

2023 NEARON

ESG

REPORT



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Executive Letter

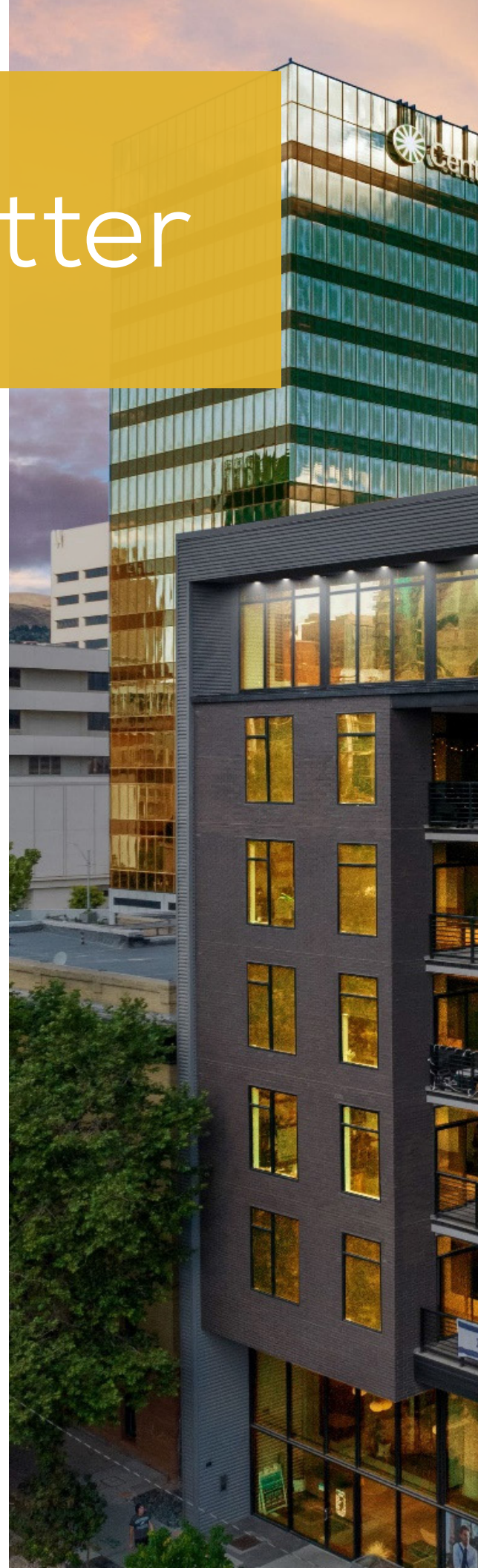
Nearon is pleased to present our inaugural Environmental, Social, and Governance (ESG) Annual Report. This year marked the official launch of our ESG Program, Committee, and Policy. Within this report, we are eager to outline our achievements and advancements through the conclusion of Q3, 2023.

While many commercial real estate firms prepare annual ESG reports primarily for their investors, Nearon is family-owned with no outside investors. Our ESG program is solely a product of our desire to be good stewards of our environment, our team and tenants, and society. We take great pride in the strides we have made in establishing our ESG goals and disclosing that progress in this first annual report.

In this report, we highlight some of our most noteworthy ESG efforts and spotlight a few meaningful accomplishments that exemplify our commitment to advancing our ESG efforts within our portfolio and company.

I want to recognize the efforts of our ESG Committee, who have worked diligently this year to launch this program. From myself, and all of us at Nearon, we hope that this report demonstrates our commitment to ESG and dedication to excelling at all that we do.

Tony Perino, President





“Our ESG program is solely a product of our desire to be good stewards of our environment, our team and tenants, and society”





Company Profile

Along with its predecessor companies, Nearon Enterprises was first incorporated in 1960 by Arthur David Nearon as a real estate development, property management, and investment company. Nearon remains a family-owned company today.

Nearon Enterprises, currently headquartered in Walnut Creek, CA, oversees over \$1.0 billion in assets, with properties concentrated in the Bay Area, Southern California, Utah, Arizona, and Colorado. Property types include office, industrial, and multifamily. We are proud of our dedicated employees and of our average tenure of over ten years – about 45% higher than the national average. The company's governance is provided by a Board of Directors, which is comprised of third-generation family members.



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Statement of Principle & Goals

Statement: We prioritize clean, renewable, and efficient operations to reduce our environmental impact.

Goals:

1. Make wise and efficient use of energy, water, and other natural resources.
2. Invest for the future by integrating resilience into the acquisition and operation of our properties.
3. Operate our properties cleanly and efficiently, so as to minimize carbon impact.

Targets & Net Zero Goal

After working diligently in 2023 to calculate our baseline, we have set the following sustainability targets, including a net zero goal for carbon emissions, to quantify our ESG commitment and to enhance our sustainability performance across our robust portfolio.

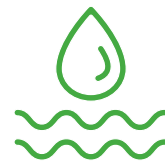


Energy Use

20%

portfolio-wide reduction by 2033

from a 2023 baseline



Water Use

20%

portfolio-wide reduction by 2033

from a 2023 baseline



Carbon Emissions

Achieve **net zero carbon emissions** across the portfolio by

2040



Waste

Increase waste diversion rate to

50%

by 2033

Environmental Initiatives

Nearon has deployed several environmental initiatives to help reduce our environmental impact through improved technologies and efficient operations. When designing new buildings and pursuing building upgrades, we prioritize energy and water efficiency. Below is a list of environmental initiatives we have undertaken to maximize the environmental performance of our portfolio over just the last 18 months.

Fiesta Building 3 (Development)

- Designed with a LEED® (Leadership in Energy and Environmental Design) certification in mind

Landmark II (Industrial)

- Landscape improvement with drought-tolerant landscaping and removal of turf areas

Sunset (Office)

- Engaged with appraiser/contractors to discuss salvage/reuse opportunities ahead of building demolition

El Cerro (Medical Office)

- HVAC replacements with conversion from R22 to R410A refrigerant and smart thermostats with remote viewing capabilities
- Irrigation controller replacement with Weather Smart HydroPoint Weather TRAK controller

Mode and Terra Vida (Multifamily)

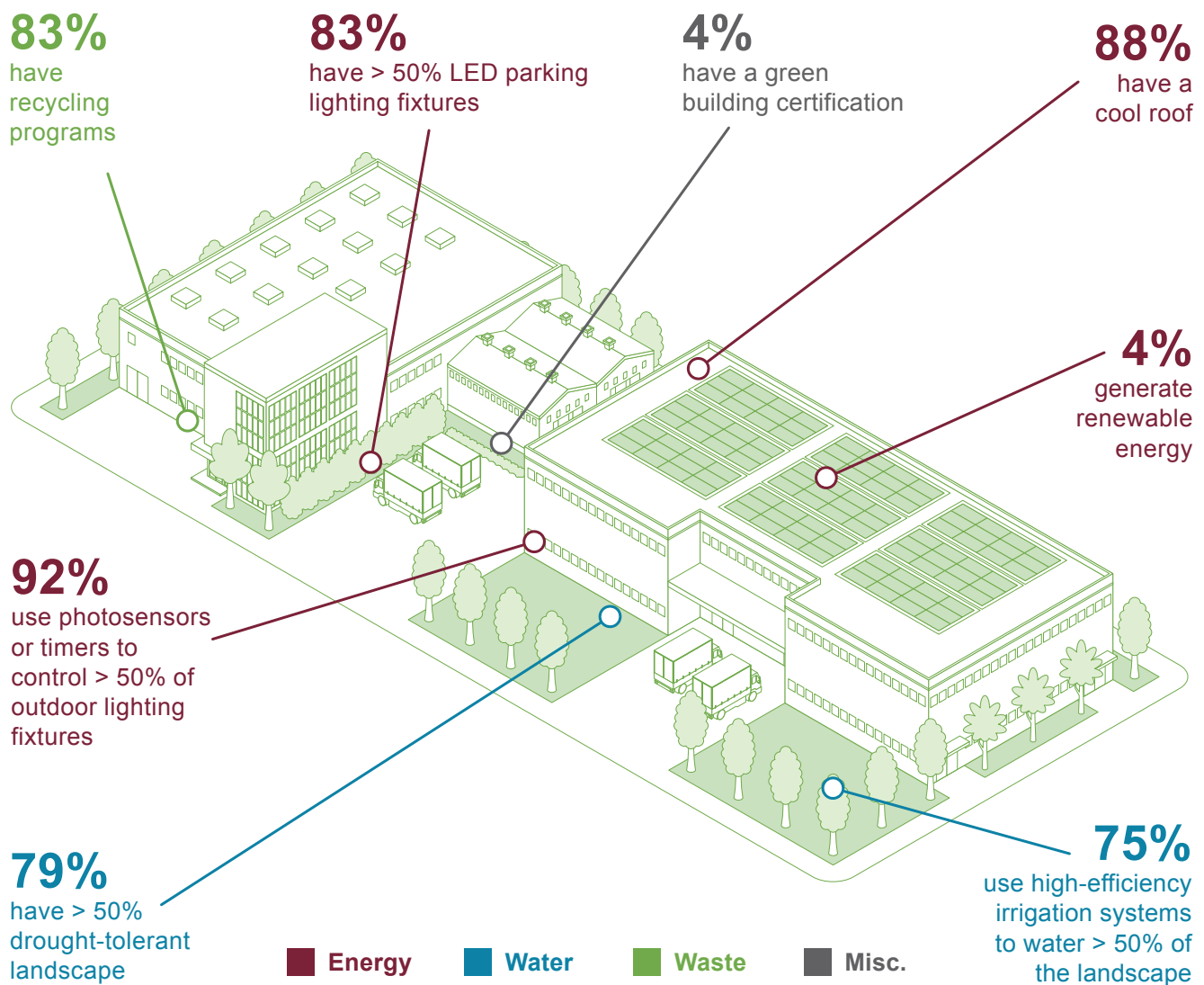
- Landscape improvements with evapotranspiration-based smart irrigation controller and drought-tolerant landscaping
- HVAC replacements with conversion from R22 to R410A refrigerant

Harold Gatty (Industrial)

- Landscape improvements with evapotranspiration-based smart irrigation controller and drought-tolerant landscaping
- Lighting upgrade with ultra-high-efficient warehouse lighting package (full daylight harvesting throughout, including exterior lighting)
- Skylight replacement with high prismatic skylights for increased photometrics and daylighting in warehouse

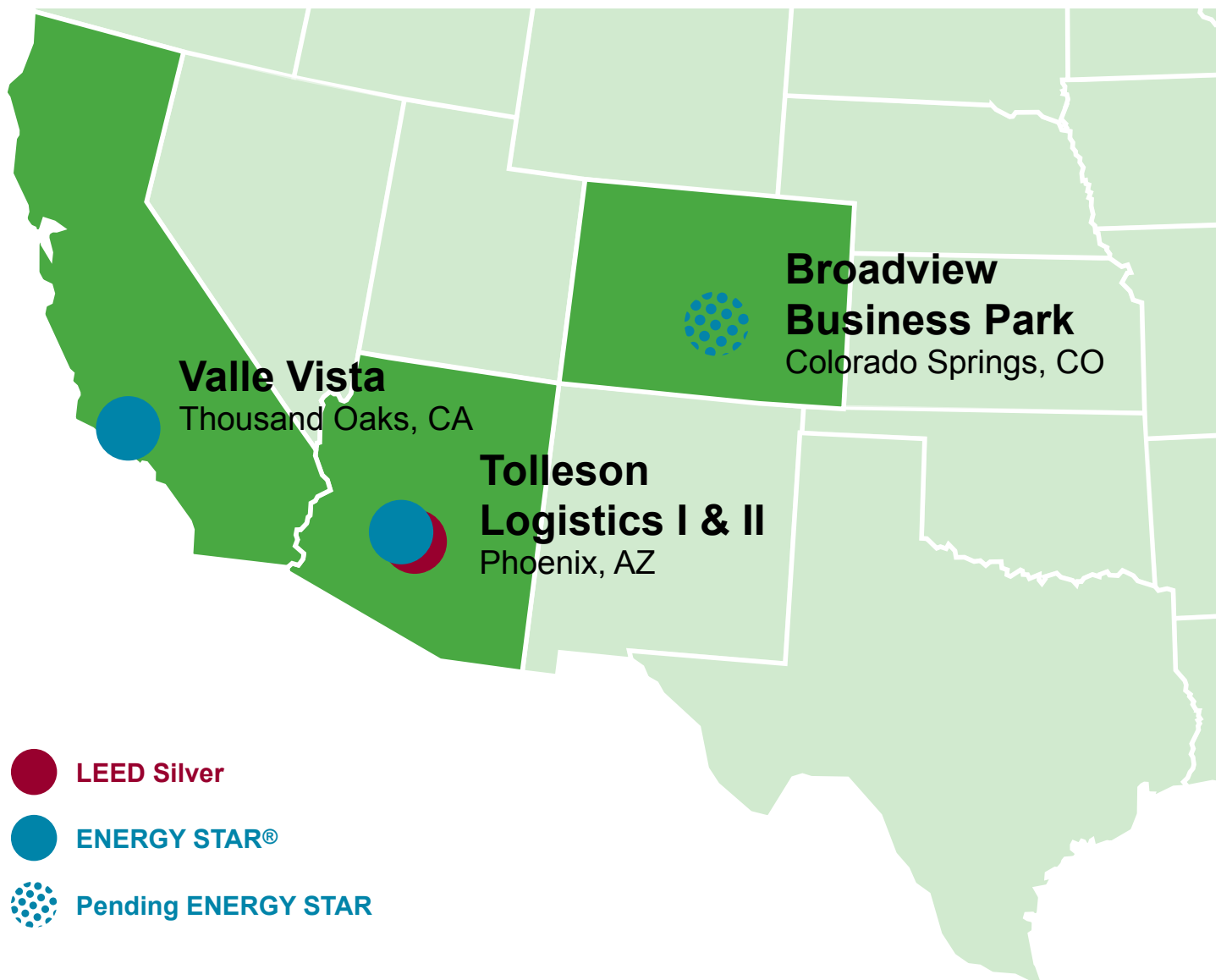
Sustainability Attributes

Nearon completed our first sustainability attributes survey in 2023, which assessed the sustainable features and programs for 24 of the properties in our portfolio. Below are a few standout figures that highlight our findings from the survey.



Green Building Certifications

Several of the properties in our portfolio maintain green building certifications, serving as third-party verification of the sustainability of our buildings. To date, nearly 4% of our properties have green building certifications – with more on the way!





Case Study

Tolleson Solar Array

In alignment with Nearon's desire to elevate the sustainability and environmental stewardship of our properties, in 2022 Nearon completed a solar array project at our 417,600 square foot Tolleson Logistics Center building in Phoenix, AZ. The success of this project is due, in large part, to the excellent collaboration between our team, the roofing contractor, and the solar contractor.

The Tolleson Logistics solar array is a 280KW rooftop photovoltaic (PV) system, perched atop the building at a 25-degree angle and securely anchored to the roof deck structure. The first chapter of the project began in the hot Arizona summer and involved meticulous design and permitting. By fall, the project had entered the procurement phase, where the necessary materials, equipment, and expertise were gathered. Installation began in September, and the project was completed in December – a quick turnaround for a project of this type and size.

This project exemplifies our Environmental Guiding Principle, as it helps increase efficiency and reduce the environmental impact of the building operations by prioritizing clean, renewable energy. The installation of this solar array helped the building to retain its LEED Silver certification.

It is interesting to note that the new solar array replaced a previously existing array. The goal was to achieve the same performance output, but with an upgraded electrical infrastructure to meet current code. This was achieved with a footprint 33% smaller than the prior array, due to the improved efficiency of the new system.

The project's success has paved the way for us to roll out similar projects. Nearon is currently working to identify opportunities to install solar arrays at other properties.







Statement of Principle & Goals

Statement: As an employer and landlord, we prioritize inclusive and healthy environments.

Goals:

1. Support our employees and tenants through safety, health, and well-being practices.
2. Provide access to resources, amenities, and benefits that enable employee, tenant, and resident well-being.
3. Promote an equitable workplace that values diverse perspectives and inclusive practices.

Employee & Tenant Health & Well-being Initiatives

Nearon is dedicated to providing our team members with benefits that exceed industry standards, giving them the resources they need to thrive inside and outside the work environment. Nearon provides the following benefits, along with competitive pay and strong working conditions, for our team members:

- Paid time off, 15-20 days per year (depending on tenure)
- 13 paid holidays
- Health insurance
- 401k program
- Access to company-owned vacation home in Hawaii
- Birthday and anniversary celebrations
- Team events



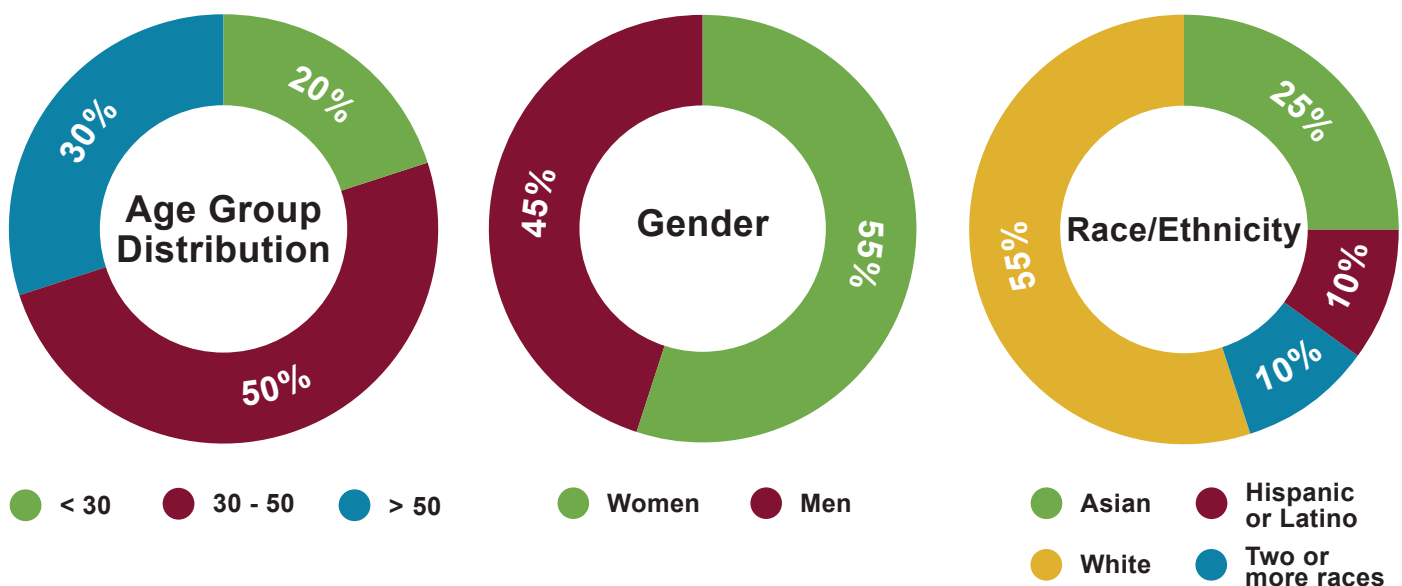
Nearon also has completed the following improvements to properties in our portfolio to enhance community engagement as well as physical and social well-being for our tenants:

- Clubhouse remodel and pool common-area amenities at our Mode and Terra Vida multifamily properties
- New gym and top-floor amenity space at The Morton multifamily property
- New gym, bike and locker room facilities, and additional recreational space at our 257 Tower office property

Diversity, Equity, and Inclusion (DEI)

Establishing and developing an experienced, diverse team of real estate professionals and advancing our DEI goal to promote an equitable workplace that values diverse perspectives and inclusive practices is a key priority at Nearon. We believe that a diverse, equitable, and inclusive company is a more innovative and successful one. Nearon has established a DEI Committee that champions and embraces our diversity of background, perspective, culture, and experience. The Committee tracks our DEI demographics and holds educational events and firm-wide DEI presentations.

Employee Diversity



Employee Engagement

Along with the outreach programs hosted at individual buildings, our team engages in various events that foster a sense of community, engagement, and a happy work culture. Community engagement events this year for our team included a bocce tournament, a Cinco de Mayo celebration, Founder's Day lunch, March Madness, a smoothie making seminar, e-waste events, the Fortinet golf tournament, and more.





Spotlight

257 Tower Tenant Engagement events

Nearon's 257 Tower is a 13-story, Class A office building located in downtown Salt Lake City, Utah. 257 Tower offers a range of office spaces that has led to a diverse tenant mix, which ranges from a radio station to financial services and law firms. Prior to the pandemic, we made a significant change to the building by transforming the offices on the first floor from primarily leasable space into a multi-use communal area. This conversion, which added a gym, locker system, bike storage facilities, and a café area with a popular coffee vendor, created a welcoming environment to entice employees to work in the office. This proved critical with the shift to remote or hybrid work, as our tenants are experiencing lower-than-normal in-person attendance. Our 2,500 square foot common area fosters a more interactive and socially vibrant work environment and a sense of community at 257 Tower. We also wanted the additional amenities and engagement events to remind our tenants that we value them and prioritize their satisfaction.

The tenant engagement events include a mix of annual favorites — and many tenant favorites involve food, including offerings of vegan cinnamon rolls, cookies, donuts, and a pizza party in honor of National Pizza Day. There are also remote events, which allow our tenants' employees who work mainly from home to stay engaged, including the annual virtual pet photo contest, featuring categories for cats, dogs, and other pets. The property management team at 257 Tower is proud of the buzz these events have generated and the excitement they bring to the tenants. Our engagement program helps to create a work environment that is both fun and fresh, enticing people to return to the office; several employees with hybrid schedules have told us they plan their office time around our events.



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Statement of Principle & Goals

Statement: We promote an ethics-first approach that fosters trust and drives lasting value.

Goals:

1. Lead with integrity and sound judgement in all our actions and decisions.
2. Protect all internal and external data by maintaining a robust security program.
3. Create strong financial returns through disciplined investing.

Company ESG Committee

Nearon's ESG Committee includes members from multiple departments — including asset management, administration, accounting, and property management, to ensure maximum feedback and inclusion. Due to overwhelming employee interest in joining the Committee, as well as our desire to prioritize the inclusion of fresh voices, a portion of the Committee members will switch out annually.



Policies & Handbook Updates

Nearon is in the process of adopting a suite of guides, policies, and procedures to help team members and tenants with the implementation of our ESG efforts. These include the following, which will promote a strong, transparent, and consistently implemented ESG Program:

Adopted:

- ESG Policy
- Health & Wellbeing Guide (Corporate and Property Level)
- Green Resident Guide
- Water Efficiency Guide

In Progress:

- Solid Waste Management Guide
- Energy Efficiency Guide

Planned for 2024:

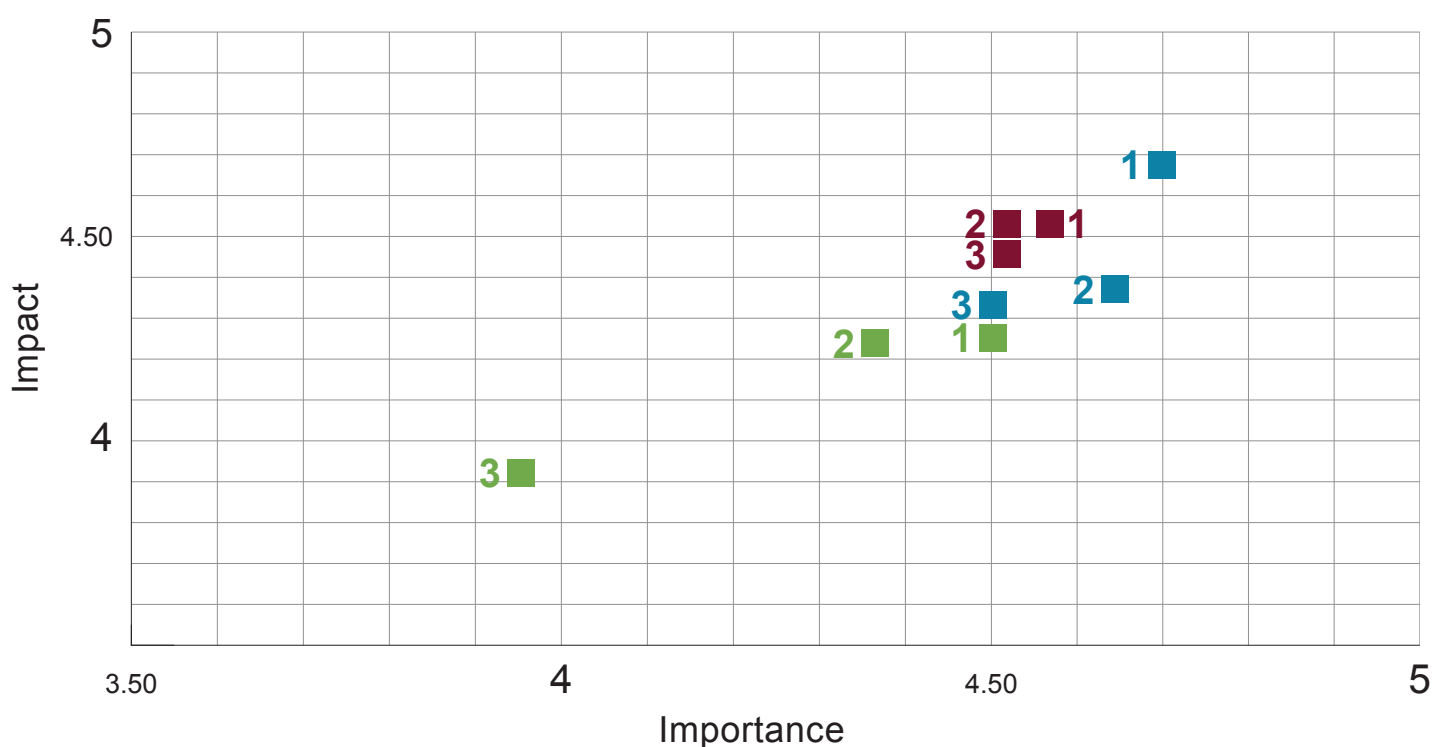
- New Development and Major Renovations ESG Guide
- Stakeholder Engagement Guide
- Green Cleaning Policy
- Tobacco and Smoke-Free Policy
- Green Lease Policy

Risk Management

We take risk management seriously at Nearon, implementing robust procedures to help ensure secure and resilient operations. For instance, as stewards of important internal and external data and information, Nearon hired the firm Nims & Associates to help transition our IT infrastructure to a Microsoft® cloud system. This transition eliminated the reliance on maintaining physical hardware and ushers in a new level of security, flexibility for remote work, and increased accessibility. In addition to the switch to a cloud based system, we also implemented new firewalls with a dual VPN tunnel to bolster the security and minimize risk.

Materiality

In 2022 we embarked on a Materiality Assessment with our third-party ESG consulting firm, Verdani Partners™. The extensive assessment, which identified ESG topics based on their business priority, sought input from internal and external stakeholder groups and provided us with important insights to help inform our ESG related efforts. The below graphic extrapolates the high-level findings from this survey.



Environmental	Social	Governance
1. Water Efficiency	1. Employee Health & Safety	1. Customer Service
2. Energy Efficiency	2. Employee Satisfaction	2. Data Security
3. Pollution	3. Tenant Satisfaction	3. Economic Performance



Spotlight

ESG Program, Policy, and Committee Kickoff

In 2023, Nearon formally launched our ESG Program, Policy, and Committee. Nearon's ESG journey began with a recognition of the evolving marketplace dynamics and our desire to expand our impact through ESG. Witnessing the ESG-driven successes of industry peers, Nearon decided to initiate our own program to foster trust and drive lasting value, which are key tenets of our Governance Guiding Principle.

In 2022, Nearon enlisted the expertise of Verdani Partners, a full-service ESG and sustainability consulting firm, to explore what an ESG program would entail. During our limited-term initial engagement, we developed an ESG policy and other guiding documentation, including a comprehensive set of guiding principles to focus our program. To ensure the ESG Program was executed to its fullest potential, we entered a longer-term engagement with Verdani beginning in January 2023. This partnership has allowed Nearon to leverage both our extensive portfolio and Verdani's expertise to adapt and explore new pathways to improving our ESG efforts.

A notable milestone leading up to the formal launch of our ESG program was establishing an ESG Committee to provide oversight and execution.

With Nearon's ESG Program now launched and well underway, the team is thrilled to witness immediate benefits. The program not only serves as an educational tool, enriching team members' understanding of ESG, but also functions as a benchmarking tool across our portfolio, fostering the uniformity of our ESG efforts. The support and adherence of stakeholders, including team members and tenants, has allowed a swift adoption and rollout of Nearon's ESG goals and initiatives.

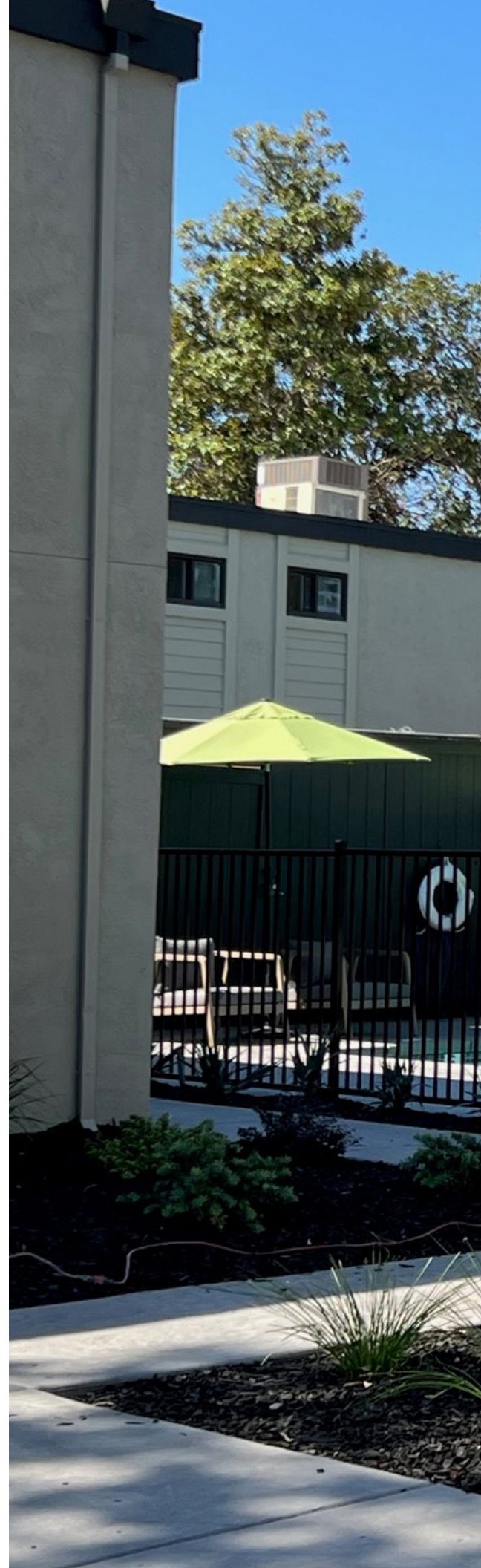
Reporting & Disclosure

About This Report

Our inaugural ESG Report reflects the progress of our ESG Program, Committee, and Policy and underscores our commitment to ESG. We prepared this report to supply the stakeholders we serve with comprehensive, transparent insight into our ESG efforts. Any quantitative information regarding Environmental, Social, or Governance metrics are from the 2023 calendar year, while some qualitative information ranges from 2021 through 2023. All figures and data represent the status as of September 30, 2023, unless otherwise specified.

Contact

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