

BerkshireTHRIVE

ENVIRONMENTAL, SOCIAL, *and* GOVERNANCE REPORT



2019–2020

www.berkshireresi.com



Berkshire
Residential Investments

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ALL INFORMATION IN THIS REPORT IS CURRENT AS OF DECEMBER 31, 2019,
UNLESS OTHERWISE SPECIFIED

Welcome from our CEO



At Berkshire, we pride ourselves on strong, national-scale investment execution paired with local housing expertise and high-quality service. We strive to improve lives and provide exceptional living experiences for our residents through our expert capital investment and management. With \$8.8 billion in assets under management and approximately 267,000¹ residential units owned, managed, and overseen across the country, we can impact many lives through our investment and property management expertise.

With over 50 years of experience refining our people-first approach to investment management, we recognize the importance of implementing an executable environmental, social, and governance (ESG) policy within our investment strategy. We created the BerkshireTHRIVE program to integrate ESG initiatives into our company and investment culture focusing on enhanced resident attraction, satisfaction, and retention, while driving operational efficiencies, mitigating risks, and reducing our carbon footprint. This program is further strengthened by our existing internal governance policies and procedures, which include oversight by our board of directors, our status as a registered investment advisor, and our strategic risk management protocol housed within our enterprise risk management team.

The BerkshireTHRIVE program is rooted in a holistic philosophy that includes general sustainability, environmental, social, governance, health and well-being, and resilience objectives. These goals are long-term in nature and integrated throughout the asset lifecycle encompassing acquisitions, developments, and operations. While this initiative is still in its early years, starting with Berkshire's open-end fund in Q3 2016, we are continuing to focus

ESG considerations
*must be at the
forefront* of the
construction and
management of
our investment
portfolio.



Berkshire Lauderdale By The Sea | Fort Lauderdale, FL

on expanding its impact, and are happy to report that we have successfully incorporated all other Berkshire equity funds into the program as of Q3 2019.

We are excited to share our ESG accomplishments and future plans for the BerkshireTHRIVE initiative through our first ESG report. In the following pages we present an overview of BerkshireTHRIVE and the core policies that have made the program a reality, explore our multiyear ESG progress that has culminated in the development of this report, and provide a brief introduction to our new policies and initiatives that are in progress as we enter 2020.

This report is only the beginning of a new chapter in Berkshire's story. We continue to invest in our people, whether they be stakeholders, team members, or community residents and demonstrate that our focus on integrating ESG principles into our daily work can improve the value of our communities for both residents and investors.

Regards,

David Olney

CHIEF EXECUTIVE OFFICER

Assembling our ESG Framework

At Berkshire, we aim to deliver value and satisfaction to our residents, team members, and investors through environmental, social, and governance best practices, engagement with stakeholders, and our committed team. BerkshireTHRIVE is our engine for delivering exceptional living experiences for our residents, fiduciary excellence for our investors, and a rewarding work experience for our team members.

The BerkshireTHRIVE program consists of an integrated set of strategies to monitor, track, and enhance our real estate performance, focused on the following:



Our Communities

Enhancing resident satisfaction, attraction, and retention.



Our Commitment

Improving our ESG performance and sharing our accomplishments with stakeholders.



Our Impact

Driving operational efficiencies, mitigating risks, and reducing our footprint.



Our Team

Curating a uniquely passionate and positive employee culture, making Berkshire an industry employer of choice.

Implementing our BerkshireTHRIVE Policies

We created the BerkshireTHRIVE ESG Committee to coordinate and ensure the success of our ESG policies and programs while supporting Berkshire stakeholder interests. The Committee consists of a cross-functional team of firm leaders including Portfolio Management, Property Operations, Human Resources, Legal, Business Development, and Construction & Development Services, to ensure a close link to the operational aspect of the business and a full commitment from management. These representatives are responsible for identifying material ESG issues, providing insight and guidance regarding proposed and ongoing ESG efforts, and establishing program performance goals.

We are committed to ensuring that Berkshire management teams and partners have the necessary knowledge and tools to implement the BerkshireTHRIVE plan to positively affect our environment, our stakeholders, and the communities we serve. We created the following policies to help us in this effort:

Corporate Policies

Social Responsibility

Become an integral part of the social fabric of our communities and neighborhoods and ensure the well-being of our team members.

EXAMPLES INCLUDE

Promote team member community outreach activities through BerkshireGIVES

Provide opportunities for professional growth

Culture of Inclusion

Foster a company culture that welcomes and supports people with diverse backgrounds, allowing our team to fully utilize talents to provide exceptional service to our clients.

EXAMPLES INCLUDE

Implement diversity and inclusion initiatives

Provide access to work-life balance

Recognize team members

Support continuing education

Distribute culture and engagement surveys

Corporate Operations Sustainability Initiatives

Reduce our environmental footprint and increase the sustainability of corporate office operations.

EXAMPLES INCLUDE

Conserve energy in office operations

Reduce waste production (paper usage)

Support alternative transportation efforts

Property-level Policies

Energy Efficiency

Reduce community energy consumption, greenhouse gas emissions, and associated expenses.

EXAMPLES INCLUDE

Track energy consumption in ENERGY STAR® Portfolio Manager® for all communities

Share energy management best practices

Use energy efficient products and appliances (ENERGY STAR certified, smart thermostats)

Water Conservation

Reduce indoor and outdoor water consumption and associated expenses.

EXAMPLES INCLUDE

Track water consumption in ENERGY STAR Portfolio Manager for all communities

Install EPA WaterSense labeled products and low flow fixtures

Implement operational water efficiency best practices

Waste Management

Reduce use of raw materials, promote the reuse of existing materials, and limit amount of materials allocated to landfill.

EXAMPLES INCLUDE

Track waste production and recycling rates in ENERGY STAR Portfolio Manager for all communities

Execute waste management best practices

Strive to purchase recycled and/or zero waste materials

Transportation

Reduce fossil fuel consumption by investing in real estate in urban and suburban locations near a variety of transportation options.

EXAMPLES INCLUDE

Track transportation key performance indicators

Encourage residents to use alternative forms of transportation

Provide alternative transportation options at our communities

Resilience

Prepare for natural disasters and other unforeseen events.

EXAMPLES INCLUDE

Adhere to risk management plans for building operations and office continuation

Require disaster recovery plans for corporate operations and all Berkshire communities

Implement the Berkshire Enterprise Risk Management Plan (evaluates risk frequency and potential financial impact)

Resident Engagement and Wellness

Enhance resident attraction, satisfaction, and retention.

EXAMPLES INCLUDE

Purchase environmentally and health-friendly maintenance materials

Display sustainability certifications

Educate residents about sustainable building attributes

Distribute resident satisfaction surveys

Highlighting our ESG Accomplishments

Diversity and Inclusion²



BerkshireGIVES

At Berkshire, we take pride in giving back to our communities. The BerkshireGIVES program provides team members with several charitable outreach and volunteering opportunities with organizations in local communities each year, including:

A Million Thanks to our Veterans
Atlanta Community Food Bank
Building Impact

Heading Home
Rosie's Place & Women's Lunch Place
U.S. Marine Toys for Tots

Our Portland team participated in Giving Tuesday by volunteering at the Children's Book Bank to clean, repair, and bundle books for children in December 2019.

Sustainability Certifications

IREM: In December 2019, Berkshire Lauderdale By The Sea (located in Fort Lauderdale, FL) became the first Berkshire community to achieve the Institute of Real Estate Management (IREM) Certified Sustainable Property (CSP) certification. This new sustainability certification scores properties based on several requirements related to establishing and managing energy, water, waste, health and wellness, and sustainable purchasing. Berkshire Lauderdale By The Sea will market this new certification to residents and educate them about sustainable practices at the community.

ENERGY STAR: Berkshire 15 and Berkshire K2LA both recently received ENERGY STAR Certification and a third property, eon at Lindbergh, has a certification pending. This certification is awarded to properties that earn an ENERGY STAR score of 75 or higher, meaning that they outperform at least 75% of similar buildings nationwide.



2019 & 2020
**BEST PLACES
TO WORK**

83%

2020 CEO APPROVAL RATING

93%

2020 LIKELY TO RECOMMEND



Measuring our Progress

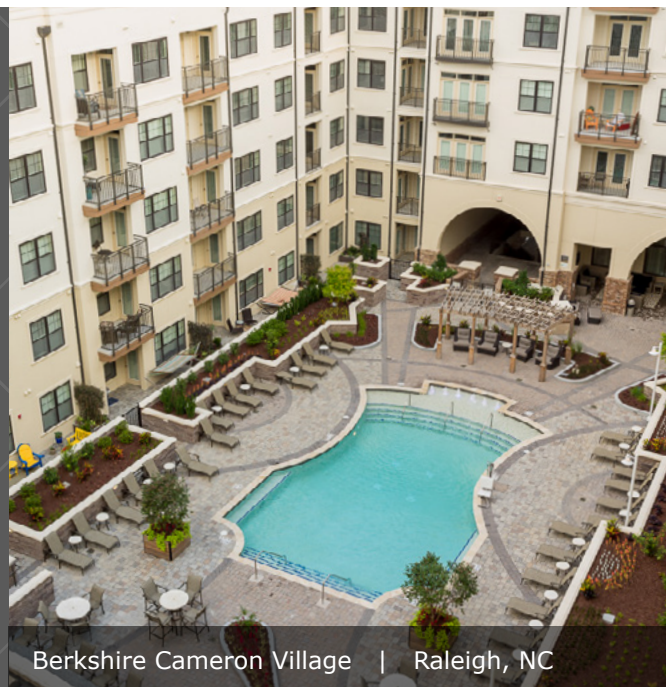
We have made strategic efforts to formalize our ESG activities and develop a strong foundation for the BerkshireTHRIVE program. From establishing our ESG Committee in early 2017, to developing reporting frameworks and methodologies, revising and updating policies, and creating guidance resources, we are working to better serve our communities, team members, and the environment. During this time, the BerkshireTHRIVE program has become standard throughout our real estate investments and has emerged as our overall strategy for implementing ESG initiatives and achieving our performance targets.

Defining our Objectives

An inherent aspect of our BerkshireTHRIVE program is our ability to measure our success and the value derived from our ESG efforts. Therefore, we have established performance goals which cover all communities in the BerkshireTHRIVE initiative.

OUR PERFORMANCE GOALS

By 2025 we strive to achieve a 10% reduction in energy, greenhouse gas emissions, and water and a 30% waste diversion rate as compared to a 2015 baseline.³



Berkshire Cameron Village | Raleigh, NC

Building our ESG Program

Continuing to Improve our Performance

2020

- Submit additional funds to GRESB
- Continue audits for high-impact communities to identify efficiency opportunities
- Continue certifications including ENERGY STAR® and IREM to share performance with stakeholders
- Create additional tools and resources to improve community-level ESG performance

2019

Growing our ESG Program and Goals

- Became an ENERGY STAR, U.S. Department of Energy Better Buildings Alliance, and USGBC partner
- Completion of second GRESB assessment and energy and water audits for high-impact communities
- All funds participating in BerkshireTHRIVE
- Launch of BerkshireTHRIVE Property Team Training and checklist, first ENERGY STAR certifications and first IREM certification achieved

Tracking and Reporting our Progress

2018

- ESG Consultant engaged to support program
- ESG Committee Workshop to identify program objectives; first GRESB assessment completed
- BerkshireTHRIVE program, reporting framework, and performance targets established
- BerkshireTHRIVE pilot launched for one fund; policies and procedures revamped

Laying our Program's Foundation

2017

- ESG Committee formed
- ESG Policies and Committee Governance documented
- Became GRESB member
- Initiated search for ESG consultant to support program

Our Early ESG Efforts

PRE 2017

- Initiated collection of utility data
- Benchmarked assets in ENERGY STAR Portfolio Manager
- Obtained sustainable building certifications
- Member of ULI Greenprint

Assessing our Performance

To better assess the ESG performance of communities participating in the BerkshireTHRIVE program, we developed the BerkshireTHRIVE Scorecard. This Scorecard displays the key performance indicators that we use to measure the impact of our program. The Scorecard to the right includes performance information for 61 properties representing 21.3 million square feet participating in the BerkshireTHRIVE initiative.

Berkshire was selected for a health and well-being case study by the U.S. Green Building Council to showcase our team member and resident health and wellness programs.



Our participating GRESB fund earned the GRESB Green Star designation in both 2018 and 2019. The fund's GRESB score increased by six points between our first disclosure in 2018 and our 2019 score.





Our Communities

Enhancing resident attraction, satisfaction, and retention.

NUMBER OF PROPERTIES

61

TOTAL FLOOR AREA

21.3 MILLION SF

PORTFOLIO WALK SCORES



Average **63**
Urban **88**
Suburban **47**

PORTFOLIO BIKE SCORES



Average **58**
Urban **73**
Suburban **48**

PORTFOLIO TRANSIT SCORES



Average **47**
Urban **63**
Suburban **37**

AVERAGE RESIDENT SATISFACTION SCORE

4.2

OUT OF FIVE

Our Commitment

Sharing and improving our ESG performance with stakeholders.



PARTICIPATION

2019 GRESB assessment⁴
Green Star rating



BENCHMARKED

100% of assets in ENERGY STAR® Portfolio Manager®



CERTIFIED

20 properties, 31.3% of total portfolio floor area
LEED, NGBS, ENERGY STAR, & OTHERS



INDUSTRY MEMBERSHIP PARTICIPATION

USGBC Silver
SINCE 2019

Better Buildings Alliance
SINCE 2019

ENERGY STAR
SINCE 2019

GRESB
SINCE 2017

Urban Land Institute
SINCE 2016

Our Impact

Driving operational efficiencies, mitigating risks, and reducing our footprint.

ENERGY

GOAL
10% Reduction
BY 2025

-4.4%

Use Change
SINCE BASELINE³

\$540.3K

Avoided Cost
SINCE BASELINE³

WATER

GOAL
10% Reduction
BY 2025

16.8%

Use Change
SINCE BASELINE³

GHG

GOAL
10% Reduction
BY 2025

-3.6%

GHG Change
SINCE BASELINE³

WASTE

GOAL
30% Diversion
BY 2025

16.5%

Diversion
Rate

Planning our Next Steps

We are developing new policies and strategies to strengthen and expand the BerkshireTHRIVE program in 2020.

New Policies

1 Responsible Contractor Policy

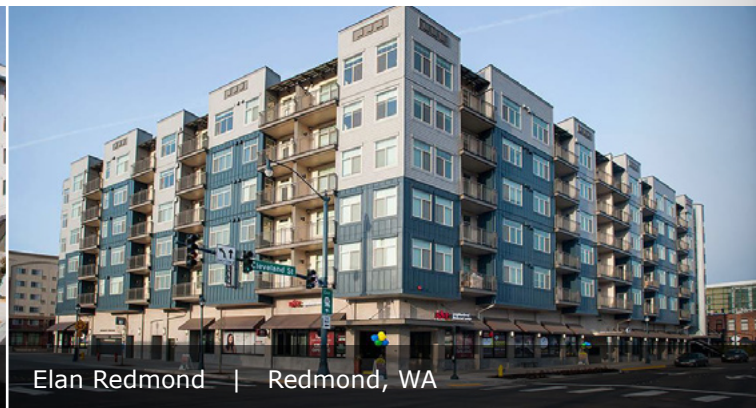
Contractors represent Berkshire, and ultimately our clients, while they are on site supporting our real estate investments. We developed this policy to select contractors who will enhance the value of our investments by providing high-quality services consistent with the desired contracting criteria and providing workers fair benefits and wages.

2 Development Guidelines

The BerkshireTHRIVE program not only applies to our existing real estate portfolio, but also to our development and renovation efforts. Berkshire seeks to acquire and develop walkable and transit-oriented communities; incorporate energy, water, and waste efficiency initiatives in the design and construction process; and work to adopt alternative energy strategies to reduce the environmental impact of our developments.



AIRE | San Jose, CA



Elan Redmond | Redmond, WA

New Strategies

Certification Strategy

Berkshire explores cost-efficient opportunities to certify high-performing communities to ensure that communities receive recognition for their sustainable operations and commitment to health and wellness. A few certifications currently pursued through this initiative include ENERGY STAR and Institute of Real Estate Management (IREM) Certified Sustainable Property (CSP).



Debt

We are currently exploring ways to broaden and enhance our ESG program through our debt strategies by seeking opportunities to improve the ESG performance of our lending and debt investing efforts.



Gatehouse 75 | Boston, MA

Targeted ESG Assessments

In 2018, we began an ongoing effort to target high-impact communities for on-site assessments to identify opportunities for energy, water, waste, resilience, and resident engagement performance improvements to drive cost savings, risk reduction, and resident retention efforts at our individual communities.

Community Team Training/ Checklist

Berkshire developed a training and an associated checklist to ensure that our on-site teams were familiar with their responsibilities under the BerkshireTHRIVE program. The checklist and training cover program policies and best practices that are implemented at the community level.

ESG Social Media Campaign

In 2019, Berkshire created an ongoing social media campaign to educate external stakeholders about BerkshireTHRIVE program, highlight goals, and share ESG best practices.



Endnotes

1. Assets under management and unit counts are current as of 9/30/2019. Unit counts include approximately 241,000 units overseen in debt investments.
2. Diversity and inclusion data is based on self-identification (for both gender and ethnic diversity).
3. Baseline is 2015 for most properties, but may vary depending on acquisition or stabilization date.
4. GRESB participation may not apply to all Berkshire Funds.

Full-Service Residential Investment Management



Berkshire
Residential Investments

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