

2016 SUSTAINABILITY REPORT

K I L R O Y

@KILROYGREEN

**GRESB**

Green Star 2013-2016
Sector Leader & #1 Ranking in
North America 2014 - 2016

**ENERGY STAR**

Partner of the Year 2014 - 2017
Sustained Excellence 2016, 2017

**NAREIT**

Leader in the Light Award,
Office Sector 2014 - 2016

“

AT KILROY REALTY CORPORATION, WE
BELIEVE IN AGGRESSIVELY PURSUING
**HIGH-PERFORMANCE ENVIRONMENTAL
BUILDING INITIATIVES** THAT CREATE
ECONOMIC VALUE FOR OUR TENANTS,
SHAREHOLDERS AND EMPLOYEES.

A Word from our CEO



Our 2016 sustainability performance exceeded even the high bar we set in 2015. By reducing our environmental footprint both in our existing operations and development activities while continuing to innovate on a variety of sustainability programs, we secured our place as the North American leader in sustainability.

For the third year in a row, the Global Real Estate Sustainability Benchmark (GRESB), the global real estate industry's most rigorous standard for sustainability performance, ranked us first in North America, out of 178 respondents, across all asset types, and seventh globally out of 738 total respondents. In addition, the National Association of Real Estate Investment Trusts (NAREIT) awarded us its Leader in the Light award for the third year in a row for superior, comprehensive and continuous sustainability practices in the office sector. Let's take a look at the numbers for 2016:

- We reduced energy consumption in our office portfolio by 4.9%, dramatically exceeding our science-based target of 1.8%.
- We saw 4.4% of water savings in the office portfolio. This builds on the momentum we created in 2015, when we met our five year water goal of reducing water use 10% from 2012 levels by 2017 two years early.
- We increased our recycling diversion rate from 45.7% to 47.5%.
- The percentage of our portfolio certified under ENERGY STAR increased from 65% to 69%, encompassing 49 buildings.
 - For the fourth year in a row, we were honored to be recognized with the ENERGY STAR Partner of the Year Award
 - For the second year in a row, we won that award's highest designation, Sustained Excellence

Sustainability is highly important to today's modern workforce. We are the premier developer and operator of LEED properties on the West Coast. All of our development projects are built to LEED Platinum and Gold standards and our stabilized portfolio is 51% LEED certified. We believe that LEED certification is of central importance to prospective tenants because we provide environments that help

our tenants attract and retain the most effective employees.

- Within our development program, we added over 1.5 million square feet of LEED Platinum and Gold certified space to our portfolio in 2016 in San Francisco, Redwood City, and Hollywood, our strongest year ever delivering LEED certified properties.
- Given our increased focus on health and wellness, we continued our WELL certifications on two additional projects, both pilots in their asset classes.

In addition, we have had successes in our company-wide social and governance practices, also detailed in this report.

Going forward, we will continue to lead the market in sustainability, building health, biodiversity, and other cutting-edge initiatives to push our entire industry to reduce its environmental impact. To do this, we must operate our portfolio at the highest, reasonable level of environmental standards centered on the fundamentals of real estate sustainability, such as energy and water reductions, building certifications, recycling, composting, and green cleaning.

Over the next five years, collaborating with our existing tenants on aggressive energy and water reduction projects in their spaces will remain a focus, supported by an expansion of our green leasing efforts. We will increase our focus on health, achieving health certifications for both new development and existing assets. Finally, we will continue to lead our regions in policy advocacy as our state and city representatives seek our input on the creation of new regulations that impact both new and existing buildings. We will continue to lead our industry in sustainable construction by developing state of the art facilities designed to the highest sustainability standards, including but not limited to LEED Platinum, and support the sustainable operation of those buildings via strong building standards and highly trained property management teams and engineers.

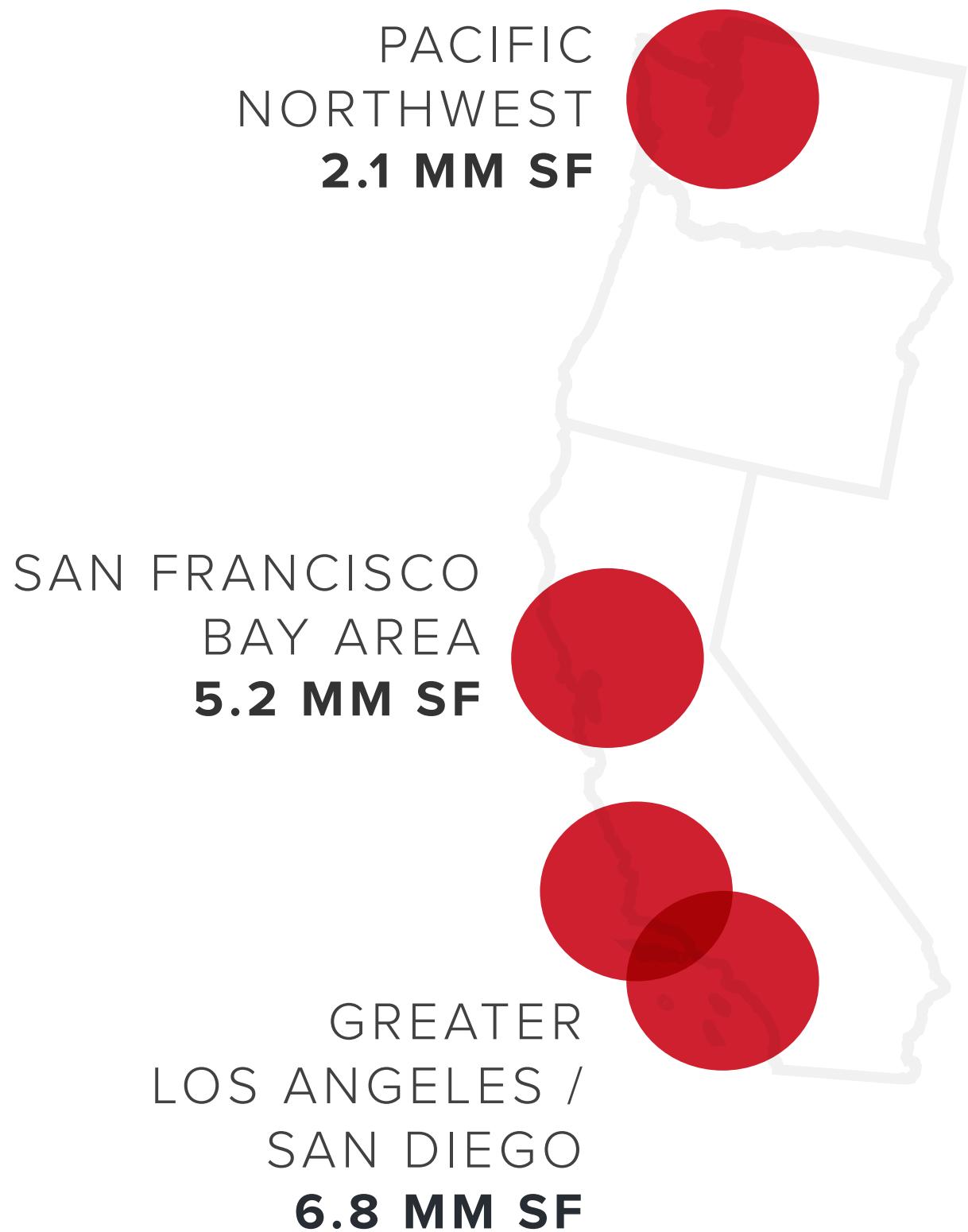
Our sustainability challenges include getting water projects to meet our financial targets, and expanding our programs to include biodiversity, health and resilience while still delivering the highest levels of excellence in sustainability in our core programs. We are confident that we will be able to navigate these concerns and grow our sustainability programs even further in coming years.

Our position as a world leader in developing and operating one of the highest sustainable office portfolios is an achievement we are proud of and expect to uphold. We will continue to aggressively pursue sustainability initiatives that bring value to our tenants, shareholders and employees. We look forward to reporting on even more achievements in 2017.

Cordially,

John Kilroy

Chairman of the Board, President and Chief Executive Officer



Corporate Overview

With nearly 70 years of experience owning, developing, acquiring, and managing real estate assets in West Coast real estate markets, Kilroy Realty Corporation (KRC), a publicly traded real estate investment trust and member of the S&P MidCap 400 Index, is one of the region's premier landlords.

The company provides physical work environments that foster creativity and productivity and serves a broad roster of dynamic, innovation-driven tenants, including technology, entertainment, digital media, and health care companies.

At December 31, 2016, the company's stabilized portfolio¹ totaled 14.0 million gross lettable square feet of office properties, all located in the coastal regions of greater Seattle, the San Francisco Bay Area, Los Angeles, Orange County and San Diego. Total revenue for the year ending December 31, 2016 was \$642.6 million, 43% of our properties were single tenant, and our vacancy rate was 5.2%. In addition, Kilroy Realty had approximately 1.1 million gross lettable square feet of office and 96,000 square feet of retail development under construction with a total estimated investment of approximately \$427 million.

¹ Our stabilized portfolio includes all of our properties with the exception of development and redevelopment properties currently under construction or committed for construction, undeveloped land, and real estate assets held for sale. Lease up properties are excluded. We define redevelopment properties as those properties for which we expect to spend significant development and construction costs on the existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. We define "lease-up" properties as properties we recently developed or redeveloped that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. Our stabilized portfolio also excludes our future development pipeline.

Objectives

Part of demonstrating market leadership is showing our industry how their work connects to global environmental and social problems and solutions. As a result, for the first time this year we have aligned our objectives with the UN Sustainable Development Goals.

OBJECTIVES	PROGRESS	UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	UN SUSTAINABLE DEVELOPMENT GOAL
 Achieve an 11% reduction from 2014 energy and GHG emissions levels by 2020, a goal derived using the Science-Based Targets SDA Draft Tool	On track. We nearly doubled the yearly target for achieving this goal via reducing our energy use in our office assets nearly 4.9% in 2016.		 Achieve a recycling annual diversion rate of at least 50% in the existing portfolio by 2020	On Track. Increased our recycling diversion rate from 45.7% in 2015 to 47.5% in 2016.	
 Reduce water use 10% from 2015 levels by 2020	On track. We achieved a 4.4% reduction in 2016.		 Benchmark all energy, water and waste data on at least a monthly basis, including tenant data	Complete. In landlord-managed assets and 90% of tenant-managed assets in 2016.	
 Implement Green Leasing	Complete. All new leases in our stabilized portfolio and development projects meet Institute for Market Transformation (IMT) Green Leasing requirements, and we won two IMT Green Lease Leaders awards in 2016.		 Engage tenants to reduce their environmental impact through regular communication and action-oriented programs	On track. More information on page 22 .	
 Achieve ENERGY STAR certification for 75% of eligible existing buildings	Delayed. We have achieved ENERGY STAR certification for 69% of eligible buildings, and hope to reach 75% by year-end 2017.		 Maintain a portfolio-wide green cleaning program that would earn maximum points under LEED for Existing Buildings	Complete.	
 Perform energy audits or retrocommissioning every 5 years on all existing buildings	On track. We pursued audits/retrocommissioning over 2.7 million square feet of space in 2016.		 Provide electric car charging stations per tenant needs	On track. More information on page 31 .	

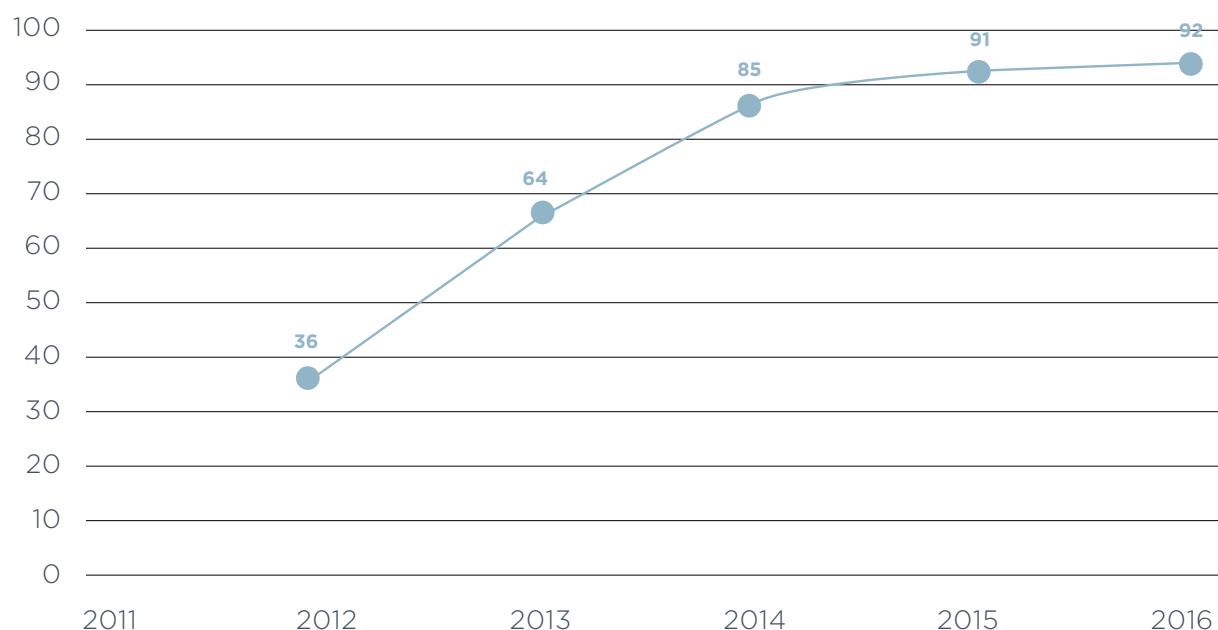
New Development Objectives

OBJECTIVES	PROGRESS	UN SUSTAINABLE DEVELOPMENT GOAL
Q All ground-up construction will pursue LEED Gold certification or better, and all major renovations will pursue LEED Silver certification or better	On track. The nine completed buildings this year all achieved LEED Gold or Platinum. More information on page 44 .	
Q Total materials used in development projects will achieve at least 20% recycled content	On track. All 2016 development projects achieved this goal.	
Q Construction projects will achieve at least 75% diversion of construction waste from landfill	On track. All 2016 projects achieved this goal.	
Q Total materials used in development projects will achieve at least 10% regionally-sourced content (within 500 miles of the project site)	Partially on track. Our San Francisco and Seattle projects are achieving this but it is unclear if our Los Angeles and San Diego projects will.	

Community Outreach Objectives

OBJECTIVES	PROGRESS	UN SUSTAINABLE DEVELOPMENT GOAL
Q Participate in industry standard disclosures, such as GRESB, and create an annual sustainability report using Global Reporting Index (GRI) guidelines	On track. We have participated in the GRESB since 2011 and have published annual sustainability reports since 2011.	
Q Participate in at least 10 industry-specific forums annually to communicate our best practices and learn from our peers	On track. More information on page 39 .	
Q Earn recognition for our energy reduction efforts through the ENERGY STAR program	On track. We have been recognized as an ENERGY STAR Partner of the Year for the past four years and earned Sustained Excellence for the second time this year.	

KRC GRESB SCORE OVER TIME

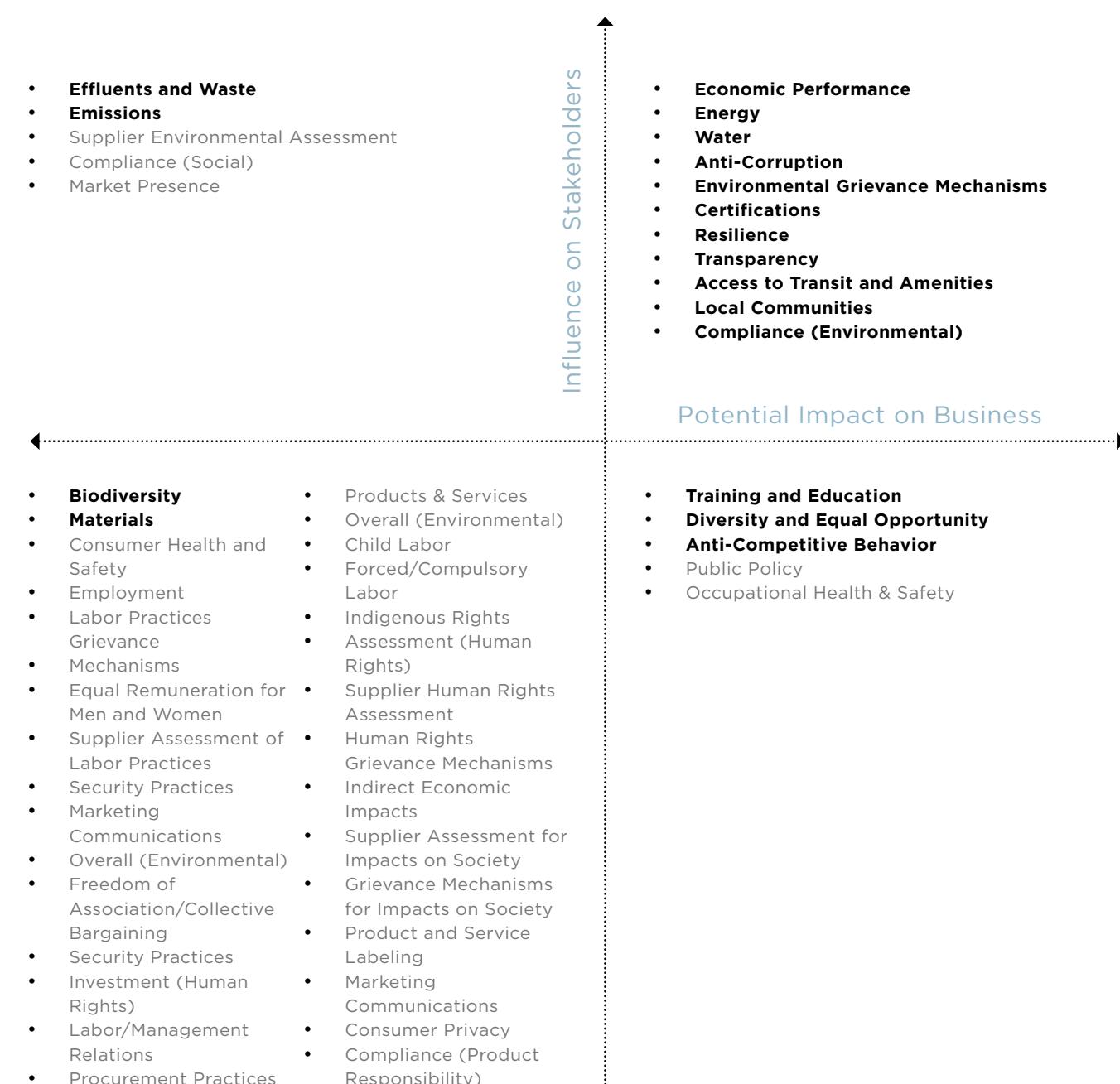


Materiality

To define our report content, the sustainability team worked to gather, analyze and report all information that our various stakeholder groups would find relevant regarding our sustainability programs. This report has been prepared in accordance with the GRI G4 Core Option and includes additional information relevant to our stakeholders. To accomplish this, the sustainability team conducts a thorough Materiality engagement every other year; the last one occurred in 2015. That year, the team surveyed a representational cross section of both our own employees and our external stakeholders. The external stakeholders included a tenant, an industry association, a competitor, a vendor, a Non-Government Organization (NGO), a local government representative, and an investor representative. In 2016, we had an internal, cross-functional team of employees review the 2015 results, to which they made minor changes based on their understanding of market trends and our internal activities. We then shared this process with DNV GL, the third party who is providing assurance on our sustainability report, and refined our disclosures based on their findings throughout the assurance process. More information on third party verification can be found on

page 75.

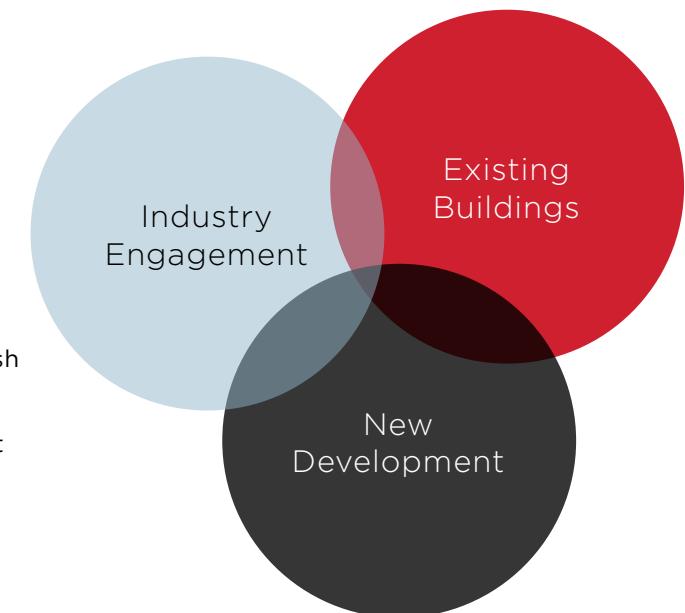
Materiality Matrix



Material Within / Outside KRC

	MATERIAL WITHIN KRC	MATERIAL OUTSIDE KRC
ECONOMIC		
Economic Performance	Yes	Yes
ENVIRONMENTAL		
Materials	Yes	No
Energy	Yes	Yes
Water	Yes	Yes
Emissions	Yes	Yes
Biodiversity	No	No
Effluents and Waste	Yes	Yes
Compliance	Yes	Yes
Environmental Grievance Mechanisms	Yes	No
SOCIAL		
Training and Education	Yes	No
Diversity and Equal Opportunity	Yes	No
Non-discrimination	Yes	No
Local Communities	Yes	Yes
Anti-Corruption	Yes	Yes
Anti-Competitive Behavior	Yes	Yes
ASPECTS NOT IN GRI		
Resilience	Yes	No
Access to Transit and Amenities	Yes	No
Certifications	Yes	Yes
Transparency	Yes	Yes

Program, Vision, Strategy



Our sustainability vision is a portfolio that minimizes the environmental impact of the construction and operation of our buildings while maximizing tenant comfort, health, and financial returns. We will accomplish this by achieving the highest levels of performance in energy and water efficiency, waste management, tenant engagement, environmental construction, sustainable building operations, green building certifications, materials selection, and community involvement.

Our sustainability programs incorporate Social, Governance, and Environmental aspects of our operations.

- Social topics include our hiring practices and employee engagement, as well as our philanthropy and nonprofit partnerships. We have an increasing focus on health and wellness; more information available on [page 62](#).
- Governance issues span our corporate governance structures, disclosures and whistle-blower mechanisms as well as our relationship with certain stakeholder groups, such as investors; more information available on [page 73](#).

We see our Environmental programs as comprising three interacting divisions: Existing Buildings, New Development, and Industry Engagement.

- Our Existing Buildings program spans all of our energy projects, water projects, most solar and battery installations, recycling revitalizations, installations of electric vehicle charging stations, tenant engagement, indoor air

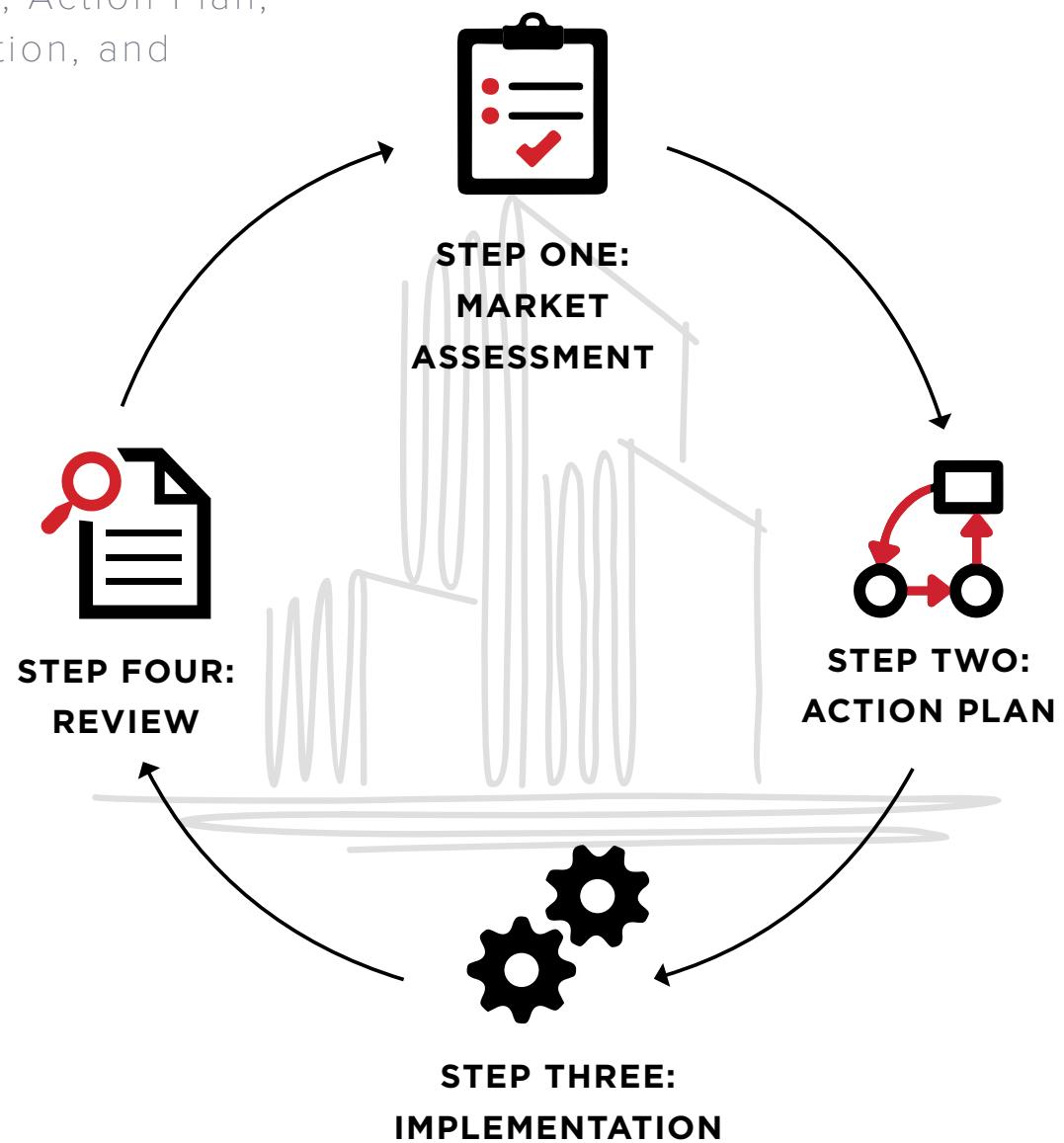
quality testing, biodiversity, and LEED for Existing Buildings certifications.

- The New Development program focuses on minimizing the environmental impact of ground up construction and major renovations projects, embracing environmentally-focused leading-edge building materials and technologies, solar installations, WELL certifications (more information on WELL on [page 64](#)) and LEED certifications in the Building Design & Construction and Commercial Interiors rating systems.
- Our Industry Engagement program is comprised of our sustainability disclosures to our investors and other stakeholders, our partnerships with sustainability-focused organizations, industry outreach efforts, our awards, philanthropy and the creation of our annual sustainability report.

We identified the critical issues within these areas to be included in our sustainability programs via a Materiality process. More information on our materiality process can be found on [page 12](#).

Sustainability Strategy

Our sustainability strategy involves four stages: Market Assessment, Action Plan, Implementation, and Review



THE FIRST STAGE IS **MARKET ASSESSMENT**, WHICH ALLOWS US TO IDENTIFY SUSTAINABILITY TRENDS IN REAL ESTATE.

We learn about these trends via educational events, participation in relevant sustainability committees, other industry forums, and trade publications. Also, our stakeholder engagement process at the community, peer and regulator levels influences our market assessments, especially in the design and approval phases of our development projects. We then assess the performance of our existing portfolio and development operations in relation to our findings. For example, given the increasing focus on carbon emissions in our market, we are reporting on our Scope 1 and Scope 2 emissions this year. Key trends in 2016 included biodiversity, human health and resilience.

WE THEN FORMULATE AN **ACTION PLAN**, WHICH WE **IMPLEMENT**.

For example, based on a Market Assessment, we decided that to adopt a formal biodiversity policy, which we did for all development projects starting in 2016, and this policy has already been implemented in the landscape design of four projects: Columbia Square, 333 Dexter, 9455 Towne Centre, and the Academy Square. More information available on [page 61](#).

WE THEN **REVIEW** OUR RESULTS AND **UPDATE** OUR ACTION PLAN ACCORDINGLY.

This last stage then informs our analysis of available market research and allows us to create and modify our action plans in an ongoing process of continuous improvement. This involves tasks such as monitoring the before and after energy consumption of a property and identifying where there is further room for improvement.

The sustainability team does an annual kickoff call at the beginning of each year with all of our asset management teams to both discuss potential new projects generated by the market assessment phase as well as assess the previous year's performance, which is crucial to ensure results are communicated to all relevant team members. While various aspects of our operations are constantly in each of the four stages, the entire process for any particular initiative takes approximately two years, and the market assessment phase particularly impacts our investment activities. For example, a review of our Protecall installation (more information on [page 24](#)) indicated that results were even better than had been implied by our 2015 pilot, and as a result we expanded this technology to even more buildings in 2016.

We also use this strategy to tackle specific challenges. For example, our previous process for certifying buildings through the LEED for Existing Buildings program was not allowing us to meet our internal deadlines, so we entered into a market assessment to explore other options. We then formulated an action plan, which involved switching to a certification process through the Arc platform, and implemented that process in the same year. We are expecting our first certifications through Arc in Q1 2017, and will conduct a review of the process at that point (more information about Arc on [page 40](#)).

Stakeholder Engagement Chart

Stakeholder Group	Engagement Approach	Material Aspects and Topics of Discussion	Stakeholder Group	Engagement Approach	Material Aspects and Topics of Discussion
Tenants	<ul style="list-style-type: none"> Dedicated Asset Management teams Biennial tenant satisfaction surveys Social media Electronic Tenant Handbooks Three annual tenant sustainability memos Events, such as Earth Day, Bike to Work, and Healthy Workplaces In-person recycling revitalization trainings Competition participation Collaboration on efficiency projects 	Energy, Water, Effluents and Waste, Emissions, Local Communities, Certifications, Transparency, EV Charging Stations, Bicycle Storage Infrastructure, Green Cleaning, Awards, Green Leasing, Health and Wellness	NGOs	<ul style="list-style-type: none"> Leadership, Membership and Employee participation in NGO activities Attendance at conferences and other industry events Employee volunteerism Corporate Philanthropy Strategic partnerships 	Transparency, Certifications, Energy, Water, Emissions, Effluents and Waste, Smart Growth, District Energy Systems, Health and Wellness
Employees	<ul style="list-style-type: none"> Annual Kickoff calls with sustainability team Training programs and support Annual performance reviews Intranet site for internal communications Whistleblower mechanism Collaboration on projects and certifications 	Energy, Water, Effluents and Waste, Certifications, Resilience, Awards, Trainings and Education, Health and Wellness, Diversity and Equal Opportunity, Nondiscrimination	Industry Associations	<ul style="list-style-type: none"> Active participation at conferences and meetings Participation on committees and leadership teams, such as BOMA International Energy and Environment Committee Partnerships 	Energy, Water, Transparency, Certifications, Resilience, Reporting Frameworks, Health and Wellness
Investors	<ul style="list-style-type: none"> NAREIT presentation and podcast Dedicated investor disclosures Quarterly earnings calls including Q&A with senior management Dedicated Investor Relations team Investor meetings and investor events Questionnaires and surveys Property Tours 	Economic Performance, Anti-Corruption, Anti-Competitive Behavior, Certifications, GRESB Participation, Transparency, Emissions, Governance, Energy, Water, Community Relations, Resilience, Health and Wellness	Contractors, Vendors and Suppliers	<ul style="list-style-type: none"> Attendance at conferences and other industry events Contract development and interaction throughout duration of service One-on-one meetings and calls 	Materials, Energy, Water, Procurement practices, Effluents and Waste, EV Charging Infrastructure, Transparency, Health and Wellness
Government	<ul style="list-style-type: none"> Advocacy related to specific development projects Engagement with government representatives on sustainability issues Working group/committee participation for the development of new legislation Attendance at sustainability hearings Collaboration throughout the permitting process 	Materials, Emissions, Energy, Water, Public Policy, Access to Transit and Amenities, Transparency, Barriers to Utility Data Access, Benchmarking Ordinances, Compliance, Environmental Grievance Mechanisms	Media	<ul style="list-style-type: none"> Press releases Interviews with media regarding KRC operations and sustainability Events around significant achievements, such as groundbreakings Social media 	Energy, Water, Transparency, Tenant/Broker/Investor Engagement, Health and Wellness
Brokers	<ul style="list-style-type: none"> Broker Green Leasing collaboration Award application collaboration Regional broker appreciation events Attendance and hosting of various broker meetings Panel discussions/webinars 	Certifications, Green Leasing, Utility Disclosure, Green Building Standards	Communities	<ul style="list-style-type: none"> Hosting community events, such as emergency preparedness awareness events Interaction with communities throughout the development process, such as town hall meetings Social media Community engagement websites 	Resilience, Energy, Water, Smart Growth, Access to Transit and Amenities, Economic Development



333 Dexter, Seattle

“
A COMMITMENT TO SUSTAINABILITY
IS AT THE FOUNDATION OF
EVERYTHING WE DO.

Tenant Engagement

Type	Method	Frequency	Status
Green Lease	Incorporate environmental language in leases	Beginning of Occupancy	100% of new leases contain environmental language
Building Standards	Incorporate environmental language in building standards	Beginning of Occupancy	Company-wide policy will be achieved in 2017
Social Media	Twitter	Daily	Our twitter page is viewed 890 times every month, and in a typical month our tweets are seen approximately 20,500 times.
Sustainability Highlights	Tenant memos	Three times per Year	100% of our portfolios receive memos three times per year
Recycling Revitalizations	In Person	At start of composting services or once every 5 years	Goal is 50% diversion under new EPA WasteTracker methodology
Tenant Appreciation Events	Lobby Displays and Activities	Yearly	Regional adoption but company-wide policy not achieved
Competitions	Enrolling in local and national competitions	Yearly where available	We participate in 100% of ENERGY STAR competitions and regional competitions where appropriate
Building-Specific Information	Electronic Tenant Handbooks	Always available, updated periodically	100% of Electronic Tenant Handbooks contain building-specific sustainability information
Recognition	Pursue ENERGY STAR certifications	Yearly	Achieved nine new certifications in 2016 and re-certified all but one building with an existing certification
Demand Response	Install equipment and software that allows participation in Demand Response events, engage tenants to participate	6-12 Events Annually	26 buildings participating
Energy Efficiency	Upfront LED purchases	On request	Slow adoption, 50% of one building's tenants have participated, and there is additional interest. We continue to offer this program to tenants and communicate it as a best practice internally to spur more adoption.

Type	Method	Frequency	Status
Optimization of Operations	LEED for Existing Buildings Certification through Arc	Annually for new LEED for Existing Buildings certifications, every 5 years for current LEED for Existing Buildings certifications	Anticipate first LEED for Existing Buildings certification through Arc in 2017
Soliciting Feedback	Tenant Satisfaction Surveys	Once every 2 years	90%+ response rate on tenant satisfaction surveys and comments addressed
Health	Onsite Amenities, events, competitions and more; more info on page 65	Continuous	Every building has a program focused on tenant health
Solar	Enter into solar agreements on behalf of tenants who cannot do so themselves	Once per installation	First contract signed in 2016, anticipate a Q2 2017 installation
Transparency	Tenant Sustainability Surveys	On Demand	Respond to all tenant requests for sustainability information in their property
Energy and Water Transparency	Collaboration on specific projects	On Demand	The sustainability representatives of several tenants work directly with our sustainability team on projects like materials health declarations and demand response



Sustainable building tour at Columbia Square, Los Angeles

Existing Buildings

Existing Buildings Energy Highlights

- **Reduced energy consumption** in our office portfolio by 4.9%, dramatically exceeding our science-based target of a 1.8% reduction.
- **Demand Response:** We installed and completed final Demand Response testing for 1.5 million square feet of space (11% of our portfolio) in San Francisco and Irvine and we have installed all of the technology so that our tenant, DirecTV (now merged with AT&T) can participate in Demand Response. They lease space on a 700,000 square foot campus on which they own some meters and we own others, so the collaboration is legally and logically complex.
- **Auditing:** Energy audits and retrocommissioning are a core practice in our energy efficiency programs, and we completed 2.8 million square feet of ASHRAE Level II energy audits in 2015. An additional 430,000 square feet went through retrocommissioning this year (23% of our portfolio). Issues uncovered during the retrocommissioning and ASHRAE Level II audit processes in these buildings included incorrect settings on economizer units and the need to upgrade particular floors from pneumatic to DDC control.
- **Load Profile Analysis:** We have partnered with Gridium since 2012 to get weekly energy load profile analysis information, and in 2015 we began a partnership with MACH Energy

- to provide us a similar weekly load profile analyses in San Diego.
- **Ceramic Coating:** Protecall provides coating products for rooftop HVAC equipment that keep the metal ductwork cool. This in turn prevents the air flowing through the system from warming, which reduces cooling loads. After a successful 2015 pilot, we rolled out this product to 17 additional buildings in 2015, and another six in 2016 (5% of our portfolio).
- **Blue Box:** Blue Box is a gentle foam cleanser designed to clean fan coils, as dirty fan coils reduce building energy efficiency and air quality. We did a successful pilot in one San Diego building, resulting in a 10.2% pressure drop across the coils, and will be scaling Blue Box to more buildings next year.
- **Emerging Technologies:** We hosted a Pacific Gas & Electric Emerging Technologies pilot of the Rainforest Automation Eagle, an advanced smart meter, at one of our Menlo Park properties. The pilot gave the utility valuable insight into how buildings can utilize the real time data such meters can provide, as well as an important perspective on introducing such systems to the commercial building environment in the future. We also hosted a San Diego Gas & Electric Emerging Technologies pilot of a SmartCool controller in a San Diego building. SmartCool directly converts natural gas to heat and electricity

through electrochemical oxidation. We only saw modest savings from the pilot and will not scale it, but we understand that not all cutting edge technologies lead to major efficiency gains.

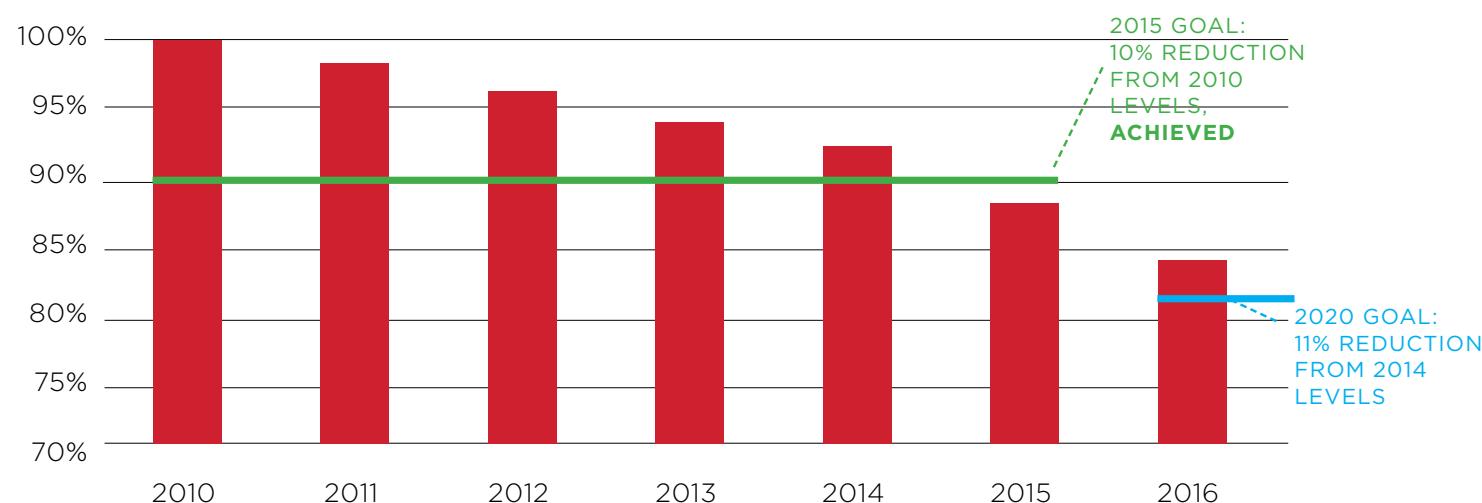
- **BAS Upgrades:** We continue to upgrade our BAS systems, and in 2016 undertook extensive upgrades in 4.1 million square feet of property (30% of our portfolio) in Seattle, Long Beach, Menlo Park, Hollywood and San Francisco. Conservatively estimating that this will help these buildings reduce their energy use by just 1%, these upgrades should save 805,000 kWh a year, or approximately \$151,000 dollars.
- **HVAC Upgrades:** Every year we do extensive HVAC upgrades, and 2016 was no exception. Our 2016 HVAC projects included upgrading motors, installing VFDs, implementing audit

findings, adding carbon monoxide sensors, rebuilding supply fans, and refurbishing cooling towers. We completed major upgrades in 38% of our square footage and minor upgrades across most of the portfolio.

- **Lighting:** We completed 21 lighting projects spanning approximately 4.0 million square feet (28% of our portfolio). These included interior LED projects as well as LED parking garage and parking lot retrofits. We expect approximately 1.4 million kWh of annual savings from these projects and \$237,000 dollars.

Total Investment: Our total estimated financial investment in energy efficiency improvements in the existing portfolio totaled approximately \$5.8 million.

YEAR OVER YEAR ENERGY CONSUMPTION % REDUCTION



2016 ENERGY PERFORMANCE

Managed Office Assets			Absolute Consumption			Like-for-Like Consumption			
			2015		2016		2015		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	
Whole Building	Combined Consumption Common Area & Tenant Space	Fuels	12,730	18,046	8,600,192	8,600,192	12,100	13,216	
		District Heating & Cooling	75,959	72,712	4,739,205	4,739,205	75,959	72,712	
		Electricity	43,031	51,388	3,860,987	3,860,987	41,217	38,455	
Total Energy Consumption Managed Office Assets			131,721	142,146			129,276	124,383	
								-3.78%	

Indirectly Managed Office Assets			Absolute Consumption			Like-for-Like Consumption			
			2015		2016		2015		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	
Whole Building		Fuels	42,046	24,533	4,359,170	5,503,202	23,019	21,903	
		Electricity	74,686	54,492	4,926,609	5,503,202	46,765	43,064	
		Total Energy Consumption Indirectly Managed Office Assets	116,731	79,025			69,785	64,967	
Total Energy Consumption Whole Office Portfolio			248,452	221,171			199,060	189,349	
								-4.88%	

Life Science Assets			Absolute Consumption			Like-for-Like Consumption			
			2015		2016		2015		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	
Whole Building		Fuels	11,979	15,994	1,225,563	1,610,577	11,979	15,994	
		Electricity	43,479	44,510	1,397,035	1,610,577	43,479	44,510	
		Total Energy Consumption Life Science Assets	55,458	60,504			55,458	60,504	
Total Energy Consumption Whole Portfolio			303,910	281,675			254,518	249,854	
								-1.83%	

2016 GHG PERFORMANCE

Office			Absolute Consumption			Like-for-Like Consumption		
			2015		2016		2015	
			Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage(sf)	Max Coverage(sf)	Emissions (Tonnes)	Emissions (Tonnes)
Scope 1			9,896	8,213	12,831,421	13,110,309	6,823	7,736
Scope 2			56,556	53,468	12,831,421	13,110,309	51,659	50,085
								-3.05%

Life Science			Absolute Consumption			Like-for-Like Consumption		
			2015		2016		2015	
			Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage(sf)	Max Coverage(sf)	Emissions (Tonnes)	Emissions (Tonnes)
Scope 1			2,286	2,975	1,397,035	1,610,577	2,286	2,975
Scope 2			12,753	13,818	1,397,035	1,610,577	12,753	12,991
								1.87%

² The absolute portfolio includes all buildings owned for any portion of 1/1/2015-12/31/2016. These assets total 15,713,971 square feet. Of these assets, 54.7% are directly managed office assets and 35% are indirectly managed office assets. The remaining 10.2% are life science assets, all of which are indirectly managed.

³ Energy consumption is calculated via utility bills by our 3rd party utility billing vendor, Goby. Energy reductions are calculated via comparing the January-December bills for the like for like portfolio. Buildings are excluded from the like for like portfolio if they were bought or sold within the current or previous reporting period, or stabilized in the reporting period.

⁴ For six buildings in San Diego, we obtained whole building energy data for the first time in 2016 as a result of AB 802. To be able to compare this data with the partial building data we had for these buildings in 2015, we multiplied the 2015 consumption by the inverse of the 2015 coverage percentage. This allows us to compare the two years as if they both had complete data coverage. The formula is: 2015 consumption kwh * (1 / 2015 data coverage %) = adjusted 2015 consumption. For one additional building, we lost whole building data in 2016, and so we modified this methodology to adjust the 2015 data to be able to compare data between the two years. The formula is: 2015 consumption kwh * (2016 data coverage %) = adjusted 2015 consumption.



Energy Project Spotlight

Large Parking Lot Lighting Retrofit

Our Long Beach property retrofitted 220 295-watt pole lights with 80-watt bilevel LEDs with occupancy sensors. Not only did this project save energy, but it also improved the look of the parking lot, and the bilevel lights on sensors made it easier for security personnel to identify nighttime activity on the site. This project will save **255,135 kwh annually, or over \$40,000 with a payback of 2.5 years.**



ENERGY STAR Certifications

Project Name	Region	Sq. Ft.
Fremont Lake Union Center/801 N 34th Street	Seattle	169,412
Fremont Lake View/837 N 34th Street	Seattle	111,580
Fremont Plaza/701 N 34th St	Seattle	138,995
Westlake Terry/320 Westlake Avenue North	Seattle	184,643
Westlake Terry/321 Terry Avenue North	Seattle	135,755
Key Center/601 108th Avenue NE	Seattle	488,470
Skyline Tower/10900 NE 4th Street	Seattle	416,755
Plaza at Yarrow Bay I/10210 NE Points Drive	Kirkland	49,851
Plaza at Yarrow Bay III/10230 NE Points Drive	Kirkland	84,641
100 First Street	San Francisco	466,490
201 3rd Street	San Francisco	344,551
250 Brannan	San Francisco	95,008
301 Brannan	San Francisco	74,430
303 Second Street	San Francisco	740,047
360 3rd Street	San Francisco	429,996
Menlo Corporate Center / 4100 Bohannon Drive	Menlo Park	47,379
Menlo Corporate Center / 4300 Bohannon Drive	Menlo Park	63,079
Menlo Corporate Center / 4400 Bohannon Drive	Menlo Park	48,146
Menlo Corporate Center / 4500 Bohannon Drive	Menlo Park	63,078
Crossing 900/900 Middlefield Road	Redwood City	173,634
Crossing 900/900 Jefferson Avenue	Redwood City	173,634
331 Fairchild Drive	Mountain View	87,147
Mountain View Campus/680 Middlefield Road	Mountain View	170,457
Mountain View Campus/690 Middlefield Road	Mountain View	170,457
605 North Mathilda Avenue	Sunnyvale	152,589
24025 Park Sorrento	Calabasas	108,671
23975 Park Sorrento	Calabasas	104,797
2829 Townsgate	Westlake Village	81,067
3130 Wilshire Boulevard	Santa Monica	88,340
501 Santa Monica Boulevard	Santa Monica	73,115
2100 Colorado Avenue	Santa Monica	102,864
Sunset Media Center/ 6255 West Sunset Boulevard	Los Angeles	324,617
Westside Media Center/12200 West Olympic Boulevard	Los Angeles	150,167
Westside Media Center/12100 West Olympic Boulevard	Los Angeles	150,117
Tribeca West/12233 West Olympic Boulevard	Los Angeles	151,029
2211 Michelson Drive	Irvine	271,556
Kilroy Airport Center/3760 Kilroy Airport Way	Long Beach	165,278
Kilroy Airport Center/3780 Kilroy Airport Way	Long Beach	219,745
Kilroy Airport Center/3800 Kilroy Airport Way	Long Beach	192,476
Kilroy Airport Center/3840 Kilroy Airport Way	Long Beach	136,026
Kilroy Airport Center/3900 Kilroy Airport Way	Long Beach	126,840

Project Name	Region	Sq. Ft.
Mission City Corporate Center/2355 Northside Drive	San Diego	53,610
Mission City Corporate Center/2365 Northside Drive	San Diego	96,436
Mission City Corporate Center/2375 Northside Drive	San Diego	51,516
Mission City Corporate Center/2385 Northside Drive	San Diego	89,023
Kilroy Sabre Springs/13480 Evening Creek Drive	San Diego	149,817
Kilroy Sabre Springs/13520 Evening Creek Drive	San Diego	141,128
13290 S Evening Creek Drive	San Diego	61,180
3721 Valley Centre Drive*	San Diego	114,780
Liberty Station/2305 Historic Decatur Road	San Diego	103,900
Total SF		8,388,319
Total percentage of our portfolio certified		69%

*Not certified in 2016

Energy Project Spotlight

Small Upgrades Lead to Big Savings

Our Plaza at Yarrow Bay campus in Kirkland, Washington conducted a series of small HVAC upgrades in 2016, including replacing a heat pump, rebuilding a cooling tower and connecting it to the Building Automation System, and replacing the bearings on the main supply fan. These projects led to an average 11% reduced energy consumption per building on that campus, or nearly **620,000 kwh and over \$74,000 saved**.





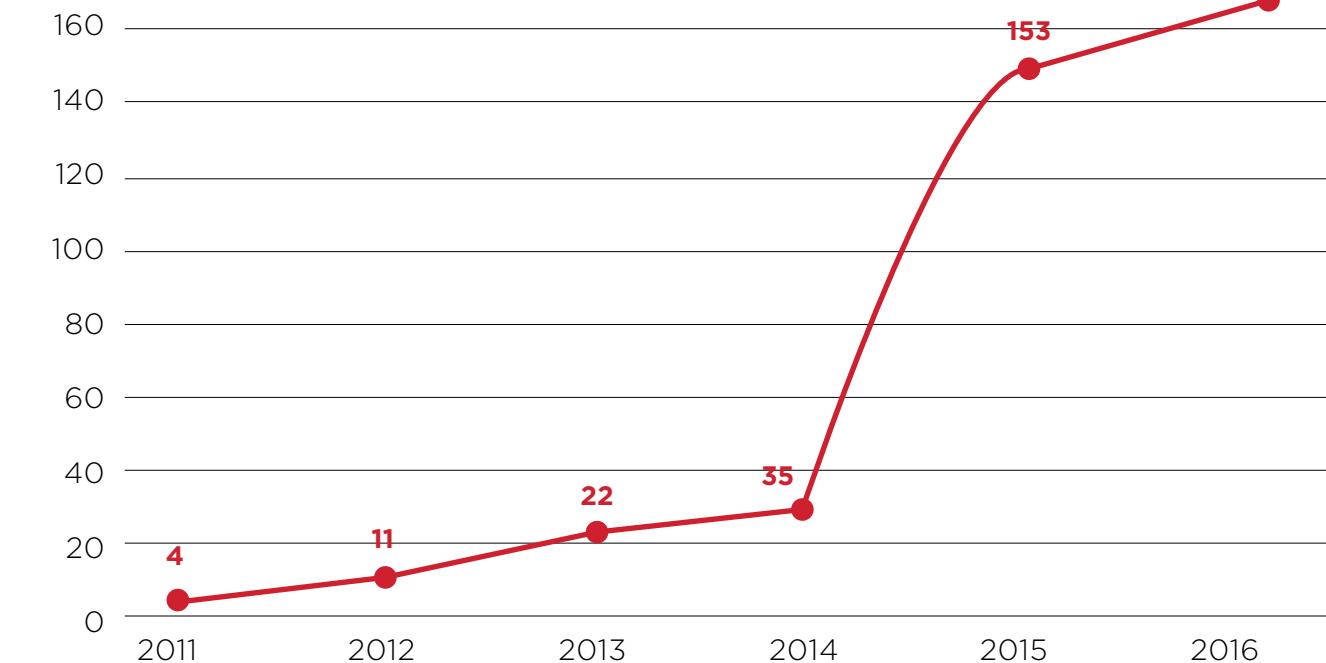
Energy Project Spotlight

Innovative Retrocommissioning

Our 360 3rd Street building in San Francisco executed an innovative retrocommissioning project in 2016. Using historic load profile analyses provided by Gridium, our vendor (Enovity) was able to identify measures such as optimizing the economizer, resetting the duct static pressure and reducing the VAV Box airflow minimums. Enovity will track the Gridium data through 2017 to ensure savings are realized, and data tracked so far continues to indicate that these measures will result in a **5% reduction (equivalent to roughly \$60,000)** in energy consumption by the property during 2017.



NUMBER OF EV CHARGING STATIONS



EV Charging Stations

2016 EV Charging Highlights:

- 1057 unique drivers (2015: 646 unique drivers)
- 67.4 tons of CO₂ saved (2015: 45.7 tons of CO₂ saved)
- 20,146 gallons of gasoline saved (2015: 12,394 gallons saved)
- EV Charging stations installed at every new development project

2016 WATER PERFORMANCE

Managed Assets		Absolute Consumption			Like-for-Like Consumption			
		2015		2016		2015		
		Consumption (kgal)	Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	
Whole Building	Combined Potable Consumption Common Areas + Tenant Space	126,201	122,603	8,600,192	8,600,192	111,889	104,889	-6.3%
Total Potable Water Usage Whole Building		126,201	122,603			111,889	104,889	-6.3%
Total Reclaimed Water Usage Managed Assets		11,077	12,055			11,077	10,173	-8.2%
Total Water Usage Managed Assets		137,278	134,657			122,966	115,062	-6.4%

Indirectly Managed Assets		Absolute Consumption			Like-for-Like Consumption			
		2015		2016		2015		
		Consumption (kgal)	Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	
Whole Building	Potable Common Areas	33,885	27,193	3,229,181	4,510,117	23,673	22,369	-5.5%
	Potable Outdoor/Exterior Areas/Parking	29,648	23,289			21,356	23,289	9.1%
Total Potable Water Usage Indirectly Managed Assets		63,533	50,483			45,030	45,658	1.4%
Total Reclaimed Water Usage Indirectly Managed Assets		11,211	5,332			5,644	5,332	-5.5%
Total Water Usage Indirectly Managed Assets			55,815			50,673	50,990	0.6%
Total Water Usage Indirectly Managed Assets		40,858	28,621			27,000	28,621	
Total Potable Water Usage Whole Office Portfolio		189,734	173,086			156,919	150,547	-4.1%
Total Reclaimed Water Usage Whole Office Portfolio		22,287	17,387			16,720	15,505	-7.3%
Total Water Usage Whole Office Portfolio		190,472	11,829,373	13,110,309	173,639	166,052	-4.4%	

Life Science Assets		Absolute Consumption			Like-for-Like Consumption			
		2015		2016		2015		
		Consumption (kgal)	Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	
Whole Building	Potable Common Areas	23,857	24,080	1,279,317	1,610,577	23,857	24,080	3.3%
	Potable Outdoor/Exterior Areas/Parking	4,207	4,579			4,207	4,579	8.8%
Total Potable Water Usage Indirectly Managed Assets		28,064	28,659			28,064	28,659	2.1%
Total Water Usage Whole Portfolio		240,085	219,132	11,829,373	13,110,309	201,703	194,711	-2.2%

⁴ Water consumption is calculated via utility bills by our 3rd party utility billing vendor, Goby. Water reductions are calculated via comparing the January-December bills for the like for like portfolio. Buildings are excluded from the like for like portfolio if they were bought or sold within the current or previous reporting period, or stabilized in the reporting period.

⁵ In both 2015 and 2016, our reclaimed water was all municipally-supplied, and the information on the amount of reclaimed water was taken from our utility bills. The decrease in reclaimed water in 2016 was primarily due to reduced irrigation in the buildings that use reclaimed water for outdoor use; the reduced reclaimed water was not replaced with potable water.

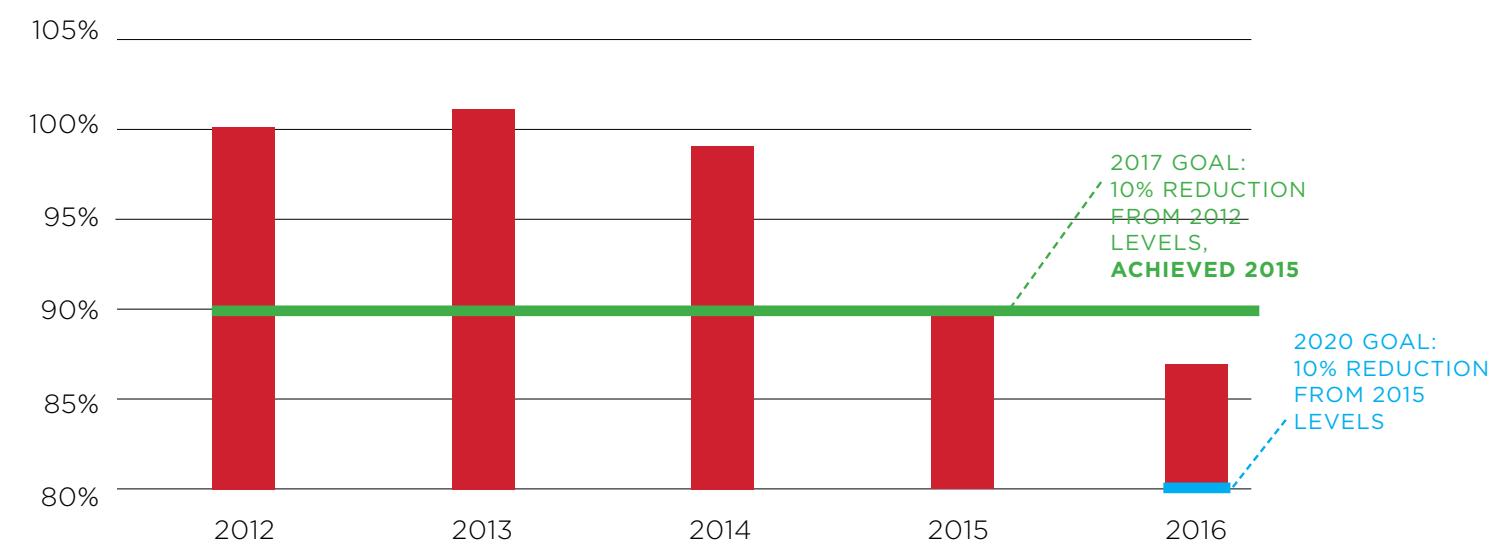
Water Highlights

- Achieved a 4.4% reduction in water use from 2015 levels in our office portfolio, an impressive achievement, as our year over year water reduction target is 2%.
- Completed a major turf removal project in Long Beach.
- Replaced toilets and urinals to reduce domestic water use.
- Saved nearly 15.5 million gallons of potable water via our reclaimed water infrastructure. All of our water, other than captured and reused rainwater, is sourced from municipal systems.
- Specified extremely low flow 1.1 gpf toilets in addition to waterless urinals in our development projects.
- Maintained an extensive network of leak detection systems throughout our portfolio.
- Invested an estimated total of \$1.7 million in water efficiency improvements in the existing portfolio.
- Brought our first project with onsite rainwater recycling online in 2016, at our 350 Mission project in San Francisco. That system is designed to save over 213,000 gallons of water per year via using captured stormwater for toilet flushing. As this system is not metered, this reduction is not reflected in our water data.



Menlo Corporate Center in Menlo Park, CA has reduced water consumption by 75% over the past three years. MCC is Energy Star certified at four out of seven campus buildings, and the campus' water savings is ranked in the 95th percentile among peer properties, via Waterfluence.

YEAR OVER YEAR WATER REDUCTION



Waste Diversion Highlights

- We increased our recycling diversion percentage from 45.7% to 47.5%.
- Approximately 40% of our portfolio has composting services.
- We switched to the Energy Star Portfolio Manager WasteTracker tool to track our waste data in 2016.
- We do in-person tenant recycling and composting trainings throughout our portfolio.

2016 WASTE PERFORMANCE

		Absolute Measurement	
		2015 Weight (Tonnes)	2016 Weight (Tonnes)
Managed Assets	Total weight of all waste in metric tonnes	3,889	3,948
	% Managed portfolio covered	100%	100%
Indirectly Managed	Total weight of all waste in metric tonnes	2,572	2,371
	% Indirectly Managed portfolio covered	78.9%	84.1%

Proportion of waste by disposal route (% of total by weight)

Whole Portfolio	Landfill	54.3%	52.5%
	Diverted (total)	45.7%	47.5%
	Diverted - Recycling	32.8%	29.3%
	Diverted - Compost	12.9%	18.2%



Salvation Army Pick Up of KRC Refrigerators

⁶ We are restating our overall diversion percentage from 2015. This is because we are now using the EPA guidelines, via their WasteTracker tool, on the estimated weight of trash, recycling and composting bins for the first time. There was no actual change to our 2015 waste management practices or service levels. The EPA guidelines can be found here: <https://portfoliomanager.zendesk.com/hc/en-us/articles/225876328-What-are-the-volume-to-weight-conversion-factors->.

“

WE AIM FOR THE HIGHEST LEVEL OF
PERFORMANCE IN ENERGY AND WATER
EFFICIENCY, WASTE MANAGEMENT,
TENANT ENGAGEMENT, ENVIRONMENTAL
CONSTRUCTION, SUSTAINABLE BUILDING
OPERATIONS, GREEN BUILDING
CERTIFICATIONS, MATERIALS SELECTION
AND COMMUNITY INVOLVEMENT.



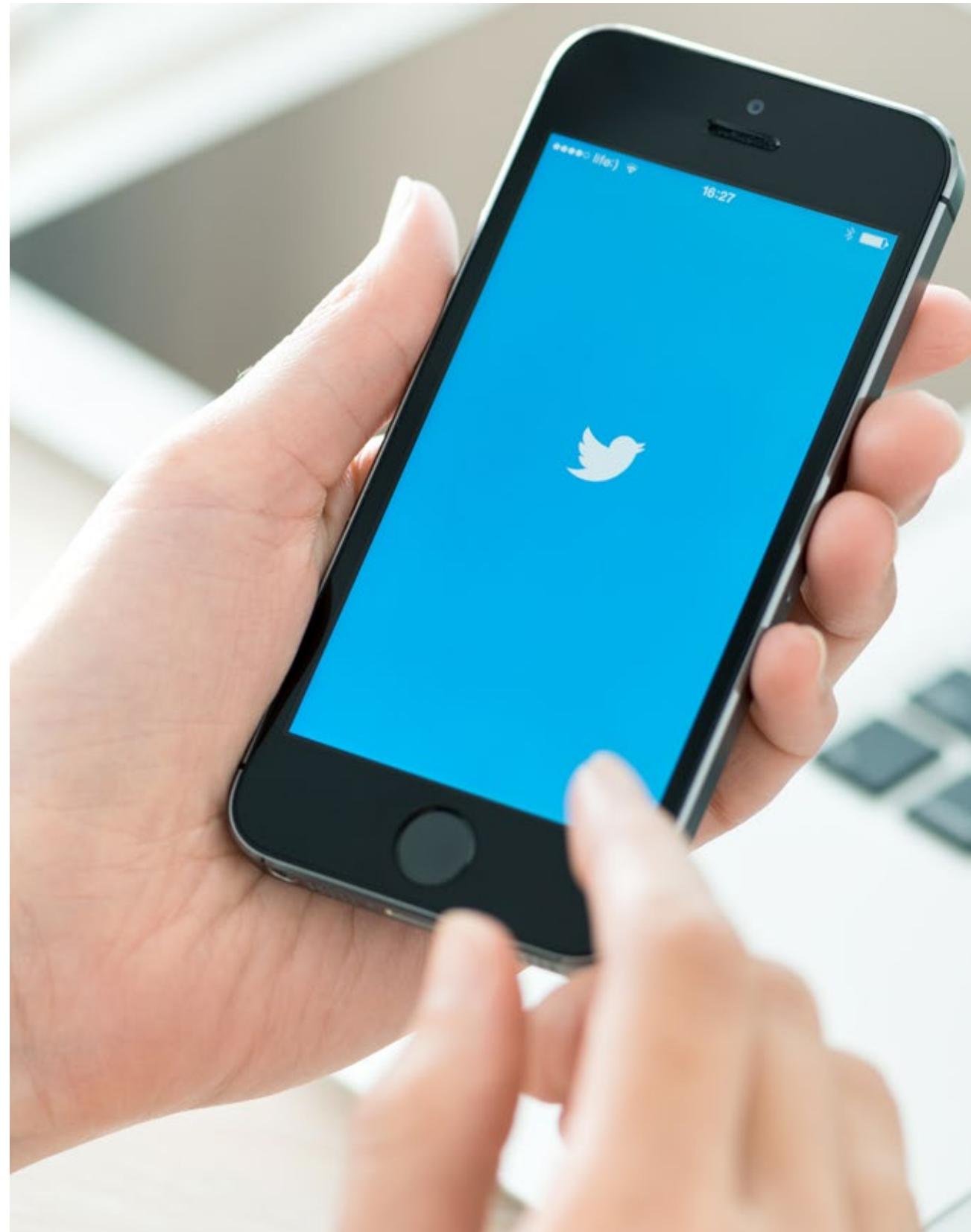
Our janitors at Green Janitor Education Program graduations

Green Cleaning

Janitors are the eyes and ears of a building, and have the ability to report energy and water waste as well as noncompliance with recycling practices, but janitors are not a population that is typically included in sustainability discussions. The US Green Building Council Los Angeles Chapter (USGBC-LA), Building Owners and Managers Association of Greater Los Angeles (BOMA-GLA), Building Skills Partnership, and the Service Employees International Union created a Green Janitor Education program to provide training on sustainability topics like vampire power, turning off lights, and reporting leaks. We piloted this training in our 800,000 square foot Long Beach campus in 2014, and the program was so popular and successful that we scaled it to our entire eligible Los Angeles, Orange County and San Diego portfolios through 2015 and 2016- over 5.1 million square feet, or nearly 40% of our portfolio and 93 total janitors. In 2017 we will work to push additional buildings into eligibility and help the program expand to Northern California.

Janitors who have graduated from this program have reported not only implementing enhanced sustainability practices at work, but also bringing those practices, like making sure to turn off unneeded lights, home as well. We measured success by in-person feedback we received from janitors at their graduation ceremonies, all of which were attended by a member of our sustainability team. These janitors are employed by our janitorial services vendors.

The high performance of our green cleaning program was verified via the LEED for Existing Buildings Prototype certification process. All cleaning products we use meet the relevant LEED environmental standard, either GreenSeal or the California Volatile Organic Compound (VOC) limit. Our vacuums achieve the Carpet and Rug Institute Seal of Approval, and we use microfiber cloths and rags to capture additional dirt to improve air quality.



Communication Highlights

- Daily tweets on sustainability programs and projects: Our twitter page is viewed 890 times every month, and in a typical month our tweets are seen approximately 20,500 times. In total, in 2016 we had 10,682 visits to our profile, and 246,633 impressions.
- 'Asset Manager All-Stars' Twitter campaign: the sustainability team created a Walk of Fame Star for each member of our asset management team highlighting their significant accomplishments in sustainability. More information on [page 69](#).
- 33 speaking events in 2016: increase from 26 speaking events in 2015, reached approximately 3,374 professionals, 20 brokers and 15 government professionals.
- Sustainability coverage in eight publications in 2016: include the San Diego Union Tribune, REIT Magazine, Bisnow, the San Francisco Business Times, Realtor Magazine, and the San Francisco Chronicle. These publications have a total audience size of over 3.9 million.
- Press releases: via BusinessWire around major sustainability accomplishments, such as our #1 GRESB ranking, that are seen by 100+ media outlets.

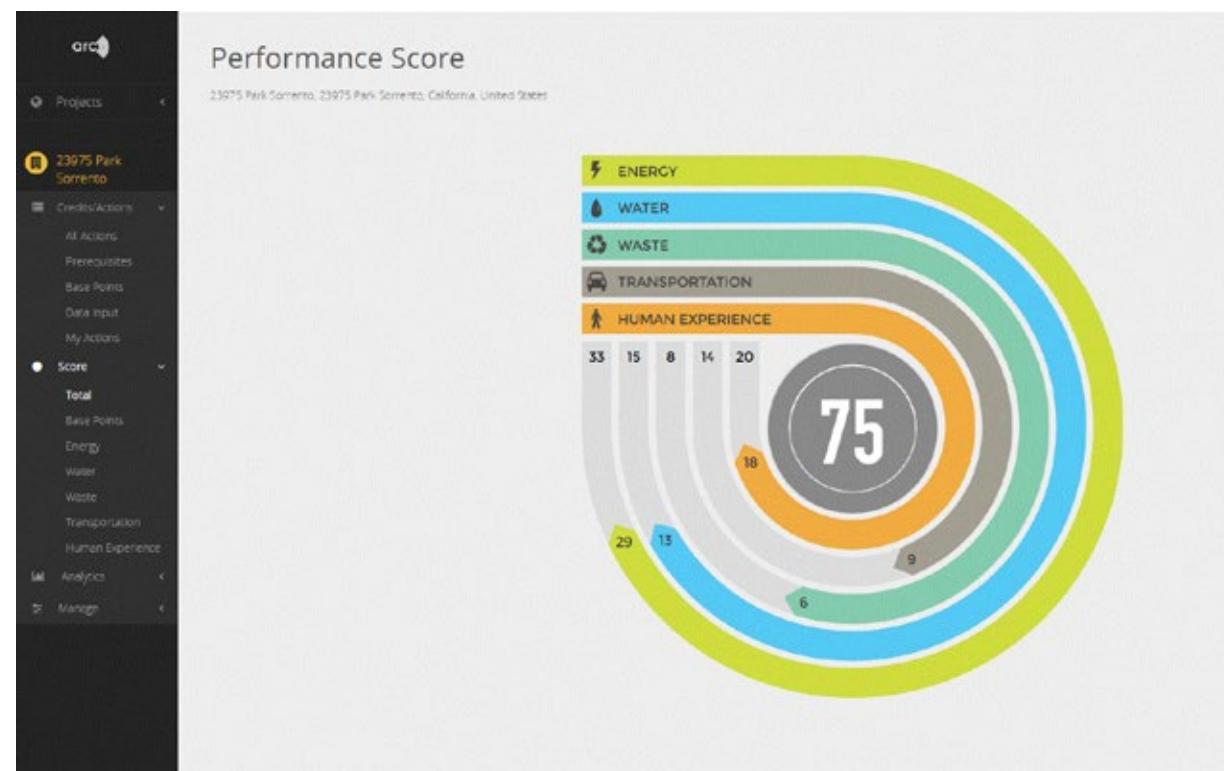
BOMA 360 Certified Projects

Project Name	Region	Sq. Ft.
Fremont Lake Union Center/801 N 34th Street	Seattle	169,412
Key Center	Bellevue	488,470
100 First Street	San Francisco	467,095
303 Second Street	San Francisco	740,047
360 Third Street	San Francisco	429,796
Santa Fe Summit/7525 Torrey Santa Fe	San Diego	103,979
Santa Fe Summit/7535 Torrey Santa Fe	San Diego	130,243
Santa Fe Summit/7545 Torrey Santa Fe	San Diego	130,354
Santa Fe Summit/7555 Torrey Santa Fe	San Diego	101,236
Kilroy Centre Del Mar/3579 Valley Centre Drive	San Diego	50,677
Kilroy Centre Del Mar/3611 Valley Centre Drive	San Diego	130,047
Kilroy Centre Del Mar/3661 Valley Centre Drive	San Diego	129,051
Kilroy Centre Del Mar/3721 Valley Centre Drive	San Diego	114,780
Kilroy Centre Del Mar/3811 Valley Centre Drive	San Diego	112,067
Liberty Station	San Diego	103,900
Total		3,401,154
Percent of Total Portfolio		25%

LEED for Existing Buildings Certification Strategy

In 2016 we changed our strategy for certifying and recertifying buildings through the LEED for Existing Buildings program. Instead of taking the buildings through the LEED for Existing Buildings Volume program via our certified prototype, we decided to migrate portions of that prototype into USGBC's performance-based certification platform, Arc, formerly

known as the LEED Dynamic Plaque. This will increase the rate at which we will certify buildings, and also hold us to a higher standard of excellence because it will require annual recertification, rather than recertification every five years. We look forward to our first LEED for Existing Buildings certifications through Arc in early 2017.



KRC Accepts Two Green Lease Leaders Team Transaction Awards at the BOMA International Conference, 2016

Green Leasing

Having already succeeded in greening our leases, being recognized with the Green Lease Leaders designation in 2014, and participating in the BOMA Green Lease Working Group in 2015, we decided to push ourselves even further in 2016 by earning Green Lease Leaders Team Transaction recognition from the Institute for Market Transformation. This required not just our brokers, but also our tenants and outside counsel as well, to publicize their participation in a green lease, so we had to collaborate with these groups to both highlight their pioneering work and protect their privacy. We won in both the under and over 50,000 square foot categories. In addition, we participated in a broker education event with the Beverly Hills Greater Los Angeles Association of Realtors.



Existing Buildings Case Study

Kilroy Airport Center Long Beach is a Class A business park located in Long Beach, California, and it is an excellent example of comprehensive sustainability performance in existing buildings operations.

The property is comprised of seven office buildings built in three phases from 1988 - 2000 totaling 949,910 RSF. The campus-style business park is focused on pedestrian connectivity and a connection to the outdoors. It boasts outdoor walkways and seating throughout and is accented by beautiful, distinctive landscaping that dramatically connects the various buildings as well as other amenities such as an on-site café and full-service fitness center. The project hosts a prestigious tenant roster such as SCAN, Epson, Urban Science and Crimson Pipeline LP.

Energy saving measures on the campus include: comprehensive interior and exterior lighting retrofits, variable speed drives on all large motors, advanced control strategies implemented to optimize HVAC performance, economizers in two buildings, web-based afterhours HVAC and lighting to curb after-hours usage, ceramic roof coatings to reduce cooling loads, and sophisticated load profile analyses which help the building engineers optimize system performance. These proactive efforts, for example, reduced energy use 5.6% between 2015 and 2016 alone, an impressive drop given that the overall reduction goal was 2%. The entire campus has been fully enabled in Demand Response since 2012 and Southern California Edison awarded it its Integrated Demand Side Management Award in 2014. The campus has been engaging in water reduction projects for several years. The management team has completed two phases of extensive turf removal, which will

both reduce exterior water use and maintenance costs resulting from over-watering. These outdoor projects complement the efficient restroom fixtures, including waterless urinals.

In 2014, the Long Beach campus partnered with ABM Janitorial Services and Buildings Skills Partnership (BSP) to provide its 22-person janitorial staff with a series of free educational classes as part of the Green Janitor Education Program, developed by USGBC Los Angeles and BSP. Every employee attended 30 hours of training, passed both the midterm and final exams and graduated from the program. After that success, in 2015, the campus offered its janitors an additional free educational series: a 10-week course discussing preventative health education.

Kilroy Airport Center Long Beach is committed to increasing the use of alternate transportation

to reducing area traffic. There are alternative transportation options such as buses and bicycle riding when traveling to our Long Beach campus. There are two bus stops that are just outside the complex. Bicycle racks are available throughout the complex. To encourage bicycle commuting for all tenants, shower access is provided at the Fitness Center. The campus also installed Electric Vehicle charging stations available for use by all tenants and visitors.

Community focused activities at Kilroy Airport Center Long Beach include a blood drive (since 2012, 202 pints have been collected); a winter blanket and coat drive; a summer food, clothing and school supply drive; and toy drives.

The campus has been rewarded many times for its sustainability efforts. All the office buildings have

earned the ENERGY STAR certification. The 3880 building is LEED Silver certified and the remaining buildings are in the process of obtaining LEED for Existing Buildings certification through Arc, with expected certifications in Q2 2017. All of the office buildings are pursuing BOMA 360 certification, expected in Q1 2017. Most impressively, the entire campus won the BOMA International 'The Office Building of the Year' (TOBY) award in the Suburban Office Park, Low Rise category in 2016.

The campus will continue to pursue ambitious sustainability-focused projects in the future. In addition to the LEED certifications, the campus will be installing both solar panels (on the parking garage and the roofs of two buildings) and two batteries in 2017. The batteries will contribute to the resilience of the grid by taking building energy consumption offline during peak demand events.



Kilroy Airport Center Long Beach

Kilroy Airport Center Long Beach Team Accepts BOMA International TOBY Award, 2016

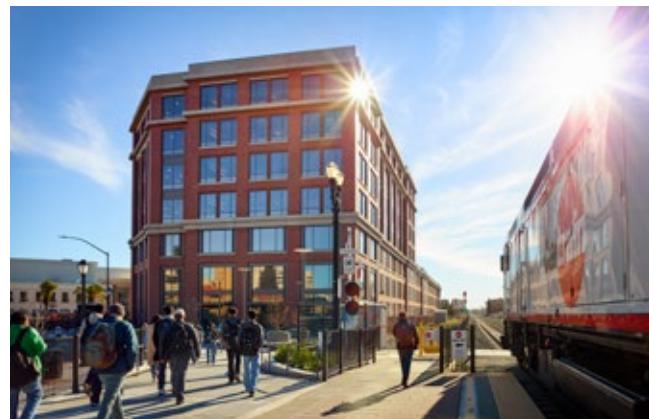
We earned LEED Platinum or Gold certifications for 9 projects across 1.5 million square feet in both Northern and Southern California:



350 Mission (LEED Platinum) // ~ 455,340 SF



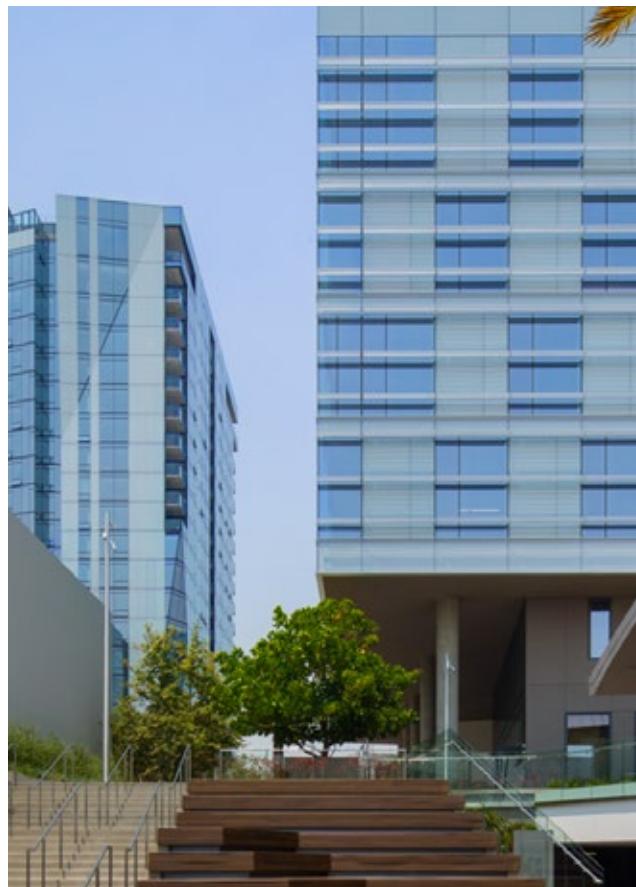
333 Brannan (LEED Platinum) // ~ 185,602 SF



Crossing 900 (2 buildings, LEED Gold) // ~ 347,269 SF



Columbia Square Historic Buildings (3 buildings, LEED Gold) // ~ 117,278 SF



Columbia Square Ground Up Buildings (2 Buildings, LEED Gold) // ~ 377,000 SF

New Development

Building and operating our buildings to LEED standards demonstrates to current and prospective tenants and investors that we have a high-performing team that builds and operates best-in-class buildings.

New Development Highlights

2016 was our strongest year ever in delivering LEED certified buildings to the market.

- At year end, 51% of our portfolio had achieved LEED certification, and we have an additional 8 projects, across 19 buildings and 5.2 million square feet, registered for certification.
- 350 Mission and 333 Brannan are our first development projects to feature rainwater harvesting systems for use in toilet flushing, and 333 Brannan is in addition our first development project to incorporate solar into its design.
- The goal for all Kilroy Realty ground-up new development has been at least LEED Gold since the launch of our sustainability programs in 2010. Since then, 100% of ground up development has earned LEED Gold or Platinum.
- We have an impressive array of development projects already underway that are all targeting LEED Gold or Platinum. These include 100 Hooper in San Francisco (targeting Platinum), 333 Dexter in Seattle (targeting Gold), The Heights at Del Mar/12770 El Camino Real in San Diego (targeting Gold), the Academy Square in Hollywood (targeting Gold) and The Exchange on Sixteenth in San Francisco (targeting Platinum). The Heights LEED certification is expected to be completed in Q3 2017.
- Four of our projects earned Designed to Earn the Energy Star certification for the first time: 333 Dexter, the Academy Square, the Exchange, and 100 Hooper.
- We continued our WELL certifications for two projects, the Columbia Square Residential Tower known as Hollywood Proper and The Exchange on Sixteenth. In addition, we registered the rest of our current development pipeline for WELL certification. More information is available on [page 64](#).
- Typical features of our LEED development projects include green roofs, pedestrian-oriented outdoor space including roof decks, transit-oriented locations, enhanced commissioning, high levels of recycled content and Forest Stewardship Council (FSC) certified wood, measurement & verification protocols, dramatic water reduction both in irrigation and domestic use, low-emitting materials, and a mechanical design that emphasizes thermal comfort.

LEED Certified Buildings

Project Name	LEED Certification	Region	Sq. Ft.
Fremont Lake Union Center/801 N 34th Street	Platinum (Existing Buildings)	Seattle	169,412
Fremont Lake View/737 N 34th Street	Certified (Core & Shell)	Seattle	111,580
Westlake Terry/320 Westlake Avenue North	Gold (Core & Shell)	Seattle	184,643
Westlake Terry/321 Terry Avenue North	Gold (Core & Shell and Commercial Interiors)	Seattle	135,755
401 N. Terry Avenue*	Gold (Commercial Interiors)	Seattle	95,611
Key Center/601 108th Avenue NE	Platinum (Existing Buildings)	Seattle	488,470
Skyline Tower/10900 NE 4th Street	Gold (Existing Buildings)	Seattle	416,755
100 First Street	Gold (Existing Buildings)	San Francisco	466,490
201 3rd Street	Gold (Existing Buildings)	San Francisco	344,551
303 Second Street	Gold (Existing Buildings)	San Francisco	740,047
360 3rd Street	Gold (Core & Shell)	San Francisco	429,996
350 Mission Street	Platinum (Core & Shell)	San Francisco	492,658
333 Brannan Street	Platinum (Core & Shell)	San Francisco	159,595
Crossing 900/900 Middlefield Road	Gold (Core & Shell)	Redwood City	173,634
Crossing 900/900 Jefferson Avenue	Gold (Core & Shell)	Redwood City	173,634
331 Fairchild Drive	Gold (Core & Shell and Commercial Interiors)	Mountain View	87,147
Mountain View Campus/680 Middlefield Road	Gold (Core & Shell)	Mountain View	170,457
Mountain View Campus/690 Middlefield Road	Gold (Core & Shell)	Mountain View	170,457
Sunnyvale Campus/505 N Mathilda Avenue	Gold (Core & Shell)	Sunnyvale	212,322
Sunnyvale Campus/555 N Mathilda Avenue	Gold (Core & Shell)	Sunnyvale	212,322
Sunnyvale Campus/605 N Mathilda Avenue	Gold (New Construction)	Sunnyvale	152,589
1701 Page Mill Road	Gold (Core & Shell)	Palo Alto	116,172

Project Name	LEED Certification	Region	Sq. Ft.
1633 26th Street	Certified (Core & Shell)	Santa Monica	44,915
Sunset Media Center/ 6255 West Sunset Blvd*	Gold (Commercial Interiors)	Los Angeles	3,831
Columbia Square/6121 West Sunset Blvd	Gold (Core & Shell)	Los Angeles	108,517
Columbia Square/6115 West Sunset Blvd	Gold (Core & Shell)	Los Angeles	370,000
The Sunset/ 8650 West Sunset Blvd	Gold (Existing Buildings)	West Hollywood	71,875
Kilroy Airport Center/2260 E Imperial Highway	Platinum (Core & Shell and Commercial Interiors)	El Segundo	298,728
2211 Michelson Drive	Silver (Core & Shell)	Irvine	271,556
Kilroy Airport Center/3880 Kilroy Airport Way	Silver (New Construction)	Long Beach	96,035
Kilroy Sabre Springs/13480 Evening Creek Drive	Silver (Core & Shell)	San Diego	149,817
Liberty Station/2305 Historic Decatur Road	Gold (Core & Shell)	San Diego	103,900
Mission City Corporate Center / 2375 Northside Drive*	Silver (Commercial Interiors)	San Diego	25,758
The Heights at Del Mar/12790 El Camino Real	Gold (Core & Shell)	San Diego	78,349
Total SF			7,327,578
% of Total Portfolio			51%

* Certification did not span total building square footage

Local Communities

We recognize that our buildings are part of larger community systems, and that our buildings have the potential to either benefit or detract from their local communities. Also, because we hold our properties for many years, our relationships with our local communities are long term, and therefore addressing community concerns is critical to our ability to do business. To navigate community concerns, we created an in-house land use team in 2011. We strive to create buildings that complement and benefit their neighborhoods; for example, our Academy Square project moved its retail portion to activate a pedestrian thoroughfare, and our 333 Dexter project decided proactively to embrace the Lake to Bay walking trail via moving its setback and adding wooden benches for pedestrians. This sensitivity to community systems has enabled us to become a successful landlord in a variety of desirable west coast locations.

- We proactively engage local communities as part of our development process using a variety of forums, from town hall meetings to charettes to open houses to websites that solicit feedback. The goal of these programs is to ensure that our development projects meet the needs of the local community.
- We implement local community engagement and environmental impact assessment programs in all of our development projects.
- By square footage, our development programs comprise 27% of our operations.
- Where needed, we create an Environmental Impact Report (EIR). EIRs are disclosed publicly as part of the entitlement process.
- For large development projects, a community hotline is prominently displayed on signs on active corners of the project site to provide community members information and an avenue to address concerns. These signs also display the high-level construction activity schedule. Concerns brought to us via the hotline are addressed within 48 hours either by a KRC team member or by the general contractor, who discusses the complaint with us in the construction meetings. In the unusual situation where a complaint is not addressed promptly, the community member whose complaint is not addressed in 48 hours can call our Kilroy main office and our team will ensure that the complaint is resolved by the relevant project manager.
- Brownfield locations tend to be in attractive, dense urban areas, so we embrace brownfield development. 333 Dexter, the Exchange on Sixteenth and 100 Hooper are all on brownfield sites, which we are remediating.



Academy Square, Los Angeles



Local Community Spotlight: One Paseo

Our \$660 million One Paseo project embodies a coast-meets-country atmosphere in Carmel Valley, San Diego.

With beautifully landscaped public plazas weaving between shops and restaurants, Class-A office, and highly-amenitized apartment homes, One Paseo will create a community gathering, go-to destination for the region.

For One Paseo, the road to approval was neither short nor smooth. To avoid a ballot measure consideration, we agreed to a “project reset” to reconsider a redesign of One Paseo based on a key set of design parameters. The successful project redesign can be attributed to a professionally facilitated dialogue with all stakeholders, initiated by us. A third party facilitator with a background in urban design led to meaningful discussions in a format where all participants felt safe and heard. The One Paseo Working Group was comprised of 11 community members and members of the local community planning board. We were committed to a transparent and inclusive community engagement process throughout.

A systematic, holistic approach through the redesign process led the way for a near unanimous approval by the San Diego City Council and the public support of various community members who previously did not speak in support of the project. The outreach program consisted of:

FOUR WORKING GROUP MEETINGS

The Working Group meetings spanning from June 2016 through September 2016 provided a venue to inform and analyze the physical planning and design of One Paseo and establish a small communication base representing multiple interests before presenting to the public at large. Each meeting was documented in writing and circulated back to the Working Group to review before posting on the project website for public reference.

COMMUNITY WORKSHOPS

Community workshops were held in Open House formats with project team members hosting each station representing various aspects of the redesign process. Members of the public were notified through the media, print and digital advertising and through emails to encourage participation. Over 350 community members in attendance were given a comment booklet to submit feedback related to each station. Workshop attendees were given the opportunity to listen to the Carmel Valley Planning Board and our team discuss the project with planning boards from neighboring communities, and also participate through a Q&A discussion.



One Paseo, San Diego

VIRTUAL WORKSHOPS

Recognizing that public workshops may be difficult for the broader public attend, we created a virtual workshop immediately after each Community Workshop to extend input opportunities for more people. The virtual workshop included recorded videos of the presentation, downloadable information, presentation materials, working group summaries, and a virtual comment form identical to the comment forms distributed in person at the workshops. Nearly 300 additional people provided comments for both workshops. Over 700 people viewed the presentation videos posted online.

GEOTARGETING ADVERTISING

In addition to providing a Virtual Workshop, we aimed to reach beyond the immediate community to solicit feedback and raise awareness about the outreach process. Our team utilized geotargeting advertising as a tool to reach internet users

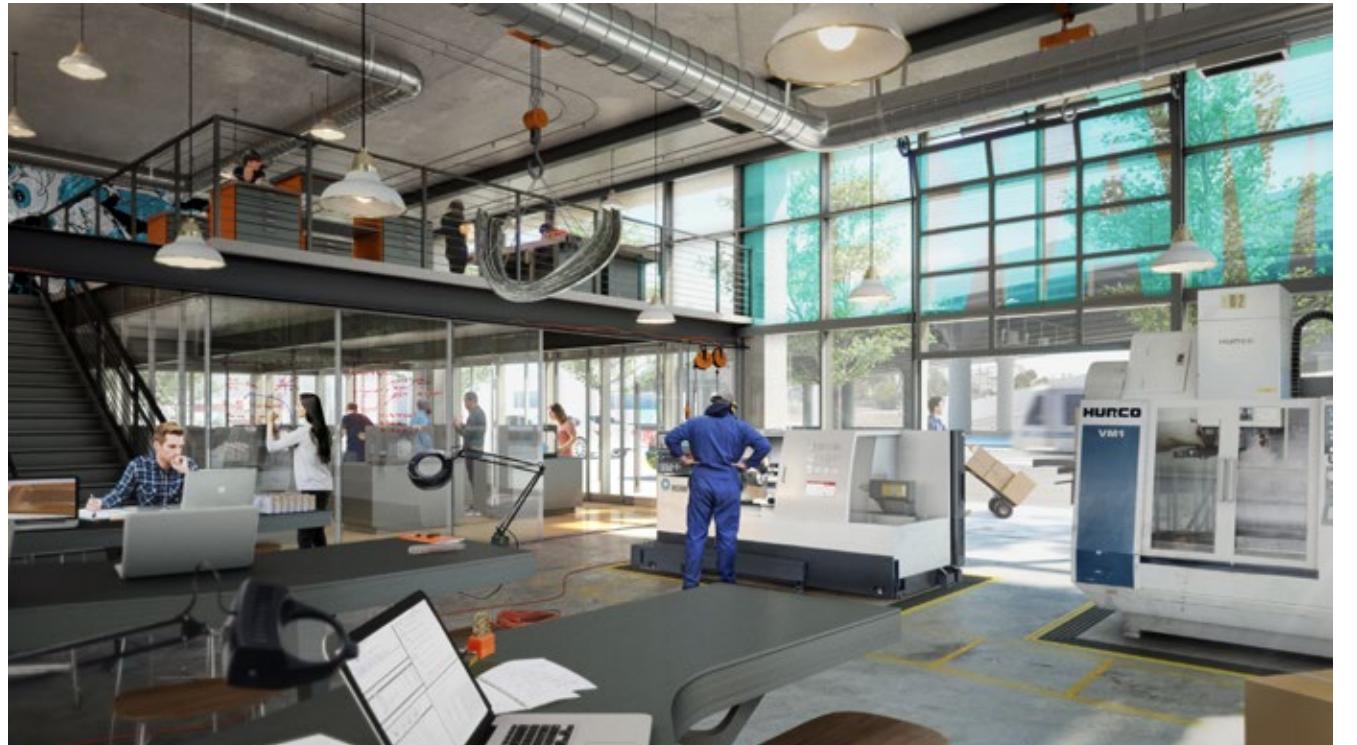
within the listed zip codes to display ads on websites that they choose to visit (e.g., Youtube, Facebook, CNN, etc.). While One Paseo sits within the Carmel Valley community, we also targeted neighborhoods surrounding One Paseo including Del Mar, Carmel Country, Fairbanks Ranch, Solana Beach, Rancho Penasquitos, and Torrey Highlands. Our ads were viewed over 900,000 times, and clicked through to our website nearly 5,000 times.

UPDATES TO NEIGHBORING GROUPS

To maintain the commitment to the inclusive outreach process, we provided updates to neighboring communities about the project status and upcoming activities. These updates were in addition to the monthly updates to the Carmel Valley Community Planning Board and included the Torrey Pines Planning Group, Torrey Hills Planning Group and City Councils in Solana Beach and Del Mar.



100 Hooper, San Francisco



PDR space at 100 Hooper, San Francisco



New Development Case Study

100 Hooper is a class A mixed use ground-up commercial project with 427,000 rentable square feet located in San Francisco's SoMa District targeting LEED Platinum. The project is at the intersection of tech-forward officing and innovative local manufacturing and when completed will be our most sustainable property, with significant solar arrays, green roofs, a health-focused design and more.

Designed through a collaboration between Pfau Long Architecture and David Baker Architects, the project's innovative design purposefully fosters an energized and collaborative culture. Hooper North and Hooper South are connected via sky bridges over the Alley, a 40-foot wide outdoor pedestrian street, which leads to The Square, a 10,000 square foot outdoor courtyard event space. The first floor will be reserved as production space for makers, innovators, and craftspeople performing design, light manufacturing, production, and distribution. The remaining floors offer 315,000 square feet of tech-forward office space, designed to encourage collaborative innovation. The adjacent building, 150 Hooper (targeting LEED Gold), is a 50,000 square foot property that will be sold to PlaceMade on completion. PlaceMade is a nonprofit dedicated to bringing manufacturing back to San Francisco, and will lease 150 Hooper to additional production tenants.

The development process has focused on sustainability since its inception. The primary sustainability challenge at 100 Hooper was designing an HVAC system that was both flexible and energy efficient. To solve this problem, the project chose a Variable Refrigerant Volume system, in which refrigerant is piped throughout the building instead of chilled water. As a result, the buildings will reduce energy consumption by over 28% compared with the LEED baseline.

Water efficiency is extremely important to the building's design. There will be significant water reduction in domestic use via the use of 1.1 gallon per flush toilets, low flow urinals, .35 gallon per minute faucets, and 1.5 gallon per minute showers, which compliments the drought-tolerant landscape and green roof.

The project's roof will be one its best features from both a user and sustainability standpoint. The roof has multiple roof decks with green spaces to provide a connection to the outdoors and a collaborative meet/work space. In addition, the roof features a 316 KW solar array that will offset over 15% of the building's projected energy consumption.

100 Hooper is also designed to encourage alternative transportation. With only 88 parking spots, single car transport to the site is discouraged; the robust nearby bus system will help employees get to the building. The project features a shower facility with bike lockers that is accessible to everyone on the campus, and electric vehicle charging stations in the parking garage.

Finally, the building is pursuing WELL Core & Shell certification to demonstrate its proactive design focused on health and productivity. Features that are contributing to the WELL certification include open stairwells, low-emitting construction materials and enhanced filtration media to maintain indoor air quality.

Construction commenced in November 2016 and will be complete in Q4 2017. The office space is fully leased to Adobe.

Industry Engagement

Partnerships and Industry Associations



BOMA

NAREIT
REAL
ESTATE



ULI

2030
DISTRICTS®

NAIOP



- ENERGY STAR Partner
- BOMA Energy and Environment Committee; BOMA Energy Education Program (BEEP) Working Group
- U.S. Green Building Council (USGBC) Corporate Gold Member; U.S. Green Building Council Los Angeles sponsor
- National Association of Real Estate Investment Trusts (NAREIT) Real Estate Sustainability Council

- GRESB Member
- San Francisco and Seattle 2030 Districts
- Institute of Real Estate Management (IREM)
- International Facility Management Association (IFMA)
- National Association of Industrial and Office Properties (NAIOP)
- Urban Land Institute (ULI)
- Young Professionals in Energy (YPE)



KRC at the signing of the Los Angeles Existing Building Energy and Water Efficiency Ordinance with Mayor Eric Garcetti



Fourth place win in water reduction

Advocacy Highlights

- Participating in the Workshop on Building Energy Use Data with the California Energy Commission
- Participating in the Los Angeles Existing Building Benchmarking Ordinance stakeholder engagement process, council hearings and ordinance signing
- Tenant Star workshop participation
- Advocating in favor of AB 802

Challenges

- Los Angeles Better Buildings Challenge
- National Building Competition Team Challenge: Ranked 4th in Nationwide Water Reduction

Climate Change

Our ability to anticipate, mitigate and prevent impacts from climate change is determined by the strength of our internal governance efforts across all departments. Some anticipated climate change impacts include the following:

1. HIGHER COSTS FOR ENERGY AND WATER

- We manage rising costs for energy and water through our efficiency programs to protect our tenants, but it is possible that as a result of climate change these costs could increase faster than we can reduce our energy and water use. In particular, California has recently experienced an intense drought and we anticipate severe pricing signals around water use in the short term. We are actively pursuing aggressive water reduction projects to mitigate this risk.
- While we believe we will remain an attractive landlord in comparison to other West Coast landlords, tenants could decide to leave our area entirely for parts of the country where utility costs are lower. To mitigate this risk, we focus on initiatives designed to decrease energy and water costs in our buildings.
- In addition, climate change may cause changes in building energy consumption patterns leading to increased peak demand costs. Our demand response and battery storage initiatives are in place to help mitigate this risk. Similarly, utilities will increasingly change our rate structures to dynamic pricing structures, and our ability to shed load on an immediate as-needed basis will help with this risk as well. The solar facilities being installed in 2017 will also help reduce some peak demand charges during morning start-ups.

2. INCREASED ENVIRONMENTAL REGULATION

- We believe we are ahead of our peers in anticipating new energy regulations; for example, because we were prepared, complying with AB 1103 was less burdensome for us than certain competitors, as it will be for AB 802 when that goes into effect. Increased regulation could, however, result in increased costs that motivate some tenants to leave California entirely.
- We do not currently anticipate that the office real estate industry will be regulated by carbon legislation in the short term, though the effects of this legislation on other industries may indirectly affect us through higher energy costs, higher raw materials costs, and increased tenant demand for sustainable properties. The increased focus on emissions is why we are verifying and disclosing our Scope 1 and 2 emissions this year.
- There may be increased government incentives for energy and water conservation, and we are well-positioned to continue to take advantage of these opportunities.

3. HIGHER COSTS AND MORE REGULATION IN OUR SUPPLY CHAIN

- Sourcing materials for our buildings could become increasingly expensive, and there could be disruptions to the supply chains of our building materials, potentially extending construction times or preventing us from delivering buildings on time. Demographic changes resulting from climate change could prevent us from being able to source the labor needed to develop and operate our properties.
- Climate change could impact or stress services on which we rely, such as the energy grid, making it more difficult to operate our properties.
- Also, there could be increased permitting restrictions around new construction, potentially around water use or renewables.
- We have experienced development and asset management teams who will be able to mitigate these increases as much as possible. In addition, by committing to sustainable building, we have experienced expedited approvals and community support. Our proposed battery installations can be retrofitted to take buildings off the grid if its reliability becomes compromised.

4. COMMUNITY IMPACTS

- The communities in which we operate could become increasingly stressed as a result of climate change, disrupting transportation, basic services and the ability of our tenants and employees to maintain current strong levels of productivity. Our resilience programs (more information on [page 60](#)) will help us preserve business continuity under more strained community conditions.

5. BUSINESS IMPACTS

- Because we are so proactive on managing climate change risks, we are able to leverage those efforts by obtaining competitive insurance premiums for our buildings.
- By addressing customer and community sustainability objectives, we can be more successful in our development efforts and win more business.
- Being proactive in our community on sustainability via articles, industry forums and interviews also protects our reputation in our industry.
- We consider the risk of non-delivery of design performance in occupied buildings from climate change to be minimal.
- Because we recognize that as a result of climate change our stakeholders are asking for increased transparency, we are expanding our voluntary disclosure efforts, such as by including more sustainability content in the 10-K.



9455 Towne Centre, San Diego

“

IF WE ARE GOING TO MAKE AN IMPACT,
WE HAVE TO SHOW THAT **SUSTAINABILITY**
STRENGTHENS OUR BUSINESS. WE'VE
DONE THAT, AND INSPIRED OTHERS
ACROSS OUR INDUSTRY TO DO THE SAME.

SARA NEFF

Resilience

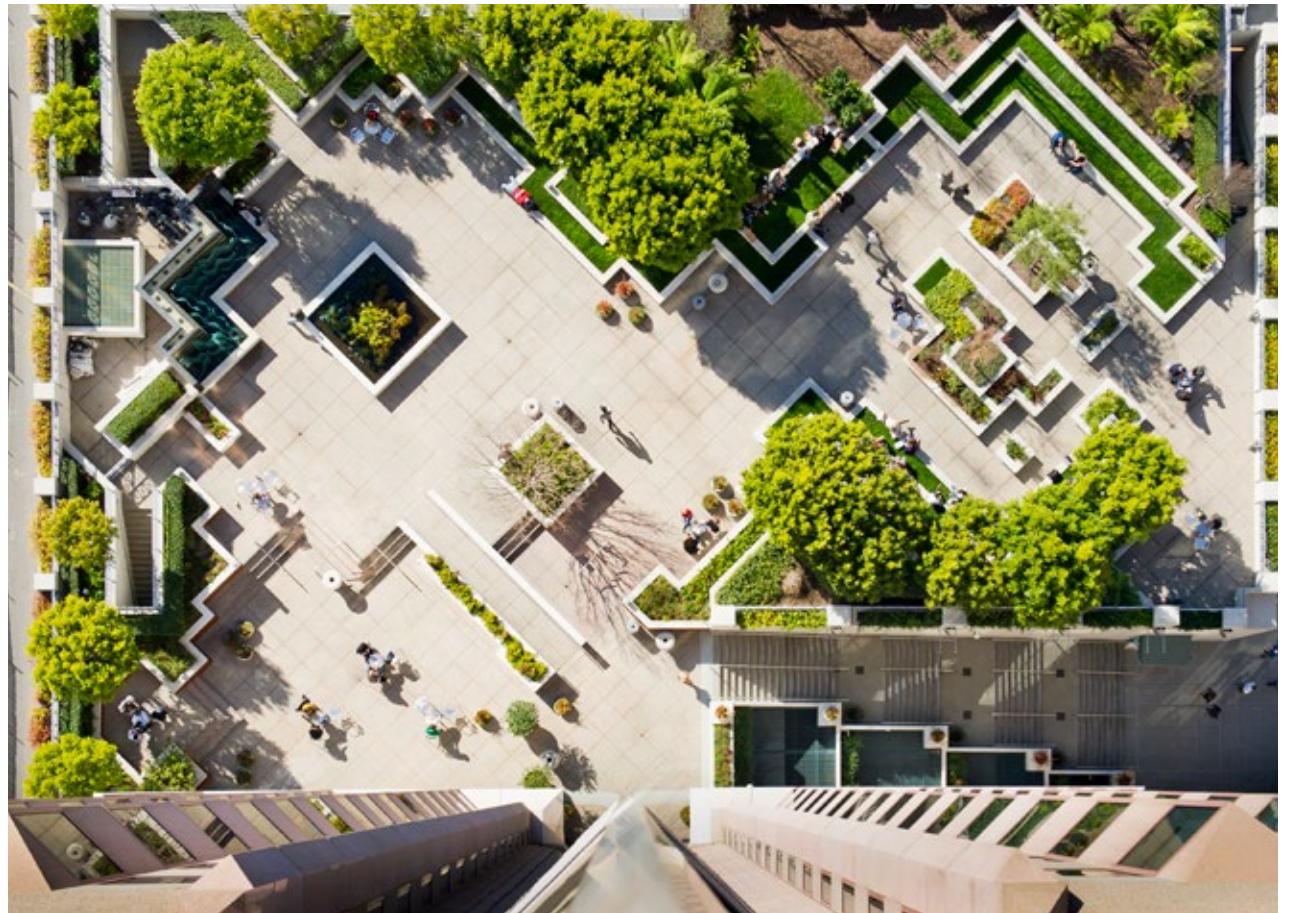
- We define resilience as management of recovery or continuity in the event of a disaster. The concept of 'disaster' is a broad term that encompasses environmental events, seismic events, cyberattacks, acts of terrorism, personnel issues and more.
- A focus on resilience is an emerging trend in real estate that impacts all areas of our business, and our internal strong governance mechanisms will allow us to expand and solidify our resilience programs.
- The Sustainability, Risk Management, Operations and Finance teams work closely together to identify both short and long-term risks to our operations and portfolio, and determine what opportunities exist in each fiscal year to address these risks. These discussions occur annually, and on an ad hoc basis throughout the year. Examples of discussion topics include a focus on energy storage in 2016 and 2017 as part of our energy efficiency programs.
- Because there are clear sustainability implications for resilience and we are leaders in sustainability, our sustainability team is contributing to and adapting our sustainability programs to accommodate concepts of resilience. Our challenge is our ability to devote time and resources to creating a strong resilience program while maintaining excellence in our core initiatives.
- Our resilience program has four areas:
 1. **IT—Disaster Recovery Plan**
 - » Example: Support loss prevention and monitoring; ability to restore IT operations from a remote location
 2. **Emergency Response**
 - » Example: Develop event-driven responses to emergency events
 3. **Business Continuity Planning**
 - » Example: Identify the business processes required to maintain operations, or return to business as usual
 4. **Crisis Management**
 - » Example: Define communication and escalation procedures for crises; defined responsibilities for Crisis Management Team, Crisis Leader and Crisis Team Members
- Our expanded resilience strategy involves five steps:
 1. **Identify:** Perform Risk Assessment and Identify Interdependencies – Complete
 2. **Analyze:** Perform Business Impact Analysis – Ongoing
 3. **Develop:** Select Recovery Strategies – Complete
 4. **Implement:** Implement Updated Business Recovery Plans – Complete
 5. **Maintain:** Plan Testing, Training, and Maintenance – Ongoing

Biodiversity

Recognizing increased external interest in biodiversity, we created our first biodiversity policy in 2016. This policy has two components:

1. All new landscape in both the existing and development portfolios is required to include at least two plant types, which otherwise meet our reduced water requirements, that are considered pollinators by The Pollinator Partnership (www.pollinator.org). Pollinators are part of the installed landscape at Columbia Square and are included in the landscape design at 333 Dexter, the Academy Square, and 9455 Towne Centre.
2. Any beehives discovered in undesirable locations are to be relocated either on or offsite in partnership with local beekeeping organizations rather than destroyed.

We have no properties either in development or existing within, or adjacent to, protected areas or areas of high biodiversity value outside protected areas.



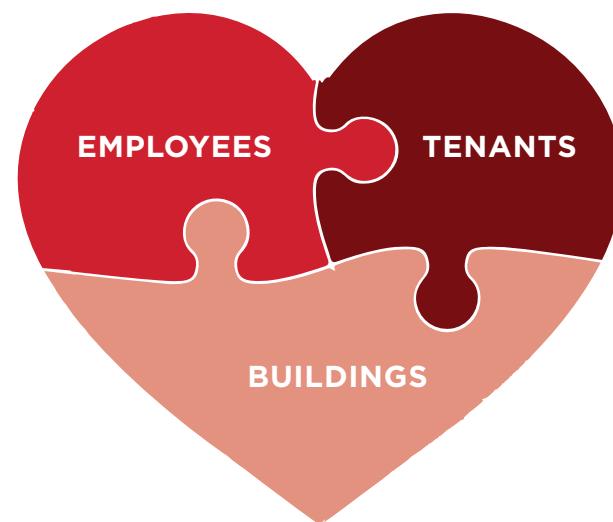
100 1st Street Rooftop Plaza, San Francisco

Environmental Grievance Mechanisms

The concept of formal environmental grievance mechanisms as contemplated by GRI is not applicable to us as a REIT. However, we have procedures in place for responding to environmental incidents, and our focus on developing urban core brownfield sites requires us to have expertise in coordinating environmental remediation. Examples of environmental issues that can arise at an existing property include water intrusion, mold, air quality or water quality issues, leaking underground storage tanks or pipes, and the presence of asbestos-containing materials or lead-based paint. Examples of environmental issues that can exist at our urban development sites include contaminated soil, soil vapor, and groundwater, hazardous materials, underground storage tanks, and unknown structures and materials. There were approximately 85 reports completed in 2016 relating to the discovery, investigation and remediation or abatement of various environmental incidents throughout our portfolio. There are a handful of incidents that arose during 2016 that are still in the process of discovery and/or remediation or abatement, but other than these few incidents, we are not aware of any other incidents that arose in 2016 that remain unresolved. None of these issues have been deemed significant, and we did not have any significant fines or non-monetary sanctions regarding environmental compliance in 2016. We had no significant spills in 2016. We had no grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.

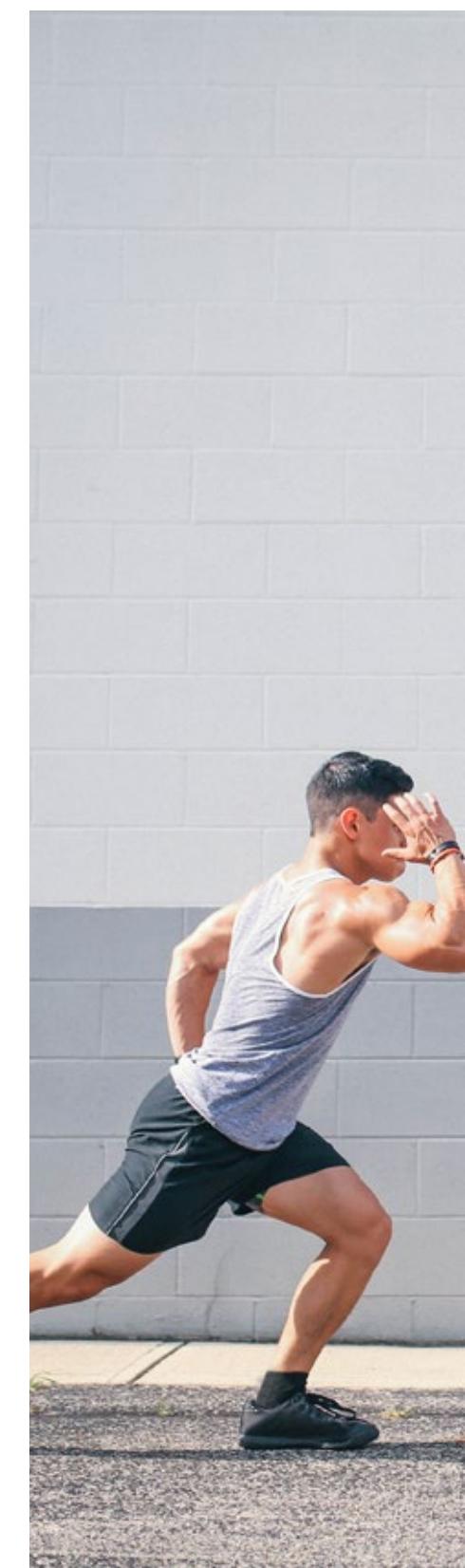
Health

In 2016, GRESB also recognized our health programs as best in class, ranking us #1 in North American Publicly Listed Office on health. We have placed an increasing importance on health because we believe that the wellbeing of the people that interact with our buildings is critical, and that our buildings have the ability to either promote or diminish human health and productivity. Our challenge in creating a health program is devoting adequate time and resources to health while maintaining our core sustainability programs. Our program has three overlapping components: Employees, Tenants, and Buildings.



EMPLOYEES

- Discounted employee gym passes
- Work-Life Balance Employee Assistance Program, services include:
 - Childcare and/or eldercare referrals
 - Personal relationship information (Marriage/Family Issues)
 - Health Information
 - Legal consultations and licensed attorneys
 - Financial planning assistance
 - Stress management
 - Mental illness
 - Career development
 - Alcohol/Drug dependency
 - Wellness and Self-Help
- Commuter benefit with WageWorks encourages public and alternative transportation
- Mandatory CPR/First-Aid training for key teams / positions
- Easily accessible Automatic External Defibrillators
- Healthy snacks
- Standing desks and other medically necessary ergonomic desk requirements
- Value Added Programs provided by our medical benefits provider
 - "Decision Power"- brings together under one roof information, resources and personal support from staying fit and dealing with back pain to facing a serious diagnosis.
 - » Talk to a Health Coach
 - » Health Improvement Plans
 - » Healthy Baby - series of 5 prenatal education videos, with topics on exercise, nutrition, safety and breastfeeding
 - Healthy Discount Programs - Chiropractic and Acupuncture (POS Plan), Weight Management/Jenny Craig and Weight Watchers, Hearing Aids and Screenings
 - Mail order pharmacy and chiropractic care
- Life Planning Provided by UNUM



BUILDINGS

- **WELL certifications for particular development projects**

The WELL Building Standard, developed by the International Well Building Institute, is a new protocol that focuses on human wellness in the built environment. We are proud to be pursuing WELL certification on one of the first two WELL residential high rise buildings in the US, at Hollywood Proper (the Columbia Square Residential Tower), targeting completion in 2017. Also, The Exchange on Sixteenth in San Francisco is one of the first projects to be pursuing WELL certification on a Core & Shell building, and we expect to earn that certification in 2019.

- **Indoor Air Quality (IAQ)**

To verify the quality of our indoor air, we had 27 buildings (out of our total 108 buildings, 25% of our stabilized portfolio by square footage) go through extensive IAQ testing in San Diego, Long Beach, Los Angeles, Calabasas, San Francisco and Seattle with Healthy Buildings in accordance with LEED procedures for verifying indoor air quality. 6 of these buildings did additional proactive testing beyond the LEED scope. The heating, ventilation, and air-conditioning systems and ductwork serving the buildings were examined, the ventilation rates and filtration standards were reviewed, overall maintenance levels were assessed, and representative samples of indoor air from the occupied spaces were collected for analysis as part of our on-going proactive indoor air quality optimization program. No problems were discovered and all 27 buildings received certificates verifying their performance.

- **Green Cleaning**

Our green cleaning program, which uses only

products permitted in the LEED for Existing Buildings rating system, prevents our indoor air from being contaminated by toxic cleaning chemicals. In addition, an 11-building portfolio in San Diego has implemented an aqueous ozone system to reduce the use of cleaning chemicals even further. Nearly 40% of our janitors have gone through the Green Janitor Education Program to reinforce these practices, more information on [page 37](#).

- **Building Standards**

Our building standards prohibit the use of high VOC adhesives, sealants, paints, and coatings as well as products containing added urea formaldehyde.

- **Filtration**

We choose filtration media that helps maintain our high indoor air quality. Most buildings have at least Minimum Efficiency Reporting Value (MERV) 8 filters, but certain buildings have MERV 13 and 14 filters.

- **Location**

One of our development and acquisition target priorities is access to public transit, which, in addition to providing environmental and convenience benefits, also improves tenant and employee health via increased walking.



- **Leak Detection**

Our leak detection procedures help prevent mold growth in our buildings.



Graphics encouraging stair climbing | Sunset Media Center

TENANTS

We have a variety of programs to promote health and wellness for our tenants. They include:

Physical Fitness

- Access to stairwells
- Discounted or free gym passes in properties with onsite gyms
- Bike racks, showers and bike concierge facilities
- Bike rentals with available bike repair kits
- Support of alternative transportation

Reduced Sickness

- Hand sanitizing stations in lobbies and throughout buildings
- Flu shots
- Onsite dental

Nutrition

- Hydration stations
- Healthy food for building events
- Healthy onsite food, such as an onsite GMO-free healthy bakery

Community Programs

- Blood Drives
- Bike to Work Days
- Wellness and Health Day Fairs
- Great Outdoors Month; prizes are annual passes to national parks



Health and Wellness Spotlight: Fremont Lake Union Center

To promote physical fitness, our three-building Fremont campus in Seattle, WA held its third annual Bike to Work day this year in partnership with Cascade Bike Club. Despite rain, over 300 cyclists stopped at their booth, the event's largest turnout yet. The property encourages cycling year-round through onsite showers and a beautiful bike rack sculpture.



Bike rack sculpture at Fremont Lake Union Center, Seattle

Third Annual Bike to Work Day at Fremont Lake Union Center,
Seattle

Employees

- At KRC, we believe that the success of our business is tied to the quality of our staff and we strive to maintain a corporate environment without losing the entrepreneurial spirit on which we were founded nearly 70 years ago.
 - We know that our sustainability programs only work because everyone at KRC is engaged in their success. We have increasingly seen that sustainability is discussed by job candidates across all job functions, which means that incoming employees know how critical all of our team members are to the success of our programs.
 - Employees provide feedback about our sustainability programs to the sustainability team directly, and about other matters either to their supervisors or to human resources.
- Within the scope of this report, there is no substantial portion of our work that is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. We are not currently reporting on the work performed by third party vendors and contractors in the construction and operation of our buildings, but as we formalize our supply chain assessment programs we hope to provide this data in 2017.
- We have had no significant variations in employment numbers.
- All employees work full-time.
- 4% of our total employees are covered by collective bargaining agreements.

DIVERSITY AND EQUAL OPPORTUNITIES

- We are an equal opportunity employer that recruits, hires, trains, and promotes personnel for all areas of employment without regard to race, color, creed, religion, sex, sexual orientation, gender, national origin, ancestry, age (over 40), physical or mental disability, medical condition, veteran status, marital status, genetic characteristics or traits, or any other status protected by federal, state or local laws.

NON-DISCRIMINATION

- We had no incidents of discrimination reported during 2016.

TRAINING & EDUCATION

- We support the continual improvement of training and education programs for our employees. We had one in-person training module in 2016 for our managers to improve their leadership and communication skills.

- There were many other training topics that happened throughout our company in 2016. Individual teams conducted trainings as appropriate on topics such as energy, water and waste benchmarking and the operating of new mechanical equipment.
- We launched a mentorship program to pair newer employees with longtime employees in different departments to support career advancement.

EDUCATION TUITION REIMBURSEMENT

- We will consider individual requests for job-related tuition reimbursement from employees who have completed at least one year of continuous service. We will reimburse the employee for his/her related expenses including travel, registration fees, workbooks, lodging and meals not included in the registration fees.
- The time off for employee's attendance and travel will be paid at the employee's normal rate of pay.
- The time spent by an employee in voluntarily attending any continuing education program covered by this policy is not regarded as hours worked and therefore is not calculated for purposes of overtime.
- Employees within our Asset/Property Management department are encouraged to take BOMA courses each year to reach the applicable professional designations for their position.

PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

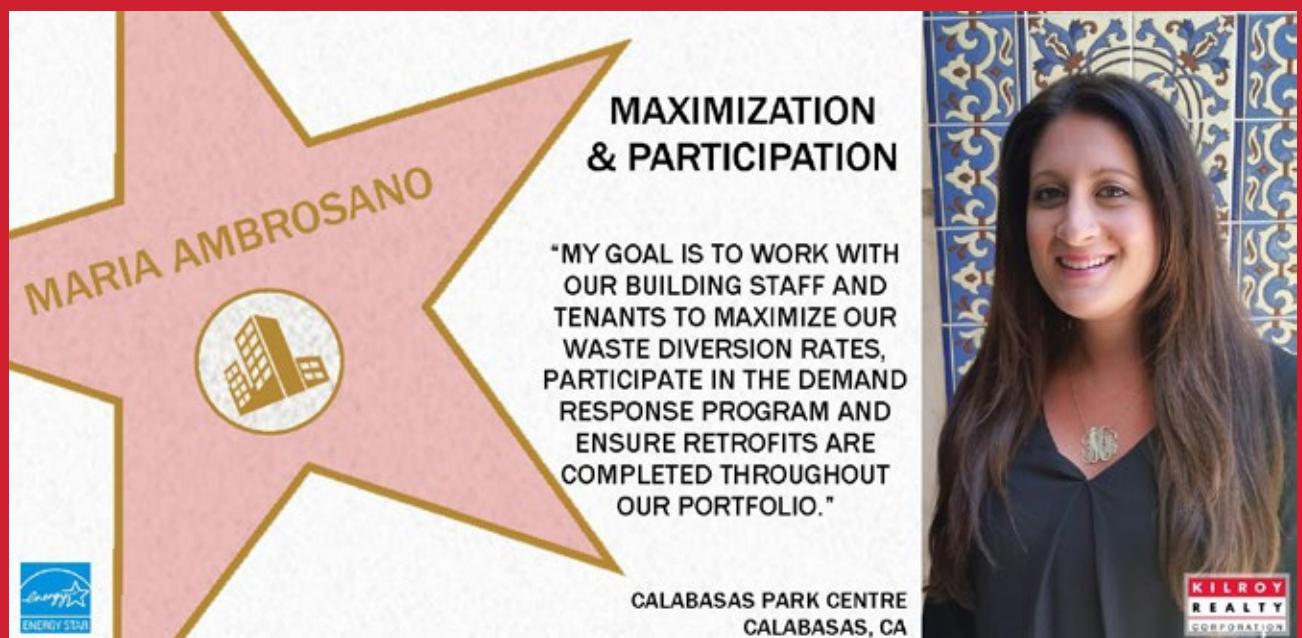
- All of our employees receive an annual performance review.
- These evaluations are done in the same time frame as the review of annual incentive compensation.
- One of the general factors on the performance appraisal form is 'Attendance/Adherence to Policy' which requires the supervisor to address whether the employee follows safety & conduct rules, other regulations and company policies.
- The CEO, COO and CFO, at their discretion, may also discuss performance expectations with respective employees either verbally and/or in written form.
- We are proud that we had employees earn both LEED and WELL credentials in 2016. We cover the costs of LEED and WELL education and testing for employees who work in the operation and construction of our buildings.



Employee Spotlight

Asset Management Walk of Fame

To celebrate the work of our asset management team in maintaining excellence in sustainability in our existing portfolio, the sustainability team decided to create a Walk of Fame Star for each member of our asset management team highlighting their significant environmental accomplishments. We tweeted these stars from the @kilroygreen account throughout 2016.



Total Workforce		
Total Employees	244	
Female	138	
Male	106	
Supervisors	Female	Male
Administrative Support	0	0
Craft	0	0
Executive/Senior Level	2	8
First/Mid Level	7	17
Professional	25	7
Total	34	32
Supervised Workers (178)		
Female	104	
Male	74	
Total Workforce by Region		
Total Employees	244	
Irvine/San Diego	34	
Female	22	
Male	12	
Los Angeles Region	128	
Female	66	
Male	62	
San Francisco Region	65	
Female	42	
Male	23	
Seattle Region	17	
Female	7	
Male	10	

Organization's Governance Body (Elected Officers)			
Gender			
Female	27%		
Male	73%		
Age Group			
Under 30 years old	0%		
30-50 years old	55%		
Over 50 years old	45%		
Minority Groups			
Asian	10%		
Hispanic or Latino	2%		
White	88%		
All employees (244)			
Gender			
Female	57%		
Male	43%		
Age Group			
Under 30 years old	22%		
30-50 years old	57%		
Over 50 years old	21%		
Minority Groups			
Asian	18%		
Black or African American	3%		
Hispanic or Latino	14%		
Two or More Races	4%		
White	61%		
Training & Education			
Public Speaking CPR TOTAL			
Female	16 hours	6 hours	22 hours
Male	16 hours	6 hours	22 hours
Public Speaking CPR TOTAL			
Executive/Senior-Level Officials and Managers	16 hours	6 hours	22 hours
First/Mid-Level Officers and Managers	16 hours	6 hours	22 hours
Professionals	16 hours	6 hours	22 hours

Annual Performance Reviews - 100%

Community Service

On Veterans Day 2016, 37 KRC employees from the Los Angeles region volunteered at Project Angel Food in Hollywood. This group prepared and packaged meals to get nutritious food to those who are too sick to go to the grocery store or food bank. Our team was able to prepare 1,100 meals, build over 300 boxes for pies, and complete various projects including mailing and decorating holiday meal bags.

PHILANTHROPY - Kilroy Environmental Scholarship at Loyola Marymount University

In recognition of John B. Kilroy, Sr.'s unique and longstanding role as chairman of Kilroy Realty, we established the Kilroy Scholarship at Loyola Marymount University (LMU) in 2013 with a gift of \$100,000 each year for 10 years. The Kilroy Scholarship supports undergraduate students in the Frank R. Seaver College of Science and Engineering who are pursuing a degree in Environmental Science.

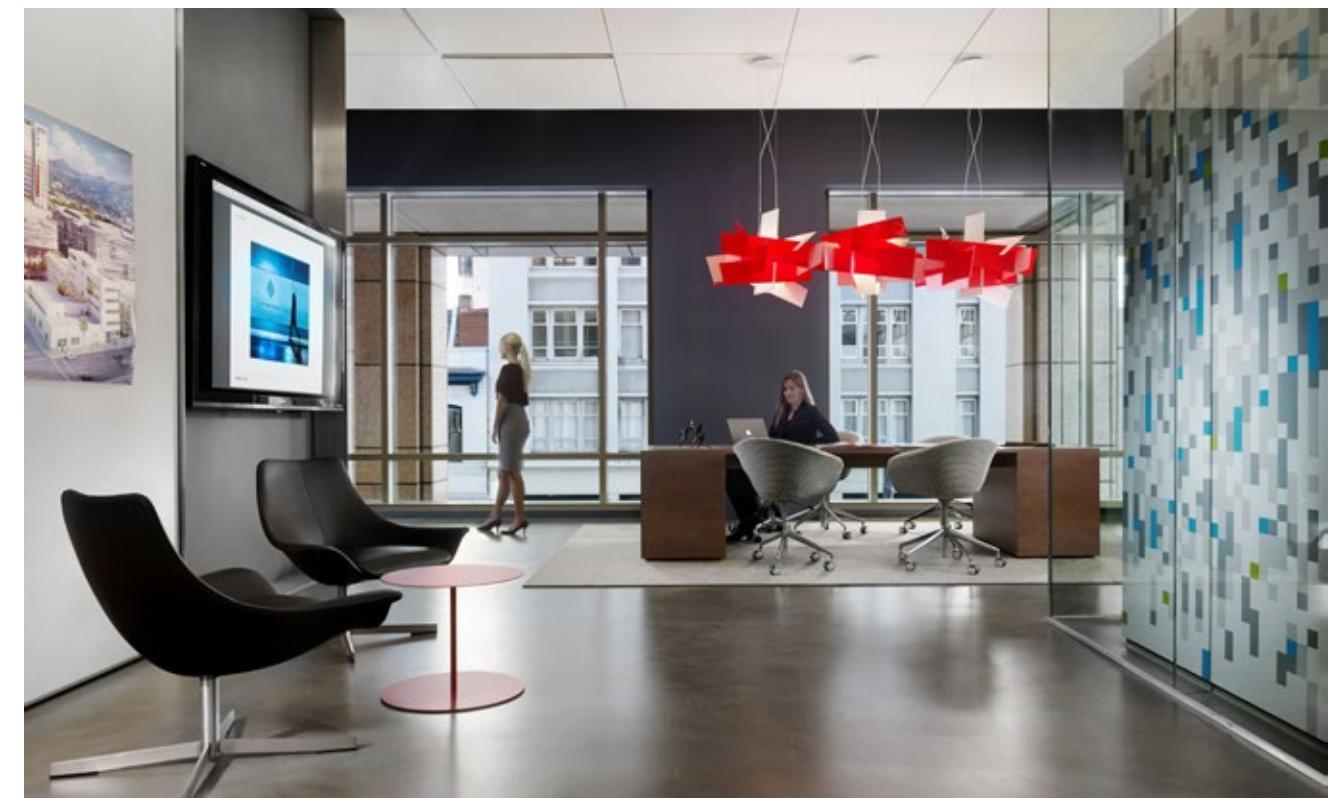
Other philanthropic endeavors include:

(Partial charitable donations list, includes employee matching donations)

- AARP Foundation
- All Stars Project
- Alzheimer's Association
- American Cancer Society
- American Diabetes Association
- American Lung Association
- ASPCA
- Avon Foundation for Women
- Children of Shelters
- City of Hope
- Disabled American Veterans
- Doctors Without Borders
- Homeboy Industries
- Injured Marine Semper Fi Fund
- Kiwanis
- Leukemia and Lymphoma Society
- Long Beach Rescue Mission
- Movember Foundation
- Northwest Harvest
- RootDown LA
- Salvation Army
- Shriners Hospitals for Children
- St. Jude Children's Research Hospital
- Union Rescue Mission



KRC Volunteers at Project Angel Food, Los Angeles Region



100 1st Street, San Francisco

Ethics and Governance

For a complete description of our corporate governance practices, please visit: <https://www.sec.gov/Archives/edgar/data/1025996/000119312517121442/d352807ddef14a.htm>. Our sustainability performance is reported to our Board of Directors via our quarterly Earnings Report, prepared by our Treasurer, and our boilerplate language.

We subscribe to the precautionary principle, which we interpret by assuming that the construction and management of our buildings has the potential to threaten the environment and building occupants. We believe that environmental and health-focused building certifications help us avoid materials and practices that may cause these negative impacts, which is why all our new construction and eligible existing buildings pursue these certifications. Further, we have greened our janitorial practices and construction standards to minimize environmental and health impacts even in non-certified buildings. We will continue to be as aggressive as possible in minimizing our company's impact on the environment and human health in the coming years.

Entities

No entity included in our consolidated financial statements (http://investors.kilroyrealty.com/phoenix.zhtml?c=79637&p=irol-reportsannual_landing) is excluded from coverage in this sustainability report. We are headquartered in Los Angeles, California.

Ethics

Obeying the law, both in letter and in spirit, is the foundation on which our ethical standards are built. Each employee has an obligation to comply with federal laws and the laws of the states, counties and cities in which we have properties and operate our business. We will not tolerate any activity that violates any laws, rules or regulations applicable to us. This includes, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets.

This policy is addressed in the corporate Code of Conduct each employee is given upon their hiring, is available on Kilroy Realty's public website and internal intranet, and is additionally sent out once a year to all employees via email from our Chief Operating Officer. Employees who become aware of noncompliance with our Code of Conduct are encouraged to make use of our Conduct Hotline if they do not feel comfortable bringing up the issue with a supervisor or Human Resources. Vendors and contractors are asked to bring any issues to their building management team.

The Code of Conduct applies to our directors, officers, employees, agents and consultants, which includes Kilroy Realty's vendors, and is posted on our public website. Under the Code of Conduct, all vendors have a duty to report any known or suspected violations of the Code of Conduct to a representative of Kilroy Realty, who will investigate the vendor's concern and follow the applicable procedures set forth in the Code of Conduct to disclose the issue to the necessary party, including the Board of Directors or a committee thereof, as appropriate. If our representative does not satisfactorily address the issue or the vendor does not feel comfortable discussing the matter with the representative, the vendor is to report the matter to the Audit Committee of the Board of Directors through its anonymous and confidential Conduct Hotline.

Kilroy Realty did not have any significant bribery, fraud or corruption issues in 2016 or in any prior reporting years. In addition, Kilroy Realty had no legal actions for anticompetitive behavior, anti-trust, and monopoly practices in 2016 or any prior reporting years.

Conclusion

Thank you for reading our sixth annual sustainability report. We were thrilled that we continued to receive best-in-class global recognition from outside stakeholders for our work this year. Our goal is to deliver a steady stream of high quality, adaptable and productive work environments for the wide range of industries attracted to the vibrant economic centers on the West Coast of the United States. Because a high quality work environment is one that is sustainably built and operated, our sustainability programs are critical in enabling us to deliver premium product to our rapidly evolving market. We want to be the standard against which other real estate developers, owners and operators are judged on their sustainability performance, and we will do so by having the most rigorous and comprehensive sustainability programs in the market. Our #1 ranking on GRESB for the third year in a row and other global accolades indicate that we are on our way to achieving this goal.

Sara Neff (Senior Vice President, Sustainability) and Maya Henderson (Sustainability Manager) prepared this report. We attest that the information contained in this report is accurate and addresses all aspects of our sustainability programs material to our stakeholders. Special thanks to Allan Bevan, Shanna Braga, Morgan Clarke, Janelle Duff, Christa Duggan, Kim Elliot, Keely Hale, Pauline Hudson, John Kilroy, Jeannie Kim, Candace Lee, Robert Masterson, Michelle McDuffy, Cheryl Mossa, Michelle Ngo, Lauren Phillips, Scott Ritto, Tyler Rose, Lauren Ross, Vaishali Sampat, Lauren Stadler, Phil Tate, Bill Wendt, and Katherine Yau for their help in the preparation of this report. For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or sneff@kilroyrealty.com. More information about our sustainability programs and corporate responsibility practices is available on our website at <http://kilroyrealty.com/commitment-sustainability> and on Twitter @kilroygreen.

Third Party Validation

CHARTERS, PRINCIPLES, INITIATIVES

- We have sought third-party assurance of the company's annual GRI report to confirm the quality and completeness of the disclosure for the fourth time this year.
- This is the fourth year we are using the GRI G4 guidelines for its report.
- This sustainability report has been externally assured by DNV GL Business Assurance, USA & Canada Sustainability & Supply Chain Services. Their external assurance assessment can be found on [page 81](#). DNV GL is an outside vendor, unaffiliated with us.
- To ensure that our reporting meets the highest standards for transparency, this report is externally audited in accordance with the AccountAbility 1000 Assurance Standard (AA1000AS 08).
- Our senior management team was involved in the external assurance process, which included interviews with senior management and representatives of several departments including Finance, Asset Management, Risk Management, Human Resources, Operations and Land Use.

GRI Index

		Page	External Assurance	Page	External Assurance		
GENERAL STANDARD CLOSURES							
Strategy and Analysis							
G4-1	Statement from the Chairman and CEO.	4	81-85	G4-22	Effect of any restatements of information provided in previous reports and reasons for restatements.	80	81-85
Organizational Profile				G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	80	81-85
G4-3	Name of the organization.	7		Stakeholder Engagement			
G4-4	Primary brands, products and services.	7		G4-24	Stakeholder groups.	18	81-85
G4-5	Location of headquarters.	74		G4-25	Basis for identification and selection of stakeholders.	12	81-85
G4-6	Countries of operation.	7		G4-26	Approach to stakeholder engagement, including the frequency of engagement by type and by stakeholder group, and indication of whether any engagement was undertaken specifically as part of the report preparation process.	18	81-85
G4-7	Nature of ownership and legal form.	74		G4-27	Key topics and concerns that have been raised through stakeholder engagement, and the organization response to those key topics and concerns.	18	81-85
G4-8	Markets served.	7		Report Profile			
G4-9	Scale of the organization.	7		G4-28	Reporting period.	80	
G4-10	Number of employees by employment contract, employment type and gender.	70		G4-29	Date of most recent previous report.	80	
G4-11	Percentage of total employees covered by collective bargaining agreements.	67		G4-30	Reporting cycle.	80	
G4-12	Organization's supply chain.	57		G4-31	Contact point for questions regarding the report or its content.	75	
G4-13	Significant changes during the reporting period.	80		G4-32	In accordance' option the organization has chosen. GRI Content Index for the chosen option. Reference to the External Assurance Report.	80	
G4-14	Precautionary approach or principle addressed by the organization.	73		G4-33	Policy and current practice with regard to seeking external assurance. Scope and basis of any external assurance provided. Relationship between the organization and the assurance providers. Whether highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	75	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives the organization subscribes or endorses.	73					
G4-16	Memberships in associations and national or international advocacy organizations.	54					
Identified Material Aspects and Boundaries							
G4-17	Entities included in the organization's consolidated financial statements.	74					
G4-18	Process for defining the report content and Aspect Boundaries. Implementation of the Reporting Principles for Defining Report Content.	12	81-85				
G4-19	List all material Aspects identified.	13	81-85				
G4-20	Aspect Boundary within the organization for each material Aspect.	14	81-85				
G4-21	Aspect Boundary outside the organization for each material Aspect.	14	81-85				

		Page	External Assurance		Page	External Assurance
Governance				Biodiversity		
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	73	81-85	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	61
Ethics and Integrity				Emissions		
G4-56	Organization's values, principles, standards and norms of behaviors such as codes of conduct and codes of ethics.	74		G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	26 81-85
G4-57	Mechanisms for seeking advise on ethical and lawful behavior.	74		G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	26 81-85
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior.	74		G4-EN19	Reduction of greenhouse gas (GHG) emissions	26 81-85
SPECIFIC STANDARD DISCLOSURES				Effluents and Waste		
ECONOMIC				G4-EN23	Total weight of waste by type and disposal method.	34 81-85
Economic Performance				G4-EN24	Total number and volume of significant spills.	62
G4-EC1	Direct economic value generated and distributed.		http://services.corporate-ir.net/SEC. Enhanced/SecCapsule. aspx?c=79637&fid=14827749	Compliance (Environmental)		
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	56		G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	62
ENVIRONMENTAL				Environmental Grievance Mechanisms		
Materials				G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.	62
G4-EN2	Percentage of materials used that are recycled input materials.	10		SOCIAL: LABOR PRACTICES AND DECENT WORK		
Energy				Training and Education		
G4-EN3	Energy consumption within the organization.	26	81-85	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	71
G4-EN6	Reduction of energy consumption.	26	81-85	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	67
Water				G4-LA11	Percent of employees receiving regular performance and career development reviews, by gender and by employment category.	71
G4-EN8	Total water withdrawal by source.	32	81-85			
G4-EN10	Percentage and total volume of water recycled and reused.	32	81-85			

	Page	External Assurance
Diversity and Equal Opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	71
SOCIAL: HUMAN RIGHTS		
Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	67
SOCIAL: SOCIETY		
Local Communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs.	48
Anti-corruption		
G4-SO5	Confirmed incidents of corruption and actions taken.	74
Anti-competitive Behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	74

This is our sixth corporate sustainability report and fifth developed in accordance with GRI guidelines. This is our fourth report using the G4 guidelines. The report covers all of our activities, all of which are located in the United States, during calendar year 2016. We publish a corporate sustainability report on an annual basis. The last Kilroy Realty corporate sustainability report was published in April 2016 and covered calendar year 2015. Since our last report, there have been no significant restatements. Since last year's report, we have increased the square footage of our stabilized portfolio by approximately 7.6% percent, from 13.0 million square feet to 14.0 million square feet. Like-for-like, our occupancy increased over this period from 94.4% to 95.8%. We have chosen the 'Core' in accordance option for our sustainability report. The external assurance report can be found on **page 81**. The external assurance provider has used the AA1000 Assurance Standard (08) as the basis of the assurance.

Independent Assurance Statement

Scope and Objectives

DNV GL Business Assurance USA, Inc. (DNV GL) was commissioned by Kilroy Realty Corporation (Kilroy Realty) to conduct independent assurance of its 2016 Sustainability Report (the Report), for the year ended 31 December 2016, as published on the company's website at <http://kilroyrealty.com/sites/default/files/kilroy-realty-corporation-sustainability-report-2016.pdf>

Our assurance engagement was planned and carried out in accordance with AA1000AS (2008), using DNVGL's VeriSustain methodology. VeriSustain is based on our professional experience, international assurance best practice including AA1000 Assurance Standard, and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We understand that the reported financial data and information are based on data from Kilroy Realty's 2016 Annual Report, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We were engaged to provide Type 2 moderate level assurance, which covers:

- Evaluation of adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles); and
- The reliability of specified sustainability performance information and related claims in the report including energy consumption, greenhouse gas (GHG) Scope 1 and 2 emissions, waste generated, and water use assertions (the performance data)

A 'high level' of assurance would have required additional work at the headquarters and site level to gain further evidence to support the basis of our assurance opinion. We evaluated the performance data using the reliability principle.

We followed the procedures as outlined in the VeriSustain protocol to complete the project. We used the Global Reporting Initiative (GRI) Quality of Information Principles (Balance, Clarity, Accuracy, Reliability, Timeliness and Comparability) as criteria for evaluating performance information together with Kilroy Realty's data protocols for how the data are measured, recorded, and reported. The verification of GHG emissions were verified using the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) Greenhouse Gas Protocol.

Responsibilities of Kilroy Realty Corporation and of the Assurance Providers

Kilroy Realty has sole responsibility for preparation of the Report. In performing our assurance work, our responsibility is to the management of Kilroy Realty. Our statement, however, represents our independent opinion and is intended to inform all Kilroy Realty's stakeholders.

DNV GL was not involved in the preparation of any statements or data included in the Report, except for this assurance statement. This is our fourth year of providing assurance for Kilroy Realty. We adopt a balanced approach towards all stakeholders when performing our evaluation.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current corporate responsibility issues that could affect Kilroy Realty and are of interest to stakeholders;
- Review of Kilroy Realty's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by Kilroy Realty on its reporting and management processes relating to the Principles;
- We visited the corporate Headquarters in Los Angeles
- We conducted interviews with the President and Chief Executive Officer as well as VP Development and Government Affairs, VP Risk Management, VP Financial Planning and Analysis, Human Resources, and Senior Vice President Sustainability. They are responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand top level commitment and strategy related to corporate responsibility and Kilroy Realty's governance arrangements, stakeholder engagement activity, management priorities, and systems;
- We assessed documentation and evidence that supported and substantiated claims made in the Report;
- We reviewed the specified data collated at the corporate level, including data gathered by other parties, and statements made in the Report. We interviewed managers responsible for internal data validation, reviewed their work processes, and undertook sample-based audits of the processes for generating, gathering, and managing the quantitative and qualitative sustainability data;
- We provided feedback on a draft of the report based on our assurance scope.

In addition, the following methods were applied during the verification of Kilroy Realty' GHG Scope 1 and 2 emissions:

- Review of documentation, data records and sources relating to GHG emissions assertions and claims
- Review of the processes and tools used to collect, aggregate and report on all GHG data and information;
- Assessment of environmental information systems and controls, including:
 - Selection and management of all relevant GHG data and information;
 - Processes for collecting, processing, consolidating, and reporting the relevant environmental data and information;
 - Design and maintenance of the GHG information system;
 - Systems and processes that support the GHG information system.
- Performed sample-based audits of the processes for generating, gathering and managing GHG data;
- Examination of all relevant environmental data and information to develop evidence for the assessment of the GHG claims and assertions made;
- Confirmation of whether or not the organization conforms to the verification criteria.

Opinion

On the basis of the work conducted, nothing came to our attention to suggest that the Report does not properly describe Kilroy Realty's adherence to the Principles of Inclusivity, Materiality, and Responsiveness. In terms of the reliability of the performance data, nothing came to our attention to suggest that these data and claims have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion, we also provide the following observations.

Inclusivity: the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Kilroy Realty has taken an active role in sustainability and has demonstrated a commitment to driving social and environmental improvement throughout its business operations. We found evidence during our review that the company systematically engages with internal and external stakeholders across the business. It is evident that stakeholder insight and expectations have informed the report content as well as influenced decision-making within the company.

Kilroy Realty has developed a structured model for engaging community members on the sustainability impacts that occur throughout property development stages and the company has implemented multiple avenues for supporting ongoing dialogue during the development phases. The One Paseo case study demonstrates good

practice in increasing community and tenant awareness on the innovative sustainability aspects of Kilroy Realty's buildings and the impacts of building operations on the local neighbourhood.

As Kilroy Realty's community engagement efforts continue to evolve, we recommend that the company consider developing formal metrics to measure the impact community engagement has across its portfolio. We believe that monitoring this performance can provide the company with valuable insight on how its engagement activities are influencing areas such as occupancy rates and planning and design approvals.

Materiality: identification of those issues which are necessary for stakeholders to make informed judgments concerning the organization and its impacts.

Kilroy Realty used the most recent sustainability materiality assessment exercise conducted in 2015 to determine the topics covered in the Report. In addition, the company considered inputs from a range of sources including global megatrends, financial considerations, policies and regulations, and stakeholder expectations to confirm the significance of material issues for the reporting year. The Report addresses the most material issues that impact its sustainability and business objectives and addresses the environmental, social, and governance issues relevant to its stakeholders.

We recommend that Kilroy Realty leverage its risk assessment processes and procedures, such as aligning with the criteria used for issue weighting and scoring, in the next iteration of its materiality assessment. This will serve to integrate further sustainability objectives into decision-making and business processes within the company.

Responsiveness: the extent to which the organization responds to stakeholder issues

The Report presents a good overview of how Kilroy Realty has consulted with a wide range of key stakeholders and of the breadth of sustainability issues that are considered to be important by stakeholders. During our review, we found evidence that Kilroy Realty incorporates stakeholders' concerns and requests into decision-making and sustainability disclosures. For example, for the first time, the company has publicly reported its GHG emissions assertions in the Report and has included a discussion on its ongoing efforts to incorporate concepts of resilience into its sustainability program and broader operations. In addition, we observed a good level of ongoing engagement between the Sustainability program and other corporate functions such as Financial Planning, Risk Management, and Development and Government Affairs to support timely and effective responses to sustainability risks and opportunities for the business.

Performance Information:

Kilroy Realty's reporting of performance including the disclosure of data is comprehensive and the indicators disclosed in a balanced manner. Goals and performance data are presented objectively, with clear and balanced representation of 2016 performance and challenges.

Our review of GHG emissions, energy, waste, and water data presented in the report resulted in minimal technical errors being identified based on our sampling. These errors have been corrected for the final report. The systems for production and collation of these data appear, from our review, to be reliable and capable of producing complete and consistent data. We note the company's ongoing efforts to limit manual data transfers between raw data and its consolidated reporting to minimize risks to data integrity.

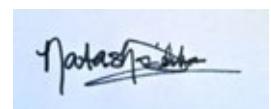
As 2016 was the first year in which Kilroy Realty utilized the Energy Star Waste Tracker and the first year for developing the GHG emissions inventory, we recommend that the company conduct data sampling throughout 2017. As noted in previous assurance statements, we recommend that Kilroy continue to follow an established quality review process for all data collected in Energy Star. These two process checks can help ensure reliability of the data collection and consolidation processes as well as consistency in the assumptions used across the portfolio to calculate the environmental data.

Kilroy Realty's GHG assertions are that 78,473 metric tons of CO₂e were emitted in 2016; 11,188 metric tons of CO₂e for Scope 1, 67,285 metric tons of CO₂e for Scope 2. Based on the processes and procedures conducted with a moderate assurance, there is no evidence that these GHG assertions are not materially correct and are not a fair representation of GHG data and information, and have not been prepared in accordance with the calculation method referenced above.

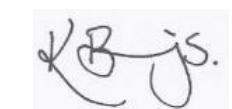
DNV GL Business Assurance USA Inc.

Oakland, California

April 12, 2017



Natasha D'Silva
Lead Assuror



Kate Bruintjes
Technical Reviewer

The purpose of the DNV GL group of companies is to promote safe and sustainable futures. The USA & Canada Sustainability team is part of DNV GL Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgi.com



WHERE INNOVATION WORKS