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Advancing Sustainable Business

At Pilot Chemical, we combine ingenuity and science, using our know-how as chemists and engineers to create the essential building blocks of high-performance products. We want whatever we touch to be better and stronger than it was before. It is why we are on a journey to put sustainability at the heart of everything we do.

Forward Momentum, Sustainability and Growth

Pilot is a family-owned business, deeply rooted in our communities. It is a company with a nearly 70-year history, and also a business for today, operating in a fast-changing and interconnected world. To drive continued success, we must remain alert, nimble and capable of responding proactively, whether to unprecedented events like COVID-19 or to global challenges such as sustainable development.

At Pilot, we have already begun to play our part – progressively lightening our footprint and creating high-performing products with a positive environmental profile. Now is the time to accelerate our efforts as part of our innovation and growth journey. This will include a broader sustainability vision and an expanded commitment to measurement, as well as aspirational goals across all aspects of our business.

Sarah Morrisroe Mester, Pilot's Director of Corporate Development and the third generation of the company's founding family, will be driving our program, including the development of a new sustainability road map.

"I am excited to take Pilot forward on its sustainability journey. Our formula for shaping our future is the same today as it has always been: a great team, strong values and culture, and a continuing commitment to innovation."



Sarah Morrisroe Mester,
Director of Corporate
Development

This will set a clear direction as we pursue our ambition to integrate sustainability more widely. As part of these initiatives, we will be developing metrics and goals aligned with the American Chemistry Council (ACC) Responsible Care® program.

The Board fully supports Pilot's sustainability program and believes the company is well positioned to continue its forward momentum.



Mike Clark

Mike Clark,
President and COO



Paul E. Morrisroe

Paul E. Morrisroe,
Chairman

Issues That Matter Most

Sustainability strategy development is a process that must be informed by clear insights into the most relevant risks and opportunities for our company and stakeholders. With this in mind, we carried out a materiality analysis in 2020 to help shape our 2021 sustainability strategy and beyond.

Our Process

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Desk-based research

Employee interviews
External interviews
External stakeholder survey
Employee survey

Materiality workshop

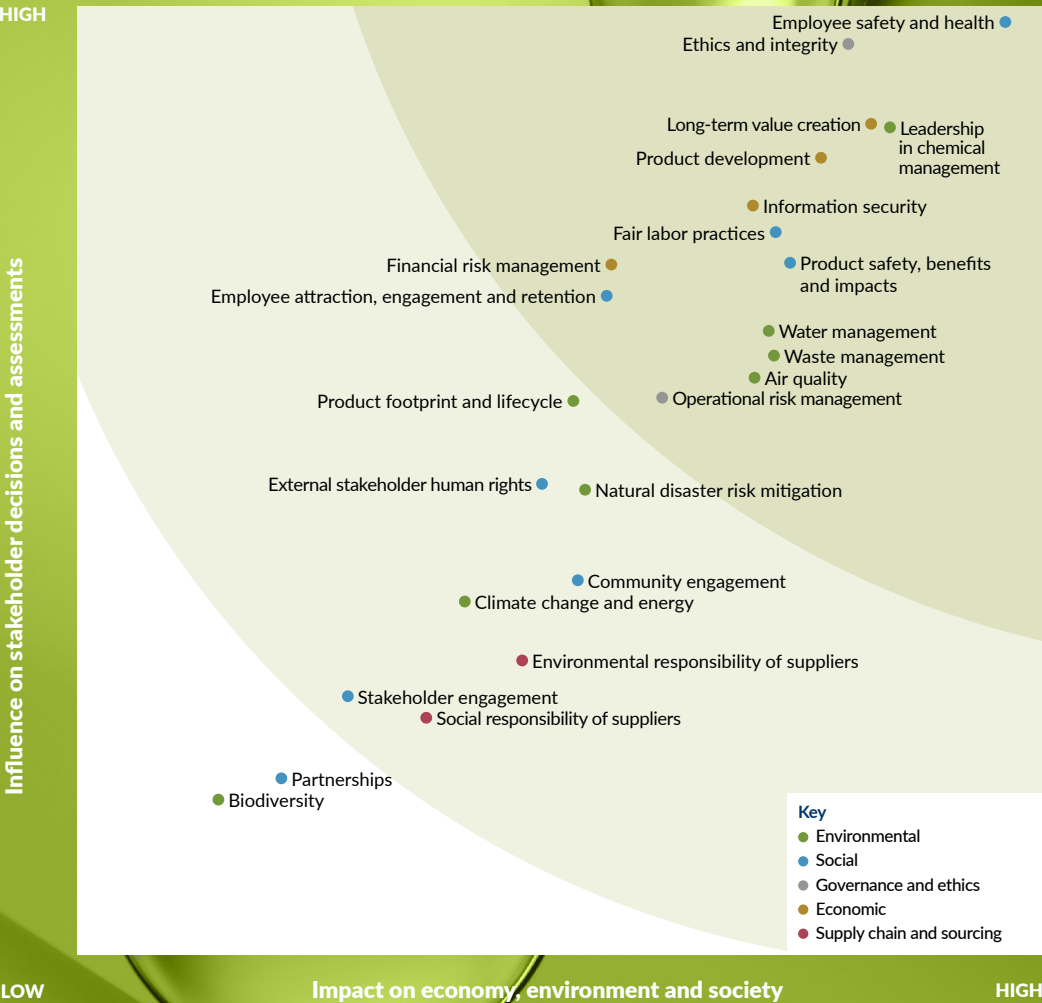
Sustainability strategy development

- Our Results**

The process identified 25 issues (see matrix) that are considered material for Pilot Chemical.

Most Material – 2020

 - Employee safety and health
 - Ethics and integrity
 - Leadership in chemical management
 - Long-term value creation
 - Product development
 - Information security
 - Fair labor practices
 - Product safety, benefits and impacts
 - Water management
 - Waste management



Driving Sustainable Product Innovation

For nearly 70 years, chemical innovation has been a driving force behind Pilot's success. Our investment in state-of-the-art facilities, technologies, and surfactant and biocide expertise continues to unlock advances in sustainable product development.



Expanding Our Sustainable Product Portfolio

Pilot Chemical is committed to promoting sustainable, environmentally conscious practices. Many of our products meet or exceed the U.S. Environmental Protection Agency (EPA)'s Design for the Environment surfactant criteria and are included on the CleanGredients® online database of cleaning ingredients. Many also meet or exceed the European Parliament Regulation (EC) No. 648/2004 criteria for biodegradability.

We continue to expand our portfolio to meet emerging product standards and sustainability criteria. For example:

Pilot has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2012 and has been certified since 2017 to sell RSPO Mass Balance products from palm-derived feedstocks. Through our membership and certification, we proudly support the growth of sustainable palm production to protect and benefit people and the planet, while offering certified products to end users.



We are actively working to reduce 1,4-Dioxane. This is a by-product of steps involved in the production of some surfactants. Surfactants are essential ingredients in cleaning products.

HIGHLIGHT

ASPIRE® – INCREASED PERFORMANCE, IMPROVED SUSTAINABILITY

Our range of Aspire® Surfactant Blends are highly versatile blends of powerful surfactants that help formulators create superior, cost-effective cleaning products that also support sustainability goals.

Aspire® G Super Concentrate provides a base formulation from which laundry detergents, hard surface cleaners, glass cleaners, bathroom cleaners and washing liquids can be prepared. Its unique blend translates into lower levels of active chemicals in the end-use product. This concentrate offers opportunities for logistics savings in freight and the reduction of warehouse space and carbon footprints due to its low water content and reduced size.

State-of-the-Art Facilities

Through a strategic plan to invest in our people, infrastructure and facilities, we are creating working environments that are designed with health and well-being, greater innovation and collaboration, and improved sustainability in mind, from our Middletown, Ohio manufacturing plant – where we added a new, pilot-scale research and development site – to our new headquarters in West Chester, Ohio. Our headquarters incorporates motion-sensor lighting, ergonomic desks, living plant walls and an interior walking route to encourage healthy lifestyles.

As part of our five-year investment in technology and innovation, we also completed the final renovation phase of our Sharonville, Ohio Technology Center (STC) in May 2020. Investing around \$8 million over the past two years in enhancing facilities, such as STC and our Innovation Center in Pittsburgh, Pennsylvania, has expanded our capabilities to better serve our customers' needs.

Leading on the Environment

Pilot upholds the highest environmental standards. As well as complying with all relevant regulations, we work to go beyond them through investing in continuous improvement.



Our Environmental Responsibility

Pilot is certified under ISO 9001:2015. We also take part in the ACC Responsible Care® initiative, a voluntary global commitment by the chemical industry that all chemicals will be produced and used in ways that minimize risks for human health and the environment. Pilot participates in external networks to advance sustainability, including the American Cleaning Institute (ACI) and the Household & Commercial Products Association (HCPA).

When it comes to capital projects, we approach these with sustainability in mind, whether directly or indirectly. Some projects are intentionally designed to decrease waste or increase efficiencies, while others are infrastructure-based to prolong the life of our facilities and processes.

At our Houston, Texas plant, we reduced the quantity of hazardous caustic waste generation by 33%. We are now evaluating how this change can be applied to other products to further reduce hazardous waste generation.



Companies that follow the Responsible Care® program have improved their energy efficiency by 19% since 1992 and reduced hazardous pollutants by more than 24% since 2010.¹



Energy Efficiency

Optimizing energy efficiency is a continuous priority in our manufacturing facilities. In 2019, for example, the corporate Environmental, Health and Safety, and Engineering teams collaborated with our Houston facility to replace a hot oil furnace. As a result, we were able to realize a 53% reduction of nitrogen oxides – equating to a reduction of approximately 1.4 tons (2,800 pounds) per year.



Wastewater

We received the Karl G. Voelkel Industry Award for outstanding environmental achievement in wastewater management, in recognition of our work at our plant in Middletown, Ohio. We invested \$200,000 as part of a year-long initiative, which has minimized surfactant wastewater streams to the city's treatment plant and succeeded in capturing tank clean-out waters that can be sold as low-grade surfactants.



Waste

The recently revised Waste Management Program allows all Pilot facilities to track waste generation and identify areas for waste reduction. Multiple projects are currently underway as we focus on realizing further improvements in the coming years.

Amplifying Our Social Impact

The vital role of the chemical industry and the need for proper disinfection, sanitizing and cleaning to keep everyone safe and healthy has never been more strongly highlighted than during the COVID-19 pandemic. In addition to working to meet unprecedented demand for our products, we stand united with employees and communities to protect and support wherever we can.



HIGHLIGHT



CARING FOR OUR COMMUNITIES DURING THE PANDEMIC

In the immediate aftermath of the COVID-19 pandemic, Pilot formed the Healthy Neighbors team to spearhead the company's community response. This was supported by many employees across all of our sites, who volunteered their time and energy to the cause. Under normal circumstances, Pilot provides the building blocks for sanitizing products but does not manufacture the finished product. But, recognizing the urgent need, we mobilized quickly to manufacture and donate sanitizing products ready for consumer use. Pilot employees rallied to produce 990 gallons of FDA-compliant hand sanitizer, which was donated to local organizations serving on the front line in each of our manufacturing communities. Also, Pilot's Middletown, Ohio plant produced 2,200 gallons of liquid hand soap, which was donated and distributed initially in the New Jersey and New York City area. More than 8,000 bottles of the soap were also given to community organizations in the Cincinnati area.

Fighting the Spread of COVID-19 and Meeting the Surge in Demand

In October and November 2020, Maguard® 5626, Maquat® 86-M, Maquat® 32-NHQ, Maquat® 64-NHQ, Maquat® 128-NHQ and Maquat® 256-NHQ were accepted by the EPA as being effective against SARS-CoV-2, the novel coronavirus that causes COVID-19. These are the company's first products to gain this claim. As the pandemic continues, developing disinfecting and sanitizing products like this remain essential, and Pilot has a continuing pipeline of product submissions to the EPA.

From the outset, Pilot strove to meet increased market demand for many biocide products, as well as requests from customers for EPA-compliant COVID-19 labels, in a timely manner. Our teams quickly worked together to secure additional production capacity and manage raw material constraints. This included streamlining processes and establishing tools for rapid, real-time decision-making and long-range planning.

"All of us at Pilot Chemical take pride in doing what we can to help. A lot of love has gone into our Healthy Neighbors initiative and I am proud to be a part of it. We are taking care of each other and looking out for one another, and that's here to stay."



Erin Isaacs,
Plant Manager, Avenel, New Jersey

We donated nearly

\$100,000

in product donations and charitable contributions to organizations both on the front lines of fighting COVID-19 and providing food and social services to those in need during the pandemic.

Prioritizing the Health and Safety of Our Teams

Safety is a core value and top priority at Pilot. We ensure our employees receive effective training and are fully equipped with the correct gear to work safely. We also promote healthy behaviors through company initiatives, including weight loss and fitness programs.

When the COVID-19 pandemic struck, the company quickly put in place measures including screening processes, social distancing and other CDC-compliant protections. Only certain Pilot employees, needed for critical operations, were permitted on site.

Responsible Care® companies have an employee safety record nearly five times better than the U.S. manufacturing sector, and almost three times better than the business of chemistry overall.

Source: ACC, 2018



Supporting Our Employees to Succeed

At Pilot, we believe that by respecting and looking after our people, and supporting them to do well, our company does well. This is why we introduced a cultural transformation program designed to unleash employee potential to drive our forward momentum.

The program focuses on improving our collective ability to demonstrate five key behaviors: **Customer Focus, Innovation, Teamwork & Collaboration, Quick & Nimble, and Empowerment**, all while furthering our ongoing commitment to **Safety**.

We have involved employees at every step, supporting them to operate in new ways and providing leadership and coaching skills training to help teams embody these behaviors.

91%

of employees who took part in our May 2020 culture survey agreed with the statement: "People at Pilot are committed to safety."

HIGHLIGHT



WIDER COMMUNITY PROGRAMS

Pilot has a strategic focus on supporting science, technology, engineering and math (STEM) initiatives in the Cincinnati area. Employees can take paid time off during their work hours to volunteer for selected STEM organizations supported by Pilot, including Greenlight for Girls, iSPACE and the National Association of Chemical Distributors (NACD) under the Chemical Education Foundation.

Other community initiatives we supported during the year include:

- Mill Creek Alliance
- Food drives
- Wellness events
- Hunger 5K
- Neighborhood yard assistance for the elderly



INGENUITY Award

For Innovation & Continuous Improvement

Through our semi-annual Ingenuity Awards, we recognize and reward teams and individuals within Pilot who use our cultural behaviors to create sustainable improvements to processes, generate new business growth in the form of new products or customer opportunities, and increase customer delight. We launched the program in 2020 and received 29 submissions – six teams were selected as winners.

Highlights from Winning Team Submissions

- The Aspire® Surfactant Blends team was celebrated for their work, spanning two years, to understand customer needs, formulate, reformulate and benchmark to create an innovative product platform that delivers increased performance and improved sustainability.
- To strengthen environmental efforts around wastewater in the company's Middletown, Ohio plant and improve relationships with the city, a cross-functional team engaged in a yearlong effort to enhance operating procedures and eliminate surfactant wastewater streams to the city's treatment plant.
- To support the company's Responsible Care® goals and to reduce operating costs for the Houston, Texas plant, a cross-functional team was recognized for their efforts to reduce the quantity of hazardous waste generated by 33%.

www.pilotchemical.com

This is Pilot

Pilot Chemical Company is a privately owned and independent global specialty chemical company providing high-quality products and services to the disinfecting, sanitizing and cleaning; metalworking and lubricants; oil field and emulsion polymerization industries.



HQ
in West Chester,
Ohio



400+
employees



9
locations across the
U.S. and Mexico

