2025 GHG Inventory Summary REPORT

Introduction

HLI is a forward-looking company, committed to optimizing our energy consumption and managing our greenhouse gas (GHG) emissions. We see these commitments as a responsibility and imperative for our planet, industry, and stakeholders. Although our operations in the transportation sector currently require the combustion of fossil fuels, HLI has been increasing our use of renewable energy and continues to pursue opportunities to improve energy efficiency, pursue low-carbon alternatives, and offer low-carbon solutions to our clients and partners as we build sustainable supply chains together.

We are proud to announce that as of year-end 2025, HLI has achieved:

- 100 percent of purchased electricity covered by certified renewable energy attributes
- Zero market-based scope 2 emissions
- 25.43 percent reduction compared to 2024 in gross scope 1 and 2 emissions
- 5.82 percent reduction from the 2022 baseline in gross scope 1 and 2 emissions

HLI's GHG strategy is focused on quantifying, managing, and reducing emissions to support competitiveness and long-term success in a low-carbon economy. Initial efforts included developing a comprehensive GHG inventory, evaluating the climate impacts of operations, and establishing a 2022 baseline. Since that time, HLI has annually measured and reported its GHG emissions and clean energy activities. This process also supported our development of science-based targets and enables the tracking of performance improvements associated with operational and energy efficiency initiatives.

HLI's GHG management efforts extend beyond our direct operations as we engage key stakeholders, including suppliers and clients, to better understand and address emissions occurring across our value chain. This collaborative approach supports improved data quality, enhanced transparency, and the identification of emission reduction opportunities within relevant scope 3 categories.

HLI has partnered with GreenStream Sustainability Consulting to support the development and maintenance of our GHG inventory, establish a base year, set science-based targets, and identify operational and value chain emission reduction opportunities.

About This Report

This report represents HLI's fourth annual GHG inventory and summarizes the results of our 2025 reporting year. The purpose of this inventory is to quantify, track, and transparently disclose HLI's GHG emissions in alignment with the Greenhouse Gas Protocol (GHG Protocol) Corporate Standard. This report also documents progress relative to our 2022 base year.

HLI is committed to preparing and publishing a GHG inventory on an annual basis to support consistent performance tracking, data transparency, and informed decision-making.

HLI's GHG inventory was prepared by an independent third-party consultant in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and Scope 2 Guidance. These standards provide internationally recognized principles and requirements for the quantification and reporting of corporate-level GHG emissions.

The GHG Protocol is widely adopted by organizations globally as the basis for preparing consistent and comparable GHG inventories. In 2023, 97 percent (%) of disclosing S&P 500 companies reported to CDP using the GHG Protocol. CDP is an investor-led effort to increase corporate carbon disclosures.[1]

HLI has established its organizational boundary using the operational control approach, as defined by the GHG Protocol Corporate Standard. Under this approach, the inventory includes all operations over which HLI has the authority to introduce and implement operating policies.

Accordingly, this GHG inventory encompasses all entities and facilities over which HLI exercises operational control during the 2025 reporting year.

The operational boundary of this inventory includes the following entities:

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

The GHGs included in this inventory are carbon dioxide (CO_2), methane (CH_2), and nitrous oxide (N_2O). Emissions of non-CO_2 gases were converted to carbon dioxide equivalent (CO_2e) using 100-year global warming potentials (GWPs) published by the Intergovernmental Panel on Climate Change (IPCC) in its Sixth Assessment Report (AR6).[2]

Sources and Scopes

HLI's 2025 GHG inventory includes all relevant scope 1 (direct) and scope 2 (indirect emissions from purchased electricity) sources within the established organizational boundary, as outlined below.

Scope 3 (other indirect) emissions are currently not required under the GHG Protocol Corporate Standard and therefore are not included in this inventory. However, HLI is actively implementing processes to improve the collection of value chain activity data, including project-level information, to support the quantification and reporting of relevant scope 3 categories in the near future.

[1] https://ghgprotocol.org/

[2] https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter_07_Supplementary_Material.pdf

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 of scope 2 emissions from purchased electricity using both the location-based and market-based methods, in accordance with the GHG Protocol.

Location-based scope 2 emissions were calculated using electricity consumption data obtained from utility invoices and emission factors published through the U.S. EPA's eGRID program.[3] These emission factors reflect the average generation mix of the applicable eGRID subregions and represent the emissions intensity of the regional power grid.

Market-based scope 2 emissions reflect emissions associated with electricity that HLI has contractually procured. For the HLI Laredo location, market-based emissions reflect 100 percent renewable electricity purchased through the local utility (Direct Energy). For the remaining electricity consumption, HLI has procured Green-e® Energy certified renewable energy certificates (RECs), to cover 100 percent of our electricity consumption. These contractual instruments are used to substantiate renewable energy claims in accordance with the GHG Protocol Scope 2 Guidance.

Prior to achieving 100 percent renewable electricity coverage through utility programs and RECs, market-based scope 2 emissions associated with electricity not covered by contractual instruments were calculated using Green-e® Residual Mix emission rates.[4]

Residual mix emission factors represent grid-average emission rates that are adjusted to exclude generation attributes already sold and claimed through RECs or other contractual instruments.

Location-based and market-based scope 2 emissions are calculated and disclosed separately in accordance with the GHG Protocol. HLI's emission reduction targets and corresponding base year emissions are established using the market-based scope 2 methodology.

GHG emissions from stationary and mobile combustion sources were calculated using emission factors published by the U.S. EPA in its Emission Factors for Greenhouse Gas Inventories.[5]

[3] https://www.epa.gov/egrid/summary-data

[4] https://www.green-e.org/2025-residual-mix

[5] https://www.epa.gov/climateleadership/ghg-emission-factors-hub

Summary of Results

In 2025, HLI's scope 1 GHG emissions totaled 134.23 metric tons of carbon dioxide equivalent ($mtCO_2e$), and market-based scope 2 emissions were zero.

This represents a 25.43 percent reduction compared to 2024 and a 5.82 percent reduction relative to HLI's 2022 base year. The year-over-year decrease is primarily attributable to reduced mobile fuel combustion and the procurement of renewable energy attributes.

Under the location-based method, scope 2 emissions were 69.33 $mtCO_2e$.

The difference between location-based and market-based scope 2 emissions reflects HLI's procurement of renewable electricity, including certified renewable electricity purchased through Direct Energy and certified RECs that meet the GHG Protocol Scope 2 Quality Criteria.

In 2025, HLI procured 210,000 kilowatt-hours (kWh) of certified renewable electricity attributes, representing more than 100 percent of total electricity consumption for the reporting year. Approximately 30 percent of total energy consumption (including fuel combustion) was from renewable sources in 2025, an increase from 24 percent in 2024.

The largest contributor to HLI's 2025 GHG emissions was mobile fuel combustion, accounting for 96 percent of total reported emissions. Mobile combustion includes fuel consumption from road vehicles, rail cars, and mobile equipment within the organizational boundary. HLI intends to reduce emissions from mobile fuel combustion over time by implementing energy-efficient practices and deploying alternative fuels and low-emission vehicles.

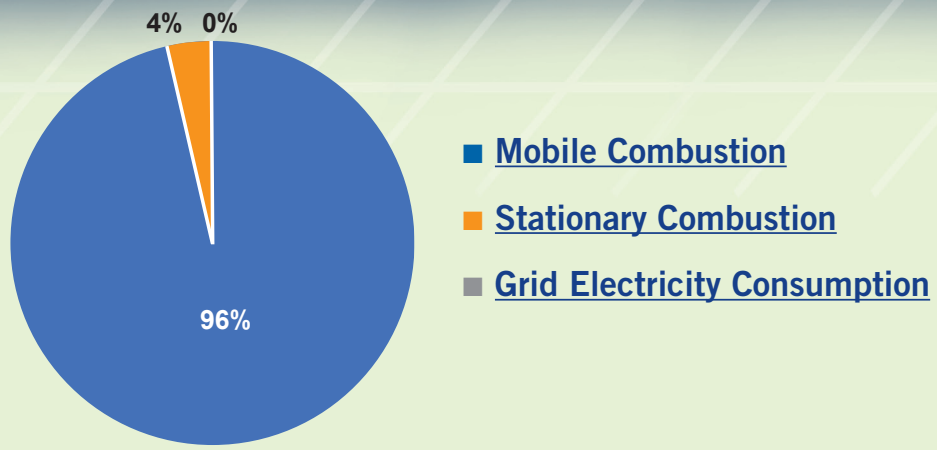
The table below presents a breakdown of reported emissions by individual gases.

Emissions by GHG

GHG	Emissions (tonne)	Emissions ($mtCO_2e$)
CO_2	131.82	131.82
CH_4	0.0187	0.5567
N_20	0.0068	1.8574
Total		**134.23**

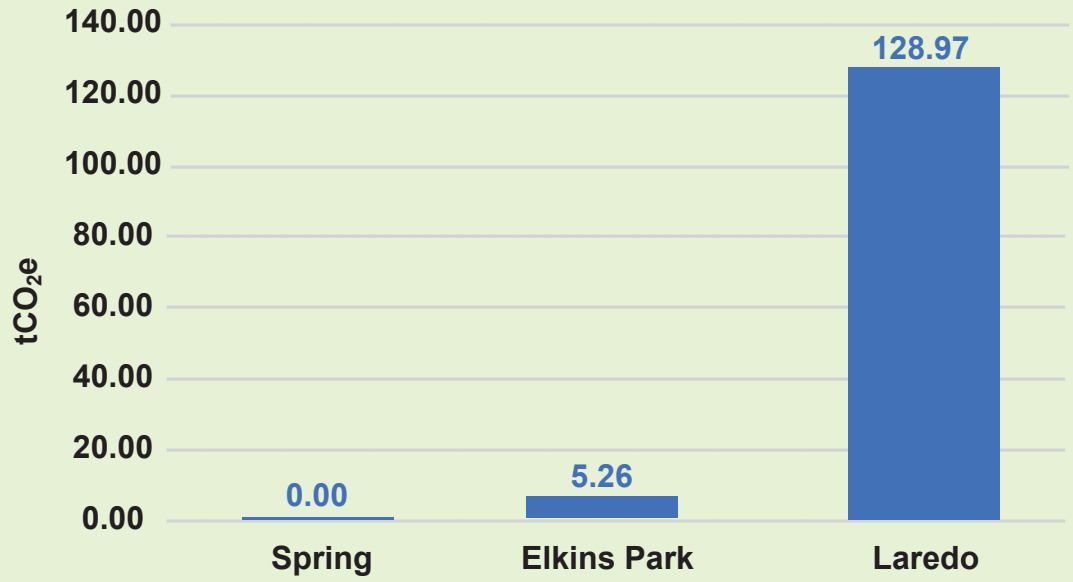
Breakdown of GHG Emissions by Source Category:

The figures below show HLI's GHG emissions broken down based on scope, emission sources, and location.



96%

Breakdown of GHG Emissions by Location:



Looking Forward

HLI has made a long-term commitment to monitoring and managing its GHG emissions and identifying opportunities for continuous reduction.

In addition to addressing emissions within its organizational boundary, HLI seeks to collaborate with supply chain partners and other key stakeholders to reduce value chain emissions and provide lower-carbon transportation solutions for clients pursuing reductions in their scope 3 emissions.

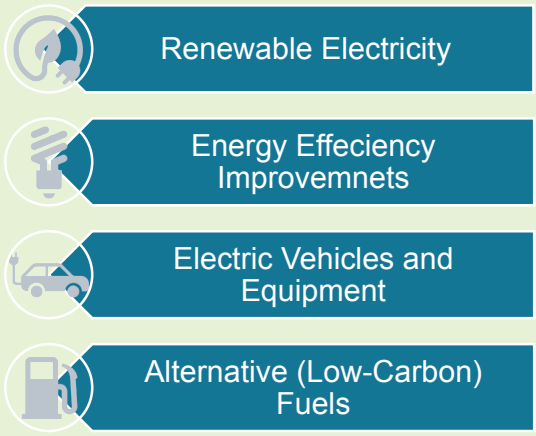
HLI initiated an assessment of the energy and GHG performance and management practices of key suppliers in 2023. HLI will continue to engage clients and value chain partners to promote emissions transparency and support the development of sustainable supply chains.

In addition, HLI has begun collecting more granular project-level activity data, and associated GHG information, to enable the future quantification and management of relevant scope 3 emissions categories. These efforts also support the identification and delivery of energy-efficient low-carbon transportation solutions.

HLI has set science-based targets for our scope 1 and 2 emissions and has committed to achieve net-zero emissions by 2050. We are currently in the process of having our targets validated by the Science Based Targets initiative.

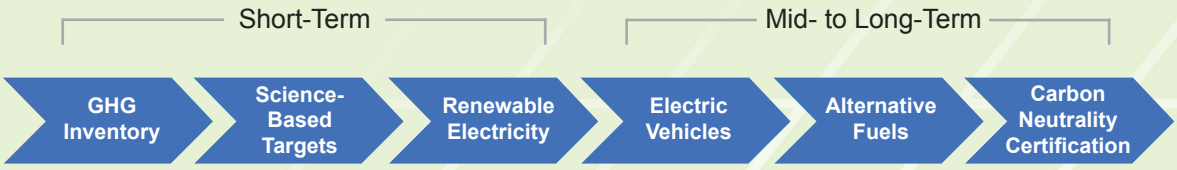
Our carbon strategy report 'Pathway to 2035: HLI's GHG Emissions Reduction Plan' outlines HLI's mid-term GHG reduction strategy and identifies specific initiatives to improve energy efficiency, reduce emissions, and achieve our science-based targets. The strategic analysis extends through 2035, the Company's first target year.

HLI's GHG reduction plan is centered on the following key initiatives. These initiatives may be adapted over time as new innovative solutions emerge, and business conditions evolve.



Milestones

HLI's key milestones are exhibited in the figure below. As of this report, HLI has published four annual GHG inventory reports, set science-based targets (awaiting validation), and achieved 100% renewable electricity (based on market-based methods).



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