

2022

**ESG Report** 

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Building for a Better Tomorrow.

#### **EXECUTIVE SUMMARY**

#### Building for a Better Tomorrow.



#### **OUR MESSAGE**

2022 marks a significant milestone for KingSett – our 20<sup>th</sup> anniversary. Over these two decades the KingSett team has grown from a small group of less than ten people to 150 passionate employees managing over \$19 billion in assets. Today, KingSett continues to raise the bar, setting new standards for the industry while delivering for our stakeholders, our community and the environment.

To celebrate this meaningful achievement, we gathered our partners, investors and employees and raised \$5M for vital multiple sclerosis research. Helping to make this occasion even more memorable, fundraisers were given the opportunity to rappel down the side of our 700 University office tower in Toronto.

In another exciting milestone for KingSett, we executed our decarbonization strategy at 100 Yonge; eliminating 76% of absolute carbon emissions from the property and successfully introduced new building systems that have never been used in a cold weather climate. This marks our second building certified to the Zero Carbon Building - Performance Standard. We continue to expand our decarbonization efforts by focusing on the Royal York Hotel. We have secured financing through the Canadian Infrastructure Bank to help us reduce over 85% of absolute carbon emissions at the hotel and show that the decarbonization of a 100-year-old building is possible.

For the first time in KingSett's history we have achieved global recognition in GRESB for both the Standing Investments Benchmark and Developments Benchmark. We were the only Canadian real estate fund to achieve global sector recognition in 2022, confirming the direction of our strategy and solidifying our position as an ESG leader.

As KingSett looks to the next 20 years, we are excited about what the future holds. We will continue to drive ESG performance and ensure our actions create a positive impact for our stakeholders. We are committed to working with our partners and communities to unlock new value, building for a better tomorrow.

Regards,

**Jon Love** Chief Executive Officer



## **CREIF PORTFOLIO**



#### STANDING INVESTMENTS -DIVERSIFIED

- Globally OFFICE | RESIDENTIAL | NON-LISTED
- In Our Regional Sector OFFICE | RESIDENTIAL | AMERICAS
- In Our Peer Group OFFICE | RESIDENTIAL | NON-LISTED

#### DEVELOPMENTS

- Globally OTHER | NON-LISTED | CORE

#### **V** $\bigcirc$ Ŕ $\square$ 7% 15% 26% 37% **ENERGY USE EMISSIONS** WATER USE WASTE **GENERATION** REDUCTION REDUCTION REDUCTION REDUCTION VS 2019 VS 2019 VS 2019 VS 2019

#### DECARBONIZATION

On track to eliminate 35% of carbon emissions over 2019 baseline by 2027

#### TARGET

Set a target to reduce carbon emissions by 67% by 2035 using the Science Based Target Initiative methodology

#### CERTIFICATIONS

89% of the portfolio certified to a green building standard

#### ZERO CARBON BUILDING – PERFORMANCE STANDARD

Achieved for Scotia Plaza's 100 Yonge

#### OUR ESG APPROACH

KingSett believes in building value through actively managing ESG risks and opportunities associated with the ownership, development and management of real estate across each asset's entire lifecycle.

Our ESG Strategy ("Strategy") focuses on doing what is right for our stakeholders, communities and the environment. We are driven by the opportunities and innovation ESG integration presents in real estate. We believe our ESG leadership is a competitive advantage and value creator.

By incorporating ESG into our decision-making processes we create value economically, ethically, socially and environmentally. Our Strategy outlines and communicates our commitment to acquire, develop and manage our assets responsibly and aligns with our Mission, Vision and Core Values.



#### CORE OBJECTIVES OF OUR ESG STRATEGY

Embed ESG and responsible investing considerations into all our business processes	Set meaningful reduction targets and execute decarbonization strategies
Meet or exceed our sustainable development guidelines and objectives	Identify, assess and manage physical and transition climate risks and opportunities
Drive positive social change in our communities and partner with charities	Leverage a multi-disciplinary ESG Committee to guide the evolution of our Strategy



# Transparency Respect Relationships

Accountability Humility Integrity Sustainability





## **OUR ESG APPROACH BEYOND CREIF**

#### **Growth Funds**

KingSett's Growth Funds are closed-ended and diversified opportunity funds created for institutional investors. The strategy of these funds is to invest in Canadian real estate assets with a focus on eventdriven, value creation opportunities. Since 2002, we have launched eight closed-end funds and raised \$7 billion in capital, including \$2 billion raised in 2022.

As KingSett continues to reduce its environmental impact, we are expanding our utility data coverage to include assets in our Growth Funds. This will enable us to measure the environmental performance and set meaningful targets that will reduce climate risk and drive value.

TRACK and consolidate Growth Fund environmental performance data for 80% of assets by 2023

#### Mortgage Lending

KingSett creates bespoke financing solutions for a wide range of projects and properties. We currently have more than \$5 billion of loan commitments across all asset classes in Canada.

In 2022, KingSett became a PRI Signatory and committed to developing responsible investing best practices in our fixed income and lending business. Following a third-party readiness assessment, we updated existing processes and introduced new policies and procedures to formally integrate ESG into our lending process. These changes include:

- Integrating ESG information and six KPIs in a Borrower ESG Survey
- Implementing a weekly Responsible Investment Committee meeting as forum for discussing the ESGspecific merits of prospective mortgage investments
- Ranking loans as low, medium or high depending on ESG risk and opportunity analysis and including ESG ranking within Credit Committee submissions
- > Establishing a Negative Screening Policy



IMPLEMENT feedback from first PRI submission to improve ESG ranking in Fixed Income



#### Affordable Housing Fund

In 2021, KingSett created the KingSett Affordable Housing LP ("AH Fund") to have a positive impact on Canada's affordable housing issues, produce exceptional communities and deliver scalable economics. The goal of the AH Fund is to provide stable, risk weighted returns while delivering high quality, affordable housing for those in need in Canada's rental markets.



SECURE CMHC financing and begin construction on Valhalla

**CLOSE** on acquisition of 220 affordable housing units

# **Investing In Resilience**

KingSett has always focused on resilience by diversifying asset ownership, fund structure and strategy; creating a product in the market that unlocks value for our stakeholders. We manage our assets in a way that ensures they will be more resilient to shocks and stressors of all kinds. We allocate capital responsibly, manage operating costs, measure and reduce carbon emissions and create healthy and comfortable buildings where people want to work, shop and live.

#### DECARBONIZATION

Real estate represents a major opportunity for KingSett, our partners, communities, and the industry to meet global net-zero commitments.

In 2020, we developed a multi-year decarbonization strategy for existing properties and set a goal to eliminate 35% of CREIF's carbon emissions by 2027, and 85% of the Royal York Hotel's emissions by 2023.

To decarbonize existing properties, we are working with management teams to develop property-level strategies. Each property-level strategy includes:

- > Assessing the property's current energy use makeup and capital budget plans
- > Targeting at least 50% carbon reductions from baseline

 $\checkmark$ 

> Projects to decarbonize operations including fuel switching, electrification, deep energy retrofits and increased tenant awareness and communication

In 2022, we continued to execute Phase 1 of our decarbonization strategy and are developing roadmaps for Phase 2 and 3.

- > We executed a full decarbonization strategy at 100 Yonge (Phase 1)
- > Made significant progress to decarbonize Arthur Erikson Place in Vancouver and 130 Bloor St W. in Toronto (Phase 1)
- > Began expanding our strategy to multi-residential properties (Phase 2)

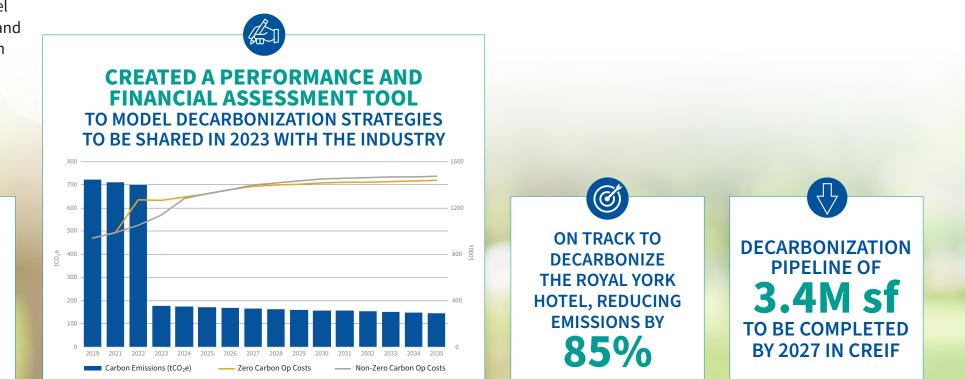
#### **EXECUTE** property-level decarbonization strategies for properties in Phase 1



**IDENTIFY** new decarbonization opportunities for multi-residential, retail and industrial properties

**SECURE** Canadian Infrastructure Bank financing to execute our decarbonization strategy for CREIF

**ALIGN** with the Net Zero Asset Managers initiative



**ACHIEVED ZERO CARBON** 1.8M sf **BUILDING** – PERFORMANCE DECARBONIZED STANDARD **BY END OF 2022** FOR SCOTIA PLAZA'S **100 YONGE** 

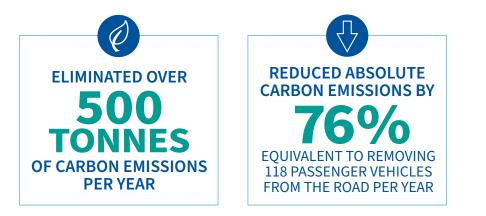


#### Scotia Plaza, 100 Yonge, Toronto, ON

Scotia Plaza's 100 Yonge, a 250k sf class 'A' office building in downtown Toronto, has achieved the prestigious Zero Carbon Building - Performance Standard. This marks a major milestone in our decarbonization strategy and supports our goal of reducing carbon emissions by 35% across our CREIF portfolio by 2027.

After conducting detailed design studies, a collaborative project team was able to execute this strategy by:

- > Removing end-of-life boilers and chillers
- > Replacing the existing heating plant with air source heat pumps
- > Redesigning the HVAC system
- > Upgrading air handlers with heat recovery, new coils, humidification and controls
- > Upgrading water risers and installing a new electrical feed to relocate the cooling plant to the penthouse



These reductions exceed the Carbon Risk Real Estate Monitor pathway for Canadian office building emissions by 2050, which is aligned with the goals set out in the Paris Climate Agreement and Science Based Targets Initiative.

By working with *KingSett, we were able* to design and execute a system never before seen in a cold climate market. The project went so well that we leased space in the building, taking on zero carbon footprint as a result."

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<sup>3</sup>ONE

Philip Kennedy, Founder and President, Continual



#### Royal York Hotel, Toronto, ON

Opened in 1929, the iconic Royal York Hotel is located in the heart of Toronto, comprises over 1,300 rooms and includes a variety of food and beverage options, including the newly renovated Clockwork Bar, Reign Restaurant and the Library Bar.

In 2021, we commissioned a Zero Carbon Deep Retrofit Study and uncovered significant opportunities to decarbonize the hotel and its operations.

The decarbonization strategy focuses on:

- Converting heating and domestic hot water from steam to heat pumps
- Converting the cooling from electrical chillers to Deep Lake Water Cooling
- > Replacing and up-sizing the emergency generators
- > Upgrading the building automation system
- > Replacing the exhaust system and supply fans

In 2022, we partnered with the Canadian Infrastructure Bank through their Building Retrofit Initiative to help make the decarbonization strategy a reality. This loan will put the hotel on an accelerated path to achieve net-zero emissions by the end of 2023.



## **ENVIRONMENTAL IMPACT**

It is imperative that we take immediate action to significantly reduce, and ultimately eliminate the negative impacts that buildings have on the environment.

We track our energy and water use, waste generation and corresponding carbon emissions to improve our operational efficiency and reduce negative environmental impacts. This helps enhance long-term value for our partners, tenants and communities.

#### **CREIF SCIENCE BASED EMISSIONS REDUCTION TARGETS**

2024: **9%** ↓

2027: **35% +** 

2030: **47% +** 

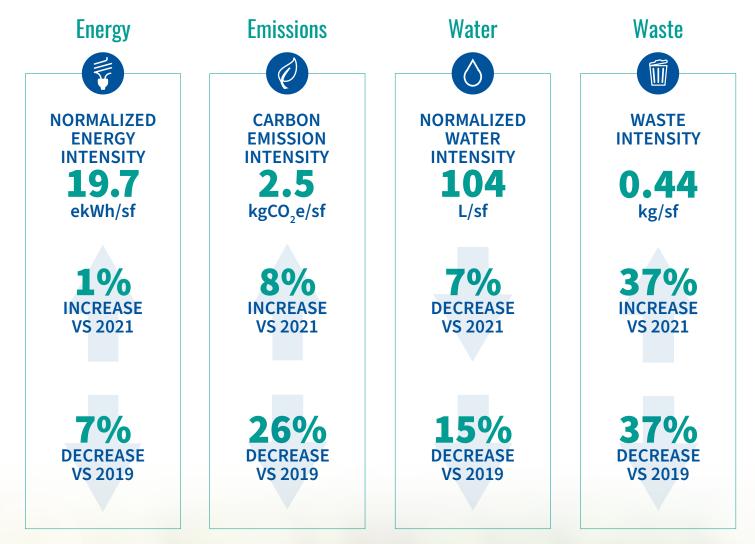
2035: **67% +** 



SUBMIT all assets under management to the Science Based Targets Initiative for approval

## **CREIF PERFORMANCE HIGHLIGHTS**

In 2022, we continued to see reductions from our baseline and maintained progress towards our targets. Energy use and carbon emissions increased year over year due to the lifting of pandemic restrictions leading to increased traffic at our properties. However, compared to our 2019 baseline, we are still showing significant improvement across all performance measures. These results, along with our GRESB performance, show our dedication and commitment to ESG.

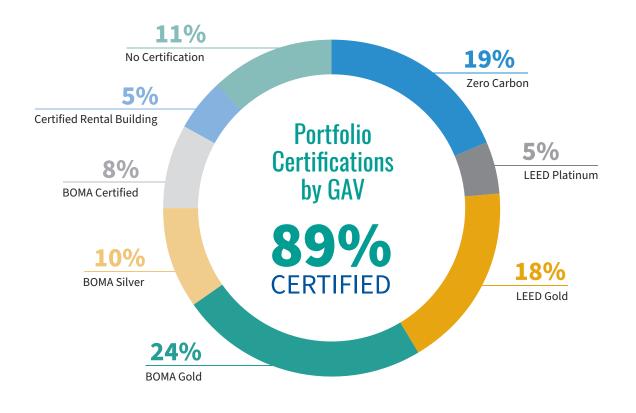


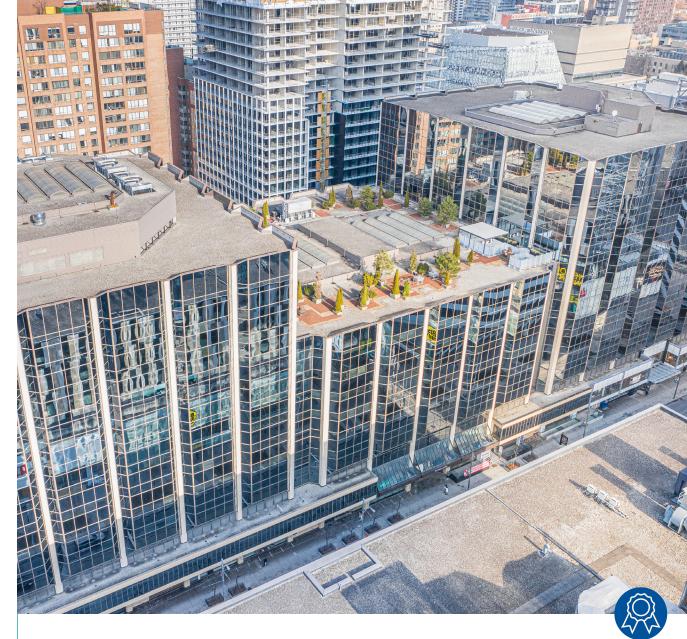
Normalized energy intensity represents a like-for-like comparison of 83% of the CREIF portfolio by GFA, including new developments. Carbon intensity represents 100% of the CREIF portfolio scope 1, 2, and 3 market-based emissions (totaling 33,367 tCO<sub>2</sub>e in 2022). Normalized water intensity represents a like-for-like comparison of 100% of the CREIF portfolio by GFA, including new developments. Waste intensity in 2022 covers 67% of the CREIF portfolio and is not a like-for-like comparison.





#### PORTFOLIO BUILDING CERTIFICATIONS BY GROSS ASSET VALUE (GAV)





#### **Innovation Award**

Atrium is a 1.1M sf class 'A' office and retail complex located in the heart of Toronto at Bay and Dundas. As a result of winning the 2022 KingSett Innovation Award and pending a detailed study, Atrium will be installing an HVAC optimization software which will integrate directly into the building automation system. This system uses the building's thermodynamic properties, real time data and a 5-day weather forecast to automatically regulate the supply water temperature set-points in the building. Once implemented, the system will provide annual energy savings of approximately 10% and will contribute to the facility's carbon reduction goals.

## SUSTAINABLE DEVELOPMENT

Buildings have a significant impact on the environment and surrounding communities, making it important to develop them in a sustainable, healthy and resource-efficient way.

KingSett is committed to developing and redeveloping real estate in a manner that leaves the communities and the environment in a better state than before. We believe creating healthy, comfortable and efficient buildings is not just economically advantageous, it is the right thing to do for our communities, planet and future generations.

#### **ESG BENEFITS OF INTENSIFICATION IN DEVELOPMENT**

Largescale real estate developments require significant natural resources and energy to build. These impacts can be compounded if the location of the development is on a greenfield, or never-before-developed site. KingSett remains focused on developing real estate through intensification and development of brownfield sites. This has significant benefits, including:

- Recovering desirable locations allowing for smarter growth through urban intensification
- Removing or renovating abandoned or derelict buildings and remediating sites that would otherwise have no use
- Retrofitting buildings in areas where better use can be made of existing municipal infrastructure and services
- > Reducing urban sprawl
- > Preserving greenfield land





#### GloveBox, Kitchener, ON

Located in the heart of Kitchener's Innovation District, GloveBox is a brownfield redevelopment in one of KingSett's Growth Funds. This project, which has achieved substantial completion and initial occupancy, incorporates a brick and beam heritage building within the newly constructed office tower.

The private interior road and adjacent sidewalks are geothermally heated and the parking footprint is reduced through a parking stall sharing program with a neighbouring condo. The building has received a WiredScore Silver certification and has submitted for LEED BD+C Gold certification.



**100%** of developments designed to achieve a net-zero carbon balance

## **Innovating For Wellness**

Our vision of creating healthy, comfortable and efficient buildings where people want to work, shop and live starts with our commitment to the well-being of our employees, tenants, communities and partners. Through our Core Values, we engage, listen and work collaboratively to offer a rich and fulfilling working culture for our employees, respond to our tenants' needs, drive positive change in our communities and provide superior results for our partners.

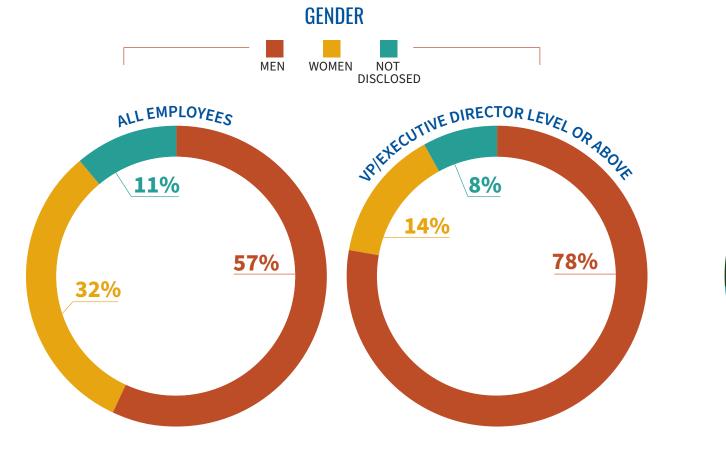
## EQUITY, DIVERSITY AND INCLUSION

At KingSett, we believe equity, diversity and inclusion (EDI) drives innovation, improves decision making and creates opportunities for growth.

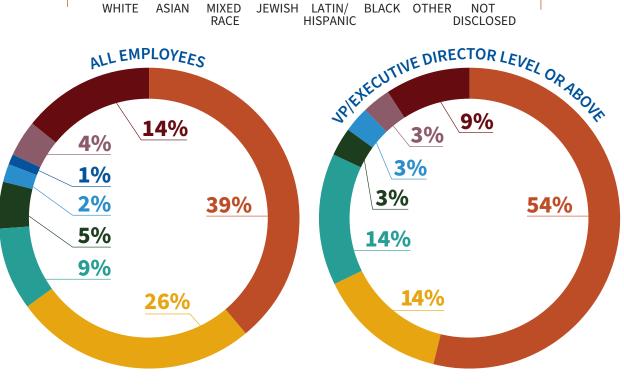
By embedding EDI across our business, KingSett is able to attract, engage and retain top talent, improve company culture and increase creativity, productivity and business performance. Conducting an annual EDI survey allows us to receive ongoing feedback from all employees and ensures we have robust platforms in place to hear from the voices that matter most.

IMPROVE social program development to suit the needs of all employees We acknowledge there is more to be done to improve our diversity practices and make KingSett a more inclusive workplace. We are transparent when sharing the results of our survey and have committed to an action plan that will focus on the recruitment and hiring process, selections for promotions and career development and mentorship for all levels and positions within the company. We will continue to conduct an annual EDI survey to track our progress against set targets.





**RACE AND ETHNICITY** 



## **EMPLOYEE ENGAGEMENT AND WELL-BEING**

We believe that engaged employees have higher productivity, increased commitment and stronger dedication to the company's values.

In 2022, we continued to promote an inclusive, safe and healthy work environment that encourages and supports people to do their best work. One of the ways we do this is conducting an Employee Engagement Survey which measures engagement, assesses our progress, solicits feedback and drives new programs.



While the Employee Engagement Survey results are strong, there is still room for improvement. To address survey feedback, management will continue to implement programs that focus on:

- > Meeting the diverse needs of all employees
- > Enhancing employee well-being
- Ensuring employees feel valued for the contributions they make to the company

**EXPAND** the number of Social Committee events run throughout the year

IMPROVE flex work by introducing Work From Anywhere Fridays

**ROLL OUT** mental health app to all employees for stress reduction



#### **MS Tower Challenge**

In May 2022, KingSett and our partners came together to participate in the MS Million Dollar Tower Challenge to raise money for multiple sclerosis (MS) research in Canada. Canada has one of the world's highest rates of MS, with a national average of 12 people diagnosed with this progressive neurodegenerative disease daily. We hit our original goal of \$1 million within the first week and raised \$5 million by the end of the campaign.



KingSett sponsored the event as part of the Company's 20<sup>th</sup> anniversary celebrations and gave all employees the opportunity to participate. Over the course of two days, 140 participants took the leap for MS by rappelling 20 storeys from the rooftop of 700 University in Toronto. Jon Love, KingSett's CEO, proudly kicked off the event by being the first to take the leap for MS.

## TENANT ENGAGEMENT AND WELL-BEING

We are committed to providing comfortable, safe and sustainable living and working spaces that meet our tenants' needs.

Understanding our tenants' and occupants' concerns, needs and goals helps KingSett to create successful and customized property-specific programs.

In 2022, we conducted a Tenant Satisfaction Survey to help us better understand and meet our tenants' needs. We surveyed tenants across all asset classes and were able to gain valuable insights from the results, despite having lower response rates, particularly for our office assets.

Surveys are not the only way we engage with our tenants and solicit feedback. Our tenant engagement program also includes our property management teams and other engagement tools such as:

- > Tenant communication apps
- > Social media/online platforms
- > Tenant-focused events
- > Tenant engagement meetings
- > Enhanced safety protocols
- > Tenant feedback sessions





MONITOR the uptake and usage of tenant engagement apps

**CONTINUE** to roll out valuable tenant experiences and events across our properties

#### 700 University Pinnacle Award for Customer Service

700 University achieved the Pinnacle Award for Customer Service from BOMA Toronto and BOMA Canada. This award recognizes properties that have gone above and beyond standard practices to provide and promote service excellence by focusing on consistency, ingenuity, integrity and a dedicated pursuit of excellence. 700 University and Triovest's property management team have achieved exceptional environmental



performance and customer service for several years, resulting in numerous regional and national awards and one of the strongest tenant satisfaction results in the portfolio.



#### **FIFA World Cup Lounge**

Soccer, better known as football to many, is the world's most popular sport. The 2022 FIFA World Cup recorded over 5.4 billion views, bringing hundreds of millions of people together to celebrate and cheer for their favourite teams. At Scotia Plaza, we used sport to unite our tenants, occupants and visitors throughout the tournament by setting up a 24/7 viewing area. The attendance was incredible, garnering large audiences at any given time to catch a glimpse of a highlight or sit down for a full match of their favourite team.

# **Inspired By Our Communities**

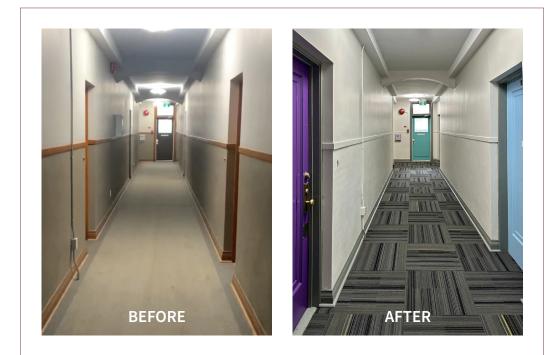
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As owners and managers of commercial real estate, we are committed to supporting the communities in which we operate. Doing so not only enhances these communities, but also creates positive social and economic outcomes for our employees, tenants, investors and society.

## SOCIAL IMPACT

Our objective in creating the Affordable Housing Fund ("AH Fund") is to have a positive impact on Canada's affordable housing issues, producing exceptional communities and delivering scalable economics.

In 2022, the AH Fund and VIDA Living partnered on an acquisition of 169 units across 8 low rise buildings located in central Winnipeg. The goal of this acquisition was to deliver socially responsible housing to the market by engaging residents and Building Ambassadors to become active participants in the building's maintenance and operations. Using a combination of creative solutions and VIDA's Four Pillars of Safety and Security, Cleanliness, Opportunity and Community, we aim to improve the social, economic and health outcomes for historically underserved groups. Vida Living updated and transformed its aging corridors and plain common areas to bright and beautiful spaces. This was done by installing new lighting and flooring tiles and painting each exterior suite door a bright and inviting colour. Residents participated by choosing the colour palette and working together to come up with unique names for the suites. The initiative received overwhelmingly positive feedback and provided residents with a sense of pride in the community they helped create.



"There is a true sense of community and safety in my building and since I started living at VIDA, I have improved my social life. Community BBQs, VIDA perks and the opportunity to earn rent credits are amazing"

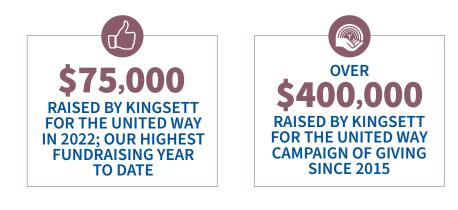
VIDA resident, Winnipeg



## **COMMUNITY ENGAGEMENT**

We aim to be a good neighbour and partner in the communities in which we operate.

Our employees volunteer and participate in several industry associations, charitable events and local activities that help create value for all. We enable our property teams to be active members of the communities they work in. By hosting events, providing public services not otherwise available and connecting with our communities, we create spaces people want to be in.



#### Junior Achievement (JA)

KingSett supported JA's World of Choices program through virtual and in-class sessions held in the Spring and Fall of 2022. 33 KingSett volunteers connected with 247 high school students across 9 high school classes to teach them about the different careers in the real estate industry and helped identify potential career paths suited to individual skills and strengths.



#### Anna Kennedy Scholarship

To honour KingSett's former Chief Operating Officer, Anna Kennedy, for her 11 years of service, the company established The Anna Kennedy Scholarship for Professional Accounting Excellence. This scholarship is for students entering the Graduate Diploma in Professional Accounting program at the Rotman School of Management and is awarded annually on the basis of academic merit.

**CREATE** volunteer opportunities for employees to engage with our communities

**EXPAND** our internship program to include participants recruited by the Black Business and Professional Association

**EXPAND** our mentorship program for young professionals from underrepresented communities

## MyBGO Roots Tree Planting Program

TWO St. Thomas, a multi-residential building located in Toronto, has established a tree planting program for its residents. Every month residents who are celebrating a move-in anniversary receive an email outlining how many trees were planted and their positive impact on the planet. For example, each tree creates enough oxygen for two people, sequesters 2.3 Kg of CO<sub>2</sub> from the atmosphere and contributes to approximately 90 years of animal habitat.





## **ABOUT THIS REPORT**

This report pertains to KingSett Capital's Environmental, Social and Governance (ESG) Strategy and the performance of the KingSett Canadian Real Estate Income Fund LP (CREIF) ("Portfolio") during the 2022 calendar year (January 1, 2022 – December 31, 2022), unless otherwise stated. Please see our ESG website for more information on our ESG management approach, activities, supplementary performance data, GRI Content Index and alignment with reporting standards.

KingSett received limited verification of selected environmental data, including carbon emissions performance disclosed in this report by an independent third party, Quinn+Partners, in accordance with ISO 14064-3. A copy of the Verification Statement is available on our ESG Microsite.

For more information about ESG at KingSett, please contact:

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