



Sentinel Real Estate Corporation

2019 Environmental, Social and Corporate Governance Report



Letter from the President

Over the course of our 51-year history, Sentinel has measured excellence by qualitative values as well as quantitative results. We have been guided by principles of responsible investing, seeking ways to give back to the communities and neighborhoods in which we operate. We have prioritized engaging in an ethical and transparent manner with all of our stakeholders. We have done this with the clear understanding that “doing the right thing” while also “doing things right” is an essential ingredient to delivering best-in-class returns for our investors.

Climate change has brought a new urgency to sustainable investing and a growing recognition that environmental, social responsibility and corporate governance (“ESG”) factors have an impact on investment performance. The evolution and maturation of ESG principles has created a new framework through which our industry can measure our societal impact. It has also created a common set of metrics to evaluate internal processes and procedures for making investment decisions, measuring risks and environmental impacts and interacting with investors, employees, tenants and vendors. Sentinel is committed to fulfilling its ESG responsibilities while remaining focused on delivering superior bottom line returns.

We firmly believe that our fiduciary obligations and our societal responsibilities are not at odds with one another, but rather are deeply interwoven. In 2019, we focused on further integrating our ESG organization into the fabric of everything we do. Starting with the creation of an ESG Committee with the goal of disseminating ESG best practices company wide, this year we also enhanced the focus on ESG initiatives in the annual asset plan process and augmented our operational audit process to monitor the implementation of ESG programs at all of our residential properties. We are striving to incorporate ESG precepts into the thinking of our teams from our corporate offices to each individual managing our properties around the country.

In order to evaluate the results of our sustainability efforts, data is essential. During 2019 we made significant strides in implementing the necessary tools to collect data in a number of areas, including uploading property level energy and water data into ENERGY STAR Portfolio Manager®. While it will take time to accumulate enough meaningful data to measure our performance, we are committed to this program and we will work to add new accounts and initiatives each year to expand our data set and to allow us to evaluate a growing set of metrics in markets around the country and the world. Ultimately, this will facilitate setting clear company-wide sustainability goals that are not feasible without sufficient historical data.

ESG is a shared responsibility. As investment managers, we are in the unique position of touching a variety of stakeholders beyond our investors, ranging from the residents who live in our communities, to our employees, to our vendors that service them. In 2019, we developed the Sentinel Green Living Guide for our residents, commenced Facebook posts addressing ESG topics and commenced formal resident satisfaction surveys. We also launched a nationwide community engagement initiative prioritizing sustainability for both residents and employees. Working with our national vendors, including HD Supply and Sherwin Williams, we instituted programs to ensure we are utilizing sustainable materials in property operations, which will allow us to measure our overall environmental footprint.

Letter from the President continued

Ultimately, we have found that the best way to effectuate change is through our capital programs focused on sustainability, and in 2019 we strove to maximize our impact within the parameters of each investment strategy. At assets within our core strategies, we have initiated a range of cost effective, environmentally friendly programs including completing LED light retrofit initiatives, expanding the use of sustainable carpet and vinyl flooring in our apartments, retrofitting HVAC systems and installing water sensors, low flow shower heads and more efficient toilets in order to reduce water usage. At our value-added assets, we are taking these initiatives to the next level by converting boiler systems from oil to natural gas, upgrading elevators to more energy efficient systems and programmatically replacing windows, roofs and appliances to enhance overall building efficiency. In addition, Sentinel's new Build-to-Rent development program in Australia has the unique opportunity to start from scratch, leveraging the newest technologies and developing communities with sustainability in mind. While this program remains in its infancy, our goals are lofty, and we believe we will ultimately develop carbon neutral apartment buildings while continuing to deliver best-in-class investment returns.

Sustainability is an ever-growing priority for our world. Everyone must do their part, and we recognize that we have only begun to touch on all we can do to contribute. Through this report, we are pleased to share an account of Sentinel's progress in 2019. We are proud of the strides we have made this year, and excited by the opportunities to further develop these initiatives in 2020.

Sincerely,



Michael F. Streicker, President



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I. ESG STRATEGY

We believe that environmental, social responsibility and corporate governance (“ESG”) factors can have an impact on investment performance and must be considered when evaluating real estate investment opportunities and managing real estate assets.



Sentinel’s ESG strategy is designed to ensure ESG considerations are incorporated into our decision-making processes, to provide our employees with guidelines for implementing ESG initiatives at our

investment properties and to define Sentinel’s position on ESG for the benefit of clients, stakeholders and third parties with whom we work.

Our ESG objectives are integrated into all aspects of our real estate operations and the investment life cycle as a whole. These factors are considered as soon as due diligence on a property begins and throughout the acquisition process, in our construction and development processes, in all leasing and property operating policies and in the disposition process.

Our Asset and Property Management teams and the Capital Programs and Sustainability Group regularly evaluate and report property level ESG performance to the ESG Committee, which is charged with formulating our ESG strategy and direction. The Portfolio Management

teams, and ultimately the Executive Committee, ensure that this strategy aligns with our clients’ real estate investment objectives and their ESG goals.

Throughout the 2019 calendar year, Sentinel has been working to further integrate its ESG program into its corporate processes and procedures, as well as into all aspects of property operations. In particular, three new initiatives were prioritized for implementation during the year:

- Formalizing all corporate ESG processes and procedures;
- Enhancing portfolio energy and water data collection and analysis; and
- Broadening the community engagement program.

II. ENVIRONMENTAL FACTORS

We are aware of the impact the developed environment can have on climate change and the natural world. Sentinel seeks to cost-effectively minimize our resource use and environmental footprint.

Sentinel Green Program

The Sentinel Green Program is based on principles articulated by the Institute of Real Estate Management ("IREM") and is designed to incorporate environmentally sustainable operational practices into our property operations and renovation programs by introducing strategies to reduce energy consumption, water usage, waste disposal and carbon emissions at existing properties. In addition, in our newly created ground-up development program in Australia, which is highlighted on page 12 of this report, we are implementing sustainable best practices and new technologies as part of our initial design and development to ensure state-of-the-art, environmentally friendly construction and operations.

Annual Sustainability Reviews

The goal at every Sentinel property regardless of account or investment strategy is to identify cost-effective opportunities to enhance the asset's environmental sustainability in some way every year of our ownership. To this end, on an annual basis, Sentinel's property and asset management teams and portfolio management teams work with our Capital Programs and Sustainability Group to identify areas of improvement with regard to energy and water usage, waste management and sustainable materials, as well as other ESG initiatives that will enhance our properties and the living experience of our tenants. Within several of Sentinel's funds and accounts, the annual asset plans specifically

identify and quantify sustainability initiatives accomplished during the prior year and establish areas of focus for the upcoming year.

Sustainable Capital Programs

The scope of potential improvements varies widely depending upon a property's jurisdiction, the nature of the asset and the underlying investment strategy of the applicable account. Below we have provided information on the sustainable capital programs in place for both our core portfolios and our value-added assets.

Core Properties



Sentinel Real Estate Fund ("SREF"), a nationally diversified core apartment portfolio primarily composed of stabilized garden-style investments, as well as a number of Sentinel's other accounts with a core investment mandate, have been focused on a range of sustainability programs. Specifically, we have been retrofitting common area and unit interior lighting with LED bulbs, installing recyclable carpet and wood-look vinyl plank flooring, converting HVAC systems from R-22 condensers to "cleaner" 410A condensers, installing low flow shower heads and water efficient toilets to reduce water usage, installing energy efficient appliances and using sustainable cleaning products in connection with daily operations.

II. ENVIRONMENTAL FACTORS *CONTINUED*

Detail on Sentinel's progress in several of these programs in 2019 is provided below:

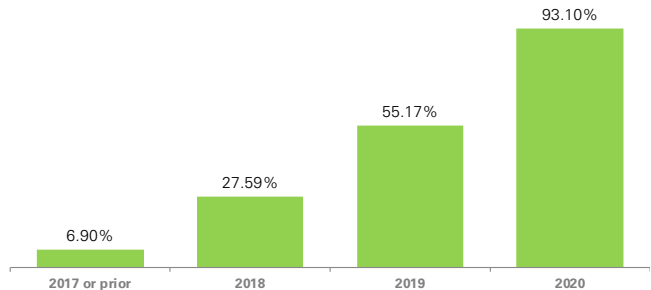
- **Sustainable Carpet & Vinyl Replacement Program**

Sentinel has implemented use of environmentally friendly carpet where possible and moved to the use of wood-look vinyl flooring or wood-look tile in lieu of carpet in connection with many upgrade programs. Across the Sentinel portfolio, \$2.67 million was spent and 1.3 million square feet of environmentally friendly carpet was installed in 2019 alone. In addition, \$344,000 and 138,000 square feet of wood-look vinyl plank flooring was installed and another \$81,000 or 54,000 square feet of sheet vinyl was installed in 2019, replacing current carpeted areas. These flooring options have a longer useful life than carpeting and smaller worn sections can be replaced as needed instead of replacing the entire floor surface.

- **LED Lighting**

In 2017, Sentinel commenced an initiative to retrofit common area lighting with LED bulbs wherever practicable. Sentinel has been working with HD Supply on this initiative, with HD Supply performing energy audits in connection with numerous property-wide LED implementation programs. Since 2017, SREF has retrofitted the common area lighting at 16 properties with an additional 11 properties scheduled for completion in 2020, leaving only two properties to complete in the portfolio. At Lofts at Lakeview Apartments in Durham, North Carolina, this transition resulted in the common area electricity bill declining from \$126,257 in 2018 to \$81,926 in 2019. In addition, since 2017, SREF has converted 3,094 apartment units or 35% of the entire portfolio (8,735 apartments) to LED fixtures/bulbs. In 2019 alone, 1,808 apartments had all of the in-unit lighting converted to LED fixtures.

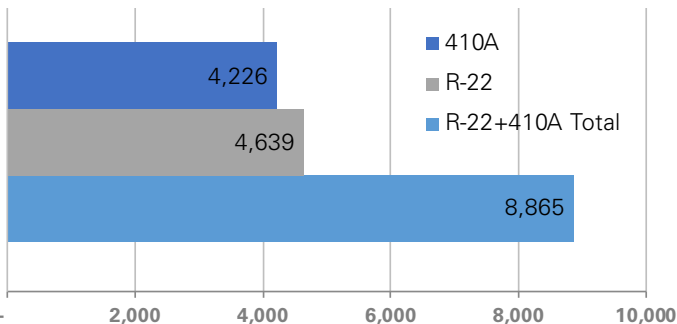
SREF Common Area LED Retrofitting Completion Rate



- **Transition from R-22 to 410A HVAC Condensers**

In response to the phase-out of HCFCs that began in 2010, including the R-22 Freon used in most HVAC systems, Sentinel has been proactively working to either retrofit existing HVAC systems or install new systems that utilize R-410A, a non-ozone-depleting HFC refrigerant blend. In 2019 alone, 606 HVAC units across the Sentinel portfolio were either retrofit or converted, bringing the total portfolio-wide to 41.2% or 9,088 units. Within SREF, the total has reached 4,226 or 47.7% of the portfolio.

2019 SREF Freon Usage Survey



II. ENVIRONMENTAL FACTORS *CONTINUED*



Value-Added Properties

Sentinel has greatly expanded its value-add investing activities over the past 15 years. Inherent in the modernization of older vintage assets is the opportunity to enhance the sustainability of such assets by improving in-place building systems. In addition, by enhancing the longevity of such assets rather than constructing new properties, the enormous environmental costs associated with demolition and new building construction are avoided.



Sentinel has acquired over \$600 million of classic multifamily assets and invested over \$250 million in additional capital upgrades and retrofits. The National Trust for Historic Preservation's Preservation Green Lab has concluded that renovating an existing building is almost always more environmentally beneficial than demolishing an existing structure and building a more energy-efficient one. The report asserts that renovating an existing structure is more environmentally beneficial because it takes between 10 and 80 years for the benefits of a new energy-efficient building to compensate for the carbon emissions incurred during its con-

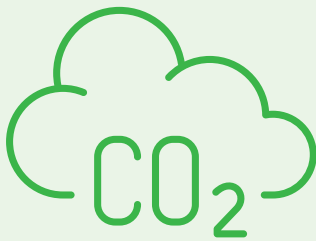
struction. The report found that it is nearly always greener in terms of ecosystem quality, human health, resources depletion and climate change to let an existing structure stand.

Sentinel's value-added mandates, which primarily acquire assets constructed prior to 1960, are implementing similar sustainability initiatives to our core accounts, but also have the opportunity to make more significant changes to a property's environmental footprint due to the higher level of capital investment into each asset. In many cases, our value-added strategies include retrofitting in-place building systems. For example, in the context of one of the funds, converting many of the buildings' old boiler systems from oil to natural gas has been a foundational part of the investment strategy. Natural gas produces 30%-40% less CO₂ when burned than heating oil. In addition, in many of the same investments, we have been installing new and more efficient elevator equipment and updating roofing, siding, windows and insulation to improve R-value and reduce HVAC load.

II. ENVIRONMENTAL FACTORS *CONTINUED*

New York City Boiler Retrofit Program

A central component of the economic and environmental upgrade program applied to Sentinel's New York City apartment buildings is associated with improving the efficiency of the HVAC systems. These buildings are centrally heated by steam generated by a boiler in the basement and distributed throughout the building. At the time of acquisition, the majority of the boilers produced steam by combusting heating oil. Sentinel has completed 45 conversions from oil to natural gas throughout New York City.



As locally generated renewable power heating sources remain generally unavailable in cities such as New York, natural gas is the cleanest fossil fuel available. The infrastruc-

ture to deliver natural gas throughout New York already exists, eliminating the need for vehicular distribution. Most importantly, natural gas produces 30% to 40% less carbon dioxide when burned than heating oil. Prior to conversion, these 45 boilers consumed approximately 2.2 million gallons of oil per year, resulting in a CO₂e of over 23.0 million kg per year. After conversion to natural gas, the equivalent energy production resulted in 16.3 million kg per year, a savings of approximately 6.7 million kg of CO₂e per year, as illustrated in the chart below.

Annual Greenhouse Gas Production 45 Apartment Buildings

Fuel Source	K BTU's Produced	Kg of CO ₂ e per kbtu*	Total kg of Co ₂ e
Oil (2.2 million gallons)	306,360,000	.07529	23,065,844
Natural Gas (3.1 million therms)	306,360,000	.05311	16,270,780

**2024 Carbon Intensity Factor as determined by the EPA*

Energy Data Collection & Analysis

Sentinel recognizes that in order to effectively analyze and reduce its environmental footprint, it is necessary to collect data on each property's energy, water and waste usage. Sentinel's portfolio of assets located in the New York metropolitan area are subject to benchmarking laws that require the tracking of all tenant and common area energy data. As a result, in 2019, with the assistance of a third-party consultant, all energy data for the New York portfolio was successfully collected, monitored and analyzed.

Due to privacy rules in many of the states in which Sentinel operates, tenant utility data is not yet publicly accessible, which severely limits the available energy data at many properties within Sentinel's national apartment portfolio. During 2019, SREF set a goal to upload all available 2018 and 2019 utility data into ENERGY STAR Portfolio Manager® ("ESPM"), which will allow us to commence analyzing the data in 2020. This goal was accomplished with all 29 properties now reporting data through the ESPM database.

Sentinel has engaged Yardi Energy Services ("YES") to assist in the ESPM implementation. The services provided by YES include energy data aggregation directly from utility providers, and energy, water and waste usage tracking and exception reporting amongst other services. YES is also working with Sentinel in various municipalities to



obtain the consent of local utilities to provide access to tenant data where it is not currently publicly available. To this end, Sentinel is working with the National Apartment Association to establish a "Green" lease addendum that requests tenant consent in advance, which will allow the local utilities to release their utility data. These efforts will continue in 2020.

II. ENVIRONMENTAL FACTORS *CONTINUED*

We have partnered with HD Supply to identify and track environmentally friendly products to be utilized throughout our property operations – in maintenance and cleaning, in lighting replacements, in the preparation of apartments for new tenants and throughout the unit upgrade process, allowing us to better measure the environmental impact of our efforts.

Sustainable Procurement Processes



Sentinel requires its contractors and suppliers to provide energy efficient and sustainable materials for all of its properties to the extent practicable. We have partnered with Home Depot/HD Supply to create a catalog for our properties that identifies environmen-

tally friendly products for unit upgrades and replacements in a way that is easy to use and distribute. The HD website includes a “Shop Sustainable Products” button that will immediately link to products labeled “Ideally Green” that meet our requirements. To improve efficiency and reduce environmental impact at the property level, property managers and maintenance teams are asked to:

- Purchase equipment and products from the “Ideally Green” catalog whenever it contains a viable, cost effective replacement for on-site equipment or products requiring replacement.
- Ensure that “Ideally Green” equipment and product lists are shared with third-party vendors and contractors and suggested for use during work conducted by third-party teams.
- If third-party vendors plan projects that do not utilize

“Ideally Green” equipment or products, they must provide an explanation to the Capital Programs and Sustainability Group to justify the exception to the policy.

- In 2019, Sentinel tracked the sustainable materials utilized at all 29 wholly-owned communities in the SREF portfolio. The portfolio spent over \$850,000 on sustainable products, including environmentally friendly appliances and fixtures, and another \$61,000 on environmentally friendly cleaning products in connection with turning and upgrading units through its partnership with HD Supply alone.

Sustainable Operations

Sentinel has been working for many years to limit the use of paper in daily operations. Property level websites have been enhanced to allow for electronic work order submission and all maintenance staff are now equipped with tablets to facilitate online tracking of work orders. During the year, Sentinel has been focused on enhancing its technology in order to move the lease application and renewal process online, which was finalized in April 2020. In addition, Sentinel has engaged its vendors to move to online billing and to authorize online bill pay. The goal is to have virtually 100% of billings moved online in 2020.

II. ENVIRONMENTAL FACTORS *CONTINUED*



Unit Renovation Tool



Sentinel commenced developing a unit renovation module for the purposes of streamlining the development of the scope, specifications, budgets, timelines and anticipated performance outcomes for individual unit upgrades. The tool leverages

on-site staff to provide site specific information across a mobile platform to generate unit specific upgrade packages that are consistent with the standards developed by Sentinel's in-house design and construction teams. The goal of this tool is to minimize downtime for unit renovation projects; to enhance Sentinel's ability to quickly develop scope and execute upgrades; and to ensure consistency of the quality, cost and performance of the finishes and fixtures utilized. Implementation of this tool is expected to provide Sentinel with more measurable data on the effectiveness of such upgrade programs, particularly with respect to energy efficiency, water consumption and the use of sustainable materials. The unit renovation tool will be rolled out within Sentinel's value-added portfolio in 2020, offering an opportunity to project sustainability outcomes for these upgrades and track the projections against actual results over time.

Case Study

ELEMENT 27 – Perth, Australia

Ground-up Development Program



Sentinel completed construction on Phase I of its first build-to-rent apartment community in Perth, Australia in 2019 – Element 27. Phase II of this project is now under development. In response to the ESG guidelines set by Development WA (formerly the Metropolitan Redevelopment Authority), the government body overseeing the design and development of the area, Element 27 Phase I and Phase II have both been designed to incorporate a number of strategies aimed at water and energy conservation, reductions in greenhouse gas emissions and minimizing waste. In addition, Element 27 will support measures of sustainable transport and the use of sustainable materials during construction. The following are a few of the sustainability strategies incorporated into the design of The Elements:

- **Certifications:** Designed to an 8 Star NatHERS rating and 5 Star ABGR rating. Phase I has been certified by NatHERS and is in the process of receiving the ABGR certification.
- **Heating and Cooling:** Both projects have specified high performance glazing (double glazing) along with a combination of highly insulated heavyweight and/or lightweight walls, roof and ceiling systems throughout the development. The design has maximized shading with deep verandas and utilized cross ventilation to reduce cooling loads. The heating and cooling systems consist

of a combination of a roof mounted cooling tower, water cooled VRV condensers and independent air-cooled reverse cycle air conditioning systems.

- **LED Lighting and Controls:** The developments have incorporated highly efficient LED lighting and lighting system control devices that include timer switches, motion detectors and daylight sensors.
- **Water Efficient Plumbing Fixtures:** All kitchen and bathroom fixtures have a minimum WELS Rating of three stars.
- **Highly Efficient Appliances:** High quality appliances are being utilized with a minimum 3.5 Star Energy Rating.
- **Building Monitoring System:** Each building will be equipped with a remote meter reading system for cold and hot water, recycled greywater, recycled rainwater and gas. Electrical submeters will also be installed and linked to a platform to provide easy monitoring of the data by the residents. Energy monitoring allows occupants to understand what appliances and devices are demanding the most energy and allows them to adjust their behavior accordingly. Studies have shown that the use of energy monitors can reduce energy consumption by between 5% and 20%.

Case Study

ELEMENT 27 – Perth, Australia

Ground-up Development Program

- **30KW Renewable Energy System:** Each building will have separate 30KW photovoltaic systems installed on the roof to supplement energy required for in-house services, including lighting, HVAC and elevators.
- **Pool Solar Heating:** Both buildings will utilize solar energy to heat their pools rather than using gas, which will save approximately 1000t of CO2 at each building over its useful life.
- **Rainwater Diversion Infrastructure:** Rainwater diversion infrastructure will be installed from the roof to an existing central rainwater drainage/reuse system for the precinct. A minimum of 75% of each roof's area will be used. Clean rainwater will be collected in a central 3,000kL storage tank, processed through a UV disinfection filter and then will be used for select toilet flushing.
- **Greywater System for Irrigation:** Onsite greywater recapture and treatment will be used on both buildings for landscaping irrigation only.
- **Accessibility:** 15% of the proposed dwelling units within each project are designed to the Australian Standard for Adaptable Housing, which will allow tenants to adapt their apartments as their needs change. These apartments will feature modular cabinetry, capped services for reconfiguration, open plan design and an accessible path of travel from street to car parking.
- **Electric Vehicle Charging Station:** Several charging stations will be provided to residents in the basement carparks.
- **Sustainable Materials:** Material selections will be made to reduce energy consumption and greenhouse gases to meet the design guidelines. This will include a 30% reduction of Portland cement content by using alternative slab systems such as Bubbledeck, a reduction in the mass of steel framing compared to standard practice and a reduction in PVC use. Ozone depleting potential (ODP) materials such as insulation and refrigerants will be excluded where possible.
- **Waste Reduction and Management:** Both properties will have specialty waste storage cabinets for the collection of batteries, printer cartridges, fluorescent globes and mobile phones. Each apartment will have twin receptacles installed in the kitchen to separate refuse and recycled materials. To promote waste minimization at each property, the General Manager will distribute information to new residents about waste collection at the properties and offer ways to reduce the amount of waste they generate. In addition, collection statistics will be recorded in the bin storage area as a visual reference to residents encouraging further improvements to their collection.

Target	BCA ⁽¹⁾ Standard	ELEMENT 27 PHASE I		ELEMENT 27 PHASE II	
		Achieved Target	Improvement Over Standard	Proposed Target	Improvement Over Standard
Energy Use (kWhr/m2.pa)	65	54	11	35	30
Global Warming Potential (Kg CO2/m2.pa)	51	18	33	28	23
% Renewable Energy	0	10	10	20	20
Average NatHERS Rating	6	8	2	8	2
% Lighting Reduction	0	75	75	75	75
Water Use (kL/person/annum)	36	32	4	25	11
Irrigation Water Source %	0	100	100	100	100

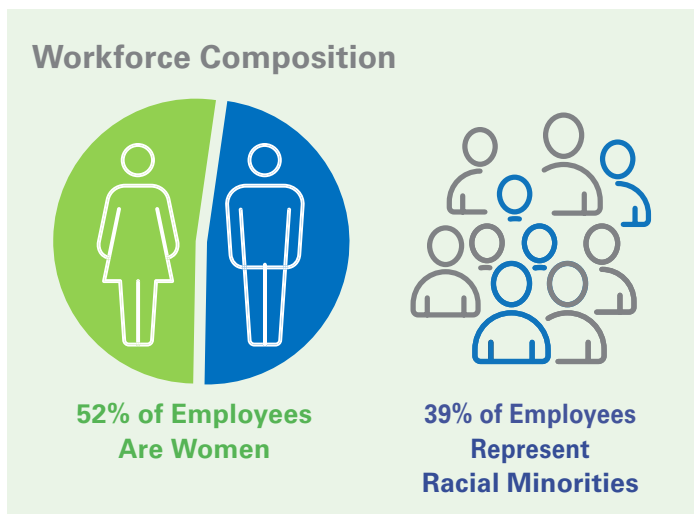
¹The Building Code of Australia

III. SOCIAL RESPONSIBILITY

We seek to encourage positive change in our communities through equity, engagement and education. Sentinel aims to provide a collaborative and supportive workplace for our staff and to empower our communities through service and charitable giving.

Diversity and Equal Opportunity

Sentinel's longstanding commitment to provide opportunities for women and minorities is evident in the firm's equal employment opportunity policy and reflected in the composition of its workforce:



Training and Education

Sentinel maintains an extensive training program to provide a means of self-improvement and career advancement for employees throughout their time with Sentinel.

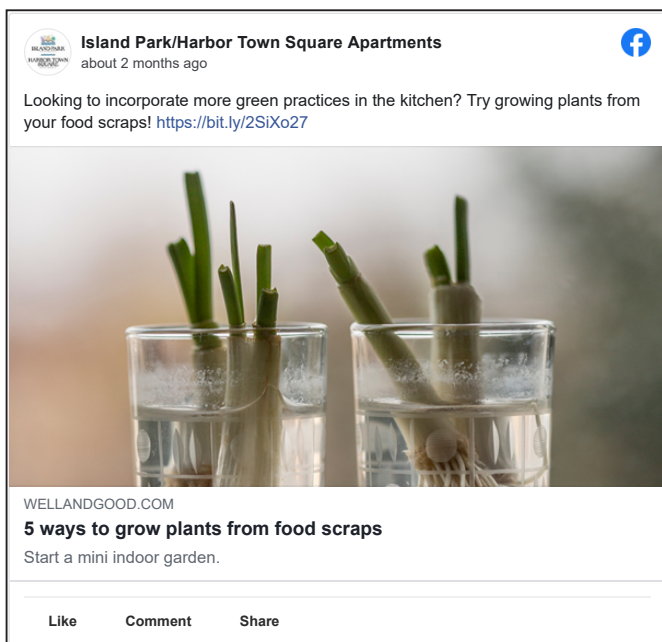
- Onboarding training is provided to review the benefits package and Sentinel's policies and procedures and to address any questions or concerns the employee may have.
- On an ongoing basis, employees are required to complete cybersecurity training, sexual harassment prevention training and other job-specific training, including Yardi training, compliance training, etc.
- Required ongoing training is provided by Grace Hill, a web-based training and testing system, covering a wide variety of topics including management basics, business etiquette, sexual harassment prevention and time management.
- Intensive Fair Housing and OSHA courses are provided to applicable personnel by Sentinel's in-house training team that visits each residential property every year.
- Additional funding is provided for Property Management teams to cover external training and career development opportunities such as those courses provided by IREM and the National Apartment Association and professional certifications such as CPM and CAM.
- Targeted training opportunities are also provided in order to further employees' education and to facilitate their career development. These opportunities are employee specific and have covered a wide range of disciplines.

III. SOCIAL RESPONSIBILITY *CONTINUED*

Community Engagement

A critical aspect of the “S” in ESG is associated with engaging the communities in which our properties operate, including the tenants that live within our communities as well as the local population that surrounds them. During 2019, Sentinel started to engage these constituents in a range of ways:

- The Sentinel Green Living Guide was rolled out portfolio wide, providing tenants with green lifestyle tips and energy efficiency suggestions. This guide is available digitally on each property’s website and is provided to residents at move-in and annually thereafter.
- Kingsley Associates was engaged to perform an annual tenant satisfaction survey for SREF and assist in analyzing the results. The first survey was distributed to all tenants on October 29, 2019. A total of 3,305 tenants, or 28.5% of the total, provided feedback. The results have been reviewed and specific feedback from the tenants has been communicated to the properties in order to enhance the tenant experience going forward.
- At the properties, “Green Tips” are posted on property Facebook pages to encourage residents to live a greener, healthier life.



- A range of “green” community engagement programs were tested over the course of the year such as technology recycling days, bulk paper shredding/recycling events, planting parties and opportunities to meet with local utilities to receive sustainability tips. This program will be rolled out more holistically in 2020.

DISTRICT OFFICE – Tampa, Florida

Community Engagement



A recent example of local engagement that benefited both our property and the local community in which we operate was provided by our District Manager in Tampa. She received an award for being a Program Advisory Committee Member for Southern Technical College in connection with Sentinel’s engagement with the school.

Over the past 20 years, Sentinel has regularly attended meetings sponsored by the school regarding their programs. We ultimately hired five maintenance techs who graduated from the program to work at our communities in the Tampa area and Sentinel staff attended their graduation parties at Southern Technical College.

More recently, due to Sentinel’s commitment to the school, Sentinel staff was invited to speak to the HVAC class about the apartment industry, which served as both a great opportunity to share information about our industry as well as to promote Sentinel in the ever more competitive job market in the area.

III. SOCIAL RESPONSIBILITY *CONTINUED*

ENCLAVE AT CHERRY CREEK APARTMENTS Parker (Denver), Colorado

Community Service Opportunities



Every year the Enclave hosts four different aid drives to benefit the local community. We start our year in January with our Share the Warmth drive, collecting coats, blankets and socks that are then donated to Coats for Colorado and the local area Parker Task Force. In July, we hold our Fill the Bus drive and collect backpacks, school supplies and class

friendly snacks that are donated to the local school district for distribution to students in need. October brings our We Can End Hunger Drive, where we collect non-perishable food items and canned goods for the local food bank. Our last drive of the year is from the end of November to mid-December, when we serve as an official Toys for Tots donation center, collecting new unwrapped toys for this program run by the United States Marine Corps Reserve.

To encourage participation in all of these events, we enter residents who donate into raffles for different prizes at the end of the collection period. We have given away dinners for two, smart home devices, gift cards, gift baskets and Thanksgiving Dinner provided by Sprouts Farmers Market.

The property participates in the Shop with a Cop program annually. This program selects underprivileged kids or kids that would benefit from a positive experience with the police and sends them on a shopping spree with a police officer during the holidays.



MEMPHIS APARTMENT COMMUNITIES Memphis, Tennessee

Community Service Opportunities

Sentinel's three apartment communities located on Mud Island in the Memphis, Tennessee market support two local charity events that have grown to be extremely popular. The properties sponsor residents and employees who wish to run in the Harbor Town event, which benefits the Boys and Girls Clubs of Greater Memphis, and the St. Jude 5k event.

To promote these community events, each property provides T-shirts with the property's logo. Most of property staff participate and either walk or run in these races as well. The Harbor Town race takes runners through one of the most scenic courses Memphis has to offer, starting along the Mississippi River and winding its way through the beautiful Harbor Town neighborhoods. The night is capped off with an eventful block party at Harbor Town Square, packed with free food, drinks and live music.



Over the past five years, there have been a total of 8,800 participants.

III. SOCIAL RESPONSIBILITY *CONTINUED*

DISTRICT OFFICE – Tampa, Florida

Community Service Opportunities



In December 2019, Sentinel's Tampa District Manager and ten property employees decorated a cottage at The Children's Network for the holiday season. This organization houses over 60 foster children. The children had no idea that this was happening, and they really enjoyed the surprise when they returned from school that day. While we were there, our maintenance techs completed some needed work around the property and helped put a stage together with their maintenance team. We plan to work with the organization on additional projects several times a year in the future.



Case Study

THE KIRBY APARTMENTS - Dallas, Texas

Sustainable Value-Added Upgrade Program



In 2019, The Kirby Apartments continued its common area and apartment unit renovation program. The program includes the following initiatives designed to enhance the environmental sustainability of the property.

Lobby & Leasing Office

The lobby renovation project included the replacement of incandescent light fixtures with LED light fixtures as well as re-bulbing existing historic fixtures with new LED bulbs. New Shaw 'Solitude' LVT flooring (low VOC, Floor Score certified for IAQ) was installed in the rear lobby. The lobby was repainted with low VOC paint on the walls and ceiling. In the leasing office, Shaw Eco Solution fiber carpet tile was installed.

Fitness Center

The fitness center renovation included installation of a more efficient heating and cooling system, new LED light fixtures, Shaw 'Solitude' LVT flooring (low VOC, Floor Score certified for IAQ), and low VOC paint. In addition, we enhanced access to natural light by removing walls and added LED televisions, replacing older less efficient televisions.

Ongoing and Upcoming Building Upgrades

Three traction elevators and the hydraulic elevator in the

garage are in the process of being upgraded with more efficient mechanical systems. The elevator modernization should result in both increased energy efficiency and enhanced passenger ride quality. Modernizing these older, inefficient elevators is anticipated to result in less power consumption and less heat generated (thereby also lowering the amount of cooling that is required in the building). In terms of ride quality, there should be smoother acceleration/deceleration, less noise/vibration and increased response time/traffic flow throughout the building.

The two cooling towers were replaced with new units providing enhanced efficiency. In addition, the roof was contracted to be replaced with a higher R value roofing system than the previous roof, which was failing and waterlogged. Beyond incorporating greater insulation performance, the new roof will be a "cool" roof - the color is composed of high albedo materials and colors to reduce heat island effect and unwanted heat gain inside the building. In the hallways, 400 32-Watt Fluorescent lamps across 17 floors are being replaced with 17-Watt LED fixtures and bulbs.

Unit Upgrade Program

The ongoing unit upgrade program includes new energy efficient appliances, low flow faucets, and Silestone solid surface (Green Guard certified) countertops.

IV. CORPORATE GOVERNANCE

We are committed to proactive governance practices that support risk management and responsible investing. Sentinel has an established Code of Ethics that guides our actions, a robust set of policies and procedures to ensure best practices are implemented organization-wide and, as of 2019, a formalized structure for ESG oversight.

Leadership



Sentinel has successfully created a culture of teamwork and long-term tenure. As the asset base has increased over the years, Sentinel has created additional senior management positions, which have been filled from within when possible. Invest-

ment professionals within Sentinel are aware of this advancement potential and, as a result, Sentinel has experienced a low level of professional turnover. Members of the senior management team average 28 years with Sentinel.

Sentinel's Executive Committee serves as the firm's Board of Directors, directing all strategic and policy decisions. Our Asset and Property Management teams and the Capital Programs and Sustainability Group regularly evaluate and report property level ESG performance to the ESG Committee, which is charged with formulating our ESG strategy and direction. The Portfolio Management teams, and ultimately the Executive Committee, ensure that this strategy aligns with our clients' real estate investment objectives and their ESG goals.

Code of Ethics

Sentinel maintains a Code of Ethics that employees are required to review and agree to abide by in connection with

the start of their employment and on an annual basis thereafter. Sentinel's philosophy that is articulated in the Code of Ethics is to be a good, profitable and enduring company. In achieving these goals, integrity and moral fiber are just as important as technical competence and hard work to advance within the firm. The highest trust, confidence and responsibility is placed in each employee, and it is believed that his/her fundamental integrity and honesty is essential in daily relations with all stakeholders ranging from investors and tenants to the public and fellow employees.

Compliance

In 2019, Sentinel formalized its compliance program by appointing a Compliance Officer and establishing a Compliance Committee. The Compliance Officer is responsible for (i) administering the Firm's compliance program and Code of Ethics; (ii) advising and training employees on compliance issues and assisting employees in complying with Sentinel practices and (iii) meeting regularly with the Compliance Committee and preparing an annual assessment for the Firm's Executive Committee that confirms whether Sentinel has acted in full compliance with all applicable rules and internal regulations in the past year. The Annual Assessment will be completed after issuance of the annual SOC-I audit.

Sentinel recently completed consolidating its compliance policies and procedures into a Corporate Compliance Manual in order to ensure that all employees are aware of and

IV. CORPORATE GOVERNANCE *CONTINUED*

Sentinel measures excellence by qualitative values as well as quantitative results, motivating employees to “do the right thing” while “doing things right”.

operating in conformance with all applicable laws, regulations, standards and ethical practices that apply to the organization. The Compliance Manual will be reviewed and updated annually going forward. In connection with the initial implementation, all employees will receive training from a third-party specialist regarding the content of the Compliance Manual. Going forward, all employees will be required to review and acknowledge their understanding of the contents of the Manual on an annual basis.

ESG Processes & Procedures:

Over the course of this year, Sentinel has formalized a number of internal ESG processes and procedures to ensure effective implementation of new ESG initiatives throughout the organization.

- During 2019, Sentinel formed an ESG Committee with representation from all relevant departments within Sentinel to discuss ESG best practices and new programs and initiatives. This committee will make recommendations regarding potential new ESG initiatives to Sentinel's Executive Committee and will be responsible for ensuring approved new programs are communicated and rolled out effectively across the organization.
- Sentinel's Sustainability Officer functions as the point person on ESG programming and serves on the ESG Committee.

- Sentinel engaged a third-party ESG consultant to assist in formalizing ESG processes and procedures and to ensure implementation of best practices. The consultant will also assist with GRESB submissions and Sentinel's entry into The UN Principles for Responsible Investment (“UNPRI”) in 2020-2021.

Asset Manager ESG Checklist & Internal Audit Functions

The Asset Manager ESG Checklist provides a list of operational items for asset management to review in connection with their on-site property visits to ensure that ESG best practices are being implemented at each property within their portfolio. The checklist covers a wide range of environmental, social and governance topics and is updated annually as new practices are introduced.

As a further check, in 2019, we augmented the internal operations audit, which is conducted annually at each property, by adding a similar ESG checklist to ensure that ESG best practices are fully and uniformly implemented across the portfolio.



IV. CORPORATE GOVERNANCE *CONTINUED*

Due Diligence Procedures



Sentinel's focus on the sustainability of each property begins before it is acquired. The physical location of each property is evaluated to determine access to public transportation and other transportation infrastructure. Risks associated

with the location such as the po-

tential for floods, earthquakes and hurricanes, are considered and are factored into insurance assumptions and other applicable aspects of the underwriting analysis. Further, the quality of local educational institutions is analyzed and crime rates are considered to properly evaluate the risk profile of each investment opportunity.

In connection with every residential property acquisition, the acquisition team is required to follow a due diligence checklist that includes a third party environmental analysis of the proposed acquisition including an ASTM Phase I report to review the presence of suspected environmental hazards; a Phase II report, if necessary, including drinking water testing and an air quality test; a third party engineering report and a life/safety evaluation, including a review of all fire inspections, fire extinguisher reports and sample review of smoke detectors, carbon monoxide detectors and sprinkler heads on-site to assess if testing requirements have been met; as well as an accessibility inspection in accordance with the

standards articulated in the Americans with Disabilities Act ("ADA"). When acquiring properties pre-completion, all construction plans are reviewed by a third-party engineer, periodic construction progress inspections are completed, and an environmental consultant is engaged to monitor compliance with environmental regulations.

Risk Management

Sentinel recognizes that risk management is a critical component of its operations that helps ensure client assets are properly managed and clients are properly served in a timely and efficient manner. Sentinel's senior management team has incorporated risk management throughout the company's processes such that the management of each department is responsible for implementing procedures to identify the risks inherent in the department's operations as well as implementing procedures to monitor and mitigate the risks.

Sentinel's risk management discipline extends to all functional areas, with practices that are embedded in the investment process and monitoring of the vehicles. This includes evaluating and taking steps to mitigate transaction, financing and operational risks, as well as credit risk, personnel risk, hazard risk and risks associated with key third party vendors.

Case Study

THE BUCKINGHAM APARTMENTS/THE COMMODORE APARTMENTS – Minneapolis, Minnesota *Sustainable Value-Added Upgrade Program*



In 2019, The Buckingham/The Commodore Apartments commenced the first phase of a comprehensive property wide common area and unit renovation program, which includes a number of initiatives designed to enhance the environmental sustainability of the property.

Lobby Renovation

The lobby renovation project included the enhancement of daylighting to the existing lobby space through the removal of an existing exterior canopy, followed by the replacement of all incandescent light fixtures with new LED light fixtures. Old ceiling fans were replaced with more efficient modern fans, which provide better air circulation and utilize less energy. Throughout the space, Cradle to Cradle Certified – Silver, CRI Green Label Plus Certified carpet was installed and the lobby was repainted with low VOC paint on the walls and ceiling. Existing historic natural materials and features were maintained throughout, such as wood grain window trim (biomimicry-LEED), natural stone base (biomimicry-LEED) and ornate plaster detailing to underscore the building's rich history and longevity.

Hallways

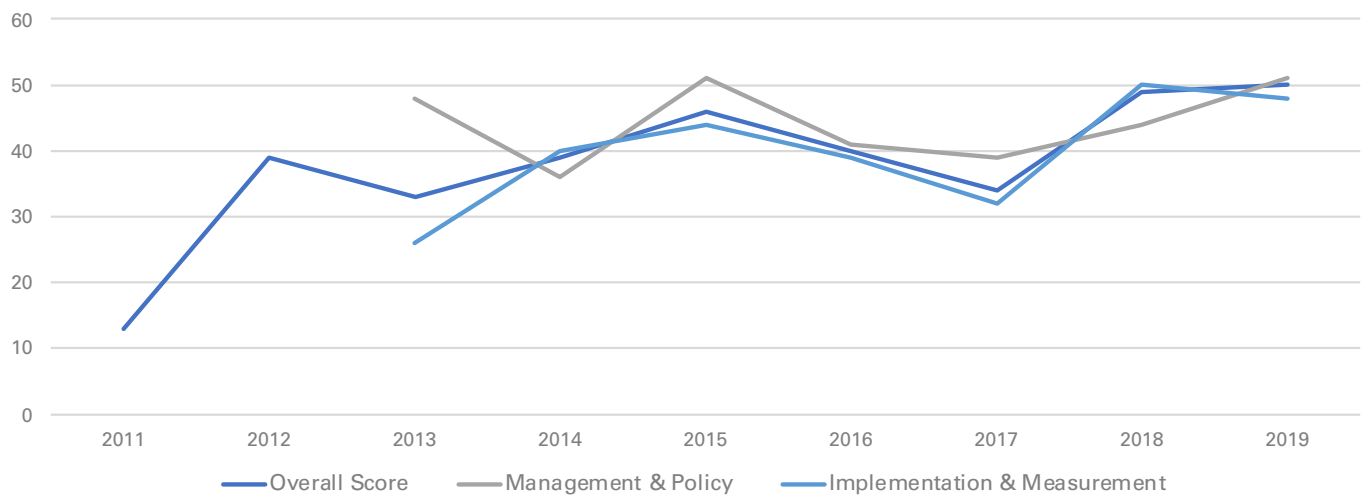
Similar efforts were made in the hallways, where existing incandescent light fixtures were replaced with new LED fixtures. On each floor, Cradle to Cradle Certified – Silver, CRI Green Label Plus Certified carpet tiles were installed. This carpet tile can be replaced without replacing the entire carpet, thereby reducing waste and enhancing its lifecycle. Natural wood trim and low VOC paint were utilized to complete the renovations.

Upcoming Unit Upgrades

The planned comprehensive unit upgrade program will include installation of Energy Star appliances, new LED light fixtures, installation of water sense plumbing fixtures, eco-friendly carpeting and low VOC paint.

V. GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

Sentinel Real Estate Fund GRESB Scores



As a means of tracking the effectiveness of our environmental sustainability policies and practices, Sentinel initiated its participation in the GRESB (Global Real Estate Sustainability Benchmark) survey in 2011. In 2019, Sentinel submitted three funds to the GRESB annual assessment.

Our performance reflects strides we have made in integrating our management, policies and procedures. Our efforts to date have been focused on building an ESG framework that supports continued success in ESG throughout our business operations while balancing the costs to our investors.

Challenges Faced

SREF in particular faces a number of inherent limitations with regard to improving its GRESB score due to its geographic focus on secondary markets and suburban locations, as well as its strictly core strategy with limited major capital programs. Many of the markets in which Sentinel operates have not yet prioritized the development of environmentally efficient apartment properties and many of these same markets prohibit the collection of tenant utility data due to privacy concerns, which limits our ability to measure the environmental footprint of these properties. Regardless, Sentinel remains committed to enhancing the sustainability of its portfolio, reducing its environmental footprint and reporting these achievements through the GRESB framework.

Case Study

EGRETS LANDING APARTMENTS – Tampa, Florida

Sustainability Audit



Sentinel retained a third-party consulting firm to undertake a comprehensive sustainability audit at Egret's Landing Apartments in order to identify opportunities for reducing energy, water and waste consumption and to advance in-place ESG strategies. The process involved reviewing the lighting and HVAC systems, observing daily operations and interviewing the Property Manager and Maintenance Supervisor to understand current maintenance operations and ESG practices.



Overall, the audit concluded that Egret's Landing is already executing many of the recommended sustainable best practices and is already using sustainable materials, green cleaning products and efficient appliances in property op-

erations. However, a number of specific suggestions were included in the final set of recommendations, which may be applied portfolio-wide including the following:

- **Lighting** - continue program to install LED lighting in all common areas and add photocells to control breezeway lighting and timers where appropriate, such as on tennis courts;



- **HVAC** - consider installation of programmable thermostats;
- **Water** - evaluate use of lower flow rate shower heads and faucets;
- **ESG** - consider installation of EV charging stations.

VI. LOOKING AHEAD

We are committed to continued improvement and growth within our environmental, social and governance policies.



Sentinel's ESG platform has taken significant strides forward this year. Within our core and value-added investment platforms, we pursued energy and water efficiency opportunities at our properties, while in Australia we completed our first ground-up development featuring state-of-the-art technologies designed to enhance environmental sustainability. Through growth in our energy and water data collection capabilities, we have substantially enhanced our ability to analyze our operations and identify opportunities for future improvements. We engaged our stakeholders in new ways ranging from tenant surveys to new community programming and the roll out of our new Sentinel Green Living Guide. At the corporate level, we created a new ESG structure with the development of our ESG Committee to provide greater accountability in this area going forward and a platform through which ESG changes can be facilitated companywide.

In 2020, we look forward to continuing to develop and enhance our ESG platform through several initiatives:

- Analyzing property data to identify key performance indicators (KPIs);
- Working with Yardi to capture waste data at our properties;
- Using identified KPIs to set short- and long-term goals for the portfolio;
- Executing technical campaigns to improve energy, water and waste management at our properties;
- Soliciting feedback from our employees by distributing surveys managed by Kinglsey Associates;
- Continuing to support the growth and knowledge of our staff through the asset plan process, annual operational audits and other ESG training;
- Company-wide training focused on the newly developed company compliance manual;
- Enhancing our community engagement program by sharing best practices across the portfolio and dedicating additional resources to property level programming;
- Rolling out our "green" Facebook post program to additional communities across the portfolio;
- Initiating a formal community service program for property and corporate staff;
- Identifying new ways to improve the sustainability of our assets' operations and management, including considering IREM Certified Sustainable Property certification for applicable properties; and
- Becoming a signatory of the UN Principles of Responsible Investing to further demonstrate our commitment to responsible investing.