



Avanath Carbon Policy

The residents of Avanath's affordable housing communities are often disproportionately impacted by climate related disasters and volatile energy costs. Managing and reducing our carbon emissions to ensure a livable future for all is a key component of our mission to provide hard-working families higher quality, well maintained, and safe value rental housing. We seek to lead by example in the affordable multifamily sector. By setting ambitious carbon goals, we can mitigate operational risks while providing energy security and reducing utility costs for our residents.

Avanath's Carbon Goals: The Pathway to Net Zero

Carbon Neutrality by 2025

Avanath is committed to achieving carbon neutrality by 2025. This means that our greenhouse gas (GHG) emissions from operational scope 1, scope 2, and scope 3 emissions will be reduced or balanced by an equal volume of renewable energy (on-site or off-site) and carbon offsets in 2025 and going forward. We view the achievement of carbon neutrality as an interim goal and steppingstone toward achieving net zero carbon by 2050.

Incremental Carbon Emissions Reductions through 2030

Avanath is committed to aligning its operations with the goals established in the Paris Treaty and intends to meet or exceed the minimum required science-based emission reduction pathway. To align with a 1.5 degree warming scenario, Avanath is focused on achieving an average of 4.2% reductions in absolute emissions per year using the year 2020 as a baseline.

Net Zero by 2050

Carbon neutrality will serve as an interim goal on our path to achieving net zero carbon by 2050. Throughout this journey, Avanath will need to evaluate our operations, identify and implement carbon mitigation strategies, and disclose progress toward this target at least annually. We will incrementally expand and maximize the percentage of emissions reductions attributable to operational improvements and on-site renewable energy generation in order to reduce our reliance on the procurement of Renewable Electricity Certificates (RECs) and carbon offsets.

Setting a Science-Based Target

Our approach to reducing carbon emissions focuses on meaningful strategies that consider the latest climate science. Our carbon emissions reduction target is generally aligned with what is required of the Science-Based Targets approach.

Decarbonization Strategy

To meet our carbon ambitions, in 2022, Avanath is developing a measurable operational emissions reduction strategy. This strategy follows a sequenced approach to guarantee the most cost-effective, practical, and environmentally sound outcomes. The core tranches of this strategy and areas of focus for the coming year are summarized below.

Carbon Footprint

The first step in meeting our carbon goals is to measure the current impact of our portfolio. In 2022, Avanath will calculate a carbon footprint for scope 1, scope 2, and scope 3 emissions from landlord and tenant energy consumption in calendar year 2021. Understanding how we are currently

performing on carbon emissions, and re-calculating this annually, will enable us to track progress toward carbon reduction goals and targets.

Energy Efficiency

Expanding upon Avanath's existing energy and water efficiency strategies at our communities will play an important role in decarbonization efforts. In 2022, we are administering an Energy Conservation Measure (ECM) survey to all properties as a fast and low-cost way to identify properties with the greatest opportunity. Avanath will use the survey results to quantify potential carbon emissions savings and cost reductions from identified efficiency measures, enabling us to prioritize those that provide the greatest financial returns and carbon impacts.

Renewable Energy and Green Power

Avanath is committed to maximizing renewable energy generation and green power consumption across our portfolio to reduce carbon emissions. In 2022, we are working with a trusted provider to conduct on-site renewable energy feasibility assessments for our communities and identify cost-effective opportunities that will deliver meaningful carbon reductions. This vendor engagement will enable us to maximize the installation of on-site renewable energy at all sites where it is feasible to do so. The goal in deploying on-site renewable energy is to meet the energy needs of our residents while minimizing impacts on the environment.

In addition to increasing on-site renewable energy generation, Avanath will expand current efforts to procure green power across the portfolio. In 2022, we are developing a green power procurement policy and screening vendors that can help guide and support a centralized approach that considers regional variations in the green power market.

Renewable Energy Credits (RECs)

After exhausting opportunities to reduce energy consumption through ECMs, electrify fossil fuel-based systems, and maximize renewable energy generation and procurement, Avanath will need to offset remaining emissions to achieve carbon neutrality by 2025. This requires a thoughtful REC procurement policy that balances cost, impact, and integrity of suppliers.

This year, Avanath will develop investment criteria for the procurement of unbundled RECs and identify potential vendor(s). This will set us up for future success and ensure that these environmental instruments are procured in partnership with a reputable vendor that can meet the needs of our portfolio.

Due Diligence, Investment Evaluation, and Reporting

Revamped Due Diligence Process & Investment Evaluation

With this decarbonization strategy in place, Avanath can prioritize and integrate carbon emissions into its due diligence process. This may include expanding Avanath's current due diligence checklist and processes to incorporate methodologies for estimating annual carbon emissions from energy consumption at each asset as well as anticipated emissions reductions from identified energy conservation measures or opportunities for renewable energy procurement at each asset. Addressing carbon emissions reduction potential in the due diligence process will enable Avanath to consistently evaluate investments against defined criteria and ensure that new acquisitions are aligned with our ESG objectives. In 2022, Avanath will revamp its due diligence and acquisitions

process to specifically include consideration and prioritization of emissions reduction potential in the evaluation of new properties.

Reporting & Risk Management

Avanath is committed to publicly disclosing its GHG emissions data on an annual basis. This positions us to comply with the Security Exchange Commission's (SEC) proposed framework requiring public companies to disclose climate-related risks to shareholders and the federal government in annual filings.

Additionally, Avanath is utilizing the Carbon Risk Real Estate Monitor (CRREM) tool to establish property and portfolio-level carbon intensity reduction targets, enabling us track carbon emissions reductions needed over time to meet the goals of the Paris Agreement. The results of the tool will also help Avanath identify the magnitude and nature of transition risks, which could include shifting market expectations, energy efficiency ordinances, and carbon regulations, across our portfolio.