

A low-angle photograph of modern skyscrapers against a blue sky with white clouds. The buildings have glass facades and some have unique architectural features like cantilevered balconies. The text "2022 ESG REPORT" is centered in a large, bold, black-outlined font, framed by two horizontal black lines.

2022 ESG REPORT

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A LETTER FROM THE FOUNDERS



At Penzance, the real estate private equity company we founded in 1996, respect for the environment, sustainability, good governance, and DEI – diversity, equity and inclusion – has always been integral to our DNA.

Penzance’s watchwords – leaving things better than we found them – reflect our commitment to doing what we can through owning, operating, repositioning, building, and developing properties, to improve the quality of life for the communities we serve: our partners, investors, tenants, residents, employees, and neighbors.

Our team makes us who we are, and we are fortunate that it reflects people of diverse backgrounds and experience – we have long sought to count among our employees individuals of different races, religions, ethnicities, genders, abilities and disabilities, sexual orientation and the range of human traits and attributes that deepens our breadth of understanding of the issues we confront as citizens. We are better investors because we bring to bear our humanity in the decisions we make about operating our business and the assets we own. Our team, our partners, our investors, our tenants and our neighbors are our teachers. We learn from them everyday about the importance of being mindful of the health of our planet, of how to build and own properties in ways that enhance sustainability rather than diminish or damage our resources.



Throughout our history, we have been committed to the principles of ESG. We are excited to share with you through this report the specifics of how that commitment translates everyday into the work that we do. As you will read, real estate is our passion, giving back to our communities is our privilege and pleasure.

Thank you,

Julia Springer

Victor Tolkan

ABOUT PENZANCE

We strive to create extraordinary value for our investors, partners, tenants, and the communities we serve.

Since its founding in 1996, Penzance has committed over \$3.5 billion* in gross capital to real estate through partnerships with blue-chip institutional investors, separate accounts, joint ventures, and our discretionary fund series Penzance Real Estate Fund (“Fund I”) and Penzance Real Estate Fund II (“Fund II”).

We are proud of our deep roots in the region and focus our investment efforts on value-add multifamily, industrial and data center. We leverage our vertically integrated operating platform and access to asymmetrical situational opportunities to produce outsized returns.

Our ability to source more than 50% of our investments off-market is a testament to the quality of our extensive local relationships, experience, and proprietary sourcing methods which enable us to identify and exploit market inefficiencies to advantage.

*Performance numbers are since inception. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. As of December 31, 2022, 42 realized (of 60 total) investments.

Who We Are

- Fully integrated real estate owner, operator, developer
- 27-year track record of success
- 24.3% Realized IRR*
- 1.8x Realized Equity Multiple*
- Founder-led
- Women-owned
- ESG focused
- Diverse team

Over \$3.5 billion* gross capitalization committed.

Best-in-class institutional investor base.

ABOUT PENZANCE (CONTINUED)

Fund II Ranked Top 5% Value-Add Vehicle*

2nd Largest
Multifamily
Property Sale
in 2022

Top 100 Largest
Industrial
Property Sale
in 2022

One of the **Highest**
Data Center Land
Sales Price Per Acre
in Northern Virginia

Returned Over \$800 Million in Proceeds to Partners since May 2022.

Five awards at NAIOP's 2022 Focus on Excellence event, including "Best Multifamily", "Best Marketing", "Best Transaction", "Best Mixed-Use", and "Best Amenity".

The Highlands received the U.S. Green Building Council's award for Innovative Residential Project of the Year.

*Benchmarking data from Cambridge Associates' Index and Benchmarking Statistics for 2020 vintage real estate funds based on latest available performance data on 38 funds as of March 31, 2023.

ABOUT PENZANCE (CONTINUED)

Our Why

Drive Value for Our Investors
to Support their Missions

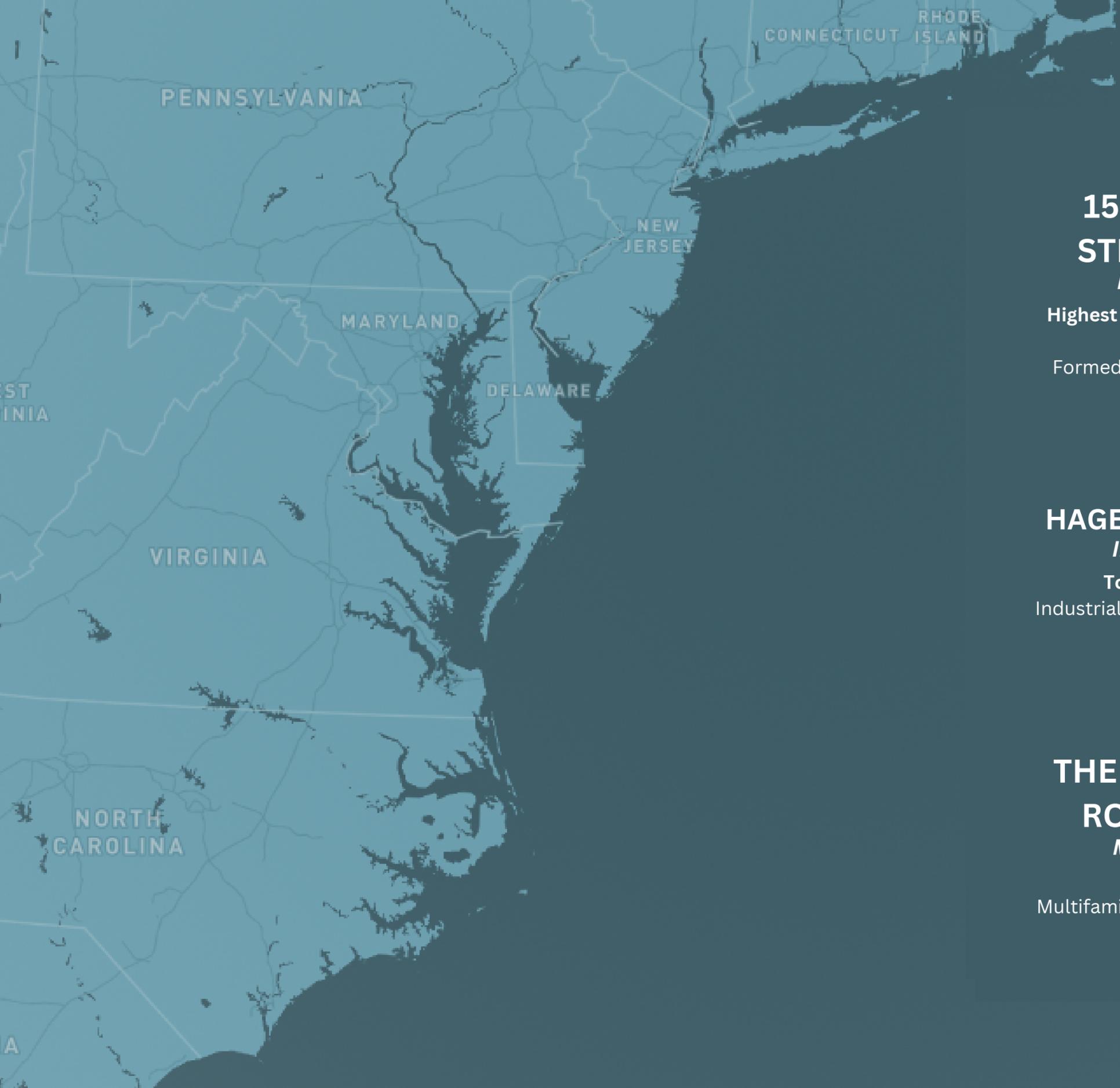
Our How

Entrepreneurial and Flexible

Take on Obstacles Others Avoid

Exercise Relentless Risk Management

Seek Diverse Views and Build Complementary Skills



**1501 MORAN
STERLING, VA
DATA CENTER**

Highest Price Per Acre (at time of sale)
Formed Joint Venture in 2023



**HC-81
HAGERSTOWN, MD
INDUSTRIAL**

Top 100 Largest
Industrial Property Sale in 2022



**THE HIGHLANDS
ROSSLYN, VA
MULTIFAMILY**

2nd Largest
Multifamily Property Sale in 2022



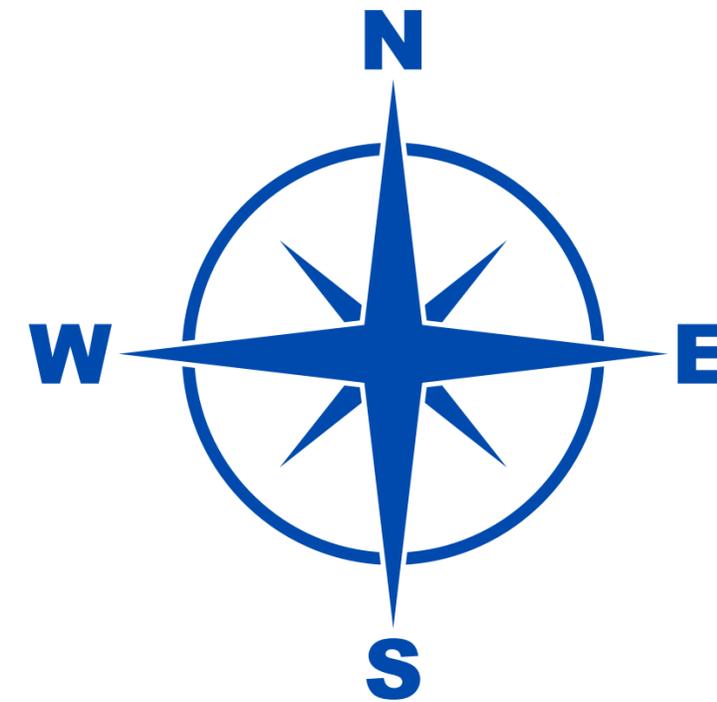
OUR COMMITMENT

To leave things better than we found them.

2022: A YEAR IN REVIEW

In the spirit of “leaving things better than we found them,” we regularly evaluate our existing ESG policies and programs. The ESG Board of Directors provides thought leadership and stewardship of the principles that guide our ESG efforts. These efforts are led by three subcommittees that report to the ESG Board of Directors.

- **Take** action
- **Be** authentic
- **Utilize** our organizational DNA to build on our strengths
- **Be** impactful
- **Evolve** for the better



DIVERSITY, EQUITY, AND INCLUSION

Women-Owned

**A team that is 53%
diverse**

**Women and team members from a variety of
backgrounds hold significant leadership
positions within the firm, including on the
Investment and Executive Committees**



DIVERSITY, EQUITY, AND INCLUSION



Our people are our most valuable asset. *The diverse life experiences, knowledge, inventiveness, innovation, self-expression, unique skills, and talents that our employees bring to Penzance strengthen our culture, our achievements, and our reputation, enabling our success, and making it all the more rewarding.*

Penzance holds its third-party providers to these same high standards and expectations of respect for diversity, equity and inclusion with regard to hiring, employment, health and safety, and in serving the communities in which we live and work.

DEI Best Practices Implemented

Penzance incorporates best practices in recruiting and talent management including standardized interview questions and promotion criteria.

Diversity Data Tracking

Penzance tracks diversity data using the ILPA Diversity Metrics Template and evaluates the information quarterly. This template provides the company with consistent and standardized data in line with best practices in data collection and reporting. By closely tracking data through this template, we are able to make sure we are doing our part to close the gap in our industry.

Commitment to Equal Pay

Penzance conducts a review of employee compensation for fairness and internal equity as part of our commitment to equal pay during our annual employee review process.

Annual Reviews

Penzance deploys a comprehensive annual employee review process to evaluate performance against set goals and uncover opportunities for further development. As part of the process, employees receive anonymous feedback from peers, providing evaluation representative of overall performance.

DIVERSITY, EQUITY, AND INCLUSION - HIRING STRATEGY

Penzance Management is committed to workplace diversity and an inclusive culture that holds equity as a priority. As a woman-owned business, recruiting a team that represents diverse backgrounds and experiences is key to how Penzance better serves our investors and the community we share. Penzance approaches the hiring process with a DEI lens that ensures we consider diverse candidate pools for open positions and remove barriers for underrepresented communities. Our hiring process includes:

1. Crafting job descriptions that use inclusive language and encourage qualified candidates of all backgrounds to apply.
2. Marketing open positions to a broad set of job boards and partnering with recruitment firms and diversity-focused organizations to increase visibility to all communities.
3. Developing relationships with universities and training programs that serve communities underrepresented such as HBCUs and women's colleges.
4. Cultivating partnerships with programs that focus on bringing diverse individuals into the real estate and private equity industries.
5. Training our employees who are interviewing candidates to evaluate the candidates fairly based on job responsibilities and skills in an effort to remove bias from the hiring process.
6. Providing a comprehensive onboarding experience to all new hires to position them for success.
7. Applying our DEI strategy to engagement, hiring, and retention of third-party contractors and vendors to ensure our commitment extends to and through our development and ownership of assets.

Our HR team is continuously refining our practices to assure a fair and equitable process.



SUSTAINABILITY AND ENVIRONMENTAL STEWARDSHIP

Sustainability is at the forefront of our development process. We aim to maximize the positive impact our assets have on the environment, our investors, tenants, employees, and the surrounding community. Our commitment is to deploy our real estate skills, talents and expertise for the betterment of the everyday lives of the neighborhoods in which we invest.

We strive to align our fiduciary responsibility to partners and investors with our responsibility as global citizens, to reduce our waste footprint and consumption of energy and water within our portfolio. We do this by:

- Regular monitoring and reporting on energy, emissions, water and waste levels at our assets and within our headquarters' premises.
- Incorporating new technologies and sustainability practices into our construction and development projects as we strive for LEED or equivalent green-building-designations.



ENVIRONMENTAL ACCOMPLISHMENTS

Identifying and engaging with third party consultants to guide and strengthen sustainability initiatives to mitigate environmental impacts such as:

- GreenGen
- Sustainable Building Partners
- Gregorio Sustainability
- Architecture firms noted for design elements that embrace and advance sustainability including Hickok Cole, MGMA, and Studios

Collecting data on past developments:

- The Highlands and 3001 Washington Boulevard both achieved LEED Gold.
- Hagerstown Crossroads at I-81 utilizes reflective roofing that reduces solar heat gain, high-efficiency LED lighting, low-flow plumbing fixtures, and efficient natural gas RTUs.

Implemented Mach Energy to track usage and achieved a **10% reduction** in year one.

Portfolio Wide

Removed all plastic trash bags from individual workstations.

Battery recycling and e-waste recycling drives.



Score of
67
Spring 2019



Score of
84
Fall 2022

Composting and recycling all single-use coffee pods at our corporate office. Over **10,000** annually.

Providing all corporate office employees with reusable dishware, utensils, and drinkware. This simple step keeps over **6,000** sets of plastic utensils out of landfill annually.

Corporate Office

In 2023, Penzance adopted a plastic free workplace initiative by:

- Using compostable trash bags
- Using environmentally friendly dishwasher detergent
- Providing single use bamboo utensils
- Composting

THE HIGHLANDS CASE STUDY

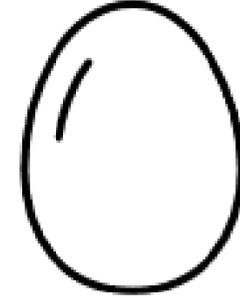
The Highlands, is a 1.2 million square foot mixed-use multifamily development with three towers up to 27 stories high and includes 786 apartments, 104 condominiums, 26,000 square feet of ground floor retail and below grade parking for 1,030 cars. The development also includes a new fire station, a new public park, a new public street and nearby affordable housing.

The Highlands is a case study in how through a public/private partnership all parties are winners.

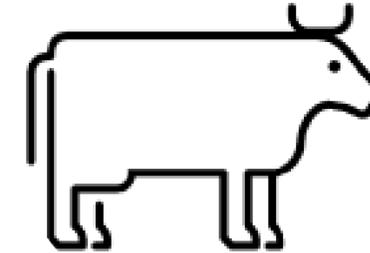
The Highlands' baseline goal was to achieve USGBC LEED Silver Certification, no small feat for a project of this magnitude. The team was relentless in its pursuit of efficiency and waste reduction and was able to push the project to achieve LEED Gold.



THE HIGHLANDS



OVER 92% OF CONSTRUCTION WASTE WAS DIVERTED FROM LANDFILLS (EQUIVALENT TO 328 MILLION AVERAGE SIZED CHICKEN EGGS)



REDUCED OVER 13,000 TONS OF EMBODIED CO2 (THE WEIGHT OF 20,000 COWS)



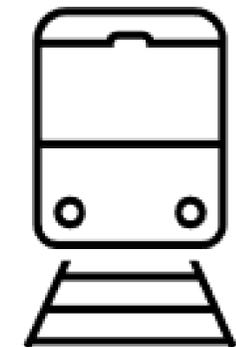
REDUCTION OF 13 MILLION GALLONS OF WATER PER YEAR (EQUIVALENT TO 20 OLYMPIC SIZED SWIMMING POOLS)



75+ ELECTRICAL CHARGING STATIONS, AND APPROXIMATELY 80 SPACES FOR LOW-EMITTING VEHICLES



WALKABILITY SCORE OF 94 (A "WALKER'S PARADISE")

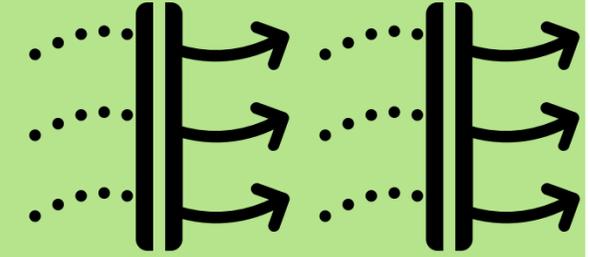


0.3 MILES TO TRANSPORTATION HUB, CONNECTION TO EXTENSIVE PROTECTED BIKE LANES, AND A BUS STOP IN FRONT OF THE PROPERTY

THE HIGHLANDS



Advanced bi-polar ionization units in amenity HVAC systems eliminate 98% of COVID-19 and other airborne pathogens.



Onsite bioretention to retain and treat storm water.



Silva cell system at tree pits to retain water and allow for deep tree roots under paved sidewalks.



To encourage the use of public transportation to further reduce emissions, WMATA Smart Trip cards were provided to residents.



One of the first projects to request EPDs (Environmental Product Declarations) from its concrete supplier (an industry best practice).

CORPORATE LEADERSHIP



Penzance is committed to social responsibility.

Creating a culture of improvement by continuing to emphasize the importance of an already robust platform of diversity, equity and inclusion (DEI) (over 50% of the Penzance team, including team leaders is diverse).

Measuring the impact of business decisions on the company, environment, employees, investors, partners, tenants and the communities we serve.

Newly hired employees are trained on our code of ethics. All employees participate in a refresher course on this annually.

The Penzance Culture Committee creates measurable goals, promotes DEI within Penzance and more broadly within the Real Estate Private Equity industry, and evaluates company performance and impact to enhance value for employees, investors, partners, tenants and communities as a whole.

GOVERNANCE



PENZANCE CARES

Penzance actively contributes to organizations that align with our values in our own backyard as well as around the world.

The Salvation Army Angel Tree Program

For the holidays, Penzance staff sponsored 20 families through the Salvation Army Angel Tree program, fulfilling wish lists including toys, children's clothing and essential items for families in need. Team members volunteered the gift of time at the Salvation Army distribution center.

Transitional Housing for Afghan Refugees

The 2021 crisis in Afghanistan led to the displacement of nearly half a million of its citizens. As the United States welcomed Afghan asylum seekers, Penzance partnered with Airbnb.org to provide fully furnished transitional housing at our Stone Pointe property. In 2022, Penzance provided shelter for 4 families (14 individuals) for over 90 nights. Penzance is honored to play a small part in helping these families as they begin their life in the United States.



FOSTERING THE FUTURE

Urban Alliance

We are a proud participant in the Urban Alliance internship program which “connects students to equitable, inclusive careers through paid high school internships, mentorship, and professional development.” In 2022, our Property Management team worked with a high school intern who supported the Property Management office. A second intern worked closely with building engineers to gain hands-on experience in the field.

Georgetown Student Capital Partners

Penzance formed a partnership with Georgetown University and its Private Equity and Venture Capital Advisory group which is committed to connecting students with the world of private investing. Throughout the Fall 2022 semester, three students worked with our Investments team to gain experience in analysis, due diligence and valuation. Penzance is excited to continue this partnership with five new interns for the Spring 2023 semester.

2022 Penzance Summer Internship Program

Penzance was thrilled to open the summer internship program again as our staff returned to the office and we were able to provide a safe work environment at our headquarters. In 2022, Penzance held an eight week program exposing the basics of commercial real estate operating and investing principles. Interns collaborated with different Penzance teams on a variety of projects and presented to the Investment team at the end of their program.



A CASE STUDY IN EMPLOYEE ENGAGEMENT

In early 2022, Penzance sought to measure the engagement level of the team and solicit feedback about company culture. The Culture Committee initiated an employee engagement survey with a comprehensive set of questions about pride in the firm, transparency, social engagement, leadership and management. The anonymous survey format encouraged participation and candor. The response rate was over 50%; employees provided feedback and identified areas for improvement and attributes of the firm they valued and appreciated, particularly their colleagues and the generous benefits package.

From the survey results, Penzance learned that in the aftermath of the pandemic, the team felt disconnected. To address this uncomfortable feeling, Penzance began hosting quarterly Town Hall meetings to communicate successes, share progress toward our annual goals, and recognize employee achievements. The most recent Town Hall brought 95% of the corporate and field teams together in person—the largest such engagement Penzance has enjoyed.

What Do You Like Most About Working at Penzance?



A CASE STUDY IN EMPLOYEE ENGAGEMENT

The best part of Penzance is the people.

In March of 2023, the Culture Committee released the second annual engagement survey that asked the same set of questions as the year before. The response rate increased to 93% and the company saw improvement in every area. When staff was asked about feeling well informed:

- 70% of employees answered Usually or Always as opposed to 28% in 2022.
- Staff also shared that the Culture Committee and the Town Halls were valued improvements since the last survey.
- When asked what their favorite part of working at Penzance was, staff members overwhelmingly answered: the people.

Survey Data

- **93%** participated
- **98%** understand how their role relates to Penzance
- **94%** feel aligned with Penzance's goals
- **92%** feel motivated at work
- **92%** feel valued by their manager
- **96%** know what to expect in their role

THE PENZANCE CULTURE COMMITTEE



With pandemic limitations lifted, colleagues returned to the office and the pleasure of working together in person. To foster a stronger sense of community, collaboration and creativity, the Penzance Culture Committee was formed.

“The Penzance Culture Committee is dedicated to fostering unity and pride in who we are and what our brand represents. We empower employees by inspiring passion, increasing cross-company communication, recognizing achievements, and promoting an environment of inclusiveness. Our objective is to unite Penzance in working towards one common goal: better serving and bringing value to our employees, partners, and communities.”

THE PENZANCE CULTURE COMMITTEE

In 2022, the Committee held ten events with strong participation including:

- Hiking at the Billy Goat Trail, offering the opportunity for conversation and camaraderie on the scenic trails.
- Rooting for the Washington Nationals at a game.
- Enjoying wine while taking in breathtaking views of the region from the roof deck of Evo at The Highlands.
- Playing kickball at a neighborhood park.
- Feasting on Chesapeake Bay Maryland Blue Crabs, a local and delicious tradition.
- Playing pickleball.
- Touring the U.S. Capitol and then our own 50 F St. property nearby.
- Participating in the Salvation Army's Angel Tree Program, which helped over 6,000 families to celebrate the Holidays.



ESG LEADERSHIP



Penzance's approach to investment practices is proactively to address sustainability and resilience across the firm through transparent communication, accountability, and leadership.

Our ESG program and commitment is led by our founders and our executive team through a Board of Directors chaired by Founder and Managing Partner **Julia Springer** and including Chief Operating Officer and Senior Managing Director **Brian Finerty**, Chief of Development and Construction **John E. Kusturiss, III**, and Senior Advisor **Peter N. Greenwald**. Three subcommittees, focusing on Environmental, Social, and Governance, respectively, are made up of team members from across the Company.

ESG SUBCOMMITTEES

Environmental



- **Brandon Ripley** - Senior Vice President, Construction
- **Buji Tallapragada** - Senior Vice President, Asset Management
- **Doug Wemple** - Executive Assistant
- **John E. Kusturiss III** - Chief Development and Construction Officer
- **Leah Amato** - Executive Director, Property Management

Social



- **Brian Finerty** - Senior Managing Director and Chief Operating Officer
- **Doug Wemple** - Executive Assistant
- **Jaclyn Easton** - Human Resources Manager
- **Jackie Jawitz** - Corporate Comptroller
- **John E. Kusturiss III** - Chief Development and Construction Officer

Governance



- **Brian Finerty** - Senior Managing Director and Chief Operating Officer
- **Michael Lefkowitz** - General Counsel
- **Noah Carter** - Chief Financial Officer
- **Richard Brookshire** - Managing Director, Capital Markets and Portfolio Management
- **Sophia Griffin** - Office Manager

INDUSTRY PARTICIPATION



ESG GOALS

Environmental

- Retain third party environmental consultant to evaluate climate risk prior to acquisition and during development and asset management.
- Refine and integrate ESG principles throughout the investment cycle and processes starting with sourcing and underwriting: Align due diligence, risk assessment and business plan formulation processes to focus on material ESG issues. Engage subject matter experts to identify and assess ESG value-creation opportunities and risks. Create comprehensive ESG checklists for development projects as well as for acquisition of existing assets. As needed, engage third-party experts to conduct additional ESG-related due diligence and advise on strategies to meet ESG objectives.
- During the development process explore use of sustainable and environmentally-sound building materials (recycled concrete, sustainable wood (bamboo), solar panels, and other techniques designed to promote cleaner, healthier ways to live and work .
- Utilize green roof and native vegetation to reduce water usage.
- During ownership of an asset, actively investigate sustainability opportunities to improve the environmentally-friendly features of the property and add new ones, such as installing EV charging stations, bike racks to encourage cycling to and from work, retrofitting building MEP systems to improve efficiency, utilizing an energy monitoring platform to track energy usage, achieving Green certifications (LEED, Energy Star, BREEAM, or Green Homes) dedicating Resource Protection Areas (RPA), remediating brown fields, improving ventilation and adding amenities to promote health and wellness.
- Increase participation in third party sustainability training, i.e., participate in the DC annual sustainability summit.

Social

- Assure that the firm's DEI and ESG policies reflect industry best practices and promote continuous learning and improvement.
- Create Key Performance Indicator tracker to benchmark diversity data within the firm and optimize opportunities for broadening inclusion.
- Enhance the intern recruitment program to appeal to a wider diverse demographic and training programs to provide more expansive and in-depth commercial real estate investment experience and position participants for success: The real estate and private equity industries will be strengthened by a more diverse base of professionals and best-in-class internship and training programs are a good place to start.
- Host unconscious bias training for employees.



Governance

- Initiate reporting to GRESB, the global standard in real estate for actionable ESG disclosure and data. The intended outcome is for GRESB to provide to our investors and stakeholders investment grade data with respect to Penzance ESG performance and progress.
- Review policies and training protocols to identify opportunities for enhancement, with the focus on DEI, Code of Conduct and Ethics, Employee Handbook, Unconscious Bias and Cybersecurity Policies.
- Expand participation with third party ESG standard-setting organizations and experts in best practices to further align the firm's ESG focus and commitments, i.e., becoming a signatory to the UN Principles for Responsible Investment.
- Audit third party vendors and contractors to verify and promote compliance with Penzance ESG and DEI policies and programs.
- Implement policy to require at least one highly qualified candidate from an under-represented background to be included in the final interview for each position.

