



# SUSTAINABLE

A commitment to sustainable business.



# ABOUT

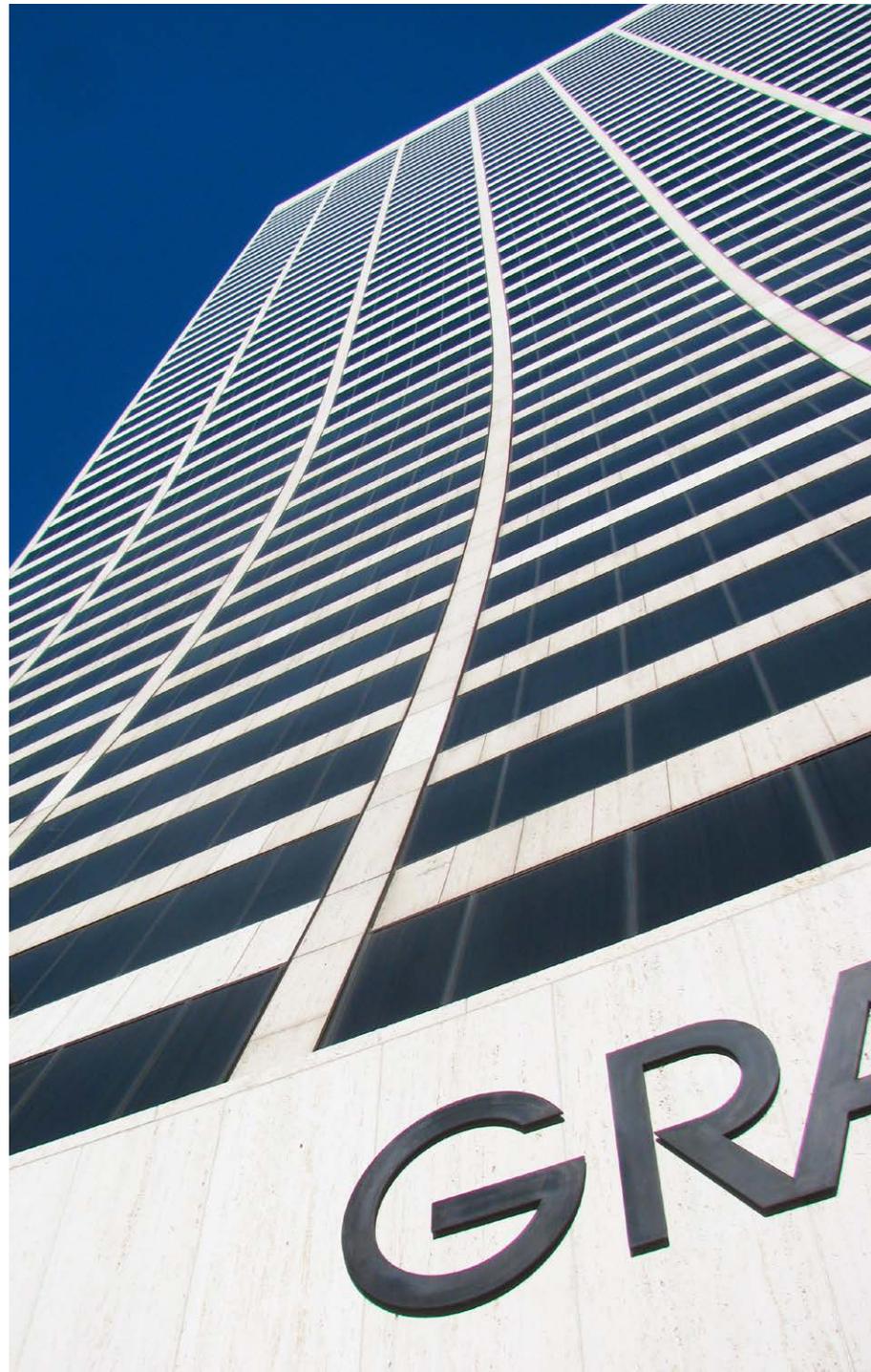
iStar (NYSE: STAR) is focused on reinventing the ground lease sector and unlocking value for real estate owners throughout the country by providing modern, more efficient ground leases on all types of properties.

As the founder, investment manager and largest shareholder of Safehold, the first publicly traded company to focus on modern ground leases, iStar is helping create a logical new approach to the way real estate is owned. We continue to use our historic strengths in finance and net lease to expand this unique platform.

Recognized as a consistent innovator in the real estate markets, iStar specializes in identifying and scaling newly discovered opportunities and has completed more than \$40 billion of transactions over the past two decades.

We also continue to manage a small portfolio of legacy properties across the United States.

We are true to our word and do right by our lenders, our borrowers, our partners and the communities in which we work and help shape.





## A Message from Our CEO:

Throughout our 25-year history, we have dedicated ourselves to building innovative businesses that provide better-structured, better-priced capital to the real estate sector. Identifying these untapped market opportunities and successfully scaling them is the foundation of our firm.

Today we're also focused on identifying risks and opportunities related to environmental, social and governance (ESG) issues, and are pleased to present our inaugural ESG report. It provides you with an overview of the kinds of sustainability/ESG issues that we are prioritizing as we spearhead the development of Safehold (NYSE: SAFE)—a new business to provide better capital to commercial real estate owners by reinventing the ground lease sector for the modern era.

We understand that an increasing number of investors and other stakeholders expect transparent information about companies' approach to ESG issues. In addition to providing an initial look at our approach to sustainability, this report reflects our values as a company: innovation, leadership, trust, commitment to investors, and passion for what we do.

We appreciate your interest in our journey and invite members of the investment community and other key stakeholders to contact us with specific questions about our work in this area.

**Jay Sugarman**

Chairman & Chief Executive Officer

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“This report reflects our values as a company: innovation, leadership, trust, commitment to investors, and passion for what we do.”



# ESG

## Our Approach to ESG

This report demonstrates our corporate responsibility, showcases our commitment to employees, and documents how we consider environmental issues in our decision making.

With this and subsequent reports, we intend to outline how we manage ESG risks and address related opportunities. Our goals for reporting include:

- **Building positive relationships** with the investment community and being actively engaged with our shareholders to seek their input, address concerns and be responsive.
- **Communicating about our work** to further employee engagement, health and wellness, diversity and inclusion, and other initiatives.
- **Defining environmental considerations**, including the increasing necessity to manage and account for impacts of climate change like flooding, sea level rise, drought and more intense and frequent storms.

This report was influenced by standards such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) and informed by peer benchmarking and engagement with a cross-functional group of internal stakeholders.

We intend to expand and enhance our ESG efforts and communications over time.

### Three key areas of focus

This report is organized by our definition of ESG topics:



Environment



People and Communities



Governance and Business Ethics

We may be one of the only publicly traded companies to consider a 99-year time horizon in the normal course of running our business and making investment decisions. Before we launched Safehold, we commissioned an independent market analysis that included climate change impact and market longevity as key factors to help us understand risks such as temperature increases, sea level rise and the likelihood of natural disasters. We're also very focused on the micro-climates within which Safehold's assets sit. Safehold's standard ground lease contains a provision that requires tenants to follow all applicable environmental laws and we regularly visit to ensure compliance.



## Environment: Protecting Our Future

### Mitigating the Impacts and Risks of Climate Change

We seek to have a positive environmental impact to the extent possible based on our degree of involvement in specific development projects. Each property we develop and manage is unique but they typically require us to consider issues like water quality and scarcity, biodiversity, alternative transportation, and energy efficiency. We monitor global climate trends and are dedicated to building climate-resilient infrastructure and communities. Below are examples of some of the ways we are working to future proof our flagship properties:



#### **Asbury Park, NJ:**

A beachfront community can be particularly susceptible to sea level rise and the more intense and frequent storms that are occurring as a result of a changing climate. Our Asbury Park development exceeds federal regulations for development near flood zones, features breakaway walls and 1,600 linear feet of storm-resistant boardwalk and walking paths. We have also:

- Replenished local dunes and planted and maintained thousands of native dune grasses, nearly 300 trees and hundreds of flowers and shrubs along the mile-long Asbury Park boardwalk
- On behalf of the city of Asbury Park, removed overhead electrical wires and placed them underground
- Installed new stormwater management systems that capture 100% of runoff and recharge local groundwater aquifers.



### ***Naples Reserve, FL:***

To conserve potable water and create a drought-proof community, we redesigned our Naples, Florida, property from a golf-based community to a waterfront-living community, saving 1 million gallons of water each day.

Here are some other ways Naples Reserve is buffering against the impacts of climate change:

- Irrigate landscape using only treated, non-potable water from our stormwater pond, and installed soil sensor controllers, with estimated savings of over 1.6 million gallons per year (about one-eighth of what similar properties in this geography use)
- Installed native landscaping that helped minimize landscaping damage during Hurricane Irma
- Minimize fertilizer use in landscaping to prevent polluted runoff that can negatively affect fish populations in local streams
- Purchased and conserved neighboring land to ensure wildlife such as bears and panthers have a corridor linking to other conservation lands.



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### ***Magnolia Green, VA:***

Because of its location in the Chesapeake Bay watershed, managers of our Magnolia Green property pay special attention to water quality issues. We have taken actions which minimize the impact of our development and buffer against a changing climate:

- Installed bermuda grass/sod which is drought and heat tolerant
- Treat stormwater runoff before it enters neighboring streams
- Created 100-foot-wide undisturbed buffers along both sides of all perennial streams that serve to filter runoff and shade fish habitat as temperatures rise
- Magnolia Green partnered with Schell Brothers, a home builder utilizing technology that decreases energy usage by over 50%.



60% LESS ENERGY

1.25-MILE-LONG WATERFRONT

## Energy

We are conscientious of our energy use not just because we are trying to minimize our air and greenhouse gas emissions, but because it makes good business sense. Most of our properties use Energy Star appliances and in some areas like Naples Reserve, we provide discounts to home builders when they install solar panels.

**Key recent energy efficiency highlights from our properties include:**

- Installed 95 new boardwalk lights in our Asbury Park community, using 60% less energy than the prior fixtures with an additional 30 LED fixtures planned for installation in 2020. 90% of the lights installed in Asbury Ocean Club are LED. iStar has also installed 225 LED streetlights across the 1.25-mile-long waterfront. We have installed energy-saving thermostats and motion sensor lights in our hotel properties and residential development, and we use Energy Star-certified appliances such as dishwashers and refrigerators.
- Magnolia Green features all LED streetlights, and is upgrading the 80 golf carts on its property to more efficient models that use 30% less electricity to charge
- Naples Reserve will convert all streetlights to LED in 2020.

## Waste

- Safehold's standard ground lease contains a provision that requires its tenants to follow all applicable environmental laws and indemnify Safehold as the landlord from all liability arising out of the use, generation, storage, release or disposal of hazardous materials at the property.

## Sustainability and Other Awards and Recognitions

- **Magnolia Green:** Environmental Stewardship Award 2019
- **Naples Reserve:** 2015 Developer of the Year award by Builder and Developer magazine on energy efficiency and environmental stewardship
- **Naples Reserve:** Recognized as a Blue Zone community, which aims to create communities where healthy choices become easier and connection and socialization become a part of everyday life.



### Purging Plastic

Alarmed by the growing problem of plastic in the environment, we're doing our part to have a positive impact by eliminating plastic from our offices—from plastic water bottles to plastic cutlery. We expect this plastic purge to be complete by the end of Q1 2020.



## Social: Supporting Our People and Our Communities

Our business is our people. We understand we can't achieve our goals without a talented, diverse and fully engaged workforce. From fundamental health and wellness programs to diversity and inclusion efforts, we seek to provide opportunities for growth for all our employees.

We are also committed to positive community relations and engaging with the local communities within which we operate to ensure their priorities are heard and to enhance community well-being.

### Our People

Over the past two years, we have significantly enhanced our ability to manage and measure the performance of our employees, develop their talents, and provide them with a great place to work.

#### **Employee Benefits: Health & Wellness and EAP**

In addition to our health & wellness programs, which include benefits such as life insurance and healthcare, iStar employees can take advantage of a comprehensive employee assistance program (EAP) that is part of our overall benefits package. This unique program offers free and confidential assessments, short-term counseling, referrals, and follow-up services to employees who have personal and/or work-related problems.

# SOCIAL:



# 100% PARTICIPATION ACROSS THE COMPANY



## ***Talent Acquisition, Diversity & Inclusion and Nondiscrimination***

We maintain and enforce an Equal Employment Opportunity/Anti Discrimination Policy. We are committed to providing a work environment free of sexual or any form of unlawful harassment, discrimination, or retaliation. Our discrimination/harassment prevention training has reached 100% participation across the company.

We continually seek to increase a diverse candidate pool as we recruit new talent. To that end, we have implemented a new recruitment tool that provides more visibility on the talent pipeline and allows us to pause and make changes to our recruiting strategy if our candidate pool is not appropriately diverse. We plan to introduce a formal diversity and inclusion program in 2020, complete with companywide training at all levels.

## ***Training, Talent Development and Employee Engagement***

Our performance management program includes clear goals, including those around learning and training.

We also offer a Learning Series every two months that features internal experts or outside professionals discussing topics such as the real estate market and professional growth.

In 2020, we implemented a Learning Management System (LMS) that employees can access to learn new skills and develop existing ones. Employees can self-select courses or they can be assigned courses by their manager.

Every four months, we survey our employees and use the resulting data to develop new ways to engage with employees and analyze trends. Our most recent survey indicated an upward trend in key engagement drivers, including employees feeling like their abilities and skills are well-utilized in their roles and an increased sense of autonomy to make decisions about how to do their jobs. iStar leaders have specific and measurable engagement goals for 2020 and beyond.



A SAFE WORKPLACE FOR ALL EMPLOYEES

### **Occupational Health & Safety**

iStar is committed to providing a safe workplace for all employees. Accordingly, we emphasize safety first and continually strive to maintain working conditions that afford all employees a reasonable degree of comfort, protection from injury or dangerous situations, and assurance to discharge orderly and efficient performance of duties. We have established emergency procedures—and people responsible for executing them—that address situations from acts of terror to active shooters to sudden health issues, such as cardiac arrest.

### **Emergency Preparedness**

iStar has established guidelines and protocols to deal with natural disasters and other emergencies which allow us to act quickly and take preemptive action as we did in the case with the coronavirus outbreak in early 2020. These guidelines include work-from-home and other policies that can be implemented immediately to keep employees safe, secure critical data, and ensure business continuity in times of crisis.

### **Cybersecurity & Customer Data**

We are focused on risk management issues pertaining to our information systems and technology, including cybersecurity. We are pursuing initiatives to identify and, if necessary, remediate weaknesses in our information security; enhance our internal cyber awareness training programs; and improve access to key information for the purpose of promoting operational efficiencies in data management. Maintaining the security and confidentiality of customer data is an absolute priority.

iStar uses Multiple Factor Authentication (MFA) for ensuring that only authorized individuals can access our network. We also use Microsoft Advanced Threat Protection (ATP) to prevent impersonation emails from being delivered to employee inboxes. System passwords are protected using Thycotics and LastPass. Employees don't have access to administrative permission on their computers.

Twice a year, employees are required to participate in Cyber Awareness Training using KnowBe4. We also perform penetration and phishing tests following the training. In 2020, one of our biggest initiatives is to migrate all on-premise infrastructure to the cloud and achieve defense level security.



### **Affordable Housing in Coney Island**

Through its investment in Coney Island, iStar will contribute to the development of over 1,000 affordable and mixed-income housing units. The first of three 100% affordable buildings, including supportive housing for homeless veterans, was completed in 2019, and an additional two buildings of low-income and senior affordable housing are planned for completion over the next three years.



All told, we will spend \$80 million on public infrastructure in Asbury Park between 2013 and 2023.

## Engagement with Local Communities

Our business is based on a 99-year business outlook, which means we are here to stay. We engage with local government officials, community groups, and our tenants and customers to understand their priorities and seek their input. As a result, we have made significant investments in some of the communities where we are located to enhance the communities' economic prospects and quality of life. Below and in the sidebar are some examples:

### Asbury Park

- Working with the city's transportation officials to create shared parking structures and to encourage alternative modes of transportation through the development of bike lanes and walkways
- Installed a stormwater management system that reduces the need for capacity at local treatment facilities and replaced aging infrastructure to help prevent saltwater infiltration into the water system
- Reconstructed Atlantic Park, near Sunset Lake, installing and maintaining nearly two acres of new sod and handicap-accessible walking paths, as well as an irrigation system to ensure the grass survives hot summer months
- Launched Salt School™, a 10-week, 25-hour, intensive job training program that has allowed hundreds of local residents to be hired within the hospitality sector
- Partnered with a local construction company to create a workforce development, apprenticeship and internship program to give Asbury Park residents the opportunity to learn valuable trade skills.

### Magnolia Green

We engage the local community at Magnolia Green to enhance the overall quality of life in our Virginia neighborhood through activities such as:

- **Annual 5K and Family Fun Run**—promotes healthy lifestyle/fitness
- **Seasonal Farmers' Market**—promotes healthy eating and local business support
- **Little Free Library at the Welcome Center**—promotes neighborhood book exchanges—supports and encourages reading.



## Philanthropy

At iStar, we encourage charitable involvement by assisting employee support of education, community services, animal welfare and other public benefit activities. Under our Matching Gift Program, the company will donate funds equal to an individual employee's contribution to a charitable organization within limits that vary by position.

Both regular full-time employees and members of iStar's Board of Directors are eligible to participate in this program.

In 2019, iStar matched 135 donations totaling \$80,687 to 106 organizations. A total of 57 employees and three Board members made donations. We're also proud that 55 volunteers donated 138 hours at the 2019 Volunteer Event with Hudson River Park.



# GOVERNANCE & BUSINESS ETHICS:

## Governance & Business Ethics: Maintaining Rigorous Standards

Governance and business ethics at iStar are focused on meeting legal requirements, staying in alignment with corporate best practices, and remaining actively engaged with stakeholders.

Our approach to governance is guided by our investment, financing and corporate governance policies—including conflicts of interest policies—that are managed under the ultimate supervision of our board of directors. For additional governance information, see our current Proxy Statement.

### Governance & Board Leadership Structure

Our current leadership structure consists of a combined chairman of the board and chief executive officer position, an independent lead director, an active and involved board consisting mainly of independent directors, and board committees chaired by independent directors.

Our board has three standing committees—Audit, Compensation, and Nominating and Governance—made up entirely of independent directors. Our full board of directors is responsible for overseeing ESG factors as part of its overall responsibility around risk management and strategic business planning.





## Governing Documents

The documents described below are available by clicking the links or by visiting our website at [www.istar.com](http://www.istar.com) and choosing “Investors” and then “Governance & Proxy.”

- [Corporate Governance Guidelines](#)
- [Code of Conduct](#)
- [Audit Committee Charter](#)
- [Compensation Committee Charter](#)
- [Nominating and Governance Committee Charter](#)
- [2019 Proxy](#)

## 99-year business outlook

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## Process for Determining Remuneration

**Compensation Philosophy and Guiding Principles:** As part of our efforts to improve the company's Say-on-Pay vote results, we have developed outreach to shareholders, and we have shared our compensation philosophy and guiding principles that reflect a strong pay-for-performance culture by ensuring we balance emphasis on near-term and long-term performance.

**Performance-Based Pay:** The Compensation Committee allocates pay among base salary, short-term incentives, and long-term incentives to emphasize performance-based, variable compensation. This mix ensures the appropriate alignment of executive compensation with financial performance and shareholder value creation.

## Additional Governance Considerations

- **Whistleblower Policy:** Our Code of Conduct includes a policy on reporting suspected misconduct that describes how employees can anonymously report any concerns or suspected violations of our standards of conduct or other policies. All employees sign and commit to the Code of Conduct.
- **Director Independence:** Our board has determined that all current directors, other than our chairman and chief executive officer, are independent.
- **Conflicts of interest:** iStar owns approximately two-thirds of Safehold's common stock and is its external manager. Each company has its own specific policies of how transactions will be approved. Any transaction in which iStar and Safehold both participate must be approved solely by the independent directors of that company.
- **Tenure and Diversity of Board Members:** The tenure of our Board is balanced, with 50% having 5 or less years and 50% having more than 5 years tenure. Additionally, 50% are gender or ethnically diverse.



# REINVENTING THE GROUND LEASE SECTOR



## A New Era of Long-Term Success

Our vision for a better future includes building a leadership position in a large and untapped market space with superior risk-adjusted returns. Revolutionizing ground leases for the modern era gives us this opportunity.

At the same time, our board and management recognize the importance of ESG and are committed to communicating the long-term value of the company and preparing for growth.

We appreciate your support and welcome your questions and feedback as we build a new business focused on reinventing the ground lease sector.





# COMMITMENT

In consideration of the environment, a very limited number of reports will be printed. Please contact [investors@istar.com](mailto:investors@istar.com) for a printed copy. The report is also available digitally at [istar.com/sustainability](http://istar.com/sustainability).

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