

2019 Responsible Investing Report

Progress on Policy
& Other Insights





A long term commitment to building sustainable homeownership starts here.

In the development of Unison's ESG reporting we recognize the infancy of sustainability as a finance subject matter. Lack of objectivity or standardization of measures are persistent issues. Time and education are required for the investment community to understand today's environmental and social challenges, analyze how they can actively participate in addressing these challenges, and commit to measurable accountability and action.

In spite of this, we have put forth our best efforts to establish a clear path to impact and to develop periodic reporting on consistent measures through our ESG policy and this report, which will be updated annually. We look forward to continuing to analyze, assess, and improve upon our sustainability measures over time.



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A Sustainable Mission

Unison provides homeowners and investors with a sustainable way to invest in Residential Real Estate. We enable families to stay in their homes without increasing their financial burden, while offering aligned incentives for both homeowners and investors to win, together.



Win, Together

We believe connecting investors and homeowners should be more than a zero-sum game. A Unison investment is uniquely positioned to improve home affordability, reduce leverage in the financial system, and shift home equity exposure to where it belongs—with institutional investors who benefit from diversification through real asset investments.

Positive Intent

At Unison, we are committed to embodying the tenets of responsible investing. We believe it is possible to make a positive impact for both our stakeholders and society by incorporating environmental, social, and corporate governance (ESG) considerations into our investment management processes.

Long Now

The long-term objectives of our investments call for increased focus on risks, not just over the next few years, but over the next several decades. Unison recognizes that ESG characteristics can have a material impact on the long-term performance of our investments. The value of incorporating these factors is not limited to just due diligence; they remain pertinent in decision-making throughout the lifecycle of our investment. We aim to not only select investments with sustainable characteristics but contribute to the resilience and wellness of homeowners and their communities.

Abundance Mindset

Unison believes that the consideration of sustainability, transparency, and social responsibility has the potential to be accretive to investor returns. The integration of ESG findings represents a fundamental pillar of a complete and thorough analysis. An active management strategy that incorporates engagement based on those findings allows for value to be added to investors, homeowners, and society alike.



Integration

Unison Investment Management is a fiduciary to our investors. In 2018, we made investments based on the belief that the integration of environmental, social and corporate governance considerations helps us better understand investment risks and maximize long-term investment returns.



Promoting Urbanism and Discouraging Suburban Sprawl

One of the most significant factors in determining the environmental impacts of real estate is location. Investing in properties within and near presently-developed areas reduces the fragmentation and development of greenfield areas. Close proximity to existing developments reduces the need for new infrastructure and encourages more sustainable methods of transportation. Geographical location, both on a regional and granular scale, plays a critical factor in the selection and investment process at Unison.

Zero Investments in Rural Properties

We negatively screen rural areas and deselect most investments outside metropolitan areas due to their unattractive return characteristics. Lower density regions have more available space for further greenfield and infill development compared to more densely populated regions. This dynamic affects local market supply and demand factors as well as home price appreciation. Our methodology inherently promotes urban living, discouraging suburban sprawl and its profound effects on environmental sustainability.

Limited New Construction

New construction homes in greenfield areas tend to be more environmentally harmful than infill development, as they efface natural land and require additional construction and transportation of materials. We require higher pricing for such homes as they have a tendency to appreciate at a lower rate than more developed areas, and come with greater pricing uncertainty.

Compared to 8.4% of all US home sales in 2018¹, only 1.5% of Unison investments made in 2018 were in newly constructed properties²

¹ New One Family Houses Sold as a percentage of Total Sales (New and Existing Houses Sold) for annum 2018, U.S. Census Bureau and U.S. Department of Housing and Urban Development, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/HSN1FA>

² New construction is defined as any property that was built during the same year as investment

³ United States Department of Agriculture Economic Research Service 2013 Rural-Urban Continuum Codes

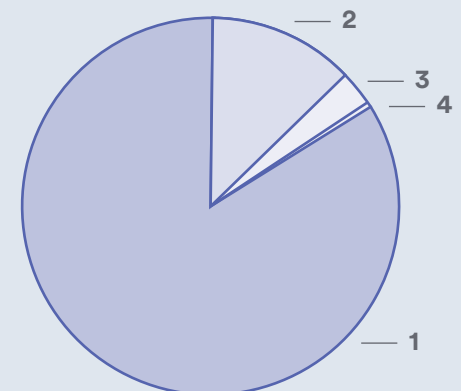
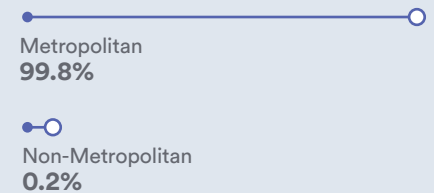
100% in Urban Properties

0

Rural properties

0.2%

Non-Metropolitan properties



Rural-Urban Continuum Codes³

Metropolitan Counties

- Counties in metro areas of 1 million population or more
- Counties in metro areas of 250,000 to 1 million population
- Counties in metro areas of fewer than 250,000 population

Non-Metropolitan Counties

- Urban population of 20,000 or more, adjacent to a metro area fewer than 250,000 population
- Urban population of 20,000 or more, not adjacent to a metro area
- Urban population of 2,500 to 19,999, adjacent to a metro area
- Urban population of 2,500 to 19,999, not adjacent to a metro area
- Completely rural or less than 2,500 urban population, adjacent to a metro area
- Completely rural or less than 2,500 urban population, not adjacent to a metro area

Urban

Rural

Renewable Energy

Residential buildings consumed approximately 22% of the energy produced in the US in 2018⁴ and were responsible for 19% of total US emissions⁵ or 1 billion metric tons of CO₂.

During the investment process of each individual home, Unison records and considers the presence of energy-efficient features, such as solar panels.

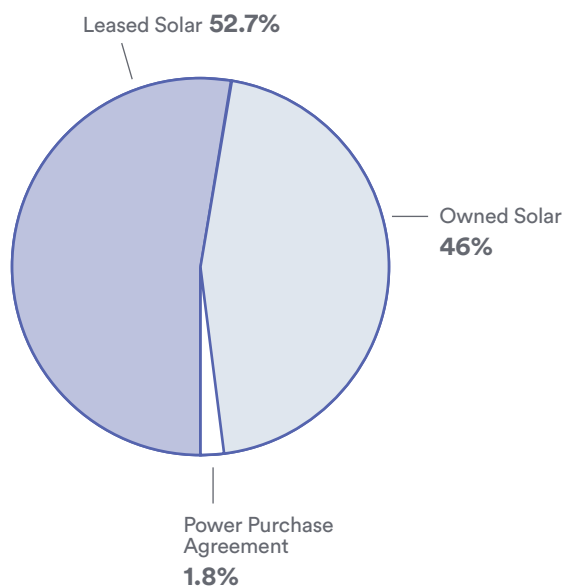


⁴ U.S. Energy Information Administration Annual Energy Review: Table 2.2 Residential Sector Energy Consumption and Table 1.2 Primary Energy Production by Source

⁵ Energy-related CO₂ by end-use sectors from the U.S. Energy Information Administration



13% of Unison investments selected in 2018 had a renewable energy source, whereas solar is installed on only 2.7%⁶ of US Residential rooftops.



Unison considers owned solar as a priced-in fixture in valuation. Buyers in the US are willing to pay \$15,000 more on average for homes with an average-size solar array⁷. Additionally a source of renewable energy reduces energy bills, resulting in lower liabilities for the homeowner.

⁶ Credit Suisse Equity Research 12 February 2018 Alternative Energy Page 16, Figure 22: Residential Solar Has Penetrated Only 2.7% of the Market Today

⁷ U.S. Department of Energy's Lawrence Berkeley National Laboratory (Berkeley Lab) "Exploring California PV Home Premiums"



Active Ownership

We are committed to being active owners, supporting our investors and homeowner customers to achieve superior and sustainable outcomes.

Protecting Homeowner & Investor Equity

Unison has the opportunity to act as a true co-owner, aligning investors and homeowners during times of financial duress to create win-win scenarios. By allowing for a **Protective Advance**, homeowners are able to exit their home with their hard-earned equity and, saving investor returns from the catastrophic effects of a distressed sale.

In 2018, Unison helped a homeowner make his mortgage payments for more than a year so that his atypical Northern California property could be properly staged, marketed, and shown to buyers. Without Unison, the homeowner would have defaulted on his mortgage, resulting in a short sale that would have wiped out all of the equity he was counting on for his retirement. Instead, Unison serviced his mortgage until the right buyer arrived, resulting in both the homeowner and the investor experiencing a significantly better outcome.

***Protective Advance** is a mechanism to avoid foreclosure whereby Unison will advance payments to remain current on the mortgage and arrange an orderly sale. Such advances are recovered from the deal proceeds at the end of the agreement.*

Repair of Hazardous Conditions

On average, Americans spend 68.75% of their time inside their homes⁸. Any household hazards found during due diligence are brought to the attention of homeowners and, if a Unison investment is ultimately made, these hazards repaired with the Unison funds. We have assisted in noting and remediating gas leaks, mold, asbestos and other hazardous conditions.



Gas Leaks



Roof Repair



Foundation Damage



Mold/Pests



Plumbing

⁸ The National Human Activity Pattern Survey (NHAPS) - Nation Minutes Spent per day in a residence is average at 990 minutes.
<https://indoor.lbl.gov/sites/all/files/lbnl-47713.pdf>



Changing the Equation for Homeownership

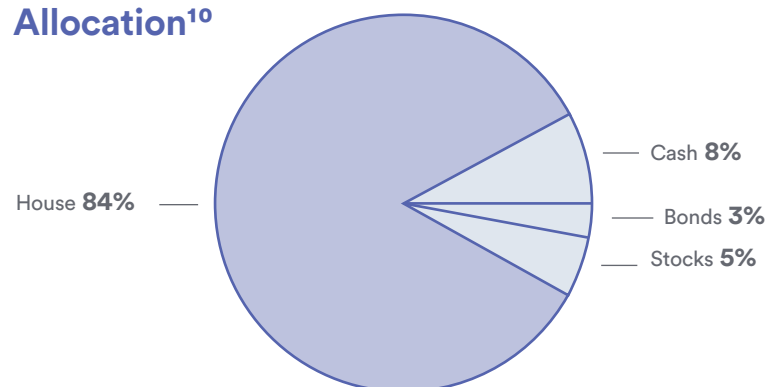
A home is the largest purchase most people make, and for many, it is also their largest investment, making up 84% of total wealth for a typical homeowner⁹. Individuals heed common investing advice to “diversify” and yet effectively allocate the major part of their wealth to one single asset: their home. Although a home can represent stability in the lives of homeowners as an investment, it behaves like a stock, mirroring the asset class in annualized volatility¹⁰.

The currently accepted way of financing a home only through debt exposes homeowners to ongoing financial burden and risk beyond what may be best for the individual. Unison’s social objective is to re-allocate this risk by providing an alternative—financing a home through equity investments. We provide the choice to homeowners to sell that risk to a better-suited investor and vehicle - institutions in a large diversified portfolio.

This process represents trillions of dollars of value at-risk homeowner equity that can be diversified to better-suited parties.

In 2018 alone, our investments eliminated \$43 million of Value-at-Risk¹¹ homeowner equity.

Typical Asset Allocation¹⁰



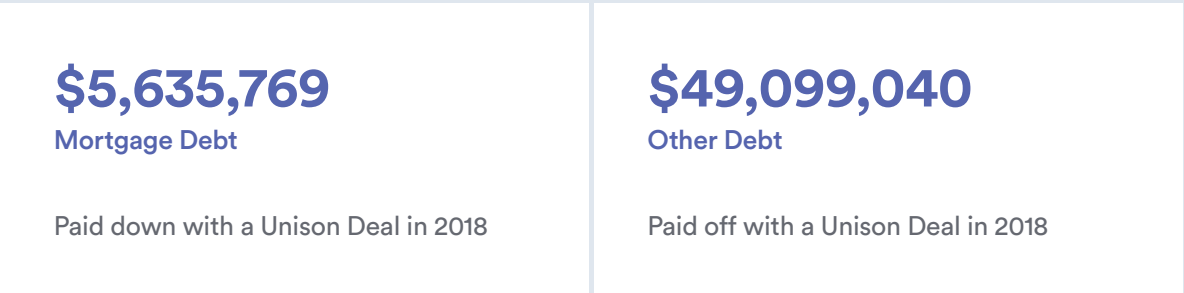
⁹ Mean US head of household, 41-50 years old Source: Flavin & Yamashita, 2002

¹⁰ Home Price, Return and Volatility Indices, July 2019, unisonim.com

¹¹ 5% Value at Risk over a 1 year holding period with the assumption of 3.5% home price appreciation per year and 15% volatility

Decreasing Leverage

With Unison, consumers are able to proactively lower their household debt. In 2018, Unison contributed to a reduction in homeowner debt carried resulting in credit improvement for households who received Unison HomeOwner investments.



Homeowners, investors, and society benefit from the reduction of leverage and risk carried by individual consumers. Through Unison, homeowners are able to improve their financial health, resulting in decreased credit risk which is sustained beyond the immediate impact of reducing balances.



Increasing Resilience

Construction and demolition waste constitutes approximately 40% of the total solid waste stream in the US¹². Promoting beneficial environmental stewardship helps to minimize the impact associated with the extraction and consumption of virgin resources while also conserving landfill space.

All Unison homeowners are required to perform regular maintenance and repairs of their homes. By requiring the preservation of the real asset, Unison inherently encourages environmental stewardship that will increase the lifespan of the housing stock and reduce waste associated with property demolitions and reconstruction.

Unison encourages home renovations and upgrades by offering a **remodeling adjustment**. This lets homeowners truly own the upgrades they make in their homes, resulting in alignment of incentives and increased property values over the life of the investments.

***Remodeling adjustment** is a mechanism to adjust a home's final valuation to allocate all of the increase in value due to the remodeling by the homeowner.*

In 2018:

16%	of homeowner deals responded their primary reason for the proceeds was "Home Improvement".
26%	of homeowners that exited their agreement in 2018 used the remodeling adjustment.

¹² US Environmental Protection Agency, Construction and Demolition: Material-Specific Data 2017





Corporate Sustainability

We incorporate ESG best practices into our asset management approach and corporate decisions, as well as our investment processes.



Commitment to a Low Carbon Footprint Investment Process

The investment due diligence process for real estate is often incredibly carbon intensive as it demands significant personnel travel. For example, a single round-trip flight between San Francisco and Chicago would emit nearly 1 ton of carbon¹³, roughly equivalent to the carbon sequestered by an entire acre of forest¹⁴. Unison focuses on reducing the environmental impact of our business originating and managing real estate assets spanning 1,755,347 square miles¹⁵. We consider our investment process to be “Carbon Conscious Asset Management” by using technology and local third party appraisers and inspectors.

0 miles

Miles Traveled during Unison Due Diligence

To perform property valuation and condition assessment.

0 miles

Miles Traveled during Active Management

To actively manage and dispose of real estate investments in 2018.

¹³ Carbon Emissions as estimated by Myclimate carbon footprint calculator <https://co2.myclimate.org/>

¹⁴ United States Environmental Protection Agency Greenhouse Gas Equivalencies Calculator

¹⁵ Census 2000 Geographic Terms and Concepts", Census 2000 Geography Glossary, U.S. Census Bureau. Retrieved 2007-07-10

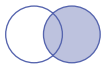
The Unison Workplace

Measures of Unison’s contribution to the health and well-being of employees and our community include:

Diversity: Diverse employee representation of all ethnicities and 42% women to 58% men	Community Service: Unison employees contributed a total of 70 volunteer hours in 2018 ¹⁶
Health and Wellness: Employees have access to on-site fitness center with shower facilities, adjustable height workstations, weekly fruit and healthy snack delivery, and implementation of a limited sugar policy	
Sustainable Office Space: Unison’s headquarters are located in a 2009 LEED Gold Certified Building	Conservation Practices: Prohibition of single use water bottles

¹⁶ Hours logged as PTO by Unison’s Volunteer time off provision for 2 days per annum per employee.





Transparency

Transparency forms the basis of our relationships with homeowners and investors. Unison's commitment to proper governance ensures that its portfolios are aligned with investor objectives, and is key to confirming the suitability of our agreement with homeowners.

Transparency for Our Customers

Our education process ensures that the homeowner understands what an agreement with Unison represents for them now, and in the future. Our consumer education process is comprehensive and continuous:

- We provide multiple calculators and detailed FAQs on the website demonstrating how the program works. During origination, each consumer is assigned a dedicated Program Specialist, ensuring continuity of messaging and appropriate disclosures for all customers.
- We provide a detailed Program Guide clearly explaining the agreement and we confirm understanding through a **Program Knowledge Review**. Our Offer Package includes a summary of all key financial terms of the deal, reiterates the key product features, and provides additional tools to assess the program, such as the estimated cost of the home co-investment based on various home price appreciation scenarios.
- After origination, Unison sends quarterly statements that serve as reminders about key product features and provides a transparent view of how the estimated price of the property and corresponding value of Unison's investment has changed.

***Program Knowledge Review** is a requirement for home owners and home buyers that highlights terms and conditions of the agreement to ensure understanding and suitability of the financial product.*



Transparency for Our Investors

We are committed to industry-leading controls and compliance. Our key governance practices include:

- Engagement with top-tier independent third parties to produce and verify valuations of investments and to provide audit and administration services to our investment vehicles
- Comprehensive compliance policies and controls tailored to the specific risks applicable to Unison and our investment strategy
- Public disclosures and filings consistent with our status as an SEC registered investment advisor

Additionally, Unison delivers unparalleled transparency for our investors through our Investor Dashboard. This provides granular asset-level information as well as holistic portfolio-level analysis which is updated daily. At the portfolio-level, the dashboard provides investors with information spanning FICO scores, Loan-to-Value levels, geographic diversification, and property types. At the individual investment level investors have full transparency on property attributes (e.g. lot size, bed/bath count, age) and current valuation estimates.



Unison provides additional transparency as a signatory to the United Nations-supported Principles for Responsible Investing (UN PRI). The annual Public Reporting and Assessment feature of the program enables our investors, homeowner customers, and other stakeholders to review and assess our progress in achieving compliance with UN PRI. More information about the UN PRI can be found at <https://www.unpri.org/>

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