

ESG Policy and Objectives

Introduction

Mesirow Financial Direct Real Estate (MFDRE) is a division of Mesirow Financial Investment Management, Inc. (MFIM), a wholly owned subsidiary of Mesirow Financial, Inc. (The Firm). The primary strategy of the MFDRE commingled investment funds is to invest in value-added real estate opportunities in the multifamily sector located solely in the United States, diversified by geography, economy, reposition strategy, construction type, and vintage year. Our primary responsibility is to maximize the financial return of our clients' investments. As a direct or controlling member of owned real estate assets, MFDRE acknowledges the importance of evaluating and implementing Environmental, Social, Governance (ESG), and Health and Well-being initiatives into each of the real estate assets and communities where we invest.

We recognize there are direct and indirect environmental and social implications to all the decisions we make as an investment manager. We are committed to fully integrating ESG principles, whenever feasible and practical, across our real estate portfolios including, but not limited to:

- investment screening during due-diligence,
- investment decision-making and approval,
- asset management,
- property management,
- resident engagement, and
- community engagement.

Further, we believe by taking an active and disciplined approach, we can successfully elevate our impact on environmental and social initiatives, while meeting and/or enhancing the needs of the stakeholders and fulfilling our fiduciary responsibilities to each of our clients. Our ESG objectives across our real estate portfolios are outlined below.

Oversight and Responsible Parties

MFDRE has a dedicated task force that focuses on ESG Factors including annual ESG reporting to the Global Real Estate Sustainability Benchmark (GRESB), membership in and reporting to the United Nations Principals for Responsible Investing (UNPRI), participation with the Firm's ESG/Corporate Responsibility Task Force, and active engagement with the Asset Managers for each of the portfolio's investments. The committee membership includes representation from the various departments within MFDRE including as asset management, portfolio management, acquisitions, investor relations, and compliance. The committee reports to the CEO and Head of MFDRE, Alasdair Cripps.

ESG Objectives

MFDRE has committed to fully integrating the following ESG Objectives across its portfolios and ongoing investment process.

Environmental

- Reduce controllable (a) energy consumption, (b) emissions, (c) water usage, and (d) waste, during our investment ownership period, with a target of 5% per year over the long term (whereby our typical hold period is 4 to 7 years for each investment).
- Evaluate and implement low-cost measures, capital improvements, and new technologies with the intent to improve energy efficiency and financial performance of our assets each year.
- Reduce our properties' negative impact on the environment by actively managing the procurement of energy in deregulated energy markets. Our goal is to have at least 50% of procured energy contracts providing energy from renewable sources by 2025.
- Monitor and set goals for 100% of our properties across all portfolios using Energy Star Portfolio Manager each year.
- Evaluate environmental risk factors during every investment's due diligence and decision-making process. Develop plan for mitigating risk factors deemed "high", if potential investment is acquired.

Social

- Provide tools and resources to educate and engage our third-party property management teams on ESG and sustainability issues.
- Promote the health and well-being of residents at each of our property investment communities by providing services and amenities such as fitness centers, yoga or spin rooms, swimming pools, bicycle storage and repair stations, and green spaces.
- Encourage our employees to play active roles in the growth and development of the surrounding communities in which they live and work through volunteering and charitable contributions.
- Support diversity and inclusion in our team by providing training, communications and creating a work environment that optimizes the full potential of our employees.
- Encourage our third-party property management teams to host community / resident events in efforts to enhance a collegial sense of belonging and inspire residents to gainfully impact the community in which they live. Additionally, each property is encouraged to host food, clothing and toy-drives around holidays.

Governance

- Implement emerging ESG practices through the direction of the Firm's ESG/Corporate Responsibility Taskforce and integrating sustainability into our decision making by incorporating senior management.
- Report progress on ESG matters annually to the Firm's ESG/Corporate Responsibility Task Force.
- Disclose our ESG strategy and performance to investors through reporting frameworks such as the Global Real Estate Sustainability Benchmark (GRESB) and United Nations Principles for Responsible Investment (UNPRI).
- Ensure that our employees adhere to the highest standards of honest and ethical conduct through each employee's acknowledgement and confirmation of compliance with the Firm's ESG Policy and Code of Conduct.
- Maintain formal policies and internal control procedures.
- Engage qualified and reputable service providers, vendors, and independent auditors
- Report ESG issues involving potential acquisitions to the Investment Committee which includes senior leadership of the Firm.

Responsible Investment Guidelines

Sustainability

Mesirow Financial Direct Real Estate (MFDRE) uses sustainability, which includes methods and practices that maximize energy efficiency and minimizes environmental impact as a tool to drive value for investors. MFDRE does this through integration of environmental, social, and corporate governance (ESG) considerations into investment

management processes and ownership practices in the belief that these factors can have an impact on financial performance. Our goal is to integrate sustainability analysis and initiatives focused on the life cycle of each investment relative to its geographical submarkets and the community each asset serves. As a fiduciary, initiative selection involves thoughtful analysis and expected results, thereby reducing the impact our assets have on the environment while maximizing the financial return of our client's investment.

The Firm is currently a signatory to the United Nations Principals of Responsible Investment (UNPRI) and considers the principles of UNPRI when making investments and setting investee company policies:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Be active owners and incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance our effectiveness in implementing the Principles.
- Report on our activities and progress towards implementing the Principles.

MFDRE incorporates sustainability in the Real Estate Asset life-cycle in the following ways:

Pre-Investment (Acquisition Team)

- Once MFDRE has been awarded a potential investment and the due-diligence period begins, the Acquisitions Team will conduct the following:
- Evaluate the investment's usage and cost of energy, water, and waste. Up to 24 months of utility bills and historical utility costs should be requested from the seller to determine whether the potential investment operates in line with internal Key Performance Indicators.
- Engage a qualified Energy Auditor to conduct a Level 1 Energy Audit during on-site inspections. The Level 1 Energy Audit should evaluate the efficiency of lighting fixtures, light bulbs, appliances, mechanical equipment, water usage in common areas, amenities, and unit dwellings. The vendor should provide a detailed report identifying opportunities for improvements, providing cost estimates, estimated cost savings, and estimated usage savings. All accretive improvements should be included in the asset's overall strategy.
- On qualified investments, finance via Fannie Mae or Freddie Mac's Green Program to obtain financing at a lower interest rate by making improvements to energy and water components of the potential investment.

- Determine whether the potential investment is in a deregulated energy market. If energy can be purchased from energy suppliers, the Acquisitions Team should engage an Energy Broker to generate cost savings. Additionally, when feasible, energy should be procured from renewable sources such as Solar, Wind, Hydro, or other renewable sources to reduce greenhouse gas emissions from the property.
 - Assess the property's location attributes by evaluating 3rd party metrics such as Walk Score, Crime Score, and Transit Score.
 - Engage consultants to conduct risk assessments on climate risks such as earthquakes, flooding, hurricanes, coastal erosion, tornadoes, wildfires, drought, water scarcity, and snow loads. All climate risks applicable to the potential investment should be mitigated with appropriate levels of insurance and other appropriate climate risk mitigation techniques.
 - Evaluate indoor environmental quality by reviewing the current owner's policies relating to indoor environmental policies such as community smoking restrictions in dwelling units and around the community, use of low VOC (volatile organic chemicals) paint, the storage of hazardous chemicals used on site such as pool chemicals, paint, solvents, and cleaning supplies. Further evaluation should consider whether dwelling units have appropriate fresh air returns, appropriate HVAC filters and a regular filter replacement schedule.
 - Engage a qualified vendor to conduct a Phase I Environmental Site Assessment (ESA) on every potential investment during due-diligence. If contaminants are identified a Phase II ESA would be conducted to identify the impact of those contaminants. A plan to remediate those contaminants would be made before acquiring the investment.
 - Report ESG issues and opportunities identified during due-diligence to Investment Committee for consideration in investment decision.
 - Upon acquisition, the Acquisitions team will provide a memorandum communicating all identified ESG issues and opportunities identified to the Asset Manager.
- Property Management (Asset Managers and 3rd Party Property Managers)**
- Upon acquisition and on an on-going basis, the Asset Manager and Property Manager will conduct the following:
- Utilize Energy Star Portfolio Manager to monitor and establish goals
 - Contact utility vendors to transition all utility accounts under the control of MFDRE's designated entity.
 - Engage 3rd Party Utility Billing Company (Conservice or Yardi Energy Services) to process electric, gas, and water bills and track usage and consumption.
 - Review the Level 1 Energy Audit conducted during due-diligence and outline energy reductions and sustainability initiatives with applicable payback/returns. All accretive improvements should be considered for inclusion in the capital renovation budget.
 - Upon takeover, conduct an audit of lighting controls/sensors, energy contracts, utility meters, and major electrical and water components to determine whether additional opportunities exist for these systems.
 - Develop and implement low/no cost options for reducing trash waste, energy usage and water consumption.
 - Obtain utility provider tenant release so tenant utility data can be obtained by MFDRE, if needed. Tenant release should be sent to all existing residents and new residents at the time of lease signing.
 - Evaluate HVAC settings with a goal to set the temperature to the most efficient temperature in amenity spaces, leasing office, and corridors. Also, ensure access to thermostats should be controlled so temperatures aren't adjusted outside of the most efficient/comfortable temperature.
 - Contact all utility providers or engage a third-party consultant to identify rebates for energy efficient improvements on LED bulbs, lighting fixtures, smart thermostats, and major building components.
 - Review all utility bills for the preceding 12 months to ensure inactive meters are disconnected and not incurring charges.
 - Review trash/recycling bills for the preceding 12 months to ensure vendor is on an efficient pick-up schedule.
 - Evaluate opportunities to divert waste from the landfill such as donating household goods and furniture to local shelters/Goodwill or create an area onsite for composting. The Property Manager should attempt to quantify the tonnage diverted from landfills.
 - Document all common area and dwelling unit meters and maintain meter information as replacements occur.
 - Engage energy brokers in deregulated energy markets to obtain the lowest cost for electricity or natural gas. When feasible, energy from renewable sources should be purchased from the energy supplier.
 - Develop and maintain Emergency Response Plan specific to the property. Include Property Management Company policies and plan to address floods, tornadoes, hurricanes, etc.
 - Ensure accurate reporting and management of utility data for the property via ESG Quarterly Report. The ESG Quarterly Report should include a Meter Status Report, Utility Usage Report from Goby Software or 3rd Party Utility Billing Provider, explanation of variances compared to prior year and prior month, Diverted Waste Report, progress of efficiency improvements, a narrative on steps

taken to reduce electric usage, water consumption, and trash waste in the current quarter and ideas to implement the next quarter. The ESG Quarterly Report should be included in the March, June, September, and December monthly owner's report.

- Communicate importance of ESG and update residents with ESG milestones such as reduced usage, consumption, and waste, Energy Star building ratings, Green Certifications, etc.
- Engage residents by conducting satisfaction surveys at move-in, after maintenance visits, move-out, and at least one per year.
- Property Manager should ensure office lights, mechanical closet lights, and equipment is turned off at the close of business each day.
- Comply with U.S. Federal Law, when applicable, regarding, child labor, bribery and corruption, forced or compulsory labor, freedom of association, health and safety requirements of contractors, health and safety of employees, human rights, and labor standards and working conditions.

Leasing

- Stay apprised of any upcoming legislation/laws in the market that may impact assets from a leasing perspective.
- Convey sustainable and green building initiatives to the prospective residents to differentiate the asset in the submarket and promote lower resident occupancy costs.
- Provide education materials to, and assist if needed, residents on using the Smart Thermostat, if applicable.
- Leasing software should be 100% paperless.
- Include "green lease" language as a part of the lease template encouraging disclosure of energy consumption and related costs paid by resident.

Repairs, Maintenance, and Capital Renovation

- When implementing significant changes at a property (new roof, LED lighting retrofit, HVAC repairs/replacements, irrigation repairs/replacements, etc.), investigate sustainable options along with traditional systems. If economically comparable, choose sustainable options whenever possible.
- The Capital Renovation/Construction Manager should include searches for government or utility company rebates/incentive programs for all capital renovation/repair bids.
- Stay informed about new technology, materials, or projects that can improve the building's efficiency and/or sustainability.
- Indoor environmental quality should be of the utmost importance as it directly impacts resident's health, safety, and well-being. Maintenance staff should develop an air

filter replacement schedule per the manufacturer's recommendation, check the fresh air return for obstruction, test the smoke and carbon monoxide detector. Also, Green Certified cleaning supplies and low VOC paint should be used and stored appropriately.

- Maintenance staff should strive to prevent pollution at the source by using environmentally friendly refrigerants and deicers.
- Preferred vendors and contractors should follow sustainable best practices including recycling of waste, using recycled building materials, green rated products, no/low VOC paints, etc.

Developments

MFDRE will make investments in ground-up joint venture developments as an equity partner. We target development opportunities in urban infill areas near public transit and having high walkability to demand drivers or employment centers. We strive to develop high-quality multifamily and mixed-use properties that offer attractive returns for our investors. We incorporate ESG into our decision-making processes by implementing changes to plans and specifications impacting energy efficiency, health, safety, and wellbeing of residents, and reducing the building's impact on the environment.

MFDRE requires that all development projects utilize environmental consultants to conduct an Environmental Site Assessment in addition to Geotechnical studies, floodplain studies, and other studies depending on potential risks impacting the project.

We require all development partners such as the developer, general contractor, consultants, and subcontractors to comply with Governmental Requirements impacting the following, when applicable:

- Conservation, Protection, and Restoration of farmland, floodplain functions, aquatic ecosystems, historical and heritage sites, and habitats for native, threatened, and endangered species
- Remediation of designated as brownfield sites
- Appropriate disposal of construction and demolition materials
- Worksite safety requirements
- Noise, light, and air pollution from construction impacting the surrounding community
- Hazardous or potentially hazardous building materials and disclosure requirements
- Energy Efficiency and Benchmarking requirements
- Water efficiency and water management requirements
- Emergency and Disaster Plans
- Building specifications and life-safety systems
- Other requirements as required by Government Regulation

Social Responsibility

Mesirow Financial's commitment to social responsibility is embedded in our firm's culture and has been for more than 80 years. We feel a strong responsibility to foster the vitality of the places where we work and live, and to promote the wellbeing of our communities.

Diversity and Inclusion Efforts:

We view diversity and inclusion as essential to continued growth in the financial services market and we are dedicated to creating career pathways through various opportunities.

- Through a partnership program with Cristo Rey, Mesirow Financial employs high school interns during the academic year, exposing them to business skills and the financial services industry.
- Through our ongoing on-site partnership with the Anixter Center, we employ individuals with disabilities and provide adequate training, assisting in their goal of securing full time employment.
- In 2018, we launched a two-year Investment Management Analyst Rotational Program aimed at facilitating an entry-point for diverse recent graduates. The program consists of four six-month rotations in various Investment Management businesses.
- We are proud to have received recognition by the Human Right's Campaign as a Best Place to Work in 2019, having received a perfect score on the 2019 Corporate Equality Index.

Investment in our Communities:

Mesirow Financial's commitment to social responsibility is a critical aspect of our firm's culture.

- We leverage our resources – financial contributions, employee volunteering, mentoring and in-kind services – to support organizations that focus on education, economic development, health care, arts and culture, services for the disabled and more.
- With a strategic focus on education, our firm began a partnership in 2013 with United Way of Metropolitan Chicago, focusing on a deep-rooted commitment to the Brighton Park community where the majority of our funding and service efforts are directed.
- Our funding supports Brighton Park Neighborhood Council's Parent Mentor program, placing parents in the classroom as teachers' assistants – further connecting families with the schools.
- Through mentoring with Big Brothers Big Sisters of Metropolitan Chicago, Mesirow Financial employee volunteers help shape the future for Brighton Park youth.
- Employee volunteers provide fundamental financial education into Brighton Park schools through Big Shoulders Fund.

- With Mesirow Financial's support, Urban Gateways brings performing arts presentations into Brighton Park middle schools.
- Hand-in-hand with Chicago Cares, Mesirow Financial has made facilities improvements in Brighton Park schools.

Enhancing our Employee Experience:

Mesirow Financial looks to optimize our workplace for all employees.

- Introduced in 2018, the Employee Value Program aims to provide Mesirow Financial employees with the best possible holistic experience through targeted benefits, career training and workplace enhancements.
- Employee Resource Groups (ERGs) are designed to encourage collaboration and teamwork and offer many opportunities for employee engagement. Our ERGs include:
 - PeerConnect – is designed to improve employee engagement, further personal and professional development and strengthen networking skills
 - PrideConnect – is designed to provide education, resources and support for those who identify as LGBTQ and their allies
 - WomenConnect – is designed to provide educational, business and professional development events for female employees and clients

Corporate Governance

Code of Ethics

It is the policy of Mesirow Financial that all employees should adhere to the highest ethical, business, and legal standards in the conduct of their business and in their dealings with business contacts. We have established a set of regulations to provide guidance of the legal and ethical guidelines that employees are expected to follow. Every employee, without exception, is expected to become familiar with the Code of Ethics, adhere to the Code and report any violations. The Code includes policies on matters such as:

- Personal securities transactions
- Insider trading
- Political contributions
- Anti-money laundering
- Whistleblower
- Confidentiality
- Gifts and entertainment
- Customer complaints
- Records retention

The Code of Ethics falls under the Mesirow Financial Investment Advisory Compliance Manual. Upon being hired at Mesirow Financial, all employees must acknowledge that they have received and read a copy of the Manual and must also undergo periodic training. On an annual basis, all employees must confirm that they understand the requirements of the Compliance Manual. Additionally, employees must acknowledge that they will abide by the Mesirow Financial Code of Ethics, Insider Trading Policy, and the Anti-Money Laundering Policy.

Further, Mesirow Financial has designated a Chief Compliance Officer to administer implementation of the policies and procedures within the compliance program.

Key Employment Policies

Mesirow Financial has also established an Employee Manual, distributed to all employees, that covers policies critical to ensuring a safe and inclusive workplace that, amongst others, includes:

- Equal Employment Opportunity Policy
- Anti-Harassment and Anti-Bullying Policies
- Workplace Violence Policy
- Drug-Free Workplace Policy
- Internet and Information Policies
- Proxy Voting

Reporting

MFDRE participates in annual reporting of ESG Practices via the following formats:

- Annual GRESB submission – Organization wide established policies and programs and MFREVF II (Fund 2), MFREVF III (Fund 3) specific ESG Performance. Results are shared internally to the Firm employees as well as investors requesting access to GRESB results.

The Firm participates in annual reporting of ESG Practices via the following formats:

- UNPRI – Organization wide established policies and programs for each business unit. Results are shared publicly.

Mesirow Financial Institutional Real Estate Direct (“MFDRE”) is a division of Mesirow Financial Investment Management, Inc., an SEC-registered investment advisor. Mesirow Financial refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow Financial name and logo are registered service marks of Mesirow Financial Holdings, Inc., © 2020. All rights reserved.

This communication contains confidential information. It is intended solely for the use of the addressee. If this information was received in error, you are strictly prohibited from disclosing, copying, distributing or using any of this information and are requested to contact the sender immediately and destroy the material in its entirety, whether electronic or hardcopy. Some information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice.

Nothing contained herein constitutes an offer to sell or a solicitation of an offer to buy an interest in any Mesirow Financial investment vehicle(s). Any offer can only be made to Qualified or “accredited” investors through the appropriate Offering Memorandum. The Memorandum contains important information concerning risk factors and other material aspects of the investment and should be read carefully before an investment decision is made. Mesirow Financial does not provide legal or tax advice. It should not be assumed that any reference to past performance or recommendations incorporated herein will be profitable or will equal past performance. Projected or hypothetical or model performance information and results do not reflect actual trading or asset or fund advisory management; the results may not reflect the impact that material, economic and market factors may have had, may be materially different from actual results, and can reflect the benefit of hindsight on MFDRE’s decision-making if MFDRE were actually managing client’s money. It should be assumed that client returns will be reduced by advisory, management or any other such fees and expenses that may be incurred in the management of the account. Advisory Fees are described in MFDRE’s Part 2 of the Form ADV. Performance information provided also contemplates reinvestment of dividends. Any chart, graph, or formula should not be used by itself to make any trading or investment decision. Securities offered through Mesirow Financial, Inc., member FINRA and SIPC.

