

# 2021 ESG Annual Report

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Pilot Freight Services (“Pilot” or the “Company”) is a leader in the transportation and logistics industry. In 2021, the Company was named Top 100 Great Supply Chain Partners by *Supply Chain Brain*, Top 50 Logistics and Airfreight Partners from *Transport Topics*, Top 25 Air Forwarders by *Air Cargo News* and Top 50 3PL from *Supply Chain Management Review*.

With a fifty year history, Pilot has created a culture of charitable giving and the goal of achieving the highest standards of quality. The Company’s employees are dedicated to living that culture by embracing Pilot’s green initiatives, volunteering with charities that mean the most to them and providing quality service every day. This 2021 ESG Annual Report addresses each of these areas in more detail.





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## **E**NVIRONMENTAL

With today's technologies, Pilot must rely upon fossil fuel-based modes of transportation to serve its customers. Nonetheless, Pilot has taken significant steps to mitigate the Company's impact on the environment and actively looks to continue to advance these efforts.

- In 2021, Pilot partnered with Penske and tested its first electric vehicle in the Ontario, CA market. This vehicle played an essential role in evaluating the use of electric vehicles in delivering our final mile solution to customers in this specific market.
- Electronic invoicing allows customers to submit payments directly through the Company's bank portal. Currently, 77% of Pilot customers are using electronic invoicing, which is an increase from 60.5% of customers in 2020. 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. Since beginning to track usage in the first quarter of 2021, 41% of Pilot's vendors are being paid electronically.

- The Pilot corporate headquarters was designed 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 through a reduction in travel, the new facilities enable more frequent and effective communication for the Company.
- Pilot has increased the number of employees who work remotely. This allows the Company to pull from a wider range of qualified candidates for new hire positions as well as reduce greenhouse gas emissions.
- Pilot recycles mattresses in select markets for many customers in the bedding and mattress business.
- In 2021, Pilot received *Inbound Logistics* Green Supply Chain Partner distinction for the second consecutive year. The award underscores the Company's commitment to driving sustainable change. 
- 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. 
- 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. Pilot began tracking the usage of electric-powered forklifts in the first quarter of 2021, and is proud to have 47% of all forklifts using electricity instead of propane.

Since 2019, Pilot has calculated carbon emissions for employee travel and fully offset these emissions through projects with Sustainable Travel International. 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. These are the two most recent projects Pilot has invested in to help achieve these objectives. 

- USA – Big Smile Wind Farm. The Big Smile Wind Farm is located on more than 7,500 acres of agricultural and grazing land in Oklahoma. The wind turbines reduce reliance

on fossil fuels by generating enough renewable energy to power over 45,000 homes. Operation of the wind farm supports local jobs and proves an additional income stream for farmers.

- Peru – Madre de Dios. This project reduces deforestation in the Peruvian Amazon by improving forest management and promoting sustainable nut harvesting. This will help protect critical rainforest habitat and endangered species, while providing local employment and supporting indigenous livelihoods.

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## 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.

Pilot's greatest asset is its talented employees. The Company's loyal, knowledgeable and innovative employees are the heart of the organization. Because of that, retention, learning and development 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 2021, women of color employed by the company increased to 16%, surpassing the national average for women of color working within a supply chain organization.
- 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 2021 there were no Red Flag reports 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 increase 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 including 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 over \$200,000 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 also 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 implemented a corporate match program to support a variety of charities that are important to employees and approved by the Company.
- Pilot began a Volunteer Paid Time Off (VTO) program in 2021. Through this program, employees are given a day of paid time to volunteer with the constituents of approved charitable organizations.



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.

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## **G**overnance

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 cybersecurity 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
  - Employee 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 30 years ago.



Pilot employees are held to very high business ethics standards and are required to be accountable for their actions on the job. Pilot values integrity and encourages employees to continue their learning and development 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 role or taken voluntarily, on-demand. All new employees are assigned Pilot's Ethics Training which includes an endorsement from Pilot's executive 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 with its ESG program and is committed to reporting its progress to its board on a quarterly basis and its employees, customers, and peers annually through its Annual ESG Report. While some elements of Pilot's ESG program have been in place far longer than the formal program, formalizing these initiatives allows the Company and its employees to better measure Pilot's progress and continuous improvement.