

PACOLET
MILLIKEN

ESG REPORT

2020-2021

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CEO'S LETTER

In 2020, Pacolet Milliken committed to publishing its first comprehensive report on environmental, social, and governance (ESG) matters. We undertook this effort, not because we felt like we were materially deficient, but because we felt like we could do more.

From an environmental perspective, Pacolet has been “renewable” its entire corporate life. Lockhart Power’s self-generation of electricity is 100% renewable (primarily hydro-electric), and we have had solar and landfill gas projects since 2013. Going forward, our renewables platform (solar, landfill gas, and renewable natural gas) will be a key focus of our Energy/Infrastructure Division. However, we know that other aspects of our operations, such as Bushy Park, necessarily use fossil fuels, and we want to aggressively examine ways to mitigate and minimize the impact of such use. We also believe there may be ways that we can use technology in our real estate investments to positively affect our environmental footprint. We must be committed to exploring this potential.

In furtherance of this effort, we have completed Pacolet’s first greenhouse gas (GHG) inventory, as well as a Materiality Assessment that seeks to identify and prioritize those ESG-related issues that are most germane to Pacolet and its operations. This GHG inventory sets forth the carbon emissions that we directly or indirectly produce and is described in greater detail below. Throughout these assessments, we have identified our target audience and relevant stakeholders — our owners, board of directors, shareholder observers, employees, business partners, and customers. Many of these stakeholders were interviewed as part of this effort.

From a societal and governance perspective, we have launched a significant Diversity, Equity, and Inclusion (DEI) campaign. At the same time, we have undertaken a Cultural Assessment to enable Pacolet to be the best it can be with respect to its employees. There is much work to be done here, particularly in the realm of diversity, but we are

committed to progress, and we will address these issues at all levels of the Company.

The work we have undertaken here is not a one-time effort. We will provide periodic updates in our Annual and Mid-Year Reports to Shareholders, as well as re-examine our goals and progress in future ESG reports. Because significant parts of our operations have been dedicated to renewable energy and because our greatest environmental impact (at Bushy Park) must necessarily be dealt with in connection with Park tenants, a good deal of our efforts in this first Report amount to committing to aggressively examine ways to mitigate our GHG impact. Our intention is not to set goals and quietly walk away from them if they prove inconvenient. Thus, our initial steps must be an honest inquiry, after which point, we will thoughtfully commit to make progress and ensure we follow through.

In our recent Cultural Assessment, we learned of much to celebrate — but we also learned of areas to improve. Nonetheless, the overarching sentiment resulting from this exercise was one of excitement about the possibilities of improving and of being the best we can be for our employees and all our other stakeholders.

Similarly, that is the way we feel about this ESG process. It is not an effort that is to be dreaded or feared — but rather one that is exciting! It has enormous upside.

William Crawford, CEO, Pacolet Milliken

WHAT IS ESG?

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 companies use energy and manage their environmental impact as stewards of the planet and how a company uses 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 procedure. 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, internal controls. Governance may also include shareholder rights, bribery, and corruption, lobbying and political contributions, and whistleblower programs.

WHO IS OUR AUDIENCE FOR THIS ESG REPORT?

Pacolet wants to be a leader in Sustainability and other ESG matters, and thus must go on record with all of its stakeholders. These include first and foremost its employees and shareholders. But our stakeholders also include an 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 we interact with 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 improve our situation and help others as well.

PACOLET OVERVIEW

Pacolet Milliken is 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. Though Pacolet Milliken 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 Milliken operates through two primary divisions: Real Estate and Energy/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 Milliken owns assets directly via project entities and through two primary operating subsidiaries, the Lockhart Power Company and the Cooper River Partners, LLC (Bushy Park).

Pacolet Milliken’s corporate headquarters are in Greenville, South Carolina. Our portfolio of assets stretches across numerous states and regions.



PACOLET MILLIKEN

Greenville, SC | 30 employees

Our Energy & 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, industrial and land 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.

LOCKHART POWER COMPANY

Lockhart, SC | 54 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 | 60 employees

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

WE ARE PACOLET MILLIKEN

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.

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

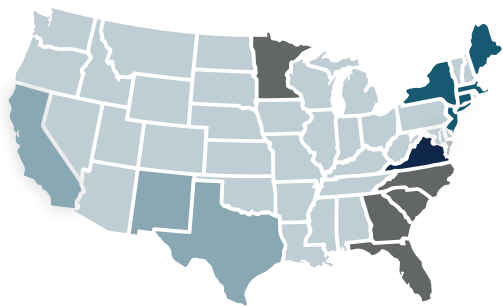
- We respect the dignity and worth of all people
- We are collegial and care about each other personally and professionally
- We believe diversity and excellence are mutually dependent

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



PORTFOLIO ALLOCATION

REGION	FMV	NAV*	%
■ Southeast & Mid-West	\$289M	\$164M	27%
■ Mid-Atlantic	\$199M	\$131M	21%
■ Northeast	\$276M	\$220M	36%
■ Southwest & West	\$217M	\$98M	16%
Total:	\$981M	\$613M	100%

* NAV is the value of Pacolet's equity in the properties

A FEW HIGHLIGHTS

ESG EFFORTS

Pacolet has always been active in efforts consistent with advancing the best principles associated with environmental, social and governance matters. Below are a few examples from the past few years.

DIVERSITY, EQUITY, & INCLUSION (DE&I) INITIATIVE

In early 2021, Pacolet Milliken formally launched a DE&I initiative. The DE&I Council’s makeup is a diverse group of well-respected individuals who will guide and champion DE&I efforts. The Council also adopted a DE&I statement and tagline, deployed a cultural survey to all employees (resulting in an 85% response rate), and is currently scheduling unconscious bias training for all employees.



UNITED WAY CAMPAIGN



In June 2021, Neal Williams, Lockhart Power’s United Way Campaign Coordinator, was honored by the United Way of the Piedmont as the Employee Campaign Coordinator of the Year. During Neal’s time, Lockhart has achieved 100% employee participation in United Way contributions.

EXPANSION OF INTERNSHIP PROGRAMS

Pacolet Milliken has significantly expanded its internship program in recent years. Real Estate, Legal and Accounting departments all have employed interns.



SOLAR DEVELOPMENT

MAINE

Pacolet Milliken and Syncarpha Capital announced plans to build approximately 74 MW of solar across the state of Maine in 2021 and 2022. Under the program, participating customers will receive guaranteed bill savings.

SOUTH CAROLINA

Pacolet Milliken invested \$12 million in the development of the 40,000-panel, 14.5 MW Midway Green Solar project. This is the first large-scale solar project in Union County and offers renewable energy that officials believe will prove pivotal in attracting large companies to locate in the area.

RESPONSE TO THE COVID-19 PANDEMIC

We are committed to the health and safety of our associates and supporting the communities in which we operate. Our response to the pandemic has included:

- Covering 100% of the wages of employees missing time due to COVID-19. (PM)
- Working with tenants to defer rent until government programs provided support.(PM)
- Implementing a \$100,000 COVID-19 relief program. (LP)
- Creating an accelerated deposit refund program where over \$50,000 in security deposits were refunded to 135 customers. (LP)
- Contributing \$50,000 administer a utility bill assistance program for families. (NP)



AFFORDABLE HOUSING

Pacolet Milliken and CommunityWorks, a non-profit financial organization, announced a partnership to co-invest up to \$1 million annually in support of affordable housing initiatives in the Upstate of South Carolina. The first co-investment closed in March 2021 and will feature the conversion of apartments in Spartanburg to 130 affordable units.

LOCKHART & PACOLET SCHOLARS



LOCKHART POWER

\$500

Union County High Students

Science, Engineering,
Mechatronics, Welding
& Agriculture

Highest GPA in Field

PACOLET MILLIKEN

\$2500

Employee’s Children

Awarded each year for
maintained grades

LOCKHART POWER

\$1000

Employee’s Children

3.5 GPA or Higher

Union County High School



BASELINING ESG PERFORMANCE

To complement our existing VVE efforts, Pacolet Milliken undertook several steps in 2021 to better understand our ability to operate sustainably and to set a baseline for our performance. We have:

- 1 Completed our first ever Materiality Assessment to understand the importance of individual Environmental, Social, and Governance topics to Pacolet Milliken and its external stakeholders;
- 2 Completed our first ever Greenhouse Gas Inventory that estimates our enterprise wide GHG emissions (see page 19 for results);
- 3 Completed our first ever Cultural Assessment;
- 4 Prepared our first ever Sustainability Report (this Report) to communicate where we are in living up to our VVE and explain how we are performing on individual ESG topics; and
- 5 Developed an enhanced set of ESG goals and commitments.

ESG DATA FOCUS

For Pacolet Milliken’s ESG reporting process, data gathering focused on two major areas — a materiality assessment and a greenhouse gas (GHG) analysis. Data was captured through interviews, an online survey tool customizes for internal stakeholders, and research and review of external stakeholder priorities.

1. MATERIALITY ASSESSMENT

Our Materiality Assessment attempts to answer the question, “*What Environmental, Social, and Governance topics are important to our company and how such topics create opportunities and risks?*” The assessment gauges 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.

2. GREENHOUSE GAS FOOTPRINT MEASUREMENT

We utilized a third-party GHG analyst firm to measure Pacolet Milliken’s GHG inventory using the globally-accepted Greenhouse Gas Protocol methodology. This analysis helps us understand the emissions from our operations and value chain as well as opportunities for mitigation.

This report presents the findings from these efforts.

KEY ESG TOPICS:

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

Climate and Clean Energy

Diversity, Equity & Inclusion

Community Impact and Engagement

Access & Affordability

Employee Health and Wellness

Engagement

Environmental Stewardship

Honest and Ethical Behavior

Management of the Legal and Regulatory Landscape

A NOTE ON PACOLET MILLIKEN ENGAGEMENT WITH EXTERNAL STAKEHOLDERS

Pacolet Milliken’s external stakeholders include a wide range of entities, including business partners, real estate tenants, utility customers, federal and state regulatory agencies, and local government and development authorities. Our business strategy is shaped by close interaction with these stakeholders. For example, as a regulated utility, Lockhart Power works closely with its customers and regulators to ensure that it delivers electricity on a low-cost, reliable basis. In addition, as part of our efforts to consider community impact in

our investment decisions and strategies, Pacolet Milliken has also developed relationships with local non-governmental organizations and non-profits. This includes efforts to finance or construct affordable housing in the communities in which we invest. In developing a more robust set of sustainability commitments, we considered the priorities of external parties. We anticipate further engagement with these entities as we seek to achieve the goals and commitments we adopted.



Increased water access in Town of Pacolet, SC


2021 MATERIALITY ASSESSMENT


In early 2021, Pacolet Milliken conducted a Materiality Assessment, a process of reviewing and understanding the relative importance of different ESG topics to the sustainability efforts of our Company and how such topics create opportunities and risks for Pacolet.


“Material” ESG topics are those that impact a company’s employees, values, sustainability efforts, revenue and performance, growth, risks, and reputation. The assessment seeks insight on the performance of a company from both standpoint of internal and external stakeholders, which in Pacolet Milliken’s case, may include its communities, neighbors, business partners, tenants, customers,


and organizations that it engages. Ultimately, the materiality assessment informs how a company should disclose information on its performance in relation to materially-important ESG topics and inform the development of goals and other commitments to improve performance.

To complete our Materiality Assessment, Pacolet Milliken engaged an outside consultant to lead the process which involved several components, including:

- 

An ESG Survey that asked respondents to evaluate the importance of ESG topics to Pacolet Milliken and its external stakeholders and to provide feedback on the company’s current performance in relation to an ESG topic. Respondents included the Board of Directors, senior managers from across the organization, and corporate office employees. The survey achieved a response rate of 85%.
- 

Peer Analysis of the ESG-related goals, commitments, and disclosure practices of other companies similar in size and nature to Pacolet Milliken.
- 

Review of External Stakeholder Priorities to confirm which ESG topics are most pressing for our communities, partners, customers, and regulators and to understand how any goals and commitments that Pacolet Milliken makes aligns with their priorities.
- 

Bilateral Interviews with personnel across Pacolet Milliken and its subsidiaries that asked how Pacolet Milliken has impact on ESG topics and how it can improve and/or enhance its current level of performance.

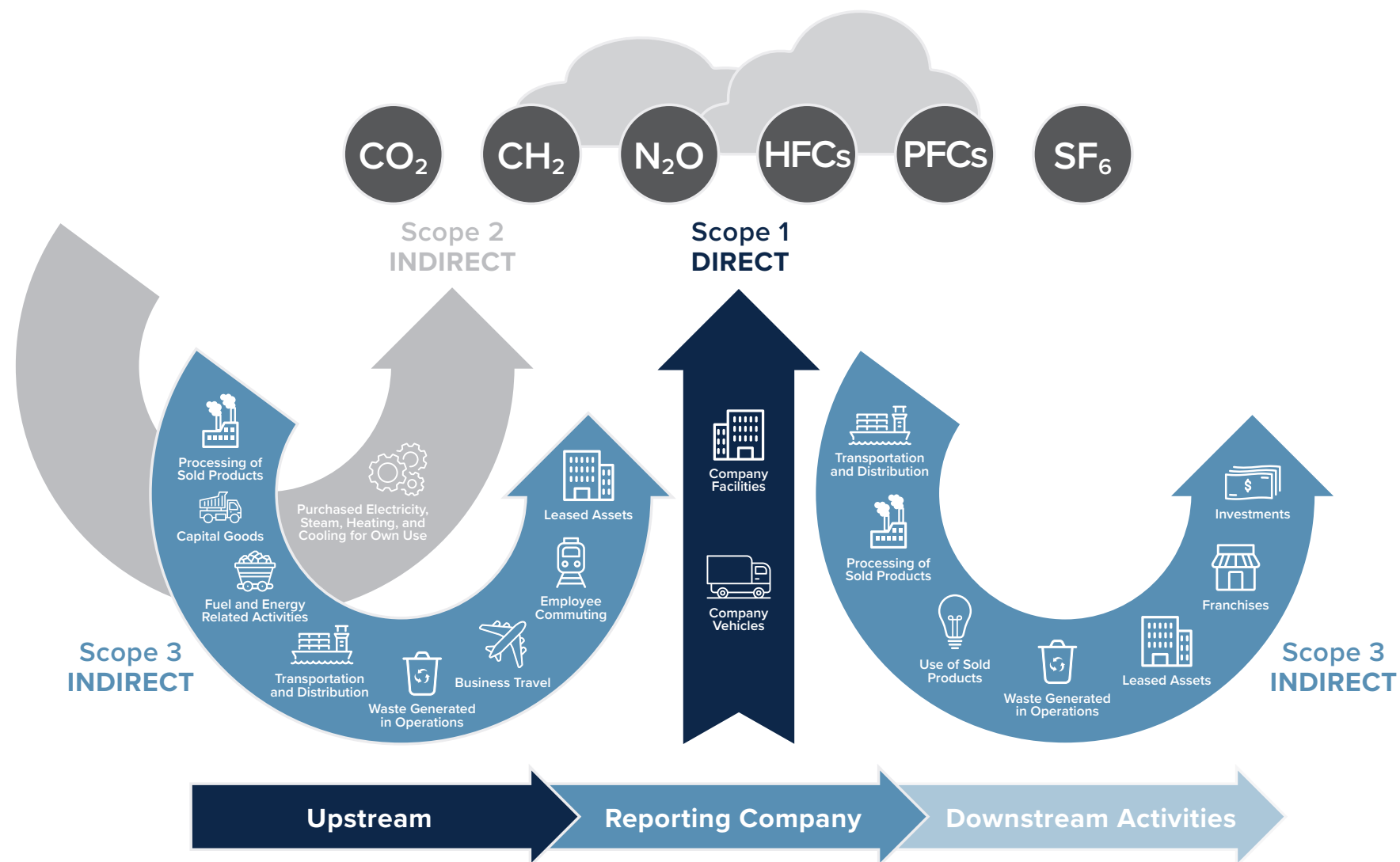
GREENHOUSE GAS 2021 INVENTORY

Greenhouse gases (GHGs) trap heat in the earth’s atmosphere, and their continued accumulation in the atmosphere is driving global warming. Climate change results from these rising temperatures, and related impacts include extreme weather, rising seas, and disturbances to natural systems including forests and oceans.

Carbon dioxide (CO2) is the primary greenhouse gas emitted through human activities, but others such as methane, nitrous oxide and fluorinated gases are present, too. GHG inventories quantify the amount of GHG a company emits into the atmosphere and are management tools that enable a company to identify emission sources and track changes over time.

Concurrently with the Materiality Assessment, Pacolet Milliken worked with an external expert to calculate its enterprise-wide GHG inventory for the first time. Estimates were based upon the “Corporate GHG Protocol” and reflect 2019 emissions. We selected 2019 as the baseline year for inventory calculation given that it may be more representative of portfolio emissions than 2020, given the COVID-19 pandemic disruption and economic downturn. By calculating this inventory, we have gained insight into the footprint of each individual asset and where we should prioritize our carbon reduction efforts.

GREENHOUSE GAS SCOPES



Source: Greenhouse Gas Protocol (ghgprotocol.org)

‘Scope 2 emissions calculated using the GHG Protocol’s Market-Based methodology.

Biogenic emissions arising from the landfill gas electricity generation assets in Pacolet Milliken’s portfolio accounted for 15,873 metric tons CO₂e in 2019. 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 CO₂. Nonetheless, the alternative to a

landfill gas project is flaring the gas (which produces the same CO₂ without electric generation), or simply allowing the methane to be released into the atmosphere, which is many times worse than CO₂.

In 2019, Pacolet Milliken’s portfolio included nearly 5,500 acres of land that include forest resources. The annual carbon sequestration of these lands was estimated to be 21,566 metric tons CO₂e per year.

Ni Pacolet accounted for approximately 4,308 metric tons CO₂e Scope 1 and Scope 2 emissions.

The Corporate GHG Protocol used in Pacolet Milliken’s inventory divides the emissions into 3 standard categories: Scope 1, Scope 2 and Scope 3. The GHG emissions 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 (CO₂E)
47,885

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 (CO₂E)
16,740
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 (CO₂E)
28,510

By Category

Capital Goods 6,693	Investment 2,420	Employee Commuting 558
Energy-Related 12,501		Downstream Asset 6,338

Within the three main topics of ESG — Environmental, Social, and Governance — we have identified the nine topics referenced above as most important to our business and stakeholders. Commentary on current efforts and commitments for the future for each of the topics follows.

CLIMATE CHANGE & CLEAN ENERGY

Pacolet Milliken 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.

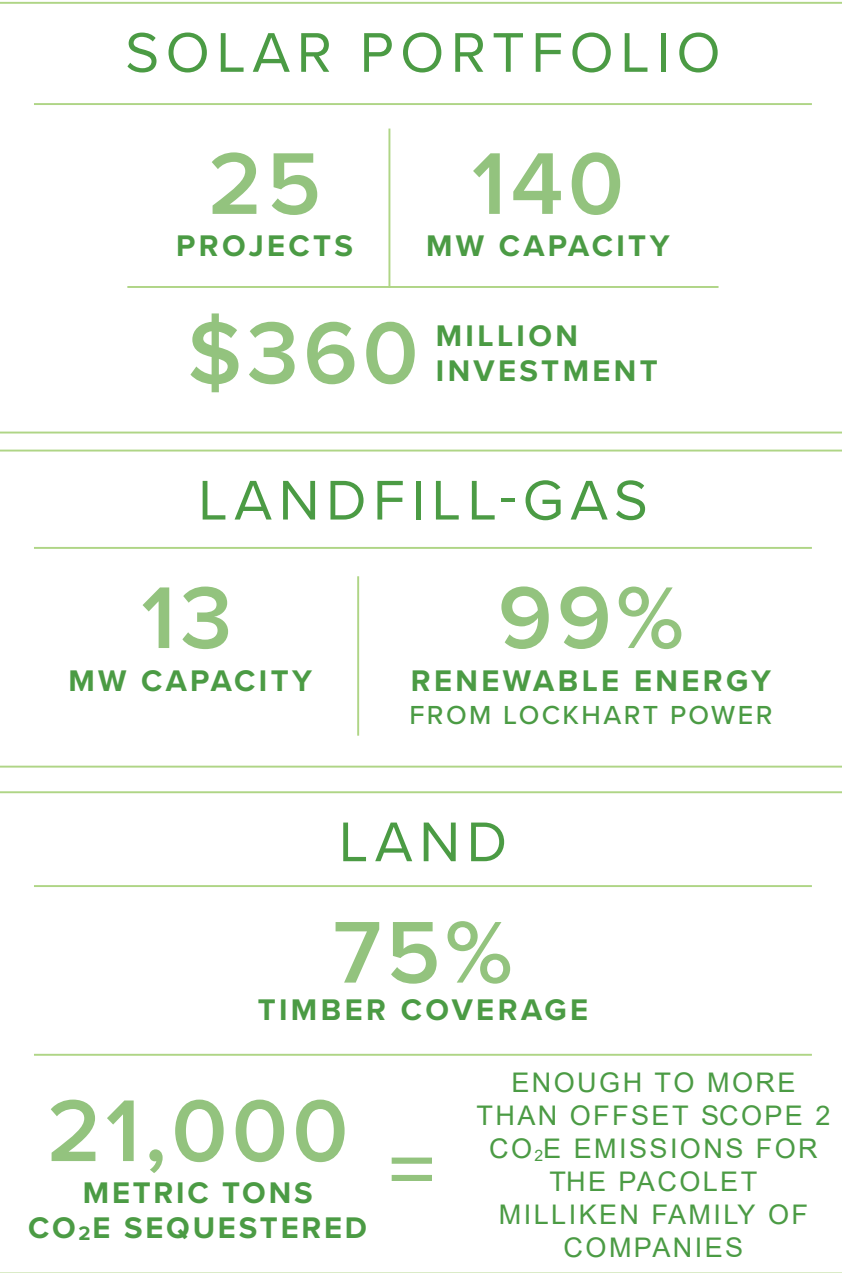
PROGRESS SO FAR

PACOLET SOLAR

Pacolet Milliken invests in and owns and operates commercial-scale solar projects. 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 EPC contractors and sell our solar output to municipalities, utilities, and public entities, as well as business and residential customers. With projects underway, we will have developed over 230 MW of capacity to date. Our solar portfolio currently includes 16 projects (nearly 67 MW) that we own and operate. In addition, we have 11 projects (around 67 MW) currently under construction or approved for construction and a development portfolio of projects representing an additional 72 MW. Beyond solar, we have invested in 13 MW of landfill-gas-to-energy projects and aim to grow our investments in such projects

in the near future.

As we do this work, we continue to advocate for the adoption of incentives and the elimination of barriers that can better enable low carbon options across South Carolina. We are currently working with a registered lobbyist who is helping us identify practical ways to promote new legislation focused on this goal. Previously, Lockhart Power worked with the same lobbyist to help pass a solar brownfield bill, which provided a South Carolina income tax credit incentive for projects build on environmentally impaired land. Lockhart Power’s President will continue to leverage the utility’s uniquely renewable profile and his position as a board member of E4 Carolinas, a Carolinas-based regional energy industry organization, to promote the acceleration of the decarbonization of our regional electric grid.



LOCKHART POWER

All of Lockhart Power’s self-generated electricity is from renewable sources, and the quantity it generated in 2020 was equivalent to 95% of its retail load, leading the nation in these metrics. 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 Milliken 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. Relating to the aforementioned solar brownfield bill, Lockhart Power’s Midway Green Solar project is built on environmentally impaired land leased from Milliken & Company. At 14.5 MW (DC) it is the largest solar project in the county, and well beyond. An even larger 24 MW (DC) solar project is under development near Clinton SC, which would also be on environmentally impaired land and help “turn brown into green” to benefit a local rural community. And 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.

ELECTRIC VEHICLES

We have also been leading on electric vehicles (EVs). Lockhart Power was one of the first utilities in the state to install EV charging stations in rural communities when it installed 10 such stations in partnership with the City of Union through a Department of Energy grant obtained by Plug-in Carolina and shared with its members, including Lockhart Power. We have purchased EVs for our own fleet and are active participants in E4 Carolinas, an organization dedicated to accelerating economic growth, efficient use of resources, and care for the environment as it relates to energy across the Carolinas. We remain active in the Palmetto Clean Fuels Coalition, an organization with the SC

Energy Office that works to increase the use of alternative fuels and advanced vehicle technologies within the state.

LOCKHART RESIDENTIAL SOLAR

Further, we have helped make residential solar more attractive to our customer with our residential solar tariff offering. This rate is carefully structured to provide the full net metering economic benefit to our customers, while ensuring they pay a minimum fixed charge so that other customers do not subsidize the solar customers.

To save its large industrial customers money while improving grid reliability, Lockhart offers an industrial interruptible service program under which these customers shut down their operations during periods of grid power shortages. This also helps the environment by avoiding Duke’s or imported fossil fuel generation that otherwise would have been required to serve the load.

BUSHY PARK

Bushy Park has always prioritized energy efficiency. Since 2019, the company has replaced 11 aging HVAC units at a total cost of over half a million dollars. This has resulted in increased energy efficiency for those facilities and replacement with refrigerants having a lower Global Warming Potential (GWP). Bushy Park hosts a one-MW solar farm developed by Pacolet Milliken that has been operational since 2017. It is the first solar project of its kind developed in Berkeley County, South Carolina. We are currently working with key users of our site compressed air system to replace the air dryers with more modern technology. This roughly \$900,000 project will result in an approximate 20% reduction in energy consumption for the compressed air system.

Bushy Park has recently reached agreement with DCL, who is the largest consumer of compressed air in the park, to share in the costs to upgrade the compressed air system for income efficiency. This upgrade significantly reduces the energy needed to operate the system and will result in a payback to the customer and a reasonable return on Pacolet’s required capital investment.

INDUSTRIAL WAREHOUSE PORTFOLIO

Within the industrial portfolio, we currently employ a myriad of best practices that increase energy efficiency. These practices include:

- Utilizing of white Thermoplastic Polyolefin (TPO) roofs because of their energy efficiently and because they are 100% recyclable.
 - + Reflective roofs resist UV rays which heat the underlying structure, lower utility bills.
 - + Thermoplastics can be melted, purified, and re-extruded. This makes it possible for old TPO membranes to be used again in manufacturing new TPO membranes.
- For our warehouse projects, utilizing roof insulation sufficient to accommodate future HVAC without additional underdeck insulation required, or, if the warehouse is not conditioned, providing an additional layer of insulation to keep the building cooler during the summer or warmer in the winter.
- For our warehouses, providing natural lighting by using clerestory windows and vision panels in the dock doors to provide interior lighting, enhancing, or substituting for electric lighting in some areas of the warehouse, near the walls. In some markets, skylights are also utilized.
- For our standard building package, including LED lighting with motion sensors.
- For parking lots, prioritizing concrete truck courts versus asphalt. Concrete has a longer life span (minimizing future replacement) and avoiding some of the heat-island effect of asphalt.
- In partnership with our tenants, installing large industrial fans for air circulation, lowering (in some cases eliminating) A/C requirements for the building and lowering power consumption.

TIMBER MANAGEMENT

Using best management practices, Pacolet Milliken actively manages timber on much of the land portfolio that is not under development. Approximately two-thirds of Pacolet Milliken’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. In 2019, Pacolet’s land holdings sequestered 21,000 metric tons of CO2e. Though much of this land may eventually be developed, we anticipate our portfolio will include certain lands likely to remain undisturbed. For example, the land adjacent to the Broad River that Lockhart Power depends upon as hydropower generation sources sequesters approximately 6,000 metric tons per year.

OUR FORWARD-LOOKING STRATEGIES & COMMITMENTS

Pacolet Milliken views all issues across the ESG landscape as opportunities for constant innovation and improvement. In the area of climate change and clean energy, this means continuing to look for new ways to pull the main levers we have our disposal — managing our existing value chain and making new investments in the marketplace — to reduce emissions and accelerate the low-carbon transition.

BUSHY PARK

We know that climate change responsibility and action start with our own direct carbon footprint. The carbon inventory Pacolet Milliken completed in early 2021 confirmed that nearly all of emissions from our operations (nearly 97% of the 2019 inventory when Ni Pacolet's emissions are excluded) are associated with Bushy Park. The main pieces of our carbon footprint at Bushy Park are those associated with electricity supplied by our local utility, Dominion South Carolina, and those associated with our on-site use of natural gas (such as our production and delivery of steam). Since this is the lion's share of Pacolet Milliken's operational GHG footprint, we are taking the following actions to mitigate that impact.

- **Improve Energy Efficiency and Reduce Direct Emissions at Our Owned and Operated Buildings and Operations.** Pacolet Milliken does own and operate facilities at the Park. For those facilities, we commit to:
 - + Conduct or engage a qualified energy services/engineering firm to conduct a comprehensive energy audit to identify all opportunities to reduce energy demand. Measures could include passive and active lighting upgrades, pump/motor upgrades to increase efficiency, sensor technologies, and automated building energy management systems.
 - + For HVAC, we will continue to scrutinize existing systems for efficiency performance and refrigerant leakage; evaluate the need for accelerated replacement of under-performing systems and replace such units on that

schedule with units that have best-in-class efficiency ratings and we will favor new units utilizing new refrigerants with lower global warming potential (GWP) than incumbent gases.

- **Reduce the GHG Intensity of Steam Production.** We will pursue two key strategies for reducing the carbon footprint of our steam operations.
 - + Engage qualified process engineers to assess and make recommendations for improving the process efficiency of our steam production operations. (By installing a new economizer on Boilers 1 through 4, we can increase boiler efficiency by approximately 8%-10%.)
 - + Explore options for displacing fossil natural gas used in steam production with renewable natural gas (RNG). We will survey current market availability and pricing and if needed, publish a request for proposals (RFP) for alternative gas supply.
- **Seek to Expand On-site Solar Production.** Our land footprint at Bushy Park presents an opportunity for additional deployment of on-site solar capacity. We commit to working in a cooperative but persistent fashion to pressure Dominion South Carolina, our tenants, and regulatory authorities to allow us to deploy more clean energy on-site at Bushy Park.
- **Seek to Procure Off-site Renewable Energy for Bushy Park.** Because we are located in a non-competitive, regulated electricity market, we have limited ability to purchase renewable

energy for our demand at Bushy Park. Currently, Dominion South Carolina has no such offerings to customers like us. We intend, however, to advocate for renewable energy supply with Dominion South Carolina and with South Carolina policymakers and regulators. As the new and affordable renewable energy supply products are made available in the future, we will seek to procure renewable energy for our own use and for our tenants.

- **Introduce a New Emissions Reduction Partnership Program with Our Tenants at Bushy Park.** Again, we neither own nor operate many parts of the Park's area. We believe, however, that our tenants are also interested in reducing their emissions and energy use associated with their activities. We will launch a GHG reduction effort for our tenants, whereby we gauge the interest of tenants in working with us to decarbonize their steam supply and improve the efficiency of their buildings and operations. Components of this partnership will track the measures we are taking for our owned and operated buildings at the Park and will include energy audits, technology and operational upgrades, and HVAC modernization. We recognize that split incentives between landlords and tenants can create disincentives to energy efficiency investments (as the landlord, we pass through energy costs to our customers and thus the financial benefit of reduced energy use flows to our tenants). We believe, however, that we must lead by not only lessening the impact from our owned facilities but pushing to reduce emissions throughout the Park.

NEW GOAL OF
8-10%
INCREASE IN
BOILER EFFICIENCY



95% OF RETAIL LOAD USING RENEWABLE ENERGY

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.

- **Develop Additional Local Renewable Generation Projects.** Over the next five years, we will seek to develop at least three solar/landfill gas generation projects to spur economic development, help attract large industrial and commercial customers to Lockhart Power's service territory and help decarbonize our local grid.

We intend to aggressively seek partnership and cooperation with the transmission authority, our power-purchase agreement partner, regulatory, and community institutions to meet these goals.

- **Increase the Share of Clean Energy in Wholesale Energy Resources.** Lockhart Power contracts to procure wholesale energy resources from Duke Energy to meet our full retail and wholesale demand. While we cannot directly impact

the mix of generation that Duke uses for this supply, we and our customers will benefit as Duke continues to decarbonize its resources with new renewable energy and the retirement of coal assets.

- **Invest in Electric Charging Infrastructure.** Among the greatest deterrents to EVs is the lack of accessible charging infrastructure. We intend to develop and execute a plan to offer electric vehicle charging stations to our customers for a modest monthly cost. For residential customers, this will lower one of the barriers to buying their first EV, and for commercial and industrial customers, it will allow them to offer workplace charging for their employees and visitors without a large initial investment.

We commit to fully electrifying our owned fleets as market offerings develop.

- **Jump-start New Local Energy Efficient Housing Construction.** The company is exploring how to demonstrate the market viability of new highly energy efficient, cost-effective housing.

REAL ESTATE

Our real estate holdings are geographically diverse and involve different ownership structures and investment strategies. This broad footprint gives Pacolet Milliken access to best-in-class developers and operators and allows us to be a thought leader in sharing best practices. However, when Pacolet owns assets via joint venture structures, which is often the case, Pacolet cannot act unilaterally regarding matters such as environmental stewardship. Consensus-building and like-minded partners are key to driving change in these partnerships.

While the GHG emissions associated with our real estate portfolio are mostly classified under Pacolet's Scope 3 inventory, we are committed to taking steps to be good environmental stewards, both for ourselves and our tenants. In delivering on this commitment, we will evaluate and inventory our past efforts and existing infrastructure for efficacy and scale those which are most impactful. We will:

- **Incorporate cost/benefit analysis and capital planning to ensure that we are putting dollars to work in the most efficacious way possible.** Additionally, we will consider the transaction nature of much of our business and how this impacts our ability to drive positive stewardship whether during our holding period or as a legacy for the asset once owned by a subsequent investor. Ultimately, we will track our efforts and assess our success and impact.
- **Identify consultants and experts who can not only help us evaluate (and measure) current and past initiatives, but which also help us identify and prioritize alternatives which we may not have considered in the past.** Ideally, scaling strategies which both enhance environmental stewardship and enhance returns. Where such "double benefits" are not possible, engage with ownership and the board to weigh the relative benefits within our cultural and values context.

In advance of input from the aforementioned consultants and experts, we have preliminarily cast a wide net of possible areas of change and organized them by product type.



Cortland Peachtree, Atlanta, GA



Hanover Montrose, Houston, TX



MULTIFAMILY AND RETAIL PORTFOLIO

For specific segments of our real estate portfolio, we will also:

- **Evaluate improvements that may be made in energy efficiency** including conversion to LED lighting for both interior and exterior fixtures and installation of occupancy sensors, off-site temperature controls, solar panels, green roofs, energy efficient appliances, and high efficiency windows.
- **Examine existing infrastructure and evaluate more efficient equipment options** which may include, based on feasibility, Smart HVAC motors smart controls like smart thermostats, lighting controls, and daylight harvesting; with respect to water efficiency, aerators, low flow toilets and sinks, and self-sustaining smart landscape irrigation.
- **Evaluate improvements that may be made in limiting our tenants’ reliance on carbon-emitting transportation**, including maximizing bicycle storage and electrical vehicle charging stations, creating incentives such as work-from-home common area spaces and preferred parking for fuel-efficient vehicles, and exploring on-site-car-sharing opportunities. Many of our multifamily investments are strategically located in high-density areas with high walk scores, public transit scores, and bike scores.
- **Evaluate where green leases may be effective.** Green leases (also called aligned leases, high-performance leases, or energy-efficient leases) are rental agreements in which tenants commit to or gain incentives by participating in water/energy conservation, waste reduction and recycling, use of nonhazardous cleaning products, or other sustainable actions. These are opportunities to incent tenants to participate in landlord initiatives in a more formal (legal) way.
- **Identify where tenants are not paying utilities directly and evaluate feasibility of submetering or other alternative to transfer the economic incentive to conserve from the landlord to the tenant.** Where tenants are paying utilities as part of rent and the cost of the utility is not called out separately, work with third party property managers to revise billing presentation. Having offered this, when residents pay directly for utilities, investments in energy efficiency are unlikely to accrue to landlord/owner who incur the expense of retrofitting for submeters.

Within the industrial warehouse portfolio, we will evaluate additional opportunities for energy savings or to use low-carbon options:

- In some markets (California is an example), tenants often use on-site batteries for power storage, allowing them to buy “off peak” power and lessen the strain on the grid. This is generally driven by the tenant and not provided up front by the developer; however, that may change over time.
- As the trucking industry moves towards electric vehicles, we will need to provide EV/Truck charging at some point in the future as a standard component of our warehouses.
- We have applied for Green Globes certification at one industrial asset (Oakmont 35 in Dallas, TX) and we are exploring this program in other markets. This certification demonstrates that the design of the building has moved beyond awareness and commitment to sound energy and environmental design practices and has demonstrated progress in reducing environmental impacts.

OTHER STRATEGIES

We believe that there will continue to be opportunities for Pacolet Milliken to provide strong returns to our shareholders while driving progress toward a low carbon future. In this rapidly changing marketplace, we will seek to stay at the forefront of the energy transition. This strategy includes:



RENEWABLE ENERGY: Setting a target to develop or invest in an average of 25 to 30 MW of renewable energy per year over the next five years, outside of its existing solar program and Lockhart Power’s operations. This could include hydro-electric, landfill gas, or biomass facilities.



CARBON SEQUESTRATION: Evaluating carbon sequestration benefits when considering the development potential of existing land holdings. Determine and set a target to sequester on our own land (existing or acquisition) a percentage of carbon emitted by Pacolet Milliken.



CAPITAL INVESTMENT: Actively seek to invest capital in other companies and projects that would have a positive environmental impact. These could include investing in companies that are associated with accelerating coal plant retirements, developing energy storage, and/or promoting demand side management.



RENEWABLE INVESTMENT: Developing a new strategic initiative/partnership to invest in renewable energy opportunities that also advance other Pacolet Milliken ESG objectives, such as Community Engagement or Access & Affordability.



POLICY ADVOCATE: Continuing to be a proactive force for policy changes to enable the low carbon transition, particularly in South Carolina.



ENVIRONMENTAL STEWARDSHIP

Beyond the urgency of addressing climate change, Pacolet Milliken cares deeply about the environmental impacts that its business and properties have on our communities. Pacolet Milliken 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. As highlighted previously, we have made investments in our properties and made other contributions to connect communities to the natural environment around them.
- We have invested capital at Bushy Park, that has enabled tenants to produce products with reduced lifecycle impact on the environment or which have a positive environmental impact. For example, Pacolet has invested tens of millions of dollars to support Evonik, which produces precipitated silica, which in turns reduces rolling resistance in tires, thereby saving large quantities of gasoline and diesel.
- Pacolet Milliken provided financial support to complete the sale of large land tracts in ecologically important areas to conservation organizations along the Mountains to Sea Trail in South Carolina.

- Pacolet Milliken’s real estate portfolio includes lands 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 forest, but also protect water quality in the area, ensuring responsible management of forests and the surrounding ecosystem.
- As a result of the industrial activities that occurred on-site long before Pacolet Milliken’s ownership of the site, groundwater contamination from chlorinated volatile organic compounds (CVOCs) has been present at Bushy Park. Pacolet Milliken has committed to and invested in cleaning up the legacy contamination. We have funded in-situ reclamation efforts through which oxidation and aerobic biodegradation promote the degradation of CVOCs. Bushy Park conducted a pilot-scale study in specific areas of concern to aid in cleanup and reduce concentrations of chlorobenzene to levels below those required by Groundwater Protection Standards (GWPS). We are continuing to monitor and measure impact from these remedial injections but have been pleased with the impact thus far. This project was done in addition to the regular on-going maintenance, monitoring and reporting performed to expedite remediation for other areas of the site as well.
- 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.



Drayton Mills Trail, Greenville, SC

Going beyond on our current efforts, we commit to:

- **EVALUATE:** Assess the potential of wetland and marsh preservation, conservation, and/or restoration of the wetlands and marsh at Bushy Park (i.e., conduct an environmental land audit) as an important climate change mitigation/eco-system service.
- **ELIMINATE:** Complete the efforts to eliminate historic/legacy in-situ groundwater contamination
- **PROVIDE:** Use our forestry land holding to provide an imbedded source of carbon sequestration that we could enhance in our effort for the overall portfolio to become carbon neutral.
- **ADOPT:** Evaluate the methods to maximize the carbon sequestration and environmental services potential of our working forests by use of such means as adopting improved forest management (IFM) practices and/or certifying the management of our lands to independent third-party standards.
- **ENSURE:** Ensure a continued record of zero environmental violations within our operations.

FOR OUR REAL ESTATE PORTFOLIO:

- **EXAMINE EXISTING INFRASTRUCTURE** and evaluate more water efficient equipment options which may or may not, based on feasibility, include aerators, low flow toilets and sinks, and self-sustaining smart landscape irrigation.
- **EVALUATE OPPORTUNITIES** to locally source a building’s daily maintenance and project needs (as relates to operational assets) and to locally source construction materials for ground-up developments. Where feasible, incorporate local sourcing requirements in property management and development agreements.
- **EVALUATE IMPROVEMENTS** that may be made in tenant engagement surrounding recycling efforts and energy conservation. Implement a small electronics recycling program. Explore re-use opportunities for appliances and other useful materials, e.g., Habitat for Humanity.
- **EVALUATE OPPORTUNITIES** for responsible waste management. For example, where we can select a private waste management provider (as opposed to government-provided waste management), incorporate responsible waste management practices in the vendor selection process as well as in contracts with such vendors.
- **MAKEUSEOFLOW-VOC**(volatileorganic compounds) carpet and paint in both new developments and renovation projects.
- **EVALUATE AREAS OF ACHIEVING ZERO-PAPER ENVIRONMENTS.** We are already using electronic means of executing lease documents and receiving rent payments, but there may be areas of waste that can be mitigated or extinguished completely.

DIVERSITY, EQUITY, & INCLUSION

At Pacolet Milliken, we embrace diversity, equity, and inclusion because it is the right thing to do. Diversity also makes our family of companies better, and equitable access to opportunities and fair treatment for all allows our employees to thrive.

As we pursue continuous improvement and maximum performance, we will also create an inclusive environment that fosters a sense of belonging and collaboration among all our associates. Pacolet Milliken maintains Diversity, Equity, and Inclusion as a core value, and our efforts to date to meet our expectations include:

- Launching an internal VVE initiative dedicated solely to this topic through continued dialogue and evaluation as to our efforts as a company.
- Designating Andrena Powell-Baker as our Director of Corporate Communications & Diversity and elevating Andrena to the senior management team. Andrena is also the lead champion of the VVE

Diversity, Equity, & Inclusion initiative.

- Signaling from the CEO level on behalf of the Board of Directors and shareholders that Diversity, Equity, and Inclusion is a component of “Pacolet culture” and priority for the company throughout the organization.
- Launching our first round of unconscious bias training in the first quarter 2022.
- Undertaking a cultural assessment in the third quarter 2021 and presentation of results and conclusions to PM and PM subsidiary leaders and employees in the fourth quarter of 2021.

DE&I Council Members and Milliken’s Ricaye Harris
DE&I Kick Off, Milliken Customer Center, Spartanburg, SC



In our effort to do more, we commit to:

- **DEVELOP** appropriate goals and commitments for Pacolet Milliken and subsidiaries within one year, based on the results of the Cultural Assessment and continued evaluation by the DE&I Council.
- **MAINTAIN** periodic unconscious bias training, including prompt training for new employees.
- **COMMIT** to track, monitor, disclose key demographic data (could include gender balance, race, age, wage by demographic group) and in relation to hiring, promotion, and compensation.
- **ESTABLISH** diversity partnerships with external groups and promote it — not for self-congratulation, but in a manner designed to demonstrate company leadership on these issues. These partnerships may include such groups as Upstate First Tee, Diversity Leadership Initiative (Furman), and Greenville Chamber Diversity Roundtable.
- **SUPPORT** DE&I initiatives across South Carolina and/or relevant economic sectors (such as renewable energy and real estate). By way of explanation, peer analysis indicates that renewable energy development companies have supported initiatives such as Women of Renewable Industries and Sustainable Energy (WRISE) and various scholarship programs that provide training programs to enhance the diversity and/or promote opportunities for a variety of under-represented communities in the renewable energy industry.

COMMUNITY IMPACT

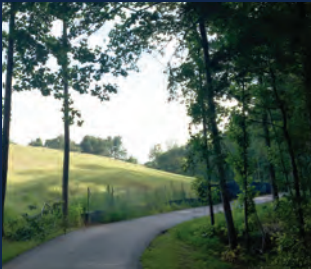
From its inception, Pacolet Milliken has believed it important to improve the quality of life for the people in the communities in which it does business.

We maintain Community Impact as a core value and a key focus of internal VVE effort, through which our employees and management will continually assess how our company can achieve impact and engage the communities where we operate.

Our philanthropic activities have been focused on four primary areas: Community Development, Housing, Educational and the Arts, and Land Stewardship.

COMMUNITY DEVELOPMENT
& LAND STEWARDSHIP

Recognizing that development and land stewardship go hand-in-hand, Pacolet Milliken has sought to have a positive impact on the community through its real estate activities, which have historically taken the form of developing environmentally responsible properties, constructing developments to facilitate aspects that are important to the community, and contributing lands and funds to foster community involvement and environmental conservation. Examples of our impacts include:



DRAYTON MILLS: Pacolet Milliken assisted in the redevelopment of the vacant Drayton Mills site, which created apartments and retail space. We installed a three-mile greenway trail to connect to the larger community as well as to provide environmentally friendly transportation alternatives.



TOWN OF PACOLET: Pacolet Milliken and Lockhart Power have established water access points on the Pacolet River for canoes and kayaks in the Town of Pacolet, while also funding the creation of new pedestrian areas and providing easements for nature trails.



FLAT STACK TRAIL: Pacolet Milliken and Lockhart Power, together with the Town of Lockhart and Union County obtained two \$100,000 grants to develop the Flat Stack Trail system. The trails provide places for exercise, benches for resting and viewing nature, and opportunities for education through interpretative signage of the historic mill site and activities especially designed for young children. A portion of the trail system connects to the location of a future public boat ramp improving public access to the Broad River for recreation.



100%
LOCKHART EMPLOYEE
PARTICIPATION IN
UNITED WAY GIVING

Lockhart Power is recognized as a key community leader in Union County, South Carolina and in the communities it serves. Lockhart Power has decades-long relationships in the community — investing in the community/ service territory, serving in an advisory capacity with local leaders, and supporting through financial and in-kind contributions education, quality of life, the arts, community services, and economic development. Examples of our impacts include:

- To foster economic development within Union County, Lockhart Power partnered with Pacolet to develop an industrial park and built the only speculative manufacturing building in Union County to bring manufacturing prospects to the County. It actively participates in all levels of local charitable and economic development efforts.
- Over the last decade, Lockhart Power has donated more than one million dollars toward infrastructure projects supporting economic development in Union and Spartanburg Counties. This is via the utility license fee the company must pay to the state unless it can identify one or more qualifying local economic development projects — which it has successfully done in previous years.
- Lockhart’s charitable giving includes causes that help foster children, prevent student drug and alcohol use, promote the health of Union County residents, and reduce crime.

- Lockhart Power sponsors a myriad of community events and local cultural festivals.

Both Lockhart Power and Pacolet Milliken support the local communities in the upstate of South Carolina through the United Way. Lockhart Power is a consistent leader in participation and per capita giving in the United Way annual campaign. For nine consecutive years, 100% of Lockhart Power employees have contributed to the United Way. Lockhart Power also leads the Union County Vision Council in partnership with the United Way to identify and address the County’s largest problems. Pacolet Milliken and Lockhart Power offer a 50% employer-match program for employee donations made to the United Way. Pacolet Milliken also participates in Project Joy — an effort to support families with older children in need during the holiday season.

Bushy Park hosts quarterly meetings of a Community Advisory Panel (CAP) to discuss safety and environmental issues and provide a voice for the community to provide feedback to Bushy Park in relation to community matters. The CAP consists of local residential and business neighbors, educators, local officials, environmentalists, medical professionals, and a representative from the South Carolina Department of Health and Environmental Control.



EDUCATION & THE ARTS

Pacolet Milliken, Lockhart Power, and Bushy Park all understand the importance of education. The efforts of all three organizations are varied. Considered in their entirety, the efforts provide impacts all along the educational spectrum.

- Bushy Park has provided \$300,000 in grant funding to support welding training with the hope developing of this skillset among workers in the local community. These programs are available to students at two rural high schools in Berkeley County as part of their curriculum and, in the evenings, to adults seeking higher levels of employment.
- For the last 15 years, Lockhart Power has been an active and consistent supporter of education. Past efforts include:
 - + Key sponsor of Operation Workforce Training, a program that provides 65 hours of manufacturing readiness training to graduating high school seniors
 - + Partner with other organizations to address pre-K readines.
 - + Introduce thousands of students annually to Lockhart Power and hydro technology through the Upstate Career & College Showcase.
 - + Members of the Union County High School Career & Technology Center Advisory Council
 - + Donations to numerous academic and athletic programs and events
 - + Governor’s School

- Pacolet Milliken and Lockhart Power both provide internship programs. Each has been very successful in providing students real-world experience, and to date, 12 students have come through the formalized programs.
 - + At Pacolet Milliken, the Real Estate, Legal and Accounting departments all have employed interns; at Lockhart Power, interns have gained solar and economic development experience. Lockhart Power has a line worker internship program, too.
 - + Lockhart Power has had multiple interns, including one reporting directly to the president of Lockhart Power. Interns gained experience in identifying candidate sites for solar projects on brownfield land and pursuing economic development opportunities.
 - + Lockhart has also instituted a line worker internship program to develop a pipeline of professional line worker prospects. Because of the complexity of the tasks and the experience requirement of the job, line positions are often difficult to fill and require a lengthy apprenticeship. The line interns work with Lockhart’s senior linemen in the field to gain knowledge of safety behaviors and critical problem-solving skills needed by a professional line worker.
- Lockhart Power and Pacolet Milliken also both offers scholarships for high school seniors whose parent’s or guardians are employed within our companies.

To bolster our impact in communities, we commit to:

- **DEVELOP A PHILANTHROPIC PROGRAM COMMITTING** to contribute a specific amount of dollars annually to South Carolina-based initiatives that reflect Pacolet’s ESG priorities.
- **DEVELOP A PHILANTHROPIC PROGRAM TO ACHIEVE** a annual volunteer hours by employees on projects supportive of ESG priorities.
- **CONTINUE TO EVALUATE** our land holdings for not just development potential, but community benefits, too.

- **CONTINUE AND INCREASE** our engagement with select public secondary schools in our communities, particularly public schools that focus on underprivileged students.

Beyond these initiatives we commit to:

- **EXPAND AND REFINE THE INTERNSHIP PROGRAM** to increase students’ access to meaningful work and professional development opportunities.



HOUSING ACCESS & AFFORDABILITY

Access to safe, affordable housing supports physical and mental health, but affordable housing, especially in high-growth areas, can be a challenge. As an example, Pacolet’s efforts in the Drayton community in Spartanburg, SC have benefited the community in many ways. Efforts to date include the following:

- Pacolet Milliken has partnered with Habitat Homes of Spartanburg to provide land at a reduced prices for home construction. Four homes are completed and occupied; two more are nearing completion.
- Pacolet Milliken continues to maintain mill homes in the Drayton community and provide them as rentals, at an affordable rental rate, in a neighborhood that continues to increase in value.
- Lockhart Power maintains a housing initiative. Organized and hosted by the Union County Housing Summit, this collaboration confirmed the severe shortage of quality workforce housing and created a path forward to address the problem. Discussions with County administration resulted in an optimal parcel identified for development, and recruitment of a suitable developer. Construction is expected to begin in Q1 2022. A separate strategy has been developed to provide housing in Jonesville and Lockhart as well.



ENHANCING ACCESS & AFFORDABILITY

While not unrelated to our Community Impact & Engagement efforts, Pacolet Milliken recognizes that our investment decisions can increase the access of working families to affordable housing and energy.

We anticipate this topic will have growing relevance to our business in the near term as the demand for affordable accommodations increases across the country.

- Our Real Estate Division has actively engaged to increase its investment in affordable and workforce housing. Our portfolio has historically focused on economically prosperous areas of larger cities; however, we are increasing our focus affordable housing components and beginning to invest in more modestly price affordable housing

at a greater scale.

- In January 2021, Pacolet Milliken announced a commitment to co-invest up to \$1 million per year in projects with CommunityWorks, a non-profit organization and Community Development Financial Institution dedicated to building a brighter future for underserved families and communities. The first co-investment will deliver 130 affordable units at the Norris Ridge Apartments in Spartanburg; the second will deliver a 180-unit affordable housing development in Greenville, serving households earning between 60-80% of AMI.
- Lockhart Power prioritizes maintaining affordable power prices; it has not sought (or obtained) base rate increases in over eight years.

To further prioritize access and affordability, Pacolet Milliken will:

- Continue to focus on affordable housing components of our development within the investment portfolio.
- Work with CommunityWorks to increase deal access to meet our full commitment to

the program; there is currently more money than there are projects ready to go.

- Develop an “Affordable Housing Dashboard” to track our progress over time, capturing past and future investments, providing benchmarks and data to measure our impact and level of financial and non-financial commitment to these initiatives.

EMPLOYEE HEALTH, SAFETY, & WELLNESS

Pacolet Milliken is committed to the health, safety, and wellness of all our employees.

Throughout the COVID-19 pandemic, we are particularly proud of our essential workers (essentially all employees of Lockhart and Bushy Park) who served our communities on the front lines of the crisis.

- Pacolet Milliken encourages employees to better understand their current health status; therefore, employees on the medical plan are encouraged to participate in the annual Clinical Health Assessments and Biometric Screenings. Participation in the Wellness Program gives the employees and their participating spouse each a \$20/month discount on their medical plan premiums.
- Additionally, Pacolet Milliken offers a gym membership of up to \$60/month for single and up to \$80/month for family membership at an accredited gym if they work out at least 8 times per month. Additionally each company in the family offers location-specific wellness initiatives in which employees can participate.
- 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, on-site annual flu shots, on-site COVID vaccine shots, on-site DOT physicals, etc.

- An Employee Assistance Program is also in place for covered employees. This covers 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. Effective January 1, 2022, the Program will also be in place for part-time employees.
- We continue to maintain a “gold” level healthcare plan for our employees. And not only do we offer benefits at the level, Pacolet Milliken 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.
- As an industrial facility, Bushy Park recognizes that safety is paramount. A culture of safety must be continually reinforced across our organization from the management to the employee level. In 2020, Bushy Park undertook new steps to boost safety culture. These steps included hiring a new Director of Safety and implementing a new safety training module.
- Lockhart Power’s safety program is well-established, deriving from the Milliken & Company corporate safety program, and past safety incidents tend to be relatively minor in nature. This is an additional motivation for its proactive and robust wellness program.

Beyond these best practices, Pacolet Milliken will take additional steps, including:

- **CONTINUALLY EVALUATING** how Pacolet Milliken ensures employee wellness, ensuring the effectiveness of existing initiatives and updating the concept of wellness with feedback from employees throughout company.
- **CONTINUING TO DEVELOP** resources for employees, such as access to records electronically.
- **CONTINUE TO REINFORCE SAFETY CULTURE** at Bushy Park. Continue implementation of Safe Start safety program, continue to reinforce safety culture at the Bushy Park leadership level and through the efforts of a dedicated Director of Emergency Response, Safety, and Security.
- **RECOGNIZING** the many external variables that impact the ability to achieve zero lost time safety incidents, we will strive to attain zero lost time accidents.

PACOLET GOVERNANCE

Pacolet Milliken's Board of Directors is active in collaborating with management in developing the company's long-term strategy and approving investment decisions.

Although a family-owned company, Pacolet Milliken has since its inception prioritized independent governance. As such, seven of Pacolet Milliken's ten Board seats are held by non-shareholder directors. Six of these seven are independent external board members and one is the CEO. Three board members are nominating by the Family Assembly and all directors are elected as a result of formal voting at annual shareholder meetings. An active group of Shareholder Observers, also nominated by the Family Assembly, enlarges the depth of owner knowledge about Pacolet's operations. The Milliken shareholders have spent decades developing their governance

structure, and it has become a strong differentiating factor for Pacolet, both internally and when working with third parties. This fosters an environment that enables management and the Board to work effectively on behalf of shareholders. It also sets up an efficient framework through which shareholders can convey their collective intent to the Company. Aptly characterized as 'Eyes In, Hands Off', the Pacolet Milliken shareholder group has been recognized by Northwestern University's Kellogg School of Business as a leader in private company governance. (Source: pacoletmilliken.com/governance-philosophy)

In addition to a majority independent board, Pacolet Milliken's management team is entirely independent. To our mind, this has helped achieve an appropriate balance between the shareholder group's ownership and ultimate authority, majority-independent Board governance, and a disciplined institutional-type execution of the Company's strategy by its independent management team.

A NOTE ON RISK ASSESSMENT & MANAGEMENT

Pacolet Milliken continually evaluates risk arising from its operations, assets, and target sectors for investment. Regarding our investments, we invest with institutional discipline, seeking to minimize risk and contracting with creditworthy entities. Given the multi-year nature of our investment horizon, we are more patient about achieving superior returns than rigid IRR investors (who may seek to monetize gains as soon as possible), and thus may hold our assets longer than investors with rigid exit requirements. In 2021, we conducted a comprehensive review of our risk analysis process, which we last updated in 2014. Our 2021 objective was to assess risk at all levels, both our portfolio and how we do business. The final report provided an assessment for the holding company, each of the operating divisions (real estate and energy/infrastructure) and each of our subsidiaries (Lockhart Power Company and Bushy Park).

The assessment covered a broad range of topics, including those external and outside of the control of the company, such as climate change, policy and regulatory matters, and financial markets, and those internal to our companies, such as portfolio concentration, investment analysis, information technology, personnel, reputation, environment, partners and vendors, ethics, and company culture. While we can directly impact the internal matters, by looking at the external, we can anticipate potential impacts and prepare to minimize them.

The report concluded that in general, risks are well-managed and appropriate mitigation steps have been taken. As might be expected, the greatest risks at the enterprise-wide level are strategic, while the greater risk at the subsidiaries are operational. There are opportunities to improve practices to further mitigate risks, and these opportunities have been itemized as recommendations in the reports.

To maximize the benefit of this analysis and the resulting recommendations, this project created an ongoing process that engrains risk management into our standard business activities. The new process creates points of accountability where the head of each company or division will meet every six months with the company's general counsel to review progress on the implementation of the recommendations and discuss newly identified risk. Additionally, the company will report the status of the risk management effort to the company's Audit Committee, which has risk oversight responsibility, at each of its meetings.

While risk is present in all that we do, we feel that the risk assessment is a beneficial step in making us all more cognizant of the risks we are facing, taking steps to mitigate those risks, and making us a better organization.

ENGAGEMENT, ETHICS & LEGAL

EMPLOYEE ENGAGEMENT

Pacolet Milliken is intent upon building an internal culture that is aligned with the principles espoused in this Report. Pacolet Milliken is committed to investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world.

- In launching our VVE efforts several years ago, we instituted an employee-led process within each of our three companies that was designed to discuss many of the topics covered in this Report. We believe that the VVE process will continue to foster dialogue within our company and identify areas for improvement and topics to address.
- 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 further commit to:

- **CONTINUING THE VVE PROCESS** and to benchmark our performance, provide continued updates regarding our progress, and communicate transparently with employees across our companies. The preparation of our first Sustainability Report is our first step in defining our baseline and will represent a channel through which to will provide updates on our performance on an annual basis.
- **ENCOURAGE AND FACILITATE OPPORTUNITIES** for continuing education for employees.
- **CONNECT OUR EMPLOYEES TO OUR STRATEGIC FOCUS** to combat climate change and advance environmental sustainability by establishing an employee reward/bonus program for driving EVs to work, installing home solar, etc.

HONEST AND ETHICAL BEHAVIOR

Pacolet is a family-owned company with a mandate to operate at the intersection of profitability and values. Thus, it places the highest emphasis on honest and ethical behavior. We are committed to dealing fairly and ethically with our customers and suppliers. We are dedicated to serving as good partners to other companies, large, and small, that help us meet our objectives. Pacolet Milliken maintains a code of ethics of all its employees, and we continually review the code of ethics for updates and changes as necessary. Each year, we ask all employees to review and sign the code of ethics.

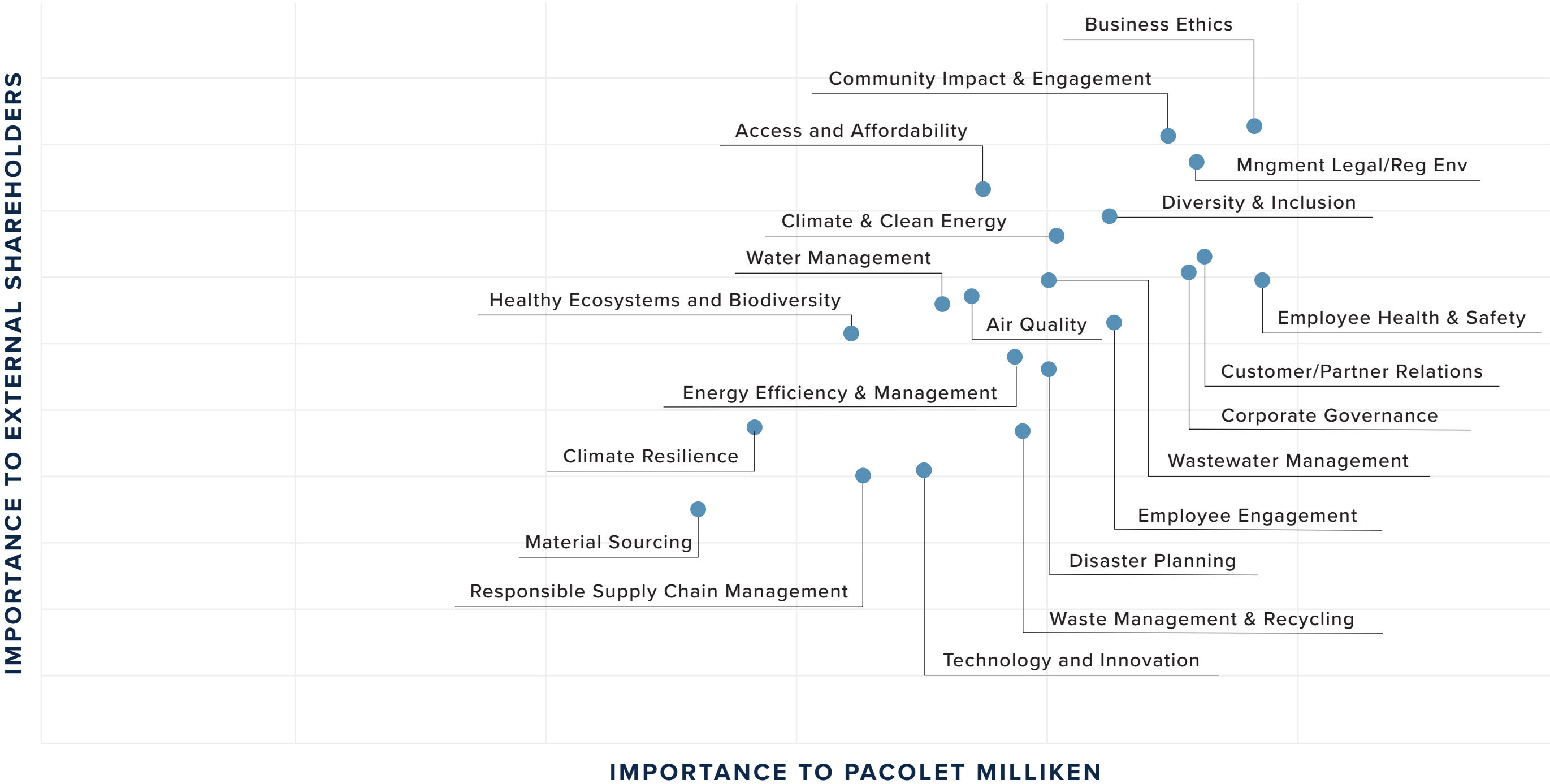
MANAGEMENT OF THE LEGAL AND REGULATORY LANDSCAPE

Pacolet Milliken’s operations and investment decision making are shaped by the legal and regulatory landscape. Pacolet Milliken has been and will continue to be in full compliance with legal and regulatory requirements, and we work closely with federal, state, and local officials in siting, managing, and operating our assets. While we do not believe that we face any significant vulnerabilities to changes in the legal and regulatory landscape, we recognize that public policy significantly influences our opportunities with affordable housing and renewable energy. In addition, we anticipate that the physical impacts of climate change may lead to changes in policies related to zoning and insurance requirements, while policies to promote a transition to a clean energy economy, including carbon pricing, may increase operating costs.

ESG APPENDIX

APPENDIX A

MATERIALITY MATRIX



APPENDIX B

DISCLOSURE

Consistent with direction from the Global Reporting Index (GRI), the following table summarizes key information regarding the company preparing a sustainability report. The table identifies specific disclosures as encouraged by the GRI.

DISCLOSURE NAME	RESPONSE
Organization Name GRI 102-1 (Core)	Pacolet Milliken Enterprises, 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 GRI 102-2 (Core)	<p>Pacolet Milliken 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 Energy/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 Milliken has two wholly owned operating subsidiaries, the Lockhart Power Company and Cooper River Partners, LLC (CRP). CRP owns and operates Bushy Park.</p>
Operations Locations 102-4 (Core)	<p>Pacolet Milliken operates through two divisions: Real Estate and Energy/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>Real Estate</p> <p>Pacolet Milliken 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 multi-family, industrial, office, and retail properties and land holdings. We respond to market conditions by overweighting or underweighting</p>
Markets Served 102-5 (Core)	

investment segments and geographies based on analysis and experience. Our target markets include major population centers (New York City, Washington, DC, and Los Angeles) and select Southern U.S. growth markets (Atlanta, Charlotte, Florida, Texas). We are currently overweighting the multifamily (focusing on urban infill with strong demographics) Class A industrial, and Class A office asset classes.

Highlights of Real Estate Portfolio (at September 30, 2021)

- Over 30 total properties in roughly 10 states
- 4,500 acres of legacy land remaining

Energy/Infrastructure

Though diverse in character and purpose, our Energy portfolio, which includes the two businesses described below, 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 seven 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 and are pursuing several others.

Highlights of Renewable Energy Portfolio

- 236 MW solar constructed/under development, including:
 - 30MWs – Developed and sold
 - 67MWs – Operating
 - 67MWs – Under construction/approved for construction
 - 72MWs – Funded

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 approximately 6,200 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 partnership 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.

	<p>Cooper River Partners (CRP)/Bushy Park</p> <p>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. CRP/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.</p>
Scale of Organization 102-7 (Core)	Total Number of Employees: <ul style="list-style-type: none">• Pacolet Milliken: 30• Lockhart Power: 54• Bushy Park: 50
Information on Employees and Other Workers 102-8 (Core)	Total Number of Employees by: <ul style="list-style-type: none">• Full-Time: 133• Part-Time: 4• Gender: Female = 29; Male = 108
Collective Bargaining Agreements 102-41 (Core)	Pacolet Milliken has no labor unions or collective bargaining agreements (CBAs). 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.
Values, Principles, Standards, and Norms of Behavior 102-16 (Core)	See page 8.
Governance Structure 102-18 (Core)	See page 9.
Supply Chain 102-9 (Core)	Pacolet Milliken engages a range of business partners in developing and managing its real estate and energy 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 102-10 (Core)	<p>In 2020, Pacolet Milliken completed the sale of Ni Pacolet Milliken Utilities to SouthWest Water Company. Ni Pacolet represented the largest single asset within the Pacolet Milliken portfolio. In its five-year ownership of the company, Pacolet Milliken operated the utility responsibility and made over \$70 million in capital investment.</p> <p>Pacolet Milliken 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</p>

	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 102-11 (Core)	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 102-12 (Core)	
Association Memberships 102-13 (Core)	<p>Pacolet Milliken</p> <ul style="list-style-type: none">• Sustain SC• South Carolina Chamber• Union County Development Board• One Spartanburg• Laurens County Development Commission• Cherokee County Economic Development <p>Lockhart Power</p> <ul style="list-style-type: none">• South Carolina Economic Developers Association• Union County Development Board• Spartanburg Community College Foundation Board• E4 Carolinas• United Way of the Piedmont• Union Vision Council• Operation Workforce Training• South Carolina Manufacturers Alliance• OneSpartanburg (Spartanburg Chamber of Commerce)• SC Chamber of Commerce• Southern Economic Development Council• Union County Chamber of Commerce <p>Bushy Park</p> <ul style="list-style-type: none">• Charleston Regional Development Authority• Berkeley County Chamber of Commerce• Charleston Metro Chamber of Commerce• South Carolina Manufacturers Association• South Carolina’s Economic Developers Association
Senior Decision-Maker Statement 102-14 (Core)	See page 3.

<p>List of Stakeholder Groups 102-40 (Core)</p> <p>Identifying and Selecting Stakeholders 102-42 (Core)</p> <p>Approach to Stakeholder Engagement 102-43 (Core)</p> <p>Key Topics and Concerns Raised 102-44 (Core)</p>	<p>See page 18 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 Milliken 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>
<p>Entities Included in the Consolidated Financial Statements 102-45 (Core)</p> <p>Defining Report Content and Topic Boundaries 102-46 (Core)</p>	<p>Our consolidated financial statement includes the Pacolet Milliken investment company and our two fully-owned subsidiaries.</p> <p>The Sustainability Report covers the activities of the investment company and the subsidiaries.</p>
<p>List of Material Topics 102-47 (Core)</p>	<p>See Materiality Matrix and pages 17-18.</p>
<p>Reporting Period 102-50 (Core)</p> <p>Date of Most Recent Report 102-51 (Core)</p> <p>Reporting Cycle 102-52 (Core)</p> <p>Restatements of Information 102-48 (Core)</p> <p>Changes in Reporting 102-49 (Core)</p>	<p>This is Pacolet Milliken’s first Sustainability Report. It covers major developments across Pacolet Milliken and its two subsidiaries that occurred in 2020 and 2021 to date. We anticipate preparing a Sustainability Report on a daily basis. Since this is our first Sustainability Report, we do not have any changes in our reporting approach or restatements of information.</p>
<p>Contact Person 102-53 (Core)</p>	<p>Jennifer Calabria</p>
<p>Claims of Reporting in Accordance with the GRI Standards 102-54 (Core) 102-55 (Core)</p>	<p>The preparation of this sustainability report was informed by the Global Reporting Initiative standards. We endeavored to make disclosures consistent with the breadth and scope of the GRI’s Core option.</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

