



CORPORATE
RESPONSIBILITY
REPORT

2020

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Letter from the CEO

In 2020, National continued to demonstrate its commitment to Environmental, Social, and Governance (ESG) principles. ESG is an important aspect of National's mission and our dedicated work to create good paying jobs in local communities while transforming them into more socially connected, environmentally friendly, and prosperous neighborhoods, cities, and economies.

ESG is in our DNA and part of our company culture. We have a long track record of integrating environmental sustainability, social responsibility, and strong governance practices throughout our organization to create value for our investors and benefits for local communities. Our 2020 ESG work focused on setting benchmarks and improving performance on benchmarks to drive investment results.

Our 2020 highlights include:

- Establishing National as an industry leader by achieving a GRESB Green Star for the fifth year in a row
- Achieving first place within our peer group¹ in the 2020 GRESB Real Estate Assessment Development Benchmark Report
- Increasing ESG data coverage to drive performance and inform business decisions
- Engaging a nationally recognized, best-in-class ESG consultant to help refine and expand National's corporate responsibility program
- Continuing to build the ESG team internally, including hiring a full-time employee dedicated to sustainability
- Providing education on ESG principles and strategy across the organization

These achievements came in a year with unparalleled challenges due to the COVID-19 pandemic. National's pandemic response focused on health and safety, striving to create safe places to live, work, and rest. We were already an early adopter of health and wellness best practices, which facilitated a swift and effective pandemic response dedicated to occupant wellbeing, business continuity, and protecting jobs. As we continue to refine our ESG program and practices, I want to recognize and thank our dedicated team for its continued commitment to excellence. Hard work is what sets National apart in the transformation to more connected, vital, and prosperous neighborhoods, cities, and economies.

Thank you,



Jeffrey Kanne
President and Chief Executive Officer

¹ Please refer to Endnotes on page 12.

About National

National Real Estate Advisors, LLC is an investment manager specializing in a build-to-core strategy by developing and managing large-scale, urban commercial and multifamily projects for its institutional client accounts. National constructs investment portfolios that contain modern property assets—apartment, office, mixed use, industrial (data center), and hotel—with design features, technological enhancements, and amenities that drive high tenant demand and can create value for investors. National is an independently operated subsidiary of the National Electrical Benefit Fund, a substantial pension trust with a significant amount of assets that are managed by National on a discretionary basis.

OUR MISSION STATEMENT

Exceed Our Clients' Expectations

Pursue Socially Responsible Investing, Sustainability, and Improve the Communities in Which We Invest

Provide a Challenging, Rewarding, and Supportive Work Environment

55

PROPERTIES

12.7M

OPERATING SF

25

CITIES IN WHICH
ASSETS ARE
LOCATED

\$6.2B²

GROSS ASSET
VALUE

\$3.6B³

DIRECT HARD COST
LABOR INCOME

58,225⁴

JOBS CREATED THROUGH
DIRECT PROJECT COSTS

57⁵

EMPLOYEES

NAMED “BEST PLACES TO WORK IN MONEY MANAGEMENT”
SIX TIMES IN SEVEN YEARS⁶

Committed to the Highest Standards

We maintain the highest fiduciary standards in all aspects of our business. Our corporate responsibility strategy includes reducing our carbon footprint while improving net operating income (NOI). Our ESG policies and objectives support and nurture investment performance, including producing competitive returns over time.

ESG POLICY

In advancing our overall goals for achieving better working and living environments, our comprehensive ESG Policy and procedures strive to mitigate detrimental environmental outcomes and enhance communities where we work and invest. Our ESG initiatives are integrated into our business practices, project conception, project management, portfolio management, and asset management.

DRIVING PERFORMANCE

We continue to demonstrate strong year-over-year improvement against our peers, earning theGRESB Green Star ranking every year since 2015. In 2020, we also ranked #1 in our peer group in the new Development Benchmark Report. Other measures incorporated into our Environmental Management System (EMS) to drive performance

include establishing a Data Management Plan, incorporating third-party data quality assurance measures into our reporting process, and reviewing our performance in key ESG areas annually. We seek improvements on a continuing basis to ensure we are meeting our overarching fiduciary responsibilities.

ASSESSING AND MANAGING CLIMATE RISK

National is working to align with the Task Force on Climate-related Financial Disclosures (TCFD) to provide our stakeholders with a consistent model of reporting climate-related risks. The structure of this reporting is consistent with the four TCFD disclosure areas: Governance, Strategy, Risk Management, and Metrics & Targets.

GOVERNANCE

National's climate risk assessment is created by the research and asset management teams with help from its risk consultant. The assessment is available on an annual basis to be incorporated into corporate presentations, strategic discussions with its ESG officer, as well as select presentations to investors.

STRATEGY

National incorporates environmental resilience in our investment strategy, particularly in relation to the threats of climate change, when assessing investment locations. Our strategy is to understand how climate change will impact the insurance property markets so we can incorporate comprehensive climate-related risks into our investments and investment strategy.

RISK MANAGEMENT

Our risk management process assesses climate-related risks such as inland flooding, tornadoes, hurricanes, and coastal storm surge. This process provides a comprehensive evaluation of risk to benefit our investors by incorporating the impact of climate change into our portfolio and investment strategy.

METRICS AND TARGETS

Our current reduction goals include reducing energy consumption by 5% overall during the next five years, with our ongoing tracking process allowing National to establish greenhouse gas emission reduction targets.



Driving Value Through Reduced Environmental Impact

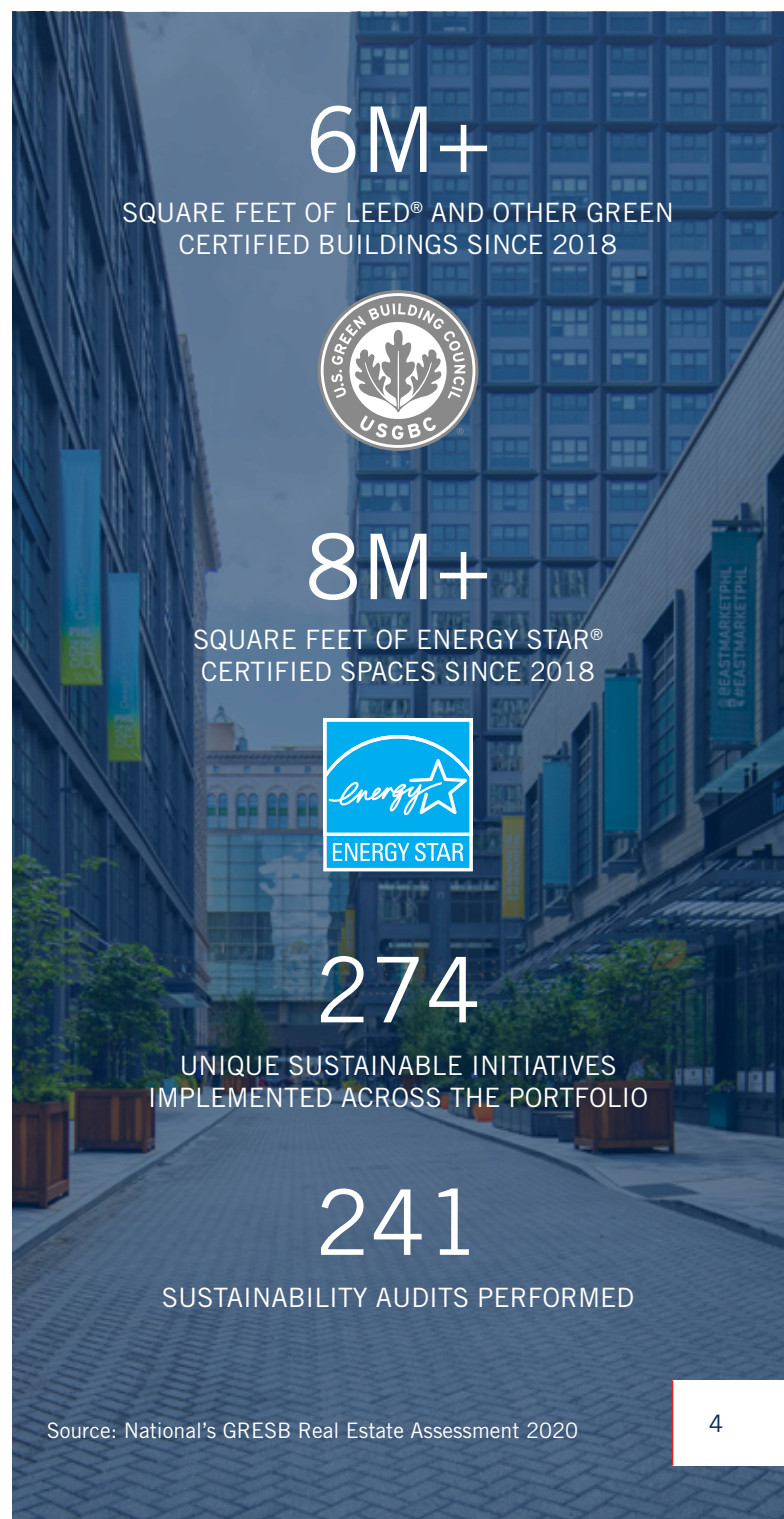
Our sustainable development and management practices lead to more efficient operations and healthier building environments for tenants. National recognizes the impact we can make to reduce negative environmental impacts in our projects, resulting in better quality control, transparency, and operating performance. Our strategy is based on a set of environmental objectives that incorporate the benefits of sustainable practices in order to produce more profitable and beneficial results for all of our stakeholders.

PROPERTY MANAGEMENT

We use Leadership in Energy and Environmental Design® (LEED®) for Building Operations + Maintenance and ENERGY STAR® as operating frameworks and seek certification for operating assets. Our property management best practices include, but are not limited to the following:

- Using high efficiency filter vacuums in operating buildings to meet or exceed ventilation standards
- Conducting regular building inspections, proper maintenance, and resolving comfort issues promptly
- Utilizing an integrated pest management plan
- Meeting fire safety and carbon monoxide monitoring standards
- Instituting a safety and security policy with emergency procedures, regular drills, and communication to occupants
- Ensuring water quality through testing
- Instituting a smoke-free building policy and tobacco free signage

National also provides ongoing training and support to our on-site teams to report energy, water, and waste metrics on a regular basis. This initiative improves data coverage and increases asset-level ENERGY STAR® ratings.



EFFICIENCY SPOTLIGHT

Sabey Data Center Properties

RENEWABLE ENERGY

One investment, Sabey Data Center Properties (Sabey), joined the Renewable Energy Buyers Alliance and the Business for Social Responsibility™ organization's Future of Internet Power (FoIP) global collaborative initiative to work toward the vision of an internet powered by carbon neutral, 100% renewable energy. This commitment will impact the energy intensive data center market, envisioning a future in which its data centers are "net positive."

HOT AISLE CONTAINMENT

The equipment in data centers generates a tremendous amount of heat. A critical element in operating a successful data center is to keep the environment housing the equipment, known as data halls, cool, and to do so as efficiently as possible. Sabey has developed a novel approach to hot aisle containment that enables it to gain a competitive advantage in the marketplace.

The equipment racks in data center server rooms can be arranged into hot and cold aisles to maximize energy efficiency as a part of the containment process. The containment process separates the equipment's cool air intake and hot air exhaust and recycles the hot air exhaust into the system for cooling.⁷ The benefits of hot aisle containment include energy savings, hot-spot elimination, reduced humidification/de-humidification costs, and adequately sized cooling systems.⁸

The implementation of hot aisle containment in the Sabey portfolio – made possible by contractual agreements with tenants and supported by Sabey's technical expertise – has proven successful. The estimated energy savings resulting from this initiative are in excess of eight million kWh, with an estimated 0.2 improvement in power usage effectiveness (PUE, a key industry metric) across the portfolio.



DEVELOPMENT SPOTLIGHT

100 Van Ness

Our new development projects prioritize efforts that improve human health and mitigate negative effects on the environment. Our new construction and development framework is primarily based on LEED®, National Association of Home Builders® (NAHB®), GreenPoint Rated, or Green Globes® building standards, and we seek certification at the time of design or construction. We engage suppliers and partners who embrace National's Responsible Contractor Policy and Principles, and implement industry best practices on our construction sites, including maintaining indoor air quality during the construction phase.

Our best practices during the development phase include the following:

- Prioritizing urban sites or redevelopment with connectivity to public transportation, walkable neighborhoods, and union labor workforces
- Mitigating noise and diverting construction waste
- Evaluating and selecting efficient water and energy savings fixtures
- Selecting HVAC systems to improve indoor air quality and comfort

Named the “Best Apartment Building” in San Francisco by *SF Weekly*⁹, 100 Van Ness is located at the intersection of some of San Francisco's most exciting attractions – from concert halls to beer gardens to gourmet coffee shops. The redevelopment of this 400-footer into a luxury residential building features endless exceptional amenities:

- San Francisco's tallest and only panoramic roof deck
- Sunbathing lawn
- Resident lounge
- Rooftop bocce court
- Fitness center



Rooftop Terrace at 100 Van Ness, San Francisco, CA

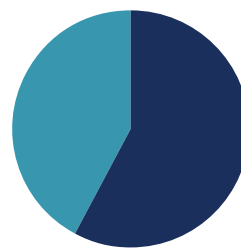
Building Relationships and Value Through Community

Since our founding in 2010, National's mission is to deliver solid, long-term returns on investment for our clients – hardworking people whose livelihoods and futures depend on us. We do interesting work that matters, and we strive to engage our internal and external stakeholders through results that build relationships and add value.

OUR PEOPLE

We are a team of creative and collaborative professionals from a variety of backgrounds—and we know it's the collective sum of our individual differences, life experiences, cultural backgrounds, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talent that contribute to National's culture, reputation, and successes. For the sixth time in seven years, National was named one of 2020's "Best Places to Work in Money Management" by Pensions & Investments based on the results of employer and employee surveys. National's leadership continuously strives to inspire its employees to create and deliver value through innovation, ethical principles, and a healthy and strong corporate culture.

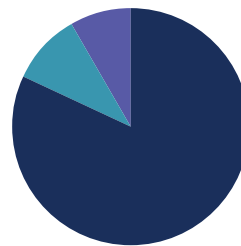
NATIONAL'S CURRENT COMPOSITION – 2020



Gender Distribution

61% Male

39% Female



Racial Diversity*

82% White

10% Black or African American

8% Asian

National team members on site at Jefferson Specialty Care Pavilion at East Market, Philadelphia, PA

*Not Hispanic or Latino



Community Service

During the unprecedented challenges of COVID-19 and the important conversations occurring globally on racial equity this past year, National focused on continuing to build “placemaking” with our assets to create value and foster hope and community connectivity. Across the US, we partnered with local groups and our tenants on initiatives.

- [East Market Dream Cycles Art Exhibition](#), a window art exhibition featured artwork from over 15 local Philadelphia artists of color with the theme Race, Inequity, and the Black Experience helped shine a light and amplify the voices of often disenfranchised groups in the city
- [Colorful art and lighting installations](#) to brighten the walkway for neighbors and pedestrians through our sites at Bulfinch Crossing in Boston, and East Market in Philadelphia
- [Curbside Pick Up at The BLOC](#) in Los Angeles providing an easy and streamlined curbside pick-up system amid COVID-19 restrictions for all goods purchased from retail tenants
- [Sheraton Grand feeding seniors](#) by volunteering space and staff to help prepare and deliver 315,000 meals for homebound seniors in Los Angeles, while also generating \$3.4 million in revenue while hotel demand labored during the pandemic
- [Providing outdoor space](#) in our open plazas for gym tenants to hold workouts and other retail tenants to conduct business



“Dream Cycles”
East Market, Philadelphia, PA



“Serving Our Community”
The Sheraton Grand, Los Angeles, CA

NATIONAL'S COVID-19 RESPONSE

We maintained continuous involvement throughout the COVID-19 pandemic in order to respond to community needs, create jobs, and ensure business continuity. Strategic leadership, as norms shifted in early 2020, included providing flexibility to employees and delivering direct, consistent communication across teams. We enhanced cleaning protocols throughout our managed portfolios in order to decrease surface contamination. We also focused on air quality to promote occupant safety by routinely changing air filters on building equipment.



Curbside Pick-Up
The BLOC, Los Angeles, CA

Health & Wellness

The impact of the built environment on human health has become a vital aspect of sustainable, high-performance buildings, and National is committed to responsible design and asset management that meets or exceeds healthy building criteria. The emphasis on safe and healthy environments that promote well-being for all building occupants is more important than ever due to the COVID-19 pandemic. In addition to encouraging healthy living by providing health-promoting benefits to our employees, we implement the following health and wellness measures across our office and multifamily properties, whenever possible:

- Effectively controlling construction dust and particulates through increased ventilation
- Meeting or exceeding ventilation standards or applicable local law, whichever is more stringent
- Using only low emitting building materials and no/low VOC paints and finishes
- Avoiding installing outdoor air intakes at street level or near other outdoor sources of pollutants
- Providing accessible stairways
- Providing adequate lighting in stairwells, emergency egress points, parking lots, and entryways
- Incorporating daylighting, biophilic design, and outdoor space amenities
- Including fitness facilities, bicycle parking and storage, and active commuter showers

STAKEHOLDER ENGAGEMENT

National aims to ensure strong tenant and community engagement to maximize support of stakeholder needs and deepen relationships. Our asset managers frequently collaborate with property managers to implement tenant engagement programs. These engagement programs improve tenant experiences based on tenant reactions documented in regular surveys. Our stakeholder engagement includes the following:

- Utilizing third-party surveying firms to conduct tenant satisfaction surveys
- Property Sustainability and Energy Management Plans that include tenant engagement
- Events and amenities such as the following to promote tenant and community health and well-being:
 - “Wellness Wednesdays” in Los Angeles at The BLOC’s outdoor public spaces
 - Installing water purification, water bottle filling stations, and healthy vending machine food options

Outdoor Yoga Class at The BLOC, Los Angeles, CA



Experienced and Stable Leadership



National team members safely gather for an outdoor team building activity on the shores of the Chesapeake Bay, MD

National's leadership is focused on adopting programs and strategies aimed at advancing ESG measures and engaging stakeholders in a collaborative manner. As part of our fiduciary duties, our governance policies increase transparency and demonstrate value.

National has assembled an experienced leadership team, the core group of whom have collaborated for over 20 years¹⁰, consistently executing on our performance objectives. Our Management Committee is 50% female and 50% male.

National's Diversity, Inclusion, and Engagement Policy recognizes that there are many benefits to diversity and inclusion, and National's leadership recognizes these benefits, including the following:

- Increased creativity in decision-making
- Greater understanding of our clients' interests
- Engaged and satisfied workforce
- Increased company performance and profitability
- Supports talent attraction, retention, and employee performance strategies

Looking Ahead



Union electrical journeyman working on 2620 Maple in Dallas, TX

National continues to build on its long-standing commitment to ESG through exploration and expansion of initiatives that will drive long-term value. Using the findings from the 2020 Stakeholder Materiality Assessment as a foundation, over the next year National will focus on driving performance in the following ways:

- Refining benchmarking efforts to increase data coverage throughout the portfolio and help drive business decisions
- Exploring the enhanced data set to identify assets that have opportunities for improving environmental performance
- Implementing strategies that make good business sense and provide value for our stakeholders while improving asset performance
- Building upon National's climate risk and resilience strategy to reduce risk and increase opportunities for improvement

Our purposeful efforts defined by data-driven ESG decision-making is intended to drive value for our clients, create good jobs at good pay, and allow National to stand apart from our peers.

Endnotes

1. The United States of America/Diversified peer group.
2. As of December 31, 2020. Gross Asset Value represents the managed funds' economic interest in real estate investments, cash, cash equivalents, and other funds' assets as defined by National. More information can be provided upon request.
3. Source: Pinnacle Economics as of December 31, 2020.
4. Source: Pinnacle Economics as of December 31, 2020.
5. Total number of employees are from distinct affiliates, National and National Real Estate Development, as of December 31, 2020.
6. https://www.pionline.com/best-places-work/how-survey-was-conducted2020?utm_content=special_report4.
7. <https://www.serverroomenvironments.co.uk/blog/the-energy-efficiency-benefits-of-cold-hot-aisle-containment>.
8. <https://www.facilitiesnet.com/datacenters/article/The-Advantages-And-Disadvantages-Of-Hot-Aisle-Cold-Aisle-Containment-Strategies--14486>.
9. <https://www.sfweekly.com/best-of-san-francisco/best-of-2020-people-places-readers-poll-winners/>.
10. National has operated as an investment advisor since January 2010. In addition, National's key senior management personnel generally worked together at National's predecessor firm, NEBF Real Estate, from 2000 through 2010.



Front Cover: Chestnut Walk at East Market, Philadelphia, PA
Back Cover: Living green wall in the lobby of The Girard, a LEED® certified multifamily project located at East Market, Philadelphia, PA

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