



Pilot Freight Services: 2020 ESG Annual Report

Pilot Freight Services (“Pilot” or the “Company”) is a leader in the transportation and logistics industry and has been named a Top 25 Air Forwarder by Air Cargo News 2020 and a Top 50 US 3PL by Logistics Management. The Company has a strong fifty-year history with a culture of charitable giving and the goal of achieving the highest standards of quality. Pilot began a structured ESG program in 2016 after the Company was purchased by ATL Partners and bcIMC. The ESG Program is led by the chief administrative officer and is reported to the board of directors at all quarterly meetings. Since the program’s inception, Pilot has made significant progress in all areas of ESG, as outlined in this Annual Report.

ENVIRONMENTAL

Most companies, regardless of their core service, adversely impact the environment through the execution of their business, and Pilot is no different. However, Pilot has taken many significant steps to mitigate the Company’s effect on the environment, including:

- Pilot invoices customers electronically and allows customers to submit payments directly through the Company’s bank portal. Currently, 77% of Pilot customers are using electronic invoicing. In addition to the environmental benefits, electronic invoicing has reduced mailing costs, driven faster payments, and improved tracking capabilities.
- Pilot encourages its pick-up, delivery and line haul vendors to accept electronic payments instead of a traditional paper check for the services they provide.
- Pilot designed its new corporate headquarters with ample conference room space and modern technology equipped with zoom video conferencing. This investment allows Pilot corporate employees, including management, to host productive virtual meetings with both field staff and customers. In addition to improving Pilot’s carbon footprint via reduced travel, the new facilities enable more frequent communication and effective communication for the Company.
- Over the last several years, and most certainly in 2020, Pilot has increased the number of employees who work remotely. This has many benefits, as it allows the Company to pull from a wider range of qualified candidates for new hire positions as well as reduce greenhouse gas emissions.

Pilot relies upon the use fossil fuel in order to fulfill its obligation to customers – delivering freight – and is committed to reduce its carbon footprint. Pilot works with its partners to

mitigate the environmental impact of its delivery operations. Based on this goal, the following initiatives were implemented:

- Pilot enforces a no-idling policy for all pick-up and delivery vehicles arriving at its facilities.
- As propane-powered tow motors are retired, Pilot replaces them with electric forklifts. The Company expects to have 48% of all forklifts powered by electricity by the end of 2021.
- Pilot is a proud SmartWay Transport Partner. Smartway is a certification from the U.S. Environmental Protection Agency (EPA) verifying company compliance with EPA regulations, including fuel efficiency ranges and emission standards. Pilot increases its use of SmartWay carriers every year. In 2021, the company plans to move 70% of its tonnage through SmartWay carriers.
- In 2020, Pilot began a carbon offset program with Sustainable Travel International to compensate for the emissions it produces, reduce greenhouse gas emissions and mitigate climate change impacts, which will lead to healthier environments and communities around the globe. Pilot established three projects to help achieve these objectives:



- The Capricorn Ridge Wind Farm, located on 11,000 acres in West Texas, where a total of 75 wind turbines reduce reliance on fossil fuels by providing clean energy for the Lower Colorado River Authority.
- The Conservation Fund’s Garcia River Forest in Northern California focused on sustainable management and restoration by promoting selective timber harvesting while conserving massive redwood trees.
- The Haikou Methane Digesters Project in China which captures methane emissions from decomposing manure and replaces coal fuel with biogas, thereby reducing the amount of greenhouse gas emissions produced by local farming families.



Pilot calculated carbon emissions for 2020 employee travel and has contributed offsets to the Capricorn Ridge project. The goal is to expand the Company’s overall sustainability strategy and to allocate funds toward Pilot sponsored sustainability projects that mitigate climate change, generate clean energy and increase energy efficiency.

- Pilot recycles mattresses in select markets for many customers in the bedding and mattress business.

- In 2020, Pilot received its first *Inbound Logistics* Green Supply Chain Award, a distinction that underscores the Company's commitment to driving sustainable change.



SOCIAL

Pilot is an employee-centric company that focuses on creating a culture of teamwork, collaboration, advancement and charity. This section of the Annual Report highlights some of the cultural aspects of Pilot that have been responsible for impressive retention rates for both employees and customers throughout its fifty-year history.

Pilot's greatest asset is its talent. The Company's loyal, knowledgeable and innovative employees are the heart of the organization. Because of that, retention, training and creating a positive and open-door environment are very important parts of Pilot's ESG program.

- Pilot has built a diverse and inclusive workforce. A significant number of employees identify within a diverse group of disabled, veteran or non-white categories. In Q4 2020, the Hispanic/Latino and Black/African American categories saw increased hires of approximately 30%.
- Pilot engages Red Flag Reporting to enable employees to confidentially report claims of unethical employee behavior. Pilot feels this program is absolutely critical to the safety and wellbeing of all employees. For the calendar year 2020 there was only one report filed, which speaks to our commitment to maintain a positive, open-door working environment for employees.
- The Company encourages a 'promote from within' philosophy whenever possible.
- The Company is participating in the ACC Greater Philadelphia Diversity Corporate Summer Internship Program. A program designed to help diverse law students gain valuable work experience.
- New leadership and coaching programs are being implemented to help managers increase self-awareness, manage their employees more intelligently and improve employee morale and performance. Employee development courses are housed in Pilot's online learning management system, PATH.
- A new Company Wellness Program was launched in 2020 to support and educate employees about all aspects of wellness: physical and mental health, financial stability and long-term planning. The Program includes access to one-on-one discussions with a dedicated wellness coach as well as a monthly newsletter which addresses a variety of wellness topics.



Pilot has always been focused on supporting local charities as a way to be a community partner and help make a positive difference in many areas of the country.

- In 2018, Pilot selected Alex’s Lemonade Stand Foundation as its corporate charity of choice. The Philadelphia-based childhood cancer research firm is a partner at both the corporate level as well as regionally given ALSF’s vast reach. Since Pilot began supporting ALSF, the Company and its employees have donated \$135,000 as well as countless volunteer hours for lemonade stands, participating in walks and other events to spread awareness of the charity and its cause.



- Pilot supports local charities such as Girls on the Run, a variety of breast cancer research organizations and many food banks across the United States.
- In 2021, Pilot will be implementing a corporate match program to support a variety of charities that are important to employees and approved by the Company. Pilot will be instituting a match program for monetary donations made by employees that will provide a greater match for donations to charities in which an employee invests their time as well.

As a service-based company, customer satisfaction is the ultimate goal at Pilot. For that reason, Pilot sends monthly customer satisfaction surveys to keep a pulse on the Company’s performance. The responses over the last several years have remained consistent with the large majority noting they were very satisfied with Pilot’s service.

GOVERNANCE

Pilot is committed to fostering a corporate environment of proper governance, as it is critical to Pilot’s business running effectively and ethically. Pilot believes in following a top-down strategy and relies on its board of directors to lead the company’s governance commitment. The board of directors is comprised of transportation industry, institutional governance and experts with a strong financial acumen that make it well-equipped to evaluate and oversee the various aspects of the Company’s long-term strategy.

Pilot’s data protection and privacy measures strive to be one step ahead of potential attacks to protect the Company, its employees and its customers. Pilot leveraged the expertise of Drawbridge Partners, an industry-specific data security platform, to put preventative programs in place. Additionally, Pilot is proud to have CCPA/GDPR 100% complete.

The Company puts a strong emphasis on internal and external audits. These audits apply to:

- Accounting standards
- Employment practices
- CTPAT
- Corporate compliance

- Export controls
- Anti-bribery and anti-corruption
- Safety
- Risk management
- Quality management:
 - Pilot is an ISO 9001 certified company and maintains a very strict adherence to the program put in place 27 years ago.



Pilot employees are held to very high business ethics standards and accountability in their areas of expertise. Pilot values integrity and encourages employees to continue their learning, development and training to enhance their professional and career growth opportunities. The Company's robust training portal, PATH, contains over 200 courses that can be assigned to employees based on their job responsibilities or taken on-demand. All new employees are assigned Pilot's Ethics Training which includes an educational session with Pilot's c-level leadership. Employees and international partners are required to receive anti-bribery and anti-corruption training on a bi-annual basis in accordance with the Company's anti-bribery and anti-corruption policies and procedures.

Conclusion

Pilot is proud of the work it has done to formalize its ESG program. While some elements have been in place far longer than the program, formalizing these initiatives allows the Company and its employees to better measure Pilot's progress and continuous improvement.