

2018 Environmental, Social and Governance (ESG) Report



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Letter from the President & CEO

We are pleased to present Killam's 2018 Environmental, Social and Governance (ESG) Report. This report highlights our commitment to ESG issues and how ESG factors help guide our corporate strategy.

As one of Canada's largest housing providers, we take the responsibilities of corporate citizenship seriously. Our core values of Build Community and Do the Right Thing guide our commitment to ESG programs and investments.

Our environmental efforts are focused on two priorities: improving the efficiency of our current buildings and developing the next generation of energy-efficient apartments. We are in the third year of a five-year, \$25-million energy program, and our investments have already led to significant reductions in water and electricity consumption and greenhouse gas (GHG) emissions. We have three developments recently completed or under construction that incorporate technologies to maximize energy and water efficiencies, including geothermal heating and water sub-metering. Investing in energy initiatives reduces our carbon footprint and leads to higher earnings.

As a corporate citizen, Killam is an active participant in our communities, supporting local charities with shelter, funds and employee time. We are focused on customer service excellence and work diligently to maintain our status as an employer of choice.

Killam's Board of Trustees and governance processes are another key to our success. Our eight non-executive trustees bring significant real estate, corporate finance, government relations and management expertise to Killam. Individually, and as part of the Audit, Compensation, Governance, Nomination and Succession Committees, trustees are responsible for ensuring Killam fulfills its commitments as a responsible corporate citizen. In fact, our Governance Committee reviews and approves our annual ESG report and our performance against our ESG goals.

Many of our employees are highly involved members of their communities. We employ passionate individuals who dedicate their time and energy to a multitude of causes and charities, some of which we highlight in this report. We support these activities by providing paid time off for volunteer work. We also often provide financial contributions.

In 2019, we are making the commitment to participate in the Global Real Estate Sustainability Benchmark (GRESB) rating, a well-known global ESG benchmark for real assets, which measures performance against sustainability benchmarks including energy use, GHG emissions, water and waste, performance improvement programs and community engagement. Although we are pleased with the progress we have made thus far, there is more to do. We remain committed to advancing our ESG initiatives, and reporting annually on our progress.

Sustainability will continue to be a priority at Killam. It makes good business sense, and it's the right thing to do.

Yours truly,



Philip Fraser

President & CEO

Our Sustainability Policy – A Commitment to ESG

Killam is a leader in ESG practices within the Canadian real estate sector, and has developed a sustainability policy that emphasizes our commitment. The policy applies to all Killam employees. It is recommended by the Governance Committee and approved by the Board of Trustees. The following is Killam's commitment to ESG, included in the ESG policy:

- Invest in new technology and initiatives to increase sustainability and lower our carbon footprint across the portfolio with a focus on reducing waste, energy and water usage.
- Support and invest in our employees through training and development opportunities and providing access to a safe and positive workplace.
- Provide outstanding customer service and a sense of community at our properties.
- Support community initiatives in the communities in which we operate, with an emphasis on affordable housing.
- Establish and implement robust governance policies and practices.
- Report annually on our ESG programs, new initiatives and performance against targets.
- Review our annual ESG benchmark ratings (from various industry bodies) and target areas for improvement each year.

Our ESG Approach

Killam launched an ESG Oversight Committee in early 2019 to provide guidance and ensure the integration of ESG into Killam's strategic objectives. In addition, management regularly reports progress against ESG targets to the Board's Governance Committee.

Our approach is also underlined by our Core Values of Build Community and Do the Right Thing. Killam works proactively and diligently to monitor and reduce our environmental footprint, to ensure effective and ethical governance and to invest in ways that stimulate sustainable economic growth.

Our Core Values

Killam has five Core Values that shape the way we do business.



Our 2019 Goals

Our sustainability goals for 2019 include:

- Participate in the GRESB rating, a well-known global ESG benchmark for real assets.
- Invest \$5 million in energy-efficiency initiatives.
- Reduce carbon emissions by 3% (on a per square foot basis).
- Invest in social initiatives across our portfolio, focusing both on our people and our communities.

2018 Highlights and Achievements



WATER CONSERVATION

Completed the installation of low-flow toilets across the portfolio.



ENERGY SAVINGS

Invested \$2.1 million in LED lighting retrofits in 2018.



EFFICIENT HEATING

Invested \$1.6 million in heating efficiency projects.



EMPLOYER AWARDS

Recognized as an employer of choice, including being one of Canada's Most Admired Corporate Cultures.



RESIDENT SATISFACTION

Achieved 88%⁽¹⁾ resident satisfaction rating in annual resident survey.



CHARITABLE GIVING

Donated over \$300,000 in cash and in-kind gifts to support organizations across Canada.



COMMUNITY OUTREACH

Supported affordable housing with more than 600 subsidized units through community partnerships.



GOVERNANCE

Awarded the highest rating available for Governance from Institutional Shareholder Services (ISS).

(1) Results from 2018 Corporate Research Associates (CRA) Independent Resident Survey

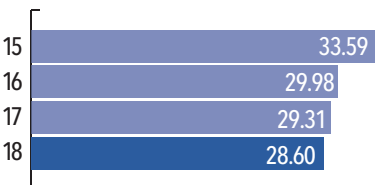
Reducing Energy Emissions

Killam has a long history of investing in energy efficiencies. When natural gas was first introduced to the market in Atlantic Canada in 2004, Killam was an early adopter. We converted over 98% of the portfolio in Nova Scotia and New Brunswick from oil burning boilers to cleaner natural gas within six years. This rapid adoption and conversion to natural gas has led to significant GHG reductions; over 50,000 tons of GHG reductions have been achieved in the last 15 years from smart fuel switching. Eliminating the use and storage of oil onsite has also greatly diminished Killam’s environmental risk associated with older properties.

We seek to continuously improve and maintain our buildings, with a focus on reducing waste, energy and water use. To achieve this, we have been finding practical solutions for different properties that make the highest impact in reducing the environmental footprint. Our portfolio of over 200 properties provides opportunities to invest in projects that improve the long-term sustainability of our assets, while generating average annual returns of more than 20%.

With \$5 million dedicated annually to energy-efficiency projects, Killam invests over 10% of its overall capital budget in gaining operating efficiencies, lowering operating costs and reducing its impact on the environment.

Since commencing the five-year, \$25 million energy-efficiency program in 2016, we have seen a 15% reduction in GHG intensity (as measured by CO₂e/SF). We are targeting another 3% reduction in carbon intensity in 2019.

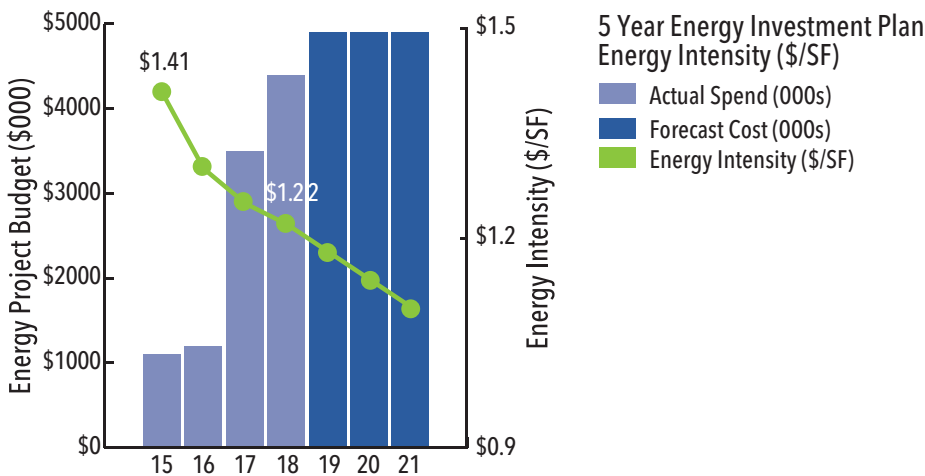


Killam also tracks its energy intensity expense per square foot (SF), which measures all energy sources (including water) used within a property, converted to a single common measurement of dollars per SF. At the end of 2018, there has been a \$0.19 per SF reduction since the 2015 base year (13%), representing

an estimated \$4.3 million in annual energy cost savings, more than offsetting rising energy rates.

KILLAM'S GREEN FUTURE

Killam will continue to build on our current successes to make buildings more sustainable and resilient to the impacts of climate change. Killam’s green future is already being laid with the advanced building technologies we are planning and piloting now. As Killam grows through new development and acquisitions, we challenge ourselves to ensure our impact on the environment is minimized.



Renewable Energy and Efficiency Initiatives



WATER CONSERVATION

Killam has completed the installation of low-flow toilets in more than 9,100 units in our portfolio. Since the program started in 2015, over 600 million liters of water have been saved by Killam and our tenants. As well, newer developments such as Saginaw Park, which opened in 2018, are sub-metering water usage.



LED LIGHTING

Killam invested \$2.1 million in lighting retrofits in 2018, and by the end of Q1-2019 will have retrofitted 100% of its portfolio with LED lighting. With over 5 million kilowatt-hours being saved annually, buildings are not only consuming less electricity, Killam has seen improved lighting levels and reduced maintenance costs with the LED program.



SOLAR

Killam has operational solar thermal heating systems at four properties. These systems together save approximately 2,800 gigajoules (GJ) of natural gas used to heat domestic hot water. Killam plans to install additional solar photovoltaic (PV) power generating panels in 2019. As the cost of solar continues to decline, Killam will scale solar to more properties. As not all properties are suitable for onsite solar or have limited roof area to meet energy needs, we are exploring purchasing offsite renewable electricity. Killam is also incorporating a solar PV heating system on its current 78-unit Shorefront development in Charlottetown, Prince Edward Island.



EFFICIENT HEATING

Killam has several programs underway to reduce heating costs and lower its impact on the environment. Large-scale boiler room overhauls using high-efficiency heating and pumping equipment are frequently being undertaken in the portfolio. Each year enough boiler upgrades are completed to save 15,000 GJ of natural gas use annually.

Developing the Next Generation of Energy-Efficient Apartments

Our more than \$200 million in new Killam developments have been designed and built using strategies aimed at improving performance across important metrics. These include: energy savings, water efficiency, the stewardship of resources and a sensitivity to their environmental impact. We focus our development activity in the urban core and in highly walkable suburban sub-markets.

We use technology and renewable resources whenever feasible with the intent to create green and sustainable homes for our residents. From LED lighting and motion sensing technology to geothermal heating and in-suite green switches, energy conservation is an important component of our development designs.



LED LIGHTING



SUB-METERED WATER



LOW-FLOW FAUCETS



ENERGY EFFICIENT APPLIANCES



Saginaw Park, Cambridge, ON



Geothermal

Killam is committed to increasing its investment in geothermal heating and cooling. In London, Ontario, Killam's 180 Mill Street apartments has a geothermal heating and cooling system that takes water from an underground stream, which is then pumped through a heat exchanger to individual heat pumps in each apartment unit. Phase one of a new 840-unit development, Frontier, is under construction in Ottawa, and will also incorporate geothermal heating and cooling. Within the next six months, Killam will also be breaking ground on another new development, a 128-unit apartment building in Mississauga that will use geothermal energy.



Sub-Metered Water

Killam introduced its first building with separately metered water with the opening of Saginaw Park in Cambridge, Ontario in the Spring of 2018. By separately metering water, residents pay for their water usage directly. This reduces Killam's exposure to water costs and promotes conservative water usage by residents. To date, water usage is estimated to be 20% lower at our sub-metered Saginaw Park property compared to our adjacent Saginaw Gardens property. Killam plans to incorporate separately metered water with the Frontier in Ottawa, and our planned Silver Spear development in Mississauga.



Electric Vehicle Chargers and Sustainable Transportation

Killam has seven properties that have on-site electric vehicle (EV) charging stations for residents. All new developments being built by Killam will incorporate EV chargers. In addition to supporting electrification of transportation, Killam is developing in urbanized environments that support direct access to public transportation. An example of this is the new Frontier development in Ottawa, which is adjacent to the city's newly expanded light-rail transit network.



Renovating To Maximize Efficiencies

Killam has an extensive suite renovation program that allows it to improve energy efficiency and sustainability throughout the apartment portfolio, while delivering upgraded amenities to its residents. With an apartment upgrade, we improve unit performance and comfort by installing the following:

- Energy Star kitchen appliances
- Energy-efficient lighting
- Programmable thermostats
- Low-VOC paint
- Low-flow faucets, shower heads and toilets

Contributing to Our Communities

COMMUNITY OUTREACH INITIATIVES & ADDRESSING SOCIAL NEEDS

Giving back is an important part of being a responsible corporate citizen. A core value of Killam is Do the Right Thing, and part of that is investing in our communities through various programs and initiatives. Killam has a Community Involvement Committee that extensively monitors all aspects of the Trust’s community involvement and charitable efforts on an ongoing basis.

Providing affordable units, along with donating units to hospitals, has always been important to Killam. Below are Killam’s key community initiatives in 2018:

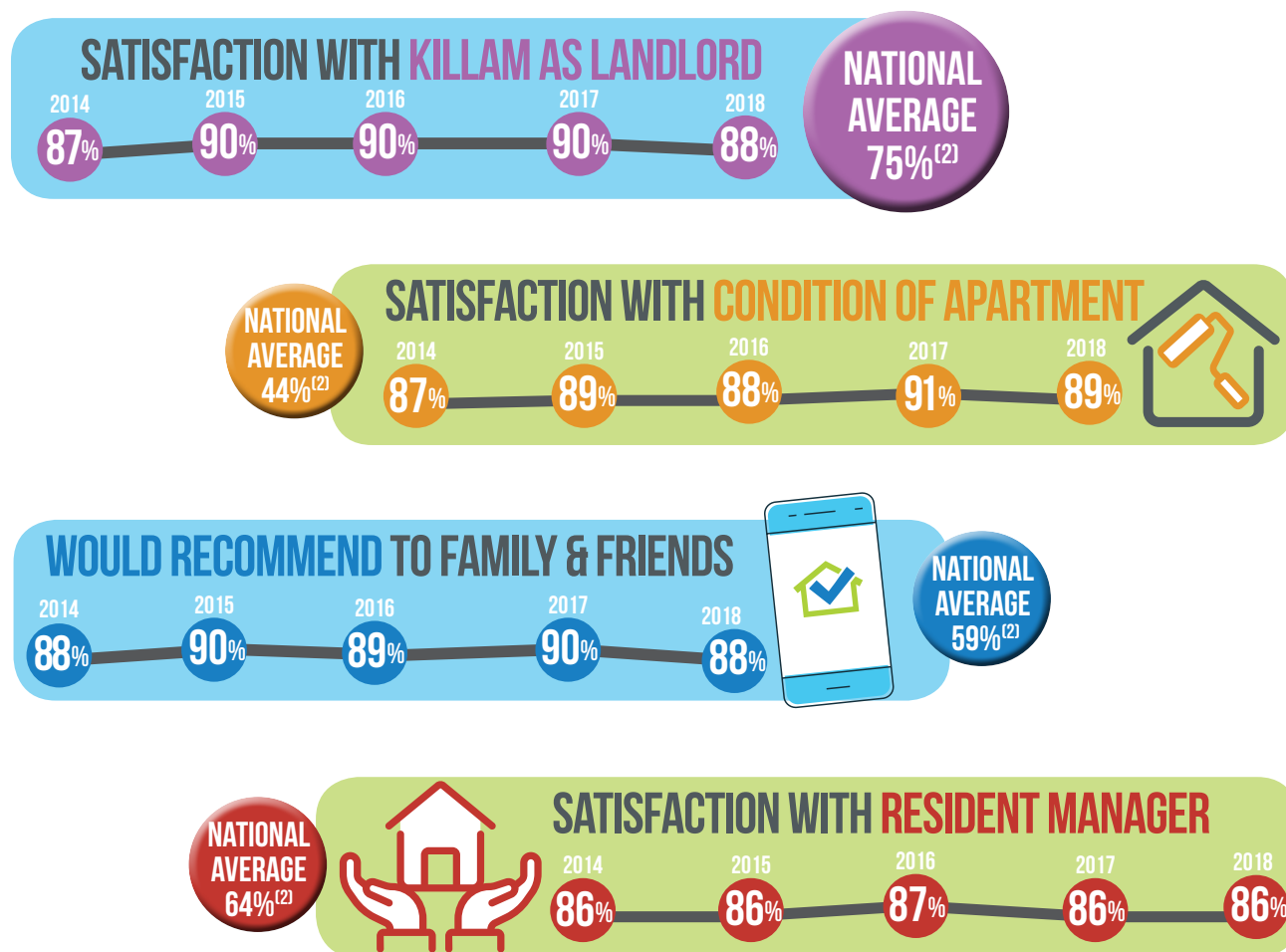
- Partnered with non-profit housing agencies such as Housing First, Nova Scotia Health Authority-Mental Health Division, Shelter Nova Scotia, YWCA and Phoenix. These relationships, along with partnerships with multiple provincial government housing boards, provide more than 600 subsidized units to previously under-housed individuals.
- Donated nine fully furnished units to hospitals across our portfolio in an effort to provide comfortable accommodation to families as they support loved ones through treatment.
- Provided financial assistance to organizations that offer shelter and support to individuals and families.
- Donated \$100,000 to the University of Calgary’s Libin Cardiovascular Institute. Members of Killam’s Board of Trustees personally pledge \$100,000 annually to an organization of a Trustee’s choice. Since beginning this annual donation program in 2010, Killam’s Trustees have donated \$900,000 to organizations across Canada.
- Provided assistance to residents who had fallen on hard times and needed financial support through Killam’s Tenant Relief Program. Qualifying residents can receive up to six months of reduced rent.
- Supported many organizations across the communities in which we operate, including the organizations listed below:

Killam employees are active community members. Killam grants a full day of paid leave each year for employees to volunteer with a charity of their choice. Many employees take advantage of this day to give back to organizations in their communities.



Providing Outstanding Customer Service

Killam provides outstanding customer service and fosters a sense of community at its properties. We survey residents to measure our success in meeting expectations and to identify areas for improvement. In 2018, we received a satisfaction rating of 88%⁽¹⁾ compared to the national average of 75%⁽²⁾.



Creating a sense of community is a priority at Killam. Below are examples of programs, events and amenities that contribute to resident engagement:

- Holiday gatherings, community barbecues, meet and greets, pizza parties and movie nights.
- Investment in community gardens, playgrounds, fitness rooms, recreational facilities, as well as waterfront and pool upgrades at seasonal resorts.
- Killam's online resident portal, along with a mobile app version, and corporate website, including the online live chat option, has expanded communication options for existing and prospective residents.

(1) Results from 2018 CRA Independent Resident Survey
 (2) 2018 Avison Young National Multi-Residential Tenant Survey

The Right People

A COLLABORATIVE CULTURE

Killam's success is due to the hard work and dedication of our people. Our more than 600 employees exemplify Killam's Core Values and are the key to resident satisfaction. In our 2018 employee survey, 94% of respondents said they are willing to give an extra effort to see Killam succeed.

Killam supports its employees at work and in their communities in many ways:

- Killam invests in employee education and coaching programs and provides financial assistance for learning.
- Killam's employee unit purchase plan rewards employees with a 50% investment match after two years of service.
- Scholarships are available to children and grandchildren of Killam employees who pursue post-secondary education.
- Quarterly newsletters, team summits and senior management property visits foster an engaged workforce.
- Killam's Employee and Family Assistance Program provides counseling and support for employees and their family members experiencing depression, anxiety, stress, grief and other common issues.

COMPENSATION AND PROMOTION

Killam is committed to delivering competitive compensation for its employees, along with considerable benefits, training, education opportunities and career advancement.

The majority of Killam employees are measured quarterly on targets that are directly linked to our corporate goals for the year. This increases both Killam's ability to meet our targets as well as the commitment of our employees to our corporate success.

Quarterly scorecard reports for property managers and site employees are part of our regular performance management feedback program. The program includes annual, quarterly and probationary review programs all offered through our user-friendly interactive employee portal. Performance management includes career development and long-term goal discussions.

Senior management participated in a 360° review process during 2018, receiving one-on-one executive coaching. The senior management team as a whole was evaluated as leaders, and areas of strength and growth were identified, fostering the full potential of Killam's management team.

Employee Benefits

Flexible benefits plans

Employee & Family Assistance Program

Paid volunteer time

Paid time off (vacation & personal)

Paid sick leave

Annual incentive plan

Employee Unit Purchase Plan

Professional association reimbursement

Referral bonuses

Short-term and long-term disability coverage

Summer hours

Scholarships

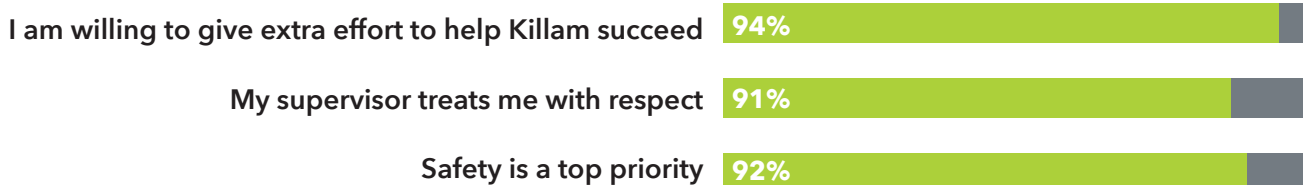
Tuition reimbursement

Discount at Killam apartments

Killam Perks (discounts at partners)

Parental leave pay

2018 EMPLOYEE SURVEY RESULTS



DIVERSITY AND INCLUSION

Killam is committed to providing a supportive and inclusive workplace for all employees. Employees are encouraged to develop their full potential and use their unique talents, maximizing the efficiency of our team. Killam recognizes the benefits which arise from employee diversity, including a strengthened corporate culture, improved employee retention, access to different perspectives and ideas and the benefit of all available talent.

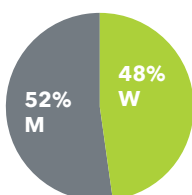
Killam is an equal opportunity employer. All decisions regarding recruitment, hiring, promotion, compensation, employee development and all other terms and conditions of employment are made without regard to race, nationality or ethnic origin, colour, religion, age, sex, sexual orientation, gender orientation, marital status, civil status, physical or mental disability or any other protected ground, as set out in Killam's Code of Business Conduct and Ethics and applicable human rights legislation.

Killam's commitment to a diverse and inclusive workplace is apparent in the following initiatives, policies and practices:

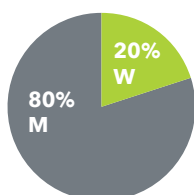
- Killam has both employee and Board of Trustees diversity policies to promote inclusiveness, diversity and leadership opportunities.
- Two of ten Board positions and five of nine senior management positions are occupied by women. The Board has a target of at least three women on the Board by 2020.
- Killam's commitment to diversity is evident in our employee policies, handbooks, documents and employee portal. More importantly, respect and fair treatment are an essential part of our culture.
- Respectful workplace training is provided to employees on a regular basis.
- Any discriminatory practices or behaviours in the workplace are not tolerated and are addressed immediately.

Diversity Metrics

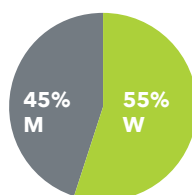
All Employees



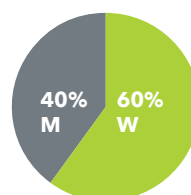
Board of Trustees



Executive



Senior Managers & Professionals

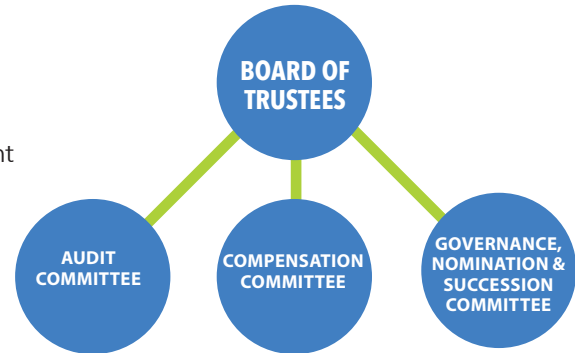


Leading with Strong Governance

BOARD OF TRUSTEES AND BOARD COMMITTEES

Killam believes that effective corporate governance is critical to our continued and long-term success and will help to maximize unitholder value. The Trustees strongly believe that their commitment to sound governance practices is in the best interest of the Trust and its unitholders and contributes to effective and efficient decision making.

The Board carries out its responsibilities with the support of several Board committees. The Governance, Nomination and Succession Committee (GN&S) is responsible for the oversight of Killam's ESG mandate and initiatives. For more information on Killam's Board Committees, visit killamreit.com/investor-relations/corporate-governance.



INDEPENDENCE

Killam's Board of Trustees is currently comprised of ten Trustees, six of whom are considered to be independent.

Killam believes that separating the position of Chair of the Board and the position of the CEO is key in effectively providing independent Board oversight and in holding management accountable to the Board for the Trust's operations. Killam has an independent, non-executive Chair of the Board, and all Board committee members are independent.

It is the Board's policy for non-management Trustees to hold regularly scheduled meetings without the attendance of management of the Trust (in-camera meetings). Time is specifically reserved for in-camera meetings at the beginning and/or end of the Board, Audit, Compensation and GN&S Committee meetings.

CODE OF BUSINESS CONDUCT AND ETHICS

Killam strives to be a good corporate citizen and maintain a high standard of integrity in conducting business. Killam's Code of Business Conduct and Ethics (the Code) establishes a framework of guidelines and principles to oversee and foster ethical behaviour in all business activities.

The principles in the Code are intended to:

- Establish ethical and fair practice in all business relationships, dealings and activities.
- Ensure compliance with all laws, regulations and Killam policies.
- Facilitate a safe working environment with respect for people and a commitment to diversity, equal opportunity and freedom from exposure to improper conduct and discrimination.
- Maintain professional integrity in all business dealings.
- Protect Killam's assets, ensuring only proper use for Killam's benefit.
- Safeguard the use of confidential information and maintain proper reporting procedures.

The Code provides additional, practical insight into applying Killam's Core Values, specifically Do the Right Thing, to Killam's everyday operations.

RECOGNITION FOR GOOD GOVERNANCE

Killam was awarded the highest rating for Governance by Institutional Shareholder Services (ISS) in 2018. ISS's Governance QualityScore methodology focuses on the qualitative aspects of governance, including global governance standards and alignment with ISS voting policy in each region.



BEST PRACTICE COMPENSATION POLICIES

The Board of Trustees' Compensation Committee is responsible for determining executive compensation packages for senior officers. In the last two years, Killam's Compensation Committee and Board of Trustees approved changes to the compensation programs to increase alignment between executives and unitholders. Highlights of Killam's executive compensation include:

- The majority of total direct compensation for executives is performance-based.
- A portion of incentive awards are dependent upon unit performance and are measured against objective financial metrics that link directly to the creation of value for unitholders.
- Vesting timeframes for at-risk compensation are designed to expose a material portion of executive compensation to long-term unitholder value creation.
- An executive compensation clawback policy was introduced in 2018.
- All members of the senior management team are subject to unit ownership requirements.
- An advisory say-on-pay resolution was introduced at the 2018 Annual General Meeting and received 97.6% approval from unitholders.

WHISTLEBLOWER POLICY

Killam has a Whistleblower Policy to encourage individuals and businesses to report any harmful activity without fear of retribution. The Whistleblower Policy underscores Killam's commitment to operating under the highest standards of accountability and transparency.

Through Killam's corporate website, persons can complete a confidential form to report any harmful activity that they may have witnessed. Reports are sent directly to the Chair of the Audit Committee and all information submitted will remain confidential.

The goal of the Whistleblower Policy is to:

- Encourage employees, advisors, residents, people and companies who do business with Killam to report possible violations of law, accounting irregularities and other suspected wrongdoing.
- Provide a confidential channel to report such activity.
- Discourage illegal activity and illegal business conduct.
- Protect Killam's good name, business interests and its relationships with employees, unitholders, broker-dealers, real estate professionals, suppliers, residents and the community at large.