

# ESG REPORT

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2022-2023



PACOLET  
MILLIKEN



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# CEO'S LETTER



**We are pleased to publish our second comprehensive report on environmental, social, and governance (ESG) matters here at Pacolet Milliken. This report seeks to provide an overview of a broad array of ESG-related matters at the company and highlights our commitment to operate at the intersection of values and profitability.**

In 2020, we began our formal ESG journey by developing baseline performance on a range of ESG issues. We also sought feedback from our employees, business partners, leadership, and other critical stakeholders on how we could have a more positive impact on matters that we determined were important. This effort led us to adopt over 70 distinct commitments and goals in relation to ESG topics. In certain instances, we committed to maintain the good work that we already had been doing, but in others, we set goals to improve our performance over time.

To institutionalize our efforts and increase our chances of success, we developed a formal process to manage and execute on our goals and commitments. This includes the development of culture action teams at each of our company locations. In addition, members of our senior-level staff have been assigned responsibility for each individual goal/commitment. However, it is these employee-centric teams that have become critical to the execution of our strategy. I have been heartened to see the collaborative work of these culture action teams as they develop, in a very granular way, recommendations for action.

Practically speaking, Pacolet has been “renewable” its entire corporate life. Lockhart Power’s self-generation of electricity remains 100% renewable (primarily hydro-electric), and our investment in deploying new renewable capacity has grown substantially. Through our landmark investment in Syncarpha, we continue to enable new solar and energy storage projects around the country. This past year, we completed our initial partnership to construct renewable natural gas (RNG) production facilities in North Carolina and we anticipate future opportunities. We also acquired our first biomass-to-

energy project, a 55MW project that takes timber tops and stumps and other wood waste, that would either be filling up landfills or being burned in the field, and uses it to generate electricity. We know that other aspects of our operations, such as Bushy Park, necessarily use fossil fuels, and we are actively pursuing ways to mitigate and minimize the impact of such use. Furthermore, as you will see in this report, we continue to seek to enhance environmental stewardship through our real estate portfolio.

From a societal and governance perspective, a key focus is investing in affordable and workforce housing. Internally, our diversity, equity, and inclusion (DEI) initiative has involved a collaborative employee-driven process that resulted in formal DEI goals being adopted this year. The goals are intended to promote diversity in the workplace and ensure that everyone feels a sense of belonging. We have also undertaken another cultural assessment to receive input and feedback from a wide range of employees. The results in this assessment were, candidly, outstanding. In 2023, we also adopted our first company-wide philanthropic giving policy and established an internal committee to oversee giving priorities.

In conclusion, the above and much more are discussed and highlighted in this report. We hope you enjoy reading it, and we would love to hear your thoughts and observations.

Best Regards,

A handwritten signature in black ink, appearing to read "W. Crawford".

William Crawford, CEO, Pacolet Milliken, LLC

# ESG DEFINED

**ESG reporting refers to the disclosure of data pertaining to a company's operations and impacts in three areas: Environmental, Social, and Governance.**



## ENVIRONMENTAL

The environmental criterion considers how a company uses energy, manages its environmental impact, and utilizes its resources. Factors considered are energy efficiency, climate change, carbon emissions, biodiversity, air and water quality, deforestation, and waste management.



## SOCIAL

The social criterion examines how a company fosters its people and culture and how that has ripple effects on the broader community. Factors considered are inclusivity, gender and diversity, employee engagement, customer satisfaction, data protection, privacy, community relations, human rights, and labor standards.



## GOVERNANCE

Governance considers a company's internal system of controls, practices, and procedures. It ensures transparency and industry best practices and includes dialogue with regulators. Factors considered often include the company's leadership, board composition, executive compensation, audit committee structure, and internal controls. Governance may also include shareholder rights, policies regarding bribery, corruption, lobbying, political contributions, and whistleblower programs.



## WHO IS OUR AUDIENCE FOR THIS ESG REPORT?

For Pacolet to continue to be a leader in sustainability and other ESG matters we must go on record with all of our stakeholders. These stakeholders include first and foremost our employees and shareholders. Our stakeholders also include external business partners, our vendors, the communities in which we operate, and in some sense, the world at large. We value all of these relationships and believe we are in a somewhat unique position, given our historical business practices, to positively impact the environment with which we interact and set an example for others to follow. By this, we do not mean to imply that we are perfect – but we already have substantial assets in the sustainability world, and thus are well-positioned to continuously make improvements and to help others.



# ESG AT PACOLET

## ENVIRONMENTAL

- Climate Change
- Clean Energy
- Environmental Stewardship



## SOCIAL

- DEI
- Community Impact and Engagement
- Access and Affordability
- Employee Health & Wellness
- Employee Engagement



## GOVERNANCE

- Honest & Ethical Behavior
- Management of Legal/Regulatory Landscape



# APPROACH TO ESG



**As a family-owned investment company that operates at the intersection of profitability and values, Pacolet Milliken is not merely a financial enterprise; it is also a vehicle through which shareholder values are expressed in business strategies that improve the communities and the world in which we live.**

Pacolet has always desired to be a leader in operating sustainably, and over five years ago, we launched a formal internal process to ensure that we continually live up to our values, vision, and expectations. We assessed our performance on a range of environmental, social, and governance topics and aimed to understand how such ESG topics impact our current and future business. We took steps that included:

## CULTURAL ASSESSMENT

This assessment sought insight and feedback from all of our employees regarding the cultural strengths and potential shortcomings of our companies and what priorities and opportunities could be further advanced.

## MATERIALITY ASSESSMENT\*

This assessment attempted to answer the question “What ESG topics are important to our company and how do such topics create opportunities and risks?” The assessment gauged the relative importance of sustainability issues for various stakeholders.

- Data was captured through interviews and online survey tools customized for various internal and external stakeholder groups.
- An analysis of peer companies in the renewable energy, real estate, and industrial sectors and the ESG goals that they have adopted also informed our approach.

*\*See Appendix A*



Following the completion of these survey and data collection efforts, in 2022 Pacolet adopted nearly 70 distinct goals and commitments to maintain or improve performance related to ESG topics. Our ESG goals signify our intention for continuous improvement and strategic alignment between what we do and how we do it. We will continue to focus on the issues material to our businesses and monitor our progress. To manage and track progress against these commitments, we have now assigned responsibility to individual members of senior leadership at each of the three companies. In addition, we will continually track and provide updates on our progress through continued ESG reports and other communications with our employees.

The management and execution of our goals and commitments are not intended to solely be a top-down

process. For example, after launching a formal DEI initiative, Pacolet established a DEI Council whose makeup draws from a diverse group of well-respected employees who will guide and champion DEI efforts. The Council also created our DEI statement and tagline, crafted our cultural assessment for all employees and assessed its results, and has supported the company in implementing unconscious bias training for all employees. In addition, culture action teams have been formed at each of our companies. These teams are comprised of associates, including members of the Council, and represent various divisions and departments within their respective companies. These teams have worked together to develop recommendations for action to address issues and advance opportunities identified by our cultural assessments.

**Our ESG goals signify  
our intention for  
continuous improvement  
and strategic alignment  
between what we do  
and how we do it.**

## KEY ESG TOPICS

Based on our materiality assessment, we identified the nine ESG topics below as most important to our business and stakeholders:

 <p>Climate and Clean Energy</p>	 <p>Diversity, Equity &amp; Inclusion (DEI)</p>	 <p>Community Impact and Engagement</p>
 <p>Access &amp; Affordability</p>	 <p>Employee Health and Wellness</p>	 <p>Engagement</p>
 <p>Environmental Stewardship</p>	 <p>Honest and Ethical Behavior</p>	 <p>Management of the Legal and Regulatory Landscape</p>



# PACOLET OVERVIEW

**We use our capital, expertise, and diligence to create and operate profitable and sustainable energy, infrastructure, and real estate assets for all our stakeholders, including the communities in which we invest.**

Though Pacolet was established in 2007 following the spin-off of a portfolio of assets from Milliken & Co., Pacolet's heritage derives from the Milliken family's multi-generational ownership of Milliken & Co. and its predecessor entities. Pacolet operates through two primary divisions: Real Estate and Power & Infrastructure. We manage these two divisions holistically by balancing non-cash value creation and near-term cash flows, stabilized assets and development projects, and organic and acquisitive growth, all in

a manner designed to meet shareholder objectives. Pacolet owns assets directly via project entities and through four primary operating subsidiaries, Lockhart Power Company, Cooper River Partners, LLC (Bushy Park), Hydera, LLC, and Piedmont Green Power, LLC (as of December 27, 2023). Pacolet's corporate headquarters are in Greenville, South Carolina. Our portfolio of assets stretches across numerous states and regions.

## WE ARE PACOLET

### **We are Fiduciaries**

- We are custodians of a proud family legacy.
- We are disciplined and institutional in our approach; we deal in facts.
- We strive to be worthy of the trust placed in us.

### **We are Collaborators**

- We thrive in a culture of teamwork.
- We create value through partnering with our stakeholders.
- We welcome complexity and work effectively in teams with diverse skills.

### **We are Leaders in Actual Sustainability**

- We invest in sustainable utilities and renewable energy assets.
- We invest in sustainable communities.
- We will ensure our financial gains do not compromise the lives of future generations.

### **We are Committed to Diversity, Equity & Inclusion**

- We respect the dignity and worth of all people.
- We are collegial and care about each other personally and professionally.
- We believe diversity and excellence are mutually dependent.

### **Our Goal**

Our goal is to represent the highest standard by which family-owned investment enterprises are measured.

### **Principles We Adhere To**

Integrity   Excellence   Collegiality  
Diligence   Trustworthiness

# OPERATIONS



## PACOLET MILLIKEN

GREENVILLE, SC | 32 EMPLOYEES

Our Power & Infrastructure Division operates through three primary segments: Regulated Utilities, Renewable Energy, and Infrastructure/Industrial Services.

Our Real Estate Division owns and manages a diverse set of office, retail, multifamily, self storage, and industrial assets. Its current focus is on developing moderate income multifamily projects principally in large Sunbelt cities and a merchant-build industrial warehouse program that seeks to capture the recent focus on e-commerce and the division's most recent focus, self storage.

## LOCKHART POWER COMPANY

LOCKHART, SC | 55 EMPLOYEES

Founded in 1912, Lockhart Power is an investor-owned utility that serves approximately 12,000 direct and indirect customers in the Upstate of South Carolina (Spartanburg, Union, Cherokee, Chester, and York counties).

## BUSHY PARK

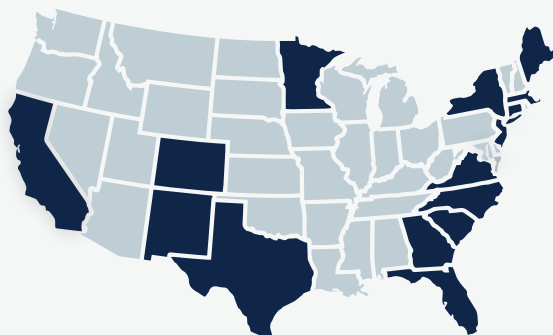
GOOSE CREEK, SC | 62 EMPLOYEES

Originally developed in the late 1960s, Bushy Park is a 1,600-acre advanced manufacturing center with deep-water access along the Cooper River in Berkeley County, SC. Pacolet acquired Cooper River Partners, which owns and operates the site, and provides 35 different infrastructure and utility services at the site on a centralized basis to nine large multinational tenants.

## HYDERA

GOOSE CREEK, SC  
10 EMPLOYEES

Commencing operations in 2022, Hydra is a full-service ISO container depot serving the needs of the bulk liquids transportation industry in the greater Charleston area. It provides chemical and food-grade transportation customers with services, including tank cleaning, heating, repair, maintenance, storage, and transportation.



## PORTFOLIO INVESTMENTS

Pacolet has a diverse asset base with investments across the District of Columbia and 16 states and has invested \$1.3 billion in equity over the last seven years.

*(Since this report spans two calendar years, all employee numbers are as of June 2023)*



# HIGHLIGHTS

**Building upon our 2021 cultural assessment, we have achieved significant strides in enhancing our operations to further cater to the needs of our community, propelled by a steadfast commitment to ESG improvements.**

## Executing on the Recommendations of our Culture Action Teams

These teams began their work to make recommendations for actions related to the issues identified by the original cultural assessment from 2021. Each team participated in a formal action planning process where they agreed on the top three to four business priorities and recommendations to management. Management teams are now working with the culture action teams to execute on these goals.

### PRIORITIES IDENTIFIED BY CULTURE ACTION TEAMS

*Proposed actions for each priority have been presented to the respective management teams at each organization. Each location is currently collaborating with the action teams to finalize and execute the recommended actions.*

#### PACOLET MILLIKEN

- *Employee Engagement and Motivation*
- *Employee Development*
- *Consistent Communication Regarding the Business*
- *Stronger Emphasis on Values and Expectations*
- *Mission and Vision for Stronger Position for the Future*

#### LOCKHART POWER

- *Employee Appreciation*
- *Employee Engagement and Communication*
- *Overall Management and Employee Training with Added Focus on Safety and Customer Service*

#### BUSHY PARK/HYDERA

- *All Aspects of Communication*
- *Leadership and Employee Development*
- *Employee Engagement and Involvement*
- *Diversity Equity and Inclusion (Recruitment and Retention)*

## Expanding our investment in workforce and affordable housing

For the critical topic of access and affordability, we continue to focus on affordable housing initiatives within the investment portfolio. To date we have helped bring almost 2,000 workforce housing units and over 700 affordable units to the market.



## Adopting our first ever Diversity, Equity, & Inclusion (DEI) goals and commitments.

We launched our company-wide DEI effort in 2021 and over the past two years, with input from our cultural action teams, leadership, and data collected from the 2021 cultural survey, we have developed and adopted goals intended to promote diversity in the workplace and improve our culture so that everyone feels a sense of belonging. Although some goals are aspirational, some others may be measured immediately. Our leaders at all locations understand the importance of communicating and measuring the goals, achieving results, holding ourselves accountable, and providing progress reports along the way.



***Increase Representation of Minorities, People of Color, and Women Across Pacolet's Family of Companies***



***Increase Representation of Minorities, People of Color, and Women in Management Positions***



***Ensure that all Feel Included and Valued***



## Expanding our investment in renewable energy, including a landmark investment in our solar development partner and our first investments in renewable natural gas (RNG).

Pacolet's investment in renewable energy continues to grow. In 2022, Pacolet made a major capital investment in Syncarpha Capital, LLC, a New York-based company dedicated to developing, owning, and operating commercial, industrial, community and small utility-scale solar and storage projects. Later in the year, Syncarpha announced a \$100 million partnership with Rosemawr to deploy solar plus storage projects in the New England marketplace.

In January 2023, Pacolet announced the consummation of a joint venture investment with Evensol LLC (Evensol), a leading developer of renewable biogas assets. In partnership with Duke Energy, Pacolet and Evensol's joint venture owns and operates two RNG projects at landfills in North Carolina, specifically the Upper Piedmont Renewables and Foothills Renewables projects (UP&F). UP&F processes landfill gas generated at the project sites and converts that gas into RNG to be injected into regional pipelines to supply homes, vehicles, and businesses with low carbon, renewable fuel. Pacolet plans to fund, develop, construct, and operate additional RNG projects with Evensol, with UP&F becoming the anchor asset to build this portfolio for future growth.



## Adopting a new Charitable Giving & Sponsorship Policy, while also sustaining our previous commitments to community impact.

Pacolet has always provided philanthropic support to the communities where we live and work, but in an effort to formalize how we approach giving and identify needs, we have adopted our Charitable Giving & Sponsorship Policy. The Policy establishes a Charitable Giving Committee that will target to give a specified amount annually to causes aligned with our company's commitment to community impact.



## Bushy Park & Hydera recognized for workplace safety.

Bushy Park and Hydera were among 97 industrial facilities in the state recognized by the South Carolina Manufacturing Alliances for outstanding workplace safety accomplishments in 2022.

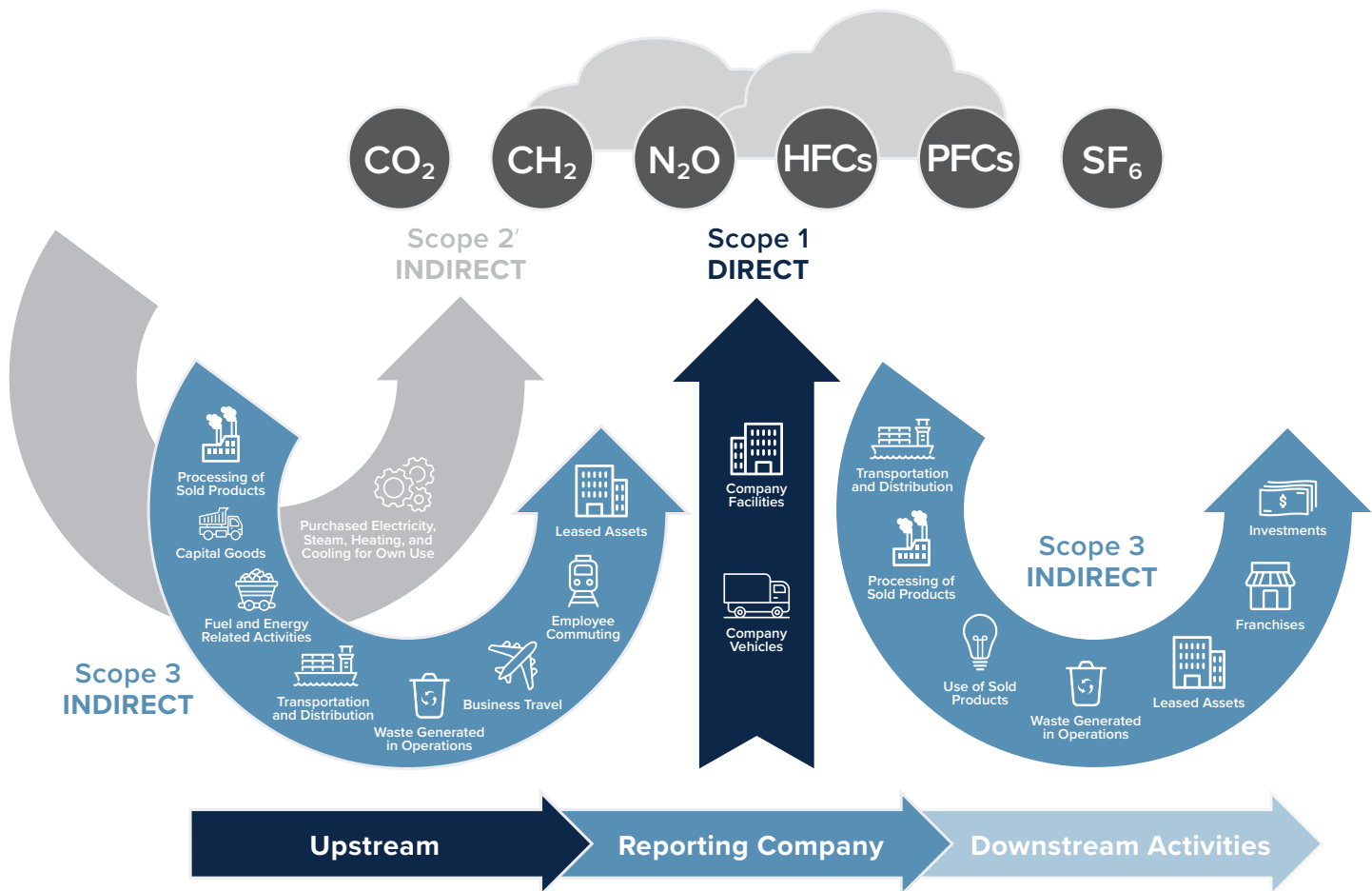




ENVIRONMENTAL

# GREENHOUSE GAS

Pacolet shares the view that climate change is one of the greatest challenges of our time. We are committed to reducing climate change impacts in our value chain and to facilitating the clean energy transition through our investments.



Source: Greenhouse Gas Protocol ([ghgprotocol.org](http://ghgprotocol.org))

<sup>1</sup>Scope 2 emissions are calculated using the GHG Protocol's Market-Based methodology. Biogenic emissions arise from generating electricity from landfill gas assets in Pacolet Milliken's portfolio. We account for these emissions separately and not within our operational scopes. Although these emissions are biogenic and produce electricity considered renewable energy, the methane produced by the landfill is ultimately

burned and thus produces CO<sub>2</sub>. Nonetheless, the alternative to a landfill gas project is flaring the gas (which produces the same CO<sub>2</sub> without electric generation), or simply allowing the methane to be released into the atmosphere, which is many times worse than CO<sub>2</sub>.



*The Corporate GHG Protocol used in Pacolet's inventory divides the emissions into three standard categories: Scope 1, Scope 2 and Scope 3. The GHG emissions for 2023 are calculated in metric tons.*

## SCOPE 1

Direct emissions from the activities of an organization or under its control, including fuel combustion on-site, such as gas boilers, fleet vehicles, and air-conditioning leaks.

Metric Tons (CO<sub>2</sub>E)

**55,997**

## SCOPE 2

Indirect emissions from electricity purchased and used by the organization. Emissions are created during the production of the energy and eventually used by the organization.

Metric Tons (CO<sub>2</sub>E)

**19,603**

*Market-Based Calculation*

## SCOPE 3

All other indirect emissions activities that occur outside of our company but within our value chain and from sources that we do not control. These are usually the greatest share of a company's overall footprint, covering emissions associated with procurement, upstream and downstream energy use, business travel, etc.

Metric Tons (CO<sub>2</sub>E)

**208,543**

**By Category**

Energy-Related <b>95,535</b>	Investment <b>519</b>	Employee Commuting <b>168</b>
Purchased Goods and Services <b>35</b>	Downstream Leased Assets <b>20,435</b>	

*\*All numbers are from 2023*

# CLEAN ENERGY

**To understand if our impact is consistent with the best practices of other leading companies taking action to address climate change, Pacolet has measured its GHG emissions.**

## TRACKING PACOLET'S GHG FOOTPRINT

We again hired a third-party GHG accountant that follows the globally used Greenhouse Gas Protocol to estimate our operational Scopes 1-2 emissions and upstream and downstream value chain Scope 3 emissions.

We are committed to continuing to measure our emissions over time in order to better understand the footprint that our business contributes to global emissions. Pacolet's Scopes 1 and 2 emissions largely result from Bushy Park and the range of industrial services we provide to our tenants, including upstream extraction of natural gas. Increasing demand for services from our facilities, in general, has driven the overall increase in emissions since 2019. Exploring a range of options to decrease the GHG footprint of Bushy Park was among our initial set of ESG commitments, and executing early-stage projects to improve the energy efficiency of Bushy Park has been an early success. Pacolet's Scope 3 continues to reflect emissions from electricity purchased from Duke Energy by Lockhart Power and the energy use of tenants in our real estate properties. This increase in Scope 3 comes primarily from Lockhart's power purchased from Duke Energy.

While accounting for our GHG footprint tells one side of our story and helps inform how to best reduce our climate impact, it does not account for the positive climate impact that Pacolet achieves by investing in renewable energy deployment or by maintaining our land assets as forests that continually sequester carbon from the atmosphere. Similar to other investors in renewable energy projects, we have begun to estimate the avoided emissions achieved by our renewable energy portfolio in displacing reliance on fossil fuels on the grids where our projects operate. While there is no global consensus on best practice for estimating avoided emissions and such estimates cannot be deducted from our GHG inventory, we feel this is an important metric to calculate and track.

### PACOLET'S SCOPES 1-3 EMISSIONS

	2019*	2021	2023
<b>Scope 1</b>	47,885	60,878	55,997
<b>Scope 2</b>	16,592	14,756	19,603
<b>Scope 3</b>	102,948	137,206	208,543

### PACOLET'S SCOPE 3 EMISSIONS BY CATEGORY

	2019*	2021	2023
<b>Energy-Related Activities</b>	89,712	95,536	187,395
<b>Employee Commuting</b>	172	169	160
<b>Downstream Leased Assets</b>	6,352	11,622	20,435
<b>Investment</b>	6,711	29,689	519
<b>Purchased Goods and Services</b>	**	190	35
<b>TOTAL</b>	<b>102,948</b>	<b>137,206</b>	<b>208,543</b>

\* Reestimated based on the GHG accountant's guidance

\*\* Not calculated



# EMISSIONS & AVOIDED EMISSIONS

284,143 MTCO<sub>2</sub>e

Total PM GHG Emissions in 2023

105,682 MTCO<sub>2</sub>e

Avoided Emissions

(Includes CO<sub>2</sub> Sequestered by Land Holdings: 18,274 MT)

325,054 MWh

Annual Generation (in 2023)

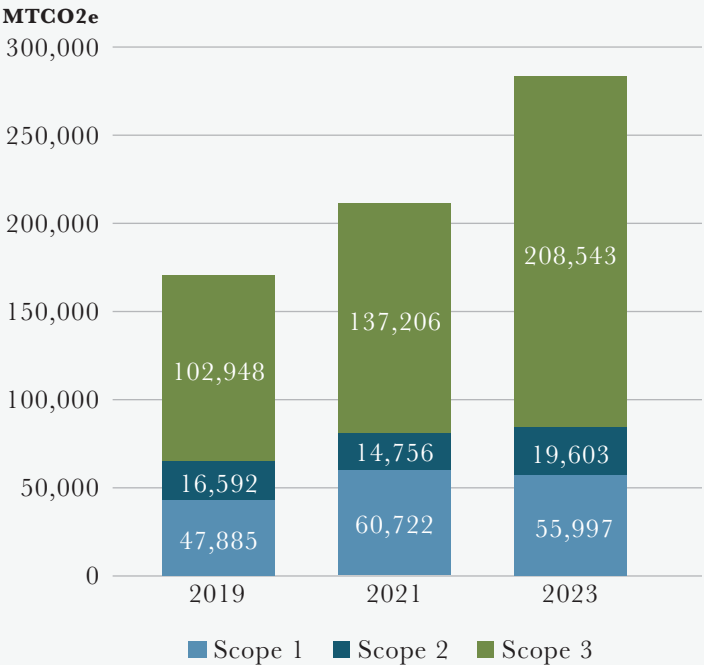
Solar: 129,189 | Hydro: 116,006 | Landfill Gas: 79,859

175 MW

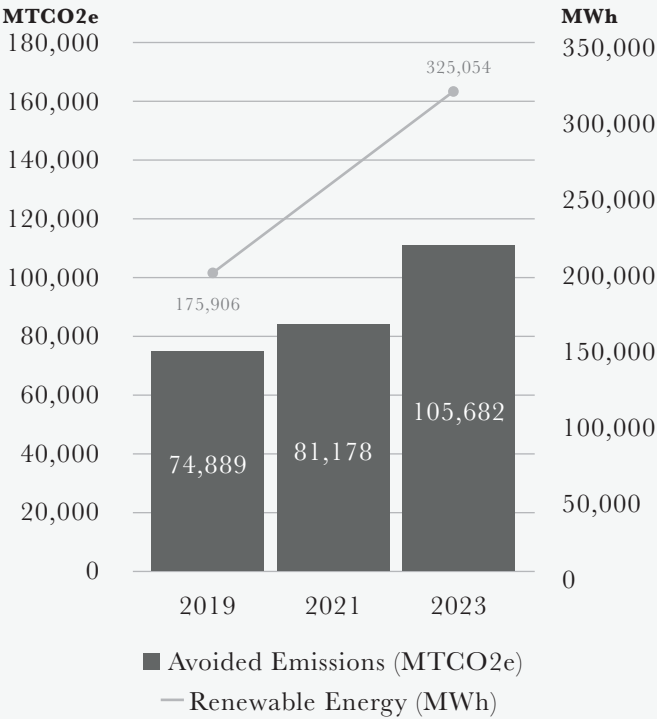
Renewable Energy Generating Capacity

Solar: 126.1 | Hydro: 35.7 | Landfill Gas: 12.8

## SCOPES 1-3 EMISSIONS & RENEWABLE ENERGY



## AVOIDED EMISSIONS





## EXPANDING OUR RENEWABLE ENERGY INVESTMENT PORTFOLIO

Pacolet invests in and owns and operates commercial-scale renewable projects. In 2022, we initially adopted a target to develop or invest in an average of 25 to 30 MW of renewable energy per year over the next five years, beyond our existing portfolio and Lockhart Power's operations.

### SOLAR

Both alone and with our principal development partner, we have supported project development across the northeast, southwest, and southeast regions of the country. We partner with experienced engineers and contractors and sell our solar output to municipalities, utilities, and public entities, as well as business and residential customers.

- Building on our successful long-term partnership, Pacolet has made a major capital investment in Syncarpha, making Pacolet the largest shareholder of Syncarpha and enabling the continued scaling of Syncarpha's solar and storage platform. In 2022, Syncarpha announced a \$100 million financing partnership with Rosemawr Management to deploy solar and storage projects in Massachusetts and elsewhere in New England.
- Our current portfolio includes 175 MW of generation capacity (Solar: 126 MW, Hydro: 35.7 MW, Landfill Gas: 12.8 MW). Our solar portfolio has reached 28 individual projects (up from 16 just three years ago) located across states

### LANDFILL GAS

Beyond solar, we have invested in 13 MW of landfill-gas-to-energy projects and aim to increase our investments in such projects in the near future.

### RENEWABLE NATURAL GAS

In 2023, Pacolet announced a joint venture investment with Evensol LLC, a leading developer of renewable natural gas (RNG). In partnership with Duke Energy, Pacolet and Evensol own and operate two RNG projects at landfills in North Carolina (the Upper Piedmont Renewables and Foothills Renewables projects). The projects are expected to produce approximately 500,000 dekatherms of RNG per year. We believe these projects will serve as a blueprint for future RNG investment and that we will maintain a long-standing partnership with Evensol.

## POWER & INFRASTRUCTURE CLIMATE COMMITMENTS

Pacolet continues to view all issues across the ESG landscape as opportunities for constant innovation and improvement and for climate and clean energy, this means managing our existing value chain and making new investments in the marketplace – to reduce emissions and accelerate the low-carbon transition. We seek to invest capital in other companies and projects that would have a positive environmental impact. These efforts should include investing in companies associated with accelerating the green energy transition, developing energy storage, and/or promoting demand side management.

### COMMITMENTS

- + Evaluate carbon sequestration benefits when considering the development potential of existing land holdings.
- + Develop or invest in an average of 25 to 30 MW of carbon-free energy per year over the next five years.
- + Explore strategic initiative/partnership to invest in renewable energy opportunities.
- + Over the next five years, seek to develop at least three solar/landfill gas generation projects.





## BUSHY PARK

We know that climate change responsibility and action start with our own direct carbon footprint. Our GHG inventory confirms that Bushy Park contributes nearly all of our Scopes 1-2 emissions and those emissions arise from the use of electricity supplied by our local utility, Dominion South Carolina, and our on-site use of natural gas (such as our production and delivery of steam). We know efforts to reduce the GHG emissions of Bushy Park must phase-in over time to meet the expectations of our tenants, but we highlight here our early successes in addressing the emissions of the site and taking action regarding our full range of commitments:

- Converting to LED lighting throughout our buildings.
- Replacing two-speed motors with variable frequency drive motors to increase efficiencies in cooling towers.
- Replacing existing HVAC units and installing units with leading energy efficiency.
- Replacing economizer on Boiler 2 to increase its efficiency.
- Evaluating RNG sourcing opportunities and terms (proposals provided to date have not yielded adequate supplies or at economically competitive prices).
- Receiving proposals and evaluations for on-site solar following the completion and closing of a wastewater pond.
- Engaging in early stage discussions with technology provider on capture and reuse of CO<sub>2</sub> from boiler stacks.

### BUSHY PARK CLIMATE COMMITMENTS

- + Improve energy efficiency and reduce direct emissions at our owned and operated buildings and facilities.
- + Identify all opportunities to reduce energy demand.
- + Ensure HVAC achieves efficient performance and minimizes refrigerant leakage.
- + Reduce the GHG intensity of steam production.
- + Improve boiler efficiency.
- + Explore options for displacing fossil natural gas used in steam production with renewable natural gas (RNG).
- + Seek to expand on-site solar production.
- + Work in cooperative fashion with tenants, energy suppliers, and regulators to deploy more clean energy on-site.
- + Seek access to off-site renewable energy by engaging utility suppliers and regulators.
- + Engage tenants to form partnerships for GHG reduction.

## PACOLET'S ROLE IN LEGISLATION

Over the last few years, Pacolet's leadership, with help from a hired lobbyist at the SC state house, proactively engaged key lawmakers and staff within the South Carolina legislature on policy action necessary to enable the continued deployment of clean energy in the state. We are using our voice to identify roadblocks to continued investment and opportunity, including increasing the existing limits on renewable project capacity and encouraging state electric providers to increase their sourcing of renewable energy. We have advised on how legislation introduced in the chamber can address these needs, and we will continue to lend our voice in seeking the adoption of these critical reforms.





# 100%

of Lockhart Power's owned generation comes from renewable energy assets

## LOCKHART POWER

Though 100% of Lockhart Power's owned generation comes from renewable energy assets, we seek to do even more to drive improvements in our service territory, help our customers reduce their energy use and GHG footprint, and create an even more attractive business environment in our service territory. Since building the Lockhart Hydro Plant in 1920, Lockhart Power has delivered local, low-cost hydroelectric power to its customers for over a century. Over the last 15 years, Lockhart Power and Pacolet have worked to invest in and develop additional local hydro, landfill gas, and solar generation capacity, increasing Lockhart Power's production of renewable energy and adding new investment to the community. For example, Lockhart Power is the only company to build a new hydroelectric plant in South Carolina in over 35 years — and it built two. Lockhart Power also completed the Midway Green Solar project, at 14.5 MW (DC) the largest solar project in Union County, that is built on environmentally impaired land, and is currently preparing investment in the even larger 24 MW (DC) solar project for development near Clinton, SC, which would also be on environmentally impaired land and help “turn brown into green” to benefit a local rural community.

At a time when more and more companies are expressing a preference to locate facilities in areas with cleaner grids and access to renewable energy, Lockhart Power's broad clean energy portfolio makes us a strong partner to our local leaders as we seek to attract economic development to the region.

### LOCKHART POWER CLIMATE COMMITMENTS

- + Increase the share of clean energy in wholesale energy resources.
- + Develop and execute a plan to offer electric vehicle charging stations.
- + Electrify our owned fleet as market offerings develop.
- + Support local energy efficient housing construction.



## REAL ESTATE

While the GHG emissions associated with our real estate portfolio reflect the energy use of our tenants and fall under Scope 3 of our inventory, we are committed to being good environmental stewards, both for ourselves and our tenants. Though our real estate holdings are geographically diverse and involve different ownership structures (which often means we cannot act unilaterally), we have adopted a set of commitments to cost-effectively optimize the energy use of our buildings and improve their emissions performance. To deliver on this commitment, we will continually evaluate our past efforts and existing infrastructure in order to identify opportunities for improved efficacy and scale that will be most impactful.

### THE DASHBOARD

Within the Real Estate division, we have developed an ESG Dashboard to gain greater visibility and to track our efforts regarding our commitments to climate change and clean energy, environmental stewardship, and community impact commitments. The dashboard enables us to track our full set of commitments across individual segments of our real estate holdings – land, industrial, multifamily, office, and retail.

### ENVIRONMENTAL CERTIFICATION

As of the end of 2023, we have achieved Green Globe Certification for eight industrial spec warehouse projects. This certification for commercial real estate attests that a building has adopted sustainability features in the areas of environmental performance, health and wellness, and resilience and has demonstrated progress in reducing environmental impacts. In addition, five of our properties in California have met the requirements of the state's CALGreen building codes, which signify that a building's design and operation contributes to positive environmental impact.



## TIMBER MANAGEMENT

Using best management practices, Pacolet actively manages timber on much of the land portfolio that is not under development. Approximately two-thirds of Pacolet's land holdings have timber in various stages of growth. Responsibly managed forests, including those managed for timber production, positively impact climate change by sequestering atmospheric carbon. Pacolet's land holdings sequester CO<sub>2</sub>e year over year. Though much of this land may eventually be developed, we anticipate our portfolio will continue to include certain lands that remain undisturbed. For example, Pacolet's land adjacent to the Broad River hydropower facility sequesters approximately 6,000 metric tons of carbon each year.

### REAL ESTATE CLIMATE COMMITMENTS

- + Incorporate ESG cost/benefit analysis and capital planning to allocate dollars most efficaciously.
- + Identify experts to help evaluate and measure current and past initiatives.
- + Implement energy efficiency improvements.
- + Examine existing infrastructure and evaluate more efficient equipment options.
- + Evaluate improvements to lower tenants' reliance on carbon-emitting transportation.
- + Evaluate opportunities for on-site battery for power storage to use during peak power.
- + Evaluate where green leases may be effective.
- + Evaluate feasibility of submetering to transfer economic incentive to conserve resources.
- + Provide EV/Truck charging at some point in the future as a standard component.
- + Explore Green Globes certification for industrial buildings.



# STEWARDSHIP

**Beyond the urgency of addressing climate change, Pacolet cares deeply about the environmental impacts that its business and properties have on our communities.**

Pacolet is committed to operating in a responsible manner — one that exemplifies the best practices of sustainability, community involvement, and environmental responsibility. Pacolet Milliken specifically considers the environmental impact of every investment. Previously, we have made investments in our properties and other contributions to connect communities to the natural environment around them. Among our ESG priorities, we committed to actively seek to invest capital in other companies and projects that would have a positive environmental impact. In addition, we committed to ensuring a continued record of zero environmental violations across all of our companies.

## COMPANY-WIDE ENVIRONMENTAL STEWARDSHIP COMMITMENTS

- + Invest capital in other companies and projects that would have a positive environmental impact.
- + Ensure a continued record of zero environmental violations with our operations.

## REAL ESTATE

Pacolet's real estate portfolio includes land holdings that are currently maintained as working forests and legacy land assets that maintain high ecological and conservation value. On our forested lands, we actively manage them using best management practices that provide for not only healthy forests, but also protect water quality in the area, ensuring responsible management of forests and the surrounding ecosystem.

We have begun evaluating forestry land holdings as an imbedded source of carbon sequestration as we enhance our overall real estate portfolio to become carbon neutral. As a first step, we have worked to understand our carbon sequestration potential and have received a proposal for ecosystem services on our land. We continue to seek proposals for this work. We are continuing to evaluate the potential for a biodiversity and water quality study, conservation easement evaluation, and other ecosystem services.

## REAL ESTATE ENVIRONMENTAL STEWARDSHIP COMMITMENTS

- + Evaluate ways to maximize carbon sequestration potential of forestry land holdings.
- + Evaluate opportunities to locally source construction and daily maintenance materials.
- + Incorporate local sourcing requirements in property management and development agreements.
- + Evaluate improvements in tenant engagement for recycling and energy conservation efforts.
- + Evaluate opportunities for responsible waste management.
- + Make use of low-VOC carpet and paint in new developments and renovation projects.
- + Assess zero-paper environment initiatives.



An aerial photograph showing the Bushy Park industrial facility, which includes various buildings, storage tanks, and piping. The facility is surrounded by lush green wetlands and a large body of water. In the foreground, there is a large field of solar panels. A white text box is overlaid on the top left of the image.

Bushy Park currently maintains roughly

**900 ACRES**

of wetlands and undisturbed land that serve as natural habitat for species in and around the Bushy Park site.

## BUSHY PARK

We have worked to eliminate legacy in-situ groundwater contamination per our initial sustainability commitments. Our efforts in monitoring and mitigation continue as we improve the groundwater quality on our lands. Industrial activities that occurred on-site long before Pacolet's ownership of Bushy Park resulted in groundwater contamination from chlorinated volatile organic compounds (VOCs). Pacolet has worked to eliminate the legacy VOC contamination using an oxidizer injection technology. In addition to this technology, in 2023 we invested significant time and money into improving recovery wells to increase the amount of groundwater recovered and treated. These efforts have resulted in contamination levels that are below the industrial limits. We will continue to monitor and report results to SC Department of Health and Environmental Control.

Bushy Park currently maintains roughly 900 acres of wetlands and undisturbed land that serve as natural habitat for species in and around the Bushy Park site. To meet our commitment to assess the potential for additional wetland and marsh preservation, conservation and/or restoration, we have engaged an environmental consultant, The GEL

Group, to conduct an environmental land audit and prepare a master plan and evaluation of wetland areas to identify opportunities for preservation. Pacolet has an obligation to understand the area's ecological boundaries as we identify what might make the greatest impact on our local environment. As we look ahead, we plan to create a mitigation bank and increase our permitting responsibility to protect local ecosystems.

In addition, Bushy Park pledged \$5,000 for five years to bolster Goose Creek Park and ensure a recreational space built for everybody of all ages and mobilities.

### BUSHY PARK ENVIRONMENTAL STEWARDSHIP COMMITMENTS

- + Evaluate the potential of wetland and marsh preservation, conservation, and/or restoration of the wetlands and marsh at Bushy Park.
- + Complete the efforts to eliminate historic/legacy in-site groundwater contamination.





SOCIAL

# DEI



**At Pacolet, we embrace diversity, equity, and inclusion because it is the right thing to do. We pursue continuous improvement and maximum performance. We are committed to creating an inclusive environment amongst all our employees.**

## ADOPTING DEI GOALS AND GOAL EXECUTION

Fulfilling an initial commitment, Pacolet adopted DEI goals in December 2022 and began working to implement them in 2023.

**To execute on our goals, we have adopted four DEI strategies that include:**

- Reinforcing Pacolet's strategic commitment to recruit and interview from a diverse talent pool for all vacant positions.
- Creating a pathway to leadership for diverse employees with potential and willingness to rise to a higher level.
- Increasing brand awareness while positioning Pacolet's family of companies' commitments to DEI externally.
- Ensuring a work environment and culture that make all employees feel valued and have a sense of pride in working for Pacolet's family of companies.

## DEI COMMITMENTS

- + Refine DEI goals and commitments as needed.
- + Maintain periodic unconscious bias training.
- + Track, monitor, and disclose key demographic data in relation to hiring, promotion, and compensation.
- + Examine external diversity partnerships and explore new opportunities.
- + Identify and participate in key DEI initiatives across South Carolina and/or relevant economic sectors.



*Increase Representation of Minorities, People of Color, and Women Across Pacolet's Family of Companies*



*Increase Representation of Minorities, People of Color, and Women in Management Positions*



*Ensure that all Feel Included and Valued*



# CURRENT DEI EFFORTS

*Beyond meeting our initial commitment to adopt formal DEI goals, Pacolet has executed on its additional commitments:*

- **We have maintained unconscious bias training.** We held our first company wide unconscious bias training in 2022. This training was mandatory for all employees. Moving forward, we will continue to maintain periodic training and will offer specific training for all new employees.
- **We have also continued to track, monitor, and disclose demographic data in relation to hiring, promotion, and compensation.**
- **Pacolet has worked to increase social media engagement by regularly promoting employee spotlights** and featuring information on special events and occasions such as Black History Month, Hispanic Heritage Month, and Women's History Month. We are working to expand recruitment efforts to new networks and colleges and HBCUs and helping managers understand that recruiting involves all aspects of diversity.
- **We have also formed partnerships with DEI Initiatives.** Pacolet has established diversity partnerships with organizations such as Play. Advocate. Live. Well (PAL) Food Hub, Hub City Farmers Market, Greenville Chamber's DEI Group, CommunityWorks Carolina, and Greenville Housing Fund. These organizations work towards equity and justice in our local communities.
  - **PAL: Play. Advocate. Live Well.** PAL works to improve health and wellness throughout Spartanburg County. They are working to develop a trail network to allow access to safe and fun exercise for community members. PAL's Food Hub provides a centralized process to offer more locally grown fresh food to people in

Spartanburg. Jennifer Calabria is on the board of Pacolet employee PAL's Food Hub.

- **Greenville Chamber's DEI Initiative.** We support the Greenville Chambers' DEI initiative through donations. Andrena Power-Baker, Director of Communications and Diversity, sits on the Chief Diversity Officer's Roundtable which serves as an advisory group for programming and the Chamber's Annual DEI Summit.
- **Greenville Housing Fund.** The Greenville Housing Fund (GHF) supports preservation and expansion of affordable housing in the local area. Brent Abbott, our EVP and Head of Investments for Real Estate, sits on the board of GHF.
- **We continue to support and build relationships with DEI initiatives active in South Carolina.** Pacolet continuously advocates economic development through relationships with groups such as South Carolina Economic Development Association (SCEDA), as well as E4 Carolinas, which is focused on energy, economic growth, efficient resources, and the environment. In 2022 and 2023, we:
  - Supported the SCEDA Women's Group initiatives, which aim to help SCEDA women advance their careers. We sponsored the SCEDA Women's golf clinic and mentoring program, and helped facilitate a program which collects gently used professional attire to provide to organizations that help prepare people for job interviews. Jennifer Calabria, Pacolet's Director of Land Management, sits on the SCEDA Board and chairs the Women's Group. Andrena Powell-Baker is a past president of SCEDA.





# ACCESS & AFFORDABILITY

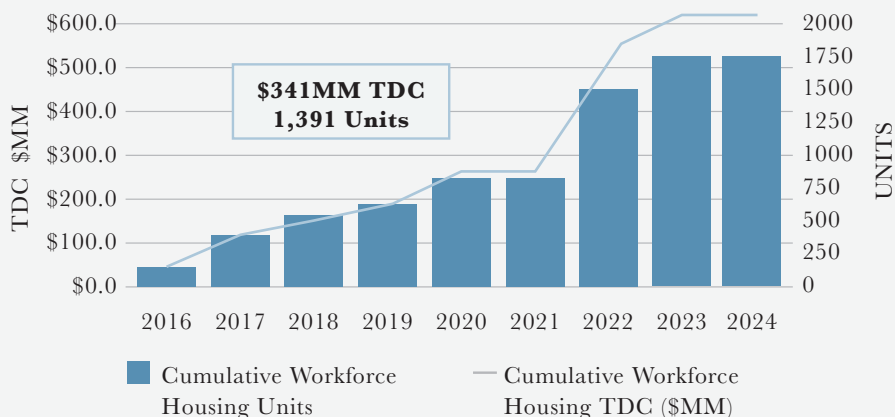
We recognize that our investment decisions can increase access to affordable housing and energy for working families.

As the demand for affordable accommodations increases across the country, this topic will have growing relevance to our business.

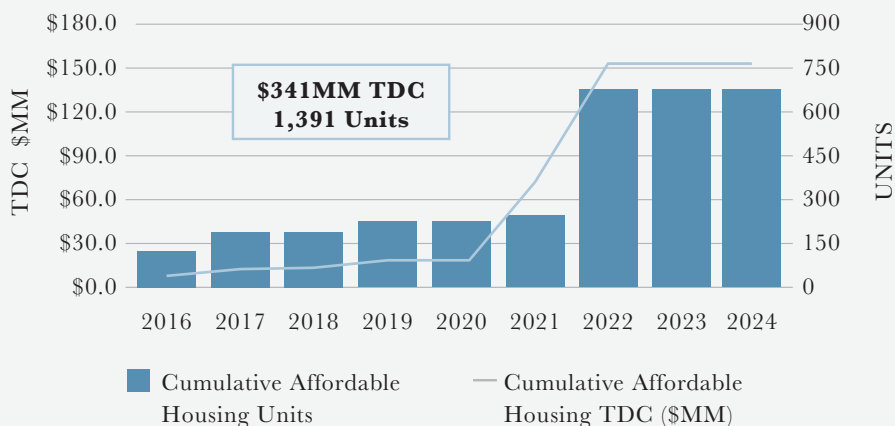
- Lockhart Power prioritizes maintaining affordable power prices; it has not sought (or obtained) base rate increases in over 8 years.
- Pacolet's Real Estate Division successfully launched an ESG dashboard tracking environmental and community initiatives in industrial, legacy land, and multifamily investments. The dashboard tracks our progress over time, capturing past and future investments, and providing benchmarks and data to measure our impact and level of financial and non-financial commitment to these initiatives. New in 2023, the dashboard tracks physical climate risks, such as risks from flooding, fires, drought, and extreme heat, to our real estate assets. Tracking these risks allows us to build increased resilience into our investments.
- Our Real Estate Division has actively engaged to increase its investment in affordable and workforce housing. As of the end of 2023, we own over 2,000 workforce housing units, an increase of nearly 1,000 units over 2021. We also own over 700 affordable housing units and are committed to maintaining access to the workforce and affordable housing in our real estate portfolio.

## AFFORDABLE HOUSING INVESTMENT

### WORKFORCE HOUSING



### AFFORDABLE HOUSING



*“Workforce Housing” refers to assets that are ‘naturally’ affordable (not top-of-market rents), but do not have formal regulatory constraints; “Affordable Housing” refers to assets with specific unit requirements, tied to rental amounts or tenant income limitations.*

*TDC - Total Development Cost*

## REAL ESTATE ACCESS & AFFORDABILITY COMMITMENT

- + Continue to focus on affordable housing components within the real estate portfolio, targeting initiatives in three categories:
  - Charitable Donations: Generally under \$100,000 annually.
- Impact Investing: Up to \$1 million, annually.
- General Account: Our mainstream business, seeking market returns (\$10-30MM per deal, normalized) while bringing workforce/affordable housing units online.

# COMMUNITY IMPACT

**From its inception, Pacolet has believed in improving the quality of life for people in the communities in which it does business.**

We maintain community impact as a core value and continue to support philanthropic activities that achieve impact and align with our ESG philosophy. Our charitable contributions consist of donations and sponsorships. In 2023, we contributed \$161,716, and in 2022, \$93,541. We also formed a Charitable Giving Committee to aid in our intention to financially support organizations and projects in the target areas of support – including Arts and Education, Human Services and Health and Wellness, Affordable Housing, and Diversity – that align with Pacolet’s values. In 2024, we intend to commit \$400,000 to charitable giving across all causes.

## **NEW PROGRAMS:** Adopting the Charitable Giving & Sponsorship Policy and Establishing the Pacolet Charitable Giving Committee

In response to our goal to develop a formal philanthropic program, Pacolet adopted a Charitable Giving & Sponsorship Policy in 2023. The Policy outlines Pacolet’s charitable giving values, describes the roles and responsibilities of a Charitable Giving Committee to manage and oversee giving, and provides other guidance. The Policy identifies target areas for giving including:

- Community Impact:
  - o Arts & Education
  - o Human Services and Health & Wellness
  - o Affordable Housing
- Diversity, Equity, & Inclusion
- Environmental Sustainability
- Economic/Business Impact

The Charitable Giving Policy will target key areas of support that are aligned with Pacolet’s charitable giving values. For example, this may include providing resources to public or charter schools, improving healthcare infrastructure, promoting social justice, conservation, and clean energy, or providing sponsorships to local or regional economic development authorities.



## **COMMUNITY IMPACT COMMITMENTS**

- + Enact a formal philanthropic program that contributes specified amounts annually to South Carolina-based initiatives that reflect Pacolet’s ESG priorities.
- + Develop a formal philanthropic program to achieve annual volunteer hours by employees on projects supportive of ESG priorities.
- + Continue to evaluate our land holdings community benefits.
- + Continue and increase our engagement with public secondary schools in our communities.
- + Expand and refine the internship program to increase students’ access to meaningful work and professional development opportunities.



## RECENT PHILANTHROPIC EFFORTS

- United Way: Both Lockhart Power and Pacolet support the local communities in the upstate of South Carolina through the United Way. For 11 consecutive years, 100% of Lockhart Power employees have contributed to the United Way, which Lockhart Power matches 50%. Employees of Pacolet donated a total amount of \$18,863 which the company matched 1:1, bringing the final amount to \$37,726.
- Mobile Mammography: In 2019, Lockhart Power committed \$5,000 to help fund a new mobile mammography unit with plans for it to visit the Town of Lockhart two times per year, in an effort to increase the rate of breast cancer screening and early diagnosis in rural areas. In 2022, the mobile mammography unit paid its first visit to Lockhart Town Square. Eleven patients, including some of Lockhart's employees, were screened.
- Other philanthropic achievements:
  - o Pacolet continued its tradition as the presenting sponsor of the BMW Charity Pro AM's Junior Clinic for its fourth consecutive year. Sponsored events included a girls' clinic, an Els for Autism Clinic, and a Spanish-speaking clinic alongside the general clinic.
  - o Bushy Park has made a \$25,000 (\$5,000/year for 5 years) commitment to Central Creek Park, a 13-acre, all-abilities recreational area in the town of Goose Creek, SC. The grand opening was in December 2022.
  - o 2022 marked Pacolet's third year as a bronze sponsor of the annual Big Brothers Big Sisters of the Upstate pep rally. Proceeds help provide local children facing adversity with strong, professionally supported one-to-one mentorship.

## RECENT VOLUNTEER EFFORTS

We have continued to identify opportunities for our employees to engage in the local community on projects supporting ESG priorities. For example:

- Bushy Park hosts an Adopt-A-Highway event four times a year where groups of volunteers from the company clean up the road in front of the plant site. This community work takes place each year and better both the aesthetics and the environment along Bushy Park Road.
- To replenish the blood supply in Berkeley County, SC, Cooper River Partners hosted a blood drive where the Blood Connection visited Bushy Park. Forty-six units of blood were donated, mostly from Bushy Park and Hydera associates.
- At Christmas, employees at Bushy Park collected and delivered 100+ gifts for students at Dorchester County and Berkeley County schools who might not otherwise receive gifts.
- Pacolet participated in Project Joy to provide a local Greenville family with Christmas gifts for all family members.





**AS PART OF OUR  
COMMITMENT TO  
CELEBRATING AND  
SUPPORTING STUDENTS,  
Pacolet, Lockhart, and Bushy  
Park all award scholarships  
to enable students to  
further their education at an  
institution of higher learning.**



## SUPPORTING EDUCATION & THE ARTS

Pacolet, Lockhart Power, and Bushy Park all understand the importance of education. The efforts of all three organizations are varied but include support for scholarships and providing meaningful internship experiences. Considered in their entirety, the efforts provide impacts all along the educational spectrum.

- Pacolet annually supports the S.C. Governor's School for the Arts by funding a competitive scholarship for a graduating high school senior visual arts student.
- As part of our commitment to celebrating and supporting employees, we founded the Pacolet Milliken Scholarship, an achievement-based scholarship awarded to one graduating high school senior child of a Pacolet employee furthering their education at an institution of higher learning. Awarded annually, this four-year award is subject to maintenance of grades. Hannah Boylan, daughter of Jim Boylan, Accounting Manager at Pacolet Milliken, is the recipient of the 2023 Pacolet Milliken Scholarship. Hannah is attending Auburn University majoring in business with a focus on finance. We also want to celebrate previous years' winners, Eliza Calabria (Jennifer Calabria) who is at The University of the South (Sewanee) and Bradley Trevino (Katie Burnette) who is at



***Hannah Boylan***

USC-Columbia. We wish them all the best and look forward to their continued success in college!

- We revised our internship program to broaden and deepen the experience our interns receive. In 2023, our interns began splitting their time among different business units – accounting, real estate, and power & infrastructure, to get experience with a wider array of businesses. Our legal interns also began splitting their time between the Pacolet legal team and external law firms to get experience both with in-house counsel work and with larger firms.
- Each year, Lockhart Power awards four, one-time, achievement-based scholarships to graduating seniors of Union County High School. These scholarships are in the areas of science, agriculture, mechatronics, and pre-engineering. Students who have the highest GPA in these courses and who are enrolled in an institution of higher learning are eligible for scholarship awards. Lockhart also provides one President's Scholarship per year to a child of a Lockhart employee.
- Bushy Park offers the Tyronne P. Davis scholarship for graduating high school seniors and undergraduate college students who have a parent working at a Bushy Park site company. Over the last 25 years, 203 scholarships totaling over \$315,000 have been awarded.



# HEALTH & SAFETY

**Pacolet remains committed to the health, safety, and wellbeing of its employees. We prioritize and reinforce safety at all levels of the organization and have worked to expand our coverage of health and wellness programs to more employees.**

## EMPLOYEE HEALTH & WELLNESS

As part of Pacolet's commitment to employee engagement and health and wellness, we have enhanced our current plan offerings for wellness and pre-tax benefits. For example, we now provide enhanced HSA and FSA offerings and have introduced limited-purpose FSA plans. We have also been able to offer expanded employee assistance programs by enhancing personal counseling offerings by making telehealth counseling unlimited, including counseling for any family member and three in-person visits each year. Additionally, Pacolet now offers expanded benefits for employees to set up wills and trusts regardless of which benefit plan they are enrolled with as part of their employment.

- **Pacolet offered all employees on-site biometric screenings, health risk assessments, and sit-to-stand desks to ensure employee wellness.** A wellness discount on medical insurance is also offered to all employees who participated in the wellness screenings. As of 2022, all employees can now participate in biometric screenings, not just those who are enrolled in health care through Pacolet.
- **We continue to maintain a "gold" level healthcare plan for our employees.** Not only do we offer benefits at that level, Pacolet also recently increased its portion of the healthcare cost from 77% to 79% to ensure that rising healthcare costs do not unnecessarily burden our employees. There are also enhanced offerings for wellness and benefits pre-tax under our current plan, such as an HSA option for those

on a high deductible health plan. A limited purpose FSA is also offered so employees can use savings for medical, dental, and vision expenses.

- **An Employee Assistance Program covering counseling/assistance** with researching and locating legal specialists, financial services, lifestyle, and fitness management (anxiety, depression, separation, divorce, etc.), and assistance with locating dependent care and education. Employees are offered three in-person visits per issue and unlimited visits by telephone. Effective January 1, 2022, this program is also available for part-time employees, even if not enrolled in Pacolet's health/benefits plan.
- **Lockhart Power's location-specific wellness initiatives** include a part-time on-site clinic, a small on-site gym, various weight-loss challenges, on-site skin cancer screenings, triennial non-invasive screening for life threatening conditions, and on-site annual flu shots. All Lockhart Power associates participated in a wellness event on July 21, 2022 hosted by Lockhart's Wellness committee. Topics included making healthy food choices and quick and easy exercises.
- **Hydera and Bushy Park's location-specific wellness initiatives** include a weight loss challenge and a step challenge in 2022. Sixteen to twenty employees participated in both events, and all participating employees were given a fitness and activity tracking wrist piece.



## SAFETY

Bushy Park, Hydera, Lockhart Power and Pacolet continue to prioritize safety at all facilities. In 2022 and 2023, Hydera and Pacolet Milliken reported zero recordable incidents; Lockhart Power reported one and Bushy Park reported two. Only one of those incidents at each location resulted in lost time.

We are proud to announce that Hydera and Bushy Park facilities were among 97 industrial facilities in the state recognized by the South Carolina Manufacturing Alliances for outstanding workplace safety accomplishments during 2022. This is the second year Bushy Park has won this award. Bushy Park has expanded its safety program including:

- Reinforcing a culture of safety from the management to the employee level. In 2020, Bushy Park hired a new Director of Safety and is implementing a new safety training module.
- Creating a dedicated Safety Division distinct from the Environmental Division, with increased focus and prominence.
- Continuing to do Safe Start safety training on a quarterly basis for all employees. In the fall of 2023, Bushy Park achieved a full year injury-free.

**0** RECORDABLE INCIDENTS

**HYDERA** (since 2021) | **BUSHY PARK** (in over a year)  
**PACOLET MILLIKEN**



## EMPLOYEE HEALTH, SAFETY & WELLNESS COMMITMENTS

- + Ensure employee wellness, tracking the effectiveness of existing wellness initiatives and responding to employee feedback.
- + Strive to attain zero lost time accidents.
- + At Bushy Park, continue to reinforce safety culture at the leadership level and through continued implementation of the Safe Start Program.
- + At Bushy Park, maintain a dedicated Director of Emergency Response, Safety, and Security.





GOVERNANCE

# EMPLOYEE ENGAGEMENT

## Pacolet's Board of Directors is actively collaborating with management in developing the company's long-term strategy and proactively managing risk

Although a family-owned company, Pacolet prioritizes independent governance. The Milliken shareholders have spent decades developing their governance structure, and it has become a strong differentiating factor for Pacolet.

Pacolet is intent upon building an internal culture that is aligned with the principles espoused in this report. Pacolet is committed to investing in our employees. This starts with compensation and includes supporting employees through training and education.

- In launching our ESG efforts several years ago, we ensured that an employee-led process within each of our companies would contribute to how we address and manage certain topics. The initial work, recommendations, and identified next steps of our culture action teams represent this commitment. We maintain our commitment that our employees will guide our efforts, and we believe that the culture action teams will continue to foster dialogue within our company and identify areas for improvement and topics to address.
- We are committed to investing in our employees. This starts with compensating them fairly and providing valuable benefits. In 2020, Pacolet Milliken adopted a company-wide minimum compensation policy. We adopted this policy because of our commitment to fairness and equity in all our dealings, including with employees. We maintain this policy.
- We are also committed to supporting our employees through training and education that help develop new skills for a rapidly changing world. The culture action teams at each of our companies have identified advancing employee training as a recommended priority. Many employees at each location have enrolled in training and education programs. In addition, our leadership has sponsored senior-level leadership training at Being First. We want to ensure that all of our employees are aware of the opportunities for our company to support on-going training and education, and we will track our various efforts to ensure successful employee participation.

### EMPLOYEE ENGAGEMENT COMMITMENTS

- + Continue the implementation of our ESG efforts, including through employee-led processes and guidance.
  - + Encourage and facilitate opportunities for continuing education for employees.
  - + Connect our employees to our strategic focus to combat climate change and advance environmental sustainability.
- We also committed to connecting our employees to the strategic focus of our company. Since 2020, Pacolet has worked hard to maintain and continue expanding on our commitments for all our employees:
    - o In 2021, Pacolet implemented a monthly all hands meeting, in the form of happy hours and breakfasts to serve as a place for information sharing and camaraderie building.
    - o We provide regular updates to employees on our ESG and DEI progress. A DEI update was included in Pacolet's first newsletter released September 2022, and has continued as a regular feature in subsequent newsletters. We have installed new video monitors in break rooms to enhance communications with employees.



# ETHICS

In 2021, we made a commitment to deal fairly and ethically with our customers and suppliers. Since then, we have instituted an ethics hotline where employees can report issues 24/7. We also installed a Code of Ethical Conduct which 100% of directors across business units have affirmed. We pledge to continuously review the Code of Ethical Conduct and hotline for updates and changes as necessary.

## ETHICS COMMITMENTS

- + Deal fairly and ethically with our customers and suppliers.
- + Continue to uphold the Code of Ethical Conduct and review for updates as necessary.

# POLICY & REGULATION

The political landscape provides another opportunity for Pacolet to support clean energy transition and affordable housing. We are uniquely positioned to identify roadblocks to development at local and state levels. We have begun to see the fruits to our efforts at the state level with new energy legislation and at the local level with ordinance revisions that provide incentives to facilitate affordable housing. We will continue to lend our voice in seeking the adoption of these critical reforms.

## POLICY & REGULATION COMMITMENT

- + Continue to be a proactive force for policy change to enable the low-carbon transition as well as increase affordable housing opportunities, particularly in South Carolina.

# RISK MANAGEMENT

We conduct regular assessments at all levels, including our investment portfolio and our business operations, covering a broad range of topics such as climate change, policy and regulatory matters,

and financial markets. We continued to update and expand our risk assessment tracker in 2023. We also continue to be in full compliance with legal and regulatory requirements.

## RISK MANAGEMENT COMMITMENTS

- + Continue to be in full compliance with legal and regulatory requirements.
- + Continually evaluate risks related to our investments and operations

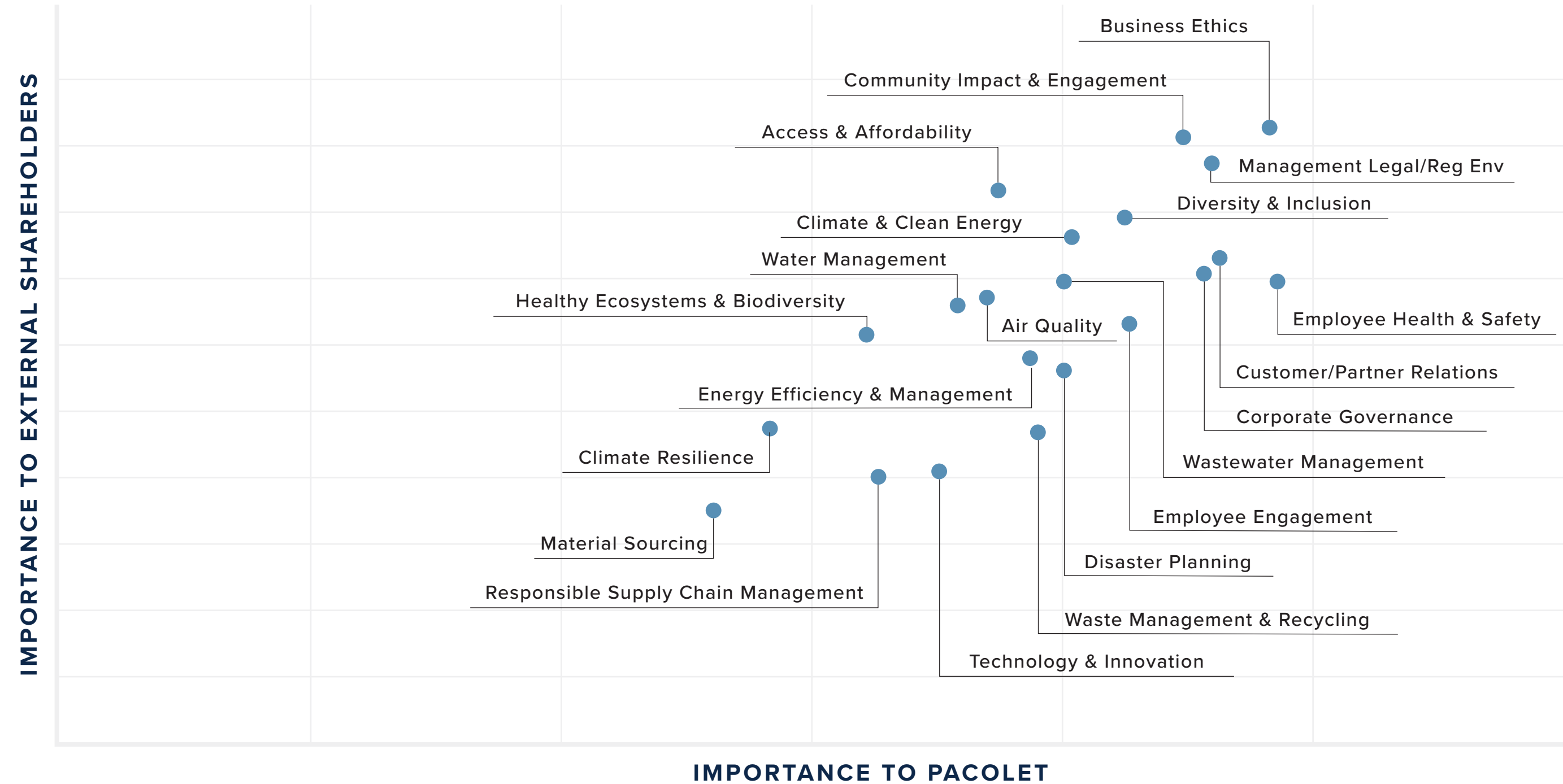


# APPENDIX



# APPENDIX A

# MATERIALITY MATRIX



# APPENDIX B

# DISCLOSURE

DISCLOSURE NAME	RESPONSE
Organization Name GRI 102-1 (Core)	Pacolet Milliken, LLC
Ownership/Legal Form GRI 102-5 (Core)	Family-owned entity (taxed as an S Corporation)
Headquarters Locations 102-3 (Core)	Greenville, South Carolina
Products, Brands, Services	<p>Pacolet is a family-owned investment company with a multi-generational investment horizon. Its long-term economic goals are to increase the intrinsic value of its business, while meeting the dividend expectations of its shareholders. Pacolet operates through two divisions: Real Estate and Power &amp; Infrastructure. We manage these two divisions holistically, balancing non-cash value creation and near-term cash flows, stabilized assets and development projects, and organic growth and acquisitive growth, all in a manner designed to meet shareholder objectives.</p> <p>Pacolet has four wholly owned operating subsidiaries, Lockhart Power Company, Cooper River Partners, LLC (CRP), Hydera, LLC, and Piedmont Green Power, LLC. CRP owns and operates Bushy Park.</p>
Operations, Locations, & Markets Served	<p>Pacolet operates through two divisions: Real Estate and Power &amp; Infrastructure.</p> <p><b>Real Estate</b></p> <p>Pacolet owns and manages a diversified portfolio of real estate investments and invests across several product types, regions, and investment structures. Over the past few years, our real estate investment focus has shifted toward development, to complement the stabilized, income-producing assets already in the portfolio. Our portfolio includes multifamily, industrial, office, self-storage, and retail properties and land holdings. We respond to market conditions by overweighting or underweighting investment segments and geographies based on analysis and experience. Our target markets include major population centers and select Southern U.S. growth markets.</p> <p>Highlights of Real Estate Portfolio (as of December 31, 2023):</p> <ul style="list-style-type: none"> <li>• Over 35 total properties</li> <li>• 4,500 acres of legacy land</li> </ul>



## **Power & Infrastructure**

Though diverse in character and purpose, our P&I portfolio, includes assets that all share certain common aspects. They all tend to be fairly capital intensive, have stable offtakes, and provide utility services of one sort or another. Over the last eight years, we have made substantial investments in renewable energy activities, including solar and landfill gas projects and hydroelectric through Lockhart Power. Separately, or together with our development partner, Syncarpha Capital, we develop, own, and operate commercial-scale solar energy systems ranging in size from 1 MW to 15 MW. We also own and operate three landfill gas projects, two renewable gas projects, and an ISO container storage and cleaning facility.

Highlights of Renewable Energy Portfolio:

- Total RE Generation: 325,054 MWh
- Solar: 129,189 MWh
- Hydro: 116,006 MWh
- Landfill Gas: 79,859 MWh

### **Lockhart Power**

Founded in 1912 and based in Lockhart, South Carolina, Lockhart Power is an investor-owned electric utility that provides generation, transmission, distribution, and lighting services to its residential, commercial, and industrial customers. Lockhart's service territory spans portions of Spartanburg, Union, Cherokee, Chester, and York counties. Lockhart Power generates 100% renewable energy, owning and operating four run-of-river hydroelectric projects and managing a fifth hydroelectric project on behalf of Greenwood County. In addition, Lockhart Power owns and operates the Union and Wellford Renewable Energy Landfill Gas-to-Energy Projects and the 50-acre solar farm at Midway Green Industrial Park. Lockhart Power also serves as an economic development partner, working with local, regional, and state organizations to attract and retain quality industrial companies. Through strategic partnerships and sometimes working with its parent company, Lockhart Power has invested in industrial park development and infrastructure expansions in Union and Spartanburg Counties in South Carolina. It is a key community leader in housing, education, and philanthropy, particularly in Union County.

### **Cooper River Partners (CRP)/Bushy Park**

Based in Goose Creek, South Carolina, Bushy Park is an advanced manufacturing center. Bushy Park consists of approximately 1,600 acres with deep-water access, rail access via rail spur, and proximity to I-26 and I-526. Bushy Park offers steam, compressed air, process water, fire water, potable water, sanitary sewer, nitrogen, and anhydrous ammonia utility services to tenant companies. Bushy Park currently hosts nine tenant companies whose operations range from chemical processing to precision metal fabrication. Bushy Park has long-term leases and utility contracts with its tenants.

### **Hydera**

Hydera is a full-service ISO container depot serving the needs of the bulk liquids transportation industry in the greater Charleston, South Carolina area, including the Port of Charleston. It is located in Bushy Park, a multi-tenant industrial park just north of Charleston on the Cooper River. Hydra commenced operations in 2022 upon completion of its new, concrete-base facility, which is staffed with 24-hour security. It provides a wide variety of chemical and food-grade transportation customers with a full complement of services, including tank cleaning, heating, repair, maintenance, storage, and transportation.

Scale of Organization	<p>Total Number of Employees (as of June 2023):</p> <ul style="list-style-type: none"> <li>• Pacolet Milliken: 32</li> <li>• Lockhart Power: 55</li> <li>• Bushy Park: 62</li> <li>• Hydera 10</li> </ul>
<p>Information on Employees and Other Workers</p> <p>Collective Bargaining Agreements</p>	<p>Total Percentage of Employees (as of December 31, 2023) by:</p> <ul style="list-style-type: none"> <li>• Gender: 80% Male, 20% Female</li> <li>• Race: 85% White, 12% Black, 3% two or more races</li> </ul> <p>Pacolet has no labor unions or collective bargaining agreements. Though contract employees do work at Bushy Park, enterprise-wide, there are not a significant portion of activities performed by workers who are not employees.</p>
Values, Principles, Standards, and Norms of Behavior	See page 8.
Governance Structure	See page 32.
Supply Chain	Pacolet engages a range of business partners in developing and managing its real estate and P&I portfolio. We primarily engage companies with significant experience and strong reputations. Lockhart Power transacts for wholesale electricity with Duke Energy under a firm wholesale power purchase agreement to provide its generation needs beyond what it self-generates. Bushy Park relies on local electricity and gas utilities.
Changes to Company	Pacolet continues to grow its solar strategy through continued investments, including moving into an earlier stage of the development process. This growth includes investment in 74 MW of community solar projects in the state of Maine with our development partner, Syncarpha Capital. While the number of assets in our real estate portfolio has remained relatively stable in the last couple of years, the value has increased significantly. In 2021, with CommunityWorks, we also launched our first co-investment initiative in affordable housing.

Precautionary Principle	While Pacolet Milliken has not formally adopted the precautionary principle at the corporate level, it is used enterprise-wide in many decision-making processes.
External Initiatives	N/A
Association Memberships	<p>Pacolet Milliken</p> <ul style="list-style-type: none"> <li>• Sustain SC</li> <li>• SC Chamber of Commerce</li> <li>• Union County Development Board</li> <li>• OneSpartanburg (Spartanburg Chamber of Commerce)</li> <li>• Laurens County Development Commission</li> <li>• Cherokee County Economic Development</li> </ul> <p>Lockhart Power</p> <ul style="list-style-type: none"> <li>• South Carolina Economic Developers Association</li> <li>• Union County Development Board</li> <li>• Spartanburg Community College Foundation Board</li> <li>• E4 Carolinas</li> <li>• United Way of the Piedmont</li> <li>• Union Vision Council</li> <li>• Operation Workforce Training</li> <li>• South Carolina Manufacturers Alliance</li> <li>• OneSpartanburg (Spartanburg Chamber of Commerce)</li> <li>• SC Chamber of Commerce</li> <li>• Southern Economic Development Council</li> <li>• Union County Chamber of Commerce</li> </ul> <p>Bushy Park</p> <ul style="list-style-type: none"> <li>• Charleston Regional Development Authority</li> <li>• Berkeley County Chamber of Commerce</li> <li>• Charleston Metro Chamber of Commerce</li> <li>• South Carolina Manufacturers Association</li> <li>• South Carolina's Economic Developers Association</li> </ul>
Senior Decision-Maker Statement	See page 3.
List of Stakeholder Groups	<p>See pages 6-7 for our note on external stakeholder engagement. Our stakeholders include federal and state (primarily South Carolina) regulatory agencies; local government agencies and officials; local development authorities; the customers of Lockhart Power; business partners; tenants; environmental and sustainability-oriented NGOs (primarily in South Carolina); local and state legislators; and local community-based (primarily in South Carolina) non-profits.</p> <p>Our materiality assessment identified key external stakeholders that Pacolet and its subsidiaries engage on a routine or occasional basis. It also evaluated the ESG topics that are most important to our external stakeholders and involved a review of these entities' top ESG priorities.</p>
Identifying and Selecting Stakeholders	
Approach to Stakeholder	
Engagement	
Key Topics and Concerns Raised	



Entities Included in the Consolidated Financial Statements	Our consolidated financial statement includes the Pacolet investment company and our four fully-owned subsidiaries.
Defining Report Content and Topic Boundaries	The Sustainability Report covers the activities of the investment company and the subsidiaries.
List of Material Topics	See Materiality Matrix and page 7.
Reporting Period	This is Pacolet’s second comprehensive ESG/Sustainability Report, following the development of the first report for 2020 and 2021. It covers major developments across Pacolet and its subsidiaries that occurred in 2022 and 2023. We anticipate preparing a Sustainability Report every two years. We do not have any changes in our reporting approach or restatements of information.
Date of Most Recent Report	
Reporting Cycle	
Restatements of Information	
Changes in Reporting	
Contact Person	Jennifer Calabria
Claims of Reporting in Accordance with the GRI Standards	<p>The preparation of this sustainability report was informed by the Global Reporting Initiative standards. We endeavored to make disclosures consistent with the breadth, scope, and core disclosures.</p> <p>This Appendix serves as a GRI Content Index, identifying specific disclosure topics and the location of disclosure in the report.</p>



We undertook this effort,  
not because we felt like we  
were materially deficient,  
but because we felt like we  
could do more.

— William Crawford, *CEO, Pacolet Milliken*

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