

Environmental Report

Single Family Rental (SFR) Portfolio

Pretium | Progress Residential

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About Pretium & Progress Residential

Pretium is a specialized investment manager, focused on real estate, mortgage finance and corporate debt. Pretium manages funds, separately managed accounts, and joint ventures that own single-family homes across the United States (“Pretium SFR Portfolio”). The Pretium SFR Portfolio is managed by Pretium’s property management company, Progress Residential, which is one of the largest providers of high quality, single-family rental homes across 30 of our nation’s fastest growing metro areas. Both Pretium and Progress Residential are committed to conducting business ethically and making investment decisions in a manner that is fiscally, socially, and environmentally responsible. The goal of both organizations is to provide residents with renovated, well-maintained, and affordable rental homes by making significant investments in residents, homes, and communities within the Pretium SFR Portfolio.

This Environmental Report provides a high-level overview of Pretium’s and Progress Residential’s “Social” and “Governance” strategies but mainly focuses on our “Environmental” impacts. Additional details on Pretium Social and Governance strategies will be included as part of our upcoming State of ESG publication.

Environmental, Social and Governance (“ESG”) Strategies

In portfolio construction and throughout our SFR operations, we strive to incorporate ESG into all aspects of our business by:

1. Providing affordable, high quality housing options for families
2. Mitigating adverse impacts on the environment
3. Contributing to the well-being of our residents and their communities
4. Conducting our business according to the highest ethical and legal standards

Environmental

2021 Highlights

- \$480.6 million spent in home renovations
- 16,444 ENERGY STAR Refrigerators purchased
- 15,739 ENERGY STAR Dishwashers purchased
- 1,115 Highly Rated Seasonal Energy Efficient HVAC systems purchased
- 1,004 Highly Rated Seasonal Energy Efficient Heat Pumps purchased, of which 89% were also ENERGY STAR certified
- \$48,000,000+ spent in long life cycle products

Our Commitment to the Environment

At Pretium, we are committed to mitigating adverse environmental impacts from the Pretium SFR Portfolio by adopting environmentally friendly practices in our portfolio construction, home renovations, and SFR operations.

\$450 million

Investment in reducing our homes’ environmental footprints since 2017

At the core of our environmentally friendly SFR platform is our renovation program, which reduces the environmental impact of the initial renovations and continues to offer environmental benefits once the home is occupied by residents. We believe that choosing environmentally preferable products in our renovations is the best way to serve our residents and the environment. We see this as just the beginning of our path on reducing environmental impact.

2021 Renovation Spending

We have renovated nearly 14,000 homes while spending \$34,000 per home on average



Nearly \$500 million invested in home renovations in 2021

Given the extensiveness of our overall renovation program, the environmentally preferable policies have proven to have a significant impact on our overall performance. To date we estimate that we have saved 1 million kWh electricity (equal to the total yearly energy use of roughly 95 homes) through our various strategies.

Renovation Strategy



1 million kWh
electricity saved



Total yearly
energy use of
almost 95
homes



Our impact-reduction strategy focuses on implementing best-in-class efficiency measures to address the energy, water, and waste associated with our operations.

Energy Initiatives: we strive to choose the most energy-efficient materials, appliances, and technologies for our homes and to implement energy saving practices at every stage of the property life cycle.

Our energy initiatives include ENERGY STAR-rated equipment and appliances, Smart Home technologies including climate control, LED lighting, and more. In 2021, we saved an estimated 750,000+ kWh of energy through these initiatives. We continue to expand our energy-saving efforts and look forward to higher energy savings in the coming years.

Water Initiatives: we reduce water waste through implementing low-flow water fixtures and aligning our landscaping practices with the environmental needs of the location (including xeriscaping when practical).

Since 2020, approximately 98% of the dishwashers we have purchased earned ENERGY STAR certification and a standard-sized ENERGY STAR certified dishwasher can save an average 3,870 gallons of water over its lifetime. We have also taken measures to reduce water waste in the landscaping process and we estimate that between 90-95% of our properties in naturally occurring arid environments (Phoenix, Las Vegas, and Tucson) incorporate practices that require little or no irrigation.

Waste Initiatives: in the interest of reducing our waste, we employ a variety of programs focused on choosing products with long life cycles as well as reusing and recycling materials.

In 2021, we spent over \$48,000,000 on long life cycle products and will continue this commitment to durable materials in 2022. We also launched new waste elimination initiatives, including a program to responsibly collect and recycle mercury-containing thermostats that are taken out of use.

Social

For Pretium and Progress Residential, our customers are our top priority. The coronavirus pandemic has caused enormous upheaval for our country and continues to impact American families. We have been committed to assisting our residents throughout this challenging time above and beyond federal and local requirements, including by...

- Facilitating nearly \$100 million in rent forgiveness and other forms of financial assistance, with more coming each day
- Providing over 30,000 payment plans to residents in financial need
- Helping thousands of residents secure rental assistance
- Hiring nearly two dozen additional employees to notify, engage with, and assist residents who may have a financial need.
- Declining to report adverse payment history to credit bureaus
- Voluntarily maintained the Centers for Disease Control and Prevention's eviction moratorium (and continued to accept declarations) through the end of 2021, long after the moratorium and any legal obligation to do so had expired
- Voluntarily dismissing eviction filings for residents who are engaged with us
- Putting programs in place if residents are behind on their rent payments

We have various other resident support programs in place. Here are just a few examples:

- Most employees per managed home of any scaled professional operator to support industry-leading service
- Proactively assist residents with obtaining rental aid
- Multiple resident support programs – including rent forgiveness – to mitigate impact of the pandemic on residents
- Actively break down artificial barriers to housing by removing jurisdictional obstacles and onerous documentation requirements
- Purposefully engage supplementary community resources to help residents

Governance

Pretium has established a strong governance framework that serves as the backbone of our organization. A few key aspects of the Pretium in-depth governance structure are:

ESG Managing Director, ESG Committee and ESG Task Force

In 2021 Pretium hired a senior leader to drive ESG and Social Impact. Led by the senior leader, an ESG Committee and ESG Task Force have been created to integrate ESG across strategies and operational companies.

DEI Committee

Made up of diverse and non-diverse professionals at all seniority levels to drive DEI throughout the organization.

Compensation Committee

This is a long-established firm committee whose mission is to align firm culture and drivers with socially responsible oversight.

Cash Management Process

Robust control framework across cash and capital activity as well as financial reporting. Third party administrator maintains books and records for commingled funds.

Risk Management Committee

Responsible for overseeing enterprise risk management framework and the funds and separate accounts managed including liquidity and funding risk, market risk, regulatory risk, and operational risk.

Firm Valuation Committee

Comprised of senior professionals across the firm who are not directly responsible for valuations who coordinate clear valuation policies and methodologies across investment strategies.

Appendix:

Environmental: Performance – Energy

Pretium is committed to reducing our energy consumption and its associated impact on our environment. We launched our energy conservation data collection program in 2020 and continue to expand the process each year. Below are examples of the various initiatives we have implemented to reduce our energy footprint and protect our environment.

Energy-efficient Equipment and Appliances

By replacing older inefficient appliances with new ENERGY STAR certified appliances, we are reducing the amount of energy consumed in our homes each year.

Products that earn the [ENERGY STAR](#) label meet strict energy-efficiency specifications set by the U.S. EPA helping to save energy and money while protecting our climate. [ENERGY STAR](#) certified products reduce air pollution and greenhouse gases caused by burning fossil fuels

Since 2020, approximately 98% of the refrigerators and dishwashers we purchased earned ENERGY STAR certification. The energy savings from dishwashers alone is estimated at 500,000 kWh/year.

HVAC Equipment Efficiency

Air Conditioners

The efficiency of central air conditioning systems is rated by a Seasonal Energy Efficiency Ratio (SEER). In general, the higher the SEER, the less electricity the system needs to do its job. The [minimum standard](#) SEER rating is 13 for air conditioners while [ENERGY STAR](#)[®] qualified central air conditioners must have a SEER rating of 14.5 to qualify.

To reduce energy consumption, Pretium has an established policy that air conditioning systems will have a minimum 14 SEER rating. Since 2021, approximately 97% of the air conditioning systems purchased had a 14 SEER rating or greater while approximately 5% of the units were ENERGY STAR certified with a 16 SEER rating. Compared to the minimum standard 13 SEER rating, our air conditioning systems save an estimated 258,000 kWh/year.

We are building upon this success with plans to increase our purchases of ENERGY STAR certified air conditioning systems.

Heat Pumps

[ENERGY STAR](#) certified [heat pumps](#) have higher ratings for seasonal energy efficiency ratio (SEER), energy efficiency ratio (EER), and heating seasonal performance factor (HSPF) and use about 5% percent less energy than conventional new models.

Since 2020, approximately 99% of the heat pumps we purchased had a 14 SEER rating or greater with 89% of the units having ENERGY STAR certification.

Smart Home Technologies

Homes that are [smart home](#) technology-enabled give residents the freedom to monitor their home from anywhere while also reducing heating and cooling energy costs.

Pretium is in the process of converting more of our managed portfolio into smart homes. Our current Smart Home program includes a Smart Hub, Smart Thermostat, Smart Lock, and Motion Sensor. Our Smart Home program is currently in 24,000 homes and is growing by 2,500 properties per month.

All of our smart homes are equipped with Smart Thermostats. We are currently installing the ENERGY STAR certified [T6 Honeywell Smart Thermostat](#).¹ According to [ENERGY STAR](#), heating and cooling consume more energy than any other appliance in the home, making smart thermostats an important choice in saving energy within the household. These devices offer the ability to monitor and adjust your home's temperature even when you are away. More importantly, they can be used to create schedules which automatically turn down your heating and cooling when it's not needed. Smart thermostats reduce excessive cold and heat, consequently preventing detrimental humidity and mold growth. The ability to remotely control the temperature is not only a benefit to our residents but also allows us to capture energy savings during vacancy by enabling a pre-set temperature range. Our goal is to replace 80,000 thermostats with Smart Thermostats in the next 3 years.

¹ Smart Thermostat model of choice may change as installations continue, but ENERGY STAR ratings will remain consistent

Vacant Properties

On average, the typical time that a Pretium home is vacant from move-out to move-in is about four weeks. During this time, there is a fine balance between keeping the home comfortable for future tenants, employees, and vendors, while also reducing utility use. Our Smart Thermostats allow us to set an energy-saving mode for the HVAC system. This mode has allowed us to reduce the HVAC run time by 41 minutes per day compared to control properties. Since its inception, over 3,600 homes have been enabled resulting in a savings of over 69,000 hours. If we assume an average HVAC cooling system operates at 4.0 kW, we saved an estimated 276,000 kWh of electricity.

Energy Efficient Lighting

According to the [U.S. Department of Energy](#) the light-emitting diode (LED) is today's most energy-efficient and rapidly-developing lighting technology. Quality LED light bulbs last longer, are more durable, and offer comparable or better light quality than other types of lighting.

Residential LEDs, especially ENERGY STAR rated products, use at least 75% less energy, and last up to 25 times longer, than incandescent lighting.

In addition, the long life cycle of an LED reduces the need to dispose of and replace bulbs. Once an LED has reached the end of its useful life, it can either be recycled or can be disposed of as normal waste in the United States.

As a part of our standard renovation process, Pretium replaces incandescent lighting fixtures in our homes with LED lighting fixtures.

Environmental: Performance - Water

At Pretium we understand that water is an invaluable resource and have taken many steps to conserve water use at our properties. Below are a few examples of the water saving initiatives we have established throughout our portfolios.

Low-flow Plumbing Fixtures and Appliances

A standard-sized [ENERGY STAR certified dishwasher](#) can save an average 3,870 gallons of water over its lifetime. Since 2020, approximately 98% of the dishwashers we purchased earned ENERGY STAR certification.

Drought Tolerant or Native Landscaping

In our drought prone markets, Pretium has incorporated various xeriscaping practices in the landscape design of our homes. We have selected rocks, pavers and other hardscape features as well as native, drought-tolerant vegetation, which minimizes the need for irrigation. We estimate that between 90-95% of our properties in naturally occurring arid environments (Phoenix, Las Vegas, and Tucson) incorporate xeriscaping practices.

Programmable Irrigation

Pretium has installed programmable irrigation controls in various properties to allow users to select irrigation only when it is necessary. We provide a video in the resident section of our website, explaining the use of these controls to regulate water usage and mitigate waste.

Maintenance and Replacement of Fixtures

As a part of our renovation program, we perform maintenance and replacement of plumbing fixtures, appliances, and irrigation systems. This ensures that all systems are operating efficiently and are minimizing waste.

Environmental: Performance - Waste

According to the [U.S. EPA](#), reducing waste can not only prevent pollution, save energy, and reduce greenhouse gas emissions but can generally help sustain the environment for future generations.

In the interest of reducing our waste we employ a variety of programs focused on choosing products with long life cycles as well as reusing and recycling materials.

Product Life Cycle

Selecting products with a long life cycle will result in the product being replaced less frequently. Accordingly, less waste is generated, and environmental impacts associated with product replacements are reduced.

At Pretium, we have included various long life cycle products as a part of our property renovation program. We utilize quartz countertops in kitchens and bathrooms in lieu of laminate countertops. We install hard-surface flooring to replace carpet in certain areas, eliminating waste from repeated carpet replacements. Similarly, we have selected longer-lived (30 year) roof products. In 2021, we spent over \$48,000,000 in long life cycle products and will continue this commitment to durable materials in 2022.

Thermostat Recycling

Pretium has partnered with a recycling program to responsibly collect and recycle mercury-containing thermostats that are taken out of use. We have partnered with The Thermostat Recycling Corporation (TRC) which is a non-profit stewardship organization, 501(c)(6), that facilitates and manages the collection and proper disposal of mercury-containing thermostats. Mercury has been shown to have harmful effects on the environment as well as individuals. For this reason, the goal of this program is to properly dispose of the mercury and to keep it out of landfills.

Product Reuse

Pretium looks for opportunities to reuse materials while still meeting the high-quality standards that we have established for our properties. One program that has been implemented when renovating properties is to paint cabinets that are in good condition rather than replacing. This not only avoids sending materials to a landfill but also avoids the environmental impact associated with manufacture and installation of new materials.

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