

Our sustainability goals are achieved through our deployment of Lean operating principles. Businesses have Hoshin Plans to achieve specific sustainability-related projects. Our executives are measured on achievement of these projects in the personal performance component of annual incentive compensation.

Company Level Financial Targets and Performance

As discussed above, the Committee selected OI and RONA as the two financial measures used to determine Company performance. For each measure, a Company performance target range was determined as an aggregate of the performance target ranges for the Company’s two segments. Company-level performance for 2023 was based on a weighted average of segment actual performance for the measure.

2023 Targets. The following table sets forth the following for both OI and RONA:

- the Company performance target range for minimum (threshold) and maximum performance, representing the aggregate of the segment threshold and maximum performance, respectively; and
- the Company performance target if each of the segment level performance factors were achieved at 100% of target.
- actual 2023 Company performance.

	Threshold	Target	Maximum	Actual 2023 Performance
Operating Income*	\$159 million	\$264 million	\$330 million	\$280 million
Return on Net Assets	4.6%	7.6%	9.5%	8.2%

* Excluding special items

In determining the performance targets and target ranges for OI and RONA in the beginning of the year, the Committee took into consideration the economic conditions and risks of our market segments and the business development activities and goals for each of the segments. The Committee strived to design performance target ranges for OI and RONA that were challenging taking into consideration the economic condition in the markets we serve and the risks to achieve high performance but attainable by the executive officers. The Company OI target set for 2023 reflected an increase of 5% above 2022 actual OI performance. The Company RONA target set for 2023 reflected a targeted improvement in operating performance and expected changes in the Company’s average net assets when compared with 2022. The following summarizes the key opportunities and risk factors considered for 2023 target levels.



2023 Target Setting Considerations

- Overall targeted operating income growth of 5% versus 2022, which varied by segment

Consumer & Specialties segment

- The targeted 2023 operating income performance for the segment was an increase of approximately 20% versus 2022 due to:
 - Recapture of inflationary cost pressures with pricing adjustments
 - Improved productivity and operating performance
 - Continued growth in consumer-oriented products

Engineered Solutions segment

- The targeted 2023 operating income performance for the segment was similar to 2022 performance, due to the following offsetting conditions:
 - Stability in North America steel and foundry markets
 - Weakness in European Steel
 - Slow market conditions in China following COVID-19 lockdowns
 - Weakening conditions in global construction markets
- The overall targeted performance for RONA in 2023 was similar to 2022 performance due to the improved targeted income offset by higher average working capital in 2023 due to inflationary pressures which are included in the average net asset base.

2023 Performance. The Company performance factor represents the weighted average of the performance factor for the two segments, and the segment performance factor is a weighted average of the individual business units within each segment. For each segment and business unit, actual 2023 performance for each measure was weighted—OI was weighted at 60% and