

## Investing for the Future

We are pleased to present our inaugural Sustainability Report. We believe that investing in sustainability is critical to KingSett's long-term success. By integrating sustainability into both our internal operations and property portfolio, we seek to realize efficiencies, create better returns for investors, stay ahead of regulatory changes, and anticipate customer requirements.

In 2014, we formalized our sustainability program by developing a new vision, policy and framework. In particular, we:

- ◆ welcomed Director of Sustainability Jeanne Medland to our team to help develop and lead our efforts;
- ◆ created a system to track our ongoing progress across key performance indicators;
- ◆ completed an expansion of our corporate office at the Toronto Dominion Centre targeting LEED CI (Commercial Interiors) Gold;

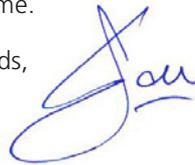
- ◆ realized 8% portfolio energy savings through operational and mechanical efficiencies;
- ◆ purchased Renewable Energy Credits (RECs) for 74% of our properties to reduce our environmental impact and support renewable energy sources; and

### We seek to realize efficiencies to create better returns for investors.

- ◆ instituted energy audits during the due diligence stage of select acquisitions to further mitigate and manage risk.

We look forward to working together with all of our stakeholders to build on this foundation in the years to come.

Regards,

A handwritten signature in blue ink, appearing to read "Jeanne".

## Sustainability Vision

KingSett will invest responsibly in sustainability enhancements and seek to provide premium, risk-weighted returns.

- ◆ We aim to make investment decisions that will have a positive impact on the future.
- ◆ Our asset management team executes sustainable operations strategies to improve the tenant experience and enhance returns.
- ◆ We strive for creative solutions to continually respond to our tenants' long-term needs.

## Objectives

1. Build a Sustainability Program that is measurable, actionable and reflective of best practices.
2. Integrate sustainability considerations into business planning and decision-making processes.
3. Deliver results.

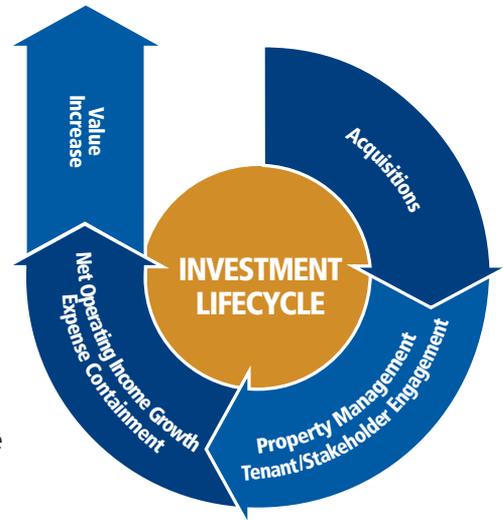
This report pertains to KingSett Capital's CREIF portfolio and covers our 2014 fiscal year for our retail, commercial and multi-residential asset classes. The Performance Highlights reflect data provided to KingSett from our property managers, as verified by GreenCheck. We believe this information fairly represents our sustainability activities and performance results for 2014.

# The KingSett Approach

## Addressing Sustainability Throughout the Investment Lifecycle

KingSett's core business is acquiring, investing in, and actively managing real estate. Our cohesive approach to sustainability ensures that our efforts address sustainability throughout the investment lifecycle. For example, during the asset acquisition phase, sustainability considerations help us identify property risks such as high energy consumption. This enables the asset management team to immediately address operations issues, thereby reducing utility costs as soon as possible.

Sustainability also plays a key role in how our properties are managed. Improving the energy and water efficiency of our assets lowers our operating costs and reduces our environmental impact. Implementing sustainable building measures such as these also yields higher rental premiums, mitigates the risk of utility rate escalations, boosts tenant loyalty, and increases the value of our properties.



## Sustainability Policy

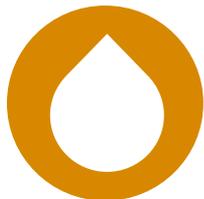
	Acquisitions	Assets and Portfolio Management	Tenant/Stakeholder Engagement
Priorities	Identify high value assets and manage pre-purchase risks	Increase efficiency, reduce operational costs, and increase asset value	Increase satisfaction and loyalty
Key Programs	<ol style="list-style-type: none"> <li>1. Energy audits</li> <li>2. Asset resiliency and risk assessments</li> </ol>	<ol style="list-style-type: none"> <li>1. Property managers track and report key performance indicators</li> <li>2. Energy efficiency</li> <li>3. Water efficiency</li> <li>4. Waste management</li> <li>5. Green certifications</li> <li>6. Green procurement</li> <li>7. Property manager awards</li> </ol>	<ol style="list-style-type: none"> <li>1. Awareness and engagement programs</li> <li>2. Surveys</li> </ol>
<p><b>Engage</b> / Train our employees and property managers  <b>Track</b> / Monitor and improve our long-term hold asset performance  <b>Report</b> / Report on our progress</p>			

# 2014 Performance Highlights



**↓ 8%**

**Reduction in energy use intensity** (ekWh/sq.ft.)  
2014 - 29.9 | 2013 - 32.8



**↓ 14%**

**Reduction in water use intensity** (L/sq.ft.)  
2014 - 92.0 | 2013 - 107.0



**↑ 2.5%**

**Increase in waste diversion**  
2014 - 53.5% | 2013 - 51.0%



**86%**

**KingSett employees who take public transportation or walk to work**

## CASE STUDY

### Boosting Energy and Water Efficiency on Bay Street

1255 Bay Street in Toronto improved its energy efficiency by installing a building automation system (BAS). The BAS supports our understanding of the building's mechanical and electrical functions and helps optimize efficiency. As a result, an extensive lighting retrofit was carried out for the base building, common areas and parking garage. To reduce water consumption, low-flow aerators were also installed throughout the building, and flow rates were adjusted for toilets and urinals.

#### OUTCOMES

**↓ 13.5%** energy

**↓ 4%** water

**80** Energy Star Score

**LEED (Gold)** EB:O&M\* candidate

**6 Months** simple payback period



## CASE STUDY

### Reducing Energy Consumption in the Retail Sector

Burlington Mall in Southern Ontario reduced its overall energy consumption through a multi-pronged conservation approach. A portion of the mall underwent LED lighting retrofits, and pylon signs were upgraded from T12 lamps to LED technology. Rooftop cooling units were replaced with high efficiency equipment, and additional temperature adjustments were made to the Energy Management System for both summer and winter. Upgrading the sprinkler system and implementing other operational water conservation efforts helped reduce the mall's water consumption.

#### OUTCOMES

**↓ 9%** energy

**↓ 2%** water

**BOMA BEST\*\* Level 3** certification

**The Mayor's Inaugural Sustainability Award** **4 Years** simple payback period



Performance data represents like-for-like results in 2014 relative to a 2013 baseline. Energy use intensity is based on GFA per sq.ft. and has been normalized for weather and occupancy. Water use intensity reflects average water consumption across retail, commercial and multi-residential asset classes.

\* Leadership in Energy and Environmental Design (LEED) Existing Building: Operations and Maintenance (EB:O&M)

\*\* Building Owners and Managers Association (BOMA) Building Environmental Standards

# Sustainability Excellence Awards Celebrate Innovation

To celebrate and encourage excellence and innovation in property management, KingSett launched its Sustainability Excellence Awards in 2014. In 2015, KingSett will expand the awards program to acknowledge those properties with the greatest reductions in energy and water consumption.



## Cleaning Chemical-Free at 130 Bloor Street

130 Bloor Street in Toronto, managed by Bentall Kennedy, received an Excellence Award for Lotus Pro, an innovative sustainable cleaning process. Considered more powerful than bleach and chlorine-based cleaners, Lotus Pro uses ozone-infused water to clean contaminants like germs, soil and bacteria. Once cleaning is complete, the charged water transforms back to water and oxygen, allowing the building to be cleaned without the use of chemicals.



130 Bloor Street Property Management Team

## Leading by Example

- ◆ To launch our sustainability policy, we provided all employees with an introductory guide and hosted an in-depth workshop for those key individuals responsible for the policy's success.
- ◆ To promote KingSett's sustainability vision and engage employees, we established an internal Sustainability Working Group made up of members from all departments.
- ◆ To reduce our environmental impact and support renewable energy sources, we purchased EcoLogo®-certified renewable energy credits (RECs) for 74% of our portfolio energy use.
- ◆ We purchased 100% green electricity from Bullfrog Power for our office energy use.
- ◆ To increase communication and engagement, we established a Green Team comprised of property managers from across Canada who meet regularly to share best practices in sustainable operations, technology and tenant relations.
- ◆ To reduce the use of plastic water bottles, we successfully engaged all employees in removing 80% of the plastic bottles from our office. In 2015, we are aiming for a 100% reduction.



For more information about sustainability at KingSett, please contact:  
**Jeanne Medland, Director, Sustainability, LEED AP**  
416.687.6784 / [jmedland@kingsettcapital.com](mailto:jmedland@kingsettcapital.com)