



MATERIALITY ASSESSMENT REPORT FOR APL LOGISTICS

FROM NSF INTERNATIONAL



EXECUTIVE SUMMARY

The materiality assessment was conducted in two aligned workstreams: stakeholder engagement and impact assessment. The initial list of material aspects was developed via an industry benchmarking assessment, which identified 31 material indicators commonly reported by APL Logistics' (APLL) peer companies. This analysis served as the basis for collecting stakeholder feedback and evaluating potential impacts of these topics. Indicators were grouped into 21 material topics to simplify stakeholder engagement. These topics represent 15 strategic categories aligned with Global Reporting Initiative (GRI) guidelines. The goal of this assessment was to determine environmental, social, and governance (ESG) topics material to APLL. Material topics are those considered to be sufficiently important based on both stakeholder priorities and potential impact on the environment and/or society, such that they are essential to measure, track, and report on.

STAKEHOLDER ENGAGEMENT

A variety of stakeholder groups were engaged, including customers, clients, suppliers, contractors, APLL management, academics, government labs, and NGOs. 18 stakeholders provided feedback via an online survey on the 22 material topics identified, and more than a dozen stakeholders supplied additional information through interviews and facilitated discussions.

SURVEY RESPONSES

Overall, the stakeholder analysis found that all material topics were rated as high priority: where all topics scored above 6 on a scale of 1-10 (with 10 representing highest priority). The top eight material categories prioritized by stakeholders responding to the survey are shown in Table ES1, with the five critical priority material topics in bold:

Stakeholder Engagement Results: Top 8 Material Categories			
Priority	Category	Score	ESG Pillar
1	Emissions	9.21	<i>Environmental</i>
2	Data Security	8.86	<i>Social</i>
3	Diversity & Equal Opportunity	8.85	<i>Social</i>
4	Energy	8.68	<i>Environmental</i>
5	Occupational Health & Safety	8.66	<i>Social</i>
6	Social Impacts in the Supply Chain	8.60	<i>Social</i>
7	Waste	8.57	<i>Environmental</i>
8	Economic Performance	8.51	<i>Economic & Governance</i>

Table ES1: Priority material categories based on stakeholder engagement.

INTERVIEW RESPONSES

Stakeholder interviews supported the findings from both the survey and impact assessments. Main themes from these conversations are highlighted in Table ES2.

	<i>Key Issues / Risks</i>	<i>Opportunities</i>
<i>Environmental</i>	<ul style="list-style-type: none"> > Climate change & carbon reduction > Carbon Taxes > Reliance on fossil fuel > Environmental improvement not moving fast enough 	<ul style="list-style-type: none"> > Providing Scope 3 emissions data to customers as a service > Increasing use of technology to improve efficiency and automation > Use of biofuels > More pre-competitive collaboration with other 3PLs and experts – e.g., Clean Cargo Working Group / Smart Freight, Sustainability Consortium, Sustainable Shipping Initiative, World Wildlife Fund, Advanced Clean Fleet, and Aspen Institute > Align with Science-Based Targets Initiative and report to CDP
	<ul style="list-style-type: none"> > Shift in consumer consumption habits > Worker health and safety (COVID-19 response, overtime) > Diversity and inclusion 	<ul style="list-style-type: none"> > Local community engagement > Accelerating diversity & inclusion programs
<i>Governance & Other</i>	<ul style="list-style-type: none"> > Logistics industry relies heavily on legacy technology systems > COVID-19 disruptions to the supply chain > Need for increased transparency and reporting 	<ul style="list-style-type: none"> > Enhanced technology to improve customer experience > More proactive management > More collaboration between APLL and other logistics companies or with customers > Need to move faster and beyond IMO requirements

Table ES2: Key findings from stakeholder interviews and discussion.

IMPACT ASSESSMENT

In addition to evaluating stakeholder priorities, the materiality assessment process requires understanding the magnitude of an organization’s potential impact for each topic area. In this assessment, impact refers to the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development.¹

NSF evaluated the material topics to assess the magnitude of APLL’s potential impact on the environment or society, using an in-house assessment tool that uses over 60 metrics from third-party international databases to indicate the impact of APLL on social, economic, and/or environmental impacts. Material topics were assessed using an industry and geography-based perspective, taking into account the relative impact of APLL’s positioning as a global company in the logistics sector compared to results for other industries and countries. The top eight material categories are shown in Table ES3, with the five critical priority material topics in bold.

¹ From *GRI 101: Foundation 2016*

Impact Assessment Results: Top 8 Material Categories			
Priority	Category	Score	ESG Pillar
1	Energy	8.02	<i>Environmental</i>
2	Data Security	7.70	<i>Social</i>
3	Social Impacts in the Supply Chain	7.58	<i>Social</i>
4	Diversity & Equal Opportunity	6.57	<i>Social</i>
5	Local Communities	6.52	<i>Social</i>
6	Emissions	6.20	<i>Environmental</i>
7	Waste	5.92	<i>Environmental</i>
8	Employment	3.90	<i>Social</i>

Table ES3: Priority categories based on APLL's potential impact

OVERALL RESULTS

The materiality assessment process combines the results of the stakeholder feedback and impact assessment to determine APLL’s top priority material categories for strategic planning purposes – those topics that are both important to stakeholders and where APLL has high potential impact on the environment and / or society. The following figure shows the combined results and highlights the top material categories that emerged for APLL from the analysis.

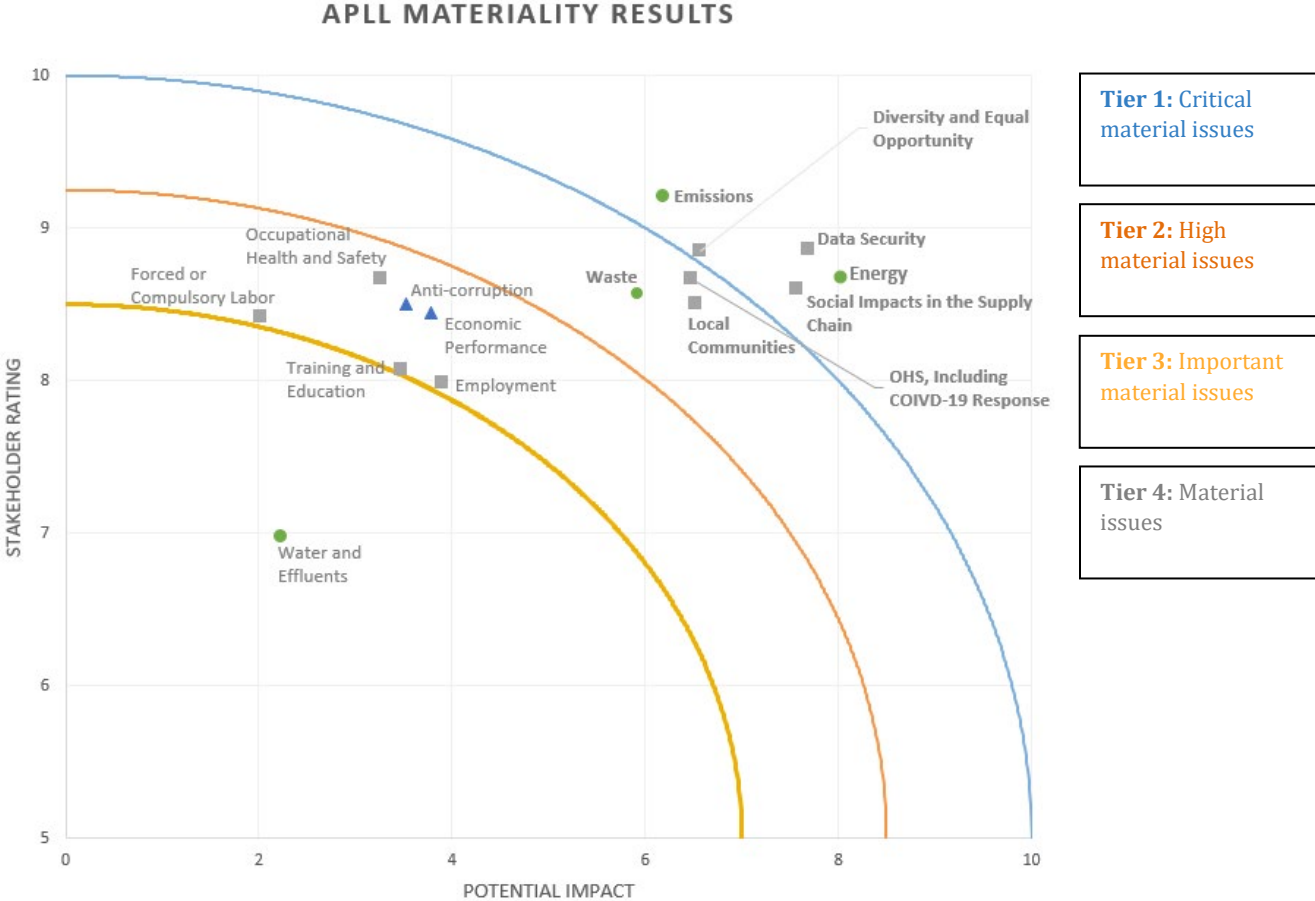



Figure ES1: Materiality results for APLL based on impact analysis and stakeholder engagement.

By mapping material categories on a grid, we can visually separate the higher-priority categories based on both stakeholder rating and potential impact. Note that because all topics were rated highly by stakeholders, the y-axis scale was adjusted to begin at a score of 5.

Overall, eight strategic material categories fall into the highest two priority levels for stakeholders and/or potential impact, representing a range of economic, governance, environmental, and social concerns. There are five material topics that are considered “critical” priority, these topics include energy, data security, social impacts in the supply chain, emissions, and diversity & equal opportunity, and are represented above the furthest arc in Figure ES1. The remaining three material topics are considered a “high” priority, and fall below the “critical” tier one, but above the “important” tier three arc; topics include OHS, including COVID-19 response, local communities, and waste.

These material categories can be mapped to the United Nations Sustainable Development Goals (SDGs) and GRI disclosure topics (Table ES4). The five critical strategic categories are represented in bold.

MATERIAL CATEGORIES FOR APLL			
Strategic Category	ESG Pillar	Map to GRI topics	Map to SDGs ²
Energy	Environmental	302-1 302-2 302-4	7 – Affordable and Clean Energy 8 – Decent Work and Economic Growth 12 – Responsible Consumption and Production 13 – Climate Action 
Data Security	Social	418-1	16 – Peace, Justice and Strong Institutions 
Social Impacts in the Supply Chain	Social	414-1 414-2	5 – Gender Equality 8 – Decent Work and Economic Growth 16 – Peace, Justice and Strong Institutions 
Emissions	Environmental	305-1 305-2 305-3 305-5	3 – Good Health and Well-Being 12 – Responsible Consumption and Production 13 – Climate Action 14 – Life Below Water 15 – Life on Land 
Diversity and Equal Opportunity	Social	405-1	5 – Gender Equality 8 – Decent Work and Economic Growth 10 – Reduced Inequalities 
OHS, Including COVID-19 Response	Social	403-6 403-9 403-10 COVID-19 Response	3 – Good Health and Well-Being 8 – Decent Work and Economic Growth 
Local Communities	Social	413-1	1 – No Poverty 2 – Zero Hunger 

² The Sustainable Development Goals (SDGs) were adopted by all United Nations Member States in 2015 as a blueprint for peace and prosperity for people and the planet, now and into the future. There are 17 SDGs which span the three pillars of sustainability and are a call to action to all countries to work toward. Mapping to SDGs to GRI categories is based on GRI's *Linking the SDGs and GRI Standards*, March 2020.


Waste	<i>Environmental</i>	<p>306-3</p> <p>306-4</p> <p>306-5</p>	<p>3 – Good Health and Well-Being</p> <p>6 – Clean Water and Sanitation</p> <p>12 – Responsible Consumption and Production</p> <p>14 – Life Below Water</p> <p>15 – Life on Land</p>	
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Table ES4: Priority materiality categories for APLL mapped to GRI topics and UN SDGs.

APLL will use these material categories to establish targeted strategies and goals that will help satisfy customer and investor requests, improve reporting transparency, and enhance ESG performance. The full Materiality Assessment Report that follows provides additional details and insights on the assessment process, methodology, and findings.