

2020 Report

Corporate Social Responsibility



People. Planet. Community.

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Some would suggest doing good and doing business well are mutually exclusive goals. But after 35 years of solving our customers' logistics problems and driving billions of miles, we haven't found this to be the case. Since our beginning, Covenant has always been thoughtful of the impact we have on the environment, hyper-focused on the needs of our employees, and committed to community involvement - even though we've never formally created a report to explain our intentions.

Today many companies explain this balance in the form of a Corporate Social Responsibility (CSR) report. The term CSR was first coined in 1953 by American columnist Howard Bowen in his publication *Social Responsibilities of the Businessman*, however, it wasn't until the 1970s that CSR became mainstream in the United States. Last year Covenant's leadership felt it was important to address these critical issues in a way they could be clearly communicated to our employees, customers, and investors.

In the following pages you'll read more about our values and hopefully better understand why we believe it *is* possible to do good *and* do business well. We are excited to share our commitment in each of these areas and moving forward we plan to update our CSR position on an annual basis.



WHO WE ARE

BUILT ON FOUNDATIONS LAID MORE THAN 30 YEARS AGO, COVENANT IS A LOGISTICS AND TRANSPORTATION PROVIDER BUILT TO BRING VALUE AS A PROBLEM SOLVER TO TO OUR CUSTOMERS THROUGH DIVERSE SERVICE OFFERINGS.

Originally our primary offering was expedited freight transportation - using two-person driving teams in transcontinental lanes. Over the decades we grew from 25 tractors to approximately 2500 tractors and expanded our services to include a wide array of transportation and logistics services. This expansion over the last 35 years and the addition of managed freight and warehousing has placed us among the nation’s 25 largest truckload transportation companies based on 2020 revenue.


With the average age of our tractor fleet at 1.9 years, Covenant provides its professional drivers with one of the safest and most efficient fleets on our nation’s highways. This ongoing investment in our fleet allows us to take advantage of the most up-to-date innovations in fuel economy, emissions, and other carbon-reducing technologies. We believe a modern fleet lowers maintenance costs, improves fuel efficiency, improves safety, contributes to better customer service, and assists with driver recruitment and retention.

A few examples of investments made over the last decade:

- 1 Freight optimization software that can perform sophisticated analysis of profitability and accommodation of specific customer requests.
- 2 Routing software that selects the best route, minimizes frequency of fuel stops, and warns of deviations from routing instructions.
- 3 Major investment to systems and staff in our weather department who monitor and provide real-time input to fleet operations and optimization software.
- 4 A tracking and communications system integrated with Electronic Logging Devices (ELDs) permitting the direct communication between drivers and fleet managers, as well as constant location and delivery updates.
- 5 Safety technology - including rollover stability control, collision mitigation, adaptive cruise control, critical event monitoring with video capture, and lane-change warning.
- 6 New aerodynamics, fuel efficiency systems, and greatly improved low resistance tires have significantly improved fuel mileage and a reduction in carbon emissions.


OUR PRIMARY SERVICE OFFERINGS

EXPEDITED




We operate approximately 900 tractors meeting the needs of customers with high service freight and delivery standards. Expedited services generally require two-person driver teams often driving as many as 1000 miles in 22 hours.

DEDICATED




Approximately 1600 tractors provide customers with committed truckload capacity over contracted periods of three to five years in length. Many of our dedicated contract customers are automotive companies or shippers of produce where the product requires higher service standards.

MANAGED FREIGHT



Brokerage services provide logistics capacity by outsourcing the carriage of customers’ freight to third parties. Our Transportation Management Services provide additional expertise and execution for customers with complex requirements as their products move through the supply chain.

WAREHOUSING



Our warehouse management services provide expertise in day-to-day operations, inventory management, software, shuttling, and switching services for customers with medium to large requirements.



Covenant

2020 AT A GLANCE

35 YEARS
IN BUSINESS

1ST
ANNUAL
CSR REPORT

1.9 YEARS
AVERAGE AGE OF TRACTOR

4900
EMPLOYEES

2500
TRACTORS

82%
ALL CORPORATE SOFTWARE
SECURLY STORED IN THE CLOUD

3 MILLION
SQ FT MANAGED
WAREHOUSE SPACE

300 MILLION
MILES DRIVEN

150 KW
SOLAR PANELS
ON CORPORATE OFFICES

1300
REFRIGERATED TRAILERS

4300
DRY TRAILERS

64%
ALL FUEL PURCHASES
BIO-DIESEL BLEND



A MESSAGE FROM OUR CEO

There are few business processes as vital to our economy as a smoothly running supply chain, and collectively we provide critical services no modern society can do without. Every day I'm amazed to learn about the trends my team is researching and testing - disruptive new technologies in the areas of artificial intelligence and freight matching, exploring new alternative fuel sources like electric and hydrogen, navigating ever-changing government regulations from fuel efficiency to autonomous vehicles - all while working with each department inside Covenant to balance these new innovations with the changing needs and expectations of our customers. We plan to focus on the most relevant trends, and when they are ready, incorporate the most promising into the daily operations of our company.

If this wasn't challenging enough, the Covid-19 crisis in 2020 took the world by storm and supply chain providers like Covenant were affected in ways few could have imagined. Our suppliers, competitors, and customers all struggled to balance keeping their employees safe while staying current on the latest news and updates from organizations dedicated to helping our country navigate the storm. While this crisis has been challenging for our company - it also sparked innovation, collaboration, and creativity in ways I never thought possible. Our team members learned to work effectively from home, our maintenance team learned to work together safely in-person, our warehouse staff learned to work together safely in close proximity, and our professional drivers quickly learned how to move freight and interact with customers in a way that minimized exposure - all while continuing to meet customer expectations. Although wounded by this crisis, it has most certainly made us a better company.

Last year we started focusing more on Corporate Social Responsibility (CSR) - balancing Covenant's commitment to our stakeholders with the needs of our environment, the changing expectations and needs of our people, and the role we play in our community. Over the last five years I've seen the term become more mainstream, and although we've never used this definition to describe our business strategy, it's ironic how CSR's foundations have always been at the core of those early decisions my wife Jacqueline and I made when we founded this company over 35 years ago. Today we believe a well-communicated CSR plan is vitally important to our future as we want to be clear to our investors, our team members, and our customers the approach we are taking to meet our goals for the future. We are proud to publish this first CSR report and plan to use it as a benchmark in years to come.

One final note - every day I continue to marvel at the passion, pride, and dedication of our corporate staff, partners, and most importantly - our professional drivers and warehouse staff. I want all team members to know how Jacqueline and I, the Board of Directors, and the leadership of this company are so incredibly proud of their accomplishments.



David Parker
Founder and CEO

David Parker



OUR APPROACH TO CSR

Five years ago our leadership team began thinking critically about environmental sustainability and the impacts made by companies, like Covenant, who play vital roles in our nation's supply chain.

Having always been mindful of “doing the right thing” when it came to recycling programs, fuel-saving investments for the fleet, and more efficient operation of our buildings - we believed our efforts weren't going deep enough. We took a step back and looked at other areas in our business where changes were needed - more attention to the changing needs of our employees, our evolving role in local communities, and how our business changed during the Covid-19 crisis. In the end, we had the basic framework for our first CSR statement, and moving forward, a foundation on which we hope to build.

Many companies view CSR as an integral part of their brand image - believing customers will be more likely to do business with brands they perceive to be more ethical. Some are motivated to engage in CSR due to personal convictions. And for others, it's just a part of the way they've always done business. Our approach is a blend of all three with specific emphasis on the environment given the nature of our business. We have chosen to use ISO 26000 and the United Nations Sustainable Development Goals (UN SDG) as a guide to help us better understand and implement changes we believe will make us better.

SUSTAINABILITY

In 2020 our fleet logged almost 300,000,000 miles across the lower 48 states - a record number for Covenant but one that also reminded us of the larger role our industry needs to play in being more sensitive to the environment. The transportation sector is the second leading source of greenhouse gas emissions in the United States and Covenant is committed to heavily investing over the next ten years in different strategies to help minimize this impact. Some of these initiatives appear later in this report.

PEOPLE

Covenant's leadership worked closely with our Talent Management department to better understand the needs of our employees - deepening our commitment to ensure every team member feels supported and safe in their workplace. We made new investments in health, safety, diversity, and inclusion, and we formed several new workgroups to provide everyone a voice.

COMMUNITY

Since our founding in 1986, Covenant's leadership felt a strong commitment to the community would always be part of our DNA. From encouraging our employees to volunteer with local/global charities to corporate financial support of local non-profits to an optional employee-funded benevolence fund - Covenant continues to experiment with new ways to leverage the collective involvement of all employees for the betterment of our community.



INNOVATION AND THE FUTURE

Good companies improve their offerings based on what customers want now. Great companies anticipate what customers will need in the future. Our customers expect us to monitor all changes in the supply chain – to follow emerging trends, research new product innovations, and always look for opportunities to minimize our impact on the environment. Every month we comb through industry news and white papers, meet with entrepreneurial startups, conduct periodic site visits with suppliers to first-hand see new products, participate in focus groups with our top OEMs, consider prototype and proof of concept projects for emerging products, and work with government officials and even our competitors to monitor changes in our national and local regulatory environments.

The size of our fleet and its impact on the environment compelled us to spend much of our time this year focusing on sustainability and what's becoming known as “the decarbonization of freight” – using alternative fuels and product innovations to minimize our industry's impact on the environment. In the next several years we hope to see some amazing new technologies begin to mature and the supply chain as we know it today will look vastly different.

The word Innovation is part of my job title and I'm often asked to define what it means. Over the last several years it's become a terribly overused word and I've heard just about every definition you can imagine. While I often argue innovation is the big area between continuous improvement and disruption, my favorite definition is simply this: **significant positive change.**

Covenant feels so strongly about the integration between innovation and our future that we are investing heavily in ideas that might not even be mature for another ten years. Just in the last five years we've seen big innovations in alternative fuels, autonomous vehicles, aerodynamic designs that increase fuel economy, and powerful software utilizing artificial intelligence to make complex decisions that best maximize our assets. I predict many of these innovations will eventually turn into disruptions – radically changing parts of the supply chain much like the consumer entertainment giant Netflix did to Blockbuster.

None of these changes will happen overnight but when they do, I believe our employees, our customers, and our environment will all come out ahead. I am confident our investment in innovation will be a wise one.

On page five our CEO David Parker mentioned Corporate Social Responsibility (CSR). Innovation is playing a big role in how we look at CSR and this report is just the tip of the iceberg as we have big plans over the next several years. At Covenant we believe formal communication of this report is important to our customers, our team members, our investors, and even future job recruits who want to know more about our efforts to balance doing good in business and doing good in the world.



Matt McLelland

Vice President of Sustainability and Innovation



SUPPLIER EXPECTATIONS

As Covenant relies on our suppliers to support its complex operations, provide best-in-class quality and service, and consistently deliver on contractual commitments, we also expect them to share our commitment to the environment, business ethics, and labor/human rights. Last year we formalized a set of guidelines to help us think more critically about how we manage these relationships. As a supplier ourselves, we consistently monitor our performance in each of these areas and expect the same commitment from each of our suppliers - **with emphasis on the following:**

ENVIRONMENT

- Comply with all applicable environmental laws in respective countries/jurisdictions.
- Create initiatives to promote greater environmental responsibility.
- Demonstrate responsible waste management and disposal.
- Demonstrate efforts to reduce greenhouse gas and other emissions harmful to the environment.
- Exercise conservation of non-renewable natural resources.
- Use, maintain, and dispose of both hazardous and non-hazardous waste as required by applicable laws and regulations.
- Minimize production of solid waste, wastewater, and hazardous air emissions by implementing appropriate conservation measures.

BUSINESS ETHICS

- Obey all relevant laws regarding ethical business practices.
- Have policies and procedures in place to prevent bribes, kickbacks, money laundering, or other corrupt payments, to or from any person or organization including government and private organizations, their officials, agents and employees.
- Have policies in place to monitor for appropriate review of conflicts of interest.
- Respect intellectual property rights and safeguard customer information by implementing processes that protect those rights.
- Accurately record and disclose information regarding business activities and performance in accordance with applicable laws and prevailing industry business practices.
- Implement processes to protect the confidentiality of employees who report potential unethical or illegal activity.

LABOR AND HUMAN RIGHTS

- Comply with all applicable laws concerning minimum employment age, working conditions, compensation and benefits, and child labor laws.
- Prohibit unlawful discrimination and harassment to provide a safe and inclusive work environment.
- Enhance employee safety and health through proper workplace design, operational controls, preventative maintenance and safe work procedures.
- Treat employees with dignity and respect; never discriminate on the basis of race, color, gender, gender identity or expression, sexual orientation, nationality, religion, age, or marital status.

OUR ENVIRONMENT

DELIVERING FOR OUR CUSTOMERS AND PLANET

The continued depletion of natural resources has led supply chain providers with large energy requirements to become more environmentally aware. Through research, ongoing evaluation of internal processes, and investment in new technologies - we are gaining a better understanding of how green initiatives not only save on costs, but more importantly enable us to better utilize our assets, meet new regulatory compliance requirements, and help customers achieve their own sustainability initiatives.

The transportation sector is the second leading source of carbon emissions in the United States - so naturally we are excited about new technologies allowing for the eventual decarbonization of domestic freight.

In our research we found many definitions for the term sustainability. Our favorite is simple: the ability to meet our own needs today without compromising the ability of future generations to meet their own. By 2030 we plan to use renewable fuels in addition to our existing diesel fleet as we move forward with sustainable initiatives - moving us closer to a future where all fleets will one day be completely carbon neutral.



OUR SUPPLIERS

OUR ENVIRONMENT

As a logistics provider faced with the challenges of operating thousands of trucks, trailers, and managing millions of feet of warehouse space, sustainability has always been a focus in everything we do. Our commitment goes far beyond investments regularly made into our facilities and fleet, and we recognize purchasing decisions present a unique opportunity to have significant social and environmental impacts. Covenant leverages our purchasing power with suppliers who have similar commitments, and together, we have the potential to make a significant impact on the environment.

We regularly deal with hundreds of suppliers for everything from office supplies to trucks - with over 50% of our overall spend residing with only ten suppliers.

Our sustainable procurement objectives can be found in the column to the right. While we're deeply concerned about the sustainable practices of every supplier, our primary focus is on the top ten.



OUR SUSTAINABLE PROCUREMENT OBJECTIVES

- 1 Strive to work with suppliers who have successfully implemented zero-waste landfill procedures.
- 2 Influence suppliers when specifying materials - encouraging a higher recycled content or materials that can be easily recycled at end-of-life.
- 3 Require suppliers to comply with relevant legal requirements according to industry guidelines and standards, and be able to demonstrate compliance.
- 4 When applicable, request details from sub-contractors regarding environmental policies, management systems, environmental breaches, and assess this information as part of our approval process.
- 5 Use local suppliers and sub-contractors when possible to minimize the environmental impact associated with transportation and to support the local economy.
- 6 Use due diligence to avoid the possibility of inclusion of conflict minerals in any product.
- 7 Whenever possible avoid the use of materials and substances with hazardous properties and / or processes that might damage to the environment and health.
- 8 Collaborate on sustainable procurement opportunities throughout the supply chain and through membership of trade associations, sharing best practices.
- 9 Make annual visits to our 4 largest suppliers and personally review their manufacturing, recycling, and labor practices.
- 10 Promote awareness of this policy amongst our employees.



A FEW OF OUR INVESTMENTS AFFECTING THE PLANET

TIRE RECYCLING



Covenant participates in a program where all tires that have reached end-of-life are safely recycled and used to create playgrounds, road projects, curbing, speed bumps, and back-fill for retaining walls. Our efforts help keep 60 million pounds of material out of landfills, contributing to the well-being of our communities and the long-term health of our planet. In 2020 our fleet used almost 33,000 tires and working closely with Bridgestone were able to replace almost half with retreads. This significantly increased our own use of recycled materials without sacrificing quality or safety - and costing much less. More about this can be found on page 14.

METAL RECYCLING



Maintaining our fleet involves constant replacement of engine parts, brake drums, and other metal products that normally end up in landfills. Covenant invested in cleaning and collection products allowing a local metal recycling center to safely reclaim 97% of discarded scrap metal.

SMARTWAY CERTIFICATION



Covenant was an early adopter of the EPA's SmartWay certification program - a federal program helping companies advance supply chain sustainability by measuring, benchmarking, and improving freight transportation efficiency. Every year since the program's debut in 2006, Covenant has consistently maintained full SmartWay certification. In 2009, 2013, and 2015 our enhanced performance qualified us for the prestigious SmartWay High Performer program - a designation reserved for the top 20% of all carriers who qualify in the program. Most recently in 2019, Covenant was the recipient of the SmartWay Excellence Award.

CLEANING SOLVENTS



Our maintenance and procurement teams aggressively analyze cleaning solvents used throughout the company and work with suppliers to find solutions that are biodegradable or have a significantly reduced impact on the environment.

BATTERY RECYCLING



We have partnered with a company that safely recycles 100% of every battery used throughout our fleet. Working closely with the original manufacturer, this recycler can reclaim up to 97% of the lead-acid found in spent batteries.

MAINTENANCE RECYCLING



Particulate Filters, required on every truck, are designed to remove diesel particulate matter (commonly referred to as "soot") from the exhaust gas of a diesel engine. These filters need to be periodically cleaned and we utilize a process that expels all particulate matter allowing us to extend the lifespan of these environmentally critical components.



RECENT INVESTMENTS ON THE ROAD

PRODUCT TESTING



In 2020 we partnered with Bridgestone to test a new low rolling resistance tire - yielding an 8% efficiency improvement over existing tires while providing a smoother ride and fuel savings. Our testing also demonstrated a 15% increased tread life - decreasing our need to replace tires and reducing the amount of tires we recycle annually.

IDLE REDUCTION BETTER COOLING



We constantly monitor idle percentage throughout the fleet and regularly look for vendors who can help us achieve single-digit numbers. In 2019 Covenant began testing Electric Auxiliary Power Units (EAPU) - an innovative new technology to provide cooling inside a truck by using a bank of batteries instead of the truck's engine and internal air conditioner. Initial test results have shown that when used correctly, idle time can be reduced from 30+% to as low as 6%.

SAFETY TESTING



In 2018 Freightliner selected us to be one of the first fleets to test their new Level 2 autonomous truck providing enhancements for safety, driver comfort, and fuel-saving technologies. Aerodynamic height control, low-resistance tires, lane keep assist, lane departure warnings, and a redesigned integrated powertrain management system which uses the truck's kinetic energy to automatically adjust engine settings and braking power - are just a few of the efficiency and safety enhancements.

FLEET AERODYNAMICS



Our maintenance team is always reviewing new fuel-saving solutions utilizing the latest innovations in tractor aerodynamics and trailer products - like air skirts which return an estimated fuel savings of 5%.

BIO-FUEL



In 2020 Covenant continued to expand its use of bio-diesel fuel - where 64% of all fuel was between 2% and 20% bio-diesel.

ALTERNATIVE FUELS



In 2018 Freightliner selected Covenant to be one of a small group of fleets to provide feedback in their development of a new battery-electric Class 8 truck. Freightliner's commitment to alternative fuels is consistent with our desire to pursue the decarbonization of freight, and we are proud to be working with them in this pursuit. We are also in the early stages of exploring hydrogen as an alternative fuel.

IDLE REDUCTION BETTER HEATING



98% of the fleet are sleeper cabs and our professional drivers spend over 200 nights/year sleeping on the road. In 2005, in an effort to reduce idle percentage and overall CO2 output, Covenant started to retrofit all cabs with Espar heating systems that do not require tractor engines to be running while drivers are off-duty in cold winters months. Now factory installed on all new trucks, the heater runs on diesel from the fuel tank, consuming approximately .6 gallons of diesel per hour.

ONGOING GREEN INVESTMENTS AT THE OFFICE

WATER AND PAPER

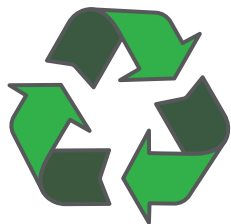


Employees are encouraged to use their own coffee cups, personal dishware, and water bottles - eliminating the need for Covenant to provide unnecessary paper products. In 2020 we also updated all water fountains to include water refill stations, encouraging employees to drink more water using their own bottles.

TECHNOLOGY PLATFORM CHANGES



Cloud computing involves switching IT services from on-premise, expensive to manage servers into what's commonly referred to as "the Cloud." Our Cloud providers have aggressive carbon net zero initiatives and are designed from the ground up with the most state-of-the-art technology for energy reduction. This offsite model can free employees to better work remotely, begin paperless initiatives, and reduce the size of energy inefficient data centers. Today almost 82% of all systems are in the cloud, significantly reducing complexity, cost, and environmental resources required to maintain a large technology infrastructure.

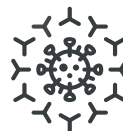


LED LIGHTING PROJECT



In 2020 we approved a significant infrastructure investment to upgrade all lighting fixtures at the corporate office to more efficient, healthier LED lighting. In addition to reducing our total number of fixtures from 2320 to 2212, we will also see a reduction of 897,059 kWh over three years.

COVID-19 AND THE OFFICE



During the 2020 Covid-19 crisis most Covenant office workers successfully pivoted to a work-from-home schedule that not only kept all team members safe but also yielded a reduction in office resources – notably electricity and water. Team members also reclaimed lost commute time, allowing them to be more productive with exercise and time spent outdoors – all while maintaining existing work KPIs and productivity levels. As we transition into a post Covid-19 world, Covenant plans to adopt a hybrid work model that not only reduces our consumption of office resources but also gives employees an option to work in ways that lower our impact to the environment, promote healthier lifestyles, and in many cases, allow their work to be more productive to the company.

OFFICE RECYCLING



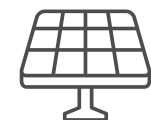
For over 15 years Covenant has been firmly committed to recycling efforts at all our office locations - with emphasis on paper, plastic, and glass.

PAPER REDUCTION INITIATIVE



In 2019 Covenant went through an extensive review of all business processes involving the use of paper. After methodically working with each department to identify unnecessary printing and installing document scanning/management software we were able to eliminate 70% of printers and associated ink/paper.

SOLAR ARRAY



Through TVA's Green Power Provider Program, Covenant invested in 50kw solar arrays at three different office locations. These arrays not only generate power for our own use but also contribute clean, sustainable energy back into the regional power grid when generation exceeds our use. During this project we also installed white roofs which reflect sunlight and reduce heat buildup - allowing the HVAC systems to run more efficiently.



SUSTAINABILITY SPOTLIGHT

Covenant strongly believes in working with suppliers who share our position on sustainability and protecting the environment. In keeping with this commitment, last year 99% of all tires were purchased from Bridgestone - an industry leader with bold environmental commitments.

Bridgestone is one of the first tire companies to use recovered carbon black (rCB) – a byproduct of expired tires – in the manufacturing of new tires as part of their long-term environmental vision of using 100% sustainable materials. This major shift to raw materials is part of their overall goal of using 100% sustainable materials by 2050 while also providing a 50% reduction of CO2 emissions over the existing manufacturing processes.

BRIDGESTONE’S COMMITMENT TO QUALITY, COMPETITIVE PRICING, AND LEADERSHIP IN SUSTAINABILITY RESONATED WITH OUR SUSTAINABLE PROCUREMENT GUIDELINES

In 2020 we discarded almost 33,000 tires and worked closely with Bridgestone to replace nearly half with retreads - significantly decreasing our use of new tires while breathing a new life into a product we already own. The use of retreads is a safe, less expensive, and innovative way to extend the lifespan of a product that would have ended up in a landfill.

The statistics to the right represent Covenant’s 2020 savings through our use of retread tires.



SAVED
315,000
GALLONS OF OIL.



DIVERTED
871,500
POUNDS OF WASTE FROM
LANDFILLS ANNUALLY.



DECREASED TIRE
WASTE BY
622,650
POUNDS ANNUALLY.



SAVED ENOUGH
ENERGY TO POWER
562,758
HOMES FOR
AN HOUR.



2021 GOALS

We have always been committed to continuous improvement and every year test new products and ideas. Given our purchase volume, domain expertise, and decades of experience, suppliers and OEMs often ask us to prototype new solutions designed to improve operating efficiencies and fuel economy. In 2021 we expect to continue this commitment by testing and providing feedback on products with the following priorities:

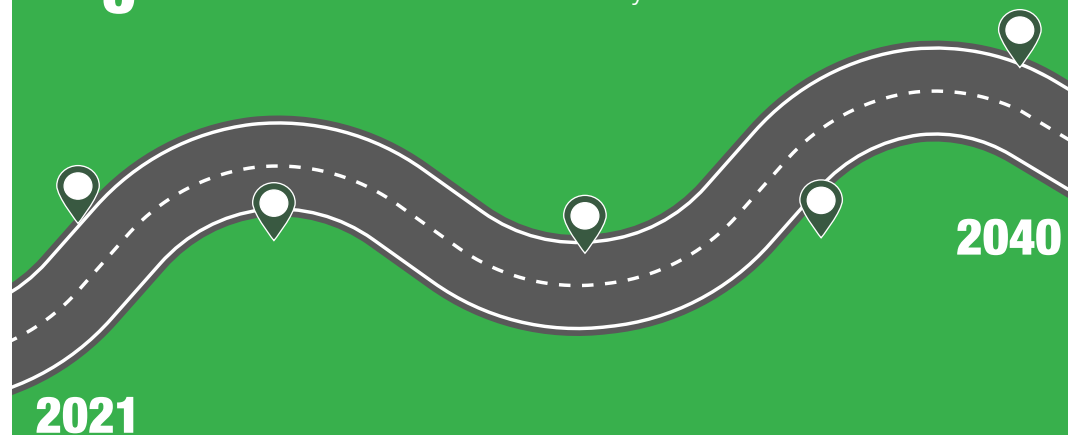
- 1** Comprehensive review of idle percentage with fleet-wide reduction by 5% using technology and driver training.
- 2** Improve fleet reliability using new predictive analytics software designed to identify failures before they occur.
- 3** Testing new tire technologies with lower rolling resistance and use of products manufactured with more recycled materials.
- 4** Further exploration and research into alternative fuels and deployment of two battery electric vehicles.
- 5** Continued research into the use of hydrogen-powered tractors in parts of the country where hydrogen is readily available.
- 6** Continued testing of new axle technologies allowing one drive axle to be disengaged at highway speed – resulting in better fuel economy.
- 7** Improve safety and vehicle efficiency through continued fleet-wide deployment of tractors equipped with lane departure warning, adaptive cruise control, and blind-spot monitoring.

FUTURE VISION

Thinking about our industry 10 and even 20 years into the future seems like a long way off, but that doesn't stop us from having big ideas and making big commitments. While accomplishing big goals is often within our control, 100% of the equipment we need to deliver freight comes from trusted suppliers with whom we have deep relationships.

These suppliers are making incredible progress in the development of alternative fuels, autonomous vehicles, battery-electric breakthroughs, zero-waste manufacturing, software utilizing artificial intelligence, and so much more. Many of our future goals are tied to our suppliers' success and we are working closely with them to make sure they include our goals and objectives in their product development.

- 1** Reduce idle percentage by 15% by 2025 and 35% by 2030.
- 2** 15% of all new fleet purchases to be carbon neutral by 2030.
- 3** Improve fuel economy by 8% by 2025 and 25% by 2030.
- 4** Integrate autonomous vehicles into the fleet by 2030.
- 5** 60% of fleet to be carbon-neutral by 2040.



OUR PEOPLE

THE MOST IMPORTANT ASSET

Customers are important - but so are our people. Regardless of gender, nationality, or job title - every team member is a stakeholder, and we value their feedback. Our leadership often reflects on “who we are” - but more often, they think about the future and - “who we hope to be.”

Team member needs aren’t static. Long ago we realized the importance of quarterly evaluation of company policies, benefits, training investments, and internal growth opportunities. Based on team member feedback, industry trends, and our own “lessons learned” from well-intentioned initiatives that weren’t successful - we are always searching for ways to improve. While our **policies have changed** over the years - our **guiding principles haven’t changed** since our beginning in 1986.

COVENANT’S GUIDING PRINCIPLES

- EMPATHY**
Treating others the same way that you want to be treated.
- SERVANTHOOD**
Putting others before yourself.
- VIRTUE**
Acting with integrity, honesty and fairness in all of your business dealings, both with customers, vendors and your fellow employees.



MILITARY VETERANS PROGRAMS

Covenant is proud to honor and support our military veterans – many who are looking to the supply chain industry as a place to build a new career. Throughout our 30+ year history of hiring and training professional drivers, we have valued the additional skills, discipline, and military context veterans bring to the job. With almost 16% of our workforce having served or currently serving in reserve programs, we understand the importance of being involved in external programs designed to recruit and honor those who have served our country. These are some of the organizations we partner with:





OPERATION VICTORY

NOW, MORE THAN EVER, MILITARY VETERANS ARE LOOKING AT THE TRUCKING INDUSTRY AS A PLACE TO BUILD A NEW CAREER.

In response to their needs and to add exceptional drivers to our fleet, we are pleased to offer military veterans extra advantages through our Operation Victory program. This is an On-the-Job Training (OJT) program fully approved by the Department of Veterans Affairs and registered with the U.S. Department of Labor.

Operation Victory allows veterans to utilize their Post 9/11 GI Bill and receive a monthly stipend from the Department of Veterans Affairs while participating in the program. Veterans with driving-related experience can begin a driving career at Covenant's highway services division without having to repeat CDL training.

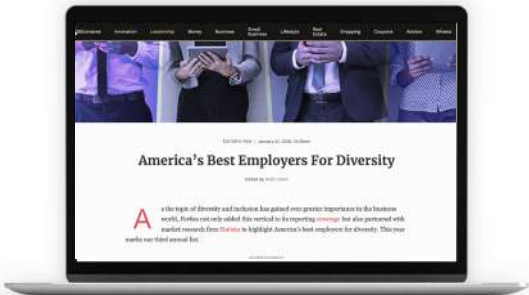


DIVERSITY, EQUALITY, AND INCLUSION

COVENANT'S TEAM MEMBERS ARE MADE UP OF MANY DIFFERENT INDIVIDUALS WHO PASSIONATELY BELIEVE IN RESPECTING VIEWS AND BELIEFS OTHER THAN OUR OWN.

Diversity is an important factor in how we approach problem-solving and crafting unique approaches to the challenges we face every day. Last year our senior leadership team conducted a four-month strategic planning process to analyze how we needed to enhance every internal HR process: from hiring, retention, and promotion - specifically thinking about how we have historically handled diversity and inclusion.

Our process involved employee interviews, analyzing results of company-wide HR surveys, researching best practices at similar organizations, and working with consultants with knowledge and context beyond our immediate experience.



Forbes

2019 TOP EMPLOYER FOR DIVERSITY

In 2019 we were proud to have been selected in Forbes Magazine as a 2019 top employer for diversity.



DIVERSITY GOALS

WE BELIEVE IN HAVING A DIVERSE EMPLOYEE BASE WITH DIFFERENT CULTURAL BACKGROUNDS AND EXPERIENCES.

While proud of our past efforts, we can never stop thinking of how we can and should be better. Our goal for 2021 is for every team member to view every decision through the following three categories:

1. WORKFORCE DIVERSITY

Recruit a diverse, qualified group of candidates to increase the diversity of thinking and perspective.

2. WORKPLACE INCLUSION

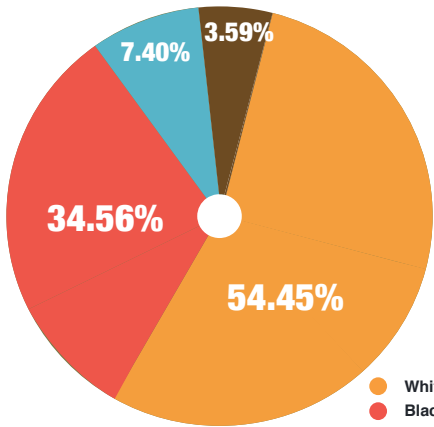
Foster a culture that encourages collaboration, flexibility, and fairness to enable all employees to contribute to their potential and increase retention.

3. WORKPLACE ACCOUNTABILITY

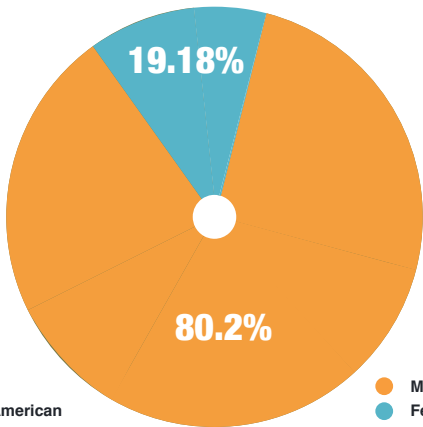
Identify and break down systemic barriers to full inclusion by embedding diversity and inclusion in policies and practices and equipping leaders with the ability to manage diversity and be accountable for the results.



2020 COVENANT WORKFORCE DEMOGRAPHIC



White
Black or African American
Hispanic or Latino
Other



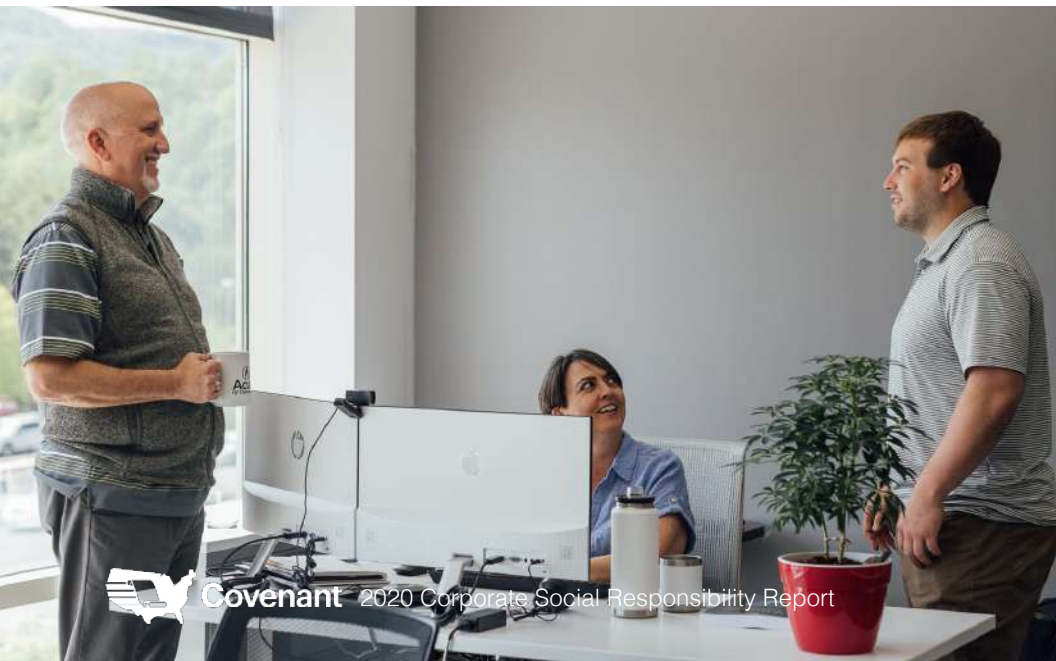
Male
Female

EMPLOYEE FEEDBACK

TRANSPARENCY BUILDS TRUST

Organizational transparency means sharing information and keeping all team members informed. Our team members care about the success of the company and we strive to be as open as possible.

In the Fall of 2016, Covenant launched its first semi-annual Team Member Satisfaction & Culture Survey. These anonymous surveys allow team members to be open and candid with their responses - without fear of reprisal. Comments and feedback are critical and we encourage every team member to participate - allowing management to gauge where we sit as a company. Employee feedback is a vital element in helping shape what Covenant is today.



OUR COMMUNITY

HELPING OUR NEIGHBORS

While Covenant is committed to serving our customers and employees, we have always had a strong desire to serve the communities where we do business. We look to our employees to help us identify local issues that matter most, allowing us to mobilize our collective resources in a way that helps our communities thrive.

We are involved in several local initiatives - including company-sponsored "Volunteer Time Off" programs, participation in blood donation through Blood Assurance, and charitable financial donations to local and global groups. In addition to contributing thousands of hours via "boots on the ground" - many of our employees are heavily involved in leadership positions with community programs and organizations - from coaching sports teams to serving on the board of directors of many area leading non-profits.

In 2021 we plan to significantly increase our volunteerism and community engagement efforts through strategic partnering with local neighborhood organizations where we can have the most impact.



HOW WE CARE

SERVANTHOOD, OR PUTTING OTHERS BEFORE YOURSELF, IS MORE THAN JUST ONE OF OUR COMPANY'S GUIDING PRINCIPLES.



Covenant in the Community is an enterprise initiative that creates opportunities for our team members to volunteer and give back **outside of our four walls** to the communities in which we live and work. Team members have our full support and our hope is to meet our communities where they are, serving those in need.



Covenant Cares describes internal programs that take place **inside our four walls**. Some are designed by the company but there are also numerous opportunities for our employees to help each other. For example, our employee benevolence fund is 100% employee-funded and made available to team members in times of suffering and need.



GIVING BACK

JUST SOME OF THE WAYS COVENANT AND ITS TEAM MEMBERS ARE SUPPORTING EACH OTHER AND THE COMMUNITY IN WHICH THEY LIVE.



EMPLOYEE BENEVOLENCE FUND

The Company Benevolence Fund (The Fund) is a voluntary, employee-supported fund designed to provide temporary financial support for eligible emergency or crisis situations. The Fund offers grants and direct payments to assist employees dealing with catastrophic events. The Fund provides a gift that the employee experiencing a hardship does not have to pay back the funds.

Since we started the Fund in 2001, our team members have contributed almost 2 million dollars to those in greatest need.



VOLUNTEER PROGRAMS

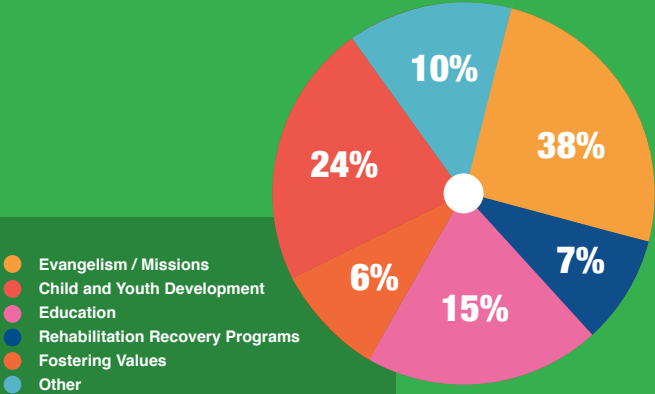
In 2019 Covenant officially implemented a “Volunteer Time Off” (VTO) program. Team members are encouraged to participate in community engagement opportunities that help those in need. The Company recognizes participation in these activities will also enrich and inspire the lives of our team members.

‘Community’ is not defined as just local community but may encompass a global perspective. Team members are given a fixed number of hours each year as a part of their full-time employment to participate in these opportunities while still receiving full pay.



CORPORATE STEWARDSHIP

In addition to volunteerism and our many other community efforts, Covenant is also committed to making financial contributions to local, national, and international non-profit charities we have become passionate about over the years. Since 2005 we have donated more than 20 million dollars to charities operating in the following categories:



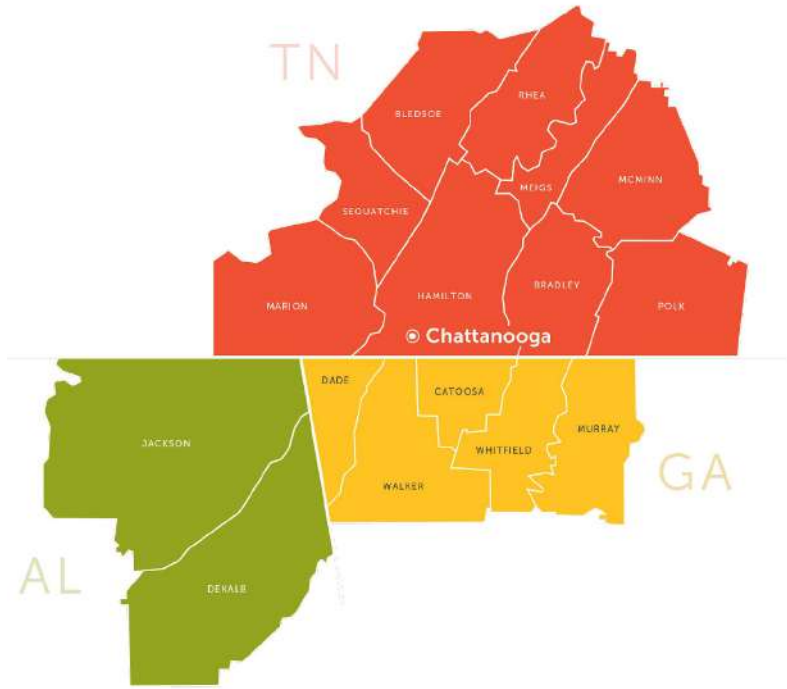
THRIVE REGIONAL PARTNERSHIP

As one of our major Covenant in the Community initiatives, we are one of the founding members of the Transportation and Infrastructure Collaborative in Chattanooga’s Thrive Regional Partnership program. Thrive is a collaborative public/private partnership created to unite people across the growing tristate region of Southeastern Tennessee, North Georgia, and Northeast Alabama – balancing the economic interests of this region with what we love most about our communities and preserving this for generations to come.

As both a participant and financial investor in this initiative, Covenant’s leadership is actively part of an ongoing process with other regional companies, consultants, and community leaders to identify regional values and goals. This collaborative produces detailed strategies that will significantly impact the 16-county region, as seen in this graphic to the right.

THROUGH THIS PROCESS, WE HAVE BEGUN TO BETTER ENABLE REGIONAL COORDINATION RESULTING IN THE ALLEVIATION OF TRAFFIC CONGESTION, ENHANCEMENT OF PRODUCTIVITY, AND THE PROTECTION OF OUR REGION’S NATIONAL TREASURES.

With our headquarters centered in this region, Covenant is passionate about this initiative and continues to be a key participant in this ongoing process through both the creation and implementation of initiatives that in just a few years have made a tremendous impact in our community and to our employees.



Freight Alley Core Region

 **58 counties**
Georgia, Tennessee, and Alabama

 **8,540,859 people**
Projected 10.6 million by 2040

 **35% population growth**
from 2000 to 2020



In 2040, the population will be 68 percent larger than it was in 2000



Covenant



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What started as a task to create a simple report turned out to be a much more involved and rewarding project. We began with a self-inventory of every initiative throughout every department. Surprisingly, almost every participant learned about programs and investments of which they'd been previously unaware. We are excited about the release of our first CSR report and, more importantly, the creation of 16 new initiatives born from a more challenging process than initially expected.

This document was completed 100% in-house without outside consulting services. We used no stock photography and all photographs are of actual Covenant team members and company assets.

To submit feedback or questions, feel free to contact us at
CSRFeedback@covenanttransport.com

This CSR Report contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995, as amended. These statements are based on management's current expectations and involve substantial risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect our business. Please review the risk factors set forth in our Annual Report on Form 10-K and in our press releases, stockholder reports, and filings with the Securities Exchange Commission for factors that could cause actual results to differ materially from those in the forward-looking statements.

