 | - | 77.7 | 0.8 |
| Restructuring charges | 16.6 | 0.1 | 20.0 | 0.2 |
| Operating income | $ 2,076.2 | 18.4% | $ 1,709.1 | 16.8% |

Our pre-tax income was $1,575.1 million for the year ended December 31, 2021, compared to $1,142.7 million in 2020. Our net income attributable to Republic Services, Inc. was $1,290.4 million, or $4.04 per diluted share for 2021, compared to $967.2 million, or $3.02 per diluted share, for 2020.

During 2021 and 2020, we recorded a number of charges, other expenses and benefits that impacted our pre-tax income, net income attributable to Republic Services, Inc. (net income – Republic) and diluted earnings per share as noted in the following table (in millions, except per share data). Additionally, see our *Results of Operations* section of this *Management's Discussion and Analysis of Financial Condition and Results of Operations* for a discussion of other items that impacted our earnings during the years ended December 31, 2021 and 2020. For comparative purposes, prior year amounts have been reclassified to conform to current year presentation.

| | Year Ended December 31, 2021 | | | Year Ended December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Pre-tax Income | Net Income - Republic | Diluted Earnings per Share | Pre-tax Income | Net Income - Republic | Diluted Earnings per Share |
| As reported | $1,575.1 | $1,290.4 | $ 4.04 | $1,142.7 | $ 967.2 | $ 3.02 |
| Loss on extinguishment of debt and other related costs | - | - | - | 99.1 | 73.0 | 0.23 |
| Restructuring charges | 16.6 | 12.2 | 0.04 | 20.0 | 14.8 | 0.05 |
| Loss on business divestitures and impairments, net | 0.5 | 6.0 | 0.02 | 77.7 | 65.5 | 0.21 |
| Withdrawal costs - multiemployer pension funds | - | - | - | 34.5 | 25.5 | 0.08 |
| Bridgeton insurance recovery | - | - | - | (10.8) | (8.2) | (0.03) |
| Accelerated vesting of compensation expense for CEO transition | 22.0 | 22.0 | 0.07 | - | - | - |
| Total adjustments | 39.1 | 40.2 | 0.13 | 220.5 | 170.6 | 0.54 |
| As adjusted | $1,614.2 | $1,330.6 | $ 4.17 | $1,363.2 | $1,137.8 | $ 3.56 |

We believe that presenting adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share, which are not measures determined in accordance with U.S. GAAP, provide an understanding of operational activities before the financial impact of certain items. We use these measures, and believe investors will find them helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges and costs in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Our definitions of adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies. Further information on each of these adjustments is included below.

*Loss on extinguishment of debt and other related costs.* During 2020, we incurred a loss on the early extinguishment of debt and other related costs related to the early extinguishment of our $600.0 million 5.250% senior notes due November 2021 (the 2021 Notes) and our $850.0 million 3.550% senior notes due June 2022 (the 2022 Notes), and to redeem $250.0 million of the $550.0 million outstanding 4.750% senior notes due May 2023 (the 2023 Notes). We paid total cash premiums of $99.1 million and incurred non-cash charges related to the proportional share of unamortized discounts and deferred issuance costs of $2.8 million. The unamortized proportional share of certain cash flow hedges reclassified to earnings as non-cash interest expense was $1.8 million, and the proportional share of our fair value hedges (related to the 2023 Notes) that were dedesignated and recognized in earnings as a reduction to non-cash interest expense was $4.7 million. During 2021, we did not incur a loss on the early extinguishment of debt.

*Restructuring charges.* In 2020, we incurred costs related to the redesign of certain back-office software systems, which continued into 2021. In addition, in July 2020, we eliminated certain back-office support positions in response to a decline in the underlying demand for services resulting from the COVID-19 pandemic. In 2021 and 2020, we incurred restructuring charges of $16.6 million and $20.0 million, respectively. We paid $17.2 million and $15.5 million during 2021 and 2020, respectively, related to these restructuring efforts.

In 2022, we expect to incur additional restructuring charges of approximately $20 million primarily related to the redesign of certain of our back-office software systems. Substantially all of these restructuring charges will be recorded in our corporate entities and other segment.

*Loss on business divestitures and impairments, net.* During 2021, we recorded a loss of $0.5 million related to business divestitures and asset impairments in certain markets. Additionally, we recognized an increase in our deferred tax provision of $5.5 million due to a change in our U.S. operational footprint as a result of certain acquisitions that closed during the period.

During 2020, we recorded a net loss on business divestitures and impairments of $77.7 million, including $42.6 million resulting from management's decision to exit certain product offerings and geographic basins in our upstream environmental solutions business.

*Withdrawal costs – multiemployer pension funds.* During 2020, we recorded charges to earnings of $34.5 million for withdrawal events at multiemployer pension funds to which we contribute. As we obtain updated information regarding multiemployer pension funds, the factors used in deriving our estimated withdrawal liabilities will be subject to change, which may adversely impact our reserves for withdrawal costs.

*Bridgeton insurance recovery.* During 2020, we recognized an insurance recovery of $10.8 million, related to our closed Bridgeton Landfill in Missouri, which we recognized as a reduction of remediation expenses in our cost of operations.

*Accelerated vesting of compensation expense for CEO transition.* In June 2021, Donald W. Slager retired as Chief Executive Officer (CEO) of Republic Services, Inc. During 2021, we recognized a charge of $22.0 million primarily related to the accelerated vesting of his compensation awards that were previously scheduled to vest in 2022 and beyond.

## Results of Operations

### *Revenue*

We generate revenue by providing environmental services to our customers, including the collection and processing of recyclable materials, collection, transfer and disposal of non-hazardous solid waste, and other environmental solutions. Our residential, small-container and large-container collection operations in some markets are based on long-term contracts with municipalities. Certain of our municipal contracts have annual price escalation clauses that are tied to changes in an underlying base index such as a consumer price index. We generally provide small-container and large-container collection services to customers under contracts with terms up to three years. Our transfer stations and landfills generate revenue from disposal or tipping fees charged to third parties. Our recycling processing centers generate revenue from tipping fees charged to third parties and the sale of recycled commodities. Our revenue from environmental solutions consists mainly of fees we charge for disposal of hazardous and non-hazardous solid and liquid material and in-plant services, such as transportation and logistics, including at our TSDFs. Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide or regional contracts in markets outside our operating areas where the associated material handling is subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

The following table reflects our revenue by service line for the years ended December 31, 2021 and 2020 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Collection: | | | | |
| Residential | $ 2,452.8 | 21.7% | $ 2,309.0 | 22.7% |
| Small-container | 3,417.7 | 30.3 | 3,106.8 | 30.6 |
| Large-container | 2,378.4 | 21.1 | 2,148.9 | 21.2 |
| Other | 59.6 | 0.5 | 51.5 | 0.5 |
| Total collection | 8,308.5 | 73.6 | 7,616.2 | 75.0 |
| Transfer | 1,490.0 | | 1,349.4 | |
| Less: intercompany | (814.4) | | (745.9) | |
| Transfer, net | 675.6 | 6.0 | 603.5 | 5.9 |
| Landfill | 2,506.7 | | 2,298.1 | |
| Less: intercompany | (1,092.8) | | (1,018.5) | |
| Landfill, net | 1,413.9 | 12.5 | 1,279.6 | 12.6 |
| Environmental solutions | 202.5 | 1.8 | 127.7 | 1.3 |
| Other: | | | | |
| Recycling processing and commodity sales | 420.5 | 3.7 | 297.1 | 2.9 |
| Other non-core | 274.0 | 2.4 | 229.5 | 2.3 |
| Total other | 694.5 | 6.1 | 526.6 | 5.2 |
| Total revenue | $ 11,295.0 | 100.0% | $ 10,153.6 | 100.0% |

The following table reflects changes in components of our revenue, as a percentage of total revenue, for the years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Average yield | 2.9% | 2.6% |
| Fuel recovery fees | 0.8 | (0.7) |
| Total price | 3.7 | 1.9 |
| Volume | 3.8 | (3.1) |
| Change in workdays | (0.1) | - |
| Recycling processing and commodity sales | 1.1 | 0.3 |
| Environmental solutions | (0.1) | (0.9) |
| Total internal growth | 8.4 | (1.8) |
| Acquisitions / divestitures, net | 2.8 | 0.4 |
| Total | 11.2% | (1.4)% |
| Core price | 5.0% | 4.8% |

Average yield is defined as revenue growth from the change in average price per unit of service, expressed as a percentage. Core price is defined as price increases to our customers and fees, excluding fuel recovery, net of price decreases to retain customers. We also measure changes in average yield and core price as a percentage of related-business revenue, defined as total revenue excluding recycled commodities, fuel recovery fees and environmental solutions revenue to determine the effectiveness of our pricing strategies. Average yield as a percentage of related-business revenue was 3.1% and 2.8% for 2021 and 2020, respectively. Core price as a percentage of related-business revenue was 5.3% and 5.1% for 2021 and 2020, respectively.

During 2021, we experienced the following changes in our revenue as compared to 2020:

- Average yield increased revenue by 2.9% due to positive pricing changes in all lines of business.

- The fuel recovery fee program, which mitigates our exposure to increases in fuel prices, increased revenue by 0.8%, primarily due to an increase in fuel prices compared to the same period in 2020 and an increase in the total revenue subject to the fuel recovery fees.

- Volume increased revenue by 3.8% during 2021 as compared to 2020 primarily due to volume growth in our landfill, transfer, and small- and large-container collection lines of business, partially offset by a decline in residential collection volumes. The volume increase in our landfill line of business is primarily attributable to increased solid and special waste event driven volumes. In mid-March 2020, certain customers in these lines of business began adjusting their services levels as a result of the COVID-19 pandemic. This decline in service activity peaked in the first half of April 2020 and sequentially improved thereafter. These increases were partially offset by one less workday as compared to 2020.

- Recycling processing and commodity sales increased revenue by 1.1% primarily due to an increase in overall commodity prices as compared to 2020. The average price for recycled commodities, excluding glass and organics for 2021 was $187 per ton compared to $96 per ton for 2020.

  Changing market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a $10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately $22 million and $10 million, respectively.

- During 2021, environmental solutions decreased revenue by 0.1% primarily due to a decrease in rig counts, drilling activity, and the delay of in-plant project work as a result of lower demand for crude oil which began in 2020.

- Acquisitions, net of divestitures, increased revenue by 2.8% due to our continued growth strategy of acquiring privately held environmental services companies that complement our existing business platform.

***Cost of Operations***

Cost of operations includes labor and related benefits, which consists of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs, which include costs for independent haulers that transport our material to disposal facilities and costs for local operators who provide environmental services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel tax credits; disposal fees and taxes, consisting of landfill taxes, host community fees and royalties; landfill operating costs, which includes financial assurance, leachate disposal, remediation charges and other landfill maintenance costs; risk management costs, which include insurance premiums and claims; cost of goods sold, which includes material costs paid to suppliers; and other, which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

The following table summarizes the major components of our cost of operations for the years ended December 31, 2021 and 2020 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Labor and related benefits | $ 2,324.4 | 20.6% | $ 2,153.4 | 21.2% |
| Transfer and disposal costs | 865.8 | 7.7 | 796.9 | 7.9 |
| Maintenance and repairs | 1,048.8 | 9.3 | 969.6 | 9.6 |
| Transportation and subcontract costs | 779.5 | 6.9 | 674.1 | 6.6 |
| Fuel | 383.0 | 3.4 | 271.7 | 2.7 |
| Disposal fees and taxes | 336.6 | 3.0 | 313.5 | 3.1 |
| Landfill operating costs | 258.9 | 2.3 | 258.2 | 2.5 |
| Risk management | 261.6 | 2.3 | 213.9 | 2.1 |
| Other | 479.1 | 4.2 | 460.0 | 4.5 |
| Subtotal | 6,737.7 | 59.7 | 6,111.3 | 60.2 |
| Bridgeton insurance recovery | - | - | (10.8) | (0.1) |
| Total cost of operations | $ 6,737.7 | 59.7% | $ 6,100.5 | 60.1% |

These cost categories may change from time to time and may not be comparable to similarly titled categories presented by other companies. As such, you should take care when comparing our cost of operations by component to that of other companies and of ours for prior periods.

Our cost of operations increased for the year ended December 31, 2021 compared to the same period in 2020 as a result of the following:

- Labor and related benefits increased in aggregate dollars due to higher hourly and salaried wages as a result of annual merit increases and an increase in service levels attributable to the economic recovery from the COVID-19 pandemic. This increase was partially offset by one less workday during 2021 as compared to 2020.

- Transfer and disposal costs increased in aggregate dollars as a result of higher collection volumes and an increase in third party disposal rates. During both 2021 and 2020, approximately 68% of the total solid waste volume we collected was disposed at landfill sites that we own or operate (internalization).

- Maintenance and repairs expense increased in aggregate dollars due to an increase in service levels attributable to the economic recovery from the COVID-19 pandemic.

- Transportation and subcontract costs increased primarily due to higher collection and transfer station volumes, acquisition-related activity, and increased subcontract work attributable to an increase in non-core revenues, partially offset by one less workday during 2021 as compared to 2020.

- Fuel costs increased due to an increase in the average diesel fuel cost per gallon. The national average cost per gallon for diesel fuel in 2021 was $3.29 compared to $2.55 for 2020.

  At current consumption levels, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel costs by approximately $26 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel recovery fee by approximately $26 million per year.

- Disposal fees and taxes increased in aggregate dollars due to an increase in service levels attributable to the economic recovery from the COVID-19 pandemic.

- Risk management expenses increased primarily due to unfavorable actuarial development in our auto liability claims as well as higher premium costs, partially offset by favorable workers' compensation development in prior year programs.

- During 2020, we recognized an insurance recovery of $10.8 million, related to our closed Bridgeton Landfill in Missouri, which we recognized as a reduction of remediation expenses included in our cost of operations in our consolidated statement of income.

***Depreciation, Amortization and Depletion of Property and Equipment***

The following table summarizes depreciation, amortization and depletion of property and equipment for the years ended December 31, 2021 and 2020 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Depreciation and amortization of property and equipment | $ 734.2 | 6.5% | $ 692.9 | 6.8% |
| Landfill depletion and amortization | 377.5 | 3.3 | 323.0 | 3.2 |
| Depreciation, amortization and depletion expense | $ 1,111.7 | 9.8% | $ 1,015.9 | 10.0% |

Depreciation and amortization of property and equipment increased primarily due to additional assets acquired with our acquisitions, an increase in the cost of replacement vehicles and container assets, as well as increased capital expenditures on vehicles to support volume growth.

Landfill depletion and amortization increased due to higher landfill disposal volumes, primarily driven by increased solid and special waste volumes, coupled with increased depletion rates. Additionally, we recognized favorable amortization adjustments related to our asset retirement obligations in 2020 that did not recur in 2021.

***Amortization of Other Intangible Assets***

Expenses for amortization of other intangible assets were $33.3 million, or 0.3% of revenue, for the year ended December 31, 2021, compared to $21.2 million, or 0.2% of revenue for 2020. Our other intangible assets primarily relate to customer relationships and, to a lesser extent, non-compete agreements. Amortization expense increased due to additional assets acquired as a result of our business acquisitions.

### *Amortization of Other Assets*

Expenses for amortization of other assets were $40.5 million, or 0.4% of revenue, for the year ended December 31, 2021, compared to $38.8 million, or 0.4% of revenue, for 2020. Our other assets primarily relate to the prepayment of fees and capitalized implementation costs associated with cloud-based hosting arrangements.

### *Accretion Expense*

Accretion expense was $82.7 million, or 0.7% of revenue, and $82.9 million, or 0.8% of revenue, for the years ended December 31, 2021 and 2020, respectively. Accretion expense has remained relatively unchanged as our asset retirement obligations remained relatively consistent period over period.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses include salaries, health and welfare benefits, and incentive compensation for corporate and field general management, field support functions, sales force, accounting and finance, legal, management information systems, and clerical and administrative departments. Other expenses include rent and office costs, fees for professional services provided by third parties, legal settlements, marketing, investor and community relations services, directors' and officers' insurance, general employee relocation, travel, entertainment and bank charges. Restructuring charges are excluded from selling, general and administrative expenses and are discussed separately.

The following table summarizes our selling, general and administrative expenses for the years ended December 31, 2021 and 2020 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Salaries and related benefits | $ 844.4 | 7.5% | $ 740.5 | 7.3% |
| Provision for doubtful accounts | 19.9 | 0.2 | 27.8 | 0.3 |
| Other | 309.5 | 2.7 | 284.7 | 2.8 |
| Subtotal | 1,173.8 | 10.4 | 1,053.0 | 10.4 |
| Accelerated vesting of compensation expense for CEO transition | 22.0 | 0.2 | - | - |
| Total selling, general and administrative expenses | $ 1,195.8 | 10.6% | $ 1,053.0 | 10.4% |

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our selling, general and administrative expenses by cost component to those of other companies and of ours for prior periods.

The most significant items affecting our selling, general and administrative expenses during 2021 as compared to 2020 are summarized below:

- Salaries and related benefits increased primarily due to higher management incentive expenses as a result of outperforming our annual incentive metrics.

- In 2021, the provision for doubtful accounts decreased as a result of an improved trend in historical collections. Our days sales outstanding changed from 39.2, or 27.5 days net of deferred revenue, as of December 31, 2021 compared to 38.6, or 26.4 days net of deferred revenue, as of December 31, 2020.

- Other selling, general and administrative expenses increased during 2021, primarily due to an increase in recruiting, advertising, and bank fees. Meetings and events expenses also increased during 2021 following a decrease in 2020 as a result of the COVID-19 pandemic. These increases were partially offset by a decrease in professional fees, acquisition deal costs and unfavorable changes in certain legal reserves during 2020, which did not recur in 2021.

- During 2021, we recognized a charge of $22.0 million primarily related to the accelerated vesting of Donald W. Slager's compensation awards that were previously scheduled to vest in 2022 and beyond as a result of his retirement as Chief Executive Officer (CEO) of Republic Services, Inc. in June 2021.

***Withdrawal Costs - Multiemployer Pension Funds***

During 2020, we recorded charges to earnings of $34.5 million for withdrawal events at multiemployer pension funds to which we contribute. We paid $34.4 million during 2020 relative to these withdrawal events. As we obtain updated information regarding multiemployer pension funds, the factors used in deriving our estimated withdrawal liabilities will be subject to change, which may adversely impact our reserves for withdrawal costs.

***Loss (Gain) on Business Divestitures and Impairments, Net***

We strive to have a number one or number two market position in each of the markets we serve, or have a clear path on how we will achieve a leading market position over time. Where we cannot establish a leading market position, or where operations are not generating acceptable returns, we may decide to divest certain assets and reallocate resources to other markets. Business divestitures could result in gains, losses or impairment charges that may be material to our results of operations in a given period.

During 2021, we recorded a net loss on business divestitures and impairments of $0.5 million, which was due to business divestitures in certain markets. During 2020, we recorded a net loss on business divestitures and impairments of $77.7 million, including $42.6 million resulting from management's decision to exit certain product offerings and geographic basins in our upstream environmental solutions business.

***Restructuring Charges***

In 2020, we incurred costs related to the redesign of certain back-office software systems, which continued into 2021. In addition, in July 2020, we eliminated certain back-office support positions in response to a decline in the underlying demand for services resulting from the COVID-19 pandemic. During 2021 and 2020, we incurred restructuring charges of $16.6 million and $20.0 million, respectively. We paid $17.2 million and $15.5 million during 2021 and 2020, respectively, related to these restructuring efforts.

In 2022, we expect to incur additional restructuring charges of approximately $20 million primarily related to the redesign of certain of our back-office software systems. Substantially all of these restructuring charges will be recorded in our corporate entities and other segment.

***Interest Expense***

The following table provides the components of interest expense, including accretion of debt discounts and accretion of discounts primarily associated with environmental and risk insurance liabilities assumed in acquisitions (in millions of dollars):

| | 2021 | 2020 |
|---|---|---|
| Interest expense on debt | $ 249.1 | $ 300.1 |
| Non-cash interest | 70.5 | 61.7 |
| Less: capitalized interest | (5.0) | (6.2) |
| Total interest expense | $ 314.6 | $ 355.6 |

Total interest expense for 2021 decreased compared to 2020 primarily due to lower interest rates on our floating and fixed rate debt. The decrease attributable to our fixed rate debt is primarily due to the issuance of senior notes in 2020 with coupons ranging from 0.875% to 3.050%, the proceeds of which were used to repay outstanding senior notes with coupons ranging from 3.550% to 5.500%.

During 2021 and 2020, cash paid for interest, excluding net swap settlements for our fixed to floating interest rate swaps, was $249.4 million and $325.1 million, respectively.

***Loss on Extinguishment of Debt***

During 2020, we incurred a $101.9 million loss on the early extinguishment of debt. We paid total cash premiums during the year totaling $99.1 million and incurred non-cash charges related to the proportional share of unamortized discounts and deferred issuance costs of $2.8 million.

***Income Taxes***

Our provision for income taxes was $282.8 million and $173.1 million for 2021 and 2020, respectively. Our effective income tax rate was 18.0% and 15.2% for 2021 and 2020, respectively. We made income tax payments (net of refunds) of approximately $300 million and $124 million for 2021 and 2020, respectively. Income taxes paid in 2021 and 2020 reflect benefits from tax credits from our continuing investments in solar energy. For 2020, cash taxes paid reflect benefits from 100% bonus depreciation on qualified assets.

During 2021, we acquired non-controlling interests in limited liability companies established to own solar energy assets that qualified for investment tax credits under Section 48 of the Internal Revenue Code. We account for these investments using the equity method of accounting and recognize our share of income or loss and other reductions in the value of our investment in loss from unconsolidated equity method investments within our consolidated statements of income. For further discussion regarding our equity method accounting, see Note 3, *Business Acquisitions, Investments and Restructuring Charges*. Our 2021 tax provision reflects a benefit of approximately $126 million due to the tax credits related to these investments.

Our 2020 tax provision was reduced by $11.6 million from excess tax benefits related to stock compensation, approximately $100 million related to the tax credits from our non-controlling interest in limited liability companies established to own solar energy assets, $17.2 million for adjustments to our valuation allowance due to the realizability of certain state loss carryforwards, and $8.2 million due to the realization of additional federal and state benefits as well as adjustments to deferred taxes due to the completion of our 2019 tax returns.

We have deferred tax assets related to state net operating loss carryforwards with an estimated tax effect of approximately $87 million available as of December 31, 2021. These state net operating loss carryforwards expire at various times between 2022 and 2041. We believe that it is more likely than not that the benefit from some of our state net operating loss carryforwards will not be realized due to limitations on these loss carryforwards in certain states. In recognition of this risk, as of December 31, 2021, we have provided a valuation allowance of approximately $43 million.

**Reportable Segments**

Our senior management evaluates the financial performance of our operations through three operating segments. Group 1 primarily consists of geographic areas located in the western United States, and Group 2 primarily consists of geographic areas located in the southeastern and mid-western United States, and the eastern seaboard of the United States. Our Environmental Solutions operating segment, which provides environmental solutions for daily operations of industrial, petrochemical and refining facilities, is aggregated with Corporate entities and other as it only represents approximately 2% of our consolidated revenue. Each operating segment provides integrated environmental services, including collection, transfer, recycling, and disposal.

Summarized financial information concerning our reportable segments for the years ended December 31, 2021 and 2020 is shown in the following table (in millions of dollars and as a percentage of revenue in the case of operating margin):

| | Net Revenue | Depreciation, Amortization, Depletion and Accretion Before Adjustments for Asset Retirement Obligations | Adjustments to Amortization Expense for Asset Retirement Obligations | Depreciation, Amortization, Depletion and Accretion | Loss on Business Divestitures and Impairments, Net | Operating Income (Loss) | Operating Margin |
|---|---|---|---|---|---|---|---|
| **2021:** | | | | | | | |
| Group 1 | $ 5,558.9 | $ 555.1 | $ (7.0) | $ 548.1 | $ - | $ 1,495.7 | 26.9% |
| Group 2 | 5,333.6 | 543.8 | (2.5) | 541.3 | - | 1,135.7 | 21.3% |
| Corporate entities and other | 402.5 | 162.4 | 16.4 | 178.8 | 0.5 | (555.2) | - |
| Total | $ 11,295.0 | $ 1,261.3 | $ 6.9 | $ 1,268.2 | $ 0.5 | $ 2,076.2 | 18.4% |
| **2020:** | | | | | | | |
| Group 1 | $ 5,057.5 | $ 522.1 | $ (20.0) | $ 502.1 | $ - | $ 1,343.3 | 26.6% |
| Group 2 | 4,791.9 | 506.5 | (17.6) | 488.9 | - | 966.8 | 20.2% |
| Corporate entities and other | 304.2 | 142.7 | 25.1 | 167.8 | 77.7 | (601.0) | - |
| Total | $ 10,153.6 | $ 1,171.3 | $ (12.5) | $ 1,158.8 | $ 77.7 | $ 1,709.1 | 16.8% |

Financial information for the year ended December 31, 2020 reflects the transfer of our Environmental Solutions operating segment from Group 2 to Corporate entities and other, to align with how our chief operating decision maker began evaluating our operations in December 2020.

Corporate entities and other include legal, tax, treasury, information technology, risk management, human resources, closed landfills, other administrative functions and environmental solutions. National Accounts revenue included in corporate entities represents the portion of revenue generated from nationwide and regional contracts in markets outside our operating areas where the associated material handling is subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

Significant changes in the revenue and operating margins of our reportable segments for 2021 compared to 2020 are discussed below.

*Group 1*

Revenue for 2021 increased 9.9% from 2020 due to an increase in both average yield and volume in all lines of business.

Operating income in Group 1 increased from $1,343.3 million for 2020, or a 26.6% operating margin, to $1,495.7 million for 2021, or a 26.9% operating margin. Operating income margin during 2021 was favorably impacted by the increase in revenue attributable to economic recovery coupled with the effective management of certain operating costs. This benefit was partially offset by an increase in fuel costs.

*Group 2*

Revenue for 2021 increased 11.3% from 2020 due to an increase in average yield in all lines of business. Additionally, volume increased in our landfill, transfer station, and small- and large-container collection lines of business, partially offset by volume declines in our residential line of business.

Operating income in Group 2 increased from $966.8 million for 2020, or a 20.2% operating margin, to $1,135.7 million for 2021, or a 21.3% operating margin. Operating income margin for 2021 was favorably impacted by the increase in revenue attributable to economic recovery coupled with the effective management of certain operating costs. This benefit was partially offset by an increase in fuel costs.

*Corporate Entities and Other*

The Corporate entities and other operating loss decreased from $601.0 million for 2020 to $555.2 million for 2021. During 2021, we recorded a net loss on business divestitures and impairments of $0.5 million. During 2020, we recorded a net loss on business divestitures and impairments of $77.7 million, including $42.6 million resulting from management's decision to exit certain product offerings and geographic basins in our upstream environmental solutions business.

**Landfill and Environmental Matters**

Our landfill costs include daily operating expenses, costs of capital for cell development, costs for final capping, closure and post-closure, and the legal and administrative costs of ongoing environmental compliance. Daily operating expenses include leachate treatment, transportation and disposal costs, methane gas and groundwater monitoring and system maintenance costs, interim cap maintenance costs, and costs associated with applying daily cover materials. We expense all indirect landfill development costs as they are incurred. We use life cycle accounting and the units-of-consumption method to recognize certain direct landfill costs related to landfill development. In life cycle accounting, certain direct costs are capitalized and charged to depletion expense based on the consumption of cubic yards of available airspace. These costs include all costs to acquire and construct a site, including excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells, and other costs associated with acquiring and developing the site. Obligations associated with final capping, closure and post-closure are capitalized and amortized on a units-of-consumption basis as airspace is consumed.

Cost and airspace estimates are developed at least annually by engineers. Our operating and accounting personnel use these estimates to adjust the rates we use to expense capitalized costs. Changes in these estimates primarily relate to changes in cost estimates, available airspace, inflation and applicable regulations. Changes in available airspace include changes in engineering estimates, changes in design and changes due to the addition of airspace lying in expansion areas that we believe have a probable likelihood of being permitted. Changes in engineering estimates typically include modifications to the available disposal capacity of a landfill based on a refinement of the capacity calculations resulting from updated information.

***Available Airspace***

As of December 31, 2021 and 2020, we owned or operated 198 and 186 active solid waste landfills, respectively, with total available disposal capacity estimated to be 5.0 billion in-place cubic yards in both years. For these landfills, the following table reflects changes in capacity and remaining capacity, as measured in cubic yards of airspace:

| | Balance as of December 31, 2020 | New Expansions Undertaken | Landfills Acquired, Net of Divestitures | Permits Granted / New Sites, Net of Closures | Airspace Consumed | Changes in Engineering Estimates | Balance as of December 31, 2021 |
|---|---|---|---|---|---|---|---|
| Cubic yards (in millions): | | | | | | | |
| Permitted airspace | 4,792.5 | - | 61.4 | 37.8 | (79.3) | 14.3 | 4,826.7 |
| Probable expansion airspace | 196.4 | 20.5 | - | (30.9) | - | - | 186.0 |
| Total cubic yards (in millions) | 4,988.9 | 20.5 | 61.4 | 6.9 | (79.3) | 14.3 | 5,012.7 |
| Number of sites: | | | | | | | |
| Permitted airspace | 186 | | 13 | (1) | | | 198 |
| Probable expansion airspace | 11 | 2 | | (2) | | | 11 |

| | Balance as of December 31, 2019 | New Expansions Undertaken | Landfills Acquired, Net of Divestitures | Permits Granted / New Sites, Net of Closures | Airspace Consumed | Changes in Engineering Estimates | Balance as of December 31, 2020 |
|---|---|---|---|---|---|---|---|
| Cubic yards (in millions): | | | | | | | |
| Permitted airspace | 4,673.0 | - | (5.1) | 205.8 | (76.1) | (5.1) | 4,792.5 |
| Probable expansion airspace | 321.7 | 32.9 | - | (158.2) | - | - | 196.4 |
| Total cubic yards (in millions) | 4,994.7 | 32.9 | (5.1) | 47.6 | (76.1) | (5.1) | 4,988.9 |
| Number of sites: | | | | | | | |
| Permitted airspace | 189 | | (2) | (1) | | | 186 |
| Probable expansion airspace | 12 | 2 | | (3) | | | 11 |

Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. Engineers develop these estimates at least annually using information provided by annual aerial surveys. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, included in our calculation of total available disposal capacity, it must meet all of our expansion criteria. See Note 2, *Summary of Significant Accounting Policies,* and Note 8, *Landfill and Environmental Costs*, of the notes to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information. Also see our *Critical Accounting Judgments and Estimates* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of December 31, 2021, 11 of our landfills met all of our criteria for including their probable expansion airspace in their total available disposal capacity. At projected annual volumes, these 11 landfills have an estimated remaining average site life of 33 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 59 years. We have other expansion opportunities that are not included in our total available airspace because they do not meet all of our criteria for treatment as probable expansion airspace.

The following table reflects the estimated operating lives of our active landfill sites based on available and probable disposal capacity using current annual volumes as of December 31, 2021:

| | Number of Sites without Probable Expansion Airspace | Number of Sites with Probable Expansion Airspace | Total Sites | Percent of Total |
|---|---|---|---|---|
| 0 to 5 years | 21 | - | 21 | 10.6% |
| 6 to 10 years | 19 | - | 19 | 9.6 |
| 11 to 20 years | 25 | 3 | 28 | 14.1 |
| 21 to 40 years | 55 | 3 | 58 | 29.3 |
| 41+ years | 67 | 5 | 72 | 36.4 |
| Total | 187 | 11 | 198 | 100.0% |

***Final Capping, Closure and Post-Closure Costs***

As of December 31, 2021, accrued final capping, closure and post-closure costs were $1,507.3 million, of which $68.4 million were current and $1,438.9 million were long-term as reflected in our consolidated balance sheets in accrued landfill and environmental costs included in Part II, Item 8 of this Annual Report on Form 10-K.

**Remediation and Other Charges for Landfill Matters**

It is reasonably possible that we will need to adjust our accrued landfill and environmental liabilities to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

In 2020, we recognized an insurance recovery of $10.8 million related to our closed Bridgeton Landfill in Missouri as a reduction of remediation expenses included in our cost of operations.

For a description of our significant remediation matters, see Note 8, *Landfill and Environmental Costs,* of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

**Investment in Landfills**

As of December 31, 2021, we expect to spend an estimated additional $9.6 billion on existing landfills, primarily related to cell construction and environmental structures, over their remaining lives. Our total expected investment, excluding non-depletable land, estimated to be $13.8 billion, or $2.75 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

The following table reflects our future expected investment as of December 31, 2021 (in millions):

| | Balance as of December 31, 2021 | Expected Future Investment | Total Expected Investment |
|---|---|---|---|
| Non-depletable landfill land | $ 197.7 | $ - | $ 197.7 |
| Landfill development costs | 8,539.6 | 9,631.5 | 18,171.1 |
| Construction-in-progress - landfill | 279.3 | - | 279.3 |
| Accumulated depletion and amortization | (4,625.6) | - | (4,625.6) |
| Net investment in landfill land and development costs | $ 4,391.0 | $ 9,631.5 | $14,022.5 |

The following table reflects our net investment in our landfills, excluding non-depletable land, and our depletion, amortization and accretion expense for the years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Number of landfills owned or operated | 198 | 186 |
| Net investment, excluding non-depletable land (in millions) | $ 4,193.3 | $ 4,046.0 |
| Total estimated available disposal capacity (in millions of cubic yards) | 5,012.7 | 4,988.9 |
| Net investment per cubic yard | $ 0.84 | $ 0.81 |
| Landfill depletion and amortization expense (in millions) | $ 377.5 | $ 323.0 |
| Accretion expense (in millions) | 82.7 | 82.9 |
| | 460.2 | 405.9 |
| Airspace consumed (in millions of cubic yards) | 79.3 | 76.1 |
| Depletion, amortization and accretion expense per cubic yard of airspace consumed | $ 5.80 | $ 5.33 |

During 2021 and 2020, our average compaction rate was approximately 2,000 pounds per cubic yard based primarily on a three-year historical moving average.

## Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the years ended December 31, 2021 and 2020 (in millions of dollars):

| | | Gross Property and Equipment | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2020 | Capital Additions | Retirements | Acquisitions, Net of Divestitures | Non-Cash Additions for Asset Retirement Obligations | Adjustments for Asset Retirement Obligations | Impairments, Transfers and Other Adjustments | Balance as of December 31, 2021 |
| Land | $ 633.4 | $ 32.7 | $ (3.9) | $ 16.6 | $ - | $ - | $ 16.1 | $ 694.9 |
| Landfill development costs | 7,991.7 | 6.5 | - | 65.5 | 46.7 | 58.9 | 370.3 | 8,539.6 |
| Vehicles and equipment | 8,119.0 | 651.0 | (385.2) | 109.3 | - | - | 82.8 | 8,576.9 |
| Buildings and improvements | 1,402.5 | 24.8 | (6.9) | 20.9 | 0.5 | - | 66.6 | 1,508.4 |
| Construction-in-progress - landfill | 303.8 | 358.5 | - | - | - | - | (383.0) | 279.3 |
| Construction-in-progress - other | 107.4 | 240.2 | - | 5.3 | - | - | (170.0) | 182.9 |
| Total | $ 18,557.8 | $ 1,313.7 | $ (396.0) | $ 217.6 | $ 47.2 | $ 58.9 | $ (17.2) | $ 19,782.0 |

| | | Accumulated Depreciation, Amortization and Depletion | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2020 | Additions Charged to Expense | Retirements | Acquisitions, Net of Divestitures | Adjustments for Asset Retirement Obligations | Impairments, Transfers and Other Adjustments | Balance as of December 31, 2021 |
| Landfill development costs | $ (4,249.5) | $ (369.4) | $ - | $ 0.5 | $ (7.2) | $ - | $ (4,625.6) |
| Vehicles and equipment | (4,953.4) | (665.4) | 376.3 | - | - | 10.9 | (5,231.6) |
| Buildings and improvements | (628.7) | (68.9) | 5.0 | 0.3 | - | (0.4) | (692.7) |
| Total | $ (9,831.6) | $ (1,103.7) | $ 381.3 | $ 0.8 | $ (7.2) | $ 10.5 | $ (10,549.9) |

| | | Gross Property and Equipment | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2019 | Capital Additions | Retirements | Acquisitions, Net of Divestitures | Non-Cash Additions for Asset Retirement Obligations | Adjustments for Asset Retirement Obligations | Impairments, Transfers and Other Adjustments | Balance as of December 31, 2020 |
| Land | $ 618.8 | $ 9.9 | $ (8.1) | $ 10.4 | $ - | $ - | $ 2.4 | $ 633.4 |
| Landfill development costs | 7,474.7 | 2.6 | (15.5) | 62.3 | 40.6 | (45.5) | 472.5 | 7,991.7 |
| Vehicles and equipment | 7,766.0 | 654.4 | (336.3) | 3.9 | - | - | 31.0 | 8,119.0 |
| Buildings and improvements | 1,342.6 | 4.4 | (6.1) | 24.0 | 1.7 | - | 35.9 | 1,402.5 |
| Construction-in-progress- landfill | 366.8 | 406.9 | - | (3.6) | - | - | (466.3) | 303.8 |
| Construction-in-progress- other | 87.7 | 164.1 | - | - | - | - | (144.4) | 107.4 |
| Total | $ 17,656.6 | $ 1,242.3 | $ (366.0) | $ 97.0 | $ 42.3 | $ (45.5) | $ (68.9) | $ 18,557.8 |

| | | Accumulated Depreciation, Amortization and Depletion | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2019 | Additions Charged to Expense | Retirements | Acquisitions, Net of Divestitures | Adjustments for Asset Retirement Obligations | Impairments, Transfers and Other Adjustments | Balance as of December 31, 2020 |
| Landfill development costs | $ (3,968.6) | $ (335.6) | $ 15.5 | $ 26.2 | $ 13 | $ - | $ (4,249.5) |
| Vehicles and equipment | (4,728.2) | (628.7) | 322.7 | 44.4 | - | 36.4 | (4,953.4) |
| Buildings and improvements | (576.3) | (65.5) | 4.7 | 6.8 | - | 1.6 | (628.7) |
| Total | $ (9,273.1) | $ (1,029.8) | $ 342.9 | $ 77.4 | $ 13 | $ 38.0 | $ (9,831.6) |

## Liquidity and Capital Resources

### *Cash and Cash Equivalents*

The following is a summary of our cash and cash equivalents and restricted cash and marketable securities balances as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 29.0 | $ 38.2 |
| Restricted cash and marketable securities | 139.0 | 149.1 |
| Less: restricted marketable securities | (62.4) | (73.1) |
| Cash, cash equivalents, restricted cash and restricted cash equivalents | $ 105.6 | $ 114.2 |

Our restricted cash and marketable securities include, among other things, restricted cash related to proceeds from the issuance of tax-exempt bonds that will be used to fund qualifying landfill-related expenditures in the Commonwealth of Pennsylvania, restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance under certain collection, landfill and transfer station contracts and permits, and relating to our final capping, closure and post-closure obligations at our landfills, and restricted cash and marketable securities related to our insurance obligations.

The following table summarizes our restricted cash and marketable securities as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Financing proceeds | $ 12.4 | $ - |
| Capping, closure and post-closure obligations | 42.4 | 31.5 |
| Insurance | 84.2 | 117.6 |
| Total restricted cash and marketable securities | $ 139.0 | $ 149.1 |

### *Material Cash Requirements and Intended Uses of Cash*

We expect existing cash, cash equivalents, restricted cash and marketable securities, cash flows from operations and financing activities to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities for at least the next 12 months and thereafter for the foreseeable future. Our known current- and long-term uses of cash include, among other possible demands: (1) capital expenditures and leases, (2) acquisitions, (3) dividend payments, (4) share repurchases, (5) repayments to service debt and other long-term obligations, and (6) payments for asset retirement obligations and environmental liabilities.

*Capital Expenditures and Leases*

We make investments in property and equipment primarily to allow for growth of our service offerings. These investments are largely concentrated in vehicles and equipment and costs to construct our landfills. We expect to spend approximately $1.3 billion on capital expenditures in 2022.

We lease property and equipment in the ordinary course of business under various lease agreements. The most significant lease obligations are for real property and equipment specific to our industry, including property operated as a landfill or transfer station and operating equipment. As of December 31, 2021, the amount of total future lease payments under operating and finance leases was $315.4 million and $433.6 million, respectively. For additional detail regarding our lease obligations, see Note 10, *Leases*, of the notes to our audited consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

*Acquisitions*

Our acquisition growth strategy focuses primarily on acquiring privately held recycling and solid waste companies and environmental solutions businesses that complement our existing business platform. We continue to invest in value-enhancing acquisitions in existing markets. In 2022, we expect to invest at least $500 million in acquisitions.

*Dividend Payments*

In October 2021, our Board of Directors approved a quarterly dividend of $0.46 per share. Aggregate cash dividends declared were $563.0 million for the year ended December 31, 2021. As of December 31, 2021, we recorded a quarterly dividend payable of $145.9 million to shareholders of record at the close of business on January 3, 2022, which was paid on January 14, 2022.

*Share Repurchases*

In October 2020, our Board of Directors approved a $2.0 billion share repurchase authorization effective starting January 1, 2021 and extending through December 31, 2023. Share repurchases under the current program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the Board of Directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The share repurchase program may be extended, suspended or discontinued at any time. As of December 31, 2021, the remaining authorized purchase capacity under our October 2020 repurchase program was $1.7 billion.

*Debt and other long-term obligations*

Debt repayments may include purchases of our outstanding indebtedness in the secondary market or otherwise. We believe that our excess cash, cash from operating activities and our availability to draw on our credit facilities provide us with sufficient financial resources to meet our anticipated capital requirements and maturing obligations as they come due.

We may choose to voluntarily retire certain portions of our outstanding debt before their maturity dates using cash from operations or additional borrowings. We may also explore opportunities in the capital markets to fund redemptions should market conditions be favorable. Early extinguishment of debt will result in an impairment charge in the period in which the debt is repaid. The loss on early extinguishment of debt relates to premiums paid to effectuate the repurchase and the relative portion of unamortized note discounts and debt issue costs.

As of December 31, 2021, the total principal value of our debt was $9.7 billion of which $8.2 million is due in 2022.

We have several agreements that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we must pay for agreed-upon minimum volumes regardless of the actual number of tons placed at the facilities.

Our unconditional purchase commitments have varying expiration dates, with some extending through the remaining life of the respective landfill. Future minimum payments under unconditional purchase commitments, consisting primarily of (1) disposal related agreements, which include fixed or minimum royalty payments, host agreements, and take-or-pay and put-or-pay agreements, and (2) other obligations including committed capital expenditures and consulting service agreements. As of December 31, 2021 such purchase commitments, which do not qualify for recognition on our Consolidated Balance Sheets, amount to $772.3 million, of which $142.6 million is short-term.

For additional detail regarding our debt and known contractual and other obligation, see Note 9, *Debt,* and Note 19, *Commitments and Contingencies*, of the notes to our audited consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

*Asset Retirement Obligations and Environmental Liabilities*

We have future obligations for final capping, closure and post-closure costs with respect to the landfills we own or operate as set forth in applicable landfill permits. As of December 31, 2021, our future obligations for final capping, closure and post-closure costs totaled $1.5 billion of which $68.4 million was short-term.

Additionally, we are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. As of December 31, 2021, our environmental liabilities totaled $454.9 million of which $56.1 million was short-term.

For additional detail regarding our asset retirement obligations and environmental liabilities, see Note 8, *Landfill and Environmental Costs*, of the notes to our audited consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

***Summary of Cash Flow Activity***

The major components of changes in cash flows for 2021 and 2020 are discussed in the following paragraphs. The following table summarizes our cash flow from operating activities, investing activities and financing activities for the years ended December 31, 2021 and 2020 (in millions of dollars):

| | 2021 | 2020 |
|---|---|---|
| Net cash provided by operating activities | $ 2,786.7 | $ 2,471.6 |
| Net cash used in investing activities | $(2,466.1) | $(1,922.8) |
| Net cash used in financing activities | $ (329.2) | $ (612.0) |

***Cash Flows Provided by Operating Activities***

The most significant items affecting the comparison of our operating cash flows for 2021 and 2020 are summarized below.

Changes in assets and liabilities, net of effects from business acquisitions and divestitures, decreased our cash flow from operations by $94.0 million in 2021, compared to a decrease of $129.9 million in 2020, primarily as a result of the following:

- Our accounts receivable, exclusive of the change in allowance for doubtful accounts and customer credits, increased $135.4 million during 2021, compared to a $13.8 million decrease in 2020. As of December 31, 2021, our days sales outstanding were 39.2, or 27.5 days net of deferred revenue, as of December 31, 2021 compared to 38.6, or 26.4 days net of deferred revenue, as of December 31, 2020.

- Our prepaid expenses and other assets increased $57.0 million in 2021 compared to a decrease of $6.5 million in 2020, primarily due to additional SaaS implementation costs incurred related to the redesign of certain back-office software systems in 2021. The decrease in 2020 was primarily attributable to the receipt of the Bridgeton landfill settlement in the first quarter of 2020, and an increase in alternative fuel tax credit receipts during 2020 compared to 2019, partially offset by an increase of prepaid taxes due to the timing of our estimated tax payments. We made income tax payments (net of refunds) of approximately $300 million and $124 million for 2021 and 2020, respectively. Income taxes paid in 2021 and 2020 reflected benefits from tax credits from our continuing investments in solar energy. In 2020, cash taxes paid also reflected a benefit from 100% bonus depreciation on qualified assets.

- Our accounts payable increased $113.8 million during 2021 compared to a decrease of $46.7 million during 2020, due to the timing of payments.

- Cash paid for capping, closure and post-closure obligations was $1.0 million higher during 2021 compared to 2020. The increase in cash paid for capping, closure and post-closure obligations is primarily due to the timing of capping and post-closure payments at certain of our landfill sites.

- Cash paid for remediation obligations was $6.4 million lower during 2021 compared to 2020, primarily due to $18.9 million in payments related to management and monitoring of the remediation area of our closed Bridgeton Landfill in Missouri during 2021 as compared to $25.6 million of payments during 2020.

In addition, cash paid for interest was $249.4 million and $325.1 million, excluding net swap settlements for our fixed to floating interest rate swaps, for 2021 and 2020, respectively.

We use cash flows from operations to fund capital expenditures, acquisitions, dividend payments, share repurchases and debt repayments.

***Cash Flows Used in Investing Activities***

The most significant items affecting the comparison of our cash flows used in investing activities for 2021 and 2020 are summarized below:

- Capital expenditures during 2021 were $1,316.3 million as compared to $1,194.6 million for 2020.

- Proceeds from sales of property and equipment during 2021 were $19.5 million as compared to $30.1 million for 2020.

- During 2021 and 2020, we used $1,221.7 million and $769.5 million, respectively, for acquisitions and investments, net of cash acquired. During 2021 and 2020, we received $46.3 million and $32.9 million from business divestitures, respectively.

We intend to finance capital expenditures and acquisitions through cash on hand, restricted cash held for capital expenditures, cash flows from operations, our revolving credit facilities, and tax-exempt bonds and other financings.

On February 8, 2022, we entered into a definitive agreement to acquire all outstanding shares of US Ecology, Inc. (US Ecology) in a transaction valued at approximately $2.2 billion, including debt. US Ecology is a leading provider of environmental solutions offering treatment, recycling and disposal of hazardous, non-hazardous and specialty waste. We intend to finance the transaction using existing and new sources of debt.

***Cash Flows Used in Financing Activities***

The most significant items affecting the comparison of our cash flows used in financing activities for 2021 and 2020 are summarized below:

- During 2021, we issued $700.0 million of senior notes for cash proceeds, net of discounts and fees, of $692.3 million. During 2020, we issued $2,750.0 million of senior notes for cash proceeds, net of discounts and fees, of $2,716.1 million. Net payments of notes payable and long-term debt were $150.2 million during 2021, compared to net payments of $2,595.9 in 2020. For a more detailed discussion, see the *Financial Condition* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

- During 2020, we paid $99.1 million in cash premiums on the redemption of senior notes.

- During 2021, we repurchased 2.2 million shares of our stock for $252.2 million. During 2020, we repurchased 1.2 million shares of our stock for $98.8 million.

- In July 2021, our Board of Directors approved an increase in our quarterly dividend to $0.46 per share. Dividends paid were $552.6 million and $522.5 million in 2021 and 2020, respectively.

- During 2021, we paid $32.0 million related to the purchase of the remaining equity interest in a previously held non-controlling interest.

- During 2021 and 2020, cash paid for purchase price holdback releases and contingent purchase price related to acquisitions was $21.3 million and $15.5 million, respectively.

**Financial Condition**

***Debt Obligations***

As of December 31, 2021, we had $8.2 million of principal debt maturing within the next 12 months, which includes certain finance lease obligations. All of our tax-exempt financings are remarketed either quarterly or semiannually by remarketing agents to effectively maintain a variable yield. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. If the remarketing agent is unable to remarket our bonds, the remarketing agent can put the bonds to us. In the event of a failed remarketing, we currently have availability under our $3.0 billion unsecured revolving credit facility to fund these bonds until they are remarketed successfully. Accordingly, we have classified these borrowings as long-term in our consolidated balance sheet as of December 31, 2021.

An extended period of economic disruption associated with the COVID-19 pandemic could further disrupt the global supply chain, negatively impact demand for our services, and disrupt financial markets. These effects could materially and adversely affect our business and financial condition, including our access to sources of liquidity. We will continue to monitor the evolving COVID-19 pandemic along with the effect on our business and access to capital markets. Refer to Part I, Item 1A — Risk Factors of this Annual Report on Form 10-K for a discussion of certain risk factors related to this pandemic.

For further discussion of the components of our overall debt, see Note 9, *Debt*, of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

***Credit Facilities***

*The Credit Facility*

In August 2021, we entered into a $3.0 billion unsecured revolving credit facility (the Credit Facility), which replaces the prior $2.25 billion unsecured revolving credit facility which would have matured in June 2023 (the Replaced Credit Facility). Borrowings under the Credit Facility mature in August 2026. As permitted by the Credit Facility, we have the right to request two one-year extensions of the maturity date but none of the lenders are committed to participate in such extension. The Credit Facility also includes a feature that allows us to increase availability, at our option, by an aggregate amount of up to $1.0 billion through increased commitments from existing lenders or the addition of new lenders.

At our option, borrowings under the Credit Facility bear interest at a Base Rate, a daily floating London Interbank Offered Rate (LIBOR), or a Eurodollar Rate, plus an applicable margin of 0.910% based on our Debt Ratings (all as defined in the Credit Facility agreement). On the earliest of (i) the date that all available tenors of U.S. dollar LIBOR have permanently or indefinitely ceased to be provided or have been announced to be no longer representative, (ii) June 30, 2023 or (iii) the effective date of an election to opt into a secured overnight financing rate (SOFR), the LIBOR rate will be replaced by a forward-looking term rate based on SOFR or a daily rate based on SOFR published on such date.

The Credit Facility is subject to facility fees based on applicable rates defined in the Credit Facility agreement and the aggregate commitment, regardless of usage. Availability under our Credit Facility and Replaced Credit Facility totaled $2,633.8 million and $1,671.8 million as of December 31, 2021 and 2020, respectively. The Credit Facility can be used for working capital, capital expenditures, acquisitions, letters of credit and other general corporate purposes. The Credit Facility agreement requires us to comply with financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants.

As of December 31, 2021 and 2020, we had $24.3 million and $186.0 million of borrowings outstanding under our Credit Facility and Replaced Credit Facility, respectively. We had $341.9 million and $376.5 million of letters of credit outstanding under our Credit Facility and Replaced Credit Facility as of December 31, 2021 and 2020, respectively.

*Uncommitted Credit Facility*

In January 2022, we entered into a $200.0 million unsecured uncommitted revolving credit facility (the Uncommitted Credit Facility), which replaces the prior $135.0 million uncommitted credit facility (the Replaced Uncommitted Credit Facility). The Uncommitted Credit Facility bears interest at an annual percentage rate to be agreed upon by both parties, rather than a LIBOR or Cost of Funds rate used in the Replaced Uncommitted Credit Facility (as defined in the Replaced Uncommitted Credit Facility agreement). Borrowings under the Uncommitted Credit Facility can be used for working capital, letters of credit, and other general corporate purposes. The agreement governing our Uncommitted Credit Facility requires us to comply with certain covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of December 31, 2021 and 2020, we had no borrowings outstanding under our Replaced Uncommitted Credit Facility.

*Financial and Other Covenants*

The Credit Facility requires us to comply with financial and other covenants. To the extent we are not in compliance with these covenants, we cannot pay dividends or repurchase common stock. Compliance with covenants also is a condition for any incremental borrowings under the Credit Facility, and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). The Credit Facility provides that our total debt to EBITDA ratio may not exceed 3.75 to 1.00 as of the last day of any fiscal quarter. In the case of an “elevated ratio period”, which may be elected by us if one or more acquisitions during a fiscal quarter involve aggregate consideration in excess of $200.0 million (the Trigger Quarter), the total debt to EBITDA ratio may not exceed 4.25 to 1.00 during the Trigger Quarter and for the three fiscal quarters thereafter. The Credit Facility also provides that there may not be more than two elevated ratio periods during the respective term of the Credit Facility agreement. As of December 31, 2021, our total debt to EBITDA ratio was 2.89 compared to the 3.75 maximum allowed by the covenants. As of December 31, 2021, we were in compliance with the covenants under the Credit Facility, and we expect to be in compliance throughout 2022.

EBITDA, which is a non-GAAP measure, is calculated as defined in our Credit Facility agreement. In this context, EBITDA is used solely to provide information regarding the extent to which we are in compliance with debt covenants and is not comparable to EBITDA used by other companies or used by us for other purposes.

Failure to comply with the financial and other covenants under the Credit Facility, as well as the occurrence of certain material adverse events, would constitute defaults and would allow the lenders under the Credit Facility to accelerate the maturity of all indebtedness under the Credit Facility agreement. This could have an adverse effect on the availability of financial assurances. In addition, maturity acceleration on the Credit Facility constitutes an event of default under our other debt instruments, including our senior notes, and, therefore, our senior notes would also be subject to acceleration of maturity. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek an amendment under the Credit Facility agreement for relief from the financial covenant or repay the debt with proceeds from the issuance of new debt or equity, or asset sales, if necessary. We may be unable to amend the Credit Facility agreement or raise sufficient capital to repay such obligations in the event the maturity is accelerated.

***Senior Notes and Debentures***

In November 2021, we issued $700.0 million of 2.375% senior notes due 2033 (the 2.375% Notes). We used the net proceeds for general corporate purposes, including repayment of amounts outstanding under our unsecured and uncommitted credit facilities. Prior to such use, Republic may have temporarily invested the net proceeds in marketable securities and short-term investments.

During the second quarter of 2021, we paid the entire $35.3 million principal balance of our 9.250% debentures which matured in May 2021.

Our senior notes are general senior unsecured obligations. Interest is payable semi-annually.

*Derivative Instruments and Hedging Relationships*

Our ability to obtain financing through the capital markets is a key component of our financial strategy. Historically, we have managed risk associated with executing this strategy, particularly as it relates to fluctuations in interest rates, by using a combination of fixed and floating rate debt. From time to time, we also have entered into interest rate swap and lock agreements to manage risk associated with interest rates, either to effectively convert specific fixed rate debt to a floating rate (fair value hedges), or to lock interest rates in anticipation of future debt issuances (cash flow hedges).

For a description of our derivative contracts and hedge accounting, see Note 9, *Debt*, to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

***Tax-Exempt Financings***

As of December 31, 2021, we had $1,181.5 million of certain variable rate tax-exempt financings outstanding with maturities ranging from 2023 to 2051. As of December 31, 2020, we had $1,104.7 million of certain variable rate tax-exempt financings outstanding with maturities ranging from 2021 to 2050. During the year ended December 31, 2021 and 2020, we issued $205.0 million and $60.0 million, respectively, of new tax-exempt financings.

In the fourth quarter of 2021, the Pennsylvania Economic Development Financing Authority issued, for our benefit, $30.0 million of Solid Waste Disposal Revenue Bonds. The proceeds from the issuance, after deferred issuance costs, will be used to fund qualifying landfill-related expenditures in the Commonwealth of Pennsylvania, of which $17.2 million has been incurred and reimbursed to us. As of December 31, 2021, we had $139.0 million of restricted cash and marketable securities, of which $12.4 million represented proceeds from the issuance of the tax-exempt bonds.

***Finance Leases***

We had finance lease liabilities of $249.4 million and $206.5 million as of December 31, 2021 and 2020, respectively, with maturities ranging from 2022 to 2063 and 2021 to 2063, respectively.

**Financial Assurance**

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and related to our performance under certain collection, landfill and transfer station contracts. We satisfy these financial assurance requirements by providing surety bonds, letters of credit, or insurance policies (Financial Assurance Instruments), or trust deposits, which are included in restricted cash and marketable securities and other assets in our consolidated balance sheets. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations. The financial assurance requirements for capping, closure and post-closure costs may be associated with a portion of the landfill or the entire landfill. Generally, states require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we must provide financial assurance for our insurance program and collateral for certain performance obligations. We do not expect a material increase in financial assurance requirements during 2022, although the mix of Financial Assurance Instruments may change.

These Financial Assurance Instruments are issued in the normal course of business and are not classified as indebtedness. Because we currently have no liability for the Financial Assurance Instruments, they are not reflected in our consolidated balance sheets; however, we record capping, closure and post-closure liabilities and insurance liabilities as they are incurred.

**Critical Accounting Judgments and Estimates**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and necessarily include certain estimates and judgments made by management. The following is a list of accounting policies that we believe are the most critical in understanding our consolidated financial position, results of operations and cash flows and that may require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting estimates are those estimates that involve a significant level of uncertainty at the time the estimate was made, and changes in them have had or are reasonably likely to have a material effect on our financial condition or results of operations. Accordingly, actual results could differ materially from our estimates. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Such critical accounting policies, estimates and judgments are applicable to all of our operating segments.

We have noted examples of the estimates that are subject to uncertainty in the accounting for these areas below.

***Landfill Accounting***

Landfill operating costs are treated as period expenses and are not discussed further in this section.

Our landfill assets and liabilities fall into the following two categories, each of which requires accounting judgments and estimates:

- Landfill development costs that are capitalized as an asset.
- Landfill retirement obligations relating to our capping, closure and post-closure liabilities that result in a corresponding landfill retirement asset.

We use life-cycle accounting and the units-of-consumption method to recognize landfill development costs over the life of the site. In life-cycle accounting, all current and future capitalized costs to acquire and construct a site are calculated, and charged to expense based on the consumption of cubic yards of available airspace. Obligations associated with final capping, closure and post-closure are also capitalized, and amortized on a units-of-consumption basis as airspace is consumed. Cost and airspace estimates are developed at least annually by engineers.

Landfill Development Costs

As of December 31, 2021 and 2020, we had net landfill development costs of $3,914.0 million and $3,742.2 million, respectively. Changes in these estimates may be sensitive to changes in cost estimates, inflation and applicable regulations.

*Site permits.* To develop, construct and operate a landfill, we must obtain permits from various regulatory agencies at the local, state and federal levels. The permitting process requires an initial site study to determine whether the location is feasible for landfill operations. The initial studies are reviewed by our environmental management group and then submitted to the regulatory agencies for approval. During the development stage we capitalize certain costs that we incur after site selection but before the receipt of all required permits if we believe that it is probable that the site will be permitted.

These estimates are subject to uncertainty attributable to:

- Changes in legislative or regulatory requirements may cause changes to the landfill site permitting process. These changes could make it more difficult and costly to obtain and maintain a landfill permit.

- Studies performed could be inaccurate, which could result in the denial or revocation of a permit and changes to accounting assumptions. Conditions could exist that were not identified in the study, which may make the location not feasible for a landfill and could result in the denial of a permit. Denial or revocation of a permit could impair the recorded value of the landfill asset.

- Actions by neighboring parties, private citizen groups or others to oppose our efforts to obtain, maintain or expand permits could result in denial, revocation or suspension of a permit, which could adversely impact the economic viability of the landfill and could impair the recorded value of the landfill. As a result of opposition to our obtaining a permit, improved technical information as a project progresses, or changes in the anticipated economics associated with a project, we may decide to reduce the scope of, or abandon, a project, which could result in an asset impairment.

*Technical landfill design.* Upon receipt of initial regulatory approval, technical landfill designs are prepared. The technical designs, which include the detailed specifications to develop and construct all components of the landfill including the types and quantities of materials that will be required, are reviewed by our environmental management group. The technical designs are submitted to the regulatory agencies for approval. Upon approval of the technical designs, the regulatory agencies issue permits to develop and operate the landfill.

These estimates are subject to uncertainty attributable to:

- Changes in legislative or regulatory requirements may require changes in the landfill technical designs. These changes could make it more difficult and costly to meet new design standards.

- Technical design requirements, as approved, may need modifications at some future point in time.

- Technical designs could be inaccurate and could result in increased construction costs, difficulty in obtaining a permit or the use of rates to recognize the amortization of landfill development costs and asset retirement obligations that are not appropriate.

*Permitted and probable landfill disposal capacity.* Included in the technical designs are factors that determine the ultimate disposal capacity of the landfill. These factors include the area over which the landfill will be developed, such as the depth of excavation, the height of the landfill elevation and the angle of the side-slope construction. The disposal capacity of the landfill is calculated in cubic yards. This measurement of volume is then converted to a disposal capacity expressed in tons based on a site-specific expected density to be achieved over the remaining operating life of the landfill.

These estimates are subject to uncertainty attributable to:

- Estimates of future disposal capacity may change as a result of changes in legislative or regulatory design requirements.

- The density of waste may vary due to variations in operating conditions, including waste compaction practices, site design, climate and the nature of the waste.

- Capacity is defined in cubic yards but waste received is measured in tons. The number of tons per cubic yard varies by type of waste and our rate of compaction.

*Development costs.* The types of costs that are detailed in the technical design specifications generally include excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection systems and monitoring probes, installation of groundwater monitoring wells, construction of leachate management facilities and other costs associated with the development of the site. We review the adequacy of our cost estimates on an annual basis by comparing estimated costs with third-party bids or contractual arrangements, reviewing the changes in year-over-year cost estimates for reasonableness, and comparing our resulting development cost per acre with prior period costs. These development costs, together with any costs incurred to acquire, design and permit the landfill, including capitalized interest, are recorded to the landfill asset on the balance sheet as incurred.

These estimates are subject to uncertainty attributable to:

- Actual future costs of construction materials and third-party labor could differ from the costs we have estimated because of the level of demand and the availability of the required materials and labor. Technical designs could be altered due to unexpected operating conditions, regulatory changes or legislative changes.

*Landfill development asset amortization.* To match the expense related to the landfill asset with the revenue generated by the landfill operations, we amortize the landfill development asset over its operating life on a per-ton basis as waste is accepted at the landfill. The landfill asset is fully amortized at the end of a landfill's operating life. The per-ton rate is calculated by dividing the sum of the landfill development asset net book value plus estimated future development costs (as described above) for the landfill, by the landfill's estimated remaining disposal capacity. The expected future development costs are not inflated or discounted, but rather expressed in nominal dollars. This rate is applied to each ton accepted at the landfill to arrive at amortization expense for the period.

Amortization rates may be sensitive to the original cost basis of the landfill, including acquisition costs, which in turn is determined by geographic location and market values. We secure significant landfill assets through business acquisitions and value them at the time of acquisition based on fair value. Amortization rates are also influenced by site-specific engineering and cost factors.

These estimates are subject to uncertainty attributable to:

- Changes in our future development cost estimates or our disposal capacity will normally result in a change in our amortization rates and will impact amortization expense prospectively. An unexpected significant increase in estimated costs or reduction in disposal capacity could affect the ongoing economic viability of the landfill and result in asset impairment.

On at least an annual basis, we update the estimates of future development costs and remaining disposal capacity for each landfill. These costs and disposal capacity estimates are reviewed and approved by senior operations management annually. Changes in cost estimates and disposal capacity are reflected prospectively in the landfill amortization rates that are updated annually. See our *Results of Operations* section in this Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion on changes to our landfill depletion and amortization.

Landfill Asset Retirement Obligations

We have two types of retirement obligations related to landfills: (1) capping and (2) closure and post-closure. As of December 31, 2021 and 2020, our asset retirement obligations related to capping, closure and post-closure were $1,507.3 million and $1,346.4 million, respectively. Changes in these estimates may be sensitive to changes in available airspace, cost estimates, inflation, our credit-adjusted, risk-free interest rate and applicable regulations.

Obligations associated with final capping activities that occur during the operating life of the landfill are recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to closure and post-closure activities that occur after the landfill has ceased operations are recognized on a units-of-consumption basis as airspace is consumed throughout the entire life of the landfill. Landfill retirement obligations are capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed within the entire landfill, depending on the nature of the obligation. All obligations are initially measured at estimated fair value. Fair value is calculated on a present value basis using an inflation rate and our credit-adjusted, risk-free rate in effect at the time the liabilities were incurred. Future costs for final capping, closure and post-closure are developed at least annually by engineers, and are inflated to future value using estimated future payment dates and inflation rate projections.

*Landfill capping.* As individual areas within each landfill reach capacity, we must cap and close the areas in accordance with the landfill site permit. These requirements are detailed in each landfill's technical design, which is reviewed and approved by the regulatory agency issuing the landfill site permit.

*Closure and post-closure.* Closure costs are costs incurred after a landfill stops receiving waste, but prior to being certified as closed. After the entire landfill has reached capacity and is certified closed, we must continue to maintain and monitor the site for a post-closure period, which generally extends for 30 years. Costs associated with closure and post-closure requirements generally include maintenance of the site, the monitoring of methane gas collection systems and groundwater systems, and other activities that occur after the site has ceased accepting waste. Costs associated with post-closure monitoring generally include groundwater sampling, analysis and statistical reports, third-party labor associated with gas system operations and maintenance, transportation and disposal of leachate, and erosion control costs related to the final cap.

*Landfill retirement obligation liabilities and assets.* Estimates of the total future costs required to cap, close and monitor each landfill as specified by the landfill permit are updated annually. The estimates include inflation, the specific timing of future cash outflows, and the anticipated waste flow into the capping events. Our cost estimates are inflated to the period of performance using an estimate of inflation, which is updated annually and is based upon the ten year average consumer price index (1.7% in both 2021 and 2020).

The present value of the remaining capping costs for specific capping events and the remaining closure and post-closure costs for each landfill are recorded as incurred on a per-ton basis. These liabilities are incurred as disposal capacity is consumed at the landfill.

Capping, closure and post-closure liabilities are recorded in layers and discounted using our credit-adjusted risk-free rate in effect at the time the obligation is incurred (3.4% in both 2021 and 2020).

Retirement obligations are increased each year to reflect the passage of time by accreting the balance at the weighted average credit-adjusted risk-free rate that was used to calculate each layer of the recorded liabilities. This accretion is charged to operating expenses. Actual cash expenditures reduce the asset retirement obligation liabilities as they are made.

Corresponding retirement obligation assets are recorded for the same value as the additions to the capping, closure and post-closure liabilities. The retirement obligation assets are amortized to expense on a per-ton basis as disposal capacity is consumed. The per-ton rate is calculated by dividing the sum of each of the recorded retirement obligation asset's net book value and expected future additions to the retirement obligation asset by the remaining disposal capacity. A per-ton rate is determined for each separate capping event based on the disposal capacity relating to that event. Closure and post-closure per-ton rates are based on the total disposal capacity of the landfill.

These estimates are subject to uncertainty attributable to:

- Changes in legislative or regulatory requirements, including changes in capping, closure activities or post-closure monitoring activities, types and quantities of materials used, or term of post-closure care, could cause changes in our cost estimates.

- Changes in the landfill retirement obligation due to changes in the anticipated waste flow, changes in airspace compaction estimates or changes in the timing of expenditures for closed landfills and fully incurred but unpaid capping events are recorded in results of operations prospectively. This could result in unanticipated increases or decreases in expense.

- Actual timing of disposal capacity utilization could differ from projected timing, causing differences in timing of when amortization and accretion expense is recognized for capping, closure and post-closure liabilities.

- Changes in inflation rates could impact our actual future costs and our total liabilities.

- Changes in our capital structure or market conditions could result in changes to the credit-adjusted risk-free rate used to discount the liabilities, which could cause changes in future recorded liabilities, assets and expense.

- Amortization rates could change in the future based on the evaluation of new facts and circumstances relating to landfill capping design, post-closure monitoring requirements, or the inflation or discount rate.

On an annual basis, we update our estimates of future capping, closure and post-closure costs and of future disposal capacity for each landfill. Revisions in estimates of our costs or timing of expenditures are recognized immediately as increases or decreases to the capping, closure and post-closure liabilities and the corresponding retirement obligation assets. Changes in the assets result in changes to the amortization rates which are applied prospectively, except for fully incurred capping events and closed landfills, where the changes are recorded immediately in results of operations since the associated disposal capacity has already been consumed. See our *Results of Operations* section in this Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion on changes to our landfill depletion and amortization.

*Permitted and probable disposal capacity.* Disposal capacity is determined by the specifications detailed in the landfill permit. We classify this disposal capacity as permitted. We also include probable expansion disposal capacity in our remaining disposal capacity estimates, thus including additional disposal capacity being sought through means of a permit expansion. Probable expansion disposal capacity has not yet received final approval from the applicable regulatory agencies, but we have determined that certain critical criteria have been met and that the successful completion of the expansion is probable. We have developed six criteria that must be met before an expansion area is designated as probable expansion airspace. We believe that satisfying all of these criteria demonstrates a high likelihood that expansion airspace that is incorporated in our landfill costing will be permitted. However, because some of these criteria are judgmental, they may exclude expansion airspace that will eventually be permitted or include expansion airspace that will not be permitted. In either of these scenarios, our amortization, depletion and accretion expense could change significantly. Our internal criteria to classify disposal capacity as probable expansion airspace are as follows:

- We own the land associated with the expansion airspace or control it pursuant to an option agreement;

- We are committed to supporting the expansion project financially and with appropriate resources;
- There are no identified fatal flaws or impediments associated with the project, including political impediments;
- Progress is being made on the project;
- The expansion is attainable within a reasonable time frame; and
- We believe it is likely we will receive the expansion permit.

After successfully meeting these criteria, the disposal capacity that will result from the planned expansion is included in our remaining disposal capacity estimates. Additionally, for purposes of calculating landfill amortization and capping, closure and post-closure rates, we include the incremental costs to develop, construct, close and monitor the related probable expansion disposal capacity.

These estimates are subject to uncertainty attributable to:

- We may be unsuccessful in obtaining permits for probable expansion disposal capacity because of the failure to obtain the final local, state or federal permits or due to other unknown reasons. If we are unsuccessful in obtaining permits for probable expansion disposal capacity, or the disposal capacity for which we obtain approvals is less than what was estimated, both our estimated total costs and disposal capacity will be reduced, which generally increases the rates we charge for landfill amortization and capping, closure and post-closure accruals. An unexpected decrease in disposal capacity could also cause an asset impairment.

***Environmental Liabilities***

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, timing of expenditures, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in certain business combinations, environmental obligations are recorded on an undiscounted basis. Environmental obligations assumed in certain business combinations are initially estimated on a discounted basis, and accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases or decreases in these obligations and are calculated on a discounted basis as they were initially estimated on a discounted basis. These adjustments are charged to operating income when they are known. We perform a comprehensive review of our environmental obligations annually and also review changes in facts and circumstances associated with these obligations at least quarterly. See our *Results of Operations* section in this Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion on our remediation adjustments. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies. As of December 31, 2021 and

2020, we had $454.9 million and $462.8 million of environmental liabilities. Changes in these estimates may be sensitive to changes in cost estimates, timing of estimated costs and settlements, inflation, our credit-adjusted, risk-free interest rate and applicable regulations.

These estimates are subject to uncertainty attributable to:

- We cannot determine with precision the ultimate amounts of our environmental remediation liabilities. Our estimates of these liabilities require assumptions about uncertain future events. Thus, our estimates could change substantially as additional information becomes available regarding the nature or extent of contamination, the required remediation methods, timing of expenditures, the final apportionment of responsibility among the potentially responsible parties identified, the financial viability of those parties, and the actions of governmental agencies or private parties with interests in the matter. The actual environmental costs may exceed our current and future accruals for these costs, and any adjustments could be material.

- Actual amounts could differ from the estimated liabilities as a result of changes in estimated future litigation costs to pursue the matter to ultimate resolution.

- An unanticipated environmental liability that arises could result in a material charge to our consolidated statements of income.

***Insurance Reserves and Related Costs***

Our insurance policies for workers' compensation, commercial general liability, commercial auto liability and environmental liability are high deductible, or retention programs. The deductibles, or retentions, range from $3 million to $10 million. The employee-related health benefits are also subject to a high-deductible insurance policy. Accruals for deductibles or retentions are based on claims filed and actuarial estimates of claims development and claims incurred but not reported. As of December 31, 2021 and 2020, our insurance reserves were $497.4 million and $449.3 million, respectively. Changes in these estimates may be sensitive to changes in the frequency, severity and settlement amount of claims.

These estimates are subject to uncertainty attributable to:

- Incident rates, including frequency and severity, and other actuarial assumptions could change causing our current and future actuarially determined obligations to change, which would be reflected in our consolidated statements of income in the period in which such adjustment is known.

- Recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments would be reflected in the consolidated statements of income in the periods in which such adjustments are known.

- The settlement costs to discharge our obligations, including legal and health care costs, could increase or decrease causing current estimates of our insurance reserves to change.

**New Accounting Standards**

For a description of new accounting standards that may affect us, see Note 2, *Summary of Significant Accounting Policies*, of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

Our major market risk exposure of our financial instruments is changing interest rates in the United States and fluctuations in LIBOR or, following the termination of LIBOR, SOFR. We intend to manage interest rate risk through the use of a combination of fixed and floating rate debt. The carrying value of our variable rate debt approximates fair value because interest rates are variable and, accordingly, approximates current market rates for instruments with similar risk and maturities. The fair value of our debt is determined as of the balance sheet date and is subject to change. We have historically entered into multiple swap agreements designated as cash flow hedges to manage exposure to fluctuations in interest rates on our variable rate debt.

The table below provides information about certain of our market-sensitive financial instruments and constitutes a forward-looking statement.

| | Expected Maturity Date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total | Fair Value as of December 31, 2021 |
| Fixed rate debt: | | | | | | | | |
| Amount outstanding (in millions) | $ 8.2 | $331.0 | $906.3 | $856.7 | $507.1 | $ 5,855.6 | $8,464.9 | $ 9,050.2 |
| Variable rate debt: | | | | | | | | |
| Amount outstanding (in millions) | $ - | $144.2 | $ 20.6 | $ - | $106.1 | $ 942.5 | $1,213.4 | $ 1,205.8 |

The fixed and variable rate debt amounts above exclude the remaining non-cash discounts, premiums and adjustments to fair value totaling $123.9 million.

As of December 31, 2021, we had $1,213.4 million of floating rate debt and $300.0 million of floating interest rate swap contracts. If interest rates increased or decreased by 100 basis points on our variable rate debt, annualized interest expense and net cash payments for interest would increase or decrease by approximately $15 million. This analysis does not reflect the effect that interest rates would have on other items, such as new borrowings and the impact on the economy. See Note 9, *Debt,* of the notes to our consolidated financial statements in Part II, Item 8 of this Form 10-K for further information regarding how we manage interest rate risk.

### Fuel Price Risk

Fuel costs represent a significant operating expense. When economically practical, we may enter into new fuel hedges, renew contracts, or engage in other strategies to mitigate market risk. As of December 31, 2021, we had no fuel hedges in place. While we charge fuel recovery fees to a majority of our customers, we are unable to charge such fees to all customers.

At current consumption levels, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel costs by approximately $26 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel recovery fee by approximately $26 million per year.

Our operations also require the use of certain petrochemical-based products (such as liners at our landfills) whose costs may vary with the price of petrochemicals. An increase in the price of petrochemicals could increase the cost of those products, which would increase our operating and capital costs. We also are susceptible to increases in fuel recovery fees from our vendors.

Our fuel costs were $383.0 million in 2021, or 3.4% of revenue, compared to $271.7 million in 2020, or 2.7% of revenue.

**Commodities Price Risk**

We market recovered materials such as old corrugated containers and old newsprint from our recycling processing centers. Changes in market supply and demand for recycled commodities causes volatility in commodity prices. In prior periods, we have entered into derivative instruments such as swaps and costless collars designated as cash flow hedges to manage our exposure to changes in prices of these commodities. As of December 31, 2021, we had no recycling commodity hedges in place.

At current volumes and mix of materials, we believe a $10 per ton change in the price of recycled commodities would change annual revenue and operating income by approximately $22 million and $10 million, respectively.

Revenue from recycling processing and commodity sales during the years ended December 31, 2021 and 2020 was $420.5 million and $297.1 million, respectively.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Republic Services, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Republic Services, Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 10, 2022, expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

| | ***Landfill Development Asset Amortization*** |
|---|---|
| *Description of the Matter* | At December 31, 2021, the net book value of the Company's landfill development assets totaled $3,914.0 million, and the associated landfill development asset amortization expense for 2021 was $377.5 million. Significant assumptions used in calculating the amortization expense include estimated future development costs associated with the land, permitting, cell construction and environmental structures of the landfill in relation to airspace consumed to date and total estimated available airspace. These assumptions have a significant effect on the total landfill amortization expense. As discussed in Note 2 to the consolidated financial statements, costs and airspace estimates are developed at least annually, or more often if significant facts change. |
| *How We Addressed the Matter in Our Audit* | Auditing landfill development asset amortization expense is complex due to the highly judgmental nature of the assumptions used in the calculation of the expense and required the involvement of specialists to assist us with evaluating estimated future development costs and certain assumptions to project total estimated available airspace.<br><br>We tested controls that address the risks of material misstatement relating to the measurement and valuation of landfill development asset amortization expense. For example, we tested controls over the estimation of future landfill development costs and management's review of the assumptions to project total estimated available airspace.<br><br>To test the landfill development asset amortization expense, our audit procedures included, among others, assessing methodologies and testing the significant assumptions discussed above related to the underlying cost and airspace data used by the Company. We compared the significant assumptions used by management to historical trends and, when available, to comparable size landfills accepting the same type of waste. We also tested the completeness and accuracy of the historical data utilized in the development of the amortization expense. Regarding available airspace, we evaluated the Company's estimation of the landfill disposal capacity through a comparison of airspace to historical estimates and annual aerial surveys. We involved EY engineering specialists to assist us with evaluating estimated future development costs and certain assumptions to project total estimated available airspace. |

***Landfill Final Capping, Closure and Post-Closure Costs***

| | |
|---|---|
| *Description of the Matter* | At December 31, 2021, the carrying value of the Company's landfill final capping, closure and post-closure costs totaled $1,507.3 million. As discussed in Notes 2 and 8 to the consolidated financial statements, asset retirement obligations for final capping, closure and post-closure are measured at their estimated fair value. Management updates the assumptions used to estimate asset retirement obligations at least annually, or more often if significant facts change. These assumptions include estimated future costs associated with the final capping, closure and post-closure activities at each landfill, airspace consumed to date, estimated available airspace, projected annual tonnage volume, projected timing of capping, closure and post-closure activities and estimated inflation and discount rates. These assumptions have a significant effect on the estimated asset retirement obligation. |
| *How We Addressed the Matter in Our Audit* | Auditing the landfill asset retirement obligation is complex due to the highly judgmental nature of the assumptions used in the measurement process and required the involvement of specialists to assist us with evaluating the costs estimated for the capping, closure and post-closure activities and certain assumptions to project total estimated available airspace.<br><br>We tested controls that address the risks of material misstatement relating to the completeness, measurement and valuation of the asset retirement obligation. For example, we tested controls over management's development of the landfill asset retirement obligation models to estimate the future liability and management's review of data inputs and projections.<br><br>To test the landfill asset retirement obligation, our audit procedures included, among others, assessing methodologies used by the Company, testing the completeness of activities included in the estimate (e.g., gas monitoring and leachate management) and testing the significant assumptions discussed above, as well as the underlying costs and other estimates used by the Company in its development of these assumptions. We compared the significant assumptions used by management to historical trends and, when available, to comparable size landfills accepting the same type of waste. We also tested the completeness and accuracy of the historical data utilized in preparing the estimate. We involved EY engineering specialists to assist us with evaluating the costs estimated for the capping, closure and post-closure activities and the reasons for significant changes in assumptions from historical trends and determined whether the change from the historical trend was appropriate and identified timely. EY engineering specialists were also involved in evaluating certain assumptions to project total estimated available airspace. |

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.
Phoenix, Arizona
February 10, 2022

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Republic Services, Inc.

### Opinion on Internal Control Over Financial Reporting

We have audited Republic Services, Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Republic Services, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Republic Services, Inc. as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 10, 2022, expressed an unqualified opinion thereon.

As indicated in the accompanying Report of Management on Republic Services, Inc.'s Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Santek Waste Services, LLC and ACV Enviro Corporation, which are included in the 2021 consolidated financial statements of the Company and constituted less than 2% of revenues for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Santek Waste Services, LLC and ACV Enviro Corporation.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Republic Services, Inc.'s Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 10, 2022

**REPUBLIC SERVICES, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in millions, except per share data)**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 29.0 | $ 38.2 |
| Accounts receivable, less allowance for doubtful accounts and other of $38.5 and $34.7, respectively | 1,271.4 | 1,091.3 |
| Prepaid expenses and other current assets | 410.4 | 392.3 |
| Total current assets | 1,710.8 | 1,521.8 |
| Restricted cash and marketable securities | 139.0 | 149.1 |
| Property and equipment, net | 9,232.1 | 8,726.2 |
| Goodwill | 12,826.0 | 12,046.4 |
| Other intangible assets, net | 259.5 | 173.1 |
| Other assets | 787.6 | 817.4 |
| Total assets | $ 24,955.0 | $ 23,434.0 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 910.0 | $ 779.0 |
| Notes payable and current maturities of long-term debt | 8.2 | 168.1 |
| Deferred revenue | 381.3 | 345.6 |
| Accrued landfill and environmental costs, current portion | 124.5 | 114.5 |
| Accrued interest | 62.1 | 54.6 |
| Other accrued liabilities | 929.5 | 820.2 |
| Total current liabilities | 2,415.6 | 2,282.0 |
| Long-term debt, net of current maturities | 9,546.2 | 8,766.1 |
| Accrued landfill and environmental costs, net of current portion | 1,837.7 | 1,694.7 |
| Deferred income taxes and other long-term tax liabilities, net | 1,229.5 | 1,238.8 |
| Insurance reserves, net of current portion | 303.9 | 281.8 |
| Other long-term liabilities | 642.4 | 681.8 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, par value $0.01 per share; 50 shares authorized; none issued | - | - |
| Common stock, par value $0.01 per share; 750 shares authorized; 319.6 and 318.8 issued including shares held in treasury, respectively | 3.2 | 3.2 |
| Additional paid-in capital | 2,789.5 | 2,741.4 |
| Retained earnings | 6,475.6 | 5,751.8 |
| Treasury stock, at cost; 2.4 and — shares, respectively | (274.8) | (0.1) |
| Accumulated other comprehensive income, net of tax | (14.6) | (12.4) |
| Total Republic Services, Inc. stockholders' equity | 8,978.9 | 8,483.9 |
| Non-controlling interests in consolidated subsidiary | 0.8 | 4.9 |
| Total stockholders' equity | 8,979.7 | 8,488.8 |
| Total liabilities and stockholders' equity | $ 24,955.0 | $ 23,434.0 |

The accompanying notes are an integral part of these financial statements.

**REPUBLIC SERVICES, INC.**
**CONSOLIDATED STATEMENTS OF INCOME**
**(in millions, except per share data)**

| | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Revenue | $ 11,295.0 | $ 10,153.6 | $ 10,299.4 |
| Expenses: | | | |
| Cost of operations | 6,737.7 | 6,100.5 | 6,298.4 |
| Depreciation, amortization and depletion | 1,185.5 | 1,075.9 | 1,040.5 |
| Accretion | 82.7 | 82.9 | 81.9 |
| Selling, general and administrative | 1,195.8 | 1,053.0 | 1,091.9 |
| Withdrawal costs — multiemployer pension funds | - | 34.5 | - |
| Loss (gain) on business divestitures and impairments, net | 0.5 | 77.7 | (14.7) |
| Restructuring charges | 16.6 | 20.0 | 14.2 |
| Operating income | 2,076.2 | 1,709.1 | 1,787.2 |
| Interest expense | (314.6) | (355.6) | (392.0) |
| Loss from unconsolidated equity method investments | (188.5) | (118.2) | (112.2) |
| Loss on extinguishment of debt | - | (101.9) | - |
| Interest income | 2.5 | 5.2 | 6.4 |
| Other (expense) income, net | (0.5) | 4.1 | 6.4 |
| Income before income taxes | 1,575.1 | 1,142.7 | 1,295.8 |
| Provision for income taxes | 282.8 | 173.1 | 222.0 |
| Net income | 1,292.3 | 969.6 | 1,073.8 |
| Net income attributable to non-controlling interests in consolidated subsidiary | (1.9) | (2.4) | (0.5) |
| Net income attributable to Republic Services, Inc. | $ 1,290.4 | $ 967.2 | $ 1,073.3 |
| Basic earnings per share attributable to Republic Services, Inc. stockholders: | | | |
| Basic earnings per share | $ 4.05 | $ 3.03 | $ 3.34 |
| Weighted average common shares outstanding | 318.8 | 319.3 | 321.1 |
| Diluted earnings per share attributable to Republic Services, Inc. stockholders: | | | |
| Diluted earnings per share | $ 4.04 | $ 3.02 | $ 3.33 |
| Weighted average common and common equivalent shares outstanding | 319.4 | 319.8 | 322.0 |
| Cash dividends per common share | $ 1.77 | $ 1.66 | $ 1.56 |

The accompanying notes are an integral part of these financial statements.

## REPUBLIC SERVICES, INC.
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## (in millions)

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Net income | $ 1,292.3 | $ 969.6 | $ 1,073.8 |
| Other comprehensive income (loss), net of tax | | | |
| Hedging activity: | | | |
| Realized loss reclassified into earnings | 4.6 | 5.8 | 1.0 |
| Unrealized loss | - | (22.5) | (30.2) |
| Pension activity: | | | |
| Change in funded status of pension plan obligations | (6.8) | 2.1 | (2.5) |
| Other comprehensive loss, net of tax | (2.2) | (14.6) | (31.7) |
| Comprehensive income | 1,290.1 | 955.0 | 1,042.1 |
| Comprehensive income attributable to non-controlling interests | (1.9) | (2.4) | (0.5) |
| Comprehensive income attributable to Republic Services, Inc. | $ 1,288.2 | $ 952.6 | $ 1,041.6 |

The accompanying notes are an integral part of these financial statements.

**REPUBLIC SERVICES, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in millions)**

| | Republic Services, Inc. Stockholders' Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | | Accumulated Other Comprehensive Income (Loss), Net of Tax | Non-controlling Interests In Consolidated Subsidiary | Total |
| | Shares | Amount | | | Shares | Amount | | | |
| Balance as of December 31, 2018 | 351.9 | $ 3.5 | $ 4,924.9 | $4,750.5 | (29.4) | $(1,782.6) | $ 30.8 | $ 2.4 | $7,929.5 |
| Adoption of accounting standard, net of tax | - | - | - | (3.1) | - | - | 3.1 | - | $ - |
| Net income | - | - | - | 1,073.3 | - | - | - | 0.5 | 1,073.8 |
| Change in the value of derivative instruments, net of tax of $10.4 | - | - | - | - | - | - | (29.2) | - | (29.2) |
| Employee benefit plan liability adjustments, net of tax of $0.9 | - | - | - | - | - | - | (2.5) | - | (2.5) |
| Cash dividends declared | - | - | - | (499.4) | - | - | - | - | (499.4) |
| Issuances of common stock | 1.4 | - | 26.9 | - | (0.2) | (17.6) | - | - | 9.3 |
| Stock-based compensation | - | - | 43.0 | (4.0) | - | - | - | - | 39.0 |
| Purchase of common stock for treasury | - | - | - | - | (4.9) | (399.4) | - | - | (399.4) |
| Distributions paid | - | - | - | - | - | - | - | (0.2) | (0.2) |
| Balance as of December 31, 2019 | 353.3 | 3.5 | 4,994.8 | 5,317.3 | (34.5) | (2,199.6) | 2.2 | 2.7 | 8,120.9 |
| Net income | - | - | - | 967.2 | - | - | - | 2.4 | 969.6 |
| Change in the value of derivative instruments, net of tax of $(5.9) | - | - | - | - | - | - | (16.7) | - | (16.7) |
| Employee benefit plan liability adjustments, net of tax of $0.8 | - | - | - | - | - | - | 2.1 | - | 2.1 |
| Cash dividends declared | - | - | - | (528.8) | - | - | - | - | (528.8) |
| Issuances of common stock | 1.3 | - | 21.6 | - | (0.1) | (17.7) | - | - | 3.9 |
| Stock-based compensation | - | - | 40.7 | (3.9) | - | - | - | - | 36.8 |
| Purchase of common stock for treasury | - | - | - | - | (1.2) | (98.8) | - | - | (98.8) |
| Shares returned to unissued status | (35.8) | (0.3) | (2,315.7) | - | 35.8 | 2,316.0 | - | - | - |
| Distributions paid | - | - | - | - | - | - | - | (0.2) | (0.2) |
| Balance as of December 31, 2020 | 318.8 | 3.2 | 2,741.4 | 5,751.8 | - | (0.1) | (12.4) | 4.9 | 8,488.8 |
| Net income | - | - | - | 1,290.4 | - | - | - | 1.9 | 1,292.3 |
| Change in the value of derivative instruments, net of tax of $1.6 | - | - | - | - | - | - | 4.6 | - | 4.6 |
| Employee benefit plan liability adjustments, net of tax of $(2.4) | - | - | - | - | - | - | (6.8) | - | (6.8) |
| Cash dividends declared | - | - | - | (563.0) | - | - | - | - | (563.0) |
| Issuances of common stock | 0.8 | - | 10.5 | - | (0.2) | (22.5) | - | - | (12.0) |
| Stock-based compensation | - | - | 60.3 | (3.6) | - | - | - | - | 56.7 |
| Purchase of common stock for treasury | - | - | - | - | (2.2) | (252.2) | - | - | (252.2) |
| Purchase of minority interest | - | - | (22.7) | - | - | - | - | (4.8) | (27.5) |
| Distributions paid | - | - | - | - | - | - | - | (1.2) | (1.2) |
| Balance as of December 31, 2021 | 319.6 | $ 3.2 | $ 2,789.5 | $6,475.6 | (2.4) | $ (274.8) | $ (14.6) | $ 0.8 | $8,979.7 |

The accompanying notes are an integral part of these financial statements.

# REPUBLIC SERVICES, INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
### (in millions)

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Cash provided by operating activities: | | | |
| Net income | $ 1,292.3 | $ 969.6 | $ 1,073.8 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation, amortization, depletion and accretion | 1,268.2 | 1,158.8 | 1,122.4 |
| Non-cash interest expense | 70.5 | 61.7 | 48.8 |
| Stock-based compensation | 57.0 | 37.3 | 39.5 |
| Deferred tax (benefit) provision | (15.5) | 60.8 | 166.1 |
| Provision for doubtful accounts, net of adjustments | 19.9 | 27.8 | 34.0 |
| Loss on extinguishment of debt | - | 101.9 | - |
| Loss (gain) on disposition of assets, asset impairments, and other, net | 0.4 | 75.5 | (13.8) |
| Environmental adjustments | 0.5 | 5.1 | (11.9) |
| Loss from unconsolidated equity method investments | 188.5 | 118.2 | 112.2 |
| Other non-cash items | (1.1) | (3.8) | (5.6) |
| Change in assets and liabilities, net of effects from business acquisitions and divestitures: | | | |
| Accounts receivable | (135.4) | 13.8 | (38.3) |
| Prepaid expenses and other assets | (57.0) | 6.5 | (109.7) |
| Accounts payable | 113.8 | (46.7) | 6.4 |
| Capping, closure and post-closure expenditures | (59.6) | (58.6) | (78.2) |
| Remediation expenditures | (57.1) | (63.5) | (49.1) |
| Other liabilities | 101.3 | 18.6 | 55.5 |
| Payments from retirement of certain hedging relationships | - | (11.4) | - |
| Cash provided by operating activities | 2,786.7 | 2,471.6 | 2,352.1 |
| Cash used in investing activities: | | | |
| Purchases of property and equipment | (1,316.3) | (1,194.6) | (1,207.1) |
| Proceeds from sales of property and equipment | 19.5 | 30.1 | 21.7 |
| Cash used in acquisitions and investments, net of cash and restricted cash acquired | (1,221.7) | (769.5) | (575.1) |
| Cash received from business divestitures | 46.3 | 32.9 | 42.8 |
| Purchases of restricted marketable securities | (30.8) | (32.9) | (14.7) |
| Sales of restricted marketable securities | 37.9 | 11.2 | 13.5 |
| Other | (1.0) | - | (0.1) |
| Cash used in investing activities | (2,466.1) | (1,922.8) | (1,719.0) |
| Cash used in financing activities: | | | |
| Proceeds from notes payable and long-term debt, net of fees | 5,154.3 | 2,625.5 | 4,746.5 |
| Proceeds from issuance of senior notes, net of discount and fees | 692.3 | 2,716.1 | 891.1 |
| Payments of notes payable and long-term debt and senior notes | (5,304.5) | (5,221.4) | (5,327.9) |
| Premiums paid on extinguishment of debt | - | (99.1) | - |
| Issuances of common stock, net | (12.0) | 3.9 | 9.3 |
| Purchases of common stock for treasury | (252.2) | (98.8) | (399.4) |
| Cash dividends paid | (552.6) | (522.5) | (491.2) |
| Distributions paid to non-controlling interests in consolidated subsidiary | (33.2) | (0.2) | (0.2) |
| Contingent consideration payments | (21.3) | (15.5) | (17.2) |
| Cash used in financing activities | (329.2) | (612.0) | (589.0) |
| (Decrease) increase in cash, cash equivalents, restricted cash and restricted cash equivalents | (8.6) | (63.2) | 44.1 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year | 114.2 | 177.4 | 133.3 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year | $ 105.6 | $ 114.2 | $ 177.4 |

The accompanying notes are an integral part of these financial statements.

## 1. BASIS OF PRESENTATION

Republic Services, Inc., a Delaware corporation, and its consolidated subsidiaries (also referred to collectively as Republic, the Company, we, us, or our), is one of the largest providers of environmental services in the United States, as measured by revenue. We manage and evaluate our operations through three operating segments, Group 1, Group 2, and Environmental Solutions.

The consolidated financial statements include the accounts of Republic Services, Inc. and its wholly owned and majority owned subsidiaries in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). We account for investments in entities in which we do not have a controlling financial interest under the equity method of accounting or, for investments that do not meet the criteria to be accounted for under the equity method, we reflect these investments at their fair value when it is readily determinable. If fair value is not readily determinable, we use an alternative measurement approach. All material intercompany accounts and transactions have been eliminated in consolidation.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation. All dollar amounts in tabular presentations are in millions, except per share amounts and unless otherwise noted.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Management's Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. We must make these estimates and assumptions because certain information we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In preparing our financial statements, the more critical and subjective areas that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, including recoverability, landfill development costs, and final capping, closure and post-closure costs; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; our liabilities for environmental remediation, multiemployer pension plans, employee benefit plans, deferred taxes, uncertain tax positions, and insurance reserves; and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. Each of these items is discussed in more detail elsewhere in these Notes to Consolidated Financial Statements. Our actual results may differ significantly from our estimates.

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The full extent of the impact of the COVID-19 pandemic on our operations and financial performance will depend on future developments, including the duration, variants and spread of the pandemic, all of which are uncertain and cannot be predicted at this time.

In mid-March 2020, certain customers in our small- and large-container businesses began adjusting their service levels, which included a decrease in the frequency of pickups or a temporary pause in service. In addition, we experienced a decline in volumes disposed at certain of our landfills and transfer stations. As service levels decreased, we also experienced a decrease in certain costs of our operations which are variable in nature. This decline in service activity peaked in the first half of April 2020 and improved sequentially throughout 2021.

In April 2020, we launched our Committed to Serve initiative and committed $20 million to support frontline employees and their families, as well as small business customers in the local communities we serve. In addition to this initiative, we have experienced an increase in certain costs of doing business as a direct result of the COVID-19 pandemic, including costs for additional safety equipment and hygiene products and increased facility and equipment cleaning. These costs are intended to assist in protecting the safety of our frontline employees as we continue to provide an essential service to our customers. In 2020 and 2021, we recognized our frontline employees for their commitment and contributions to their communities during the pandemic with two awards that were paid in January 2021 and November 2021, respectively. In addition, we incurred incremental costs associated with expanding certain aspects of our existing healthcare programs.

**Cash and Cash Equivalents**

We consider liquid investments with a maturity at the date of acquisition of three months or less to be cash equivalents.

We may have net book credit balances in our primary disbursement accounts at the end of a reporting period. We classify such credit balances as accounts payable in our consolidated balance sheets as checks presented for payment to these accounts are not payable by our banks under overdraft arrangements, and, therefore, do not represent short-term borrowings. As of December 31, 2021 and 2020, there were net book credit balances of $39.0 million and $32.7 million, respectively, in our primary disbursement accounts that were classified as accounts payable on our consolidated balance sheets.

**Concentration of Credit Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, trade accounts receivable and derivative instruments. We place our cash and cash equivalents with high quality financial institutions. Such balances may be in excess of FDIC insured limits. To manage the related credit exposure, we continually monitor the credit worthiness of the financial institutions where we have deposits. Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers and markets in which we provide services, as well as the dispersion of our operations across many geographic areas. We provide services to small-container, large-container, municipal and residential, and environmental solutions customers in the United States. We perform ongoing credit evaluations of our customers, but generally do not require collateral to support customer receivables. We establish an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions and other information.

**Accounts Receivable, Net**

Accounts receivable represents receivables from customers for environmental services, including collection and processing of recyclable materials, collection, transfer, and disposal of solid waste, and environmental solutions. Our receivables are recorded when billed or when the related revenue is earned and represent claims against third parties that will be settled in cash. The carrying value of our receivables, net of the allowance for doubtful accounts and customer credits, represents their estimated net realizable value.

We establish an allowance for doubtful accounts based on various factors including the age of receivables outstanding, historical trends, economic conditions and other information. We also review outstanding balances on an account-specific basis based on the credit risk of the customer. We determined that all of our accounts receivable share similar risk characteristics. We monitor our credit exposure on an ongoing basis and assess whether assets in the pool continue to display similar risk characteristics. We perform ongoing credit evaluations of our customers, but generally do not require collateral to support customer receivables.

The following table reflects the activity in our allowance for doubtful accounts for the years ended December 31:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance at beginning of year | $ 34.7 | $ 34.0 | $ 34.3 |
| Additions charged to expense | 19.9 | 27.8 | 34.0 |
| Accounts written-off | (16.1) | (27.1) | (34.3) |
| Balance at end of year | $ 38.5 | $ 34.7 | $ 34.0 |

**Restricted Cash and Marketable Securities**

As of December 31, 2021, we had $139.0 million of restricted cash and marketable securities of which $84.2 million supports our insurance programs for workers' compensation, commercial general liability, and commercial auto liability. Additionally, we obtain funds through the issuance of tax-exempt bonds for the purpose of financing qualifying expenditures at our landfills, transfer stations, collection and recycling processing centers. The funds are deposited directly into trust accounts by the bonding authorities at the time of issuance. As the use of these funds is contractually restricted, and we do not have the ability to use these funds for general operating purposes, they are classified as restricted cash and marketable securities in our consolidated balance sheets.

In the normal course of business, we may be required to provide financial assurance to governmental agencies and a variety of other entities in connection with, among other things, municipal residential collection contracts, closure or post-closure of landfills, environmental remediation, environmental permits, and business licenses and permits as a financial guarantee of our performance. At several of our landfills, we satisfy financial assurance requirements by depositing cash into restricted trust funds or escrow accounts.

**Property and Equipment**

We record property and equipment at cost. Expenditures for major additions and improvements to facilities are capitalized, while maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of income.

We revise the estimated useful lives of property and equipment acquired through business acquisitions to conform with our policies. We depreciate assets over their estimated useful lives using the straight-line method. We assume no salvage value for our depreciable property and equipment. The estimated useful lives of our property and equipment are as follows:

| | |
|---|---|
| Buildings and improvements | 7 - 40 years |
| Vehicles | 5 - 20 years |
| Landfill equipment | 5 - 7 years |
| Other equipment | 3 - 25 years |
| Furniture and fixtures | 10 years |

Landfill development costs also are included in property and equipment. Landfill development costs include direct costs incurred to obtain landfill permits and direct costs incurred to acquire, construct and develop sites, as well as final capping, closure and post-closure assets. These costs are amortized or depleted based on consumed airspace. All indirect landfill development costs are expensed as incurred. For additional information, see Note 8, *Landfill and Environmental Costs*.

**Capitalized Interest**

We capitalize interest on all landfill cell construction and other construction or development projects. Interest is capitalized on qualified assets while they undergo activities to ready them for their intended use. Capitalization of interest ceases once an asset is placed into service or if construction activity is suspended for more than a brief period of time. Our interest capitalization rate is based on our weighted average cost of indebtedness. Interest capitalized was $5.0 million, $6.2 million and $7.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

**Fair Value of Financial Instruments**

Our financial instruments include cash and cash equivalents, restricted cash and marketable securities, interest rate hedges and other derivatives, long-term debt, contingent consideration arrangements and assets in our defined benefit pension plan. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

See Note 12, *Employee Benefit Plans,* and Note 18, *Financial Instruments,* for fair value disclosures related to our defined benefit pension plan investments and financial instruments, respectively.

***Investments Other Than Derivatives***

Investments other than derivatives primarily include money market funds, common stock, mutual funds, real estate investment trusts, U.S. government and agency securities, municipal and corporate bonds, and foreign government bonds. In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 investments, such as money market funds, common stock and certain mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate bonds, foreign government bonds, real estate investment trusts and certain agency securities.

**Derivative Financial Instruments**

We use derivative financial instruments to manage our risk associated with changing interest rates by creating offsetting market exposures. We use interest rate swap agreements designated as fair value hedges to manage risk associated with fluctuations in interest rates. In prior periods, we entered into multiple agreements designated as cash flow hedges to lock interest rates in anticipation of future debt issuance.

All derivatives are measured at fair value and recognized in the balance sheet as assets or liabilities, as appropriate. For derivative instruments designated as fair value hedges, to the extent they are effective, they are included as an adjustment to long-term debt in our consolidated balance sheets. Changes in fair value of the ineffective portions are recognized currently in earnings. For derivatives designated as cash flow hedges, changes in fair value of the effective portions of derivative instruments are reported in stockholders' equity as components of other comprehensive income until the forecasted transaction occurs or is not probable of occurring. When the forecasted transaction occurs or is not probable of occurring, the realized net gain or loss is then recognized in the consolidated statements of income. Changes in fair value of the ineffective portions are recognized currently in earnings.

The fair values of our derivative instruments are determined using standard valuation models with assumptions about prices and other relevant information based on those observed in the underlying markets (Level 2 in the fair value hierarchy). The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transactions.

**Landfill and Environmental Costs**

***Life Cycle Accounting***

We use life-cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all current and future capitalized costs to acquire and construct a site are calculated, and charged to expense based on the consumption of cubic yards of available airspace.

Costs and airspace estimates are developed at least annually by engineers. We use these estimates to adjust the rates we use to deplete capitalized costs. Changes in these estimates primarily relate to changes in cost estimates, available airspace, inflation and applicable regulations. Changes in available airspace include, but are not limited to, changes due to the addition of airspace attributable to probable expansion areas, airspace consumed and changes in engineering estimates.

***Probable Expansion Airspace***

We classify landfill disposal capacity as either permitted (having received the final permit from the applicable regulatory agency) or as probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, is included in our calculation of total available disposal capacity, all of the following criteria must be met:

- We own the land associated with the expansion airspace or control it pursuant to an option agreement;
- We are committed to supporting the expansion project financially and with appropriate resources;
- There are no identified fatal flaws or impediments associated with the project, including political impediments;
- Progress is being made on the project;
- The expansion is attainable within a reasonable time frame; and
- We believe it is likely the expansion permit will be received.

Upon meeting our expansion criteria, the rates used at each applicable landfill to expense costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted to include both the probable expansion airspace and the additional costs to be capitalized or accrued associated with that expansion airspace.

We have identified three steps that landfills generally follow to obtain expansion permits. These steps are as follows:

- Obtaining approval from local authorities;
- Submitting a permit application to state authorities; and
- Obtaining permit approval from state authorities.

We continually monitor our progress toward obtaining permits for each of our sites with probable airspace. If we determine that a landfill expansion area no longer meets our criteria, the probable expansion airspace is removed from the landfill's total available capacity and the rates used at the landfill to deplete costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted accordingly. In addition, any amounts capitalized for the probable expansion airspace are charged to expense in the period in which it is determined that the criteria are no longer met.

***Capitalized Landfill Costs***

Capitalized landfill costs include expenditures for land, permitting, cell construction and environmental structures. Capitalized permitting and cell construction costs are limited to direct costs relating to these activities, including legal, engineering and construction costs associated with excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells and other costs associated with the development of the site. Interest is capitalized on landfill construction projects while the assets are undergoing activities to ready them for their intended use. Capitalized landfill costs also include final capping, closure and post-closure assets and are depleted as airspace is consumed using the units-of-consumption method.

Costs related to acquiring land, excluding the estimated residual value of unpermitted, non-buffer land, and costs related to permitting and cell construction are depleted as airspace is consumed using the units-of-consumption method.

Capitalized landfill costs also may include an allocation of purchase price paid for landfills. For landfills purchased as part of a group of assets, the purchase price assigned to the landfill is determined based on the estimated fair value of the landfill. If the landfill meets our expansion criteria, the purchase price is further allocated between permitted airspace and expansion airspace based on the respective ratios to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace, including probable expansion airspace, where appropriate.

***Final Capping, Closure and Post-Closure Costs***

*Final capping*

We have future obligations for final capping, closure and post-closure costs with respect to the landfills we own or operate as set forth in applicable landfill permits. The permit requirements are based on the Subtitle C and Subtitle D regulations of the Resource Conservation and Recovery Act, as implemented and applied on a state-by-state basis. We define final capping as activities required to permanently cover a portion of a landfill that has been completely filled with waste. Final capping typically includes installing flexible membrane and geosynthetic clay liners, drainage and compact soil layers, and topsoil, and is constructed over an area of the landfill where total airspace capacity has been consumed and waste disposal operations have ceased. These final capping activities occur in phases as needed throughout the operating life of a landfill as specific areas are filled to capacity and the final elevation for that specific area is reached in accordance with the provisions of the operating permit. We consider final capping events to be discrete activities that are recognized as asset retirement obligations separately from other closure and post-closure obligations. As a result, we use a separate rate per ton for recognizing the principal amount of the liability and related asset associated with each capping event. We amortize the asset recorded pursuant to this approach as waste volume related to the capacity covered by the capping event is placed into the landfill based on the consumption of cubic yards of available airspace.

*Closure and post-closure*

Closure and post-closure activities occur after the entire landfill ceases to accept waste and closes. These activities involve methane gas control, leachate management and groundwater monitoring, surface water monitoring and control, and other operational and maintenance activities that occur after the site ceases to accept waste. Obligations associated with monitoring and controlling methane gas migration and emissions are set forth in applicable landfill permits and these requirements are based on the provisions of the Clean Air Act. The post-closure period generally runs for 30 years after final site closure for municipal solid waste landfills and a shorter period for construction and demolition landfills and inert landfills. We recognize asset retirement obligations and the related amortization expense for closure and post-closure (excluding obligations for final capping) using the units-of-consumption method over the total remaining capacity of the landfill, including probable expansion airspace, where appropriate.

*Estimated future expenditures*

Estimates of future expenditures for final capping, closure and post-closure are developed at least annually by engineers. Management reviews these estimates and our operating and accounting personnel use them to adjust the rates used to capitalize and amortize these costs. These estimates involve projections of costs that will be incurred during the remaining life of the landfill for final capping activities, after the landfill ceases operations and during the legally required post-closure monitoring period. As of December 31, 2021, we had 124 closed landfills.

*Fair value measurements*

In general, we engage third parties to perform most of our final capping, closure and post-closure activities. Accordingly, the fair value of these activities is based on quoted and actual prices paid for similar work. We also perform some of our final capping, closure and post-closure activities using internal resources. Where we expect internal resources to be used to fulfill an asset retirement obligation, we add a profit margin to the estimated cost of such services to better reflect their fair value. If we perform these services internally, the added profit margin is recognized as a component of operating income in the period the obligation is settled.

Our estimates of costs to discharge asset retirement obligations for landfills are developed in today's dollars. These costs are inflated each year to reflect a normal escalation of prices up to the year they are expected to be paid. We used a 1.7% inflation rate for the years ended December 31, 2021, 2020, and 2019, which is based on the ten-year historical moving average increase of the U.S. Consumer Price Index, and is the rate used by the largest environmental services industry participants. These estimated costs are then discounted to their present values using a credit-adjusted, risk-free interest rate.

*Changes in assets retirement obligations*

A liability for an asset retirement obligation is recognized in the period in which it is incurred and is initially measured at fair value. The offset to the liability is capitalized as part of the carrying amount of the related long-lived asset. Changes in the liabilities due to revisions to estimated future cash flows are recognized by increasing or decreasing the liabilities with the offsets adjusting the carrying amounts of the related long-lived assets, and may also require immediate adjustments to amortization expense in the consolidated statements of income. Upward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free interest rate in effect at the time of the change. Downward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free rate that existed when the original liability was recognized.

Changes in asset retirement obligations due to the passage of time are measured by recognizing accretion expense in a manner that results in a constant effective interest rate being applied to the average carrying amount of the liability. The effective interest rate used to calculate accretion expense is our credit-adjusted, risk-free interest rate in effect at the time the liabilities were recorded.

We review our calculations with respect to landfill asset retirement obligations at least annually. If there is a significant change in the facts and circumstances related to a landfill during the year, we will review our calculations for the landfill as soon as practical after the change has occurred.

*Landfill operating expenses*

Costs associated with daily maintenance activities and environmental compliance during the operating life of the landfill are expensed as incurred. These costs include, among other things, leachate treatment and disposal, methane gas and groundwater monitoring and systems maintenance, interim cap maintenance, costs associated with the application of daily cover materials, and the legal and administrative costs of ongoing environmental compliance.

***Environmental Liabilities***

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, timing of expenditures, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in certain business combinations, environmental obligations are recorded on an undiscounted basis. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases or decreases in these obligations and are calculated on a discounted basis as they were initially estimated on a discounted basis. These adjustments are charged to operating income when they are known. We perform a comprehensive review of our environmental obligations annually and also review changes in facts and circumstances associated with these obligations at least quarterly. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies.

**Business Combinations**

We acquire businesses in the environmental services industry as part of our growth strategy. Businesses are included in the consolidated financial statements from the date of acquisition.

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (1) the aggregate of the fair value of consideration transferred, the fair value of any non-controlling interest in the acquiree (if any) and the acquisition date fair value of our previously held equity interest in the acquiree (if any), over (2) the fair value of assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, we report provisional amounts for the items for which the accounting is incomplete. The measurement or allocation period ends once we receive the information we are seeking; however, this period will generally not exceed one year from the acquisition date. Any material adjustments recognized during the measurement period will be reflected retrospectively in the consolidated financial statements of the subsequent period. We recognize third-party transaction related costs as expense currently in the period in which they are incurred.

**Goodwill and Other Intangible Assets**

We evaluate goodwill for impairment annually as of October 1st, or when an indicator of impairment exists, at the reporting unit level. Our reporting units are our three field groups: Group 1, Group 2, and Environmental Solutions.

We may use both qualitative and quantitative approaches when testing goodwill for impairment. If, after assessing qualitative factors, we determine it is more likely than not that a reporting unit's goodwill is impaired, then we perform a quantitative test for that reporting unit. The quantitative impairment test for goodwill encompasses calculating a fair value of goodwill and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference.

As of October 1, 2021, we utilized a qualitative approach and performed an evaluation of circumstances and events impacting our reporting units to determine the likelihood of goodwill impairment. Examples of such events or circumstances include: (1) a significant adverse change in legal factors or in the business climate; (2) an adverse action or assessment by a regulator; (3) a more likely than not expectation that a reporting unit or a significant portion thereof will be sold; (4) continued or sustained losses at a reporting unit; (5) a significant decline in our market capitalization as compared to our book value; or (6) we conclude that we may not recover a significant asset group within the reporting unit. We determined it was more likely than not that the fair values of our reporting units exceeded their carrying amounts. No impairment losses were recorded for goodwill during the year ended December 31, 2021.

As of October 1, 2020, we tested our Group 1 and Group 2 reporting units quantitatively and determined that the indicated fair value of our Group 1 and Group 2 reporting units exceeded their carrying value by approximately 150% on average and, therefore, we noted no indicators of impairment at our reporting units. There was no goodwill assigned to the Environmental Solutions reporting unit in 2020.

Significant estimates used in our 2020 fair value calculation using discounted future cash flows included: (1) estimates of future revenue and expense growth by reporting unit, which we estimated to be approximately 3% annually; (2) future estimated effective tax rates, which we estimated to be 27%; (3) future estimated capital expenditures and future required investments in working capital; (4) estimated discount rates, which we estimated to range between 6% and 8%; and (5) the future terminal value of the reporting unit, which was based on its ability to exist into perpetuity. Significant estimates used in the fair value calculation utilizing market value multiples included: (a) estimated future growth potential of the reporting unit; (b) estimated multiples of revenue or earnings a willing buyer is likely to pay; and (c) the estimated control premium a willing buyer is likely to pay.

Other intangible assets include values assigned to customer relationships, non-compete agreements and trade names and are amortized generally on a straight-line basis over periods ranging from 1 to 15 years.

**Asset Impairments**

We continually consider whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets.

Events or changes in circumstances that may indicate that an asset may be impaired include the following:

- A significant decrease in the market price of an asset or asset group;
- A significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group;
- A current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life; or
- An impairment of goodwill at a reporting unit.

There are certain indicators listed above that require judgment and understanding of the environmental services industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application though the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the environmental services industry.

If indicators of impairment exist, the asset or asset group is reviewed to determine whether its recoverability is impaired. We assess the recoverability of the asset or asset group by comparing its carrying value to an estimate (or estimates) of its undiscounted future cash flows over its remaining life. If the estimated undiscounted cash flows are not sufficient to recover the carrying value of the asset or asset group, we measure an impairment loss as the amount by which the carrying amount of the asset exceeds its fair value. The loss is recorded in the consolidated statements of income in the period in which such impairment is identified. Estimating future cash flows requires significant judgment, and our projections of future cash flows and remaining useful lives may vary materially from actual results.

In 2020, we recognized a $42.6 million charge as a loss on business divestitures and impairments, net in our consolidated income statement resulting from management's decision to exit certain product offerings and geographic basins in our upstream environmental solutions business. As the carrying value of the assets associated with these operations was no longer recoverable, we impaired the entire net book value of certain assets, comprised mainly of equipment, vehicles, and containers. On at least a quarterly basis, we will continue to monitor the effect of the evolving COVID-19 pandemic on our business and review our estimates for recoverability of assets.

**Insurance Reserves**

Our insurance programs for workers' compensation, commercial general and auto liability, environmental and remediation liability, and employee-related health care benefits are subject to high deductible insurance policies. Accruals for insurance reserves are based on claims filed and estimates of claims incurred but not reported. We consider our past claims experience, including both frequency and settlement amount of claims, in determining these estimates. It is possible that recorded reserves may not be adequate to fund the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in the consolidated statements of income in the periods in which such adjustments are known. In general, our insurance reserves are recorded on an undiscounted basis; however, the insurance liabilities we assumed in business combinations are recorded at estimated fair value, and therefore have been discounted to present value based on our estimate of the timing of the related cash flows.

**Costs Associated with Exit Activities**

We record costs associated with exit activities such as employee termination benefits that represent a one-time benefit when management approves and commits to a plan of termination, and communicates the termination arrangement to the employees, or over the future service period, if any. Other costs associated with exit activities may include contract termination costs, including facility and employee relocation costs.

**Contingent Liabilities**

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. In general, we determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We assess our potential liability relating to litigation and regulatory matters based on information available to us. Management develops its assessment based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we disclose the potential range of the loss, if estimable. Contingent liabilities recorded in purchase accounting are recorded at their fair values. These fair values may be different from the values we would have otherwise recorded, had the contingent liability not been assumed as part of an acquisition of a business.

**Accumulated Other Comprehensive Income**

Accumulated other comprehensive income is a component of stockholders' equity and includes the effective portion of the net changes in fair value of our cash flow hedges, amortization of our interest rate locks, and certain adjustments to liabilities associated with our employee defined benefit pension plan liabilities, net of tax.

**Revenue Recognition**

We generally provide services under contracts with municipalities or individual customers. Municipal and small-container contracts are generally long-term and often have renewal options. Advance billings are recorded as deferred revenue, and revenue is recognized over the period services are provided.

We recognize revenue when control is transferred to the customer, generally at the time we provide a service. Revenue is measured as the amount of consideration we expect to receive in exchange for providing a service. We make certain payments to our customers, including payments to our municipal customers or commodity rebates to customers in our recycling business, which reduce the amount of revenue we recognize.

**Income Taxes**

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we record deferred income taxes to reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases using enacted tax rates that we expect to be in effect when the taxes are actually paid or recovered. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making these determinations, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, tax planning strategies, projected future taxable income and recent financial operating results. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified. If we determine that we would be able to realize a deferred income tax asset in the future in excess of its net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes in the accompanying consolidated statements of income. Accrued interest and penalties are included in other accrued liabilities, deferred income taxes and other long-term tax liabilities in the consolidated balance sheets.

We use the flow-through method to account for investment tax credits earned on eligible development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense in the year they are earned.

**Defined Benefit Pension Plan**

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain current and former employees of Allied in the United States, including some employees subject to collective bargaining agreements. The Plan's benefit formula is based on a percentage of compensation as defined in the Plan document. However, the benefits of all current Plan participants are frozen.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act of 2006. The Plan's assets have been invested as determined by our Employee Benefits Committee. The Employee Benefits Committee reviews and adjusts the Plan's asset allocation as deemed necessary.

The benefit obligation and associated income or expense related to the Plan are determined using annually established assumptions for discount rates, expected rates of return and mortality rates. We determine the discount rate based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the pension plan measurement date. When that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. In developing our expected rate of return assumption, we evaluate long-term expected and historical actual returns on the Plan assets, giving consideration to the asset mix and the anticipated duration of our Plan obligations. The average rate of compensation increase reflects our expectations of average pay increases over the period benefits are earned. Our assumptions are reviewed annually and adjusted as deemed necessary.

**Equity-Based Compensation Plans**

Compensation expense associated with our restricted share units is recognized ratably over the vesting period, or to the employee's retirement eligible date, if earlier. The fair value of restricted share units is based on the closing market price on the date of the grant.

Compensation expense associated with our performance shares that vest based on future performance targets is measured using the fair value of our common stock at the grant date for the stock-settled, equity classified awards, and the fair value of our common stock at the end of each reporting period for the cash-settled, liability classified awards. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based on an assessment of the probability that the performance criteria will be achieved.

Income tax related cash flows resulting from equity-based payments are reported as a component of operating activities.

**Share Repurchases**

Share repurchases under our share repurchase authorization may be made through open market purchases or privately negotiated transactions at the current market prices. From time-to-time, we return treasury shares acquired through share repurchases to the status of authorized but unissued. Our accounting policy is to deduct the par value from common stock and to reflect any excess of cost over par value as a deduction from additional paid-in capital.

**Leases**

We lease property and equipment in the ordinary course of business under various lease agreements. The most significant lease obligations are for real property and equipment specific to our industry, including property operated as a landfill or transfer station and operating equipment. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that we consider in determining minimum lease payments. Our lease terms include options to renew the lease when it is reasonably certain that we will exercise the option.

Certain leases require payments that are variable in nature based on volume measurements, e.g. a fixed rate per ton at our landfills. In addition, certain rental payments are adjusted annually based on changes in an underlying base index such as a consumer price index. Variable lease payments are recognized in our consolidated statements of income in the period incurred. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We generally account for lease components separately from non-lease components.

Leases are classified as either operating leases or finance leases, as appropriate. Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheet.

***Operating Leases***

Many of our leases are operating leases. Operating lease classification generally can be attributed to either (1) relatively low fixed minimum lease payments (including, for example, real property lease payments that are not fixed and vary based on the volume of material we receive or process), or (2) minimum lease terms that are shorter than the asset's economic useful life. We expect that, in the ordinary course of business, our operating leases will be renewed, replaced by other leases, or replaced with capital expenditures. We recognize rent expense for these leases on a straight-line basis over the lease term.

We recognize a right-of-use liability and right-of-use asset for leases classified as operating leases in our consolidated balance sheet upon lease commencement. The right-of-use liability represents the present value of the remaining lease payments. An implicit rate is often not readily available for these leases. As such, we use our incremental borrowing rate at the commencement date to determine the present value of the lease payments. Our incremental borrowing rate represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. In addition, we recognize a corresponding right-of-use asset, which represents our right to use an underlying asset for the lease term. The right-of-use asset is adjusted for certain favorable or unfavorable leases recognized through acquisition, prepaid or accrued rent, asset impairments and lease incentives, including but not limited to cash incentives, rent abatement or leasehold improvements paid by the lessor.

***Finance Leases***

We capitalize assets acquired under finance leases at lease commencement and amortize them to depreciation expense over the lesser of the useful life of the asset or the lease term on either a straight-line or a units-of-consumption basis, depending on the asset leased. We record the present value of the related lease payments as a debt obligation. Our finance lease liabilities relate primarily to real property, including certain long-term landfill operating agreements that require minimum lease payments with offsetting finance lease assets recorded as part of the landfill development costs.

**Related Party Transactions**

It is our policy that transactions with related parties must be on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties.

**New Accounting Pronouncements**

***Accounting Standards Adopted***

Effective January 1, 2021, we adopted the following accounting standard updates (ASUs) as issued by the Financial Accounting Standards Board (FASB):

| ASU | | Effective Date |
|---|---|---|
| ASU 2018-14 | Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans | January 1, 2021 |
| ASU 2019-12 | Simplifying the Accounting for Income Taxes | January 1, 2021 |

*Changes to the Disclosure Requirements for Defined Benefit Plans*

Effective January 1, 2021, we adopted ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* (ASU 2018-14) on a retrospective basis. The standard removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. Our adoption of ASU 2018-14 did not have a material impact on our consolidated financial statements.

*Simplifying the Accounting for Income Taxes*

Effective January 1, 2021, we adopted ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12). ASU 2019-12 attempts to simplify aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Our adoption of ASU 2019-12 did not have a material impact on our consolidated financial statements.

***Accounting Standards Issued but not yet Adopted as of December 31, 2021***

*Business Combinations*

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08). ASU 2021-08 improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and the payment terms and their effect on subsequent revenue recognized by the acquirer. ASU 2021-08 is effective for all entities that enter into a business combination within the applicable scope. The amendments in this update are effective for fiscal years beginning after December 15, 2022. We are currently assessing the effect this guidance may have on our consolidated financial statements.

*Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04). ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in ASU 2020-04 provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 is effective for all entities upon adoption during the period from March 12, 2020 through December 31, 2022. We are currently assessing the effect this guidance may have on our consolidated financial statements.

## 3. BUSINESS ACQUISITIONS, INVESTMENTS AND RESTRUCTURING CHARGES

We acquired various environmental services businesses during the years ended December 31, 2021 and 2020. The purchase price paid for these business acquisitions and the allocations of the purchase price follows:

| | 2021 | 2020 |
|---|---|---|
| Purchase price: | | |
| Cash used in acquisitions, net of cash acquired of $14.7 and $0.1, respectively | $ 1,052.9 | $ 598.9 |
| Holdbacks | 10.3 | 14.1 |
| Fair value, future minimum lease payments | 40.2 | 0.3 |
| Total | $ 1,103.4 | $ 613.3 |
| Allocated as follows: | | |
| Restricted cash | $ 7.2 | $ 0.1 |
| Accounts receivable | 63.9 | 14.9 |
| Landfill airspace | 66.0 | - |
| Property and equipment | 143.5 | 124.3 |
| Operating right-of-use lease assets | 10.2 | 0.2 |
| Assets held for sale | 43.6 | - |
| Other assets | 6.6 | 1.1 |
| Inventory | 1.9 | 1.5 |
| Accounts payable | (30.1) | (3.8) |
| Environmental remediation liabilities | (31.6) | (1.7) |
| Closure and post-closure liabilities | (31.8) | (0.8) |
| Operating right-of-use lease liabilities | (10.2) | (0.2) |
| Other liabilities | (34.2) | (13.4) |
| Fair value of tangible assets acquired and liabilities assumed | 205.0 | 122.2 |
| Excess purchase price to be allocated | $ 898.4 | $ 491.1 |
| Excess purchase price to be allocated as follows: | | |
| Other intangible assets | $ 98.2 | $ 60.7 |
| Goodwill | 801.8 | 430.4 |
| Gain on bargain purchase | (1.6) | - |
| Total allocated | $ 898.4 | $ 491.1 |

The purchase price allocations are preliminary and are based on information existing at the acquisition dates. Accordingly, the purchase price allocations are subject to change. Substantially all of the goodwill and intangible assets recorded for acquisitions in 2021 and 2020 was deductible for tax purposes.

These acquisitions are not material to the Company’s results of operations, individually or in the aggregate. As a result, no pro forma financial information is provided.

In May 2021, we acquired all of the membership interests of Santek Waste Services, LLC (Santek). Santek’s vertically integrated recycling and waste services operations are primarily located in the southeastern United States and complement Republic’s existing core competencies and expertise in the environmental services industry. The purchase price allocation is preliminary and remains subject to revision as additional information is obtained about the facts and circumstances that existed at the valuation date. The preliminary allocation of purchase price, including the value assigned to certain tangible and intangible assets acquired as well as certain leases and environmental liabilities assumed, is based on the best estimates of management and is subject to revision based on the final valuations. We expect our valuations to be completed in 2022.

In August 2021, we acquired all of the issued and outstanding shares of ACV Enviro Corporation (ACV). ACV's environmental solutions operations are primarily located in the northeastern United States and provide us with a platform to pursue additional growth in our environmental solutions line of business. The purchase price allocation is preliminary and remains subject to revisions as additional information is obtained about the facts and circumstances that existed at the valuation date. The preliminary allocation of purchase price, including the value of certain tangible and intangible assets acquired, is based on the best estimates of management and is subject to revision based on the final valuations. We expect our valuations to be completed in 2022.

On February 8, 2022, we entered into a definitive agreement to acquire all outstanding shares of US Ecology, Inc. (US Ecology) in a transaction valued at approximately $2.2 billion including debt. US Ecology is a leading provider of environmental solutions offering treatment, recycling and disposal of hazardous, non-hazardous and specialty waste. We intend to finance the transaction using existing and new sources of debt.

**Investments**

In 2021 and 2020, we acquired non-controlling equity interests in certain limited liability companies that qualified for investment tax credits under Section 48 of the Internal Revenue Code. In exchange for our non-controlling interests, we made capital contributions of approximately $175 million and $143 million, which were recorded to other long-term assets in our December 31, 2021 and 2020 consolidated balance sheets, respectively. During 2021 and 2020, we reduced the carrying value of these investments by $178.0 million and $118.2 million, respectively, as a result of tax credits allocated to us, cash distributions, and our share of income and loss pursuant to the terms of the limited liability company agreements. Additionally, our 2021 and 2020 tax provisions reflect a benefit of approximately $126 million and $100 million, respectively, due to the tax credits related to these investments. For further discussion of the income tax benefits, see Note 11, *Income Taxes*.

In 2021, we purchased the remaining equity interest in a previously held non-controlling interest for $32.0 million.

**Restructuring Charges**

In 2020, we incurred costs related to the redesign of certain back-office software systems, which continued into 2021. In addition, in July 2020, we eliminated certain back-office support positions in response to a decline in the underlying demand for services resulting from the COVID-19 pandemic. During 2021 and 2020, we incurred restructuring charges of $16.6 million and $20.0 million, respectively. We paid $17.2 million and $15.5 million during 2021 and 2020, respectively, related to these restructuring efforts.

In 2022, we expect to incur additional restructuring charges of approximately $20 million primarily related to the redesign of certain of our back-office software systems. Substantially all of these restructuring charges will be recorded in our corporate entities and other segment.

## 4. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 694.9 | $ 633.4 |
| Landfill development costs | 8,539.6 | 7,991.7 |
| Vehicles and equipment | 8,576.9 | 8,119.0 |
| Buildings and improvements | 1,508.4 | 1,402.5 |
| Construction-in-progress – landfill | 279.3 | 303.8 |
| Construction-in-progress – other | 182.9 | 107.4 |
| | $ 19,782.0 | $18,557.8 |
| Less: accumulated depreciation, depletion and amortization | | |
| Landfill development costs | $ (4,625.6) | $ (4,249.5) |
| Vehicles and equipment | (5,231.6) | (4,953.4) |
| Buildings and improvements | (692.7) | (628.7) |
| | (10,549.9) | (9,831.6) |
| Property and equipment, net | $ 9,232.1 | $ 8,726.2 |

Depreciation, amortization and depletion of property and equipment was $1,111.7 million, $1,015.9 million and $985.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

### Goodwill

A summary of the activity and balances in goodwill accounts by reporting segment follows:

| | Balance as of December 31, 2020 | Acquisitions | Divestitures | Adjustments to Acquisitions | Balance as of December 31, 2021 |
|---|---|---|---|---|---|
| Group 1 | $ 6,404.9 | $ 162.6 | $ - | $ (17.8) | $ 6,549.7 |
| Group 2 | 5,641.5 | 357.1 | - | (4.4) | 5,994.2 |
| Corporate entities and other | - | 282.1 | - | - | 282.1 |
| Total | $ 12,046.4 | $ 801.8 | $ - | $ (22.2) | $ 12,826.0 |

| | Balance as of December 31, 2019 | Acquisitions | Divestitures | Adjustments to | Balance as of December 31, 2020 |
|---|---|---|---|---|---|
| Group 1 | $ 6,235.6 | $ 171.7 | $ - | $ (2.4) | $ 6,404.9 |
| Group 2 | 5,397.8 | 258.7 | (19.0) | 4.0 | 5,641.5 |
| Corporate entities and other | - | - | - | - | - |
| Total | $ 11,633.4 | $ 430.4 | $ (19.0) | $ 1.6 | $ 12,046.4 |

Adjustments to acquisitions during the year ended December 31, 2021 primarily related to changes in our valuation of customer relationship intangible assets and fixed assets as a result of obtaining new information regarding certain acquisitions that closed in December 2020. Adjustments to acquisitions during the year ended December 31, 2020 primarily related to working capital and fixed assets.

Goodwill by reporting segment as of December 31, 2019 reflects the transfer of all Environmental Solutions assets from Group 2 to Corporate entities and other.

### Other Intangible Assets, Net

Other intangible assets, net, include values assigned to customer relationships, non-compete agreements and trade names, and are amortized over periods ranging from 1 to 15 years. A summary of the activity and balances by intangible asset type follows:

| | Gross Intangible Assets | | | | Accumulated Amortization | | | | Other Intangible Assets, Net as of December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2020 | Acquisitions | Adjustments and Other | Balance as of December 31, 2021 | Balance as of December 31, 2020 | Additions Charged to Expense | Adjustments and Other | Balance as of December 31, 2021 | |
| Customer relationships | $ 788.1 | $ 92.3 | $ 18.0 | $ 898.4 | $ (639.5) | $ (27.3) | $ - | $ (666.8) | $ 231.6 |
| Non-compete agreements | 51.4 | 9.2 | (0.2) | 60.4 | (39.1) | (5.5) | - | (44.6) | 15.8 |
| Other intangible assets | 57.5 | 0.5 | - | 58.0 | (45.3) | (0.6) | - | (45.9) | 12.1 |
| Total | $ 897.0 | $ 102.0 | $ 17.8 | $ 1,016.8 | $ (723.9) | $ (33.4) | $ - | $ (757.3) | $ 259.5 |

| | Gross Intangible Assets | | | | Accumulated Amortization | | | | Other Intangible Assets, Net as of December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Balance as of December 31, 2019 | Acquisitions | Adjustments and Other | Balance as of December 31, 2020 | Balance as of December 31, 2019 | Additions Charged to Expense | Adjustments and Other | Balance as of December 31, 2020 | |
| Customer relationships | $ 733.8 | $ 54.4 | $ (0.1) | $ 788.1 | $ (623.0) | $ (16.6) | $ 0.1 | $ (639.5) | $ 148.6 |
| Non-compete agreements | 45.3 | 6.3 | (0.2) | 51.4 | (35.3) | (3.9) | 0.1 | (39.1) | 12.3 |
| Other intangible assets | 58.2 | - | (0.7) | 57.5 | (45.1) | (0.6) | 0.4 | (45.3) | 12.2 |
| Total | $ 837.3 | $ 60.7 | $ (1.0) | $ 897.0 | $ (703.4) | $ (21.1) | $ 0.6 | $ (723.9) | $ 173.1 |

Based on the amortizable intangible assets recorded in the consolidated balance sheet as of December 31, 2021, amortization expense for each of the next five years is estimated as follows:

| | |
|---|---|
| 2022 | $ 40.0 |
| 2023 | $ 38.6 |
| 2024 | $ 36.2 |
| 2025 | $ 32.9 |
| 2026 | $ 29.7 |

## 6. OTHER ASSETS

### Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Income tax receivable | $ 173.8 | $ 170.7 |
| Prepaid expenses | 85.3 | 77.7 |
| Inventories | 72.2 | 59.1 |
| Other non-trade receivables | 32.2 | 32.2 |
| Reinsurance receivable | 31.0 | 34.1 |
| Prepaid fees for cloud-based hosting arrangements, current | 12.9 | 11.8 |
| Other current assets | 3.0 | 6.7 |
| Total | $ 410.4 | $ 392.3 |

**Other Assets**

A summary of other assets as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Operating right-of-use lease assets | $ 255.3 | $ 218.8 |
| Deferred compensation plan | 133.5 | 131.8 |
| Investments | 127.6 | 145.4 |
| Deferred contract costs and sales commissions | 80.6 | 82.3 |
| Reinsurance receivable | 79.5 | 84.8 |
| Prepaid fees and capitalized implementation costs for cloud-based hosting arrangements | 43.4 | 29.5 |
| Amounts recoverable for capping, closure and post-closure obligations | 19.4 | 18.5 |
| Other derivative assets | 15.0 | 63.8 |
| Interest rate swaps | 4.7 | 10.0 |
| Deferred financing costs | 4.6 | 2.7 |
| Other | 24.0 | 29.8 |
| Total | $ 787.6 | $ 817.4 |

## 7. OTHER LIABILITIES

**Other Accrued Liabilities**

A summary of other accrued liabilities as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Accrued payroll and benefits | $ 295.0 | $ 221.1 |
| Insurance reserves, current portion | 193.5 | 167.5 |
| Accrued dividends | 145.9 | 135.5 |
| Accrued fees and taxes | 143.7 | 132.3 |
| Operating right-of-use lease liabilities, current portion | 38.2 | 33.5 |
| Ceded insurance reserves, current portion | 31.0 | 34.1 |
| Accrued professional fees and legal settlement reserves | 8.4 | 7.2 |
| Other | 73.8 | 89.0 |
| Total | $ 929.5 | $ 820.2 |

### Other Long-Term Liabilities

A summary of other long-term liabilities as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Operating right-of-use lease liabilities | $ 239.0 | $ 206.6 |
| Deferred compensation plan liability | 119.4 | 126.6 |
| Ceded insurance reserves | 79.5 | 84.8 |
| Contingent purchase price and acquisition holdbacks | 64.4 | 67.3 |
| Other derivative liabilities | 50.7 | 103.0 |
| Withdrawal liability - multiemployer pension funds | 24.5 | 22.3 |
| Legal settlement reserves | 3.1 | 20.2 |
| Pension and other post-retirement liabilities | 1.2 | 5.5 |
| Other | 60.6 | 45.5 |
| Total | $ 642.4 | $ 681.8 |

### Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims as of December 31, 2021 and 2020 (which include claims for workers' compensation, commercial general and auto liability, and employee-related health care benefits) were $497.4 million and $449.3 million, respectively, under our risk management program and are included in other accrued liabilities and insurance reserves, net of current portion, in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe the recorded reserves are adequate to cover the future payment of claims; however, it is possible that these recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income in the periods in which such adjustments are known.

The following table summarizes the activity in our insurance reserves for the years ended December 31:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance at beginning of year | $ 449.3 | $ 438.5 | $ 423.7 |
| Additions charged to expense | 552.4 | 466.1 | 468.5 |
| Payments | (531.8) | (482.6) | (479.3) |
| Accretion expense | 0.3 | 0.5 | 0.7 |
| Premium written for third party risk assumed | 36.5 | 36.5 | 35.5 |
| Reclassified to ceded insurance reserves | (9.3) | (9.7) | (10.6) |
| Balance at end of year | 497.4 | 449.3 | 438.5 |
| Less: current portion | (193.5) | (167.5) | (162.0) |
| Long-term portion | $ 303.9 | $ 281.8 | $ 276.5 |

## 8. LANDFILL AND ENVIRONMENTAL COSTS

As of December 31, 2021, we owned or operated 198 active landfills with total available disposal capacity estimated to be 5.0 billion in-place cubic yards. Additionally, we have post-closure responsibility for 124 closed landfills.

### Accrued Landfill and Environmental Costs

A summary of our accrued landfill and environmental liabilities as of December 31 follows:

| | 2021 | 2020 |
|---|---|---|
| Landfill final capping, closure and post-closure liabilities | $ 1,507.3 | $ 1,346.4 |
| Environmental remediation | 454.9 | 462.8 |
| Total accrued landfill and environmental costs | 1,962.2 | 1,809.2 |
| Less: current portion | (124.5) | (114.5) |
| Long-term portion | $ 1,837.7 | $ 1,694.7 |

### Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which includes liabilities for final capping, closure and post-closure, for the years ended December 31:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Asset retirement obligation liabilities, beginning of year | $ 1,346.4 | $ 1,335.6 | $ 1,292.0 |
| Non-cash additions | 47.2 | 42.3 | 44.9 |
| Acquisitions, net of divestitures and other adjustments | 32.1 | (10.9) | 0.2 |
| Asset retirement obligation adjustments | 58.5 | (44.9) | (5.2) |
| Payments | (59.6) | (58.6) | (78.2) |
| Accretion expense | 82.7 | 82.9 | 81.9 |
| Asset retirement obligation liabilities, end of year | 1,507.3 | 1,346.4 | 1,335.6 |
| Less: Current portion | (68.4) | (57.5) | (75.8) |
| Long-term portion | $ 1,438.9 | $ 1,288.9 | $ 1,259.8 |

We review our landfill asset retirement obligations at least annually. As a result, we increased amortization expense by $6.9 million for December 31, 2021 and reduced amortization expense by $12.5 million and $10.9 million for December 31, 2020 and 2019, respectively, primarily related to changes in estimates and assumptions concerning the anticipated waste flow, cost and timing of future final capping, closure and post-closure activities.

The expected future payments for final capping, closure and post-closure as of December 31, 2021 follows:

| | |
|---|---|
| 2022 | $ 68.3 |
| 2023 | 68.4 |
| 2024 | 70.4 |
| 2025 | 79.7 |
| 2026 | 76.2 |
| Thereafter | 6,681.6 |
| | $ 7,044.6 |

The estimated remaining final capping, closure and post-closure expenditures presented above are not inflated and not discounted and reflect the total estimated future payments for liabilities which include those incurred and recorded as of December 31, 2021 as well as liabilities yet to be incurred over the remaining life of our landfills.

**Environmental Remediation Liabilities**

We accrue for remediation costs when they become probable and can be reasonably estimated. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of such range. It is reasonably possible that we will need to adjust the liabilities recorded for remediation to reflect the effects of new or additional information, to the extent such information impacts the costs, timing or duration of the required actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability as of December 31, 2021 would be approximately $342 million higher than the amounts recorded. Future changes in our estimates of the cost, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

The following table summarizes the activity in our environmental remediation liabilities for the years ended December 31:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Environmental remediation liabilities, beginning of year | $ 462.8 | $ 500.2 | $ 540.2 |
| Net additions charged to expense | 0.5 | 5.1 | (12.5) |
| Payments | (57.1) | (63.5) | (49.1) |
| Accretion expense (non-cash interest expense) | 17.1 | 18.6 | 19.0 |
| Acquisitions, net of divestitures and other adjustments | 31.6 | 2.4 | 2.6 |
| Environmental remediation liabilities, end of year | 454.9 | 462.8 | 500.2 |
| Less: current portion | (56.1) | (57.0) | (56.8) |
| Long-term portion | $ 398.8 | $ 405.8 | $ 443.4 |

The expected undiscounted future payments for remediation costs as of December 31, 2021 follows:

| | |
|---|---|
| 2022 | $ 56.1 |
| 2023 | 56.5 |
| 2024 | 60.6 |
| 2025 | 51.4 |
| 2026 | 47.8 |
| Thereafter | 334.3 |
| | $ 606.7 |

The following is a discussion of certain of our significant remediation matters:

*Bridgeton Landfill.* During the year ended December 31, 2021, we paid $18.9 million related to management and monitoring of the remediation area for our closed Bridgeton Landfill in Missouri. We continue to work with state and federal regulatory agencies on our remediation efforts. From time to time, this may require us to modify our future operating timeline and procedures, which could result in changes to our expected liability. As of December 31, 2021, the remediation liability recorded for this site is $102.7 million, of which approximately $16 million is expected to be paid during 2022. We believe the remaining reasonably possible high end of our range would be approximately $140 million higher than the amount recorded as of December 31, 2021.

In 2020, we recognized an insurance recovery of $10.8 million related to our closed Bridgeton Landfill in Missouri as a reduction of remediation expenses included in our cost of operations.

*West Lake Landfill Superfund Site*. Our subsidiary Bridgeton Landfill, LLC is one of several currently designated Potentially Responsible Parties for the West Lake Landfill Superfund site (West Lake) in Missouri. On September 27, 2018, the U.S. Environmental Protection Agency (EPA) issued a Record of Decision Amendment for West Lake that includes a total undiscounted cost estimate of $229 million over a four to five-year design and construction timeline. On March 11, 2019, the EPA issued special notice letters under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) to Bridgeton Landfill, LLC and the other currently designated Potentially Responsible Parties to initiate negotiations to implement the remedy. At this time we are neither able to predict the final design of that remedy, nor estimate how much of the future response costs of the site our subsidiary may agree or be required to pay. During any subsequent administrative proceedings or litigation, our subsidiary will vigorously contest liability for the costs of remediating radiologically-impacted materials generated on behalf of the federal government during the Manhattan Project and delivered to the site by an Atomic Energy Commission licensee and its subcontractor. Currently, we believe we are adequately reserved for our expected remediation liability. However, subsequent events related to remedy design, divisibility, or allocation may require us to modify our expected remediation liability.

## 9. DEBT

The carrying value of our credit facilities, finance leases and long-term debt as of December 31, 2021 and 2020 is listed in the following table, and is adjusted for the fair value of interest rate swaps, unamortized discounts, deferred issuance costs and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

| | | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|---|
| Maturity | Interest Rate | Principal | Adjustments | Carrying Value | Principal | Adjustments | Carrying Value |
| **Credit facilities:** | | | | | | | |
| Uncommitted Credit Facility | Variable | $ - | $ - | $ - | $ - | $ - | $ - |
| $2.25 billion - June 2023 | Variable | - | - | - | 186.0 | - | 186.0 |
| $3.0 billion - August 2026 | Variable | 24.3 | - | 24.3 | - | - | - |
| **Senior notes:** | | | | | | | |
| May 2023 | 4.750 | 300.0 | (0.1) | 299.9 | 300.0 | 4.8 | 304.8 |
| August 2024 | 2.500 | 900.0 | (4.8) | 895.2 | 900.0 | (6.6) | 893.4 |
| March 2025 | 3.200 | 500.0 | (2.2) | 497.8 | 500.0 | (3.0) | 497.0 |
| November 2025 | 0.875 | 350.0 | (2.6) | 347.4 | 350.0 | (3.3) | 346.7 |
| July 2026 | 2.900 | 500.0 | (2.8) | 497.2 | 500.0 | (3.3) | 496.7 |
| November 2027 | 3.375 | 650.0 | (3.8) | 646.2 | 650.0 | (4.5) | 645.5 |
| May 2028 | 3.950 | 800.0 | (12.4) | 787.6 | 800.0 | (14.2) | 785.8 |
| March 2030 | 2.300 | 600.0 | (5.9) | 594.1 | 600.0 | (6.5) | 593.5 |
| February 2031 | 1.450 | 650.0 | (7.9) | 642.1 | 650.0 | (8.6) | 641.4 |
| February 2032 | 1.750 | 750.0 | (6.6) | 743.4 | 750.0 | (7.1) | 742.9 |
| March 2033 | 2.375 | 700.0 | (7.6) | 692.4 | - | - | - |
| March 2035 | 6.086 | 181.9 | (12.8) | 169.1 | 181.9 | (13.4) | 168.5 |
| March 2040 | 6.200 | 399.9 | (3.6) | 396.3 | 399.9 | (3.6) | 396.3 |
| May 2041 | 5.700 | 385.7 | (5.0) | 380.7 | 385.7 | (5.1) | 380.6 |
| March 2050 | 3.050 | 400.0 | (7.1) | 392.9 | 400.0 | (7.3) | 392.7 |
| **Debentures:** | | | | | | | |
| May 2021 | 9.250 | - | - | - | 35.3 | (0.1) | 35.2 |
| September 2035 | 7.400 | 148.0 | (31.1) | 116.9 | 148.1 | (32.1) | 116.0 |
| **Tax-exempt:** | | | | | | | |
| 2023 - 2051 | 0.150 - 0.300% | 1,189.1 | (7.6) | 1,181.5 | 1,111.2 | (6.5) | 1,104.7 |
| **Finance leases:** | | | | | | | |
| 2022 - 2063 | 0.806 - 9.750% | 249.4 | - | 249.4 | 206.5 | - | 206.5 |
| **Total Debt** | | $ 9,678.3 | $ (123.9) | 9,554.4 | $ 9,054.6 | $ (120.4) | 8,934.2 |
| Less: current portion | | | | (8.2) | | | (168.1) |
| Long-term portion | | | | $ 9,546.2 | | | $ 8,766.1 |

### Loss on Extinguishment of Debt and Other Related Costs

During the year ended December 31, 2020, we incurred a loss on the early extinguishment of debt and other related costs. We paid cash premiums during the year totaling $99.1 million and incurred non-cash charges related to the proportional share of unamortized discounts and deferred issuance costs of $2.8 million. The unamortized proportional share of certain cash flow hedges reclassified to earnings as non-cash interest expense was $1.8 million and the proportional share of our fair value hedges that were dedesignated and immediately recognized in earnings as a reduction to non-cash interest expense was $4.7 million.

**Future Maturities of Debt**

Aggregate principal maturities of notes payable, finance leases and other long-term debt as of December 31, 2021 follow:

| | |
|---|---|
| 2022 | $ 8.2 |
| 2023 | 475.2 |
| 2024 | 926.9 |
| 2025 | 856.7 |
| 2026 | 613.2 |
| Thereafter | 6,798.1 |
| | $ 9,678.3 |

**Credit Facilities**

*The Credit Facility*

In August 2021, we entered into a $3.0 billion unsecured revolving credit facility (the Credit Facility), which replaces the prior $2.25 billion unsecured revolving credit facility which would have matured in June 2023 (the Replaced Credit Facility). Borrowings under the Credit Facility mature in August 2026. As permitted by the Credit Facility, we have the right to request two one-year extensions of the maturity date but none of the lenders are committed to participate in such extension. The Credit Facility also includes a feature that allows us to increase availability, at our option, by an aggregate amount of up to $1.0 billion through increased commitments from existing lenders or the addition of new lenders.

At our option, borrowings under the Credit Facility bear interest at a Base Rate, a daily floating London Interbank Offered Rate (LIBOR), or a Eurodollar Rate, plus an applicable margin of 0.910% based on our Debt Ratings (all as defined in the Credit Facility agreement). On the earliest of (i) the date that all available tenors of U.S. dollar LIBOR have permanently or indefinitely ceased to be provided or have been announced to be no longer representative, (ii) June 30, 2023 or (iii) the effective date of an election to opt into a secured overnight financing rate (SOFR), the LIBOR rate will be replaced by a forward-looking term rate based on SOFR or a daily rate based on SOFR published on such date.

The Credit Facility is subject to facility fees based on applicable rates defined in the Credit Facility agreement and the aggregate commitment, regardless of usage. Availability under our Credit Facility and Replaced Credit Facility totaled $2,633.8 million and $1,671.8 million as of December 31, 2021 and 2020, respectively. The Credit Facility can be used for working capital, capital expenditures, acquisitions, letters of credit and other general corporate purposes. The Credit Facility agreement requires us to comply with financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants.

As of December 31, 2021 and 2020, we had $24.3 million and $186.0 million of borrowings outstanding under our Credit Facility and Replaced Credit Facility, respectively. We had $341.9 million and $376.5 million of letters of credit outstanding under our Credit Facility and Replaced Credit Facility as of December 31, 2021 and 2020, respectively.

*Uncommitted Credit Facility*

In January 2022, we entered into a $200.0 million unsecured uncommitted revolving credit facility (the Uncommitted Credit Facility), which replaced the prior $135.0 million uncommitted credit facility (the Replaced

Uncommitted Credit Facility). The Uncommitted Credit Facility bears interest at an annual percentage rate to be agreed upon by both parties, rather than a LIBOR or Cost of Funds rate used in the Replaced Uncommitted Credit Facility (as defined in the Replaced Uncommitted Credit Facility agreement). Borrowings under the Uncommitted Credit Facility can be used for working capital, letters of credit, and other general corporate purposes. The agreement governing our Uncommitted Credit Facility requires us to comply with certain covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of December 31, 2021 and 2020, we had no borrowings outstanding under our Replaced Uncommitted Credit Facility.

**Senior Notes and Debentures**

In November 2021, we issued $700.0 million of 2.375% senior notes due 2033 (the 2.375% Notes). We used the net proceeds for general corporate purposes, including repayment of amounts outstanding under our unsecured and uncommitted credit facilities. Prior to such use, Republic may have temporarily invested the net proceeds in marketable securities and short-term investments.

During the second quarter of 2021, we paid the entire $35.3 million principal balance of our 9.250% debentures which matured in May 2021.

Our senior notes are general senior unsecured obligations. Interest is payable semi-annually.

***Interest Rate Swap and Lock Agreements***

Our ability to obtain financing through the capital markets is a key component of our financial strategy. Historically, we have managed risk associated with executing this strategy, particularly as it relates to fluctuations in interest rates, by using a combination of fixed and floating rate debt. From time to time, we also have entered into interest rate swap and lock agreements to manage risks associated with interest rates, either to effectively convert specific fixed rate debt to a floating rate (fair value hedges), or to lock interest rates in anticipation of future debt issuances (cash flow hedges).

*Fair Value Hedges*

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023 (the 4.750% Notes). The goal was to reduce overall borrowing costs and rebalance our debt portfolio's ratio of fixed to floating interest rates. As of December 31, 2021, these swap agreements have a total notional value of $300.0 million and mature in May 2023. We pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 4.750%. In 2013, these transactions were designated as fair value hedges because the swaps hedge against the changes in fair value of the 4.750% Notes resulting from changes in interest rates.

Contemporaneously with our $250.0 million redemption of the 4.750% Notes in 2020, we dedesignated the proportional share of these swap agreements as fair value hedges and recognized $4.7 million in earnings immediately as a reduction to non-cash interest expense. There was no ineffectiveness recognized in the dedesignation of these fair value hedges. Following the dedesignation, the fair value of these free standing derivatives was determined using standard valuation models with assumptions about interest rates being based on those observed in underlying markets (Level 2 in the fair value hierarchy). As of December 31, 2021 and 2020, these free standing derivatives are reflected at their fair value of $3.9 million and $8.3 million, respectively, and are included in other assets in our consolidated balance sheets. For the years ended December 31, 2021 and 2020, we recognized losses of $4.4 million and $0.1 million directly in earnings as an adjustment to non-cash interest expense attributable to the change in fair value of the free standing derivatives, respectively.

As of December 31, 2021 and 2020, the interest rate swap agreements that were designated as fair value hedges are reflected at their fair value of $4.7 million and $10.0 million, respectively, and are included in other assets in our consolidated balance sheets. To the extent they are effective, the remaining hedged portion of these interest rate swap agreements is included as an adjustment to long-term debt in our consolidated balance sheets.

We recognized net interest income of $7.9 million, $5.7 million and $1.0 million, respectively, during 2021, 2020 and 2019 related to net swap settlements for these interest rate swap agreements, which is included as an offset to interest expense in our consolidated statements of income.

For the years ended December 31, 2021, 2020 and 2019, we recognized a gain of $5.2 million, and losses of $5.7 million and $7.5 million, respectively, related to the impact of changes in the benchmark interest rate on the fair value of the hedged senior notes. For the years ended December 31, 2021, 2020 and 2019, we recognized offsetting loss of $5.2 million, and gains of $7.6 million and $8.1 million, respectively, on the related interest rate swaps attributable to changes in the benchmark interest rate. The difference of these fair value changes for the years ended December 31, 2021, 2020 and 2019 was recorded directly in earnings as an adjustment to interest expense in our consolidated statements of income.

For further detail regarding the effect of our fair value hedging on interest expense, see Note 18, *Financial Instruments*, of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

*Cash Flow Hedges*

We have historically entered into multiple swap agreements designated as cash flow hedges to manage exposure to fluctuations in interest rates in anticipation of planned future issuances of senior notes. Upon the expected issuance of senior notes, we terminate the interest rate locks and settle with our counterparties. These transactions were accounted for as cash flow hedges. All of our cash flow hedges settled before December 31, 2020, thus there was no related asset or liability as of December 31, 2021 or December 31, 2020.

The fair value of our interest rate locks was determined using standard valuation models with assumptions about interest rates being based on those observed in underlying markets (Level 2 in the fair value hierarchy).

There was no unrealized gain or loss recognized in other comprehensive income for the year ended December 31, 2021. The total unrealized losses recognized in other comprehensive income for interest rate locks were $22.5 million and $30.2 million, net of tax, for the years ended December 31, 2020, and 2019, respectively.

As of December 31, 2021 and 2020, our previously terminated interest rate locks were recorded as components of accumulated other comprehensive loss of $25.8 million and $30.4 million, respectively, net of tax. The effective portion of the interest rate locks is amortized as an adjustment to interest expense over the life of the issued debt using the effective interest method. Over the next 12 months, we expect to amortize approximately $4.3 million, net of tax, from accumulated other comprehensive loss to interest expense as a yield adjustment of our senior notes.

For further detail regarding the effect of our cash flow hedging on interest expense, see Note 18, *Financial Instruments*, of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

***Derivative Contracts***

Contemporaneously with the issuance of our 2.300% Notes in February 2020, we amended interest rate lock agreements with a notional value of $550.0 million, extending the mandatory maturity date from 2020 to 2030 and dedesignated them as cash flow hedges (the 2020 Extended Interest Rate Locks). Contemporaneously with the issuance of our 2.500% Notes in August 2019 we amended interest rate lock agreements with a notional value of $375.0 million, extending the mandatory maturity date from 2019 to 2024 and dedesignated them as cash flow hedges (2019 Extended Interest Rate Locks and collectively with the 2020 Extended Interest Rate Locks referred to as the Extended Interest Rate Locks). There was no ineffectiveness recognized in the termination of these cash flow hedges. In addition, we entered into offsetting interest rate swaps to offset future exposures to fair value fluctuations of the Extended Interest Rate Locks (the 2019 Offsetting Interest Rate Swap and the 2020 Offsetting Interest Rate Swap, or collectively the Offsetting Interest Rate Swaps). The fair value of these free standing derivatives was determined using standard valuation models with assumptions about interest rates being based on those observed in underlying markets (Level 2 in the fair value hierarchy).

As of December 31, 2021 and 2020, the fair values of the Extended Interest Rate Locks were liabilities of $49.9 million and $103.0 million, respectively, which were included in other long-term liabilities in our consolidated balance sheet. As of December 31, 2021, the fair value of the 2019 Offsetting Interest Rate Swap was an asset of $11.1 million, which was recorded in other assets in our consolidated balance sheet, and the fair value of the 2020 Offsetting Interest Rate Swap was a liability of $0.8 million, which was included in other long-term liabilities in our consolidated balance sheet. As of December 31, 2020, the fair values of the Offsetting Interest Rate Swaps were assets of $55.5 million, which were included in other assets in our consolidated balance sheet. For the year ended December 31, 2021, we recognized a gain of $44.3 million on the change in fair value of the Extended Interest Rate Locks, with an offsetting loss of $44.0 million, on the Offsetting Interest Rate Swaps. For the year ended December 31, 2020, we recognized a loss of $55.6 million on the change in fair value of the Extended Interest Rate Locks, with an offsetting gain of $52.9 million on the Offsetting Interest Rate Swaps. The changes in fair value were recorded directly in earnings as an adjustment to interest expense in our consolidated statements of income.

**Tax-Exempt Financings**

As of December 31, 2021, we had $1,181.5 million of certain variable rate tax-exempt financings outstanding with maturities ranging from 2023 to 2051. As of December 31, 2020, we had $1,104.7 million of certain variable rate tax-exempt financings outstanding with maturities ranging from 2021 to 2050. During the year ended December 31, 2021 and 2020, we issued $205.0 million and $60.0 million, respectively, of new tax-exempt financings.

In the fourth quarter of 2021, the Pennsylvania Economic Development Financing Authority issued, for our benefit, $30.0 million of Solid Waste Disposal Revenue Bonds. The proceeds from the issuance, after deferred issuance costs, will be used to fund qualifying landfill-related expenditures in the Commonwealth of Pennsylvania, of which $17.2 million has been incurred and reimbursed to us. As of December 31, 2021, we had $139.0 million of restricted cash and marketable securities, of which $12.4 million represented proceeds from the issuance of the tax-exempt bonds.

All of our tax-exempt financings are remarketed either quarterly or semi-annually by remarketing agents to effectively maintain a variable yield. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. If the remarketing agent is unable to remarket our bonds, the remarketing agent can put the bonds to us. In the event of a failed remarketing, we currently have availability under our Credit Facility to fund these bonds until they are remarketed successfully. Accordingly, we have classified these borrowings as long-term in our consolidated balance sheet as of December 31, 2021 and 2020.

**Finance Leases**

We had finance lease liabilities of $249.4 million and $206.5 million as of December 31, 2021 and 2020, respectively, with maturities ranging from 2022 to 2063 and 2021 to 2063, respectively.

**Interest Paid**

Interest paid, excluding net swap settlements for our fair value hedges, was $249.4 million, $325.1 million, and $346.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 10. LEASES

A summary of the lease classification on our consolidated balance sheet as of December 31, 2021 and 2020 follows:

| | | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| Operating right-of-use lease assets | Other assets | $ 255.3 | $ 218.8 |
| Finance lease assets | Property and equipment, net | 291.7 | 227.7 |
| Total leased assets | | $ 547.0 | $ 446.5 |
| **Liabilities** | | | |
| Current | | | |
| Operating | Other accrued liabilities | $ 38.2 | $ 33.5 |
| Finance | Notes payable and current maturities of long-term debt | 8.2 | 5.8 |
| Long-term | | | |
| Operating | Other long-term liabilities | 239.0 | 206.6 |
| Finance | Long-term debt, net of current maturities | 241.2 | 200.7 |
| Total lease liabilities | | $ 526.6 | $ 446.6 |

A summary of the lease cost reflected in our consolidated statements of income for the years ended December 31 follow:

| | | 2021 | 2020 |
|---|---|---|---|
| Operating lease cost | | | |
| Fixed lease cost | Cost of operations | $ 44.6 | $ 44.0 |
| Short-term lease cost | Cost of operations | 25.4 | 23.4 |
| Variable lease cost | Cost of operations | 20.7 | 18.6 |
| Finance lease cost | | | |
| Amortization of leased assets | Depreciation amortization, and depletion | 10.5 | 7.6 |
| Interest on lease liabilities | Interest expense | 9.3 | 8.2 |
| Variable lease cost | Interest expense | 16.4 | 14.0 |
| Total lease cost | | $ 126.9 | $ 115.8 |

During the years ended December 31, 2021 and 2020, we recognized changes in our operating right-of-use lease liabilities and assets, resulting from the recognition of non-cash lease expense of $35.8 million and $34.1 million, respectively.

As of December 31, 2021, maturities for operating and finance lease liabilities were as follows:

| | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| 2022 | $ 45.1 | $ 18.0 | $ 63.1 |
| 2023 | 44.2 | 40.1 | 84.3 |
| 2024 | 40.8 | 13.8 | 54.6 |
| 2025 | 37.7 | 13.9 | 51.6 |
| 2026 | 33.6 | 14.0 | 47.6 |
| Thereafter | 114.0 | 333.8 | 447.8 |
| Total lease payments | 315.4 | 433.6 | 749.0 |
| Less: interest | (38.2) | (184.2) | (222.4) |
| Present value of lease liabilities | $ 277.2 | $ 249.4 | $ 526.6 |

A summary of the weighted-average remaining lease term and weighted-average discount rate as of December 31, 2021 and 2020 follows:

| | 2021 | 2020 |
|---|---|---|
| Weighted-average remaining lease term (years) | | |
| Operating leases | 8.2 | 8.4 |
| Finance leases | 28.2 | 30.4 |
| Weighted-average discount rate | | |
| Operating leases | 3.2% | 3.8% |
| Finance leases | 3.8% | 4.3% |

Supplemental cash flow and other non-cash information for the years ended December 31 follow:

| | 2021 | 2020 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | $ 91.4 | $ 86.9 |
| Operating cash flows from finance leases | $ 25.8 | $ 22.2 |
| Financing cash flows from finance leases | $ 7.4 | $ 8.1 |
| Leased assets obtained in exchange for new finance lease liabilities | $ 50.2 | $ 108.0 |
| Leased assets obtained in exchange for new operating lease liabilities | $ 78.5 | $ 24.8 |

## 11. INCOME TAXES

The components of the provision for income taxes for the years ended December 31 follow:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 234.9 | $ 71.7 | $ 46.1 |
| State | 67.3 | 43.6 | 40.5 |
| Deferred: | | | |
| Federal | (34.1) | 65.4 | 151.8 |
| State | 18.6 | 12.6 | 18.9 |
| State deferred benefit—change in valuation allowance | - | (17.2) | (4.6) |
| Uncertain tax positions and interest, and other | (3.9) | (3.0) | (30.7) |
| Provision for income taxes | $ 282.8 | $ 173.1 | $ 222.0 |

The reconciliations of the statutory federal income tax rate to our effective tax rate for the years ended December 31 follow:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Federal statutory rate | 21.0% | 21.0% | 21.0% |
| State income taxes, net of federal benefit | 4.5 | 4.5 | 4.2 |
| Change in valuation allowance | - | (1.5) | (0.4) |
| Non-deductible expenses | 1.0 | 1.7 | 1.7 |
| Uncertain tax position taxes and interest | 0.1 | 0.1 | (0.3) |
| Investment tax credits | (8.0) | (8.8) | (6.5) |
| Other, net | (0.6) | (1.8) | (2.6) |
| Effective income tax rate | 18.0% | 15.2% | 17.1% |

During 2021, we acquired non-controlling interests in limited liability companies established to own solar energy assets that qualified for investment tax credits under Section 48 of the Internal Revenue Code. We account for these investments using the equity method of accounting and recognize our share of income or loss and other reductions in the value of our investment in loss from unconsolidated equity method investments within our consolidated statements of income. For further discussion regarding our equity method accounting, see Note 3, *Business Acquisitions, Investments and Restructuring Charges*. Our 2021 tax provision reflects a benefit of approximately $126 million due to the tax credits related to these investments.

Our 2020 tax provision was reduced by $11.6 million from excess tax benefits related to stock compensation, approximately $100 million related to the tax credits from our non-controlling interest in limited liability companies established to own solar energy assets, $17.2 million for adjustments to our valuation allowance due to the realizability of certain state loss carryforwards, and $8.2 million due to the realization of additional federal and state benefits as well as adjustments to deferred taxes due to the completion of our 2019 tax returns.

Our 2019 tax provision was reduced by $12.3 million from excess tax benefits related to stock compensation, approximately $84 million related to the tax credits from our non-controlling interests in limited liability companies established to own solar energy assets, and approximately $13 million due to the realization of tax credits and lower state rates due to changes in estimates following the completion of our 2018 tax returns.

We made income tax payments (net of refunds) of approximately $300 million, $124 million and $31 million for 2021, 2020, and 2019, respectively. Income taxes paid in 2021, 2020, and 2019 reflect benefits from tax credits from our continuing investments in solar energy. For 2020 and 2019, cash taxes paid reflect benefits from 100% bonus depreciation on qualified assets.

The components of the net deferred income tax asset and liability as of December 31 follow:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax liabilities relating to: | | |
| Differences between book and tax basis of property and equipment | $ (949.2) | $ (1,010.7) |
| Difference between book and tax basis of intangible assets | (503.7) | (464.6) |
| Operating right-of-use lease assets | (66.5) | (60.9) |
| Basis difference due to redemption of partnership interests | (82.2) | (85.3) |
| Total liabilities | $ (1,601.6) | $ (1,621.5) |
| Deferred tax assets relating to: | | |
| Environmental reserves | $ 217.6 | $ 224.6 |
| Accruals not currently deductible | 82.4 | 84.5 |
| Net operating loss carryforwards | 105.1 | 111.8 |
| Difference between book and tax basis of other assets | 22.5 | 21.7 |
| Operating right-of-use lease liabilities | 66.4 | 61.1 |
| Other | 14.1 | 13.3 |
| Total assets | 508.1 | 517.0 |
| Valuation allowance | (43.7) | (43.8) |
| Net deferred tax asset | 464.4 | 473.2 |
| Net deferred tax liabilities | $ (1,137.2) | $ (1,148.3) |

Changes in the deferred tax valuation allowance for the years ended December 31 follow:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Valuation allowance, beginning of year | $ 43.8 | $ 67.6 | $ 73.5 |
| Additions charged to provision for income taxes | 0.4 | 2.2 | 0.1 |
| Deferred tax assets realized or written-off | 0.1 | (28.3) | (6.0) |
| Other, net | (0.6) | 2.3 | - |
| Valuation allowance, end of year | $ 43.7 | $ 43.8 | $ 67.6 |

We have deferred tax assets related to state net operating loss carryforwards. We provide a partial valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards exist. When determining the need for a valuation allowance, we consider all positive and negative evidence, including recent financial results, scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified. We adjust the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

Substantially all of our valuation allowance is associated with state loss carryforwards. The realization of our deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdictions in future periods. We continue to regularly monitor both positive and negative evidence in determining the ongoing need for a valuation allowance.

We have deferred tax assets related to state net operating loss carryforwards with an estimated tax effect of approximately $87 million available as of December 31, 2021. These state net operating loss carryforwards expire at various times between 2022 and 2041. We believe that it is more likely than not that the benefit from some of our state net operating loss carryforwards will not be realized due to limitations on these loss carryforwards in certain states. In recognition of this risk, as of December 31, 2021, we have provided a valuation allowance of approximately $43 million.

We are subject to income tax in the United States, as well as income tax in multiple state jurisdictions. Our compliance with income tax rules and regulations is periodically audited by tax authorities. These authorities may challenge the positions taken in our tax filings. Thus, to provide for certain potential tax exposures, we maintain liabilities for uncertain tax positions for our estimate of the final outcome of the examinations. Our federal statute of limitations is closed for all years prior to 2015. We are currently under examination by the Internal Revenue Service (IRS) for tax years 2015 through 2018. In addition, we are currently under state examination or administrative review in various jurisdictions for tax years 2012 to 2020.

The following table summarizes the activity in our gross unrecognized tax benefits for the years ended December 31:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance at beginning of year | $ 101.1 | $ 100.7 | $ 104.9 |
| Additions for tax positions of prior years | 0.5 | 0.4 | 0.9 |
| Reductions for tax positions of prior years | (0.1) | - | - |
| Reductions for tax positions resulting from lapse of statute of limitations | - | - | (0.2) |
| Settlements | - | - | (4.9) |
| Balance at end of year | $ 101.5 | $ 101.1 | $ 100.7 |

During 2019 we resolved tax matters in various states which reduced our gross unrecognized tax benefits by $5.1 million.

Included in our gross unrecognized tax benefits as of December 31, 2021, 2020, and 2019 are $93.6 million, $93.3 million and $93.0 million, respectively, of unrecognized tax benefits (net of the federal benefit) that, if recognized, would affect our effective income tax rate in future periods. However, we are unable to estimate the resolution of these matters over the next 12 months.

We recognize interest and penalties as incurred within the provision for income taxes in our consolidated statements of income. Related to the unrecognized tax benefits previously noted, we recorded interest expense of $0.8 million during 2021 and, in total as of December 31, 2021, have recognized a liability for penalties of $0.3 million and interest of $13.7 million.

During 2020, we recorded interest expense of approximately $0.8 million and, in total as of December 31, 2020, had recognized a liability for penalties of $0.3 million and interest of $12.6 million. During 2019, we accrued interest of $4.0 million and, in total as of December 31, 2019, had recognized a liability for penalties of $0.3 million and interest of $11.6 million.

We believe the recorded liabilities for uncertain tax positions are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

## 12. EMPLOYEE BENEFIT PLANS

### Stock-Based Compensation

In October 2020, our Board of Directors amended and restated the Republic Services, Inc. Executive Incentive Plan (the 2021 Plan) to remove references to the performance-based compensation exception that was previously permitted but is no longer applicable under Section 162(m) of the Code. The purposes of the 2021 Plan are to promote the success of the Company; to provide designated Executive Officers with an opportunity to receive incentive compensation dependent upon that success; and to attract, retain and motivate such individuals. We currently have 12.3 million shares of common stock reserved for future grants under the 2021 Plan.

In February 2007, our Board of Directors approved the 2007 Stock Incentive Plan (the 2007 Plan), and in May 2007 our shareholders approved the 2007 Plan. In March 2011, our Board of Directors approved the Amended and Restated 2007 Stock Incentive Plan (the Amended and Restated 2007 SIP), and in May 2011 our shareholders approved the Amended and Restated 2007 SIP. In March 2013, our Board of Directors approved the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (the Republic Amended and Restated 2007 SIP), and in May 2013 our shareholders approved the Republic Amended and Restated 2007 SIP (the 2007 Plan, the Amended and Restated 2007 SIP and the Republic Amended and Restated 2007 SIP are collectively referred to as the Amended and Restated 2007 Stock Incentive Plan). No further awards will be made under the Amended and Restated 2007 Stock Incentive Plan.

### Restricted Stock Units

The following table summarizes restricted stock unit (RSU) activity for the years ended December 31, 2021, 2020 and 2019:

| | Number of RSUs (in thousands) | Weighted-Average Grant Date Fair Value per Share | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|
| Unissued as of December 31, 2018 | 1,592.6 | $ 51.88 | | |
| Granted | 392.8 | $ 75.11 | | |
| Vested and issued | (409.8) | $ 50.40 | | |
| Forfeited | (76.1) | $ 65.37 | | |
| Unissued as of December 31, 2019 | 1,499.5 | $ 57.63 | | |
| Granted | 314.9 | $ 95.75 | | |
| Vested and issued | (538.2) | $ 50.63 | | |
| Forfeited | (64.1) | $ 79.77 | | |
| Unissued as of December 31, 2020 | 1,212.1 | $ 69.47 | | |
| Granted | 358.0 | $ 91.21 | | |
| Vested and issued | (434.5) | $ 74.69 | | |
| Forfeited | (44.8) | $ 87.43 | | |
| Unissued as of December 31, 2021 | 1,090.8 | $ 77.19 | 0.7 | $ 152.1 |
| Vested and unissued as of December 31, 2021 | 385.1 | $ 55.97 | | |

During the years ended December 31, 2021, 2020 and 2019, we awarded our non-employee directors 26,328, 29,331 and 35,376 RSUs, respectively, which vested upon issuance.

During the years ended December 31, 2021, 2020 and 2019, we awarded 312,602, 258,661 and 328,142 RSUs, respectively, to executives and employees that vest in four equal annual installments beginning on the anniversary date of the original grant or cliff vest after four years.

During the years ended December 31, 2021, 2020 and 2019, we granted an additional 19,049, 26,907 and 29,273 RSUs, respectively, as dividend equivalents.

The RSUs do not carry any voting or dividend rights, except the right to receive additional RSUs in lieu of dividends.

***Compensation Expense***

The fair value of RSUs is based on the closing market price on the date of the grant. The compensation expense related to RSUs is amortized ratably over the vesting period, or to the employee's retirement eligible date, if earlier.

During the years ended December 31, 2021, 2020 and 2019, compensation expense related to RSUs totaled $32.5 million, $26.2 million and $24.8 million, respectively. In 2021, we recognized approximately $6 million of compensation expense related to the accelerated vesting of RSUs previously granted to Donald W. Slager that were previously scheduled to vest in 2022 and beyond as a result of his retirement as Chief Executive Officer (CEO) of Republic Services, Inc. in June 2021. As of December 31, 2021, total unrecognized compensation expense related to outstanding RSUs was $32.5 million, which will be recognized over a weighted average period of 2.6 years.

**Performance Shares**

The following table summarizes performance stock unit (PSU) activity for the years ended December 31, 2021, 2020 and 2019:

| | Number of PSUs (in thousands) | Weighted Average Grant Date Fair Value per Share |
|---|---|---|
| Outstanding as of December 31, 2018 | 999.7 | $ 55.77 |
| Granted | 356.1 | $ 71.22 |
| Vested and issued | (407.3) | $ 47.11 |
| Forfeited | (29.3) | $ 67.77 |
| Outstanding as of December 31, 2019 | 919.2 | $ 65.92 |
| Granted | 247.0 | $ 98.01 |
| Vested and issued | (285.0) | $ 61.22 |
| Forfeited | (27.6) | $ 88.29 |
| Outstanding as of December 31, 2020 | 853.6 | $ 76.14 |
| Granted | 313.1 | $ 91.01 |
| Vested and issued | (287.0) | $ 65.35 |
| Forfeited | (22.4) | $ 91.20 |
| Outstanding and Exercisable as of December 31, 2021 | 857.3 | $ 84.79 |

During the years ended December 31, 2021, 2020 and 2019, we awarded 181,322, 127,278 and 166,179 PSUs to our executive officers, respectively. These awards are performance-based as the number of shares ultimately earned depends on performance against pre-determined targets for return on invested capital (ROIC), cash flow value creation (CFVC), and total shareholder return relative to the S&P 500 index (RTSR). The PSUs are payable 50% in shares of common stock and 50% in cash after the end of a three-year performance period, when our financial performance for the entire performance period is reported, typically in February of the succeeding year. At the end of the performance period, the number of PSUs awarded can range from 0% to 150% of the targeted amount, depending on the performance against the pre-determined targets.

During the years ended December 31, 2021, 2020 and 2019, we awarded 118,168, 102,994, and 172,341 PSUs to our employees other than our executive officers, respectively. The PSUs are payable 100% in shares of common stock after the end of a three-year performance period, when our financial performance for the entire performance period is reported, typically in February of the succeeding year. At the end of the performance period, the number of PSUs awarded can range from 0% to 150% of the targeted amount, depending on the performance against the pre-determined targets.

During the years ended December 31, 2021, 2020 and 2019, we granted an additional 13,586, 16,760, and 17,612 PSUs, respectively, as dividend equivalents.

The PSUs do not carry any voting or dividend rights, except the right to accumulate additional PSUs in lieu of dividends.

***Compensation Expense***

For the stock-settled portion of the award that vests based on future ROIC and CFVC performance, compensation expense is measured using the fair value of our common stock at the grant date. For the cash-settled portion of the award that vests based on future ROIC and CFVC performance, compensation expense is recorded based on the fair value of our common stock at the end of each reporting period. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for the portion of the award that we expect to vest, which we estimate based on an assessment of the probability that the performance criteria will be achieved.

For the stock-settled portion of the award that vests based on RTSR, the grant date fair value is based on a Monte Carlo valuation and compensation expense is recognized on a straight-line basis over the vesting period. For the cash-settled portion of the award that vests based on RTSR, compensation expense also incorporates the fair value of our PSUs at the end of each reporting period. Compensation expense is recognized for the RTSR portion of the award whether or not the market conditions are achieved.

During the years ended December 31, 2021, 2020 and 2019, compensation expense related to PSUs totaled $47.1 million, $17.2 million, and $22.5 million, respectively. In 2021, we recognized approximately $16 million of compensation expense related to the accelerated vesting of PSUs previously granted to Mr. Slager that were previously scheduled to vest in 2022 and beyond as a result of his retirement in June 2021. As of December 31, 2021, total unrecognized compensation expense related to outstanding PSUs was $22.5 million, which will be recognized over a weighted average period of 1.0 years.

**Defined Benefit Pension Plan**

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain employees in the United States, including some employees subject to collective bargaining agreements.

The Plan benefits are frozen. Interest credits continue to be earned by participants in the Plan, and participants whose collective bargaining agreements provide for additional benefit accruals under the Plan continue to receive those credits in accordance with the terms of their bargaining agreements. The Plan was converted from a traditional defined benefit plan to a cash balance plan in 1993.

Prior to the conversion to the cash balance design, benefits payable as a single life annuity under the Plan were based on the participant's highest five years of earnings out of the last ten years of service. Upon conversion to the cash balance plan, the existing accrued benefits were converted to a lump-sum value using the actuarial assumptions in effect at the time. Participants' cash balance accounts are increased until retirement by certain benefit and interest credits under the terms of their bargaining agreements. Participants may elect early retirement with the attainment of age 55 and completion of ten years of credited service at reduced benefits. Participants with 35 years of service may retire at age 62 without any reduction in benefits.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act enacted in 2006 (the PPA). No contributions were made in 2021 or 2020.

We must separately recognize the overfunded or underfunded status of the Plan as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the Plan assets. The PBO is equal to the accumulated benefit obligation (ABO) as the Plan is frozen, and the present value of liabilities is not affected by future salary increases. We use a measurement date that coincides with our year end of December 31.

The following table presents the ABO and reconciliations of the changes in the PBO, the Plan assets and the accounting funded status of our defined benefit pension plan for the years ended December 31:

| | Defined Benefit Pension Plan | |
|---|---|---|
| | 2021 | 2020 |
| Accumulated benefit obligation | $ 215.1 | $ 219.2 |
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | $ 219.2 | $ 218.0 |
| Interest cost | 4.7 | 6.4 |
| Actuarial loss | 6.7 | 11.3 |
| Benefits paid | (15.5) | (16.5) |
| Projected benefit obligation at end of year | $ 215.1 | $ 219.2 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | $ 232.5 | $ 226.6 |
| Actual return on plan assets | 6.3 | 24.5 |
| Estimated expenses | (1.5) | (2.1) |
| Benefits paid | (15.5) | (16.5) |
| Fair value of plan assets at end of year | $ 221.8 | $ 232.5 |
| Over funded status | $ 6.7 | $ 13.3 |
| Amounts recognized in the statement of financial position consist of: | | |
| Noncurrent assets | $ 6.7 | $ 13.3 |
| Net amount recognized | $ 6.7 | $ 13.3 |
| Weighted average assumptions used to determine benefit obligations: | | |
| Discount rate | 2.77% | 2.24% |
| Rate of compensation increase | N/A | N/A |

The amounts included in accumulated other comprehensive income on the consolidated balance sheets that have not yet been recognized as components of net periodic benefit cost as of December 31, 2021 and 2020 were $14.5 million and $23.7 million, respectively.

The components of the net periodic benefit cost for the years ended December 31 are summarized below:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Components of net periodic benefit cost: | | | |
| Interest cost | $ 4.7 | $ 6.4 | $ 8.9 |
| Expected return on plan assets | (6.0) | (8.0) | (9.7) |
| Recognized net actuarial (gain) | - | (0.1) | (0.1) |
| Amortization of prior service cost | - | 0.1 | 0.1 |
| Net periodic benefit (income) | $ (1.3) | $ (1.6) | $ (0.8) |
| Weighted average assumptions used to determine net periodic benefit cost: | | | |
| Discount rate | 2.77% | 2.24% | 4.21% |
| Expected return on plan assets | 4.10% | 3.45% | 5.20% |
| Rate of compensation increase | N/A | N/A | N/A |

We determine the discount rate used in the measurement of our obligations based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the Plan measurement date. When that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. The term of our obligation, based on the expected retirement dates of our workforce, is approximately seven years.

In developing our expected rate of return assumption, we have evaluated the actual historical performance and long-term return projections of the Plan assets, which give consideration to the asset mix and the anticipated timing of the Plan outflows. We employ a total return investment approach whereby a mix of equity and fixed income investments are used to maximize the long-term return of Plan assets for what we consider a prudent level of risk. The intent of this strategy is to minimize Plan expenses by outperforming Plan liabilities over the long run. Risk tolerance is established through careful consideration of Plan liabilities, Plan funded status and our financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, and small and large capitalizations. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset and liability studies, and quarterly investment portfolio reviews.

The following table summarizes our target asset allocation as of December 31, 2021 and the actual asset allocation as of December 31, 2021 and 2020 for our Plan:

| | December 31, 2021 Target Asset Allocation | December 31, 2021 Actual Asset Allocation | December 31, 2020 Actual Asset Allocation |
|---|---|---|---|
| Debt securities | 82% | 82% | 81% |
| Equity securities | 18 | 18 | 19 |
| Total | 100% | 100% | 100% |

Asset allocations are reviewed and rebalanced periodically based on funded status. For 2022, the investment strategy for Plan assets is to maintain a broadly diversified portfolio designed to achieve our target of an average long-term rate of return of 4.10%. While we believe we can achieve a long-term average return of 4.10%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among debt and equity portfolios to achieve a diversification level that reduces fluctuations in investment returns. Asset allocation target ranges and strategies are reviewed periodically with the assistance of an independent external consulting firm.

The Plan assets are measured at fair value. The following table summarizes, by level, within the fair value hierarchy, the investments of the Plan at fair value as of December 31, 2021 and 2020:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31, 2021 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market accounts | $ 5.0 | $ 5.0 | $ - | $ - |
| Mutual funds | 216.8 | - | 216.8 | - |
| Total assets | $ 221.8 | $ 5.0 | $ 216.8 | $ - |

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31, 2020 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market accounts | $ 4.8 | $ 4.8 | $ - | $ - |
| Mutual funds | 227.7 | - | 227.7 | - |
| Total assets | $ 232.5 | $ 4.8 | $ 227.7 | $ - |

Estimated future benefit payments for the next ten years under the Plan follow:

| | |
|---|---|
| 2022 | $ 16.5 |
| 2023 | $ 15.7 |
| 2024 | $ 15.4 |
| 2025 | $ 14.9 |
| 2026 | $ 14.7 |
| 2027 through 2031 | $ 62.6 |

**Collective Bargaining Agreements**

As of December 31, 2021, approximately 24% of our workforce was covered by collective bargaining agreements (CBAs), and approximately 6% of our workforce was covered by CBAs that will expire during 2022.

**Multiemployer Pension Plans**

We participate in multiemployer pension plans that generally provide retirement benefits to participants of contributing employers. We do not administer these plans. In general, these plans are managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

Based on the information available to us, we believe that some of the multiemployer plans to which we contribute are either critical or endangered as those terms are defined in the Pension Protection Act (PPA). The PPA requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we cannot determine the amount of any additional contribution or other financial obligations that we may be subject to, if any. Accordingly, we cannot presently determine the effect that the PPA may have on our consolidated financial position, results of operations or cash flows.

Furthermore, under current law regarding multiemployer benefit plans, a plan's termination, our voluntary withdrawal (which we consider from time to time), or the mass withdrawal from any under-funded multiemployer pension plan would require us to make payments to the plan for our proportionate share of the multiemployer plan's unfunded vested liabilities. During the course of operating our business, we may incur withdrawal events regarding certain of the multiemployer pension plans in which we participate. We accrue for such events when losses become probable and reasonably estimable.

In June 2020, we entered into an agreement with a certain multiemployer pension fund through which we transitioned from one plan into another plan managed by the same fund, thus creating a withdrawal event from the original plan. As a result of the withdrawal event, we recognized $31.6 million of withdrawal costs, which we paid in July 2020. There were no such withdrawal events in 2021.

Republic's participation in individually significant multiemployer pension plans for the year ended December 31, 2021 is outlined in the table below. Only with respect to multiemployer pension plans, we considered contributions in excess of $3.5 million in any period disclosed to be individually significant. The most recent PPA zone status available in 2021 and 2020 is for the plans' year ended September 30, or December 31, 2020 and 2019, respectively. The status is based on information that Republic received from the plans and is certified by the plans' actuary. Among other factors, plans in the critical red zone are generally less than 65% funded, plans in the endangered yellow zone are less than 80% funded, and plans in the safe green zone are at least 80% funded. Plans in the critical and declining zone are classified as critical and projected to be insolvent in the current year or any of the 14 following plan years. The last column lists the expiration dates of the CBAs to which the plans are subject.

| Legal Plan Name | EIN | Pension Protection Act Zone Status 2020 | Pension Protection Act Zone Status 2019 | Funding Improvement or Rehabilitation Plan Status Pending / Implemented | Republic Contributions to Plan 2021 | Republic Contributions to Plan 2020 | Republic Contributions to Plan 2019 | Surcharge Imposed | Expiration Dates of CBAs |
|---|---|---|---|---|---|---|---|---|---|
| Western Conference of Teamsters Pension Plan | 91-6145047 | Safe | Safe | No | $52.2 | $49.4 | $45.1 | No | Various dates through 9/30/26 |
| Local No. 731 I.B. of T. Pension Fund | 36-6513567 | Safe | Safe | No | 8.7 | 8.8 | 9.3 | No | Various dates through 1/31/24 |
| Individually significant plans | | | | | 60.9 | 58.2 | 54.4 | | |
| All other plans | N/A | N/A | N/A | N/A | 15.5 | 15.0 | 17.7 | N/A | |
| Total | | | | | $76.4 | $73.2 | $72.1 | | |

We are listed in the Form 5500 for Local No. 731, I.B. of T. Pension Fund as providing more than 5% of the total contributions. At the date these financial statements were issued, Forms 5500 were not available for the plan years ended in 2021.

The COVID-19 pandemic has created significant volatility and disruption of financial markets, which has negatively impacted companies across the globe. We will continue to monitor the Pension Protection Act zone status of the multiemployer pension plans in which we participate, noting that the current economic environment may impact certain contributing employers' ability to fulfill their obligations under the plans. We believe the largest risk is attributable to plans in the critical red zone. In the event other contributing employers default on their obligations under the plans, we could be required to adjust our estimates for these matters, which could have a material and adverse effect on our consolidated financial position, results of operations and cash flows.

### Defined Contribution Plan

We maintain the Republic Services 401(k) Plan (the 401(k) Plan), which is a defined contribution plan covering all eligible employees. Under the 401(k) Plan, participants may direct us to defer a portion of their compensation to the 401(k) Plan, subject to Internal Revenue Code limitations. We provide for an employer matching contribution equal to 100% of the first 3.0% of eligible compensation and 50.0% of the next 2.0% of eligible compensation contributed by each employee, which is funded in cash. All contributions vest immediately.

Total expense recorded for matching 401(k) contributions in 2021, 2020 and 2019 was $62.4 million, $59.3 million and $55.7 million, respectively.

### Deferred Compensation Plan

We provide eligible Republic employees, officers and directors with the opportunity to voluntarily defer base salary, bonus payments, long-term incentive awards and other compensation, as applicable, on a pre-tax basis through the Republic Services, Inc. Deferred Compensation Plan (the DCP). The DCP is a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. Eligible participants can defer up to 80% of base salary and up to 100% of bonus, long-term compensation and directors' fees. Under the DCP, some participants also are eligible for matching contributions. The matching contribution under the DCP is equal to the lesser of 2% of the participant's compensation over established 401(k) limits or 50% of the amount the participant has deferred. The DCP participants have no ownership or security interest in any of the amounts deferred or the measurement funds under the DCP. The right of each participant in the DCP is solely that of a general, unsecured creditor of Republic with respect to his or her own interest under the DCP. Deferred amounts may be subject to forfeiture and are deemed invested among investment funds offered under the DCP, as directed by each participant. Payments of deferred amounts are payable following separation from service or at a date or dates elected by the participant when the deferral is elected. Payments of deferred amounts are made in either a lump sum or in annual installments over a period not exceeding 15 years.

Republic invested in corporate-owned life insurance policies to satisfy future obligations under the DCP. These corporate-owned life insurance policies are held in a Rabbi Trust and are recorded at the amount that can be realized under insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The aggregate cash surrender value of these life insurance policies was $133.5 million and $131.8 million as of December 31, 2021 and 2020, respectively, and is classified in other assets in our consolidated balance sheets. The DCP liability was $119.4 million and $126.6 million as of December 31, 2021 and 2020, respectively, and is classified in other long-term liabilities in our consolidated balance sheets.

### Employee Stock Purchase Plan

Republic employees are eligible to participate in an employee stock purchase plan. The plan allows participants to purchase our common stock for 95% of its quoted market price on the last day of each calendar quarter. For the years ended December 31, 2021, 2020 and 2019, issuances under this plan totaled 104,217 shares, 116,865 shares and 107,522 shares, respectively. As of December 31, 2021, shares reserved for issuance to employees under this plan totaled 2.6 million and Republic held employee contributions of $2.7 million for the purchase of common stock.

## 13. SHARE REPURCHASES AND DIVIDENDS

### Share Repurchases

Share repurchase activity during the years ended December 31, 2021 and 2020 follows (in millions except per share amounts):

| | 2021 | 2020 |
|---|---|---|
| Number of shares repurchased | 2.2 | 1.2 |
| Amount paid | $ 252.2 | $ 98.8 |
| Weighted average cost per share | $ 116.09 | $ 85.06 |

As of December 31, 2021 and 2020 there were no repurchased shares pending settlement.

In October 2017, our Board of Directors added $2.0 billion to the existing share repurchase authorization, which continued through December 31, 2020. In October 2020, our Board of Directors approved a $2.0 billion share repurchase authorization effective starting January 1, 2021 and extending through December 31, 2023. Share repurchases under the current program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the Board of Directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors.

The share repurchase program may be extended, suspended or discontinued at any time. As of December 31, 2021, the remaining authorized purchase capacity under our October 2020 repurchase program was $1.7 billion. On a quarterly basis, our Board of Directors reviews the intrinsic value of our stock and the parameters around which we repurchase our shares.

In December 2020, our board of directors changed the status of 35,789,806 treasury shares to authorized and unissued. In doing so, the number of our issued shares was reduced by the stated amount. Our accounting policy is to deduct the par value from common stock and to reflect the excess of cost over par value as a deduction from additional paid-in capital. The reduction in issued shares resulted in a change of $2,316.0 million in treasury stock which was reclassified as $0.3 million in common stock, and $2,315.7 million in additional paid-in capital. There was no effect on our total stockholders' equity position as a result of the change.

**Dividends**

In October 2021, our Board of Directors approved a quarterly dividend of $0.46 per share. Aggregate cash dividends declared were $563.0 million, $528.8 million and $499.4 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, we recorded a quarterly dividend payable of $145.9 million to shareholders of record at the close of business on January 3, 2021.

## 14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to Republic Services, Inc. by the weighted average number of common shares (including vested but unissued RSUs and PSUs) outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and common share equivalents outstanding, which include, where appropriate, the assumed exercise of employee stock options, unvested RSUs and unvested PSUs at the expected attainment levels. We use the treasury stock method in computing diluted earnings per share.

Earnings per share for the years ended December 31, 2021, 2020, and 2019 are calculated as follows (in thousands, except per share amounts):

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Basic earnings per share: | | | |
| Net income attributable to Republic Services, Inc. | $ 1,290,405 | $ 967,237 | $ 1,073,286 |
| Weighted average common shares outstanding | 318,811 | 319,282 | 321,058 |
| Basic earnings per share | $ 4.05 | $ 3.03 | $ 3.34 |
| Diluted earnings per share: | | | |
| Net income attributable to Republic Services, Inc. | $ 1,290,405 | $ 967,237 | $ 1,073,286 |
| Weighted average common shares outstanding | 318,811 | 319,282 | 321,058 |
| Effect of dilutive securities: | | | |
| Options to purchase common stock | - | 52 | 247 |
| Unvested RSU awards | 266 | 175 | 254 |
| Unvested PSU awards | 348 | 327 | 431 |
| Weighted average common and common equivalent shares outstanding | 319,425 | 319,836 | 321,990 |
| Diluted earnings per share | $ 4.04 | $ 3.02 | $ 3.33 |

During each of the years ended December 31, 2021 and 2020, there were less than 0.1 million antidilutive securities outstanding. During the year ended December 31, 2019 there were no antidilutive securities outstanding.

## 15. SEGMENT REPORTING

Our senior management evaluates, oversees and manages the financial performance of our operations through three field groups, which are our operating segments, referred to as Group 1, Group 2, and Environmental Solutions. Group 1 primarily consists of geographic areas located in the western United States, and Group 2 primarily consists of geographic areas located in the southeastern and mid-western United States, and the eastern seaboard of the United States. Our Environmental Solutions operating segment, which provides environmental solutions for daily operations of industrial, petrochemical and refining facilities, is aggregated with Corporate entities and other as it only represents approximately 2% of our consolidated revenue. Each of our operating segments provides integrated environmental services, including collection, transfer, recycling, and disposal.

Summarized financial information concerning our reportable segments for the years ended December 31, 2021, 2020 and 2019 follows:

| | Gross Revenue | Intercompany Revenue | Net Revenue | Depreciation, Amortization, Depletion and Accretion | Operating Income (Loss) | Capital Expenditures | Total Assets |
|---|---|---|---|---|---|---|---|
| **2021:** | | | | | | | |
| Group 1 | $ 6,630.0 | $ (1,071.1) | $ 5,558.9 | $ 548.1 | $ 1,495.7 | $ 601.9 | $ 12,199.2 |
| Group 2 | 6,240.4 | (906.8) | 5,333.6 | 541.3 | 1,135.7 | 541.8 | 9,926.9 |
| Corporate entities and other | 451.4 | (48.9) | 402.5 | 178.8 | (555.2) | 172.6 | 2,828.9 |
| Total | $ 13,321.8 | $ (2,026.8) | $ 11,295.0 | $ 1,268.2 | $ 2,076.2 | $ 1,316.3 | $ 24,955.0 |
| **2020:** | | | | | | | |
| Group 1 | $ 6,059.3 | $ (1,001.8) | $ 5,057.5 | $ 502.1 | $ 1,343.3 | $ 546.6 | $ 11,593.1 |
| Group 2 | 5,626.4 | (834.5) | 4,791.9 | 488.9 | 966.8 | 465.8 | 9,005.3 |
| Corporate entities and other | 346.0 | (41.8) | 304.2 | 167.8 | (601.0) | 182.2 | 2,835.6 |
| Total | $ 12,031.7 | $ (1,878.1) | $ 10,153.6 | $ 1,158.8 | $ 1,709.1 | $ 1,194.6 | $ 23,434.0 |
| **2019:** | | | | | | | |
| Group 1 | $ 6,012.5 | $ (1,010.6) | $ 5,001.9 | $ 493.7 | $ 1,231.7 | $ 551.3 | $ 11,389.1 |
| Group 2 | 5,782.1 | (838.2) | 4,943.9 | 475.0 | 926.6 | 490.9 | 8,944.5 |
| Corporate entities and other | 398.4 | (44.8) | 353.6 | 153.7 | (371.1) | 164.9 | 2,350.2 |
| Total | $ 12,193.0 | $ (1,893.6) | $ 10,299.4 | $ 1,122.4 | $ 1,787.2 | $ 1,207.1 | $ 22,683.8 |

Financial information for the years ended December 31, 2020 and 2019 reflects the transfer of our Environmental Solutions operating segment from Group 2 to Corporate entities and other, to align with how our chief operating decision maker began evaluating our operations in December 2020.

Intercompany revenue reflects transactions within and between segments that generally are made on a basis intended to reflect the market value of such services. Capital expenditures for Corporate entities and other primarily include vehicle inventory acquired but not yet assigned to operating locations and facilities. Corporate functions include legal, tax, treasury, information technology, risk management, human resources, closed landfills, other administrative functions, and environmental solutions.

## 16. REVENUE

Our operations primarily consist of providing environmental services. The following table disaggregates our revenue by service line for the years ended December 31 (in millions of dollars and as a percentage of revenue):

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| Collection: | | | | | | |
| Residential | $ 2,452.8 | 21.7% | $ 2,309.0 | 22.7% | $ 2,271.9 | 22.1% |
| Small-container | 3,417.7 | 30.3 | 3,106.8 | 30.6 | 3,170.0 | 30.8 |
| Large-container | 2,378.4 | 21.1 | 2,148.9 | 21.2 | 2,249.6 | 21.8 |
| Other | 59.6 | 0.5 | 51.5 | 0.5 | 46.1 | 0.4 |
| Total collection | 8,308.5 | 73.6 | 7,616.2 | 75.0 | 7,737.6 | 75.1 |
| Transfer | 1,490.0 | | 1,349.4 | | 1,318.7 | |
| Less: intercompany | (814.4) | | (745.9) | | (748.1) | |
| Transfer, net | 675.6 | 6.0 | 603.5 | 5.9 | 570.6 | 5.5 |
| Landfill | 2,506.7 | | 2,298.1 | | 2,324.2 | |
| Less: intercompany | (1,092.8) | | (1,018.5) | | (1,024.1) | |
| Landfill, net | 1,413.9 | 12.5 | 1,279.6 | 12.6 | 1,300.1 | 12.6 |
| Environmental solutions | 202.5 | 1.8 | 127.7 | 1.3 | 191.7 | 1.9 |
| Other: | | | | | | |
| Recycling processing and commodity sales | 420.5 | 3.7 | 297.1 | 2.9 | 273.3 | 2.7 |
| Other non-core | 274.0 | 2.4 | 229.5 | 2.3 | 226.1 | 2.2 |
| Total other | 694.5 | 6.1 | 526.6 | 5.2 | 499.4 | 4.9 |
| Total revenue | $ 11,295.0 | 100.0% | $ 10,153.6 | 100.0% | $ 10,299.4 | 100.0% |

Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide or regional contracts in markets outside our operating areas where the associated material handling is subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. Generally, we recognize revenue at the time we perform a service. In the event that we bill for services in advance of performance, we recognize deferred revenue for the amount billed and subsequently recognize revenue at the time the service is provided. Depending upon the nature of the contract, we may also generate revenue through the collection of fuel recovery fees and environmental fees which are designed to recover our internal costs of providing services to our customers. See Note 15, *Segment Reporting*, for additional information regarding revenue by reportable segment.

### Revenue by Service Line

#### *Collection Services*

Our collection business involves the collection of material for transport to transfer stations, or directly to landfills or recycling processing centers. Our collection services business includes both recurring and temporary customer relationships. Our standard contract duration is three years, although some of our exclusive franchises are for significantly longer periods. The fees received for collection services are based primarily on the market, collection frequency, type of service, type and volume or weight of the material collected, the distance to the disposal facility and the cost of disposal.

In general, small-container and residential collection fees are billed monthly or quarterly in advance. Substantially all of the deferred revenue recognized as of December 31, 2020 was recognized as revenue during the year ended December 31, 2021 when the service was performed. Our large-container customers are typically billed on a monthly basis based on the nature of the services provided during the period.

Revenue recognized under these agreements is variable in nature based on the number of residential homes or businesses serviced during the period, the frequency of collection and the volume of material collected. In addition, certain of our contracts have annual price escalation clauses that are tied to changes in an underlying base index such as a consumer price index which are unknown at contract inception.

***Transfer Services***

Revenue at our transfer stations is primarily generated by charging tipping or disposal fees. The fees received for transfer services are based primarily on the market, type and volume or weight of the material accepted, the distance to the disposal facility and the cost of disposal. In general, fees are billed and revenue is recognized at the time the service is performed. Revenue recognized under these agreements is variable in nature based on the volume and nature of the material accepted at the transfer station.

***Landfill Services***

Revenue at our landfills is primarily generated by charging tipping fees to third parties based on the volume disposed and the nature of the waste. In general, fees are variable in nature and revenue is recognized at the time the waste is disposed at the facility.

***Environmental Solutions***

Environmental solutions revenue is primarily generated from the fees we charge for the disposal of hazardous and non-hazardous solid and liquid material and in-plant services, such as transportation and logistics, including at our transfer, storage and disposal facilities (TSDF). Activity for this service line varies across markets and reflects the regulatory environment, pricing and disposal alternatives available in any given market. Revenue recognized under these agreements is variable in nature and primarily based on the volume of waste accepted or processed during the period.

***Recycling Processing and Commodity Sales***

Our recycling processing centers generate revenue through the processing and sale of old corrugated cardboard (OCC), old newsprint (ONP), aluminum, glass and other materials at market prices. In certain instances, we issue recycling rebates to our municipal or large-container customers, which can be based on the price we receive upon the final sale of recycled commodities, a fixed contractual rate or other measures. We also receive rebates when we dispose of recycled commodities at third-party facilities. The fees received are based primarily on the market, type and volume or weight of the materials sold. In general, fees are billed and revenue is recognized at the time title is transferred. Revenue recognized under these agreements is variable in nature based on the volume and type of materials sold. In addition, the amount of revenue recognized is based on commodity prices at the time of sale, which are unknown at contract inception.

**Revenue Recognition**

Our service obligations of a long-term nature, e.g., certain collection service contracts, are satisfied over time, and we recognize revenue based on the value provided to the customer during the period. The amount billed to the customer is based on variable elements such as the number of residential homes or businesses for which collection services are provided, the volume of material collected, transported and disposed, and the nature of the material accepted. We do not disclose the value of unsatisfied performance obligations for these contracts as our right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations.

Additionally, certain elements of our long-term customer contracts are unknown upon entering into the contract, including the amount that will be billed in accordance with annual price escalation clauses, our fuel recovery fee program and commodity prices. The amount to be billed is often tied to changes in an underlying base index such as a consumer price index or a fuel or commodity index, and revenue can be recognized once the index is established for the period.

**Deferred Contract Costs**

We incur certain upfront payments to acquire customer contracts which are recognized as other assets in our consolidated balance sheet, and we amortize the asset over the respective contract life. In addition, we recognize sales commissions that represent an incremental cost of the contract as other assets in our consolidated balance sheet, and we amortize the asset over the average life of the customer relationship. As of December 31, 2021 and 2020, we recognized $80.6 million and $82.3 million, respectively, of deferred contract costs and capitalized sales commissions. During the years ended December 31, 2021 and 2020, we amortized $12.5 million and $12.2 million, respectively, of capitalized sales commissions to selling, general and administrative expenses, and $6.4 million and $6.5 million, respectively, of other deferred contract costs as a reduction of revenue.

## 17. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

A summary of changes in accumulated other comprehensive income, net of tax, by component, for the years ended December 31, 2021, 2020 and 2019 follows:

| | Cash Flow Hedges | Defined Benefit Pension Plan | Total |
|---|---|---|---|
| Balance as of December 31, 2018 | $ 16.1 | $ 14.7 | $ 30.8 |
| Other comprehensive loss before reclassifications | (30.2) | (2.5) | (32.7) |
| Amounts reclassified from accumulated other comprehensive loss | 1.0 | - | 1.0 |
| Net current-period other comprehensive loss | (29.2) | (2.5) | (31.7) |
| Adoption of accounting standard | (0.6) | 3.7 | 3.1 |
| Balance as of December 31, 2019 | (13.7) | 15.9 | 2.2 |
| Other comprehensive (loss) income before reclassifications | (22.5) | 2.1 | (20.4) |
| Amounts reclassified from accumulated other comprehensive loss | 5.8 | - | 5.8 |
| Net current-period other comprehensive (loss) income | (16.7) | 2.1 | (14.6) |
| Balance as of December 31, 2020 | (30.4) | 18.0 | (12.4) |
| Other comprehensive income before reclassifications | - | (5.8) | (5.8) |
| Amounts reclassified from (income) loss | 4.6 | (1.0) | 3.6 |
| Net current-period other comprehensive loss (income) | 4.6 | (6.8) | (2.2) |
| Balance as of December 31, 2021 | $ (25.8) | $ 11.2 | $ (14.6) |

A summary of reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2021, 2020 and 2019 follows:

| | Amount Reclassified from Accumulated Other Comprehensive Income (Loss) | | | |
|---|---|---|---|---|
| Details about Accumulated Other Comprehensive Income (Loss) Components | 2021 | 2020 | 2019 | Affected Line Item in the Statement Where Net Income is Presented |
| Loss on cash flow hedges: | | | | |
| Terminated interest rate locks | $ (6.2) | $ (7.9) | $ (1.4) | Interest expense |
| Tax benefit | 1.6 | 2.1 | 0.4 | |
| Net of tax | (4.6) | (5.8) | (1.0) | |
| Pension gains: | | | | |
| Pension settlement | 1.3 | - | - | Other income |
| Tax expense | (0.3) | - | - | |
| Net of tax | 1.0 | - | - | |
| Total loss reclassified into earnings, net of tax | $ (3.6) | $ (5.8) | $ (1.0) | |

## 18. FINANCIAL INSTRUMENTS

The effect of our derivative instruments in fair value and cash flow hedging relationships on the consolidated statements of income for the years ended December 31, 2021, 2020 and 2019 follows (in millions):

| | Classification and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Interest Expense | Interest Expense | Interest Expense |
| **Total amounts of expense line items presented in the consolidated statements of income in which the effects of fair value or cash flow hedges are recorded** | $ (314.6) | $ (355.6) | $ (392.0) |
| **The effects of fair value and cash flow hedging relationships in Subtopic 815-20:** | | | |
| Gain (loss) on fair value hedging relationships: | | | |
| Interest rate swaps: | | | |
| Net swap settlements | $ 7.9 | $ 5.7 | $ 1.0 |
| Net periodic (loss) earnings | $ (0.1) | $ 2.0 | $ 0.6 |
| Effect of dedesignation | $ - | $ 4.7 | $ - |
| Gain (loss) on cash flow hedging relationships: | | | |
| Interest rate swap locks: | | | |
| Amount of loss reclassified from accumulated other comprehensive loss into income, net of tax | $ (4.6) | $ (5.8) | $ (1.0) |
| **The effects of derivative instruments not in Subtopic 815-20:** | | | |
| Loss on free-standing derivative instruments: | | | |
| Interest rate swaps: | | | |
| Loss on change in fair value of free-standing derivative instruments | $ (4.4) | $ (0.1) | $ - |
| Interest rate contract: | | | |
| Net loss on change in fair value of free-standing derivative instruments | $ (0.3) | $ (2.7) | $ (0.5) |

### Fair Value Measurements

In measuring fair values of assets and liabilities, we use valuation techniques that maximize the use of observable inputs (Level 1) and minimize the use of unobservable inputs (Level 3). We also use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

The carrying value for certain of our financial instruments, including cash, accounts receivable, accounts payable and certain other accrued liabilities, approximates fair value because of their short-term nature.

As of December 31, 2021 and 2020, our assets and liabilities that are measured at fair value on a recurring basis include the following:

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying Amount | Total | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | | |
| Money market mutual funds | $ 35.2 | $ 35.2 | $ 35.2 | $ - | $ - |
| Bonds – restricted cash and marketable securities and other assets | 63.1 | 63.1 | - | 63.1 | - |
| Interest rate swaps – other assets | 4.7 | 4.7 | - | 4.7 | - |
| Other derivative assets–other assets | 15.0 | 15.0 | - | 15.0 | - |
| Total assets | $ 118.0 | $ 118.0 | $ 35.2 | $ 82.8 | $ - |
| Liabilities: | | | | | |
| Other derivative liabilities – other long-term liabilities | $ 50.7 | $ 50.7 | $ - | $ 50.7 | $ - |
| Contingent consideration – other accrued liabilities and other long - term liabilities | 68.8 | 68.8 | - | - | 68.8 |
| Total liabilities | $ 119.5 | $ 119.5 | $ - | $ 50.7 | $ 68.8 |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying Amount | Total | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | | |
| Money market mutual funds | $ 32.3 | $ 32.3 | $ 32.3 | $ - | $ - |
| Bonds – restricted cash and marketable securities and other assets | 73.8 | 73.8 | - | 73.8 | - |
| Interest rate swaps – other assets | 10.0 | 10.0 | - | 10.0 | - |
| Other derivative assets – other assets | 63.8 | 63.8 | - | 63.8 | - |
| Total assets | $ 179.9 | $ 179.9 | $ 32.3 | $ 147.6 | $ - |
| Liabilities: | | | | | |
| Other derivative liabilities – other long-term liabilities | $ 103.0 | $ 103.0 | $ - | $ 103.0 | $ - |
| Contingent consideration – other accrued liabilities and other long - term liabilities | 70.6 | 70.6 | - | - | 70.6 |
| Total liabilities | $ 173.6 | $ 173.6 | $ - | $ 103.0 | $ 70.6 |

***Total Debt***

As of December 31, 2021 and 2020, the carrying value of our total debt was $9.6 billion and $8.9 billion, respectively, and the fair value of our total debt was $10.3 billion and $10.0 billion, respectively. The estimated fair value of our fixed rate senior notes and debentures is based on quoted market prices. The fair value of our remaining notes payable, tax-exempt financings and borrowings under our credit facilities approximates the carrying value because the interest rates are variable. The fair value estimates are based on Level 2 inputs of the fair value hierarchy as of December 31, 2021 and 2020. See Note 9, *Debt*, for further information related to our debt.

***Contingent Consideration***

In April 2015, we entered into a waste management contract with the County of Sonoma, California to operate the county's waste management facilities. As of December 31, 2021, the Sonoma contingent consideration represents the fair value of $62.3 million payable to the County of Sonoma based on the achievement of future annual tonnage targets through the expected remaining capacity of the landfill. The potential undiscounted amount of all future contingent payments that we could be required to make under the waste management contract is estimated to be between approximately $77 million and $95 million. During 2021, the activity in the contingent consideration liability included accretion, which was offset by concession payments made in the ordinary course of business. There were no changes to the estimate of fair value.

## 19. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some may result in fines, penalties or judgments against us, or settlements, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, we do not believe the outcome of any of our pending legal proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

As used herein, the term *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers' compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with insured employee health care costs, are discussed in Note 7, *Other Liabilities*; and (2) environmental remediation liabilities, which are discussed in Note 8, *Landfill and Environmental Costs.*

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately $11 million relating to our outstanding legal proceedings as of December 31, 2021. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we can reasonably estimate a range of losses we may incur regarding such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we can reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we had used the high ends of such ranges, our aggregate potential liability would be approximately $3 million higher than the amount recorded as of December 31, 2021.

## Unconditional Purchase Commitments

### *Royalties*

We have entered into agreements to pay royalties to prior landowners or host communities, based on, among other things, revenue received and waste tonnage disposed at specified landfills. These royalties are generally payable quarterly and amounts incurred, but not paid, are accrued in our consolidated balance sheets. Royalties are accrued as revenue is received or tonnage is disposed of, as applicable, in the landfills.

### *Disposal Agreements*

We have several agreements that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we must pay for agreed-upon minimum volumes regardless of the actual number of tons placed at the facilities.

Our unconditional purchase commitments have varying expiration dates, with some extending through the remaining life of the respective landfill. Future minimum payments under unconditional purchase commitments, consisting primarily of (1) disposal related agreements, which include fixed or minimum royalty payments, host agreements, and take-or-pay and put-or-pay agreements, and (2) other obligations including committed capital expenditures and consulting service agreements as of December 31, 2021 are as follows:

| | |
|---|---|
| 2022 | $ 142.6 |
| 2023 | 107.3 |
| 2024 | 81.8 |
| 2025 | 58.1 |
| 2026 | 34.8 |
| Thereafter | 347.7 |
| | $ 772.3 |

## Cash and Cash Equivalents and Restricted Cash and Marketable Securities

Restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. Beginning-of-period and end-of-period cash, cash equivalents, restricted cash and restricted cash equivalents as presented in the statements of cash flows are reconciled as follows:

| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Cash and cash equivalents | $ 29.0 | $ 38.2 | $ 47.1 |
| Restricted cash and marketable securities | 139.0 | 149.1 | 179.4 |
| Less: restricted marketable securities | (62.4) | (73.1) | (49.1) |
| Cash, cash equivalents, restricted cash and restricted cash equivalents | $ 105.6 | $ 114.2 | $ 177.4 |

Our restricted cash and marketable securities include, among other things, restricted cash related to proceeds from the issuance of tax-exempt bonds that will be used to fund qualifying landfill-related expenditures in the Commonwealth of Pennsylvania, restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance under certain collection, landfill and transfer station contracts and permits, and relating to our final capping, closure and post-closure obligations at our landfills, and restricted cash and marketable securities related to our insurance obligations.

The following table summarizes our restricted cash and marketable securities as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Financing proceeds | $ 12.4 | $ - |
| Capping, closure and post-closure obligations | 42.4 | 31.5 |
| Insurance | 84.2 | 117.6 |
| Total restricted cash and marketable securities | $ 139.0 | $ 149.1 |

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and our performance under certain collection, landfill and transfer station contracts. We satisfy our financial assurance requirements by providing surety bonds, letters of credit, insurance policies or trust deposits. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations, which vary by state. The financial assurance requirements for capping, closure and post-closure costs can either be for costs associated with a portion of the landfill or the entire landfill. Generally, states will require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we are required to provide financial assurance for our insurance program and collateral for certain performance obligations.

We had the following financial instruments and collateral in place to secure our financial assurances as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Letters of credit | $ 465.5 | $ 474.2 |
| Surety bonds | $ 3,950.2 | $ 3,580.7 |

We had $341.9 million and $376.5 million of letters of credit outstanding under our Credit Facility as of December 31, 2021 and 2020, respectively. Surety bonds subject to expiration will expire on various dates through 2029.

These financial instruments are issued in the normal course of business and are not classified as debt. Because we currently have no liability for this financial assurance, it is not reflected in our consolidated balance sheets. However, we have recorded capping, closure and post-closure obligations and insurance reserves as they are incurred.

We own a 19.9% interest in a company that, among other activities, issues financial surety bonds to secure capping, closure and post-closure obligations for companies operating in the environmental services industry. We account for this investment using an alternative measurement approach. There have been no identified events or changes in circumstances that may have a significant adverse effect on the recoverability of this investment. This investee company and the parent company of the investee had written surety bonds for us relating primarily to our landfill operations for capping, closure and post-closure, of which $1,435.3 million were outstanding as of December 31, 2021. Our reimbursement obligations under these bonds are secured by an indemnity agreement with the investee and a surety bond.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet debt or similar obligations, other than short-term operating leases and financial assurances, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

**Guarantees**

We enter into contracts in the normal course of business that include indemnification clauses. Indemnifications relating to known liabilities are recorded in the consolidated financial statements based on our best estimate of required future payments. Certain of these indemnifications relate to contingent events or occurrences, such as the imposition of additional taxes due to a change in the tax law or adverse interpretation of the tax law, and indemnifications made in divestiture agreements where we indemnify the buyer for liabilities that relate to our activities prior to the divestiture and that may become known in the future. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

We have entered into agreements with property owners to guarantee the value of property that is adjacent to certain of our landfills. These agreements have varying terms. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

**Other Matters**

Our business activities are conducted in the context of a developing and changing statutory and regulatory framework. Governmental regulation of the environmental services industry requires us to obtain and retain numerous governmental permits to conduct various aspects of our operations. These permits are subject to revocation, modification or denial. The costs and other capital expenditures that may be required to obtain or retain the applicable permits or comply with applicable regulations could be significant. Any revocation, modification or denial of permits could have a material adverse effect on us.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### REPORT OF MANAGEMENT ON REPUBLIC SERVICES, INC.'S INTERNAL CONTROL OVER FINANCIAL REPORTING

We, as members of management of Republic Services, Inc., are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control systems and procedures may not prevent or detect misstatements. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We, under the supervision of and with the participation of our management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021, based on criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that we maintained effective internal control over financial reporting as of December 31, 2021, based on the specified criteria.

Our internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

### Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e), and 15d-15(e)) as of the end of the period covered by this Annual Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

### Changes in Internal Control Over Financial Reporting

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during the quarter ended December 31, 2021 identified in connection with that evaluation, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In May 2021, we acquired all of the issued and outstanding equity interests of Santek Waste Services, LLC and, in August 2021, we acquired all of the issued and outstanding shares of ACV Enviro Corporation. As permitted by the SEC Staff interpretive guidance for newly acquired businesses, management's assessment of our internal control over financial reporting as of December 31, 2021 did not include an assessment of internal control over financial reporting as it relates to these acquisitions. We will continue the process of implementing internal controls over financial reporting for these acquired businesses. As of December 31, 2021, these businesses contributed less than 2% of revenue to our audited consolidated financial statements for the year ended December 31, 2021.

## ITEM 9B. OTHER INFORMATION

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference to the material appearing under the headings Proposal 1 – Election of Directors, Biographical Information Regarding Directors/Nominees, Board of Directors and Corporate Governance Matters, Delinquent Section 16(a) Reports, and Executive Officers in the Proxy Statement for the 2022 Annual Meeting of Shareholders.

## ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the material appearing under the headings Executive Compensation and Director Compensation in the Proxy Statement for the 2022 Annual Meeting of Shareholders.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to the material appearing under the headings Security Ownership of Five Percent Shareholders and Security Ownership of the Board of Directors and Management in the Proxy Statement for the 2022 Annual Meeting of Shareholders.

The following table sets forth certain information regarding equity compensation plans as of December 31, 2021 (number of securities in millions):

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights [b] | Weighted Average Exercise Price of Outstanding Options and Rights [c] | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) [d] |
|---|---|---|---|
| Equity compensation plans approved by security holders [a] | 1.6 | $ 132.48 | 30.5 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 1.6 | $ 132.48 | 30.5 |

[a] Includes our 2006 Plan, Amended and Restated 2007 Stock Incentive Plan, our 2018 Employee Stock Purchase Plan (ESPP), and our 2021 Stock Incentive Plan.

(b) Includes zero stock options as all were exercised in 2020, 1.1 million shares underlying restricted stock units, 0.5 million shares underlying performance shares, and less than 0.1 million shares underlying purchase rights that accrue under the ESPP.

(c) Excludes restricted stock units and performance shares as these awards do not have exercise prices.

(d) The shares remaining available for future issuances include 12.3 million shares under our 2021 Stock Incentive Plan and 2.6 million shares under our ESPP. No further awards will be granted under the Amended and Restated 2007 Stock Incentive Plan after December 31, 2020.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to the material appearing under the headings Board of Directors and Corporate Governance Matters and Certain Relationships and Related Party Transactions in the Proxy Statement for the 2022 Annual Meeting of Shareholders.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated by reference to the material appearing under the heading Audit and Related Fees in the Proxy Statement for the 2022 Annual Meeting of Shareholders.

# PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

### 1. Financial Statements

Our consolidated financial statements are set forth under Part II, Item 8 of this Annual Report on Form 10-K.

### 2. Financial Statement Schedules

All schedules are omitted as the required information is not applicable or the information is presented in the consolidated financial statements and notes thereto in Part II, Item 8 of this Annual Report on Form 10-K.

### 3. Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the SEC, as indicated in the description of each, File No. 1-14267 in the case of Republic and File No. 1-14705 and No. 0-19285 in the case of Allied, and File No. 1-06805 in the case of Browning-Ferris Industries, Inc.

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998). |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Republic Services, Inc. (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999). |
| 3.3 | Amended and Restated Bylaws of Republic Services, Inc. (incorporated by reference to Exhibit 3.3 of the Company's Current Report on Form 8-K dated May 6, 2016). |

| Exhibit Number | Description |
|---|---|
| 4.1 | Republic Services, Inc. Common Stock Certificate (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999). |
| 4.2 | Indenture, dated as of August 15, 2001 between Republic Services, Inc. and The Bank of New York, as trustee, including the form of notes (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed August 16, 2001). |
| 4.3 | Second Supplemental Indenture, dated as of March 21, 2005, to the Indenture dated as of August 15, 2001, by and between Republic Services, Inc. and The Bank of New York, as trustee, including the form of 6.086% Note due March 15, 2035 (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005). |
| 4.4 | Indenture, dated as of September 8, 2009, by and between Republic Services, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated September 9, 2009). |
| 4.5 | Third Supplemental Indenture, dated as of May 9, 2011, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 4.750% Notes due 2023 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated May 9, 2011). |
| 4.6 | Fourth Supplemental Indenture, dated as of May 9, 2011, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 5.700% Notes due 2041 (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated May 9, 2011). |
| 4.7 | Indenture, dated as of November 25, 2009, by and between Republic Services, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated November 25, 2009). |
| 4.8 | Third Supplemental Indenture, dated as of March 4, 2010, to the Indenture dated as of November 25, 2009, by and among Republic Services, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, including the form of 6.20% Notes due 2040 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated March 4, 2010). |
| 4.9 | Indenture, dated as of May 21, 2012, by and between Republic Services, Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated May 21, 2012). |
| 4.10 | Restated Indenture, dated as of September 1, 1991, by and between Browning-Ferris Industries, Inc. and First City, Texas-Houston, National Association, as trustee (incorporated by reference to Exhibit 4.22 of Allied's Registration Statement on Form S-4/A (No. 333-61744)). |
| 4.11 | First Supplemental Indenture, dated as of July 30, 1999, to the Restated Indenture dated as of September 1, 1991, by and among Allied Waste Industries, Inc., Allied Waste North America, Inc., Browning-Ferris Industries, Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.23 of Allied's Registration Statement on Form S-4/A (No. 333-61744)). |
| 4.12 | First [sic] Supplemental Indenture, dated as of December 31, 2004, to the Restated Indenture dated as of September 1, 1991, by and among Browning-Ferris Industries, Inc., BBCO, Inc. and JP Morgan Chase Bank, National Association as trustee (incorporated by reference to Exhibit 4.33 of Allied's Annual Report on Form 10-K for the year ended December 31, 2004). |

| Exhibit Number | Description |
|---|---|
| 4.13 | Third Supplemental Indenture, dated as of December 5, 2008, to the Restated Indenture dated as of September 1, 1991, by and among Allied Waste Industries, Inc., Allied Waste North America, Inc., Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.), BBCO, Inc., Republic Services, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated December 10, 2008). |
| 4.14 | Fourth Supplemental Indenture, dated as of March 11, 2015, to the Indenture, dated as of November 25, 2009, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 3.20% Notes due 2025 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated March 11, 2015). |
| 4.15 | Fifth Supplemental Indenture, dated as of July 5, 2016, to the Indenture, dated as of November 25, 2009, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 2.900% Notes due 2026 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated July 5, 2016). |
| 4.16 | Sixth Supplemental Indenture, dated as of November 16, 2017, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 3.375% Notes due 2027 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated November 15, 2017). |
| 4.17 | Form of Browning-Ferris Industries, Inc. 7.4% Debentures due 2035 (incorporated by reference to Exhibit 4 of Browning-Ferris Industries, Inc.'s Current Report on Form 8-K dated September 15, 1995). |
| 4.18 | Credit Agreement, dated as of June 8, 2018, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated June 11, 2018). |
| 4.19 | Amendment No.1, dated as of May 18, 2020, to Credit Agreement, dated as of June 8, 2018, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated May 21, 2020). |
| 4.20 | Amendment No. 2, dated as of July 14, 2020, to Credit Agreement, dated as of June 8, 2018, as amended, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated July 17, 2020). |
| 4.21 | Amendment No. 3, dated as of August 25, 2020, to Credit Agreement, dated as of June 8, 2018, as amended, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated August 27, 2020). |
| 4.22 | Credit Agreement, dated as of August 25, 2020, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated August 27, 2020). |
| 4.23 | Seventh Supplemental Indenture, dated as of May 14, 2018, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 3.950% Notes due 2028 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated May 3, 2018). |

| Exhibit Number | Description |
|---|---|
| 4.24 | Limited consent (2018 Credit Agreement), dated as of August 21, 2019, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019). |
| 4.25 | Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.23 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019). |
| 4.26 | Eighth Supplemental Indenture, dated as of August 7, 2019, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 2.500% Notes due 2024 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated August 1, 2019). |
| 4.27 | Ninth Supplemental Indenture, dated as of February 27, 2020, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 2.300% Notes due 2030 and the form of 3.050% Notes due 2050 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated February 21, 2020). |
| 4.28 | Tenth Supplemental Indenture, dated as of August 20, 2020, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 1.450% Notes due 2031 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated August 13, 2020). |
| 4.29 | Eleventh Supplemental Indenture, dated as of November 24, 2020, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 0.875% Notes due 2025 and the form of 1.750% Notes due 2032 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated November 12, 2020). |
| 4.30 | Amended and Restated Credit Agreement, dated as of August 17, 2021, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated August 23, 2021). |
| 4.31 | Twelfth Supplemental Indenture, dated as of November 8, 2021, between Republic Services, Inc. and U.S. Bank National Association, as trustee, including the form of 2.375% Notes due 2033 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated November 4, 2021). |
| 10.1+ | Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan effective May 12, 2011 (incorporated by reference to Appendix A of the Company's Proxy Statement on Schedule 14A filed on April 1, 2011). |
| 10.2+ | Republic Services, Inc. Executive Incentive Plan, as amended and restated effective October 26, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020). |
| 10.3+ | Form of Employee Restricted Stock Unit Agreement under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 27, 2011). |
| 10.4+ | Form of Non-Employee Director Restricted Stock Unit Agreement (annual vesting) under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 27, 2011). |

| Exhibit Number | Description |
|---|---|
| 10.5+ | Form of Non-Employee Director Restricted Stock Unit Agreement (3 year vesting) under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated December 27, 2011). |
| 10.6+ | Republic Services, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-170174, filed with the SEC on October 27, 2010). |
| 10.7+ | Amendment No. 1 to Republic Services, Inc. Deferred Compensation Plan, effective January 6, 2011 (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010). |
| 10.8+ | Republic Services, Inc. Amended and Restated Executive Incentive Plan, effective February 4, 2014 (incorporated by reference to Appendix A of the Company's Proxy Statement on Schedule 14A filed on March 26, 2014). |
| 10.9+ | Employment Agreement, effective as of October 29, 2013, by and between Republic Services, Inc. and Donald W. Slager (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). |
| 10.10+ | Amended and Restated Employment Agreement, effective December 8, 2008, by and between Jeffrey A. Hughes and Republic Services, Inc. (incorporated by reference to Exhibit 10.61 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012). |
| 10.11+ | Republic Services, Inc. Executive Separation Policy, as amended as of March 29, 2012 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012). |
| 10.12+ | Amendment No. 2 to Republic Services, Inc. Deferred Compensation Plan, effective February 7, 2012 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012). |
| 10.13+ | Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan effective May 9, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013). |
| 10.14+ | Amendment No. 3 to Republic Services, Inc. Deferred Compensation Plan, effective October 29, 2013 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). |
| 10.15+ | Clawback Policy, dated October 29, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 30, 2014). |
| 10.16+ | First Amendment to the Employment Agreement, dated December 23, 2014, by and between Donald W. Slager and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 24, 2014). |
| 10.17+ | Form of Performance Share Agreement, adopted January 7, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 9, 2015). |
| 10.18+ | Form of Employee Restricted Stock Unit Agreement—Senior Executive, adopted January 7, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated January 9, 2015). |
| 10.19+ | Amendment No. 4 to Republic Services, Inc. Deferred Compensation Plan, effective January 1, 2015 (incorporated by reference to Exhibit 10.53 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014). |

| Exhibit Number | Description |
|---|---|
| 10.20+ | Offer Letter, dated July 25, 2016, by and between Catharine D. Ellingsen and Republic Services, Inc. (incorporated by reference to Exhibit 10.37 of the Company's Annual Report on Form 10-K dated February 16, 2017). |
| 10.21+ | Non-Competition, Non-Solicitation, Confidentiality and Arbitration Agreement, effective June 13, 2016, by and between Catharine D. Ellingsen and Republic Services, Inc. (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K dated February 16, 2017). |
| 10.22+ | Republic Services, Inc. 2018 Employee Stock Purchase Plan (incorporated by reference to Annex A of the Company's Proxy Statement on Schedule 14A filed on March 29, 2018). |
| 10.23+ | Offer Letter, dated April 29, 2019, by and between Jon Vander Ark and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019). |
| 10.24+ | Offer Letter, dated April 29, 2019, by and between Timothy Stuart and Republic Services, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019). |
| 10.25+ | Non-Competition, Non-Solicitation, Confidentiality and Arbitration Agreement, effective May 1, 2019, by and between Timothy Stuart and Republic Services, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019). |
| 10.26+ | Offer letter, dated May 29, 2020, by and between Brian DelGhiaccio and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020). |
| 10.27+ | Non-Competition, Non-Solicitation, and Confidentiality Agreement, effective June 1, 2020, by and between Brian DelGhiaccio and Republic Services, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020). |
| 10.28+ | Offer letter, dated March 26, 2021, by and between Jon Vander Ark and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021). |
| 10.29+ | Non-Competition, Non-Solicitation, Confidentiality, and Arbitration Agreement, effective June 25, 2021, by and between Jon Vander Ark and Republic Services, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021). |
| 10.30+ | Transition Agreement, effective March 26, 2021, by and between Donald W. Slager and Republic Services, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021). |
| 10.31+ | Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 10.32+ | Form of Performance Share Agreement (Executive Officer) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 10.33+ | Form of Performance Share Agreement (Other Executive) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |

| Exhibit Number | Description |
|---|---|
| 10.34+ | Form of Performance Share Agreement (Non-Executive Officer EVP) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 10.35+ | Form of Employee Restricted Stock Unit Agreement (Senior Executive) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 10.36+ | Form of Employee Restricted Stock Unit Agreement (Senior Executive, Cliff Vesting) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.35 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 10.37+ | Form of Employee Restricted Stock Unit Agreement (Other Employees) under the Republic Services, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.36 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020). |
| 21.1* | Subsidiaries of the Company. |
| 23.1* | Consent of Ernst & Young LLP. |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. |
| 32.1** | Section 1350 Certification of Chief Executive Officer. |
| 32.2** | Section 1350 Certification of Chief Financial Officer. |
| 101.INS* | XBRL Instance Document.—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith.
** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.
\+ Indicates a management or compensatory plan or arrangement.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Company has not filed as exhibits to this Form 10-K certain long-term debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the SEC upon request.

**ITEM 16. FORM 10-K SUMMARY**

None.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 10, 2022

REPUBLIC SERVICES, INC.

By: /s/ JON VANDER ARK

Jon Vander Ark
President and
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ JON VANDER ARK<br>Jon Vander Ark | President, Chief Executive Officer and Director (Principal Executive Officer) | February 10, 2022 |
| /s/ BRIAN DELGHIACCIO<br>Brian DelGhiaccio | Executive Vice President, Chief Financial Officer (Principal Financial Officer) | February 10, 2022 |
| /s/ BRIAN A. GOEBEL<br>Brian A. Goebel | Vice President and Chief Accounting Officer (Principal Accounting Officer) | February 10, 2022 |
| /s/ MANUEL KADRE<br>Manuel Kadre | Chairman of the Board of Directors | February 10, 2022 |
| /s/ TOMAGO COLLINS<br>Tomago Collins | Director | February 10, 2022 |
| /s/ MICHAEL A. DUFFY<br>Michael A. Duffy | Director | February 10, 2022 |
| /s/ THOMAS W. HANDLEY<br>Thomas W. Handley | Director | February 10, 2022 |
| /s/ JENNIFER M. KIRK<br>Jennifer M. Kirk | Director | February 10, 2022 |
| /s/ MICHAEL LARSON<br>Michael Larson | Director | February 10, 2022 |
| /s/ KIM S. PEGULA<br>Kim S. Pegula | Director | February 10, 2022 |

| Signature | Title | Date |
|---|---|---|
| /s/ JAMES P. SNEE<br>James P. Snee | Director | February 10, 2022 |
| /s/ BRIAN S. TYLER<br>Brian S. Tyler | Director | February 10, 2022 |
| /s/ SANDRA M. VOLPE<br>Sandra M. Volpe | Director | February 10, 2022 |
| /s/ KATHARINE B. WEYMOUTH<br>Katharine B. Weymouth | Director | February 10, 2022 |

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