

# Matson®

## 2021 TCFD Report





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Matson is committed to doing its part in helping the world decarbonize and limit climate change. Our core values include being an industry leader in environmental stewardship, contributing positively to the communities in which we live and work, and conducting our business with integrity and accountability. These values are an important part of achieving our mission — *to move freight better than anyone* — and delivering long-term value to all of our stakeholders.

## Vision

To create value for our shareholders by:

- › Being our customers' first choice,
- › Being a great place to work,
- › Improving the communities in which we work and live,
- › Being an environmental leader in our industry, and
- › Leveraging our core strengths to drive growth and increase profitability.

## Values

Matson is guided by the following principles in serving our shareholders, customers, employees and communities:

**Integrity:** We conduct all we do on behalf of Matson with respect, candor and honesty.

**Safety:** We make workplace safety our highest priority both on land and at sea.

**Accountability:** We strive to fulfill commitments 100% of the time, and when we fall short, we acknowledge, recover and learn from our mistakes.

**Environment:** We are a leader in environmental stewardship and consider the environment in all we do.

**Teamwork:** We leverage our resources and diverse talent to achieve superior results.

**Community:** We contribute positively to the communities in which we work and live.

**Achievement:** We promote individual and organizational success.

**Rich History:** We have a long, proud history that we honor in all we do.

**Innovation:** We value creativity, initiative and agility.

For nearly 140 years, we have served as an essential lifeline to island and remote economies throughout the Pacific. We have built a reputation for our deep commitment to environmental stewardship, being a trusted and reliable employer and community partner, and operating our business with integrity. In line with our values, we have developed a strategic roadmap to guide our sustainability efforts, spanning three key pillars:

- › Move toward net zero and safeguard our ocean environment;
- › Be a vital community partner and employer in support of people's livelihoods, opportunities and wellbeing; and
- › Operate our business safely, ethically and reliably, delivering value to our stakeholders.

As an industry, maritime transportation accounts for approximately 90% of annual cross-border world trade by volume, but it only uses less than 10% of the energy consumed in the transport sector and makes up only about 2% of global transportation emissions.<sup>1</sup> Regardless, we recognize that climate change is a growing area of focus across the globe that is influencing regulation, policy decisions, and practices. For example, the International Maritime Organization (IMO) has set a goal for the maritime industry to achieve a 50% reduction in absolute greenhouse gas (GHG) emissions by 2050. This is supported by interim carbon intensity reduction targets of 40% by 2030 and 70% by 2050. All three targets are to be measured in carbon dioxide (CO<sub>2</sub>) against a 2008 baseline.

We believe that climate change is the most pressing environmental challenge of our time, increasingly causing disruptions that negatively impact local communities and threaten the global economy. Our long history and experience as a provider of ocean transportation services across the Pacific Ocean have prepared us well for these challenges.

We are committed to doing our part by setting emissions reduction targets (see [Metrics & Targets](#)) and designing an emissions reduction plan to reduce our carbon footprint with a focus on improving the efficiency of our fleet and terminal operations (see [Strategy](#)). The results of a recent emissions inventory indicate that these efforts are already helping to significantly reduce our GHG emissions. To further these efforts, we are expanding Matson's reporting to align with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and provide additional information about our climate strategy.

<sup>1</sup> American Maritime Partnership, [Sustainable American Maritime](#)

**About This Report**

We recognize that our investors and other stakeholders are interested in understanding how climate change may be impacting Matson and how we are acting to secure our ability to continue serving our customers and communities. In this report, we follow the TCFD recommendations and 2021 implementation guidance to communicate our governance and risk management approach for climate-related matters, several climate-related risks and opportunities for our business from our scenario analysis, and key climate-related metrics and targets.

**Chart 1:**  
Core Elements of TCFD Recommended Disclosures<sup>2</sup>

The TCFD was established in 2015 by the Financial Stability Board to develop more effective climate-related disclosures that could promote certain financing and investment decisions and provide more information regarding carbon-related assets and financial system exposure to climate-related risks. In 2017, the TCFD released their recommendations for companies to disclose the potential financial impacts of climate to better inform investors, lenders and insurance underwriters in their decision-making processes. The recommendations cover four key areas – Governance, Strategy, Risk Management and Metrics and Targets – with 11 specific disclosures within these areas.



**GOVERNANCE**

The organization’s governance around climate-related risks and opportunities

**STRATEGY**

The actual potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning

**RISK MANAGEMENT**

The processes used by the organization to identify, assess and manage climate-related risks

**METRICS AND TARGETS**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

2 TCFD, “Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures” (2021)





## Board of Directors

One of the primary responsibilities of Matson's Board of Directors is to oversee and direct management in building long-term value for the Company's shareholders and balance the interests of key stakeholders, including our investors, customers, suppliers, clients, employees and the communities in which we operate. As codified in our Corporate Governance Guidelines, the Board of Directors is responsible for overseeing sustainability matters relevant to the Company's business, including environmental, social and governance (ESG) such as climate-related risks and opportunities.

The Board leverages the expertise of its standing, independent committees to oversee sustainability and climate-related topics that are pertinent to each committee's charter. For example, on a regular basis, the Audit Committee reviews the Company's risk assessment, risk management and compliance policies; the Compensation Committee reviews the Company's compensation and benefit programs; and the Nominating and Corporate Governance Committee reviews Board governance matters. The Audit Committee's role is key as they provide oversight of both the Company's enterprise risk management (ERM) program, which includes management of climate-related risks, as well as financial and other reporting to support transparency and consistency with best practices and standards (see [Risk Management](#) for further details on our ERM process). The Board also receives regular reports on the ERM program and other risk-related matters.

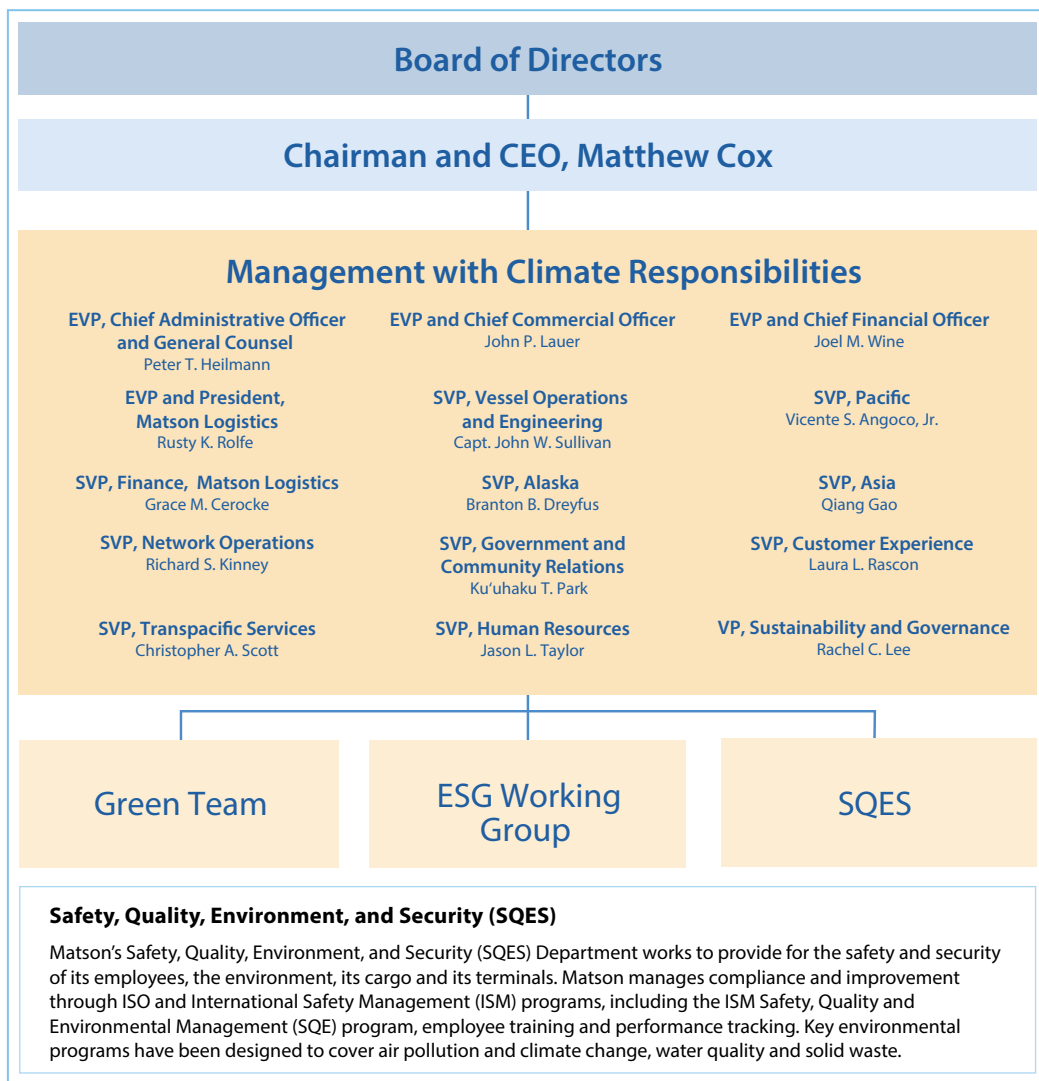
The Board endeavors to hold regular meetings approximately seven times per year and special meetings as required to discharge its responsibilities. At least one regularly scheduled meeting of the Board is held quarterly. In 2021, ESG topics were presented or discussed at every regular Board meeting and included reviews of Matson's ESG disclosures, the 2019-2020 Sustainability Report, the 2020 Sustainability Supplement, TCFD disclosures, long-term fleet plans, GHG reduction goals, regulatory updates and compliance matters.



## Management

In 2019, the Company formed an ESG Working Group – a cross-functional team led by Rachel Lee, Vice President, Sustainability and Governance – to guide the Company’s overall ESG strategy and oversee reporting on ESG topics, including climate. The ESG Working Group regularly provides the Board with updates on the Company’s ESG priorities, commitments and reporting. The Company also has a Green Team, which is responsible for researching and prioritizing ways to lower environmental impacts across our business, including for our customers and in partnership with our vendors.

Matson’s executive management team is actively involved in assessing and managing climate-related risks and opportunities on a day-to-day basis with oversight ultimately residing with the CEO. Climate-related matters are regularly communicated to senior leadership and the Board. An overview of these dynamics is visualized below.



## Risk Management Process

The Board has oversight of the risk management process, which includes overseeing the process for identifying, assessing and mitigating significant financial, operational, legal, strategic, cybersecurity and other risks that may affect Matson, including those related to climate change. Risk oversight plays a role in major Board decisions and the evaluation of key risks is a core part of the decision-making process. For example, the identification of risks and the development of sensitivity analyses are key requirements for capital expenditure requests that are presented to the Board. The Board administers its oversight role in part through its committees. The Audit Committee's risk responsibilities include discussing policies regarding risk assessment and risk management, as well as assessing and discussing risks arising from financial reporting. The Compensation Committee's risk responsibilities include assessing risks arising from the Company's compensation policies and practices. The Nominating and Corporate Governance Committee's risk responsibilities include discussing governance-related risks.

Matson's ERM process, which follows the Committee of Sponsoring Organization Framework<sup>3</sup>, is designed to promote visibility to the Board and management of critical risks and risk mitigation strategies. The Internal Audit Department leads a biannual risk identification and assessment process that includes input from business units and corporate functions. Internal Audit interviews key managers and facilitates meetings of the risk management steering committee, which is comprised of members of executive management, to identify, assess and address specific significant risks. Diligent risk management practices are reflected in Matson's compliance, auditing and risk management functions as well as our risk-based approach in our decision-making processes.

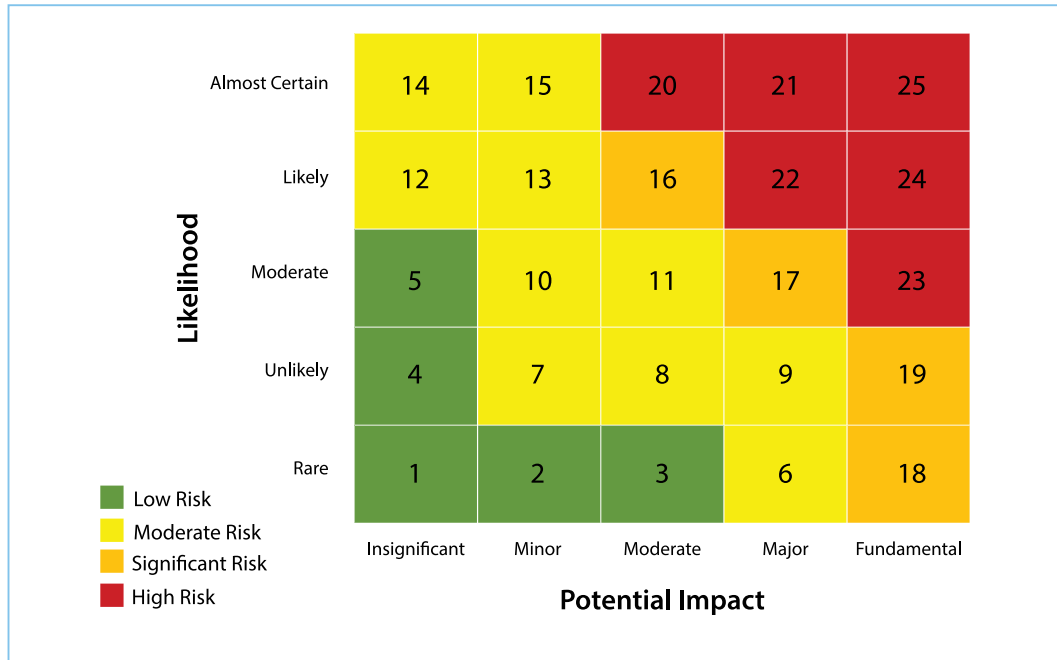
Risks are classified into categories based on their nature and potential impact to the business. Each risk is then assessed using a universal scoring matrix that allows the Board and management to compare different risks across the Company.

The ERM process is designed to measure the impact of each risk and the likelihood of the event occurring. These measurements result in risks being considered low, moderate, significant or high (see Chart 2). Certain risk areas are then further evaluated through the creation of risk registers. Risk registers allow Matson to assess specific risks in greater detail to better safeguard and strengthen our operations against potential risks.

3 For more information, see <https://www.coso.org>.



**Chart 2:**  
Risk Scoring  
Framework



The results of the ERM process and risk management activities are discussed with the Board and the Audit Committee twice a year. Results are also shared with business units to help monitor risks and mitigation strategies through Key Risk Indicator (KRI) Dashboards, which are intended to provide executive management early warning signals of operational or financial trends that could jeopardize the achievement of Matson’s strategic business objectives. In addition, the Board periodically receives various reports on risk-related matters that include risk management perspectives from each of Matson’s business segments in the Company-wide strategic plan.

In addition to our ERM activities, we integrate various risk management practices into our regular business activities:

- › Our quality and environmental management systems are certified to ISO standards (9001 and 14001, respectively), which include risk management.
- › We seek to invest in our infrastructure regularly, upgrading to newer, safer and more environmentally-friendly technology and maintaining our terminals, vessel fleets and equipment inventories to help keep them in the best possible condition.
- › As part of our business continuity planning, we develop scenario plans for events like natural disasters, among others. Vessel and facility security plans take into account the Maritime Transportation Security Act and applicable U.S. Coast Guard regulations and are updated on an annual basis. Because of our capabilities, we have also worked with the Federal Emergency Management Agency (FEMA) on supplying affected communities to support recovery efforts after natural disasters strike.

## Climate-Related Risks

Our approach to promoting successful long-term operations begins with having plans in place for reducing risks and managing challenging circumstances. As described above, Matson further evaluates certain risks to gain a better understanding of the impact they may have on our overall business strategy. In 2021, we conducted a scenario analysis workshop with senior executives from across our business to identify significant climate-related risks and related control and mitigation activities. Based on the TCFD recommendations, we considered two different scenarios – a 2°C and a 4°C scenario – across three different time horizons with short-term being one-year, medium-term being until 2030 and long-term being until 2050 (Time Horizons).

### Scenario Assumptions:

Under the Energy Technology Perspectives (ETP) 2°C scenario (2DS), we assumed the following assumptions were true:

- › 2DS is consistent with a 50% chance of limiting future global average temperature increases to 2 degrees by 2100.
- › 2DS requires CO<sub>2</sub> emissions to peak before 2020 and to fall to ~1/4 of today's levels in 2060.
- › Pathway to 2°C or below requires investment in technology innovation across a portfolio of clean energy technologies and energy efficiency.
- › To maintain temperature increases to 2°C or below, a strengthened and accelerated policy response will be required, including carbon taxes and market regulations.

Using the RCP 8.5 Scenario, the 4°C pathway, we assumed the following assumptions were true:

- › Extreme precipitation events, defined as once in a 50-year event, are expected to become more common.
- › The likelihood of extreme precipitation events is expected to grow more than fourfold in some regions.
- › Rising temperatures also cause sea-level rise and increasing tropical storm severity. In this scenario sea-levels could rise by up to 1.8 meters.

### ETP 2DS Scenario

(projected to limit warming to 2°C)

The International Energy Agency (IEA) has an annual publication called "Energy Technology Perspectives" (ETP) that provides scenario analysis of lower-carbon technology development and deployment in various sectors. ETP 2016 lays out an energy system development pathway and an emissions trajectory consistent with at least a 50% chance of limiting the average global temperature rise to 2°C. The 2DS sets the target of cutting CO<sub>2</sub> emissions by almost 60% by 2050 (compared with 2013), followed by continued decline after 2050 until carbon neutrality is reached. The 2DS identifies changes that help provide for a secure and affordable energy system in the long term, while emphasizing that transforming the energy sector is vital, but not enough on its own.

(Source: TCFD Technical Supplement)

### RCP 8.5 Scenario

(projected to limit warming to 4°C)

The Representative Concentration Pathway (RCP) 8.5 is the high-emissions scenario, consistent with a future with no policy changes to reduce emissions and characterized by increasing GHG emissions that lead to high atmospheric GHG concentrations. It is aligned broadly with a Current Policies or Business-As-Usual Scenario.

(Source: TCFD Technical Supplement)

As an outcome of the scenario analysis workshop, Matson created a climate-specific risk register working document in alignment with the Company's standard ERM process. The climate risk register includes qualitative analysis of both physical and transitional climate-related risks applicable to Matson under the two scenarios stated above, as well as expected financial-related impacts. Each risk was evaluated by the likelihood that the risk would occur and the magnitude of the financial impact on Matson were the risk to occur across the Time Horizons. For each risk, Matson assumed that the physical effects of climate change will continue to increase in frequency and severity and market-based activity will escalate in response. Each risk was then assigned an owner and both existing and potential mitigating activities were identified to support Matson's continued resilience. For further details on our key climate risks and mitigating activities, see the [Strategy](#) section in this report.



Matson has previously considered a variety of climate-related risks through our risk management process (see [Risk Management](#)). For the scenario analysis, we built upon the previously considered risks, and identified and assessed approximately 25 climate-related risks that could impact our business over the Time Horizons. These risks were categorized as either transition risks or physical risks in line with TCFD recommendations. Transition risks result from the shift to a low-carbon future, and physical risks result from the effects of increasing average global mean temperatures (including the disruption of operations or destruction of property). The table below provides a sampling of the types of risks assessed.

**Table 1:**  
*Risks by Category and Type*

RISK TYPE	CATEGORY	DEFINITION	TYPES OF RISKS CONSIDERED
Physical	Acute	Risk of event-driven hazards as a result of climate change	Storm frequency and severity increasing
Physical	Chronic	Risk of long-term shifts in climate as a result of climate change	Sea level rise
Transition	Policy and Legal	Risk of regulatory and legislative actions to reduce carbon emissions and exposure to litigation	Increased emissions and vessel regulations
Transition	Technology	Risk associated with the shift to lower carbon technologies and potentially unsuccessful investments	Unsuccessful investment in lower carbon technologies
Transition	Market	Risk of changes or uncertainty in market behavior and signals	Transportation market demands for lower carbon vessels
Transition	Reputation	Risk of shifts in preferences of stakeholders or confidence in Company	Failure to meet GHG reduction targets

While we do consider that physical risks such as sea level rise could impact our business, our analysis indicated that transition risks are more likely to result in a greater financial impact on the Company. In this report, we have chosen to highlight two transitional risks and one physical risk to illustrate the potential impacts of climate change on our business as well as how we are prepared to mitigate them.

## Resilience Against Key Risks

### Risk #1: Increased decarbonization regulations for vessels and terminals

- › Time Horizon: Medium/long-term
- › Risk Type: Policy and Legal

#### *Description of Risk*

As the global impacts of climate change become more pressing, U.S. and international governments and regulators could increase environmental requirements for vessel performance and operation. These new requirements could require Matson to accelerate the building of new vessels, initiate unexpected retrofit projects for existing vessels, retire vessels earlier than expected or render reserve vessels unusable, among other potential impacts. New regulations could also increase the construction costs for new vessels and equipment to accommodate even newer technology as it emerges while today's technology becomes obsolete.

#### *Resilience Activities to Mitigate Risk*

Matson is monitoring U.S. and international decarbonization regulations as they are being considered and adopted. We are members of various industry organizations, including the Chamber of Shipping of America, World Shipping Council, and Blue Sky Maritime Coalition, are involved in Class Societies and have assigned Matson employees responsible for monitoring this information. By engaging with these groups, Matson can monitor and respond to current and future regulatory trends, which better enables us to keep pace with a changing regulatory environment.

This forward-looking practice has been a part of Matson's capital allocation strategy as large capital investments are required for our business. For example, construction costs for Jones Act qualified vessels can exceed \$250 million per vessel and these assets are expected to remain in service for decades. Therefore, we design new ships with input from expert marine engineering consultants, naval architects and other specialists in an effort to incorporate state-of-the-art features that meet or exceed current efficiency standards. New ships are also designed to accommodate later technology advancements and other changes, including any new fuel types that may become commercially available during the lifetime of the asset. To this end, before liquefied natural gas (LNG) became commercially available on the U.S. West Coast, Matson's new Aloha and Kanaloa Class vessels were purposely built with dual-fuel capable engines that can operate on conventional fuels as well as LNG. In November 2021, Matson announced plans to begin LNG installations on certain vessels.

Furthermore, we plan to use tanks that are designed to accommodate future carbon-neutral fuels such as hydrogen, biofuel, and even more caustic ammonia solutions if they become viable fuel options. By including optionality and flexibility into the design of our vessels, we hope to avoid stranding any assets while positioning ourselves to absorb costs associated with changing technology and adjusting to regulations and trends as they evolve.

Additionally, we believe decarbonization will require collective effort from the entire marine transportation industry and we are working with industry peers to support that effort. Matson, along with sixteen other members of the World Shipping Council, signed an open letter to the IMO advocating for industry-wide collaboration and proposed a new \$5 billion industry-funded research and development program. Additionally, Matson has partnered with Smart Freight Centre's Clean Cargo Working Group, a business-to-business leadership forum dedicated to promoting responsible shipping and reducing the sectors' overall environmental impact. Matson also participates in working groups and annual meetings with the IMO's Marine Environment Protection Committee (MEPC). These collaborative efforts further contribute to Matson's ability to respond to new regulations as we recognize that we cannot achieve these goals entirely on our own.

### ***Projected Financial Impacts if Risk Materializes***

In addition to expenses associated with monitoring regulatory developments and implementation, Matson could experience increased financial costs associated with new technology development, change orders during vessel builds, potential vessel impairments or early retirement of vessels and increased value chain engagement to discover and implement appropriate solutions that meet regulatory demands.



## Risk #2: Vessel speed reductions

- › Time Horizon: Medium/long-term
- › Risk Type: Market

### *Description of Risk*

Our business model is based on fast, consistent and reliable shipments of critical and time-sensitive goods and supplies. Delays or changes in our operations could affect the communities that rely on the next arrival of a Matson vessel. Emissions reduction requirements, such as the IMO's Energy Efficiency Existing Ship Index (EEXI) or Carbon Intensity Indicator (CII), could require our vessels to slow down if efficiency improvements or transitions to alternative fuels together are not enough to reduce GHG emissions sufficiently. This risk could threaten our competitive advantage as a provider of expedited ocean transportation services and negatively impact Matson's pricing premium (particularly in our China service) and profits.

### *Resilience Activities to Mitigate Risk*

We have developed an emissions reduction plan intended to allow Matson vessels to comply with IMO requirements while maintaining our core service standards and meeting customer needs. Beginning in 2018, we introduced four new state-of-the-art vessels that included multiple environmental features designed to help reduce GHG emissions, allowing us to replace seven steamships that were older and less efficient. These Aloha and Kanaloa Class vessels were also intentionally designed with dual-fuel capable engines that can operate on both conventional fuels and LNG. In early 2023, we expect to begin an LNG installation on *Daniel K. Inouye*, followed by the re-engining of *Manukai* to operate on LNG and conventional fuels. These LNG investments provide a critical bridge to lowering our emissions while maintaining our speed and schedule integrity.

### *Projected Financial Impacts if Risk Materializes*

The current estimated total costs of the LNG installation on *Daniel K. Inouye* and the re-engining of *Manukai* are approximately \$35 million and \$60 million, respectively. We are actively considering LNG installations on *Kaimana Hila*, *Lurline* and *Matsonia* which are estimated to cost approximately \$115 million in total. Matson's operating costs could also increase to the extent additional ships are needed to maintain schedule integrity. In addition, Matson's revenue, profitability and competitive advantage could be negatively impacted if our emissions reduction plan is not sufficient to meet our goals and our vessels are required to reduce speed similar to other carriers.

### **Risk #3: On-shore power events**

- › Time Horizon: Medium-term
- › Risk Type: Physical – Acute

#### ***Description of Risk***

A 2°C pathway typically focuses on accelerated deployment of clean energy technologies for a manageable and sustainable transformation. We expect that widespread electrification powered by renewable energy sources will play a key role in reducing shoreside GHG emissions. As the maritime industry increases its reliance on the power grid at terminals, including for cold-ironing and ground service fleets, we may experience increased risks related to power outages, brownouts or blackouts that could slow or even temporarily stop operations. The likelihood of these risks is compounded by uncertainties regarding the reliability of renewable energy sources as well as any increased frequency of extreme weather events that may disrupt the generation or transmission of electricity.

#### ***Resilience Activities to Mitigate Risk***

Electrification is expected to be a key component in reducing GHG emissions to be in line with the 2°C pathway. Matson is currently implementing low carbon initiatives at its terminals. For example, Matson is expanding the use of electric cargo handling equipment, including electric powered gantry cranes. Matson is considering the installation of backup generators, battery storage and hybrid fuel equipment that can continue to operate in the event of a power outage or blackout. We are also implementing proactive terminal operations management practices to mitigate the effects of these events and partnering with local utilities and stakeholders to support disaster planning and resilience.

#### ***Projected Financial Impacts if Risk Materializes***

Investments in electric terminal equipment and in backup energy sources could increase capital expenditures. Training would be required for terminal staff to operate and maintain such equipment. Costs related to work stoppages or stalled cargo movement in the event of a power outage at our terminals present additional financial risks.

## Opportunity for Climate Leadership

### Opportunity: Be a leader within our tradelines in the transition to low-emissions technologies

- › Time Horizon: Medium/long-term
- › Opportunity Type: Energy source

#### *Description of Opportunity*

One of Matson's core values is to be a leader in environmental stewardship and consider the environment in all we do. As the impacts of climate change continue to unfold, we believe we are well-positioned to be part of the maritime transportation industry's transition to low carbon fuels and technologies. Rather than wait for carbon neutral fuel to become commercially available at scale, we have made the decision to begin reducing emissions in the near-term using LNG as a bridge fuel while alternative fuels are being developed.

#### *Resilience Activities to Capitalize on Opportunity*

We have set goals that demonstrate Matson's commitment and contribution to helping the world decarbonize and limiting the impacts of climate change (see [Metrics & Targets](#)). We are committed to accomplishing these goals and acknowledge that these targets are expected to impact how Matson operates and invests in new technologies moving forward. We are evaluating and planning to pursue many different approaches to increase efficiency, modernize our terminal operations and meet our 2030 goal.

Switching to lower carbon fuels is one approach Matson will continue pursuing in its emissions reduction efforts. Since 2018, we have launched four new, LNG capable, state-of-the-art vessels which have already helped us reduce GHG emissions by over 20% from 2016 to 2020. In early 2023, we expect to begin an LNG installation on *Daniel K. Inouye*, followed by the re-engineing of *Manukai* to operate on LNG and conventional fuels. We are actively considering LNG installations on *Kaimana Hila*, *Lurline* and *Matsonia*.

In addition to the fleet investments described above, other approaches being considered include:

- › Applying high performance, environmentally preferred anti-fouling or friction-reducing coatings to vessel hulls, which help reduce fuel consumption by reducing drag in the water;
- › Deploying new engine monitoring technology to help increase fuel efficiency;
- › Adopting technology upgrades to our vessel weather routing services to help reduce fuel consumption;
- › Reducing vessel speed, where feasible, throughout our network;
- › Designing new vessels to be energy efficient, with features such as shaft generators and improved bulbous bow, hull, rudder and propeller designs;
- › Using onshore electricity, whenever feasible, to power vessels when in port
- › Implementing more environmentally sensitive container design practices and refrigerants; and
- › Installing additional energy saving devices on vessels such as onboard LED lighting.

To achieve our 2050 goal, we expect we will need reliable access to transformational fuels and technology. While we might not know which fuel this will be, we will continue to plan for a variety of outcomes. In addition, we plan to continue to drive projects to lower emissions, improve efficiency and modernize our terminal and other shoreside operations. As we work toward supporting a low-carbon future and meeting our own emissions reduction goals, we will continue monitoring regulatory trends, advocating for research into transformative, carbon neutral fuels and incorporating low-carbon technologies into our operations where practicable.

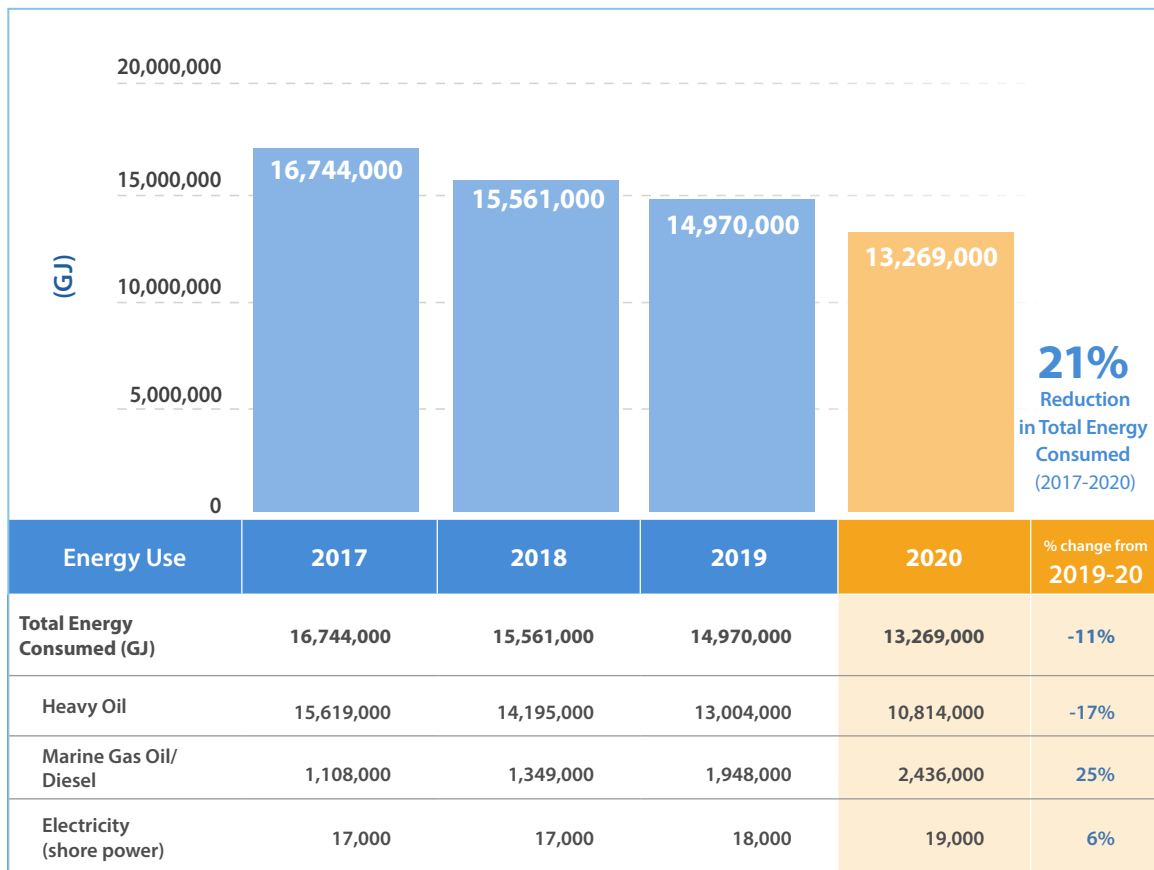


We track various metrics in our climate considerations, including investments in Energy Efficiency Design Index (EEDI) for new builds, and operational information such as fuel, energy usage, air emissions and GHG emissions.

## Energy and Emissions

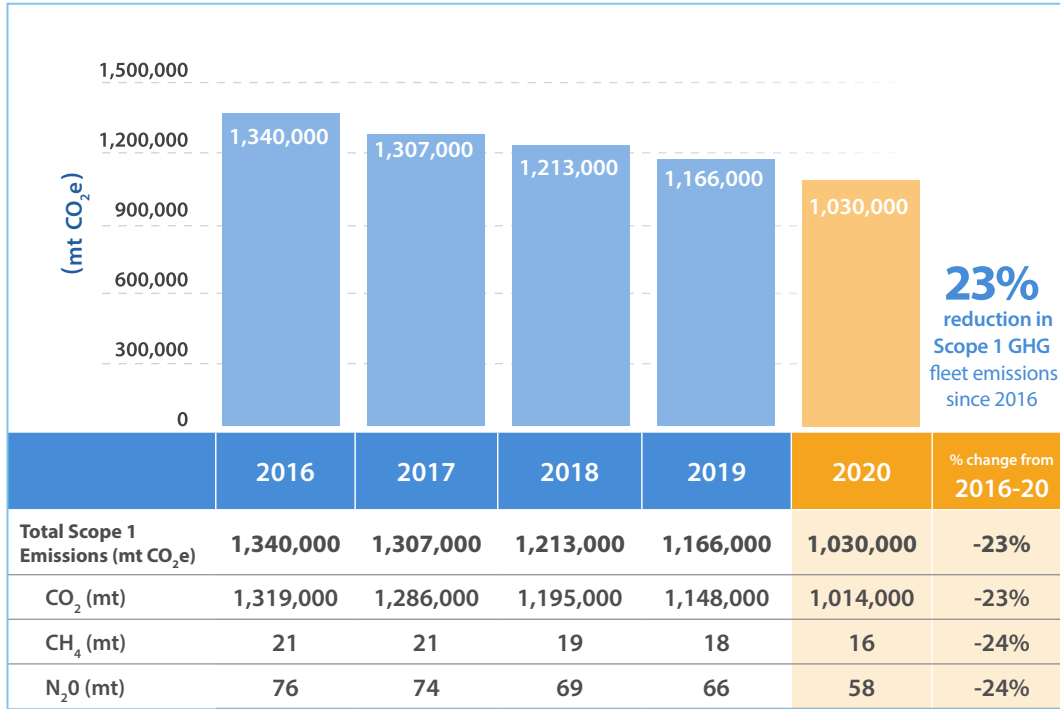
The majority of Matson’s GHG emissions are generated from the burning of fuel aboard our vessels. In 2020, efficiency improvements in our fleet reduced Scope 1 GHG emissions by 12% compared to the prior year, with an EEDI of 17 grams CO<sub>2</sub> per tonne per mile for our Aloha Class vessels. To reduce our emissions further, we are focused on improving fleet and operational efficiencies. More information about our emissions performance can be found in our [2020 Sustainability Report Supplement](#).

**Chart 3:**  
Energy Use



For most figures, data was rounded to the nearest thousand.

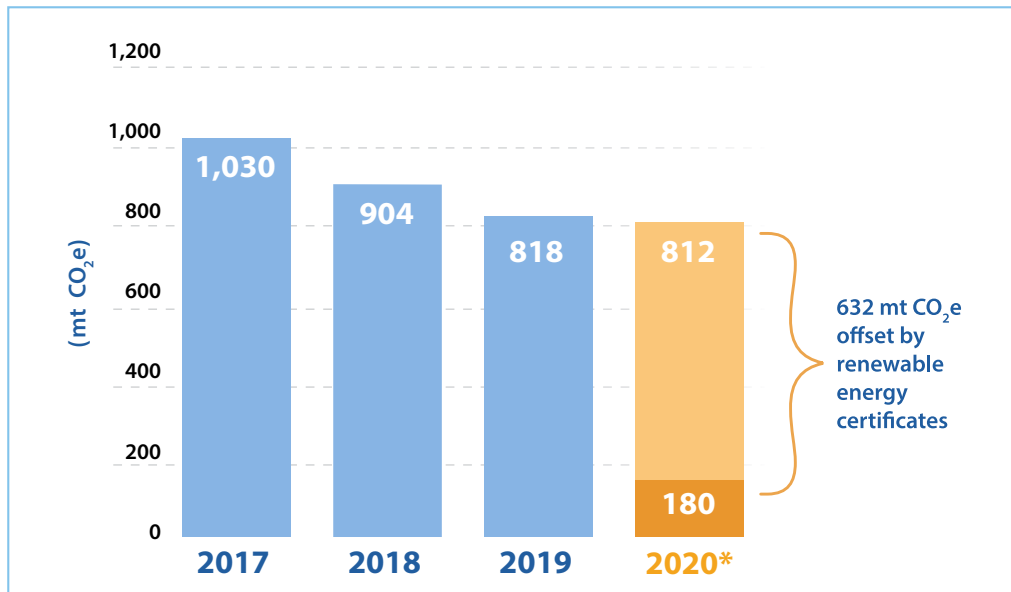
**Chart 4:**  
Scope 1  
Greenhouse  
Gas Fleet  
Emissions  
Progress  
Against 2016  
Baseline



For most figures, data was rounded to the nearest thousand.

Scope 2 GHG emissions include vessel shore power at the Ports of Long Beach and Oakland, California. Shore power is currently not available outside of California. In the second quarter of 2020, the Pacific Merchant Shipping Association began purchasing renewable energy certificates on behalf of Matson to offset Scope 2 emissions from shore power (see Chart 5).

**Chart 5:**  
Scope 2  
Greenhouse  
Gas Emissions



\* Figures are based on previous year estimates for public power grid emissions factors.



In May 2020, in response to the overwhelming demand resulting from the COVID-19 pandemic, Matson introduced the CLX+ service as a second expedited ocean service from China to the U.S. West Coast. The CLX+ service is supported by chartered vessels. Because Matson does not own the vessels, the emissions attributed to these vessels fall within Scope 3. We are actively engaging with the owners of the vessels to evaluate ways to reduce their emissions. For example, one of our most recent chartered vessels is equipped with alternative marine power capability and we are paying the owner’s cost to equip a second charter vessel with alternative marine power before it enters service in March 2022. Matson has not yet completed a full inventory of its Scope 3 GHG emissions. However, we began measuring CLX+ emissions when we introduced the service. Going forward, we plan to continue reporting CLX+ emissions and expect to expand our Scope 3 reporting.

**Table 4:**  
Total CLX+  
Scope 3  
Greenhouse  
Gas  
Emissions

	May-Dec. 2020
<b>Total CLX+ Scope 3 Emissions (mt CO<sub>2</sub>e)</b>	<b>271,000</b>
CO <sub>2</sub> (mt)	267,000
CH <sub>4</sub> (mt)	4
N <sub>2</sub> O (mt)	15

For most figures, data was rounded to the nearest thousand.

In addition to contributing to climate change, emissions from the combustion of fuel oil that powers marine vessels can have a negative impact on the environment and human health. We have invested in various technologies to reduce our air emissions. In 2020, each of the five types of air emissions emitted by our fleet decreased by at least 9% compared to the prior year. More information about our air emissions can be found in our [2019-2020 Sustainability Report](#) and [2020 Sustainability Report Supplement](#).

**Table 5:**  
Air Emissions  
(mt)

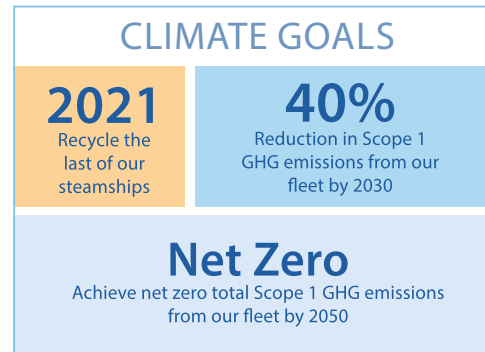
	2017	2018	2019	2020	% change from 2019-20
Nitrogen oxides - NO <sub>x</sub> (excluding N <sub>2</sub> O)	36,600	33,900	31,900	26,700	-16%
Sulfur oxides - SO <sub>x</sub>	16,300	14,600	11,500	2,000	-83%*
Particulate matter - PM <sub>10</sub>	2,500	2,300	2,000	900	-55%*
Volatile organic compounds -VOCs	1,300	1,200	1,100	1,000	-9%
Black carbon	110	103	101	91	-10%

For most figures, data was rounded to the nearest hundred.

\*Decrease due primarily to use of scrubbers and low-sulfur fuels.

## Targets

In 2021, we published short-, medium- and long-term goals that reflect Matson’s commitment and contribution to helping the world decarbonize and limit climate change:



› **Recycle the last of our steamships in 2021**

We are nearing the completion of our Hawaii fleet renewal program, which started in 2013. Under this program, we commissioned four new state-of-the-art vessels with multiple environmental features designed to help reduce GHG emissions, allowing us to retire seven steamships that were older and less efficient. The steamships were recycled at U.S. facilities that comply with international ship recycling standards. We committed the last of our steamships to recycling in a similar manner in 2021.

› **Reduce Scope 1 GHG emissions from our fleet by 40% by 2030, using a 2016 baseline**

We selected 2016 as the baseline year because it was the first full year following our acquisition of Horizon Lines’ Alaska operations. Our aim is to improve fleet and operational efficiency as a means for achieving this goal.

› **Achieve net zero Scope 1 GHG emissions from our fleet by 2050**

Currently, there are no commercially available carbon neutral fuels for use on ocean-going containerships, nor the technologies to use such fuels or deliver them to terminals. As a member of the World Shipping Council, the Chamber of Shipping of America and the Blue Sky Maritime Coalition, Matson supports efforts to create an industry-funded research and development program to accelerate zero-carbon fuels and technologies. While transformative technology develops, Matson continues to focus on its fleet renewal programs, including replacing the engines in some ships to improve efficiency, and modernizing terminal operations.



To continue our industry leadership in environmental stewardship, we have already begun adapting our business strategy to incorporate more formal means of managing climate risk in business and strategic planning, including by:

- › Setting medium- and long-term GHG emissions reduction goals;
- › Designing optionality into our new vessel build program to allow for adjustments when, or if, carbon neutral fuels become commercially available;
- › Enhancing our processes around the identification, assessment and mitigation of climate-related exposures through our ERM efforts;
- › Integrating climate-risks into our capital expenditure request (CER) and annual operating plan processes; and
- › Incorporating climate considerations into our key business objectives.

Other initiatives are also being considered for adoption over the next few years. We intend to provide updates on these initiatives and other climate-related disclosures as part of our regular sustainability reporting.

**For further information on Matson, see:**

- › [2019-2020 Sustainability Report](#)
- › [2020 Sustainability Report Supplement](#)
- › [Sustainability Website](#)
- › [2021 Proxy Statement](#)
- › [2021 Annual Report](#)

We welcome feedback on our sustainability performance and reporting. Please send questions or comments to [ESG@matson.com](mailto:ESG@matson.com). Additional information can be found at [www.matson.com/sustainability](http://www.matson.com/sustainability).

March 2022

**Forward-Looking Statements and Other Important Legal Information**

*Website references are provided for convenience only. The content on the referenced third-party websites is not incorporated by reference into this document, nor does it constitute a part of this document. Matson assumes no liability for the content contained on the referenced third-party websites.*

*This document contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "anticipate," "believe," "estimate," "expect," "goal," "may," "plan," "commit," "target," and "will," or similar statements or variations of such terms and other similar expressions. The forward-looking statements in this document concern the Company's goals, progress or expectations with respect to corporate responsibility, sustainability, environmental matters, policy, procurement, and business risks and opportunities. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements, such as the availability and cost of carbon neutral fuels and technologies, and the impact of future emissions regulations or requirements. Forward-looking statements are also aspirational and not guarantees or promises that goals or targets will be met. For example, these statements reflect our current business plans, estimated timeline and costs for LNG installations, and our ability to achieve our goals and targets may be impacted by changes in demand for our services or, in some cases, we may determine to adjust our goals and targets or establish new ones to reflect changes in our business. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise. In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. Issues identified as material for purposes of, and information otherwise included in, this document may not be considered material for Securities and Exchange Commission (SEC) reporting purposes. The term "material" used in the context of this document is distinct from, and should not be confused with, such term as used in the context of our SEC reporting.*

FOCUS AREA	RECOMMENDED DISCLOSURE	PAGE REFERENCE	ADDITIONAL INFORMATION
<b>Governance</b>	a) Describe the board’s oversight of climate-related risks and opportunities.	Pg. 4	<a href="#">2021 Proxy Statement</a> <a href="#">2019-2020 Sustainability Report</a>
	b) Describe management’s role in assessing and managing climate-related risks and opportunities.	Pg. 5	<a href="#">2019-2020 Sustainability Report</a>
<b>Strategy</b>	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Pg. 10-16	
	b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	Pg. 10-16	
	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pg. 10-16	<a href="#">2019-2020 Sustainability Report</a> <a href="#">2020 Sustainability Report Supplement</a>
<b>Risk Management</b>	a) Describe the organization’s processes for identifying and assessing climate-related risks.	Pg. 6-7	<a href="#">2020 Sustainability Report Supplement</a>
	b) Describe the organization’s processes for managing climate-related risks.	Pg. 8-9	
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Pg. 8-9	<a href="#">2021 Proxy Statement</a>
<b>Metrics and Targets</b>	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pg. 17	<a href="#">2020 Sustainability Report Supplement</a>
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pg. 18-19	<a href="#">2019-2020 Sustainability Report</a> <a href="#">2020 Sustainability Report Supplement</a>
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Pg. 20	<a href="#">2019-2020 Sustainability Report</a> <a href="#">2020 Sustainability Report Supplement</a>