



Activity report

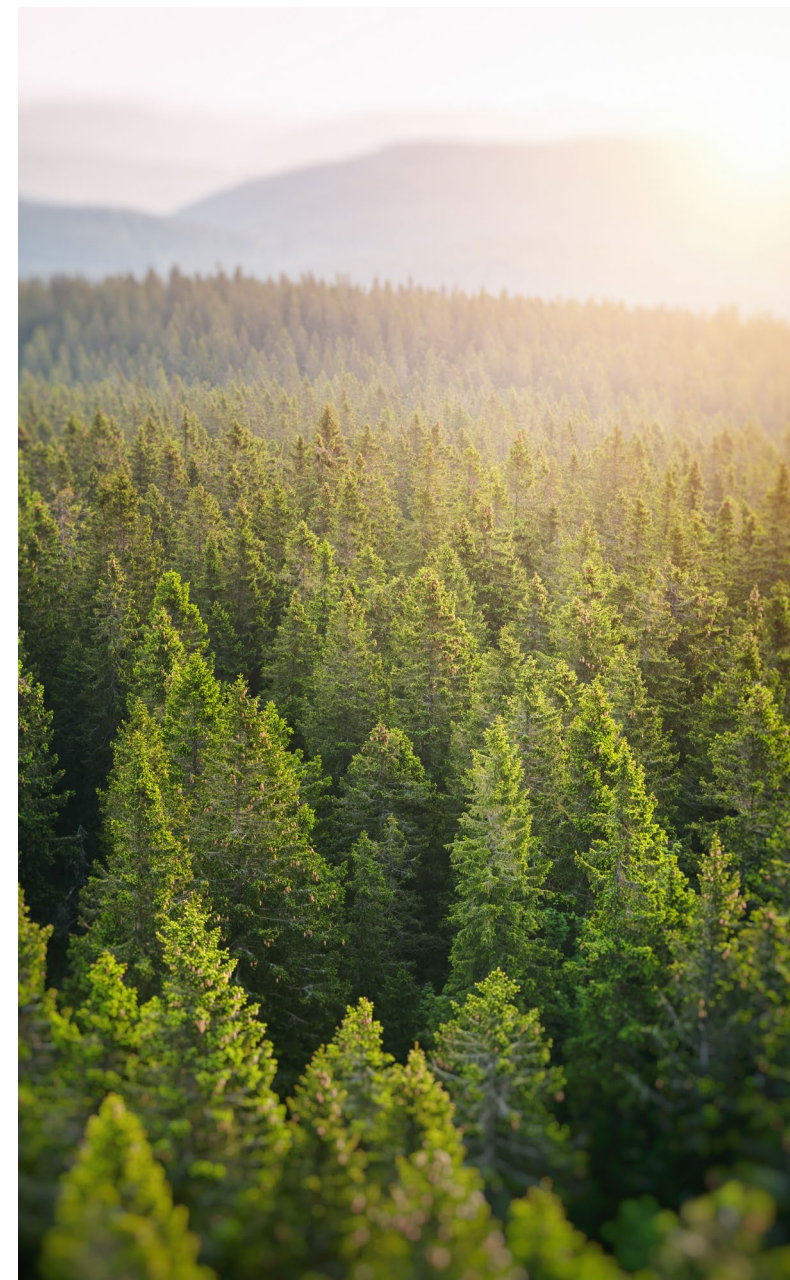
ESG



h HILLWOOD
A PEROT COMPANY

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About the report

Dear Sir/Madam,

We are pleased to provide you with the report summarizing Hillwood's sustainable development activities.

Since our operations began in Poland, we have been supplying the market with top-quality storage facilities, and we do not intend to stop there. We constantly search for innovative solutions and raise the standards of our new investment projects to fulfill the expectations of our business partners successfully and lastingly. As we observe the changing macroeconomic environment and respond to the constantly emerging challenges on the property market, we believe that doing business responsibly is characteristic of leaders.

Hillwood's sustainable development strategy is critical to the company's growth. The report includes a description of the most important components of our environmentally responsible activities, a summary of our socially responsible activities, and a discussion of our implemented corporate governance practices. It is based on the projects completed by Hillwood Polska over the last few years.

The Hillwood Standard is synonymous with high quality and an individual approach to each of our investment projects. The report is founded on the projects that Hillwood Polska has accomplished over the past couple of years. The Hillwood Standard signifies a high level of quality and a per-



sonalized approach to every investment project we undertake. The success of our ESG activities is the outcome of collaborative efforts between Hillwood experts, specialists, and a diverse range of business partners. Their involvement is essential to our achievements, and we take pride in presenting this report to summarize our sustainable development activities.

We hope that you will find this report informative and useful.

Hillwood Team



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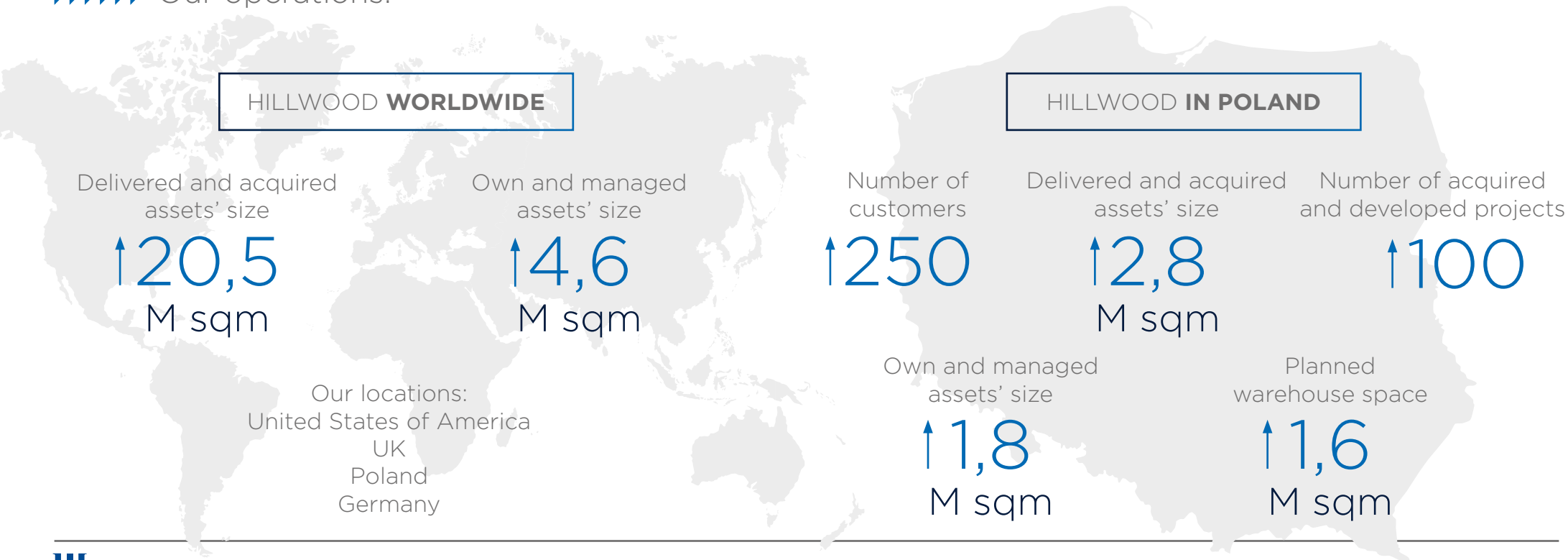
About Hillwood



Local experience and global perspective

With over 30 years of experience in commercial real estate investments across Europe and North America, we are proud to be recognized as one of the global leaders in the industry. Since 2014, we have been operating in Poland, constructing state-of-the-art logistics and commercial centers for lease, including those built-to-suit (BTS). Additionally, we specialize in property acquisitions and management, operating in key warehouse markets such as Warsaw, Central Poland, Wrocław, and Upper Silesia, as well as new prospective locations.

Our operations:



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Key ESG activities



▶▶▶▶▶ Sustainable business development

Sustainable growth is a fundamental component of our business strategy, as we aim to create value for our partners and future generations. Our projects are designed not only for companies but also for people, representing a shared investment in the future. Our ultimate objective is to provide our customers with exceptional facilities that meet their needs and exceed their expectations.

▶▶▶▶▶ Key actions implemented within ESG:

Environment	Society and employees	Corporate governance
<ul style="list-style-type: none">• Reduction of CO2 emissions	<ul style="list-style-type: none">• Local initiatives	<ul style="list-style-type: none">• Initiatives, developments, and implementation of good practice rules (principles)
<ul style="list-style-type: none">• Power from renewable energy sources and biodiversity	<ul style="list-style-type: none">• Talent management	<ul style="list-style-type: none">• Corporate policies
<ul style="list-style-type: none">• Economic water management	<ul style="list-style-type: none">• Health and safety	<ul style="list-style-type: none">• ESG activities oversight

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Environment



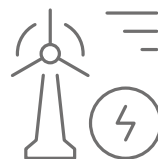
At Hillwood, we prioritize environmental protection from the very beginning of the site selection process for our construction projects. Our work on brownfield sites involves revitalizing them and restoring their functionality within the urban landscape, reducing the negative impact of our activities on the environment and mitigating the risks associated with global climate change.

Our commitment to sustainability is further reflected in our use of green technologies in **Hillwood** warehouses, which are all designed with **BREEAM** system certification in mind. In constructing logistics centers, we take a comprehensive approach that considers not only the buildings themselves but also their surrounding environment.

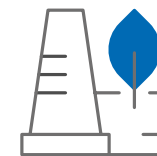
▶▶▶▶▶ Hillwood environmental initiatives:



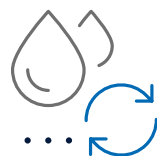
Power consumption reduction



Use of renewable energy sources



Emissions reduction



Economic water management



Biodiversity

4.1 Power

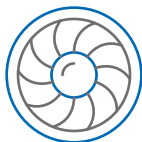
We are committed to developing new logistics and industrial parks that prioritize energy efficiency and sustainability.



Detailed building analysis including the partition parameters



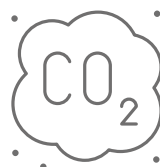
Selecting appropriate lighting systems and generating power from renewable energy sources



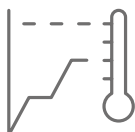
Selecting ventilation, air conditioning and building control systems



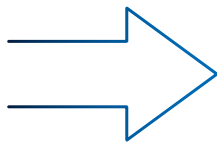
Electricity and heat costs decrease



Reduction of CO₂ emissions



Greater climate change resilience and adaptability



Our activities in buildings developed in 2022 allowed us to reduce primary energy needs (on average by **14.5%**) and lower the CO₂ emissions (by **17%**).

from 7%

reduction in primary energy consumption compared to baseline standards*

up to 20%

from 10%

reduction in CO₂ emissions compared to baseline standards

up to 22%

from 6%

reduction final energy consumption compared to baseline standards

up to 11%

*compared to a building compliant with the Technical Conditions

4.2 CO₂ emissions in building's lifecycle

We prioritize sustainability in all **Hillwood** projects, and conduct a thorough analysis of both the operating and inherent carbon footprint. This includes a lifecycle analysis (LCA) based on the EN 15978 standard, EU **Taxonomy**, and **BREEAM** certification requirements. We use the results of these analyses to inform our decision-making, and implement innovative, knowledge-based green solutions.

▶▶▶▶▶ Conclusions from the evaluation of buildings¹:



The benchmark for annual CO₂ emissions for Hillwood investments is approximately 30 kg CO₂e/sqm/year

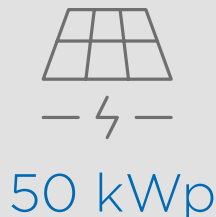


Emission reduction by up to 8 kg CO₂e/sqm/year, which corresponds to a reduction in emissions of approximately 26.6%



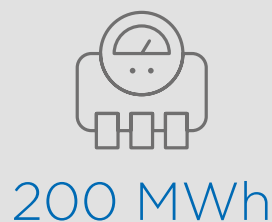
4.3 Power from renewable energy sources

Hillwood's environmental strategy places equal emphasis on reducing CO₂ emissions and generating green energy.



50 kWp

Each of our new buildings is equipped with a **50 kWp** PV installation. We adapt the size of the system to the location, grid connection options, and specific project parameters, building installations with higher power as necessary.



200 MWh

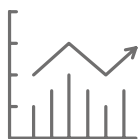
Between January 2021 and December 2022, we installed PV systems with a total power of **400 kWp**, which enabled the generation of nearly **200 MWh** of clean electricity and a reduction of **139.60 Mg** of CO₂e emissions ².

4.4 Smart metering

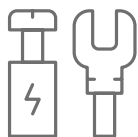
One of the tools that support energy efficiency in our buildings is a system of modern measuring devices called smart meters, which enable the precise monitoring and control of energy consumption:



Quick data access
and analysis



Ongoing supervision
and analysis over
utilities' consumption



Fast reaction to irregularities
in system operation and
sudden power, gas, or water
losses



Analysis for limiting the
consumption of the most
energy-intensive building
elements

*When compared to requirements set out in BREEAM International New Construction criterion - WAT01



4.5 Water

We have established standardized requirements for maximum water flows for equipment in all of our buildings. This initiative has led to a reduction of annual water consumption by up to **2,300 cbm**.³ It is worth noting that our water consumption levels are **50%** lower than required by **BREEAM** certification for a baseline building* with standard characteristics. In addition, we have installed additional metering systems to monitor equipment or areas responsible for over **10%** of the total water demand, which is a further step towards better water consumption monitoring.

2,300 cbm

Reduced annual water
consumption in our buildings



50%

Less water consumption
than required by **BREEAM**
certification

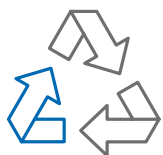
4.6 Waste



Already in the stage of preparing investments, we implement appropriate practices aimed at reducing waste generation. For this purpose, we have developed detailed guidelines regarding waste management, taking into account the following assumptions:

The level resulting from BREEAM certification:

at least **70%** of waste generated during construction and demolition works must be recycled.

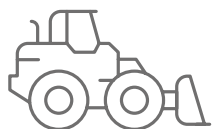


The level resulting from the European Union Taxonomy:

at least **70%** of construction and demolition waste other than hazardous (excluding naturally occurring materials) must be recycled.

The level resulting from the Hillwood standard:

We managed to recycle over **95%** of the construction waste generated by our developments⁴.



Additionally, Hillwood's manufacturing and warehouse facilities are designed and constructed to allow for easy replacement of worn-out building components and flexibility in adapting the area to changes in its function or potential expansion. Our new recycling and waste management standards also involve current and future tenants in the process.



The waste recycling points at Hillwood are clearly labeled, conveniently located, and capable of accommodating the type, size, and estimated volume of waste generated by the building.

4.7

Guidelines for purchasing materials

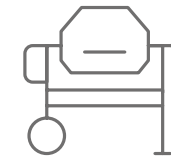


Hillwood's environmental strategy includes a focus on responsible sourcing of construction materials. Each property has a sustainable acquisition plan that outlines requirements for suppliers, such as using materials from responsible sources, reducing waste, avoiding toxic materials, and using high-quality and durable materials.

One specific requirement is related to the sourcing of timber. We expect our suppliers to provide evidence of purchasing timber only from legal sources, and for each investment project to use at least 5 to 10 products with **type III EPD** environmental declarations issued according to ISO 14025 and EN 15804.



▶▶▶▶▶ Our goals:



at least 10% of the materials used for construction are obtained responsibly⁵

OR



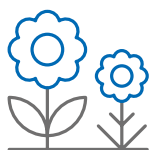
at least 50% of the construction materials come from recycling

4.8 Biodiversity



When constructing new warehousing and manufacturing facilities, we strive to **preserve the biodiversity of the land** on which the project is located. A qualified environmental expert analyzes each plot, evaluates its environmental value, and develops a strategy to maintain or enhance the biodiversity level. The expert also provides recommendations for additional measures, such as adding greenery, constructing feeders or nest boxes, to significantly improve the biodiversity.

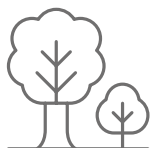
In **2022**, as part of our investment activities throughout Poland we planted:



52,980 sqm
flower meadows



6,727
bushes



512
trees

When building our parks:



We provide biodiversity training for on-site construction workers



We protect trees and other plants against damage



We do not store materials in the area under the tree canopies



We reclaim the damaged soil and plants

4.9

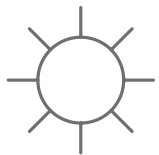
Independent verification – **BREEAM** certificate



We have established a standardized approach for **BREEAM** certification for all stages of project development. This ensures the consistency of our properties and provides us with complete control over the implementation of ESG solutions in our projects. All of our new Hillwood Polska facilities are prepared for **BREEAM** certification at the Excellent level, which indicates that they meet at least **70%** of the certification system guidelines.



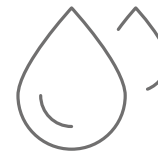
BREEAM is a globally recognized environmental certification for buildings developed by BRE Global, a British certification organization. The **BREEAM** method is applicable for assessing buildings around the world. **BREEAM** International New Construction V6 was created to assess buildings outside of Great Britain while considering local construction and environmental regulations, as well as best practices. During the certification process, the building is evaluated on its energy efficiency and sustainability performance, promoting sustainable operations.



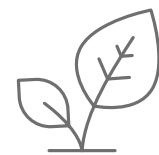
Energy:
consumption of light
energy and carbon
dioxide (CO₂)



Ecology:
protection of values
such as biodiversity of
flora and fauna



Water:
the use of solutions
that reduce water
consumption



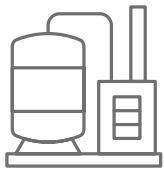
Land use:
development
of green
areas

4.10

European Union **Taxonomy** guidelines



Preparing the specification of our facilities we also take into account the non-financial reporting requirements, specifically the **Taxonomy** (i.e. the Regulation (EU) No 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088). **The Taxonomy sets forth the criteria for assessing the building in terms of its impact on six environmental objectives.** Hillwood facilities' technical standards and development processes take into account the Taxonomy guidelines in each area.



SIGNIFICANT CONTRIBUTION TO CLIMATE CHANGE MITIGATION:

In our new facilities, we always analyze ways to reduce primary energy requirements, and the resulting optimizations can contribute to a reduction of up to 20%. After the construction stage is completed, the buildings undergo thermographic testing to calculate their global warming potential throughout the building's lifecycle, including their inherent carbon footprint.

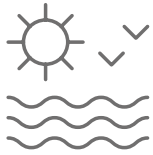


CLIMATE CHANGE ADAPTATION:

The Taxonomy mandates that facilities should not contribute to significant harm to climate change adaptations. This is ensured by conducting a detailed climate risk assessment, climate impact assessment, and an assessment regarding adaptation to climate change. These assessments can help identify physical risks and potential solutions to reduce them. Our facility construction process includes testing various aspects related to climate risks, including introducing physical climate risk assessment and potential solutions for climate change adaptation assessment.

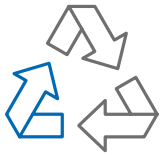
4.10

European Union Taxonomy guidelines



SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES:

Our buildings adhere to the water fixture and fitting requirements specified in BREEAM International New Construction v6, which are even more stringent than those outlined in the Taxonomy.



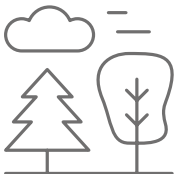
CIRCULAR ECONOMY TRANSITION:

Following the Hillwood standard, all of our new investments have detailed waste management guidelines that include strict requirements for the amount and type of waste generated during the construction stage to be recycled. For Hillwood Polska's construction works subject to BREEAM certification in 2022, the recycling level is at least 70% by weight. However, we exceeded this requirement and achieved over 95% recycling in 2022.



PREVENTING AND CONTROLLING POLLUTION:

Our strategy includes design guidelines for air quality, which include minimum requirements for the share of openable windows in relation to the building area and the ability to control natural ventilation. Additionally, we are considering conducting air quality tests.



PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS:

When selecting the location for our investments, we choose areas with low soil fertility, avoiding construction in bio-diverse areas that serve as habitats for endangered species. Furthermore, we carry out our investments as brownfield projects.

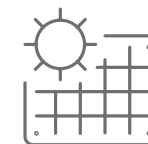
4.11

Case study Łowicz South

Hillwood Łowicz South is a facility located in the village of Łyszkowice, approximately 1 km from the entrance to the A2 motorway at the Łowicz junction. This location provides a perfect connection to Warsaw and Berlin. The A1 motorway, located 24 km away, serves as a convenient communication corridor to northern and southern Polish markets. The facility consists of two halls with a total area exceeding 107,000 sqm.



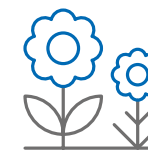
Certification
BREEAM EXCELLENT



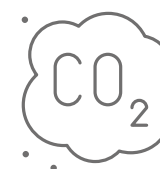
Renewable energy sources
– 50 kWp photovoltaic farm



98% of the construction
waste was recycled



Flower meadows, as well as
tree and shrub plantings



BUILDING A:

10% emissivity reduction (32,19 kg CO₂/sqm/year)*

BUILDING B:

12% emissivity reduction (32,19 kg CO₂/sqm/year)*

*In comparison to a standard building

4.11

Case study
Łowicz South

Measured parameter	Parameter
Amount of waste sent to recycling.	98%
Amount of waste generated during the construction works	1,085.05 T
Amount of water used during the construction works	1,766 cbm
Amount of power used during the construction works	707,580 kWh
Construction works CO ₂ emissions	582,339.12 kg
Water savings	4.73 cbm/person/year
	64.27%
Area	hall B: 69,714 m ²
	hall A: 38,807 m ²
PV power	49.755 kWp
PV area	239.8 m ²
Planned annual CO ₂ emissions (model / characteristics)	33.53 kg CO ₂ /sqm/year
Savings (according to BREEAM calculations for a baseline building)	7.33 kg CO ₂ /sqm/year
	17.9%
Environmental value according to the environmental specialist	Low rating
Number of bicycle parking spots	64
Obtained BREEAM certificate Final	Excellent

5

Community and Hillwood



Our actions are based on the **principles of sustainable development**. We respect the natural environment, aim to benefit both our partners and future local communities, and support local initiatives and NGOs

5.1

Infrastructure

We ensure safe and comfortable access to our projects by locating our properties near national expressways and public transit. **Hillwood** investments often contribute to the development and growth of road infrastructure standards for the local community. An example of such practice is one of our largest investments, the Hillwood Marki logistics park.

▶▶▶▶▶ Hillwood Marki

While building the Marki logistics center, **Hillwood** redeveloped and modernized over 800 meters of Okólna Street. The beneficiaries of this investment, which was fully financed by Hillwood, include not only the clients of the logistics center but also the local community.

Enhancements developed in Hillwood Marki:



New road asphalt surface



Rainwater drainage system



Bicycle path



Street lighting



New pavements and pedestrian crossings



Bus bays



Additional parking spots

"We are grateful to Hillwood Polska for completing and funding this investment project. It is one of few examples of private investor's involvement in a public project, which will now serve numerous inhabitants of Marki. We wish to have more socially responsible companies like this. We specifically invite the developers, who complete so many residential investments in Marki"
– says Jacek Orych, Mayor of Marki.

5.2

Construction site safety

Although the basic EHS principles outlined in relevant regulations are well-known, we understand the crucial role of the investor in ensuring strict adherence to these principles. Properly prepared construction site infrastructure is key to effective project management. Helmets and high-visibility vests, road and emergency exit signs are standard at our construction sites. Each site is equipped with first aid kits and lists of emergency service contact information.



We use construction site regulations to minimize the construction site accidents



We conduct regular OHS and first aid trainings and organize test construction site evacuations



We choose the general contractors who have an occupational health and safety management system



We conduct EHS audits and hold our cooperating companies accountable for any irregularities



5.3

Responsible Neighbor

We are a socially responsible investor, and when working on our projects we have the reduction of our environmental impact in mind, as well as the reduction of any inconvenience for the local citizens in connection with the construction works. Consequently, we take the following steps:

- ✓ The residents are notified by mail in advance of the start of the works
- ✓ Information on construction progress is placed on the information board
- ✓ The neighbors may share with us their opinions about the construction works using a contact form
- ✓ Lighting fixtures during construction are directed in a manner preventing the unwanted light pollution phenomenon

5.4

Security standards



Hillwood has implemented a facility usage regulation and additional safety measures in every property they service.



Traffic organization at the property - horizontal and vertical signage separating pedestrian and vehicle traffic



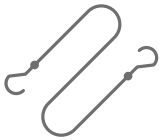
Direct connection to local fire station (depending on formal and technical possibilities)



CCTV



Defibrillators at the security posts



Roof fall protections systems



Fire audits

5.5

Talent management

At **Hillwood**, we believe that our team is our greatest asset, which is why we invest heavily in their growth and development. We provide numerous opportunities for our team members to enhance their skills and knowledge, including training sessions, open conferences, and dedicated programs tailored to specific competencies.



Additional training
for the Hillwood team:

- ✓ CCIM – Certified Commercial Investment Member
- ✓ MBA for engineers
- ✓ Post-graduate studies in project management
- ✓ Trainings on legal regulations conducted by the best international law firms
- ✓ Individual coaching sessions



Selected
internal training:

- ✓ Learning of and improvement in foreign languages
- ✓ IT security and anti-corruption practices
- ✓ Szkolenia w ramach wewnętrznej platformy szkoleniowej
- ✓ Training sessions on our internal training platform and training sessions with external experts (e.g. time management, publicity, negotiations).

5.6

Diversity and openness

The issues connected with broadly defined **“Diversity & Inclusion”** are crucial for our organization. Hillwood is substantially and financially engaged in the “Top Woman in Real Estate” mentoring program, which supports personal and professional development of women and promotes diversity in business.

5.7

Charitable activities

For many years **Hillwood** has been supporting various charitable and community initiatives, focusing mostly on assisting the youngest members of the community. We take local actions if needed.

The actions undertaken since 2020 include:

Foundation “K.I.D.S. Children’s Hospitals Innovators Club

- financial support for the development of a Virtual Reality project at the Oncology Ward of the Children’s Memorial Health Institute

“Virtuosa” Foundation

- the Main Partner of Interventional Cardiology Simulation Site’ Renovation, the Main Financial Partner in Specialist Site’s Hall’s Renovation, the Main Financial Partner in Reception Desk and Waiting Room Renovation at the Children’s Memorial Health Institute

Local initiatives promoting children and youth:

- financial support allowing talented pupils from the primary school in Żórawina to participate in the Creativity Olympics organized by the Destination Imagination Foundation
- financial support for Łódź-based organizations dealing with sick children (Gajusz Foundation, “Dom w Łodzi” Foundation)

Supporting healthy lifestyle and sports actions:

- support for SUP Sports Union
- financial support of a group of young people going to the IFMA 2022 Youth European Muay Thai Championships



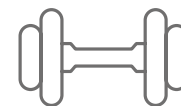
5.8

Health and safety

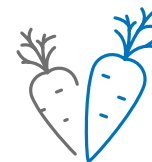
▶▶▶▶▶ The members of our team get free access to a broad range of benefits:



Extensive medical package



Fitness classes – group and individual sessions with a personal trainer



Since 2022, Hillwood Polska team has been participating in the “Grow it yourself” program, allowing to buy 25 sqm of vegetable garden and order seasonal vegetables from the organic farm located in Czuchleby











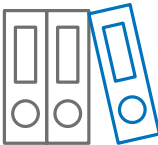
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Corporate Governance



Responsible conduct in all we do is deeply ingrained in **Hillwood** culture. The **Hillwood** team observes the highest standards of ethics and transparency based on strong leadership, responsible business practices, as well as the implemented corporate policies, which are regularly revised and updated.

▶▶▶▶▶ The following rules have been adopted:

- | | | | | | |
|---|---|---|---|---|---|
|  |  |  |  |  |  |
| Anti-Crime and Anti-Corruption Policy | Business Continuity Plan | Compliance Manual | Cookie Policy | Cyber Security Policy | Data Archiving Policy |
|  |  |  |  |  | |
| IT Security Policy | Insider Trading Policy | Political Contribution Policy | Privacy Policy | Document Retention Policy | |

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Conclusion



This report presents the most important ESG measures taken by Hillwood Polska between 1 January and 31 December 2022, unless another period is specifically indicated. Please feel free to contact us regarding any information contained in this report.

►► Supervision over ESG matters

Tomasz Jaroszewski,
Vice President

✉ Tomasz.Jaroszewski@hillwood.com

►► Sustainable development group support

Renata Michalczyk,
Asset Management Director

✉ Renata.Michalczyk@hillwood.com

FOOTNOTES:

¹ The presented data are calculated for B4, B6, B7 modules according to EN 15978 and EN 15804 standards, in a manner set forth in BREEAM International New Construction v6 - ENE 01 methodology "Reduction of energy use and carbon emissions", i.e. not taking into account the process use of energy by tenants, and taking into account other uses, i.e. lighting, heating, cooling, ventilation, air conditioning, hot water service.

² CO₂, SO₂, NO_x, CO and total particulates emission values for electricity, National Centre for Emissions Management (KOBiZE) 2021. ³ 4.56 cbm/person savings for a building used by approx. 500 users, calculated according to BREEAM International New Construction v6 methodology. ⁴ Hillwood Łyszkowice, Hall A and Hall B, Hillwood Zgierz. ⁵ Had ISO 14001, BES 6001, FSC and PEFC certificates.



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