



Simply Better Business

2016 Corporate Responsibility Summary





Sun Life Financial Tower, Toronto, ON,
Owner: Sun Life Assurance Company of Canada

CEO’s Message

Our environmental, social and governance practices enhance long-term value for investors by reducing risks, increasing net operating income and enhancing tenant loyalty.

Sustainability is about ongoing leadership, strengthening relationships, and continuous innovation. For over a decade, we have believed that obtaining green building certifications such as LEED, ENERGY STAR and BOMA BEST was the right thing to do – energy costs were lowered and tenants were increasingly becoming interested in green buildings. We felt that prioritizing sustainability and delivering certified buildings resulted in a superior experience for tenants and created value for investors.

But belief by itself is no longer enough. In 2014, we committed to obtaining compelling, portfolio-wide evidence that green certified buildings outperform their non-green counterparts. We commissioned an academic research study and were pleased to see it published in September 2015 in one of the most respected peer-reviewed journals, *Institutional Investor’s The Journal of Portfolio Management*. The study results, discussed throughout this report, have deepened our conviction that sustainability attributes are essential criteria to delivering long-term value for investors.

TABLE OF CONTENTS

1	CEO’s Message
3	Reducing Risk
5	Increasing Net Operating Income
9	Enhancing Tenant Loyalty
11	Inspiring People

“We are extremely pleased to continue to rank among GRESB’s top firms worldwide. GRESB’s focus on sustainability leadership aligns very strongly with Bentall Kennedy’s core values. Our ongoing focus on exceptional performance in the areas of environmental, social and governance practices drives long-term value for our clients, which is simply better business.”

GARY WHITELAW, CHIEF EXECUTIVE OFFICER, BENTALL KENNEDY GROUP



Increasing Net Operating Income: Green Building Certifications

Green certified buildings are generally more efficient, thereby contributing to a reduction in operating costs and lower greenhouse gas emissions. Three key findings from our commissioned study suggest an 8-10% higher asset value for green office buildings compared to equivalent non-certified assets, which is implied from the following:

- 3.7% increase in rental rate premium in U.S. LEED certified buildings;
- 4% decrease in rent concessions in Canadian LEED and BOMA BEST certified buildings; and
- 4% occupancy rate premium in U.S. LEED certified buildings.

This value impact model is discussed in more detail on pages 5 & 6 of this report.

Enhancing Tenant Loyalty: Tenants Value the “Badge”

The research clearly showed something that had never been published in academic literature before: tenants in green certified buildings are more satisfied and more likely to renew. This was most prominent with BOMA BEST certified buildings in Canada, and particularly for the Gold and Platinum levels. We believe this is

largely due to the management practices instilled by the certification schemes and the dedication of property management teams to adhere to these practices while offering a superior environment for tenants.

Reducing Risk: Sustainable Cities

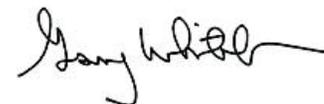
A portfolio of green certified properties helps reduce the risk of building obsolescence. Selecting investments in cities which themselves are actively working on becoming sustainable is also important. We take into account which cities have the appropriate infrastructure, policies and planning in place to attract and support people and businesses. We consider factors that improve overall livability of a city, including public transit, environmental health, protection of green spaces, nurturing of arts and culture, smart growth and a focus on increasing active transportation options such as walking and cycling. These cities are increasingly requiring energy reporting and benchmarking of buildings and we are prepared to meet these requirements.

Within sustainable cities, there is a strong demand not just for green certified buildings, but for spaces that help people and companies achieve their broader health and well-being goals. We see health as a growing concern, and opportunities exist to provide spaces that encourage healthy lifestyles.

Bentall Kennedy: A Sun Life Investment Management Company

Bentall Kennedy became a Sun Life Investment Management Company in September 2015. Sun Life has been a Bentall Kennedy client for over a decade and one of the many ways that the two companies are aligned is that we both have a strong focus on and commitment to sustainability. In 2016, Sun Life Financial was named among the Global 100 Most Sustainable Corporations in the World by Corporate Knights for the 7th consecutive year.

We appreciate the dedication of our real estate professionals to these initiatives, and we look forward to your feedback and to further sustainability innovations moving forward.



GARY WHITELAW
CHIEF EXECUTIVE OFFICER,
BENTALL KENNEDY GROUP
June 22, 2016

PRIORITIZING GREEN
BUILDING CERTIFICATIONS

20



office buildings
registered in
2015 to achieve
certification through
our LEED EB:O&M
Volume program

130



buildings
across all asset
types achieved
certification in
2015 through
our BOMA BEST
Portfolio program

916



buildings
participating in
ENERGY STAR

Reducing Risk

First and foremost we are a fiduciary, bringing exceptional knowledge and experience to the responsible, long-term investment and management of real estate assets.

As a fiduciary, we are responsible for managing risk across our client portfolios in a sustainable manner. When considering a new development or the acquisition of a building, we look at a number of sustainability factors, including environmental risk and energy performance.

One of the first things we consider is the city – is it a city that proactively addresses sustainability and associated risks? Next, we drill down to the neighborhood level to determine whether it is a vibrant neighborhood that will attract top talent to work and live. We then look at the attributes of the building itself (for example, is it mixed-use, LEED certified, etc.) and how it will play a part in ensuring health and productivity of tenants and residents. Finally, we evaluate the management of the property and how we can play a role in the overall tenant experience.

A good example is the purchase of a property for redevelopment beside the Diridon train station in San Jose, California. The regional economy is very strong

with rapidly growing companies and an educated, digitally savvy, and health conscious workforce. The development site is ideally located beside public transit and near a regional highway. Importantly, the development is actively contributing to an emerging walkable neighborhood. The development itself will be a vibrant, LEED certified, mixed-use property with office, multi-family and ground floor retail.

Of great importance when managing risk across our portfolio is our ability to reduce greenhouse gas (GHG) emissions. At the Paris Climate Change Conference (COP21) in December 2015, 195 countries adopted the first-ever universal, legally binding global climate agreement. As a result, increasing regulations across North America have made GHG management more important than ever. Our progress in this area, as discussed on page 7, demonstrates that we are well positioned to address this growing risk.

SUSTAINABILITY HIGHLIGHTS:

UN PRI

Received an “A” grade on our PRI SIGNATORY report

WWF-CANADA

Living Planet @ Work Company of the Year from WWF-Canada (2014 & 2015)

ENERGY STAR

ENERGY STAR Sustained Excellence Winner (2011–2016)

GRESB

Ranked 1st globally among diversified portfolios (2014 & 2015)

LOOKING FORWARD:**4 STEPS TO REDUCING RISK IN ACQUISITIONS**

Strategic thinking that seeks to reduce risk and help deliver long-term value for our clients is a 4-step process that looks at city, neighborhood, building attributes and management. At Bentall Kennedy, this strategy forms a critical part of the process we follow when considering a new development or a potential property acquisition.

1

**CITY**

Does the city proactively address sustainability and associated risks? We carefully consider which cities have the appropriate infrastructure, policies and planning in place to attract and nurture people and business such as public transit, smart growth and environmental health.

2

**NEIGHBORHOOD**

Is it a vibrant neighborhood that will attract top talent to work and live? We look for communities that have a lot to offer the people who work and live there, including an array of amenities and a focus on active transportation such as walking and cycling.

3

**BUILDING ATTRIBUTES**

Does the building do its part to reduce its environmental impact? We look to develop green certified buildings, and certify existing ones, to achieve a lower environmental impact and higher net operating income compared to traditional non-certified properties.

4

**MANAGEMENT**

We consider how our management of the property can improve tenant experience. Through our ForeverGreen Tenant Program we equip the management team with tools to drive and maintain a top performing building and engage tenants in achieving their overall sustainability, health and productivity goals.



Increasing Net Operating Income

Groundbreaking research finds that green office buildings deliver higher income and value

We strive to reduce operating expenses from utility use and waste generation while at the same time improve the environmental performance and efficiency of our buildings. One approach we have prioritized is green building certifications such as LEED, ENERGY STAR and BOMA BEST. For years, we have believed that proactively managing sustainability factors through green building certifications not only increases net operating income, but also instills best management practices and leads to superior building performance, benefiting both clients and tenants.

Groundbreaking New Research

Our role as a fiduciary led us to go beyond belief, intuition and case studies to seek compelling portfolio-wide evidence through research. Bentall Kennedy commissioned a first of its kind report on the financial effects of green building certifications on commercial office buildings. The article, titled “Green Certification and Building Performance: Implications for Tangibles and Intangibles”, was published in the September 2015 Special Real Estate Issue of *Institutional Investor’s Journal of Portfolio Management*.

The study was conducted by Dr. Nils Kok of Maastricht University in the Netherlands and Dr. Avis Devine of the University of Guelph in Canada. The research methodology included analyzing 10 years of actual rent data from office properties within the portfolio managed by Bentall Kennedy: 143 assets in the U.S. and 148 assets in Canada, representing a total of 58 million square feet.

This research confirmed our intuition, demonstrating not only that green certified buildings are generally more efficient, but also that green office buildings have a higher value than non-certified buildings. Our model of the value impact based on three key findings (rental rate premiums, fewer rent concessions, and occupancy rate premiums) suggests an 8-10% asset value premium for green buildings.

In 2015, we launched our LEED for Existing Buildings: Operations & Maintenance (LEED EB:O&M) Volume Program and a BOMA BEST Portfolio Program. Over the coming years, these programs will enable us to effectively increase the coverage of building certifications across our portfolio to deliver higher income and value.



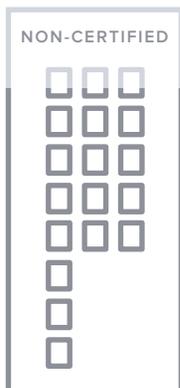
Bentall 5, Vancouver, BC,
Co-Owners: Bentall Kennedy
Prime Canadian Property Fund
and Separate Account Clients
of Bentall Kennedy

GROUNDBREAKING FINDINGS

An illustration of the value impact from three key research findings suggests an 8–10% higher asset value for green buildings.

Current Value Estimate
in Non-Certified Buildings

\$65.7M



3 Key Research Findings

1 Rental Rate Premium
in U.S. LEED certified buildings*

3.7%



2 Rent Concessions in Canadian LEED
& BOMA BEST certified buildings**

4%



3 Occupancy Rate Premium
in U.S. LEED certified buildings*

4%



Current Value Estimate
in Certified Buildings

\$72.3M



ASSUMPTIONS

Year one market rent assumption: \$30 psf

Tenant Improvements: \$30 psf (new tenants)/
\$15 psf (renewals) calculated on a 75%
retention ratio

General Vacancy: 7%

COMMON ASSUMPTIONS

Lag Time: 8 months

Commissions: \$5 psf (new deals) /
\$2.50 psf (renewals)

100,000 sf office building; 10 tenants renting
10,000 sf each; Lease expiries and renewals
spread evenly over 10-year investment time
horizon; reversion of NOI in year 11

Discount rate of 6% applied to future income

Terminal capitalization rate: 5%

MODIFIED ASSUMPTIONS

Year one market rent assumption: \$31.11 psf

Tenant Improvements: \$28.80 psf (new
tenants) / \$14.40 psf (renewals) calculated
on a 80.6% retention ratio

General Vacancy: 3.28%

The illustration above shows the hypothetical change in value of a hypothetical property using a Bentall Kennedy valuation model that is based on a discounted cash flow approach. This is a hypothetical illustration for the purpose of estimating a possible value impact of the changes in rental rates, rent concessions, and occupancy rates correlated to green building certification in the study. It does not present actual increases in value or potential future increases in value of actual investments. The increase of value shown is at a point in time based on changes to assumptions in the valuation model, and does not represent a rate of return. Bentall Kennedy believes that the assumptions about market conditions that factor into the model are reasonable for an office property located in North America, but market conditions vary by geographic area and could differ significantly from these assumptions. There can be no assurance that an investment in green certification would have a similar impact on an actual building. The model further does not reflect fees, transaction costs and other expenses that would decrease the return on an actual investment.

*In Canada, LEED data less robust

**In U.S., BOMA BEST not available

Reducing energy use is a key strategy in managing the operating costs across our portfolio, for the benefit of our clients, tenants and the environment.

The most material environmental impact of a real estate company are greenhouse gas (GHG) emissions associated with the energy use in buildings over their lifetimes. This energy use accounts for 90% of our Scope 1 & 2 GHG emissions, with water and waste making up the remaining 10%. Over the past 5 years we have achieved incremental improvements in these areas. In 2015, with a renewed focus on training and building certifications, we have achieved some significant reductions.

Greenhouse Gases (GHG) and Energy

Across our portfolio, normalized gross location-based GHG emissions* decreased by 2.8% in 2015 compared to 2014. As a long-time proponent of implementing energy reduction measures, some may believe there is no low hanging fruit left for efficiency gains. In order to drive down energy and associated costs, we focus on reducing energy intensity (the energy used in a building on a per square foot basis, normalized to remove variances for weather and occupancy). This enables

us to highlight the impact that management practices have on energy reduction goals. The normalized energy intensity across our portfolio decreased by 4%, compared to 2014. These results are partially due to an increased emphasis on energy efficiency training and building certifications along with improvements to our utility management tool, Eco Tracker, and a continued focus on energy reduction programs at the properties.

We have several examples where high performing buildings, already certified to LEED Gold, have been able to deliver a further 15-20% energy efficiency gain by focusing on data collection and deeper analytics to identify efficiency opportunities.

Looking forward, we will continue our best-in-class management practices to reduce energy intensities, while improving energy efficiency literacy amongst our real estate professionals through training and more active participation in Eco Tracker.

* As a manager, we monitor performance on a like-for-like basis. Normalized gross location-based GHG emissions data (normalized GHG emissions), as presented in our Summary Report, does not account for the purchase of renewable energy credits or carbon offsets. The current year data only reflects properties that have been in the portfolio for each of the past 5 years or have been newly developed during that time. Data for historical years is adjusted to reflect 2015 weather, occupancy, and exceptional tenant loads. As per the GHG Protocol Scope 2 guidance, 'location-based emissions' reflect the emissions from the electricity that is generated locally, which may be different from the electricity that the company is purchasing. Both market-based and location-based emissions are disclosed in our full report at cr.bentallkennedy.com.



For more detailed environmental data, including water and waste, please visit: cr.bentallkennedy.com/environment

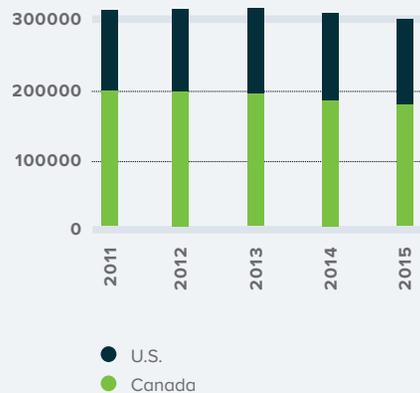
\$26M

total utility costs avoided across North America (2011-2015)



An increased emphasis on energy efficiency training, building certifications and data analytics has led to a 4% annual decrease in normalized energy intensity across our portfolio.

Normalized GHG Emissions, Scope 1 & 2 (tCO₂e)



U.S.: Normalized Energy Intensity by Asset Type (ekWh/sqft/yr)



Canada: Normalized Energy Intensity by Asset Type (ekWh/sqft/yr)



Eastgate Square, Hamilton, ON,
Owner: Bentall Kennedy Prime
Canadian Property Fund

47%

waste diversion rate in our Canadian enclosed retail portfolio (an increase of 60% since 2011)



CANADA

14.6%

decrease in normalized water intensity across our U.S. office portfolio, compared to 2014



U.S.

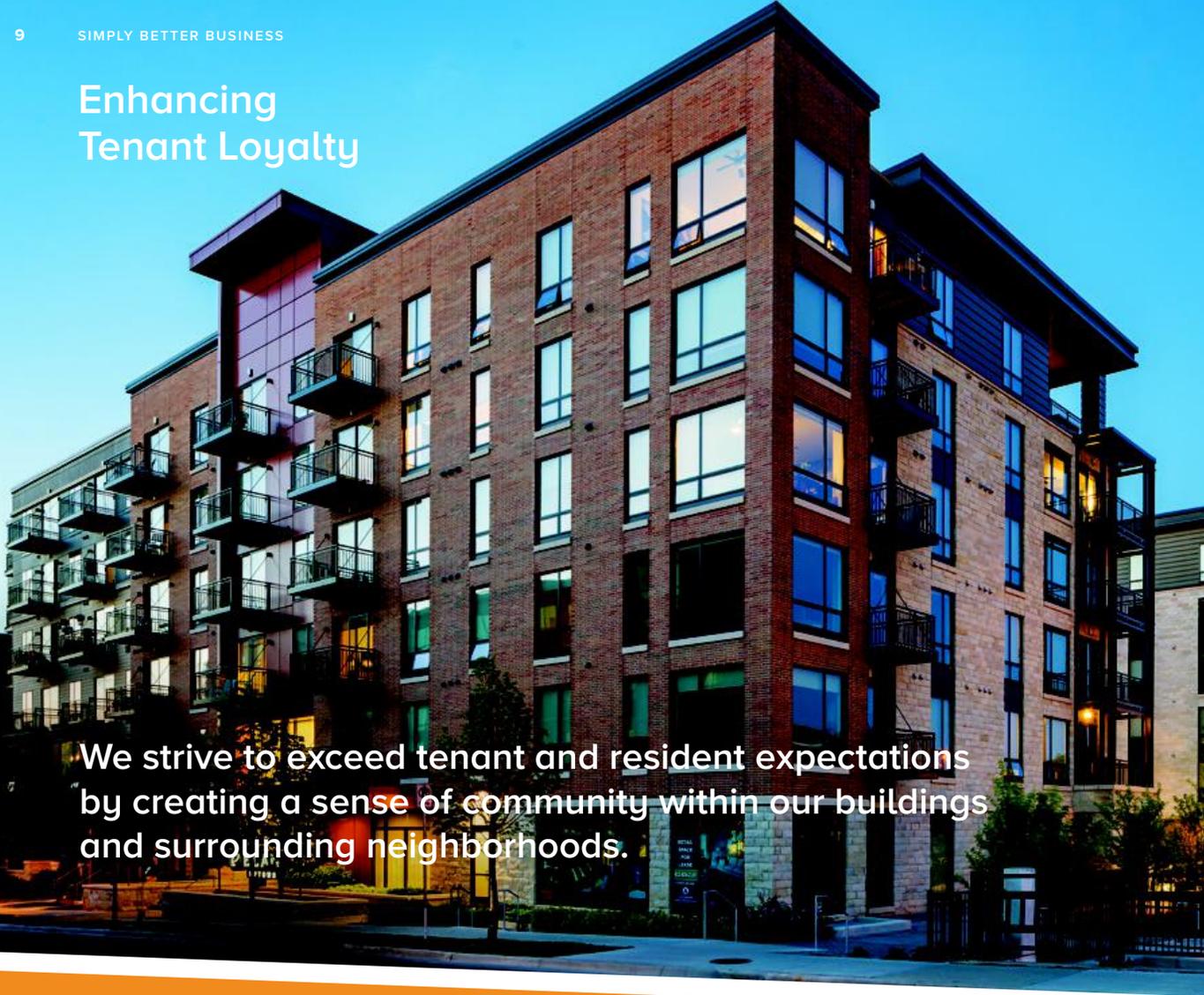
2.8%

reduction in normalized GHG emissions, compared to 2014



NORTH AMERICA

Enhancing Tenant Loyalty



We strive to exceed tenant and resident expectations by creating a sense of community within our buildings and surrounding neighborhoods.

◀
Elan Uptown,
Minneapolis, MN,
Owner: U.S. open
end fund managed
by Bentall Kennedy

Tenant expectations continue to change and evolve. One way we enhance long-term value of our portfolio is by going above and beyond to exceed expectations. We achieve this through building certifications, tenant engagement initiatives and management teams that thrive on innovation.

Building Certifications

Green building certifications reassure our stakeholders that our practices and programs are achieving results and exceeding benchmarks. Our commissioned research (discussed in detail on page 5 & 6) not only demonstrates that certified buildings deliver higher income and value, but also reconfirms our belief that tenants prefer occupying buildings with green certifications. Green certified buildings often have more satisfied tenants who are more likely to renew. For example, the research suggests a 5.6% increase in tenant renewal rates and a 7% increase in tenant satisfaction scores in Canadian buildings, particularly for BOMA BEST Gold certification or higher, when compared to non-certified buildings (data not available for U.S. certified assets).

BUILDING CERTIFICATIONS BY THE NUMBERS

LEED

\$11B

in assets, across
25.5 million
square feet are
LEED certified



67%

of the U.S. office
portfolio is LEED
certified (based on
asset value)



56%

of the Canadian office
portfolio is LEED
certified (based on
asset value)



“With green building certifications becoming the norm, we are proud to offer an enhanced tenant experience in sustainability through a range of programs and services, including our ForeverGreen program.”

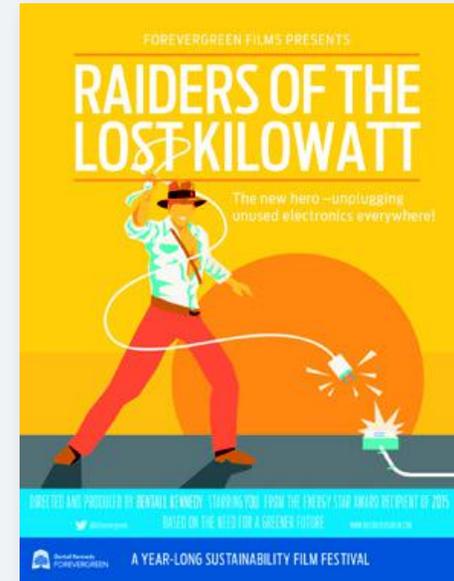
GISELLE GAGNON, SENIOR VICE-PRESIDENT, STRATEGIC RESOURCES GROUP

ForeverGreen Tenant Engagement

Since 2014, our ForeverGreen Tenant program has been active in all asset types across North America, including an adaptation for residential where the program is known as ForeverGreen@Home. ForeverGreen focuses on creating collaboration among property managers and tenants, resulting in cleaner, greener and more enjoyable places to work and live. Engaging resources such as posters, newsletters and Green Team Packs provide both property managers and tenants with actionable content around monthly environmental themes.

In 2015, we took ForeverGreen to the next level with *Destination ForeverGreen*, our online social media program for sustainability. The program was piloted at four Toronto office properties. It uses social and game mechanics to encourage building occupants to complete activities designed to educate themselves about sustainability. The pilot received an *Innovation in Sustainability Award* from the Canada Green Building Council – Greater Toronto Chapter.

Looking forward we will continue to enhance our ForeverGreen offerings, keeping them innovative, fun and engaging.



◀ A sample of our monthly movie-themed posters from our 'ForeverGreen Film Festival' campaign on display at Bentall Kennedy properties across North America.

BOMA BEST

\$12.6B



in assets in Canada are BOMA BEST certified

55%



of the total Canadian portfolio is BOMA BEST certified (included office, industrial and retail, based on asset value)

ENERGY STAR

\$9.7B



in assets have an ENERGY STAR score of 75 or higher

Inspiring People

People are our greatest asset. We strive to attract, retain and develop an engaged and talented workforce.

We promote a corporate culture that attracts and retains the highest caliber people. We encourage growth and development by providing our employees with the resources to work effectively and perform better. We are committed to a sustainable work environment and we enable our employees to give back to the communities in which they live and work. In 2015, we continued to improve the quality of engagement with employees by expanding our offering of training and development opportunities.

Training & Development

Our people are the foundation of our past, current and future success – they create value for the clients and tenants we serve. Investment in Training & Development was a priority in 2015 with a focus on programs for our leaders and newest team members. Our expanded Mentoring Program supported the engagement and development of our emerging leaders. Several

management training programs were also added to enable our leaders to meet the ever changing and complex nature of our business. For our newest team members we expanded our corporate orientation program to promote our culture and accelerate their learning about the organization.

We also continued to develop and provide sustainability training, targeted to specific roles within our company. Our Investment Management sustainability training was launched in 2014 and continued throughout 2015. Leaders from across the organization participated in this three hour session focused on creating a common understanding of our sustainability value drivers. Also in 2015, we launched our Energy Efficiency Certificate Program, which is a multi-course program that empowers property management teams with the right tools and analytics to deliver continuous improvements in energy efficiency.



For more information about our team please visit:
cr.bentallkennedy.com/employees

OUR BLUE TEAM
NETWORK SPANS

12



CITIES ACROSS NORTH AMERICA

Our Blue Teams play an important role within our offices by recruiting volunteers and implementing initiatives to help spread the sustainability message to all Bentall Kennedy employees.

“The dedication of our people never ceases to amaze me. Our shared values come across not only in our day to day work but also in our commitment to serving and enhancing the communities in which we operate.”

AMY PRICE, U.S. PRESIDENT & CHIEF OPERATING OFFICER



▶ Margie Nelson, VP Asset Management, Annelisse Quitevis, Executive Assistant & Lydia Tan, SVP Development, San Francisco, CA

SPOTLIGHT:
CALGARY EMPLOYEES MAKING A DIFFERENCE IN 2015

\$140K | Monies collected and donated to various charities


470 | Number of volunteer hours by employees and associated contractors


14K | Pounds of food collected and donated

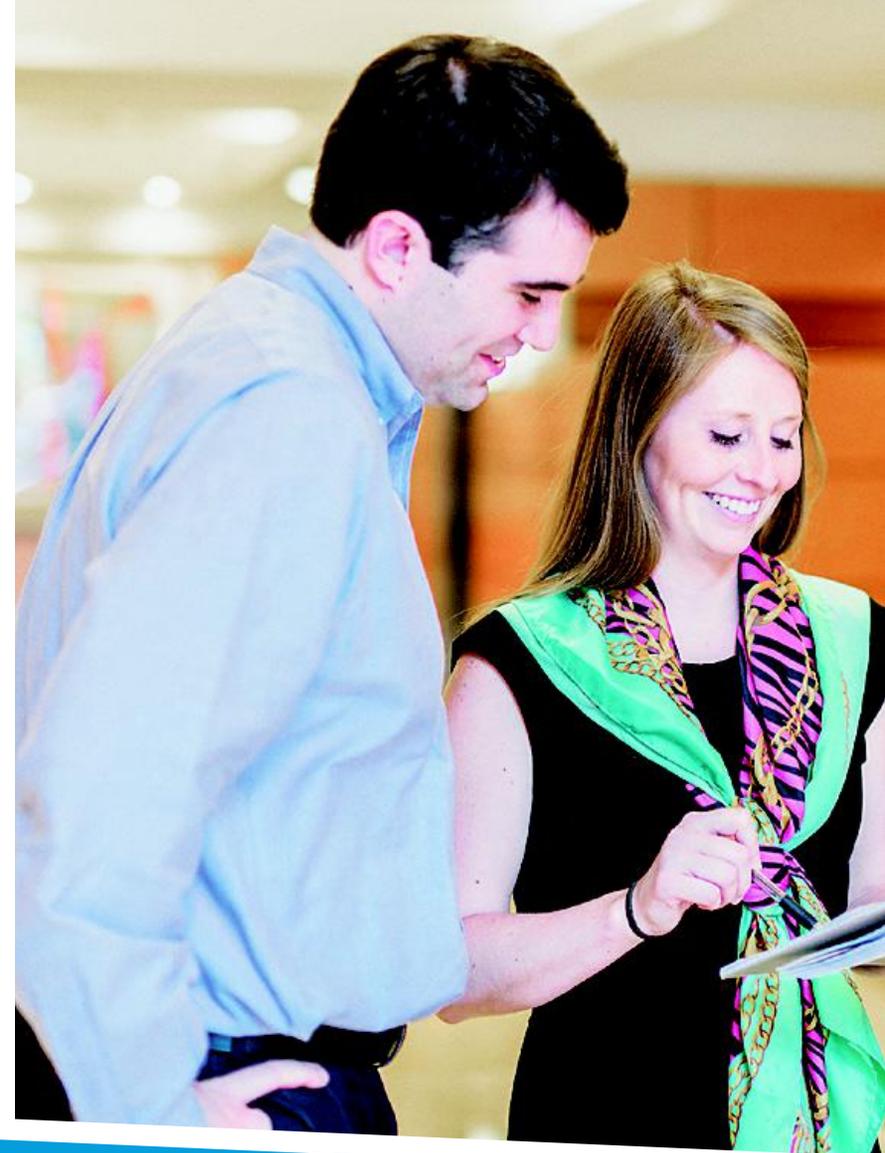

Vision 2020

Bentall Kennedy will be in the top echelon of real estate advisory and services platforms globally, offering comprehensive, strategic property skills. We will do so with the utmost of integrity and disciplined execution and will deliver consistent results that exceed our clients' and tenants' expectations. We will be the fiduciary partner of choice. We will enable investors to extend and obtain leverage from their in-house real estate investment resources through deep and enduring relationships with our superb professionals.

About Bentall Kennedy

Bentall Kennedy, a Sun Life Investment Management Company, is one of the 30 largest global real estate investment advisors and one of North America's foremost providers of real estate services. Bentall Kennedy serves the interests of more than 550 institutional clients and investors across office, retail, industrial, and multi-residential properties throughout the U.S. and Canada. Bentall Kennedy, ranked 1st globally in its peer group in the 2015 Global Real Estate Sustainability Benchmark (GRESB), is a member of UN PRI and a recognized Responsible Property Investing leader committed to best-in-class environmental, social and governance practices in developing, leasing and managing commercial real estate.

▶ Nathan Riley, Financial Analyst, Taylor Brown, Administrative Assistant & Betsy Kunec, Administrative Assistant, Washington, D.C.



OUR VALUES

1

We always put clients' interests first

2

We are a recognized global leader in the real estate industry in Environmental, Social and Governance practices and Responsible Property Investing

3

We value our tenants and strive to establish long-term relationships



View the full report and send us your feedback at cr.bentallkennedy.com

About the Report

We have used the GRI 3.1 Reporting Framework and the CRESS guidelines to develop our report.

All data contained in this report is presented as of December 31, 2015. Published June 2016. Unless otherwise noted, all references to dollars are in Canadian dollars.

Bentall Kennedy includes Bentall Kennedy (Canada) Limited Partnership, Bentall Kennedy (U.S.) Limited Partnership and the real estate and commercial mortgage investment groups of certain of their affiliates, all of which comprise a team of real estate professionals spanning multiple legal entities. Nothing in these materials is (or should be considered to be) financial, investment or other advice on which reliance should be placed.

The materials also are not intended to, and do not, constitute an offer to buy or sell any securities noted or referenced herein, as any such securities will only be offered and sold in compliance with all

applicable securities laws. Non-ESG questions relating to MEPT/MEPT Edgemoor LP should be directed to Edgemoor Partners LLC.

Bentall Kennedy reports on both actual and normalized environmental data. The CR Summary Report includes normalized data for energy, greenhouse gas and water. The normalization uses industry best practices to account for changes in weather, occupancy, and exceptional tenant loads. Please refer to our Corporate Responsibility Report, located online at cr.bentallkennedy.com for additional environmental data.

Bentall Kennedy has engaged KPMG LLP (KPMG) to provide limited assurance over selected performance indicators in our Corporate Responsibility Report, including actual environmental data, for the year ended December 31, 2015. Normalized environmental data, as presented in the CR Summary Report, has been excluded from KPMG's assurance scope. The full scope of KPMG's engagement and their assurance report can be found at cr.bentallkennedy.com/assurance.

4

We are committed to creating a culture within Bentall Kennedy that attracts, engages, advances and retains the highest caliber people

5

The strength and resources of Sun Life Financial, a leading global financial institution, provides a stable foundation for our dedicated management team to focus exclusively on real estate



Printed on Rolland Enviro100 Print, which contains 100% post-consumer fiber, is EcoLogo, Processed Chlorine Free and FSC® certified, and is manufactured using renewable biogas energy.



BENTALL KENNEDY **RANKED 1ST GLOBALLY IN 2014 & 2015**
BY THE GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)
AMONG DIVERSIFIED PORTFOLIOS



COVER IMAGE: Diridon, San Jose, CA
Owner: U.S. open end fund managed by
Bentall Kennedy

CR.BENTALLKENNEDY.COM