

# 2019 ESG Report

Get Started 

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## At Kayne Anderson Real Estate (KA Real Estate), we believe that delivering superior, risk-adjusted returns to our investors and investing responsibly are not mutually exclusive, and are committed to this responsibility.

We are pleased to share KA Real Estate's inaugural ESG Report. In the following pages, we present our approach to managing investments responsibly and the ways in which we collaborate with our employees, operators, tenants and communities on ESG initiatives.

Kayne Anderson Capital Advisors (KACALP) and KA Real Estate have a long history of investing according to Environmental, Social and Governance (ESG) principles. From rigorous environmental due diligence on prospective investments to [managing our development](#) and operating properties sustainably, we have sought to embed ESG practices throughout the life cycle of our investments.

During 2019, KA Real Estate and KACALP made significant steps to formalize the commitment to ESG. KA Real Estate became a member of the Global Real Estate Sustainability Benchmark (GRESB) and KACALP became a signatory to the UN Principles for Responsible Investment (PRI) to increase accountability and transparency for our ESG commitment. KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects in KAREP V, the firm's latest closed-end opportunistic fund. Additionally, KA Real Estate began tracking energy, water and waste data across the KACORE portfolio, the firm's open-end core fund. Finally, resources at the corporate level were dedicated to ESG with the hiring of Mike G. Lombardo, Director of ESG Strategy, in late 2018.

We are proud of the culture at KA Real Estate and are constantly evaluating ways to enhance our team's well-being, while reducing our office footprint, and contributing to the communities in which we work and live. In 2019, 100% of our employees made donations to charitable causes that were matched by the Kayne Anderson Capital Advisors Foundation.

In light of the worldwide spread of [coronavirus \(COVID-19\)](#), we have outlined how we have enhanced our business practices at both Kayne Anderson Real Estate and at our properties to mitigate potential risks from the virus.

We remain committed to finding new and innovative ways to strengthen the integration of our sustainable principles and practices into our day-to-day operations. Working alongside our operating partners and other key stakeholders, we look forward to sharing our progress in the years ahead.



A stylized, handwritten signature in a light blue or teal color, consisting of several loops and a long horizontal stroke extending to the right.

**Albert Rabil III**  
Co-Founder, Managing  
Partner and CEO



A stylized, handwritten signature in a light blue or teal color, consisting of a large, circular loop followed by a few smaller strokes.

**S. David Selznick**  
Chief Investment Officer

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A photograph of a modern office interior. The space features large glass windows on the right side, providing a view of the outdoors. In the foreground, there is a long wooden table with several black chairs. A red, textured sofa is positioned in the middle ground. The ceiling has recessed lighting and pendant lights. A dark blue semi-transparent overlay covers the left side of the image, containing the text 'About Kayne Anderson Real Estate' in white.

# About Kayne Anderson Real Estate

# Kayne Anderson Real Estate Overview

A leading alternative real estate investment manager since 2007

- **Independent, private, employee-owned company**
- **\$9.7 billion in assets under management\***
- **40 investment professionals**

## Platform Overview

- **Kayne Anderson Real Estate Partners I-V**  
Opportunistic/Value Add
- **Kayne Anderson Core Real Estate**  
Alternative Core
- **Kayne Anderson Real Estate Debt I-III**  
Real Estate Debt
- **Kayne Anderson Real Estate Opportunistic Debt I-II**  
Real Estate Opportunistic Debt

\* As of July 31, 2020. Assets Under Management includes unfunded commitments.

Since its inception in 2007, KA Real Estate has invested more than \$13 billion across alternative real estate asset classes



### Medical Office

- 431 Properties
- 18.5 Million SF



### Seniors Housing

- 101 Communities
- 13,941 Units



### Student Housing/ Multifamily

- 88 Properties
- 43,674 Beds
- 4,976 Units



### Self Storage

- 44 Properties
- 28,772 Units

As of 12.31.19

# What ESG Means to Kayne Anderson Real Estate

Kayne Anderson is dedicated to delivering attractive risk-adjusted returns to our investors. We also believe it is our responsibility to help create a more sustainable world. The best way we can fulfill our commitments to our investors, the environment and society is by integrating ESG principles into our investment process.



## Environmental

Through careful environmental stewardship across our investment process, KA Real Estate seeks to deliver value to clients by reducing property-level costs, managing risk and protecting the environment. KA Real Estate maintains robust due diligence standards and engages in energy efficiency, water conservation and waste reduction measures in its operating and construction practices as well as in its corporate office.



## Social

As a corporate citizen, our responsibility goes beyond the physical walls of our real estate holdings to investing in people. We consider the health and well-being of our tenants, employees and local communities when making all business decisions. In practice, this means listening to our tenants, building and engaging a diverse workforce and generously donating our time and resources to our communities.



## Governance

KA Real Estate executes its business with honesty and integrity. Rigorous policies, governance structures and business practices are in place to support this culture of responsibility. These policies, structures and practices encourage strong ethics, transparency and proper oversight. As an extension of our governance practices, we collaborate with operating partners who are aligned with our principles.

# 2019 ESG Highlights

- 1 KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and [capital improvement projects](#).
- 2 Kayne Anderson Capital Advisors became a signatory to UN Principles for Responsible Investment (PRI) in 2019.
- 3 A lead donor to the Pension Real Estate Association Foundation (PREAF). PREAF's mission is to advance diversity and inclusion in real estate.
- 4 KACORE engaged third-party to begin tracking ESG metrics across KACORE portfolio.
- 5 KACORE participated in first GRESB assessment in 2019.
- 6 100% employee participation in the company's employee donation matching program.

## What are the UN-supported Principles for Responsible Investment?

The United Nations-supported Principles for Responsible Investment (PRI) is the largest global network of investors who support the integration of ESG risks and opportunities into investment decision-making and ownership practices. PRI was launched in 2006 and since its founding the number of signatories has grown from 100 to over 2,300. Current signatories represent more than \$86 trillion in assets under management.

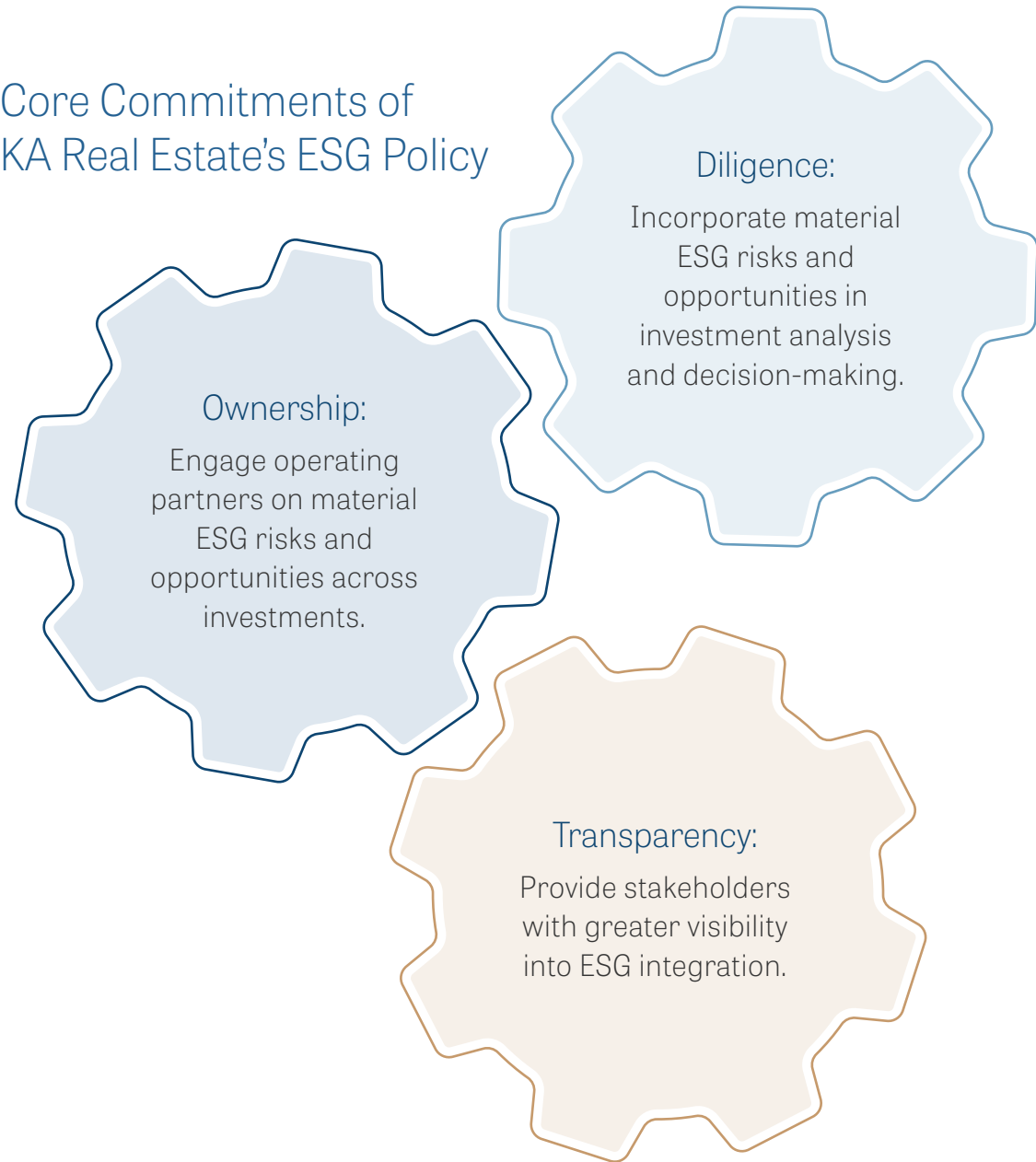
## What is GRESB?

GRESB (formerly the Global Real Estate Sustainability Benchmark) is a voluntary assessment supported by more than 100 institutional investors. The assessment measures real estate portfolios' performance as it relates to ESG policies and management practices, property level sustainability performance (energy and water consumption, waste and greenhouse gas emissions), green building certifications and stakeholder engagement. Institutional investors use GRESB performance as an input to evaluate funds' ESG performance.

# Kayne Anderson's Responsible Investment Philosophy

As stewards of capital, KA Real Estate believes promoting responsible investment practices and sustainable business practices creates long-term value for our investors.

## Core Commitments of KA Real Estate's ESG Policy





# Managing Our Investments Responsibly

# Due Diligence

Evaluating material ESG risks and opportunities is a key component of our investment process



## Key Transaction Diligence Items:

- 1 Identify potential or existing environmental liabilities**
  - Underlying land — Third-party Phase I Environmental Assessment
  - Physical property evaluation — Third-party Property Condition Assessment
- 2 Evaluate climate change through flood risk tools**
- 3 Assess Operators: Conduct due diligence on all key service providers**
  - Review internal documents such as corporate records, financial statements and internal control reports
  - Independently verify management's representations via contact with other customers, key personnel and/or vendors
- 4 Identify opportunities to increase utility efficiency**
- 5 Outline, design and execution of all environmental remediation plans**
- 6 Interview tenants to assess needs and desire for improvements and/or new amenities**
- 7 Evaluate accessibility — proximity to public transit, retail and other services**

# Operating Practices

Kayne Anderson Real Estate seeks to lower the overall operating costs of its investments while reducing the impact on the environment. Our approach to managing properties sustainably is driven by three core principles:

## 1 Operating Efficiency

Our vertically integrated team works in collaboration with our partners to identify and implement operational enhancements that are cost effective. Examples may include replacing existing light with LED light bulbs or upgrading HVAC systems with modern, energy efficient units. Where available, we strongly support the use of incentive programs offered by utilities, local governments and state agencies to strengthen property-specific energy efficiency measures.

## 2 Utility Monitoring

To identify opportunities for efficiency improvement, a number of our operating partners regularly monitor energy, water and waste usage. In 2019, KACORE began collecting utility data for comprehensive portfolio reporting, in partnership with Goby, a leading third-party sustainability consultant. KA Real Estate is currently exploring strategies to begin centrally collecting and monitoring utility data across all operating properties.

## 3 Partner Engagement

KA Real Estate seeks to educate and share ESG practices with its operating partners. During 2019, in partnership with MB Real Estate, our medical office operating partner, an ESG assessment was conducted across 14 medical office properties to evaluate current building practices and to identify potential opportunities for efficiency improvements.



# Development and Capital Improvement Projects

KA Real Estate has a dedicated in-house Design and Construction (D&C) team that oversees all new construction and major renovation projects. Our D&C Team works closely with operating partners and monitors progress on all projects to ensure they meet KA Real Estate's standards, including environmental and social considerations. Where feasible, we work with our operating partners to incorporate many of the following strategies:

- Energy efficient HVAC equipment and automation systems
- LED lighting fixtures
- High-efficiency water fixtures
- Energy Star appliances
- Occupancy sensors
- Natural lighting maximization
- Repurposed building materials
- Locally sourced building materials
- Health and wellness facilities



Gerald Marquis



Yanelys Rosua



Carlos Lorenzo



Zola Francis



Joseph Pitagora


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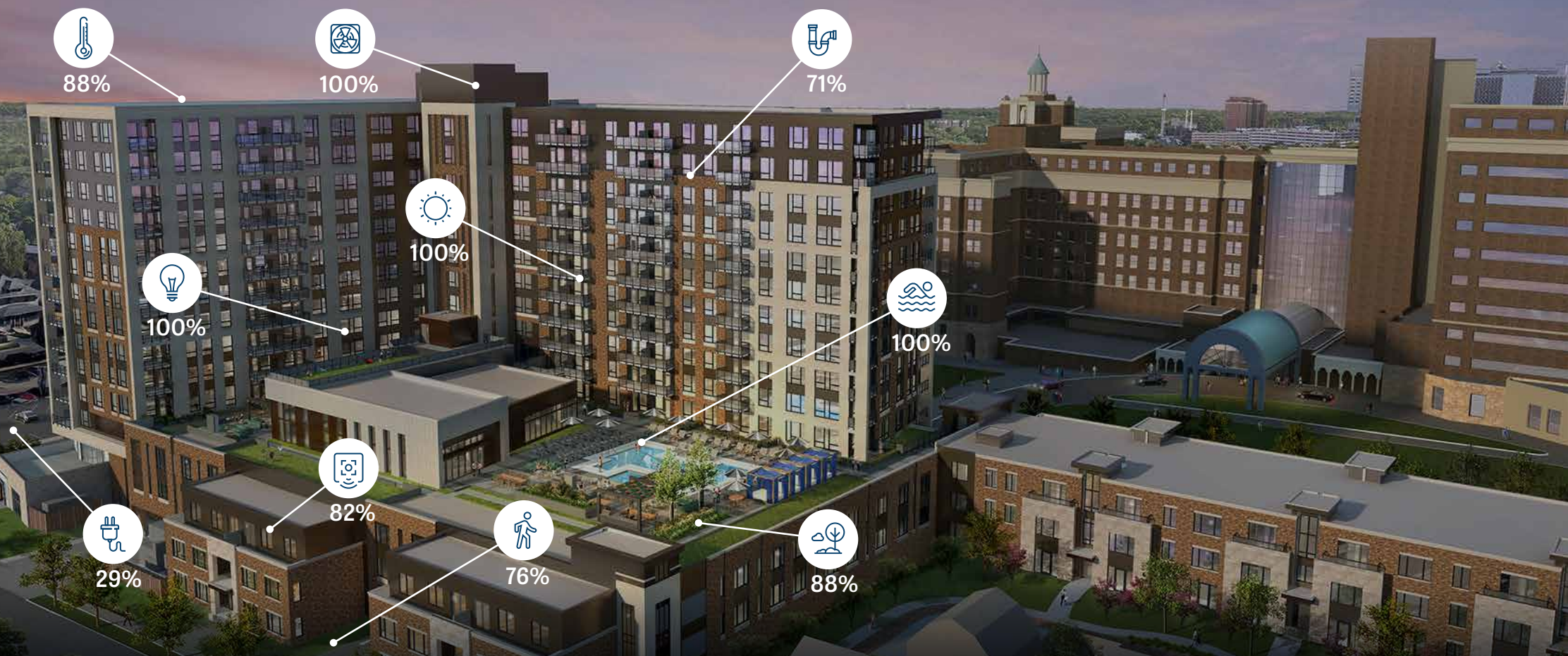
## D&C team

Led by Carlos Lorenzo, our D&C team has 60 years of combined experience across construction management, civil and environmental engineering and architecture. Collectively, the team's expertise spans across numerous sectors, including student housing, seniors housing, self storage, medical office, retail, multifamily, municipal and federal buildings. The team has multiple certifications in engineering, occupational health and safety, hazardous waste operations and emergency response.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.

 *Click the attribute icons for more information*



\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**100%**  
**Energy-Efficient HVAC Equipment\***  
HVAC systems utilize a significant portion of energy costs in a building. Energy-efficient HVAC equipment requires less energy to work, decreasing energy consumption.  
\*Energy Star or AHRI certified.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**71%**  
**Low-Flow Plumbing Fixtures**  
Low-flow plumbing fixtures typically reduce water consumption by at least 20% when compared to conventional fixtures.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**100%**  
**LED Light Fixtures**  
Energy-efficient light fixtures consume up to 90% less power than incandescent bulbs.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**82%**  
**Occupancy Sensors**  
Occupancy sensors are motion-detecting devices used to detect the presence of a person to automatically control lights, temperature or ventilation systems to reduce energy waste.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**88%**  
**Cool Roofs**  
Cool roofs are designed with highly reflective surfaces to reflect more sunlight and absorb less heat than a standard roof. This decrease in surface temperature leads to longer roof life and reduces air conditioning use.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**76%**  
**Pedestrian- or Transit-Friendly Neighborhood**  
Property locations near retail, restaurants and public transportation reduce the usage of cars and encourage more environmentally friendly forms of mobility.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**100%**  
**Optimize Day Lighting**  
Controlled admission of natural light, direct sunlight, and diffused skylight into a building to reduce electric lighting and saving energy.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**88%**  
**Native/Drought-Resistant Landscaping**  
Native plants, ground cover and sustainable irrigation systems promote water efficiency.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**100%**  
**Health and Wellness Facilities**  
Pools, fitness facilities and yoga rooms are examples of amenities designed to promote the health and wellness of our residents.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Sustainable Attributes

KA Real Estate invested over \$200 million in building features with environmental and social benefits for recent developments and capital improvement projects.\* The numbers below indicate the percent of recent developments with each attribute.



**29%**  
**Electric Vehicle Charging Stations**  
Charging stations encourage the use of electric vehicles and reduce greenhouse gas emissions.

\*Sustainability attributes data is based on 14 development properties in KAREP V.

# Case Study

## The Watermark at Brooklyn Heights

Seniors Housing | Development



Acquisition Date  
**OCT. 2017**



Purchase Price  
**\$202MM**



Total  
Transaction Cost  
**\$336MM**



Equity Investment  
**\$114.2MM**



Units  
**275**

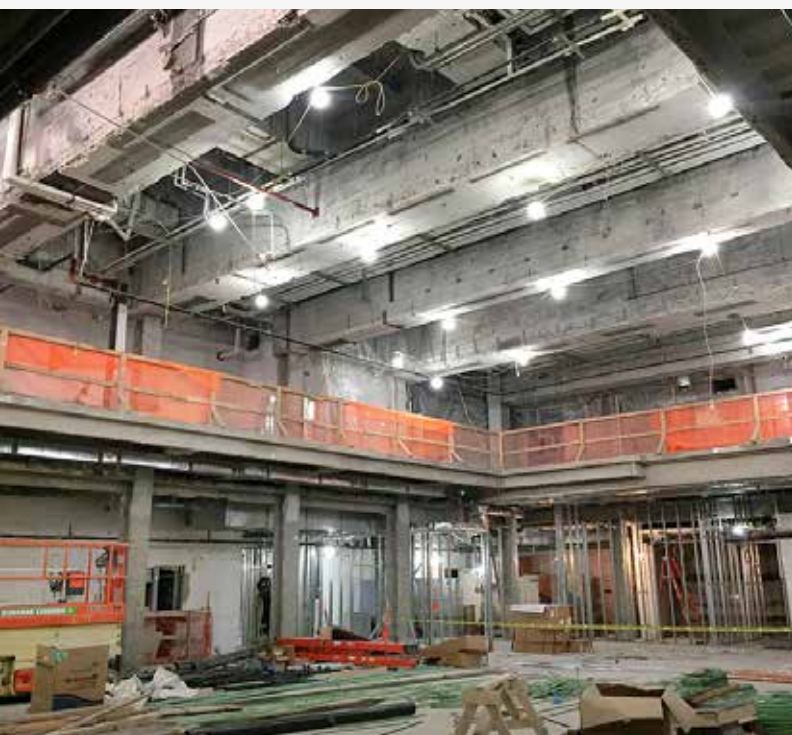


MSA  
**New York, NY**

# The Watermark at Brooklyn Heights

## Overview

Irreplaceable building with unobstructed views of Manhattan in the highly desirable Brooklyn Heights neighborhood.



**Nearly \$9 million was invested in capital improvements/development costs that directly provided environmental and social benefits.**

### Sustainable Site

The Property is located near various retail shops, restaurants, and public transit. Due to the convenient location, residents will be able to enjoy the surrounding areas within a short walking distance.

Walk Score  
**97**

Transit Score  
**100**

*Walk Score measures the walkability of any address and Transit Score measures access to public transit. Source: walkscore.com*

### Energy and Atmosphere

The Property will feature an entirely upgraded HVAC system that will be at least 50% more efficient than the previous system and minimize long-term operational costs. The common areas will feature LED lighting and occupancy

sensors. In addition, the property will have operable windows, which will permit residents to open their windows and take advantage of outside air if conditions are ideal, and thus reduce their energy usage.

### Materials and Resources

The Property is re-using much of the existing structure, electrical components, interiors and doors to promote recycling and minimize waste for the project.

### Water Efficiency

The Property will feature low-flow plumbing fixtures and will have integrated native and drought-resistant landscaping.

### Health and Wellness

The Property will feature a fitness center and indoor pool to encourage overall health and wellness for residents.

# Business Ethics and Compliance

Kayne Anderson is committed to conducting its business ethically and in compliance with all applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act.

The firm has a comprehensive compliance program overseen by Chief Compliance Officer Michael O'Neil. Kayne Anderson maintains policies and procedures that are intended to promote the highest standards of ethical and professional conduct. The firm's Code of Ethics outlines a standard of business conduct that all employees must adhere to. All employees are required to attend annual compliance training, which covers a review of the firm's Code of Ethics, including personal securities transactions, material non-public information, insider trading, gifts and entertainment, outside business activities and political contributions. In addition, employees are required to certify quarterly that they have complied with the Code of Ethics and made all reports required by the Code of Ethics and have not engaged in any prohibited conduct.



## Anti-Bribery and Anti-Corruption

Kayne Anderson maintains a zero-tolerance approach to bribery and corruption. The firm's gift and entertainment policy has established limits to prohibit giving or receipt of gifts or entertainment that are designed to influence (or appear to influence) the recipient.



## Political Contributions

Employees who wish to make a political contribution to federal officeholders or candidates are subject to strict dollar limits and pre-clearance requirements. Employees are prohibited from making contributions to any U.S. state or local officeholder or candidate.



## Cyber Security

Kayne Anderson is committed to protecting the privacy and security of client records and client non-public personal information. The firm maintains a Client Privacy Policy and a Written Information Security Policy to protect current and former customer records. In addition, the firm maintains a Cybersecurity Policy to enhance the effectiveness of the other policies. The policy provides a structured approach to addressing cybersecurity threats and establishes procedures to manage cybersecurity risk including identification, protection, detection, response and recovery.

# Stakeholder Engagement

KA Real Estate believes that two-way communication with our stakeholders is mutually beneficial. We regularly engage stakeholders to identify material ESG risks and to communicate ESG priorities and progress.

Our stakeholders include organizations and individuals that Kayne Anderson Real Estate may impact in its business through its investment or corporate operations. Internally, our stakeholders include employees and firm ownership. Externally, our stakeholders include investors, third-party operators, tenants, vendors, contractors, industry organizations, and broader society.

We engage our stakeholders through in-person meetings, investor conferences, industry conferences, third-party satisfaction surveys, social media, quarterly investor reporting, advisory boards, and ad-hoc communications.

## Industry Memberships and Relationships

*Click on the logo to learn more about each organization*



# Managing Our Company Responsibly



**Albert Rabil III**  
Co-Founder, Managing  
Partner and CEO



**S. David Selznick**  
Chief Investment  
Officer



**John Wain**  
Chief Financial  
Officer



**Kayne Anderson**  
*Real Estate*

# KA Real Estate Diversity and Inclusion

Kayne Anderson is committed to fostering a diverse and inclusive workforce and strengthening opportunities for people of all backgrounds across the industry.

- 40% of senior management are women and/or minorities
- 38% of total employees are women



PREA **foundation**

Investing in diversity drives better results.

KA Real Estate is one of the select few to be a Founding Governor of the PREA Foundation whose mission is to further the interests and values of the institutional real estate investment community by advancing industry-wide diversity and inclusion.

# Investing in Our Communities

Kayne Anderson  
Foundation

KA Real Estate  
Employee Impact

## Direct Grants

Directs financial support to employee-recommended nonprofits



## Employee Matching

Up to \$5,000 annually per household in matching donations to eligible nonprofits

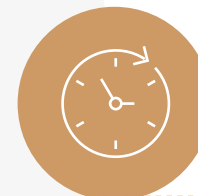


## Employee Volunteerism

Encourages employees to volunteer in local communities



Over **\$1.4 million** in charitable giving since 2011



**500** employee volunteer hours in 2019



**100%** employee participation in the 2019 Employee Charitable Donation Matching program

# Lead Causes

## Headstrong

- Headstrong provides cost-free mental healthcare to combat veterans dealing with Post-Traumatic Stress (“PTS”). KA Real Estate Co-founder and CEO Al Rabil is Co-founder and Board Member of Headstrong.
- The KA Real Estate team contributed **over \$162,000** in 2019.

## EJS Project

- Builds and empowers disadvantaged teens in and around Delray Beach, FL to be tomorrow's leaders.
- Unique partnership with Planting Pride taught EJS teens about their neighborhood's rich history and landscapes from the historians at the Spady Museum.
- The KA Real Estate team contributed **over \$34,000** in 2019.



Headstrong



EJS Project

# Local Community Involvement

KA Real Estate is committed to improving the lives of those in need, especially in the community in which we live and work. A number of local causes that we support are detailed below.



Campus Clean-up and Restoration at the Village Academy School in Delray Beach, FL

In preparation for the school year, the KA Real Estate team helped teachers and staff clean, paint and get the school ready for its students.

## Planting Pride

This initiative benefits a vulnerable neighborhood by giving it educational, social and physical benefits, including the planting of 45 trees.



## Books and Supplies Drive

KA Real Estate donated books and supplies for summer programs for local community elementary school children.

# One Team One Dream

# 1T1D

KA Real Estate's informal company motto is 1T1D. Our success is driven by a collection of highly talented professionals with a passion for their craft, respect for each other, and dedication to achieving the "right" answers. We work hard at maintaining this culture. The examples below describe a few of things we do for and with our team.

## Health & Wellness



Comprehensive medical, dental, vision benefits for all employees.

Additional health offerings:

- In-office flu shots
- On-site fitness center
- 24/7 health concierge access
- Healthy lunches provided twice per week
- Preventative education events

## Team-building Events



- Off-site wellness retreat
- Marlins baseball game
- Friendsgiving
- Women's networking event
- Women & Diversity Awareness Multicultural Heritage Lunches

## Engagement



- Sustainability training for employees
- Regular engagement led by Director of Personnel
- Employee satisfaction survey in 2020

# COVID-19

These are unprecedented times and KA Real Estate is actively working to protect the health and safety of our employees, residents, tenants and operating partners. Additionally, we are actively communicating with our stakeholders to keep them apprised of the impacts of COVID-19 on our properties, and we plan to continue engaging our stakeholders throughout the crisis.

- We are working closely with our operating partners to ensure that they are implementing procedures and practices aligned with CDC or local health department protocols.
- KA Real Estate has communicated with limited partners by email and via town hall conference calls about the impact of the virus on investments and the team.

## How is KA Real Estate responding to COVID-19 at our properties?



### Seniors Housing

#### Procurement

- Led group purchasing efforts to procure significant amounts of personal protective equipment (PPE)
- Secured tests to send to properties across the country

#### Testing

- New move-ins
- Existing and new property employees
- Randomized resident sampling
- Property-level individuals who have come in contact with residents or staff who have tested positive for COVID-19

#### Other Measures

- Limit all non-essential group activities
- Limit external visitors



### Medical Office

#### Sanitation

- Touchpoints are disinfected with high frequency
- Janitorial staff is trained to a higher level of sanitation standards

#### Testing

- Largest tenant was designated as a testing provider
- Testing is offered at a number of MOB properties



### Student/Multifamily

#### Enhanced Practices

KA Real Estate's student housing/multifamily investments are all in development; new procedures implemented by construction personnel at sites:

- Mandatory face masks and gloves
- Dedicated entry and exit paths
- Access restricted to critical personnel

### Our Team and Office

KA Real Estate is following all CDC guidelines and taking additional measures to ensure the safety of our employees and reduce the spread of COVID-19. These include work from home arrangements for all employees, weekly KA Real Estate Team videoconference meetings, and daily department calls. Additionally, KA Real Estate has continuous dialogue with leaders in healthcare to ensure best practices are implemented in the office.

**Kayne Anderson**  
*Real Estate*

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