

Sustainability Report

Environmental, Social & Governance

Kirby Corporation

September 2019



“The Kirby Way”

Safety

Our guiding principle is **No Harm** to people, the environment or equipment. Safety is at the core of everything we do and always drives our decision making.

People

Our people make the difference. We invest in the tools and resources to empower our employees and we promote a workplace that values mutual respect, knowledge, and teamwork.

Integrity

Do the right thing by having the highest ethical standards while always being transparent and accountable for our actions.

Excellence

Creating value for our customers and shareholders by providing the highest quality service and products.

Community

Sharing our success with each other and the communities we live and work in by protecting the environment and encouraging volunteerism.

Sustainability is integral to our corporate culture

“Do the Right Thing” is a key Kirby value

- At Kirby, sustainability is embedded in our culture
 - From an environmental and human impact perspective, safety is the foundation
 - Zero Harm:
 - No harm to people
 - No harm to the environment
 - No harm to equipment
 - Our philosophy is that we are managing for success in perpetuity
 - We invest in training and developing our workforce
 - We promote sound public policy for our industry segments
 - We support our employees, our industry, and our communities
 - Board of Directors ESG oversight and guidance is pivotal to our success

Safety

Strong emphasis on safety

- Safety is the first and foremost concern in everything we do
- All levels of supervision have the responsibility for the safety of our employees
- The Board of Directors review safety statistics and major incidents at all levels of the organization
- Investing to ensure safe operations is good for morale and benefits financial performance
- NO HARM award banquets held annually to reward and recognize deserving employees
- NO HARM flags awarded to all towboats, tugboats and facilities with zero incidents
- Kirby has the only inland marine U.S. Coast Guard approved training center
 - Company-owned and operated
 - In-house towboat wheelhouse simulator



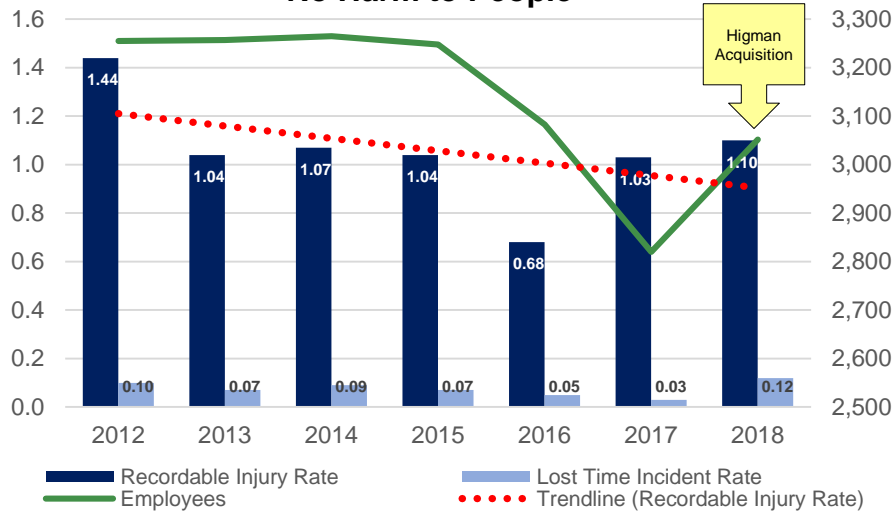
NO to people
HARM to the environment
to equipment



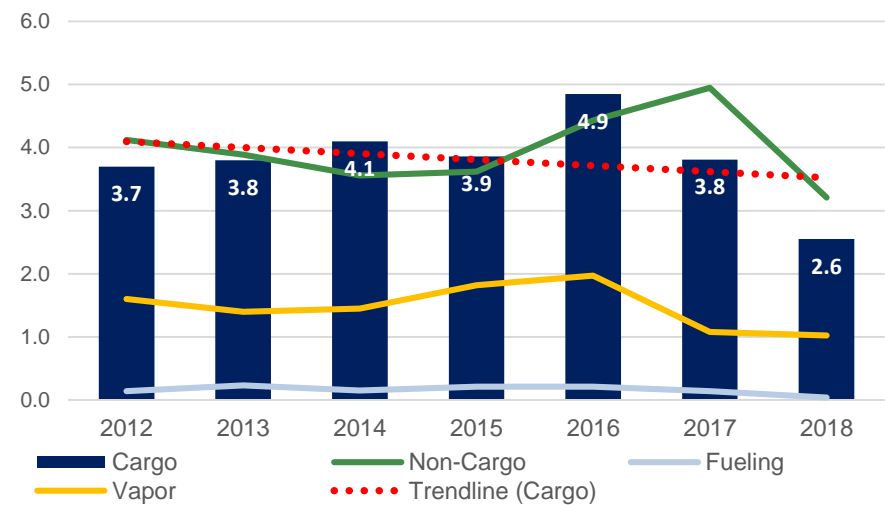
Pictured above is our towboat simulator where wheelhouse crew can gain repetitive practice navigating in extreme conditions and high-risk scenarios

Marine Transportation Safety Highlights

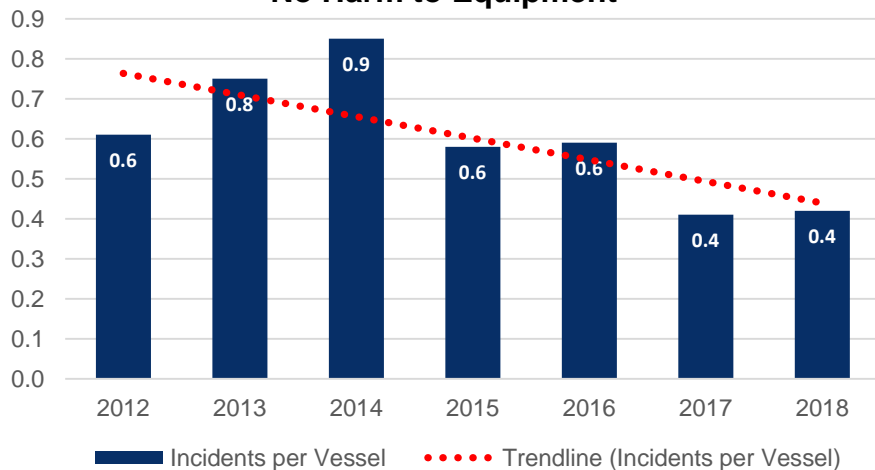
No Harm to People*



No Harm to the Environment**



No Harm to Equipment***



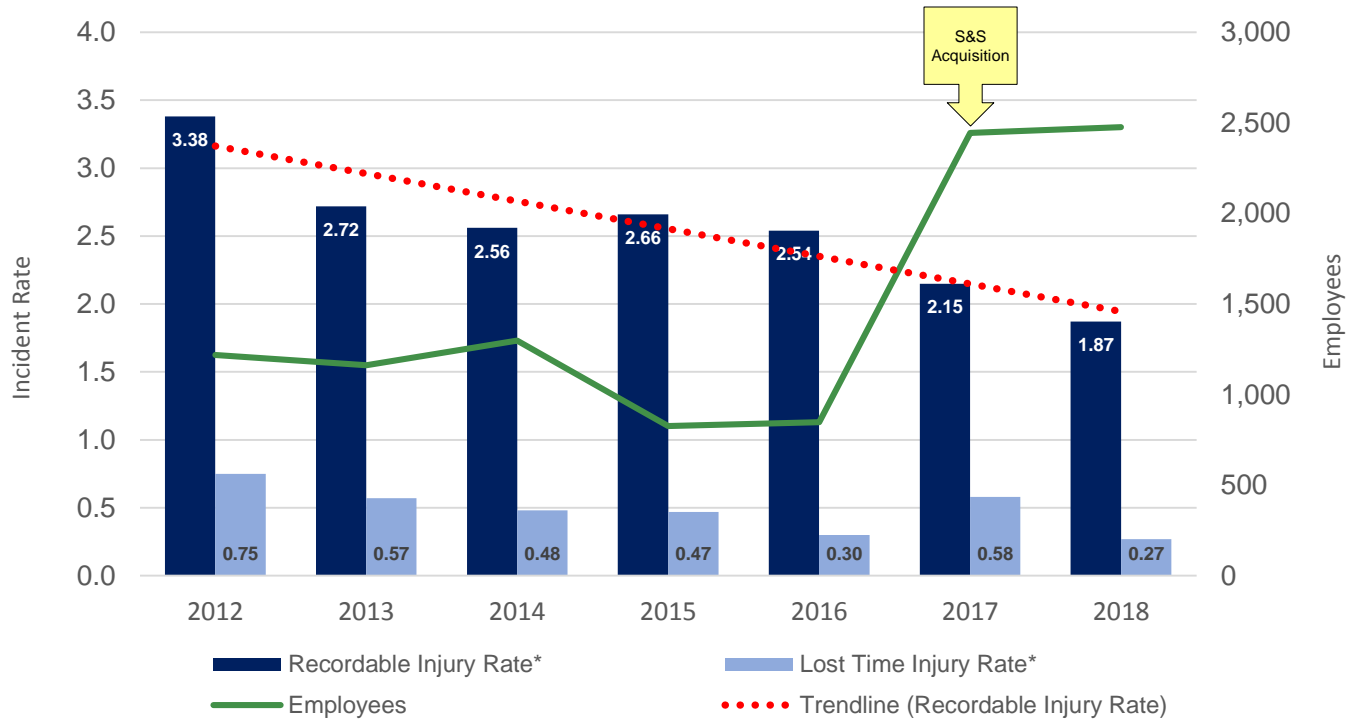
- Safety statistics trending down despite significant acquisitions in 2017 and 2018
- 2018 Safe Watches – 99.94%
- Creating awareness through regular safety seminars, weekly safety meetings, and safety videos
- Nearly 4,300 supervisor vessel visits and 800 senior management vessel visits during 2018
- Regular mariner proficiency assessments and cargo transfer audits



* Recordable injury and lost time rates per 200,000 hours worked
 ** Incident rates per 1,000 transfers including spills to the deck and water
 *** Incidents per vessel = total incidents / average number of active vessels per day



Distribution and Services Safety Highlights



- Safety statistics trending down despite a major acquisition in 2017
- Driving continuous improvement and awareness through employee engagement, daily safety meetings, regular safety seminars, safety committees/teams by location, and employee town hall meetings with senior management

We strive for ZERO HARM every day



* Recordable and lost time rates per 200,000 hours worked



Blue “No Harm” flag program

Creating safety awareness, pride, and accountability amongst our employees

- All boats and operations groups with “No Harm” to People, the Environment and Equipment during the year fly a blue “No Harm” flag
- Flying a “No Harm” flag reinforces that the employees are steadfast in their commitment to operating SAFELY every day
- Gold stars indicate additional years with No Harm
- Mariners with no safety incidents wear “No Harm” flag patches on their uniforms
- Marine Transportation 2018 in review:
 - 119 boats with blue flags
 - 51 boats with one gold star (2 years No Harm)
 - 30 boats with two gold stars (3 years No Harm)
 - Total represents ~70% of boats operating
- Distribution & Services 2018 in review:
 - Flags issued to individual facilities or functional operating groups in larger locations
 - Percentage of 120 flags issued still flying at year-end:
 - Overall – 71%
 - Kirby Engine Systems – 42%
 - United Holdings – 71%
 - Stewart & Stevenson – 77%



The crew of the M/V Guadalupe proudly receive their “No Harm” flag with two gold stars indicating 3 years of No Harm to People, the Environment and Equipment.



The UE Manufacturing facility in Oklahoma City displays the “No Harm” flags for all operations teams with No Harm to People, the Environment and Equipment.

Environmental

Environmental commitment

Kirby is committed to continuously improving the compatibility of our operations with the environment

Management and the employees of Kirby pledge to:

- Conduct our business and operate our vessels in a manner that protects the environment and the health and safety of our employees and the public
- Recognize and be responsive to public concerns about waterborne transportation and its effects on the environment
- Make safety, health and the environment a priority in our business planning
- Commit to reduce overall emissions and waste generation, and comply with all laws and regulations concerning emissions and waste
- Participate with government and the public in creating responsible laws, regulations, and standards to safeguard the workplace, community, and environment
- Establish and maintain, in cooperation with public authorities and others, emergency preparedness procedures and plans to mitigate the effects of accidents which may occur

Our Goal is ZERO Spills and Releases



United Holdings



Marine transportation is a good news story

Marine transportation is the cleanest, safest and most efficient mode of surface transportation in the U.S., with far fewer impacts on the population than truck or rail.



1 loaded tank barge carrying 27,500 barrels of product can take the equivalent of 144 tractor trailer trucks off the highways

Units to Carry 27,500 Barrels of Liquid Cargo

1 barge



46 rail cars



144 trucks



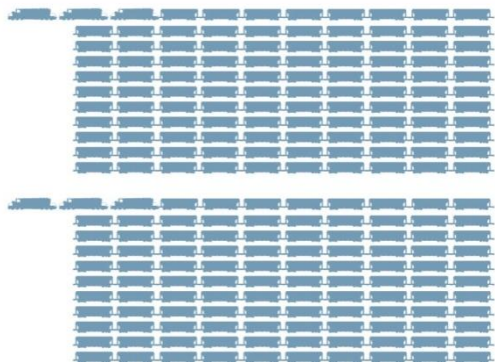
Source: National Waterways Foundation

Barge tows move more cargo than alternatives...

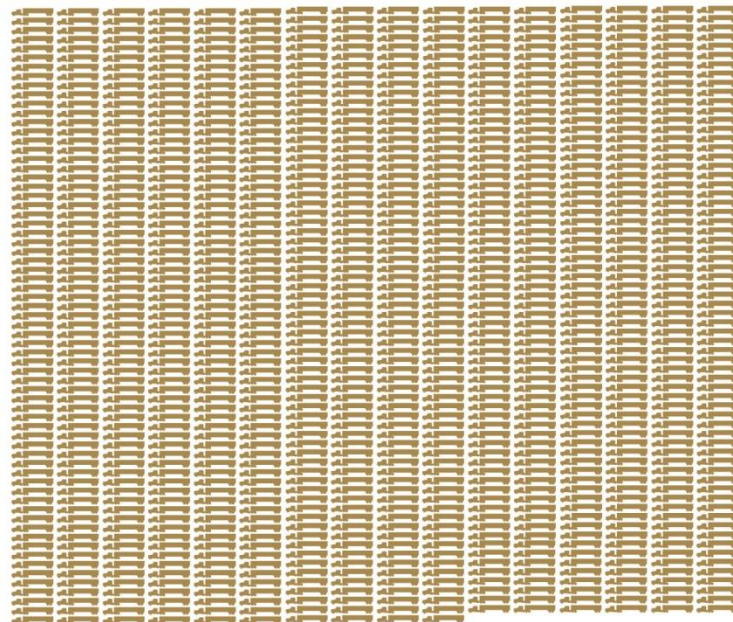
One 15-Barge Tow



216 Rail Cars + 6 Locomotives



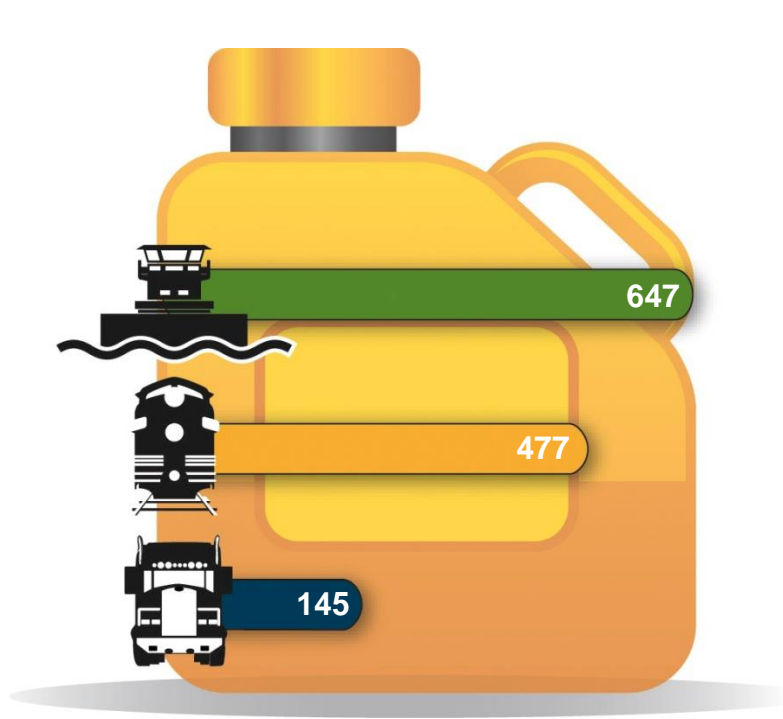
1,050 Large Semi Tractor-Trailers



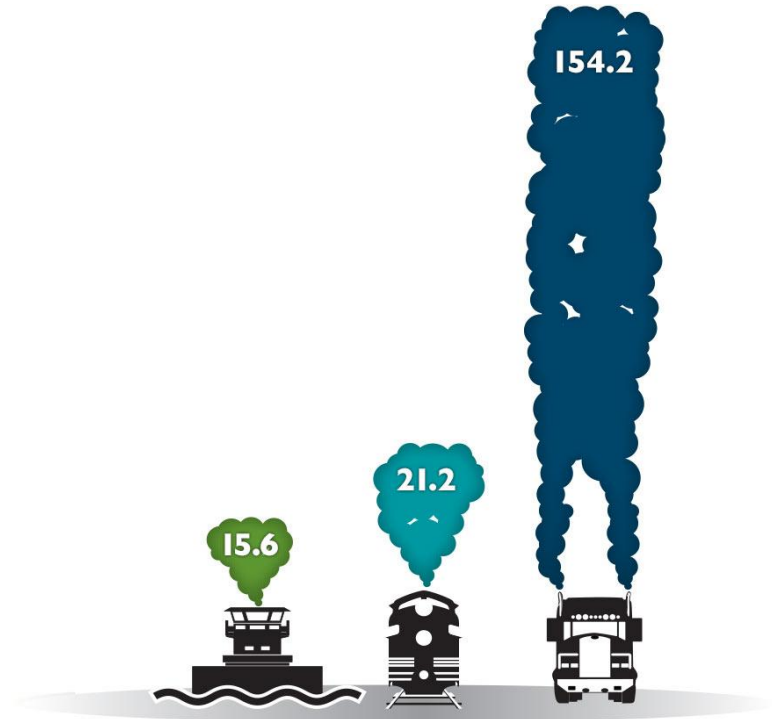
Kirby's 23.7 million barrels of inland capacity is equivalent to ~40,000 rail cars and ~124,000 large tractor-trailer trucks

Source: National Waterways Foundation

... Using less fuel and with fewer emissions



Ton-miles **Traveled** per Gallon of Fuel



Tons of CO2 per Million Ton-Miles

Source: National Waterways Foundation

Going above and beyond – Marine Transportation

- Kirby implemented usage of low-sulfur diesel on all vessels in 2012
- All tank barges are double hulled to better prevent environmental spills
- Voluntary usage of 6 psi vs. 3 psi barges (the industry standard) virtually eliminate cargo vapor emissions
- Company policy does not allow for the discharge of bilge overboard, even if the vessel is equipped with an oil-water separator
- Large fleet and scale reduces unnecessary emissions and waste
 - Dedicated product tows reduce cleaning between cargos
 - Smaller fleeting boats reduce fuel consumption and emissions
 - Linehaul service improves barge to boat ratio
- Ongoing boat and engine replacement program improves efficiencies and reduces emissions
- Barge cleaning facility goes well beyond regulatory standards
 - Wastes and vapors from barge cleaning are reduced by 98%
- Reducing, reusing and recycling are integral to our practices
- Kirby serves as a leader in numerous industry organizations that help define industry regulations and improve air and water quality



Going above and beyond – Distribution and Services

- Developed technology to lessen environmental impact of hydraulic fracturing
 - Noise reduction fracturing units – reduce decibel levels by more than 3x (10+ dB noise reduction) compared to conventional frac units
 - Bi-fuel powered fracturing units – 70 to 80% diesel to natural gas conversion rate
 - Industry leading electric powered fracturing units – 99% reduction in NOx emissions
- Development of dry gel hydration units eliminates usage of mineral oil and/or diesel in slurries pumped into wells
- Paint and solvent re-use and recycling reduces waste by-products by 95% and recovers 99% of solvents for re-use
- LED lighting installed in key facilities reduced energy consumption by 35-40%
- Largest manufacturer of frac units with Tier 4 engines, achieving higher EPA standards



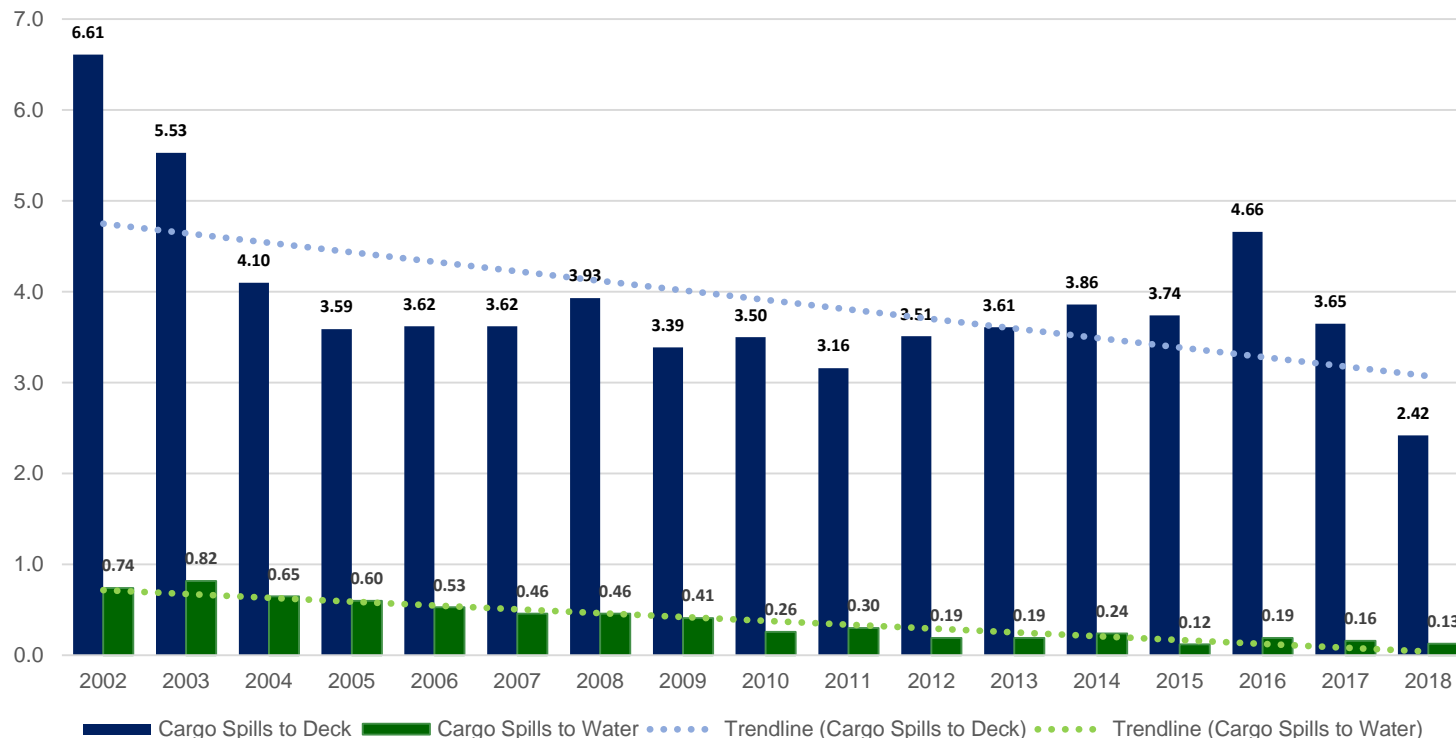
Stewart & Stevenson built electric frac unit



UE Manufacturing built quiet frac unit

Mitigating our impact on the environment

Effective safety and awareness programs driving significant improvements on cargo spills



- At Kirby, no spill is too small - all cargo spills, even if only 1 drop, are recorded and reported
- Cargo spills to water have declined to 0.13 incidents per 1,000 cargo transfers – representing an 82% decrease since 2002
- Kirby is committed to continuous improvement through cargo transfer audits, regular tankerman proficiency evaluations, advanced training courses, review and implementation of best practices, review of near-miss events, and quarterly tankerman meetings
- In 2018, more than 4,600 cargo transfer audits were completed, representing 10% of all cargo transfers



* Incident rates of cargo spills per 1,000 transfers



Social

Giving back to our industry

Kirby has a long history of supporting foundations, associations and institutions whose charitable work is related to Kirby's mission



- **Seaman's Church Institute**

- North America's largest mariner's service agency providing spiritual support, maritime education and legal advocacy to thousands of mariners and port workers
- In the last 5 years, Kirby has donated nearly \$1 million to the institute
- Kirby donated a wheelhouse training simulator to the institute which is used to provide navigational training to 1,600 mariners each year
- Many of Kirby's officers give their time and expertise to help the institute



- **U.S. Coast Guard Foundation**

- Focuses on the well-being, education, and morale of the men and women of the U.S. Coast Guard and their families
- Kirby has proudly supported this organization for more than 30 years



- **Many other industry associations and foundations including:**

- National Coast Guard Museum
- Houston Maritime Museum
- Waterway's Council
- National Association of Manufacturers
- American Bureau of Shipping
- Regional Associations
 - The Gulf Intracoastal Canal Association
 - Texas Waterways Operators Association
 - Louisiana Association of Waterway Operators
- National Waterways Foundation



Supporting our local communities

Kirby shares our success with the communities we live and work in by helping to protect the environment, giving charitably, and encouraging volunteerism

- **Galveston Bay Foundation**

- Promotes advocacy, conservation, education, and research related to Galveston Bay
 - In the last 5 years, Kirby has donated nearly \$250,000 to the foundation
 - Kirby participates in annual clean-ups of Galveston Bay and donates a vessel to assist

- **Charitable matching donation program**

- Kirby matches qualifying employee charitable contributions
- Nearly 75 organizations benefited from this program in 2018

- **Other organizations sponsored include:**

- United Way
- Susan G. Komen Foundation
- San Jacinto Monument Park
- Keep America Beautiful
- Numerous customer charitable events



Supporting our employees and communities when disaster strikes

At Kirby, our people make the difference, and our motto “Do the Right Thing” is a fundamental value. We strive to provide our employees and their families support and resources when they need it most.

- The Kirby Disaster Relief Fund
 - Charity provides support to Kirby employees, families, and communities affected by natural disasters
 - Kirby matches all employee contributions to the fund at 100%
 - Kirby and its employees have raised over \$500,000 for the fund in the last 5 years
- Teams and procedures are ready to deploy to affected areas to protect and aid employees and their families when natural disasters occur including hurricanes, tornadoes and flooding
- Kirby supports the Carl McCain Foundation which helps marine industry families in need
- Kirby has a long history of assisting distressed people and vessels on the water



Employee wellness, training and engagement

At Kirby, our employees are our most important assets. Wellness, education and training, and employee engagement create positive morale and a family friendly atmosphere.

- **Generous medical, health and wellness, and assistance programs offered to all employees**
 - Fitness centers or discounted gym memberships
 - Nutritional programs
 - Improved ergonomics and standing desks
 - Extended maternity leave
 - Financial planning seminars
 - Employee assistance programs
- **Significant investment in our employees through training and education**
 - Extensive managerial skills training via our “Management Essentials Program”
 - Tuition reimbursement for certification, undergraduate and graduate degrees
 - Scholarships for employee children
- **Employee town hall meetings with executive leadership held at facilities across the country**
- **Family picnics at locations across the country**



M/V *Marine One*....standing by

Kirby is positioned to quickly and effectively support the U.S. Coast Guard to safely open our waterways after an incident, natural disaster or storm

- **M/V *Marine One*** is an emergency response vessel that can be quickly deployed to any area
 - Replaces ATONs (aids to navigation, such as buoys and markers) that are usually torn from their moorings during a storm
 - Can carry 3,000 pounds of equipment
 - Identifies impassible waterways and sends out navigational updates to other ships
 - Works directly with the U.S. Coast Guard, including pre-planning and practice drills
 - Keeps our waterways open and safe, allowing for goods and services to keep moving



Pathways to diversity

In a male-dominated industry, Kirby is making inroads in diversity...

- Elected its first female board member in 2015 and its second in 2019
- Females on the Executive Leadership Team include:
 - VP and General Counsel
 - VP and Chief HR Officer
- Management
 - 18% of company management positions are held by women
 - ~75 females in managerial roles and higher
 - Females in leadership including the VP Finance & Controllers, VP Marketing & Strategy, Director of Internal Audit, Corporate Assistant Controller, Assistant General Counsel, HR Directors, and Marketing Director
- ~40% of women working rotations on vessels in Marine Transportation are in the wheelhouse
 - 12 Captains/Pilots
 - 8 Tankermen
 - 9 Deckhands

Women

10%

Minorities

25%



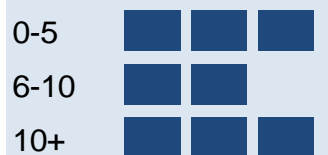
Governance

Board composition and experience

Core Industry Experience (in years)



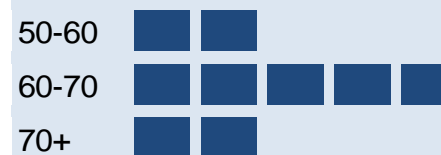
Independent Director Tenure*



Average Tenure: 7.1 years

* As of March 2019

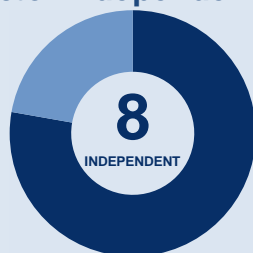
Age*



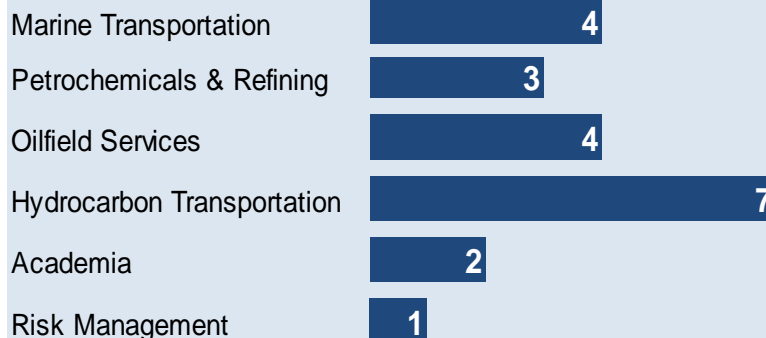
Average Age: 65

* As of March 2019

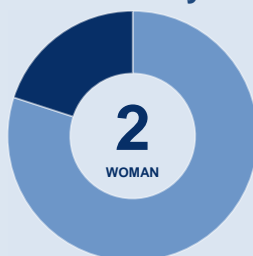
Director Independence



Industry Experience



Director Diversity














Industry Experience



Board committees

All three Board committees consist solely of independent directors

Director	Audit Committee	Compensation Committee	Governance Committee
Anne-Marie N. Ainsworth			
Richard J. Alario			
Barry E. Davis			
C. Sean Day			
Monte J. Miller			
Richard R. Stewart			
William M. Waterman			



Chairman



Member

Executive compensation

Overseen by the Compensation Committee, executive compensation is comprised of three key elements: base salary, annual incentive plan, and long-term incentive awards

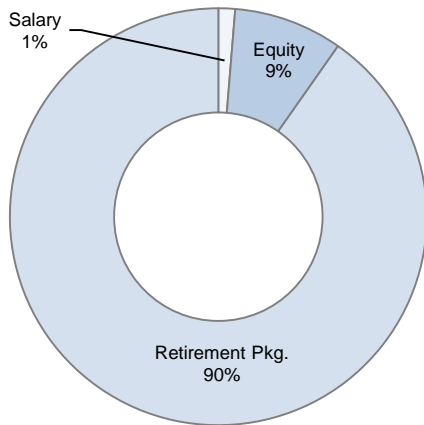
- Objectives of the program are to:
 - attract and retain senior executives
 - motivate consistent performance over time
 - encourage performance that results in increased profitability and stockholder value

Kirby Named Executive Officer Compensation					
	Base Salary	Incentive Plan	Long-Term Incentive Awards		
Instrument	Cash	Cash	Stock Options	Restricted Shares/Units	Cash Performance Awards
Objective	Rewards performance that contributes to long-term growth and stability	Rewards current year financial and operational success	Rewards future growth and profitability		
Distribution of Long Term Equity Grants	N/A	N/A	20% of grant	40% of grant	40 % of Grant
Performance Period	Annual	Annual	Vest in equal increments over 3 years (7 year term)	Vest in equal increments over 5 years	Achievement on a cumulative basis of the three measurments over the 3 year performance period
Payment Components	Fixed	Fixed	Variable	Variable	Variable
Metrics	Market study (median)	EBITDA Return on Capital Earnings per Share	Stock Appreciation	Stock Appreciation	EBITDA Return on Capital Earnings per Share
Thresholds	N/A	Entry - 80% of target (Incremental from 80% to 99%)	N/A		Entry - 80% of target (Incremental from 80% to 99%)
		EV - 100% of target (100% payout)			EV - 100% of target (100% payout)
		Cap - 120% of target (200% payout)			Cap - 130% of target (200% payout)

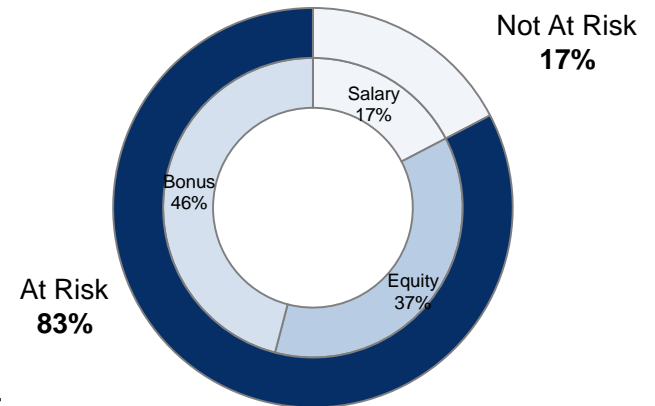
Executive compensation

Overview of 2018 performance based compensation

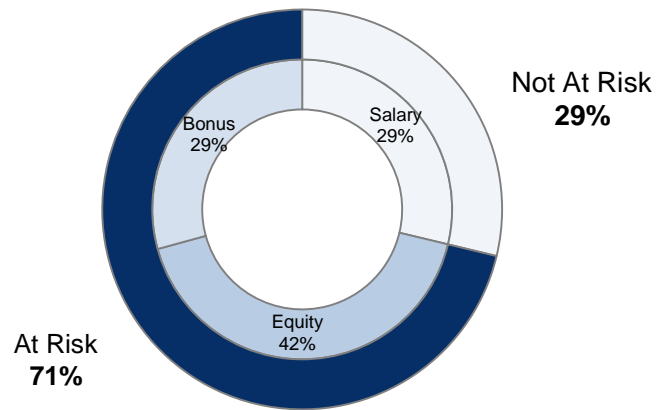
Executive Chairman Total Compensation*



President and CEO Total Compensation



Other NEO Total Compensation



* Kirby's former Executive Chairman, Joseph H. Pyne, retired from the Company in April 2018 and received a one-time retirement package of \$18.1 million.