



Environmental | Social | Governance

ESG Due Diligence Summary Report

September 2023 | Performed by Colliers Poland



Project name:

Magazyn Bawełny

Project type:

Major renovation

Main function:

Office

Project address:

Karskiego 5A, Łódź, Poland

Investor/Owner:

A&A Holding

Project phase:

design | as-built | operation



ESG Due Diligence Executive Summary

The hereby document is the public disclosure on the estimated ESG performance of the Project and its compliance risks and opportunities, based on the Colliers methodology.

It presents a summary of the ESG Due Diligence (ESG DD) performed for the Project by Colliers Poland. Detailed evaluation of the Project's compliance with each considered ESG indicator is presented in the full ESG Due Diligence Report provided to the Investor.

136 → indicators analyzed

15 → KPI sources reviewed

89,8% → average compliance opportunity rate

10,2% → average compliance risk rate

8,29 → estimated annual carbon emission [kg CO₂e/sqm]

2048 → estimated year of stranding event



Source of Key Performance Indicators*



- Taxonomy** > Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020
- Level(s)** > European framework for sustainable buildings by European Commission
- CSRD-ESRS** > Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards
- SFDR** > Sustainable Finance Disclosure Regulation
- GRESB** > Global Real Estate Sustainability Benchmark
- LEED** > Leadership in Energy and Environmental Design

- BREEAM** > Building Research Establishment's Environmental Assessment Method
- WELL** > International WELL Building Institute Building Standard
- Fitwel** > Healthy Building Certification System Fitwel Standard
- ESG Reporting** > Global frameworks and initiatives: SDGs, UN GC, SBTi, GRI
- Sustainability** > Other standards and best European market practices

*The references listed above were considered by Colliers as a source for performing the ESG Due Diligence. From the all references, a set of indicators was selected as KPIs appropriate for the analyzed Project. The selection of adequate indicators for authoritative survey of the Project is a part of the due diligence methodology developed by Colliers.

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ESG DD Results

per E, S, G objectives



ESG DD Results per E, S, G objectives

The Project has been reviewed in detail against 66 Environmental indicators. Listed below are the key issues positively evaluated in the Project. **Ecology & Biodiversity** | Land use, Land conditions, Ecology improvement, Green space, noise and light pollution, Global warming potential, Parking footprint, Sustainable site activities. **Embodied Carbon** | Life cycle assessment, Circular Economy, Optimizing material use, Functional adaptability, Deconstruction potential, Material attributes. **Energy** | Energy sources and building services, System efficiency, Renewable energy, Energy consumption, Energy intensity, Building energy

model, Carbon emission, Low carbon measures, Commissioning, Building management system, Energy metering, Lighting, Building fabric, Air tightness, Passive design. **Resilience** | Climate change impact risk, Design mitigation and adaptation, Climate change adaptation, Sustainable drainage, Weather events analyses, Environmental due diligence. **Waste** | Waste efficiency concepts, Construction and demolition waste diversion, Waste storage and management. **Water** | Water Consumption, Water efficiency concepts, Water appliances, Alternative water sources, Water metering, Leak prevention.

92,8%



Environmental Compliance opportunity rate

Photo shows the green land in Pabianice belonging to the investor organization (A&A Holding)

ESG DD Results per E, S, G objectives

91,8%

The Project has been reviewed in detail against 34 Social indicators. Listed below are the key issues positively evaluated in the Project. **Community Development** | Social impact, Local community engagement, Heritage protection, Building users interaction, Tenants engagement. **Diversity & Inclusion** | Facilities for disabled, Social risks and opportunities. **Health & Welfare** | Water quality, Indoor air quality, Indoor facilities, Outdoor facilities,

Active design, Biophilic design, Restorative area, Access to healthy food. **Safety & Accessibility** | Transportation, Building access, Pedestrian and cyclist safety, Visual information, Outdoor lighting, Property safety, Access to local amenities. **Workplace** | Thermal comfort, Overheating reduction, Indoor lighting, Water quality, Indoor air quality, Access to daylight, Glare reduction, Acoustic comfort, Sound insulation adaptability.



Social
Compliance opportunity rate

ESG DD Results per E, S, G objectives

82,8%

The Project has been reviewed in detail against 36 Governance indicators. Listed below are the key issues positively evaluated in the Project. **Accountability** | Owner project requirements, Designer tendering, Contractor tendering, Green requirements, Building certification, Sustainable accreditations, Life cycle costs, Net zero strategies, Supply chains, Employee trainings, Charities, Building guides, Tenants satisfaction monitoring. **Compliance** | Statutory compliance, Internal information

security, Business commitments, Environmental policies, ESG commitments. **ESG ratings** | ESG rating impact, Carbon targets, Building performance monitoring, Capex budgets. **Management** | Integrative process, Social risk and environmental risk assessments, Transition risk impact, Technical due diligence, ESG due diligence, Asset lifecycle. **Transparency** | Data verification and assurance, Third party expertise, Designer tendering, Contractor tendering.



Governance

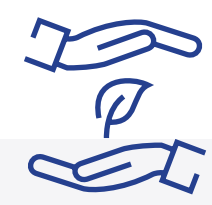
Compliance opportunity rate

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ESG DD Results per sustainability factors



ESG DD Results per sustainability factors



Compliance opportunity rate:

89,8%

212



achieved targets

236



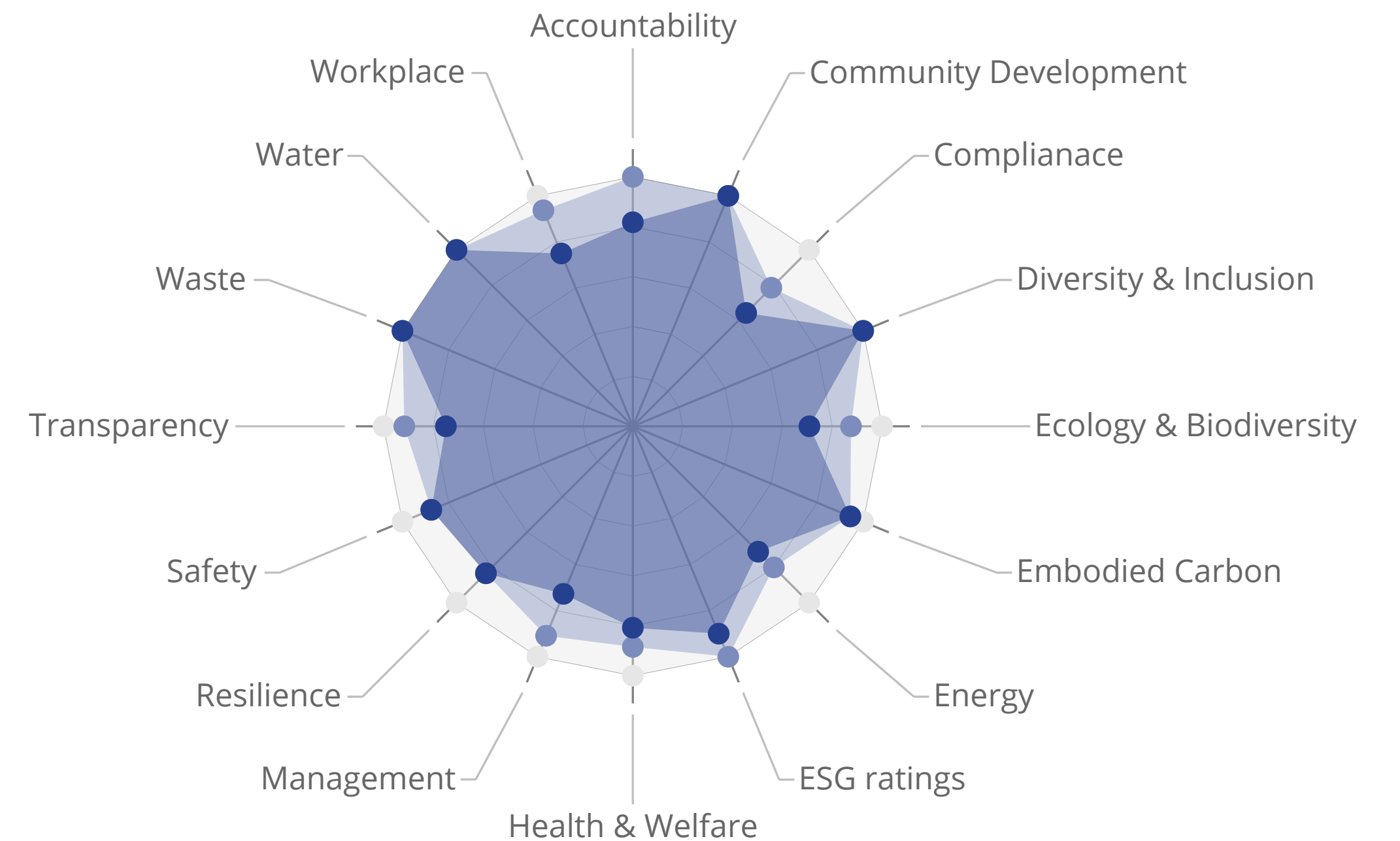
max targets for the Project

261



max market performance

Provided results are based on the Colliers methodology. The maximum targets number for the Project is determined individually from among the maximum number of targets in general, depending on the organizational, formal and location conditions of the particular Project. The number of achieved targets informs about the probability of the Project reaching its potential, which is also indicated in percentages as a compliance opportunity rate. For each KPI analyzed, there is a number of targets assigned.



Sustainability factor	Achieved targets	Max targets for the Project	Compliance Opportunity	Compliance Risk		
Ecology & Biodiversity	confidential	confidential	81,0%	Very high	19,0%	Insignificant
Embodied Carbon	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Energy	confidential	confidential	88,9%	Very high	11,1%	Insignificant
Resilience	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Waste	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Water	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Accountability	confidential	confidential	81,8%	Very high	18,2%	Insignificant
Compliance	confidential	confidential	81,8%	Very high	18,2%	Insignificant
ESG ratings	confidential	confidential	90,0%	Very high	10,0%	Insignificant
Management	confidential	confidential	80,0%	High	20,0%	Low
Transparency	confidential	confidential	81,8%	Very high	18,2%	Insignificant
Community Development	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Diversity & Inclusion	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Health & Welfare	confidential	confidential	91,3%	Very high	8,7%	Insignificant
Safety & Accessibility	confidential	confidential	100,0%	Very high	0,0%	Insignificant
Workplace	confidential	confidential	80,0%	High	20,0%	Low
	212	236	89,8%		10,2%	

ESG DD Results per sustainability factors

Opportunity levels

Very low	Low	Moderate	High	Very High
0-20	21-40	41-60	61-80	81-100

Risk levels

Extreme	High	Moderate	Low	Insignificant
81-100	61-80	41-60	21-40	0-20

ESG DD Results per sustainability factors

Key *opportunities* of the Project

Embodied Carbon | The Project assessed by LCA demonstrating >10% reduction in global warming potential compared to baseline. A strategy to maximize reuse of existing building elements incorporated and sustainability procurement plan performed. **Resilience** | The climate and physical risks assessment performed with future weather data. Potential impact from extreme temperatures on HVAC, facade and thermal comfort mitigated through design. A sustainable drainage system for rainwater management on-site to reduce rainwater run-off incorporated. **Waste** | Recycling target for construction and demolition waste set. Dedicated space for recyclables designed. **Water** | Low-flow water

appliances planned. Landscape water demand reduced by adequate species. Alternative water source for irrigation incorporated (rainwater). A water leak prevention planned. All sub-meters linked to the BMS. **Community Development** | Public consultations conducted. The heritage site protected and conserved. Planned meeting space to activate users for joint interaction. **Diversity & Inclusion** | The Project prepared for a diverse range of occupant abilities. **Safety & Accessibility** | Planned friendly visual information system. The safety of site users assured. Designed power sockets, EV chargers and secured cycle storage.

Key *risks* of the Project

Management | The investor organization does not operate with the Environmental Management System. There were a conventional linear approach during investment process instead of an iterative approach. **Workplace** | No operable windows to increase outdoor air supply and user comfort. No building-level continuous monitoring of indoor environment quality in scope of VOCs, PM10, PM2.5, devices assembled at the tenant's request only. **Ecology & Biodiversity** | The permeable area of the plot will increase through the Project in comparison to the previous site development. The GWP parameter of selected refrigerants (R410A,

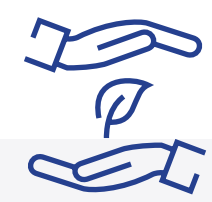
R32) is above 10. **Compliance** | The investor does not plan green leases for the Project based on reduction targets and reporting. The investor organization has not made a public commitment to ESG leadership standards e.g. Net Zero frameworks. **Accountability** | Designers and contractors that have EMS or ESG credentials were not prioritized in the tender. **Transparency** | The investor's organization has in place an internal procedure ensuring information security, no third party verified, e.g. ISO27001. The energy, water, waste and GHG data reported by the investor is not independently reviewed.

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ESG DD Results per individual source of KPIs



ESG DD Results per individual source of KPIs*



Compliance opportunity rate:

89,8%

442



achieved targets

492



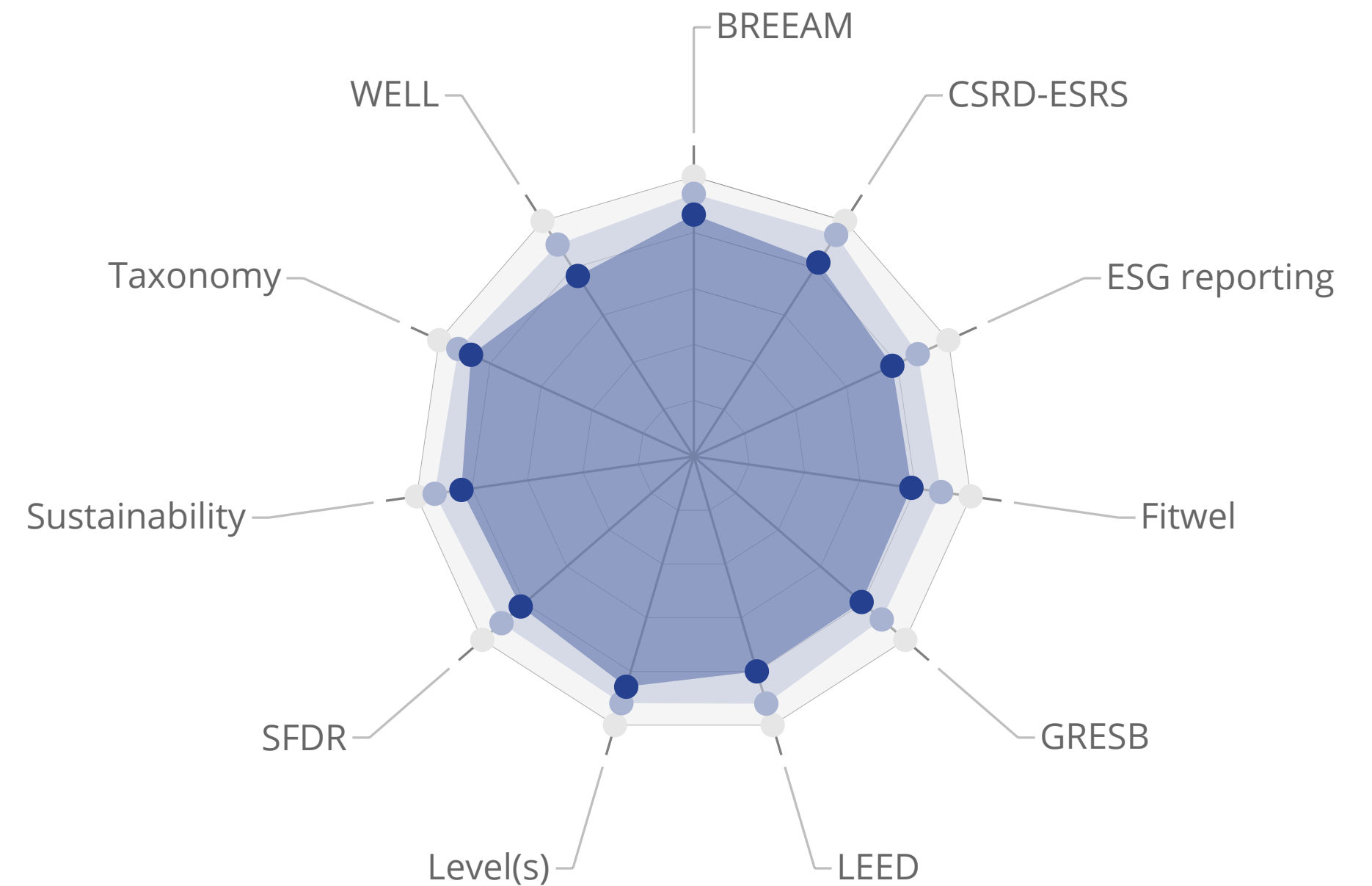
max targets for the Project

537



max market performance

Provided results are based on the Colliers methodology. The maximum targets number for the Project is determined individually from among the maximum number of targets in general, depending on the organizational, formal and location conditions of the particular Project. The number of achieved targets informs about the probability of the Project reaching its potential, which is also indicated in percentages as a compliance opportunity rate. For each KPI analyzed, there is a number of targets assigned. When interpreting results per sources of KPIs, the number of targets is higher, which results from the repeatability of similar indicators in more than one KPI source.



Sustainability factor	Achieved targets	Max targets for the Project	Compliance Opportunity	Compliance Risk		
BREEAM	confidential	confidential	92,1%	Very high	7,9%	Insignificant
CSRD-ESRS	confidential	confidential	87,5%	Very high	12,5%	Insignificant
ESG reporting	confidential	confidential	88,6%	Very high	11,4%	Insignificant
Fitwel	confidential	confidential	88,0%	Very high	12,0%	Insignificant
GRESB	confidential	confidential	89,3%	Very high	10,7%	Insignificant
LEED	confidential	confidential	87,0%	Very high	13,0%	Insignificant
Level(s)	confidential	confidential	93,3%	Very high	6,7%	Insignificant
SFDR	confidential	confidential	90,0%	Very high	10,0%	Insignificant
Sustainability	confidential	confidential	89,7%	Very high	10,3%	Insignificant
Taxonomy	confidential	confidential	94,6%	Very high	5,4%	Insignificant
WELL	confidential	confidential	85,2%	Very high	14,8%	Insignificant
	442	492	89,8%		10,2%	

Opportunity levels

Very low	Low	Moderate	High	Very High
0-20	21-40	41-60	61-80	81-100

Risk levels

Extreme	High	Moderate	Low	Insignificant
81-100	61-80	41-60	21-40	0-20

ESG DD Results

per individual source of KPIs

The presented percentage results for individual source of KPIs should be interpreted as the ratio of opportunities to risks of the Project's in fulfillment of indicators selected from a given KPI source. This data does not reflect the expected performance of any listed rating /reporting framework, e.g. 92,1% scoring in BREEAM.

ESG DD Results per individual source of KPIs

Key *opportunities* of the Project

Taxonomy | The site previously used, greenfield land avoided. The climate and physical risks assessment performed with future weather data. Potential impact from extreme temperatures on HVAC, facade and thermal comfort mitigated through design. A full lifecycle assessment conducted. A circular economy strategy implemented to achieve a more resource efficient design. No components containing asbestos nor substances of very high concern. Low-flow water appliances planned. All sub-meters linked to the BMS. Recycling target for construction and demolition waste set. **Level(s)** | A future deconstruction potential identified and facilitated through the current design. A strategy to maximize reuse of existing building elements incorporated and sustainability procurement plan performed. **SFDR** | A strategy for reaching carbon targets established. The Project is on a carbon decreasing trajectory. The water use and

the energy intensity is specified. Pathway to Net Zero estimated. Capex budget reflects carbon emissions reduction. **GRESB | ESG Reporting** | Planned PPA to purchase electricity from a renewable energy generator. The environmental and health material attributes specified. Sustainable site criteria considered, e.g. conserve aquatic ecosystems. Public consultations conducted. The heritage site protected and conserved. Planned communication features for users. A program to improve tenant satisfaction established. A tenant engagement program planned. The Project's impact to increase tenants ESG rating considered. A fit-out and building guide planned. The ESG requirements in the Project-level procurement process included. A ESG-specific training performed. The RFP submitted to several different design and contractor companies. All technical expertise of the Project performed by third party specialists. The Project-level ESG risks and opportunities assessed by third party specialist with adequate expertise basing on evidence. The Project certified under green building certification scheme (BREEAM). The investor organization has a portfolio-level environmental policies. All portfolio-level facilities of the Investor's organization maintained and defects repaired.

Key *risks* of the Project

LEED | No detailed commissioning plan for building systems to be conducted by a third party specialist. No planned optimization of chemical properties of building materials, no verification in terms of their chemical composition. No advanced measures incorporated in order to deflect radiation from the sun on the external surfaces, e.g. high SR index, open-grid pavement. No control system that modifies the operation of the system in response to external signals from electricity supplier. **CSRD-ESRS** | Contractors and sub-contractors that have EMS or ESG credentials are not prioritized in the tender. They were not in-depth verified in terms of their policies addressing diversity, modern slavery and paying living wage. **WELL | Fitwel** | No operable windows to increase outdoor air supply and user comfort. No building-level continuous monitoring of indoor environment quality in scope of VOCs, PM10, PM2.5, devices assembled at the tenant's request only.

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Reaching minimum standards of the sustainable building sector



Reaching minimum standards of the sustainable building sector*



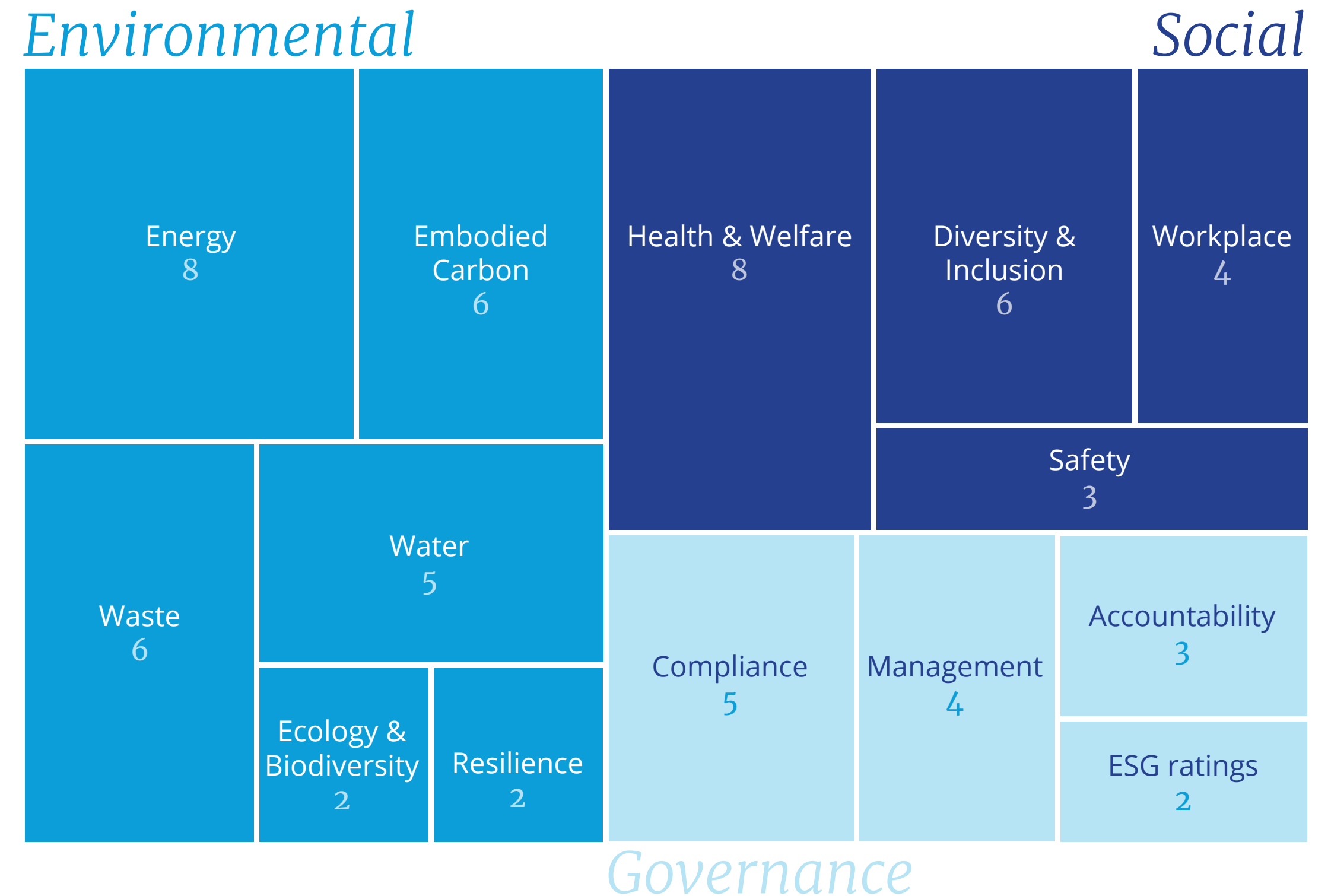
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Compliance opportunity rate:

100%

Part of the analyzed KPIs are defined by Colliers as *'minimum standards'* for sustainable building that should be met, based on current good market practices.

For each analyzed *'minimum standard'* KPI, there is a number of targets assigned. The table presents the number of *'minimum standard'* targets allocated within the particular sustainability factors. Probability of the Project reaching the *'minimum standards'* is indicated in percentages as a compliance opportunity rate.



Sustainability factor	Achieved targets	Max targets for the Project	Compliance Opportunity	Compliance Risk		
Ecology & Biodiversity	2	2	100%	Very high	0%	Insignificant
Embodied Carbon	6	6	100%	Very high	0%	Insignificant
Energy	8	8	100%	Very high	0%	Insignificant
Resilience	2	2	100%	Very high	0%	Insignificant
Waste	6	6	100%	Very high	0%	Insignificant
Water	5	5	100%	Very high	0%	Insignificant
Accountability	3	3	100%	Very high	0%	Insignificant
Compliance	5	5	100%	Very high	0%	Insignificant
ESG ratings	2	2	100%	Very high	0%	Insignificant
Management	4	4	100%	Very high	0%	Insignificant
Diversity & Inclusion	6	6	100%	Very high	0%	Insignificant
Health & Welfare	8	8	100%	Very high	0%	Insignificant
Safety & Accessibility	3	3	100%	Very high	0%	Insignificant
Workplace	4	4	100%	Very high	0%	Insignificant
	64	64	100%		0%	

Reaching minimum standards

of the sustainable building sector

Opportunity levels

Very low	Low	Moderate	High	Very High
0-20	21-40	41-60	61-80	81-100

Risk levels

Extreme	High	Moderate	Low	Insignificant
81-100	61-80	41-60	21-40	0-20

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Decarbonization Path



Decarbonization path

Input data*



Key features of the Project

The heat source is district heating. DHW prepared by electric heaters. Spaces ventilated by AHUs with outdoor air, heat recovery, heating and cooling coils. Heating coils supplied by hot water from the district. Cooling coils supplied by chilled water from the air-cooled chiller. Spaces conditioned by reversible VRF system. Interior and exterior lighting based on LED fixtures.



Building area 15 438 sqm



Electricity consumption 1 593 100 kWh



District heat consumption 329 734 kWh



Gas consumption 0 m³



Electricity emission factor 0 kg CO₂e/kWh



Decrease in electricity EF 0,028



District heat emission factor 0,3465 kg CO₂e/kWh



Decrease in heat EF 0,03

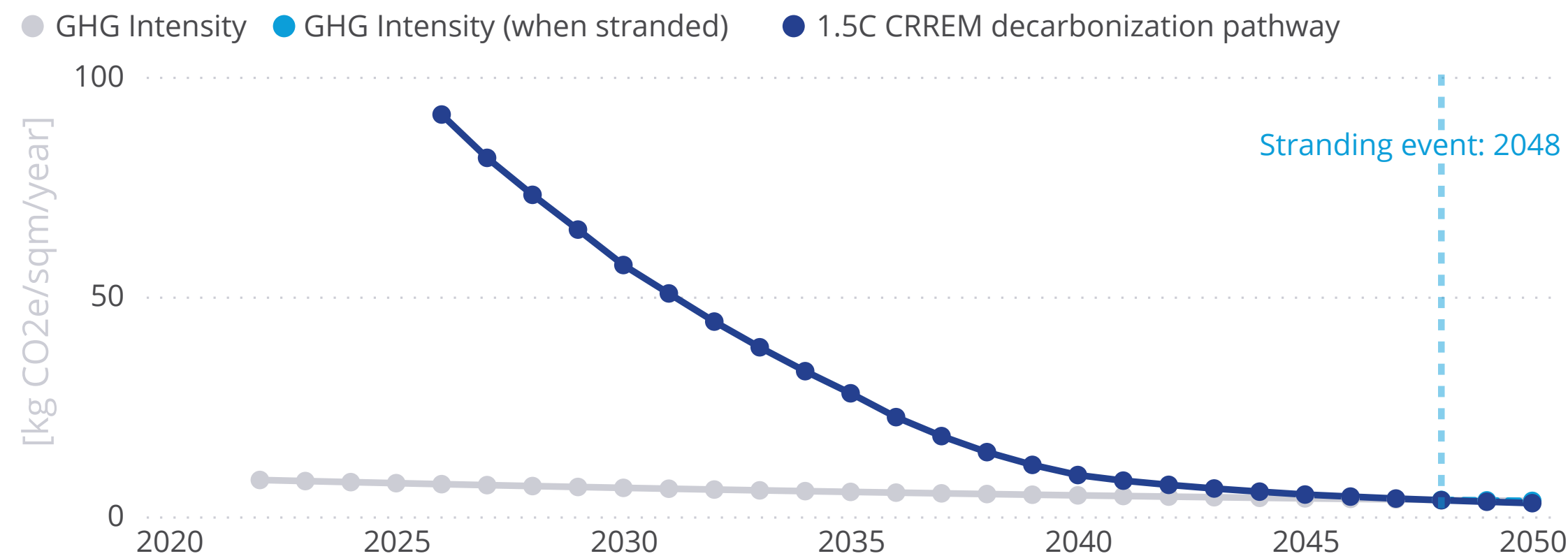
*Emission factor for electricity can be estimated using country-based method (location-based method) being calculated from total electricity production in Poland and total CO₂ emissions from the production or a market-based method — depending on a chosen energy supplier. The electricity emission factor for Project is market-based and has been determined basing on planned long-term Power Purchase Agreement to purchase electricity from a renewable energy generator with the Guarantees of Origin. The calculation methodology was based upon CRREM guidance. The building will be handed over in 2025, therefore the calculation assumes 2026 as the first year of its full operation. The consumption data has been estimated according to the provided energy modeling based on the technical design. CRREM calculation shall be based on the actual consumption data, conducted after building is operational.

Decarbonization path Estimated Results*

Annual carbon emission: **8,29** kg CO₂e/sqm
 Year of stranding event: **2048**



Project status on target pathway: 1,5 °C



Methodology

The Colliers demo report contains asset emissions analysis the goal which is to assess country — and building-type-specific GHG intensity CRREM (Carbon Risk Real Estate Monitor) pathways: 1,5°C or 2°C GHGe. Target pathways respect Paris Agreement 2015 and are aligned with SBTi.

An asset becomes stranded in a moment when its GHG intensity starts exceeding the reduction pathway.

Carbon footprint is considered as scope 2 emissions from utilities consumption (electricity, gas or district heating) and is calculated in compliance with GHG Protocol.

Emission factors are assumed to follow a decreasing trend.

Predictions are corrected by HDD and CDD indexes derived from the European Environmental Agency.

Presented calculations may be slightly different from the ones derived from CRREM due to the other assumptions made by CRREM developers. Colliers is not responsible for the quality and reliability of the input data provided by the Client or other entities. The result is provided without any guarantee for correctness or completeness as it is a preview tool and was created on the basis of generalized indicators for the Polish market. In any case, the CRREM analysis should be based on particular factors specific to the property. Any action you take upon the information you find in this result, is strictly at your own risk and Colliers will not be liable for any losses and/or damages in connection with the use. By using this result, you hereby consent to this disclaimer and agree to its terms.

ESG Due Diligence coordination for the Project

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Senior Associate

ESG | Strategic Advisory

In cooperation with:

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Associate Director

ESG | Strategic Advisory

Andrzej Gutowski

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Promotion:

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Graphic design:

Rafał Kocój

Senior Graphic Designer

Communication & Marketing

The Colliers logo consists of the word "Colliers" in a white serif font, centered within a white rounded rectangular border. Below the text are three horizontal bars: a yellow bar on top, a blue bar in the middle, and a red bar on the bottom.

At Colliers, we care for a higher purpose.

We are a leader of the commercial real estate and investment management industry. It involves responsibility. Environmental, social and corporate. This is the main idea behind our work. We care for a higher purpose in order to make the the world a better place and do the right thing for our customers, employees and the community at large.

At Colliers, we focus on three pillars:

Environmental protection: we improve the state of the planet by minimizing the environmental impact of our own operations and through the services we provide to clients;

Inclusion: shaping an inclusive environment by increasing diversity, equality and inclusion within Colliers and in collaboration with external stakeholders;

Health and wellbeing: improving the quality of life by promoting employee health and wellbeing as part of Colliers' operations and through services provided to clients.

colliers.com/esg

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