



2022
*GHG Inventory
Summary*
REPORT



Introduction

At HLI, we understand that climate change is a critical challenge to businesses and society at large, and we are committed to being part of the solution. This is especially important for the logistics industry, which generally relies on the combustion of fossil fuels as a critical aspect of operations.

HLI is committed to quantifying, managing, and reducing our greenhouse gas (GHG) emissions to improve our environmental impact, provide low-carbon solutions for our clients, and thrive in a low-carbon future. Strategically addressing our carbon footprint is both a responsibility as well as a business imperative, as a sustainable future will require low-carbon logistics solutions. Our path to sustainability begins by conducting a detailed accounting of GHG sources and emissions throughout our company's operations as a critical step to better understand the impact, inform our GHG strategy, and track progress toward strategic climate goals.

HLI will engage our suppliers and clients to identify opportunities to collectively reduce GHG emissions throughout our supply chain and work together to drive toward low-carbon logistics.

HLI has partnered with GreenStream Sustainability Consulting to measure our carbon footprint, set reduction targets, and identify opportunities to improve our GHG performance.

About This Report

This report summarizes the results of HLI's 2022 GHG inventory. This is our inaugural GHG inventory, and the results will serve as the baseline against which we will measure and track performance improvements and progress toward our reduction targets. HLI will continue to measure its GHG emissions and publish the results annually.

Our GHG inventory was conducted by an expert third-party consultant in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and Scope 2 Guidance (GHGP Corporate Standard). The GHG Protocol is the world's leading standard outlining requirements and guidance for corporate-level and organizational-level GHG emission inventories. As of 2016, approximately 92% of Fortune 500 companies responding to the CDP—an investor-led effort to increase corporate carbon disclosures—referenced the GHGP Corporate Standard to conduct their GHG inventories.¹

HLI has adopted the operational control approach, and our inventory boundary includes all entities that HLI has operational control over or in which HLI has greater than or equal to 50% financial interest. The operational boundaries of this inventory include the following entities:

- HLI Companies (Parent)
- HLI Laredo, LLC
- HLI Rail and Rigging, LLC

¹ <https://ghgprotocol.org/companies-and-organizations>

The GHG emissions assessed in this report include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). Non-CO₂ GHGs were converted to CO₂ equivalent (CO₂e) based on the 100-year global warming potentials (GWPs) published in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5).²

Sources and Scopes

HLI's inventory includes all scope 1 (direct) and scope 2 (indirect, purchased electricity) emission sources, which are outlined below. Scope 3 (other indirect) GHG emissions are optional under the GHG Protocol and are not included in this GHG inventory. However, HLI plans to include scope 3 emissions in the future.

Scope 1

- **Mobile Combustion**
 - Road Vehicles
 - Rail Cars
 - Equipment Fuel Consumption

- **Stationary Combustion**
 - Office Fuel Consumption

Scope 2

- **Grid Electricity Consumption**

GHG Emission Estimation Methods

HLI conducted dual reporting (location- and market-based approaches) for indirect GHG emissions from purchased electricity in accordance with the GHG Protocol Scope 2 Guidance. Location-based scope 2 emissions were calculated based on electrical consumption data from utility bills and EPA eGRID³ emission rates, representing the emissions based on the actual energy mix of the corresponding eGRID subregions. The market-based approach accounts for renewable energy purchases. Market-based scope 2 emissions were calculated and disclosed separately. The market-based approach accounted for the renewable energy purchased from the utility by the HLI Texas office. For our locations that have not purchased renewable energy, scope 2 emissions were estimated using Green-e[®] Residual Mix Emissions Rates⁴, which are grid emission rates that account for renewable energy that has already been sold and accounted for by specific consumers.

GHG emissions from stationary and mobile combustion were calculated based on EPA Emission Factors for Greenhouse Gas Inventories (April 2023).⁵

² https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full.pdf

³ <https://www.epa.gov/eGRID/summary-data>

⁴ <https://www.green-e.org/2022-residual-mix>

⁵ https://www.epa.gov/system/files/documents/2023-03/ghg_emission_factors_hub.pdf

Summary of Results

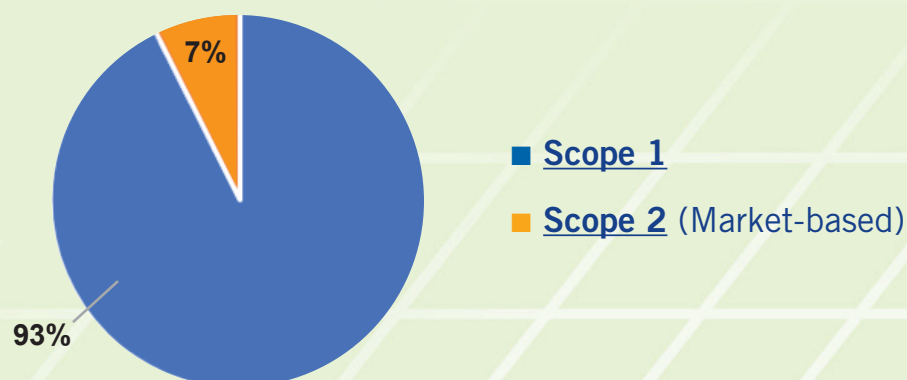
HLI's total scope 1 and 2 GHG emissions were estimated to be 298 mtCO₂e in 2022, which consisted of 276 mtCO₂e of scope 1 emissions and 22 mtCO₂e of [market-based] scope 2 emissions. Under the location-based approach, scope 2 emissions amounted to 36 mtCO₂e. Performance improvements and reduction targets will focus on market-based emissions to account for renewable energy purchases. The largest contributor to HLI's GHG emissions in 2022 was fuel consumption from our fleet of road vehicles, which contributed to 64% of our total GHG inventory. In total, mobile combustion—which includes fuel consumption by road vehicles, rail cars, and equipment—accounted for 90% of total emissions.

The table below exhibits a breakdown of emissions per GHG.

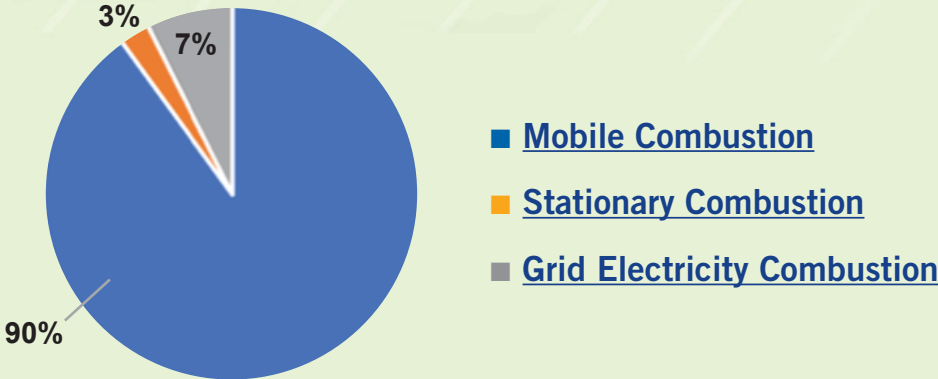
Emissions by GHG		
GHG	Emissions (tonne)	Emissions (mtCO ₂ e)
CO ₂	296.84632	296.84632
CH ₄	0.01102	0.30863
N ₂ O	0.00309	0.81772
Total		297.97

The figures below show HLI's GHG emissions broken down based on scope, emission sources, and location. HLI's Texas office is carbon neutral, as 100% of electrical consumption in 2022 was from zero-emission renewable energy purchased from the utility.

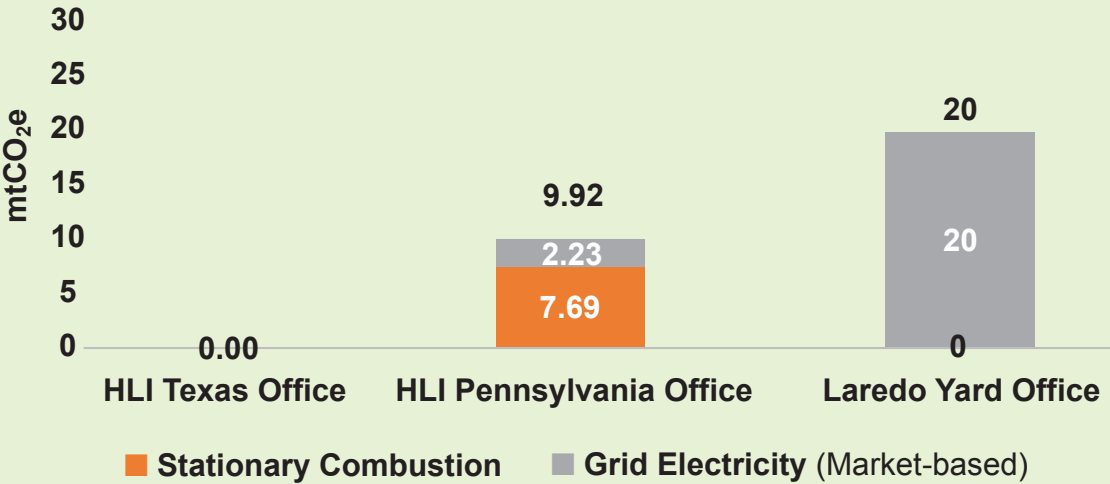
Breakdown of GHG Emissions by Scope:



Breakdown of GHG Emissions by Source Category:



Breakdown of GHG Emissions by Location:



Looking Forward

HLI is committed to continually identifying opportunities to improve our carbon footprint. In addition, we are committed to working with other stakeholders in our industry to help reduce GHG emissions throughout the supply chain and provide low-carbon logistics solutions.

In the short term, HLI will focus on assessing the GHG performance and strategies of our suppliers and work together to help reduce GHG emissions throughout the supply chain. The results of this effort will also help quantify and reduce our scope 3 emissions in the future. HLI is currently working on our strategic GHG reduction plan, which will involve setting ambitious GHG reduction targets and identifying specific opportunities to reduce our carbon footprint and offer low-carbon solutions for our clients.

HLI is committed to setting targets that align with the scientific consensus of the IPCC. As such, we intend to have our targets validated by the Science Based Targets Initiative (SBTi) and anticipate being verified as carbon neutral and/or net zero no later than 2050. Progress toward our GHG reduction targets will be measured and disclosed annually relative to the 2022 baseline set by this GHG inventory.

Opportunities that will be evaluated and considered by HLI include, but are not limited to:

- *On-site renewable energy generation*
- *Renewable energy purchases*
- *Fuel-efficient and alternative vehicles*
- *Energy-efficient facility improvements*
- *Route optimization*
- *Reducing dwell time, idling, and unnecessary stops*
- *Alternative fuels*
- *Working with clients to outline low-carbon project alternatives and mitigation options*
- *Improving partner/supplier assessment, collaboration, and selection*
- *Carbon reduction devices*
- *Carbon offsets*

HLI's anticipated milestones are exhibited in the figure below.

Milestones

