

# 2018 SUSTAINABILITY REPORT

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K I L R O Y

@KILROYGREEN

**ENERGY STAR**

Partner of the Year 2014 - 2019

Sustained Excellence 2016 - 2019

**GRESB**

Green Star 2013 - 2018

#1 Ranking in North American Listed Office

“

**NAREIT**

NAREIT Leader in the Light Award

Office Sector 2014 - 2018

Most Innovative 2018

**DOW JONES SUSTAINABILITY****WORLD INDEX**

Member 2017 - 2018

**GREEN LEASE LEADER**

2014 - 2018, Gold Level 2018

At Kilroy Realty, we believe in aggressively pursuing high-performance environmental building initiatives that create economic value for our tenants, shareholders and employees. To that end, **we are committed to establishing carbon neutral operations by year-end of 2020.**

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This Sustainability Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include, among other things, information concerning our sustainability strategies and objectives, including projected cost savings, water usage, waste, energy consumption, building certifications, development and redevelopment activity and other forward-looking financial data. In some instances, forward-looking statements can be identified by the use of forward-looking terminology such as "expect," "future," "will," "would," "pursue," or "project" and variations of such words and similar expressions that do not relate to historical matters. Forward-looking statements are based on Kilroy Realty Corporation's current expectations, beliefs and assumptions and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of Kilroy Realty Corporation's control. Accordingly, actual performance, results and events may vary materially from those indicated in the forward-looking statements and you should not rely on the forward-looking statements as predictions of future performance, results or events. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in the forward-looking statements, including, among others: global market and general economic conditions and their effect on our liquidity and financial conditions and those of our tenants; adverse economic or real estate conditions generally and specifically, in the States of California and Washington; risks associated with our investment in real estate assets, which are illiquid and with trends in the real estate industry; defaults on or non-renewal of leases by tenants; any significant downturn in tenants' businesses; our ability to re-lease property at or above current market rates; costs to comply with government regulations, including environmental remediation; the availability of cash for distribution and debt service and exposure to risk of default under debt obligations; increases in interest rates and our ability to manage interest rate exposure; the availability of financing on attractive terms or at all, which may adversely impact our future interest expense and our ability to pursue development, redevelopment and acquisition opportunities and refinance existing debt; a decline in real estate asset valuations, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing and which may result in write-offs or impairment charges; significant competition, which may decrease the occupancy and rental rates of properties; potential losses that may not be covered by insurance; the ability to successfully complete acquisitions and dispositions on announced terms; the ability to successfully operate acquired, developed and redeveloped properties; the ability to successfully complete development and redevelopment projects on schedule and within budgeted amounts; delays or refusals in obtaining all necessary zoning, land use and other required entitlements, governmental permits and authorizations for our development and redevelopment properties; increases in anticipated capital expenditures, tenant improvement and/or leasing costs; defaults on leases for land on which some of our properties are located; adverse changes to, or implementations of, applicable laws, regulations or legislation, as well as business and consumer reactions to such changes; risks associated with joint venture investments, including our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers; environmental uncertainties and risks related to natural disasters; and our ability to maintain our status as a REIT. These factors are not exhaustive and additional factors could adversely affect our business, sustainability program and financial performance. For a discussion of additional factors that could materially adversely affect Kilroy Realty Corporation's business, sustainability program and financial performance, see the factors included under the caption "Risk Factors" in Kilroy Realty Corporation's annual report on Form 10-K for the year ended December 31, 2018 and its other filings with the Securities and Exchange Commission. All forward-looking statements are based on currently available information and speak only as of the date on which they are made. Kilroy Realty Corporation assumes no obligation to update any forward-looking statement made in this Sustainability Report that becomes untrue because of subsequent events, new information or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws.



# INTRODUCTION

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Timeline // A Word from our CEO // Corporate Overview  
// Program, Vision, Strategy // Climate Change

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KEY CENTER – BELLEVUE, WA // LEED PLATINUM, ENERGY STAR, FITWEL

## 2018: A YEAR IN SUSTAINABILITY LEADERSHIP

- FEB**
  - Publication of SASB-aligned 10-K
- MAR**
  - 12200 W Olympic earns LEED Gold
- APR**
  - ENERGY STAR POY Sustained Excellence Award
  - Launch of Brokers for Better Buildings social media campaign
- JUN**
  - Green Lease Leaders Gold recognition
  - Tenant Star Charter Tenant recognition
- SEP**
  - Science-based targets validated
  - GRESB #1 in North American Listed Office Ranking announced
  - DJSI World Index Membership announced
  - Carbon neutral operations target announced at Global Climate Action Summit
  - Became a Supporter of the Taskforce on Climate-related Financial Disclosures
- NOV**
  - 303 2nd Street earns Fitwel certification
  - 360 3rd earns Fitwel certification
  - The Exchange Earns LEED Platinum certification
  - \$400 Million Green Bonds issued
  - Tribeca West earns LEED Gold
- DEC**
  - 350 Mission earns TRUE Zero Waste certification
  - Columbia Square earns Fitwel certification

# A Word from our CEO

**-2%**

**ENERGY  
REDUCTION**

across whole portfolio

**77%**

**ENERGY STAR**

certified portfolio

**6X**

**RECOGNIZED**

Energy Star Partner of the Year Award

**63%**

**LEED**

certified portfolio

**-11%**

**GREENHOUSE  
GAS REDUCTION**

whole portfolio

In 2018, we focused on bringing real estate sustainability to the world stage. At the Global Climate Action Summit in San Francisco, alongside deep environmental commitments made by companies and governments across six continents, we became the first North American real estate owner to publicly commit to establishing carbon neutral operations by the end of 2020.

We made this first move to highlight that real estate is responsible for 40% of the United States' climate emissions and that together, as an industry, we need to do our part in battling climate change<sup>1</sup>. We plan to execute on our commitment through a combination of onsite energy conservation and investments in renewable energy. This was just one of our many sustainability achievements. Across the year, we raised \$400 million of green bonds, achieved the largest commercial TRUE Zero Waste certification in the world, set validated science-based targets for carbon reductions, earned Green Lease Leaders Gold recognition and more.

We also made fundamental changes in our approach to sustainability. To support and grow our programs, our Board of Directors established a Corporate Social Responsibility & Sustainability Committee. The members of this committee have broad market perspectives and their insight helps us ensure that our new initiatives are impactful and relevant to all of our stakeholders. Our other fundamental change was the creation of a new employee Corporate Social Responsibility Committee, which developed clear objectives for our social programs relating to human capital development, diversity, resilience, supply chain optimization, building health, philanthropy, community service and more.

This environmental and social work has earned us broad, worldwide recognition.

<sup>1</sup><https://www.unenvironment.org/resources/report/global-status-report-2018>



2018 ENERGY STAR PARTNER OF THE YEAR AWARDS

For the fifth 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 among North American Listed Office real estate owners. In addition, the National Association of Real Estate Investment Trusts (NAREIT) awarded us its Leader in the Light award in the office sector for the fifth year in a row for superior, comprehensive and continuous sustainability practices in the office sector as well as its Most Innovative award. We won our fourth ENERGY STAR Partner of the Year Sustained Excellence award. Finally, we maintained our position in the Dow Jones Sustainability World Index. This index includes 317 top ranked companies on sustainability across 60 industries and 2,686 companies and we are one of only two North American real estate companies in the index.

We accomplished all of this while maintaining a keen eye on our fundamental objectives of reducing environmental and social impacts of our portfolio. Let's look at the numbers for 2018:

- We achieved a 2% reduction in energy use across our portfolio, in line with our energy reduction targets.
- We installed over 800 KW of solar across three sites in Long Beach, bringing our entire solar portfolio to approximately 4.3 MW.
- The percentage of our portfolio certified under ENERGY STAR increased from 73% to 77% of eligible square footage, encompassing 50 buildings.
- We ended the year with more Fitwel certifications than any non-government landlord, with 15 certifications across 38% of our portfolio.
- Our total waste diversion rate increased from 43% to 44.5%.
- We began surveying our suppliers on their environmental and social performance.



333 DEXTER – SOUTH LAKE UNION, SEATTLE, WA // TARGETING LEED PLATINUM

Further, our development pipeline continued to push the envelope on sustainable development. All of our development projects are built to LEED Platinum or Gold standards and our stabilized portfolio is 63% LEED certified. LEED certification demonstrates to prospective tenants that our assets reduce operating expenses and thoughtfully minimize their environmental impact. Within our development program, we completed the LEED Platinum certification of The Exchange on 16th, a 750,000 square foot project, and continued to pursue the LEED certifications on an additional 6 million square feet of space in our development pipeline.

Over the next five years, our focus will be on expanding our climate change resilience programs. Though our current resilience programs earned a perfect score from GRESB in 2018, we believe that the criteria for excellence in resilience will evolve as our industry's understanding of climate change risks deepens. To grow our resilience programs, our Board of Directors endorsed the recommendations of the Taskforce on Climate-related Financial Disclosures in 2018. This will require internal collaboration as well as consistent engagement with our stakeholders. We will also be expanding our programs around building health and a responsible supply chain over this timeframe. Finally, we will continue to lead in policy advocacy, both regionally and nationwide.

Our main sustainability challenge is managing our water usage, which increased for the first time this year from 2017 levels, though our overall consumption is 6% lower than 2010 levels. Now that the most recent drought crisis has ended, we are seeing water usage increase in many of our properties and decreasing our water consumption levels will require focused effort. We must also further expand our newest programs, such as supply chain excellence and resilience, while still delivering the highest levels of sustainability performance in our core programs. Based on our track record, we are confident that we can continue to push the envelope on sustainability despite these concerns.

We believe that it is time for real estate to take its place in the global climate conversation. We are proud to be demonstrating the synergy between excellence in sustainability and prudent real estate management. We look forward to reporting another exceptional year in sustainability achievements in 2019.

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.

We provide physical work environments that foster creativity and productivity and serve a broad roster of dynamic, innovation-driven tenants, including technology, entertainment, digital media and health care companies.

At December 31, 2018, our stabilized portfolio<sup>1</sup> totaled 13.2 million 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 and 200 residential units located in the Hollywood Submarket of Los Angeles. Total revenue for the year ending December 31, 2018 was \$747 million, our office properties were 94.4% occupied and our residential property was 79.7% occupied. In addition, Kilroy Realty had approximately 1.3 million square feet of office space, 801 residential units and 96,000 square feet of retail development under construction with a total estimated investment of approximately \$1.6 billion.

<sup>1</sup> 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.

70 YEARS OWNING,  
DEVELOPING, ACQUIRING  
AND MANAGING REAL ESTATE

70

STABILIZED PORTFOLIO  
TOTALLED 13.2 MILLION  
SQUARE FEET OF OFFICE

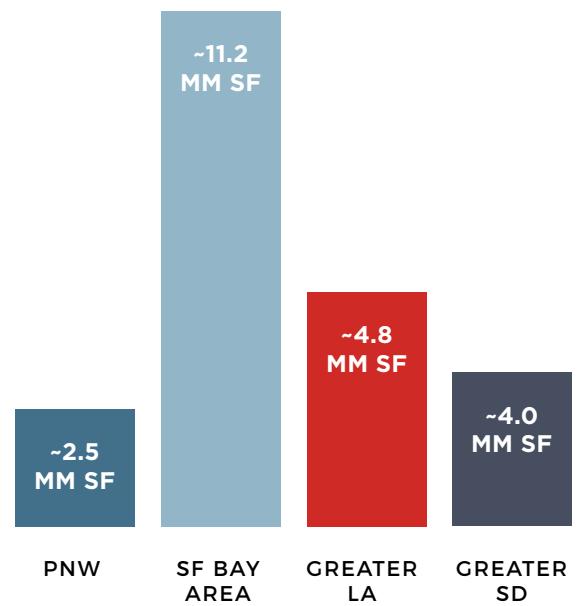
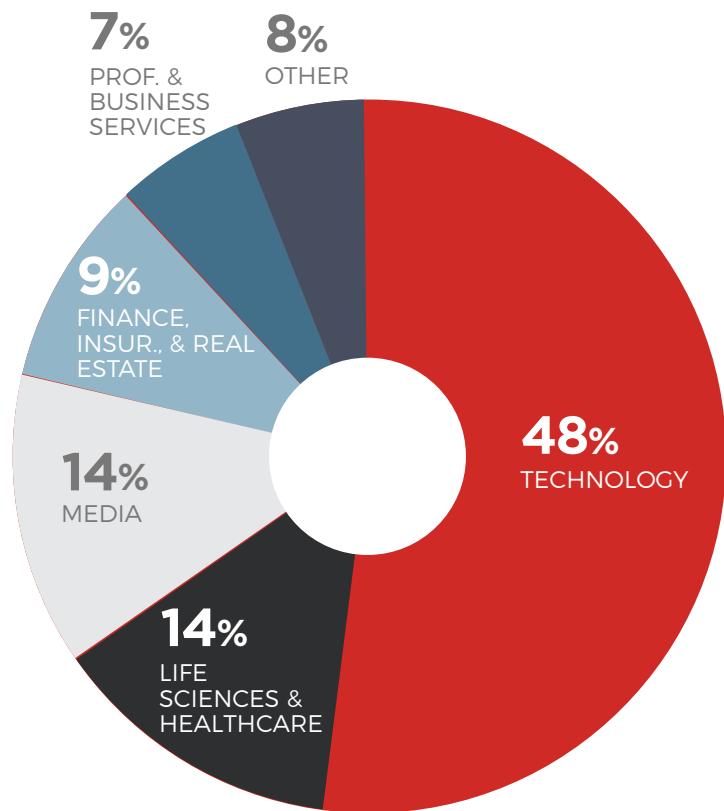
13.2  
MILLION

TOTAL REVENUE FOR THE  
YEAR ENDING 12/31/18

\$747  
MILLION

OFFICE PROPERTIES WERE  
NEARLY 100% OCCUPIED

94.4%



Adobe is committed to sustainability and creating healthy workspaces because we believe it contributes to our people's wellness, productivity and job satisfaction. **Providing LEED certified buildings is a big part of our sustainability and wellness strategy** and an important reason why we chose Kilroy's LEED Platinum 100 Hooper for our newest expansion in San Francisco.

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SCOTT EKMAN,  
SR. DIRECTOR OF GLOBAL REAL ESTATE,  
ADOBE

## PACIFIC NORTHWEST ~2.5MM SF

## SAN FRANCISCO BAY AREA ~11.2MM SF

## GREATER LOS ANGELES ~4.8MM SF

## GREATER SAN DIEGO ~4.0MM SF

NOTE: SQUARE FOOTAGES INCLUDE 4Q18 SUPPLEMENTAL DATA (STABILIZED, UNDER CONSTRUCTION AND DEVELOPMENT PIPELINE) + FLOWER MART & KILROY OYSTER POINT

# Program, Vision, Strategy

Our sustainability programs incorporate Environmental, Social and Governance aspects of our operations. This report focuses on Environmental and Social topics. More information on our governance programs can be found at <http://investors.kilroyrealty.com/FinancialDocs>. Our environmental 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. Our social vision is a resilient company with a sustainable supply chain that maximizes the health and productivity of both employees and tenants. We will accomplish this by achieving the highest levels of performance in energy and water efficiency, waste management, supply chain management, tenant engagement, human capital development, environmental construction, sustainable building operations, green building certifications, materials selection and community involvement.

Our Environmental programs span three interacting divisions: Existing Buildings, New Development and Industry Engagement.

## ENVIRONMENTAL PROGRAMS

### Existing Buildings

- Energy Retrofits
- Onsite and Offsite Solar
- Battery Storage
- Water Efficiency
- Tenant Engagement
- Recycling Revitalizations
- Electric Vehicle Charging Stations
- LEED for Existing Buildings Certifications

### New Development

- Sustainability Strategy for New Construction and Major Renovations
- Investigation of New Building Materials and Technologies
- Onsite Solar
- Pollinator-Friendly Landscapes
- LEED for Core & Shell and New Construction Certifications
- Roof Gardens

### Industry Engagement

- Annual Sustainability Report
- Investor Disclosures such as GRESB, DJSI and CDP
- Partnerships with aligned organizations
- Industry Outreach through Speaking Events and Articles
- Awards
- Green Bonds

Our Social programs span three interacting divisions: Human Capital Development, Healthy and Resilient Buildings and Community Action.

## SOCIAL PROGRAMS

### Healthy and Resilient Buildings

- Supply Chain Management for Social and Environmental Practices
- Building Health Certifications
- Climate Resilience Program

### Human Capital Development

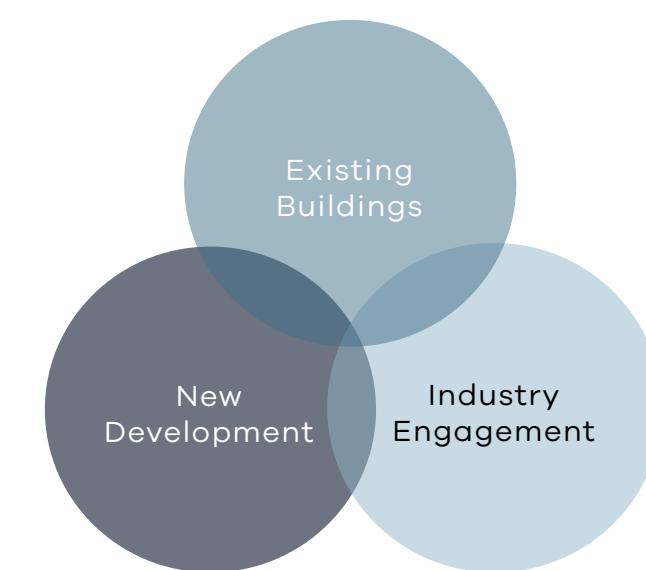
- Employee Engagement
- Talent Development
- Diversity

### Community Action

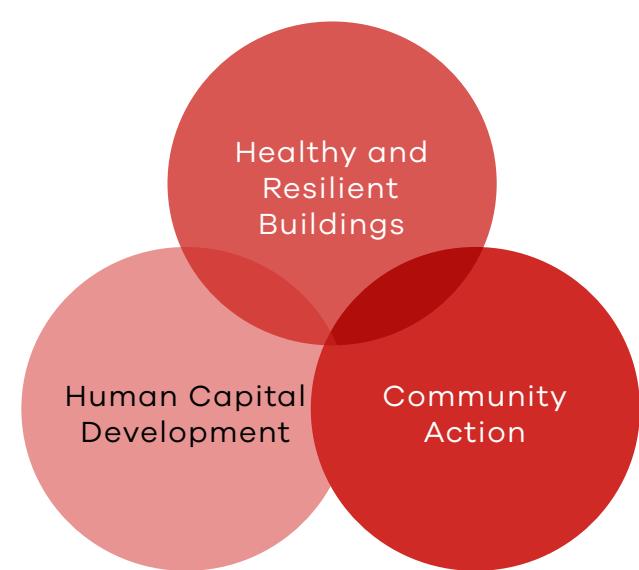
- Community Service
- Philanthropy

We identified the critical Environmental and Social issues to be included in our sustainability programs via a materiality process. More information on our materiality process can be found on page 116.

### Environmental



### Social



**STEP 1****MARKET ASSESSMENT**

Learn about ESG best practices and new opportunities

- Attend Educational Events
- Review Trade Publications
- Participate in Sustainability Committees
- Benchmark Portfolio and Development Operations

**STEP 2****ACTION PLAN**

Determine which projects to pursue and gather resources for implementation

- Internal Strategy Creation with Board of Directors CSR&S Committee and Employee Teams
- Set Objectives
- Write Policies
- Create Budget
- Build Consensus

**STEP 4****REVIEW**

Analyze quantitative results to inform future project phases and directions

- Annual Asset Management Sustainability Kickoff Meetings
- Measurement and Verification for Efficiency Projects
- Benchmark Portfolio and Development Operations
- Reporting, Disclosure and Communications

**STEP 3****IMPLEMENTATION**

Implement project

- Efficiency Investments
- High Environmental Performance Development



## TCFD INDEX

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# Climate Change

We identify climate change as a risk to our business, not to mention the planet as a whole. By making the problem of climate change a key driver in long term strategic decision-making, we will do our part to fight this problem, creating long term value opportunities in the process. We became a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) in 2018 and our discussion of our climate change risks and opportunities will follow that framework. We have chosen to follow the TCFD framework because we believe it is the most robust climate change disclosure framework available and will help us define the climate change impacts that will be material to our business. We are proud that our resilience programs earned a perfect score on the 2018 GRESB Resilience module, which indicates that we have a strong foundation to further grow our climate change resilience programs. Our TCFD index can be found on page 22.

## GOVERNANCE

Climate-related risks and opportunities are governed by the Board through the Corporate Social Responsibility and Sustainability Committee. In 2018, the Committee endorsed the TCFD recommendations and tasked management with assessing and reporting against climate related risk for the Company (more information on the Board Committee on page 102). The management team that will be executing those tasks includes representatives from sustainability, risk management, security, asset management and engineering.

## STRATEGIES: RISKS AND OPPORTUNITIES

Anticipated climate change impacts and opportunities 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 despite recent increases in precipitation we anticipate severe pricing signals around water use in the short term.
- 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.

### 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 802 was less burdensome for us than certain competitors. We have successfully and proactively influenced new environmental regulation such as the Los Angeles Existing Buildings Energy and Water Efficiency Ordinance and a similar proposed ordinance in Santa Monica. 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 cost and increased tenant demand for sustainable properties. The increased focus on emissions is why we verify and disclose our Scope 1 and 2 emissions both in this report and to a variety of disclosure platforms such as GRESB, CDP and DJSI and why we committed to establishing carbon neutral operations by the end of 2020 (more information page 29).
- 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. Population migration 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 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. The Building Resilience LA primer 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 have expanded our voluntary disclosure efforts, such as by including more sustainability content in the 10-K aligned with SASB and TCFD and disclosing to the Dow Jones Sustainability Indices in 2017 and 2018.

## 2018 GHG PERFORMANCE

Office	Absolute Consumption <sup>2</sup>				Like-for-Like Consumption			
	2017		2018		2017		2018	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)	
Scope 1 <sup>3</sup>	3,647	3,493	9,562,939	9,672,969	3,447	3,367	-2.31%	
Scope 2 (Location-Based) <sup>4</sup>	32,335	29,095	9,562,939	9,672,969	29,031	27,224	-6.23%	
Scope 2 (Market-Based) <sup>5</sup>	31,565	26,328	9,984,537	10,094,567	28,262	24,456	-13.47%	

Life Sciences	Absolute Consumption				Like-for-Like Consumption			
	2017		2018		2017		2018	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)	
Scope 1	472	415	421,598	421,598	472	415	-12.17%	
Scope 2 (Location-Based)	4,170	4,112	421,598	421,598	4,170	4,112	-1.39%	
Scope 2 (Market-Based)	4,170	4,112	421,598	421,598	4,170	4,112	-1.39%	

Whole Portfolio	Absolute Consumption				Like-for-Like Consumption			
	2017		2018		2017		2018	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)	
Scope 1	4,120	3,908	9,984,537	10,094,567	3,919	3,782	-3.50%	
Scope 2 (Location-Based)	36,504	33,207	9,984,537	10,094,567	33,201	31,336	-5.62%	
Scope 2 (Market-Based)	35,735	30,439	9,984,537	10,094,567	32,431	28,568	-11.91%	

<sup>2</sup>The absolute portfolio includes all buildings owned for any portion of 1/1/2018-12/31/2018. These assets total 15,410,293 square feet. Of these assets, 62.9% are directly managed office assets and 23.3% are indirectly managed office assets. The remaining 14.0% are life science assets, of which 19.6% are directly managed and 80.4% are indirectly managed. 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.

<sup>3</sup>Scope 1 emissions are related to the natural gas consumption of our directly managed properties. Scope 2 emissions are related to the electricity consumption of our directly managed properties. The energy consumption of our indirectly managed properties is part of our Scope 3 emissions, which are not included in this report.

<sup>4</sup>We utilize the EPA guidelines, via Energy Star Portfolio Manager's Reporting tool, to generate location-based Scope 1 and Scope 2 emissions data. Full details on how Portfolio Manager calculates greenhouse gas emissions can be found here: <https://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/useportfolio-manager/understand-metrics/how>.

<sup>5</sup>We calculate market-based GHG emissions by subtracting the following from our scope 2 location-based emissions: 1) the emissions of any directly-managed building enrolled in a Green-e certified utility program providing a higher proportion of renewable energy and 2) the value of any Green-e certified Renewable Energy Certificates purchased in the reporting year. Green-e® certified renewable energy and carbon offset products meet the most stringent environmental and consumer protection standards in North America. More information is available at [www.green-e.org](http://www.green-e.org).

## RISK MANAGEMENT

Climate change risks and opportunities include policy, market, technology and reputational concerns and are a focus area for the Board and management. We manage these risks in each stage of the building cycle:

### ACQUISITIONS

We conduct deep due diligence during the acquisition phase which includes building resiliency, energy and water consumption, building safety and materials, social impacts on the local community, certifications, environmental regulations and risk of disasters such as earthquakes and flooding. This can involve Phase I environmental studies, structural evaluation and property condition reports.

### DEVELOPMENT

We have longstanding expertise in planning for seismic events by incorporating seismic gas shutoff valves, increased sprinkler seismic bracing and locking sprinkler valves in the open position for relevant projects. We are currently exploring a range of mitigation strategies to cope with potential sea level rise. This includes putting important equipment on risers or relocating it from basements entirely.

### OPERATIONS

All of our buildings have Emergency Response Plans that outline a building's response to particular emergency scenarios that incorporate extreme weather due to climate change. We also use a mobile-enabled system to quickly communicate to employees and tenants in the event of an emergency. In addition, though we have no property in a FEMA floodplain, we have benchmarked our buildings for their flood risk under a 10 foot sea level rise scenario, which we believe to be a reasonable result of current 100 year climate change projections. A significant portion of our portfolio would be impacted under this 100 year scenario and our Emergency Response Plans also address flooding risk. In addition, we conduct energy risk assessments through ASHRAE Level II energy audits and retrocommissioning studies.

### METRICS AND TARGETS

We follow the WRI/WBSCD GHG Protocol in developing and reporting our Scope 1 and 2 emissions inventory. We report both location-based and market-based scope 2 emissions. Our reported emissions are independently assured by DNV GL. Further, both our emissions and our targets for reductions were validated by Science Based Targets in 2018.<sup>6</sup> Recognizing the importance of reducing the Company's greenhouse gas impact on the environment, we have committed to establishing carbon neutral operations by December 31, 2020. More information on this announcement below. For scopes 1 and 2, this exceeds our carbon reduction goals previously validated by Science Based Targets, which was a 72% reduction across scopes 1, 2 and 3 by 2050. We anticipate that approximately 25% of this reduction will be created through the use of renewables and the remainder through other carbon reduction activities.

<sup>6</sup> Science Based Targets is a collaboration between the Carbon Disclosure Project, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature, which independently assesses and approves the carbon reduction goals of companies.



JOHN KILROY MAKES CARBON NEUTRAL OPERATIONS ANNOUNCEMENT AT THE GLOBAL CLIMATE ACTION SUMMIT

### Carbon Neutral Operations Commitment

We announced at the Global Climate Action Summit (GCAS) that we commit to establishing carbon neutral operations by year end 2020. GCAS brought together the world's climate leaders to launch deep environmental commitments and accelerated action from cities, states, businesses and investors. We believe that ours was the most meaningful climate commitment made at the Summit from the American real estate sector.

Our CEO John Kilroy made the announcement in the opening remarks of the Sustainable Communities track at GCAS, which featured government leaders and real estate developers from Europe, Africa and Asia. "KRC has a longstanding commitment to sustainability because it is the right thing to. Our sustainability programs have been and will continue to be positive for our bottom line, promoting tenant and employee satisfaction, reducing operating cost and making our buildings more resilient to whatever may lie ahead," said Mr. Kilroy in his remarks.

Achieving carbon neutral operations will involve three steps for us. First, we will continue to reduce the energy consumption of our stabilized properties and entire announced development pipeline through maximizing onsite energy reductions. Second, we will continue to take advantage of all onsite solar and battery installation opportunities. Finally, we will make the remainder of the energy consumption 100% renewably powered by adding capacity to the grid through an offsite energy power purchase agreement, executed in 2018.

Through these programs, KRC will reach Scope 1 (direct emissions from onsite combustion of natural gas) and Scope 2 (indirect emissions from onsite consumption of electricity) carbon neutrality by the end of 2020, exceeding our carbon reduction goals previously validated by Science Based Targets (see page 27).



# ENVIRONMENTAL

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Objectives // Existing Buildings // New Development // Other Environmental Programs

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NEWLY INSTALLED SOLAR PANELS AT MENLO PARK CORPORATE CENTER

## EXISTING BUILDINGS OBJECTIVES

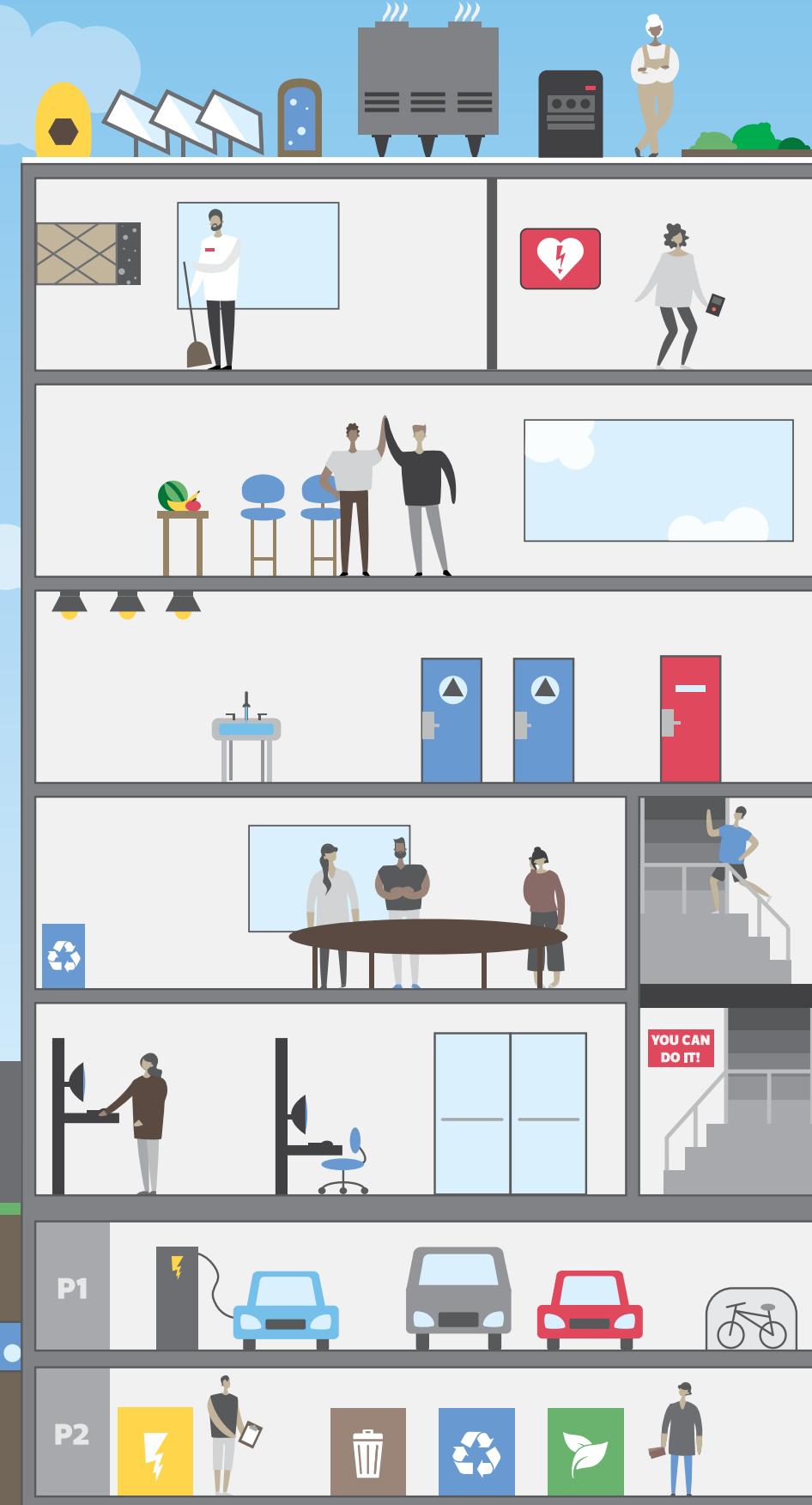
For the third time, we have aligned our objectives with the UN Sustainable Development Goals (SDGs) and will continue to use the SDGs to help refine our objectives in the coming years.

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
<b>13 CLIMATE ACTION</b> 	Achieve a 100% reduction in Scope 1 and Scope 2 GHG emissions from a 2017 base year by year end 2020, exceeding our carbon reduction goals previously validated by Science-Based Targets	On track. In 2018 we put in place all contracts required to achieve this goal.	<b>ON TRACK</b>
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	Achieve a 10.3% reduction from 2015 energy levels by 2020	On track. We achieved a 2.02% reduction in 2018.	<b>ON TRACK</b>
<b>6 CLEAN WATER AND SANITATION</b> 	Reduce water use 10% from 2015 levels by 2020	Our like-for-like water consumption increased by 5.4% in 2018.	<b>DELAYED</b>
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	Implement Green Leasing	Complete.	<b>COMPLETE</b>
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	Achieve ENERGY STAR certification for 75% of eligible existing buildings	Complete. We have achieved ENERGY STAR certification for 77% of eligible buildings.	<b>COMPLETE</b>

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	Perform energy audits or retrocommissioning every 5 years on all existing buildings	On track. We pursued audits/retrocommissioning 1.4 million square feet of space in 2018.	<b>ON TRACK</b>
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	Achieve a total annual diversion rate of at least 75% in the existing portfolio by 2020	On track. We achieved a total diversion rate of 44.5% in 2018, a 1.5% increase from 2017 levels.	<b>ON TRACK</b>
<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	Engage tenants to reduce their environmental impact through regular communication and action-oriented programs	On track. More information on page 74.	<b>ON TRACK</b>

# Existing Buildings

Throughout this report, we will be taking you on a visual tour of the types of projects we deploy in our buildings across energy, water, waste, health and biodiversity.



## SUSTAINABILITY TOUR: ENERGY EFFICIENCY

### Overall Energy Performance

We reduced energy consumption in our portfolio by 2.02% in 2018 from 2017 consumption level.

### EFFICIENT LIGHTING

We completed lighting retrofits, both interior and exterior, across 5.2 million square feet of our portfolio. This will result in approximately a 1.2 MWh reduction in energy consumption.

### SOLAR

We completed 3 solar installations on our Long Beach campus in 2018, bringing our total solar portfolio to 4.3 MW.

### WINDOW FILM

We completed a significant window film installation in a 400,000 square foot building in San Francisco, which should save approximately 253,000 kWh and over \$50,000 annually.

### RETROCOMMISSIONING AND AUDITING

We completed retrocommissioning and ASHRAE Level II projects across 1.4 million square feet. Our retrocommissioning projects had less than a 1 year payback.



### WHITE ROOFS

White roofs decrease building cooling requirements and are a best practice that we have implemented across our portfolio.

### BATTERY STORAGE

We began construction on 9 battery storage projects, which will total 4.3 MW in capacity when completed in 2019.

### EFFICIENT MECHANICAL EQUIPMENT

We completed major HVAC projects in 4.6 million square feet of our portfolio and minor projects in every building we manage directly. Projects included installations of VFDs, adding controls to compressors, equipment replacement and carbon monoxide sensor installations. Total savings are conservatively estimated to be approximately 920,000 kwh.

### EV CHARGING

- 46,136 gallons of gasoline saved
- 154.4 tonnes GHG savings
- 2,697 unique drivers
- EV Charging stations installed at every new development project

### ALL ELECTRIC

17% of our portfolio is entirely all-electric. In line with the California Public Utilities Commission, we believe that reducing our buildings' dependence on natural gas is a key part of our strategy to reduce the carbon footprint of our portfolio because natural gas is a carbon intensive fuel source.

## INNOVATION LAB

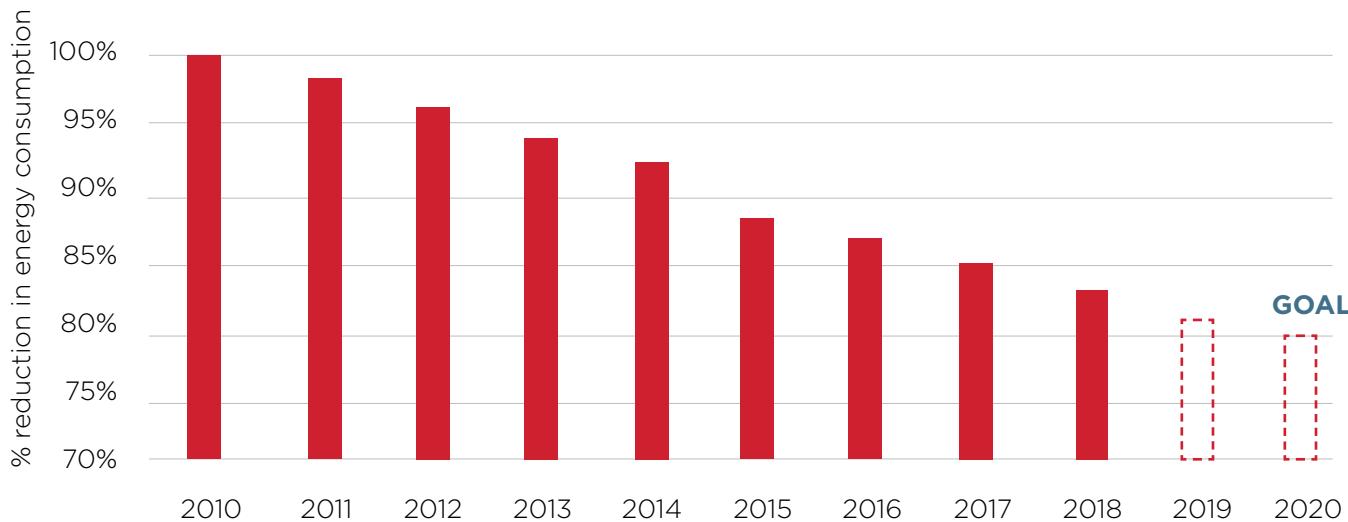
One of the major drivers of our continued sustainability performance is our willingness to embrace emerging technologies that improve the environmental performance of our existing and new assets. Launched in 2017, the Kilroy Innovation Lab formalizes the process for the implementation of sustainability pilots to provide credibility for successful technologies. Our areas of focus are energy, water, waste, health, biodiversity, financial structures, sustainability reporting and supply chain management. The lab provides a built-in Measurement & Verification platform, powered by Gridium, for us to evaluate the success of pilots and the Los Angeles Cleantech Incubator and Build Edison are our technology partners.

In 2018 we started three Innovation Lab projects, two in advanced energy analytics and one in enhanced HVAC efficiency. We look forward to reporting on the results of these projects, as well as launching additional Innovation Lab projects, in 2019.



INNOVATIVE MECHANICAL UPGRADE PROJECT EVAPORCOOL INSTALLED ON OUR LONG BEACH CAMPUS

## ENERGY REDUCTIONS IN THE WHOLE KRC PORTFOLIO



## 2018 ENERGY PERFORMANCE

Managed Assets			Absolute Consumption <sup>7</sup>				Like-for-Like Consumption			
			2017		2018		2017	2018		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
Whole Building	Combined Consumption Common Area & Tenant Space	Fuels	20,120	19,267	9,562,939	9,672,969	19,014	18,574	-2.31%	
		District Heating & Cooling	69,683	58,258	4,854,361	4,854,361	60,592	53,917	-11.02%	
		Electricity	58,656	57,528	4,818,608	4,818,608	56,181	55,110	-1.91%	
Total Energy Consumption Managed Office Assets			148,459	135,053			135,787	127,601	-6.03%	
Indirectly Managed Assets			Absolute Consumption				Like-for-Like Consumption			
			2017		2018		2017	2018		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
Whole Building		Fuels	21,638	21,229	3,376,424	3,582,077	21,638	21,229	-1.89%	
		Electricity	52,800	50,479	3,534,070	3,582,077	52,344	50,479	-3.56%	
Total Energy Consumption Indirectly Managed Office Assets			74,438	71,708			73,982	71,708	-3.07%	
Total Energy Consumption Whole Office Portfolio			222,897	206,761			209,769	199,309	-4.99%	



LED LIGHTING RETROFIT COMPLETED IN 2018 AT OUR PARKING GARAGE  
AT KILROY CENTRE DEL MAR, SAN DIEGO, CA

Life Science Assets			Absolute Consumption				Like-for-Like Consumption			
			2017		2018		2017	2018		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
Whole Building		Fuels	30,625	33,281	2,155,247	2,155,247	21,583	20,859	-3.35%	
		Electricity	55,726	59,468	2,155,247	2,155,247	41,703	47,377	13.61%	
Total Energy Consumption Life Science Assets (Directly & Indirectly Managed)			86,351	92,749			63,286	68,237	7.82%	
Total Energy Consumption Whole Portfolio			309,248	299,510	15,094,610	15,410,293	273,054	267,546	-2.02%	

<sup>7</sup> Energy consumption is calculated via utility bills by our third 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.

## EXISTING BUILDINGS CASE STUDY

## TRIBECA WEST

Our Tribeca West project is one of West Los Angeles' premier media campuses ideally suited for editing, post-production and creative use, the only such facility in our portfolio. Many aspects of the creative process, from the writing rooms to production offices, casting, location, wardrobe, coordination and post production have been housed there. Shows and movies such as The Good Doctor, Twilight, Suits, Castle Rock and Iron Man all owe their final product in part to work done at the facility. But, outside of its Hollywood credentials, Tribeca West is an excellent example of a property that has continually tried to outdo itself on sustainability performance. Its results speak for themselves: the 151,029 square feet facility, which spans eight Class A towers, has reduced its energy use 17% and water use 49% since 2013.

An extensive lighting upgrade and several improvements to the mechanical equipment are primarily responsible for the reduction in energy use and Tribeca West has undertaken a variety of water reduction projects, including a major switch to drought tolerant landscaping and fixture upgrades. That sustainability work led to the property achieving ENERGY STAR certification for the first time in 2013 and LEED certification in 2018.

However, Tribeca West's sustainability story extends beyond these certifications. The property has made many improvements to promote alternative transit, from bike racks to electric vehicle charging stations to a dedicated area for electric scooters. Its janitors have graduated from the USGBC Los Angeles/Building Skills Partnership Green Janitor Education Program (more information on page 73).

Importantly, Tribeca is a beautiful facility with extensive vegetated courtyards and numerous seating areas, which provide a convenient connection to the outdoors for its tenants. Those outdoor areas are the foundation of the facility's Health and Wellness programs. The project has open stairwells with access to daylight, great air quality tested annually and ample access to daylight and views in workspaces. As a result, the project achieved Fitwel certification in 2017.

Tribeca West is a facility with deep connections to its tenants, who have come back over and over again to edit their movies and shows. Its annual tenant appreciation event, which in 2018 featured

delicious food and Mariachi music, is always well attended and there are always people enjoying some sunshine in the courtyard before returning inside to create some of the entertainment we love best. It is therefore no surprise that the project has maintained 99% occupancy for over a decade.

Tribeca West will establish carbon neutral operations with the rest of our portfolio at the end of 2020, but even then the Tribeca West team will not stop working to improve the facility's sustainability programs across energy, water, transit, health and more.



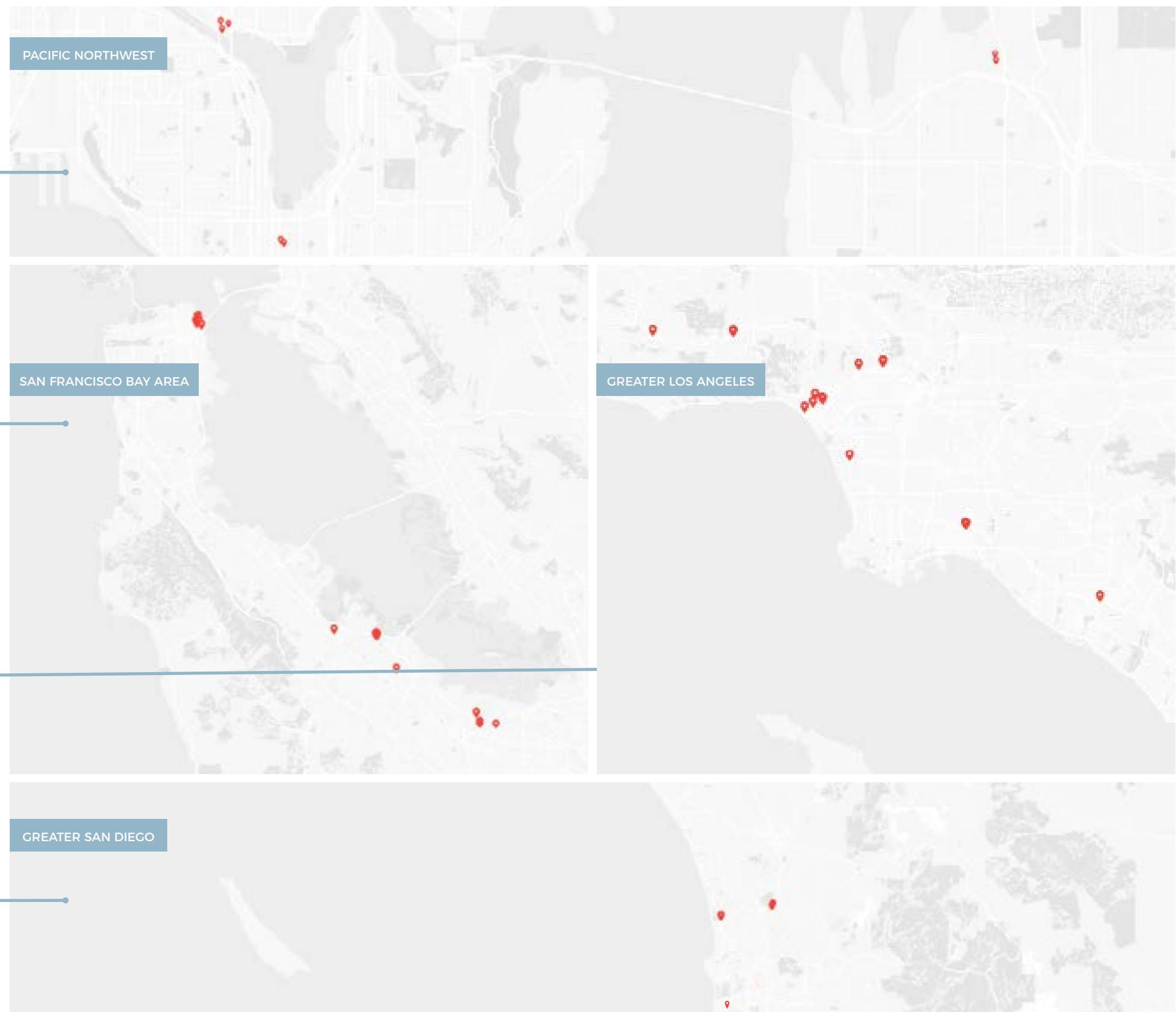
TRIBECA WEST – LOS ANGELES, CA // LEED GOLD, ENERGY STAR, FITWEL

## ENERGY STAR CERTIFICATIONS

PROJECT NAME	REGION	SQ. FT.
Westlake Terry	Seattle	320,398
Fremont Lake Union	Seattle	169,412
Fremont Plaza	Seattle	138,995
Fremont Lake View	Seattle	111,580
Key Center	Bellevue	488,470
Skyline Tower	Bellevue	416,755
100 First Street	San Francisco	467,095
303 Second Street	San Francisco	740,047
201 Third Street	San Francisco	346,538
301 Brannan Street	San Francisco	74,430
360 Third Street	San Francisco	429,996
350 Mission Street	San Francisco	492,658
333 Brannan Street	San Francisco	159,595
Crossing 900	Redwood City	339,987
4100 Bohannon Drive	Menlo Park	47,379
4300 Bohannon Drive	Menlo Park	63,079
4400 Bohannon Drive	Menlo Park	48,146
4500 Bohannon Drive	Menlo Park	63,078
4600 Bohannon Drive	Menlo Park	48,147
690 Middlefield Road	Sunnyvale	170,823
680 Middlefield Road	Sunnyvale	170,090
605 N. Mathilda Avenue	Sunnyvale	152,589
331 Fairchild Drive	Mountain View	87,147
8560 W. Sunset Boulevard	Hollywood	71,875
6255 W. Sunset Boulevard	Los Angeles	324,617
12100 W. Olympic Boulevard	Los Angeles	150,117
12200 W. Olympic Boulevard	Los Angeles	150,167
12233 W. Olympic Boulevard	Los Angeles	151,029
1500 N El Centro	Los Angeles	104,504
1525 N Gower	Los Angeles	9,610
1550 N El Centro*	Los Angeles	200 units
1575 N Gower	Los Angeles	251,245
3130 Wilshire Boulevard	Santa Monica	88,340
501 Santa Monica Boulevard	Santa Monica	73,115
2100 Colorado Avenue	Santa Monica	102,864
999 N Pacific Coast Hwy	El Segundo	142,039
3760 Kilroy Airport Way	Long Beach	165,278
3780 Kilroy Airport Way	Long Beach	219,745
3800 Kilroy Airport Way	Long Beach	192,476
3840 Kilroy Airport Way	Long Beach	136,026
3900 Kilroy Airport Way	Long Beach	126,840
2211 Michelson Drive	Irvine	271,556
2829 Townsgate Road	Westlake Village	81,067
2305 Historic Decatur Road	San Diego	103,900
13520 Evening Creek Drive	San Diego	141,128
3721 Valley Centre Drive	San Diego	114,780
13290 S. Evening Creek Drive	San Diego	61,180
3579 Valley Centre Drive	San Diego	52,375
3611 Valley Centre Drive	San Diego	132,187
3661 Valley Centre Drive	San Diego	129,782

TOTAL SF // TOTAL %

9,094,276 // 77%



## SUSTAINABILITY TOUR: WATER EFFICIENCY

### Overall Water Performance

Increased water use 5.4% from like-for-like 2017 levels. This was a disappointment and we will focus our 2019 efforts on better managing our water consumption. We intend to do this through engineer trainings and a focus on tenant engagement around water issues.

### EFFICIENT LANDSCAPE

We put irrigation systems on smart meters so that they only water vegetated areas when needed, as opposed to on a set schedule.

### RECLAIMED WATER

Saved nearly 5.6 million gallons of potable water via our reclaimed water infrastructure. 2100 Kettner will also use reclaimed water for all of its irrigation.



RECLAIMED WATER



### COOLING TOWERS

We installed isolation valves to reduce process water use.

### LEAK DETECTION

Our robust leak detection program both saves water and protects our buildings from water damage.

### LOW FLOW FIXTURES

Specified extremely low flow 1.1 gpf toilets in addition to hybrid waterless urinals in our development projects.

### CAPTURED RAINWATER

350 Mission and 333 Brannan use captured rainwater for toilet flushing. All of our water, other than captured and reused rainwater, is sourced from municipal systems.

## 2018 WATER PERFORMANCE

Managed Assets		Absolute Consumption <sup>8</sup>				Like-for-Like Consumption		
		2017		2018		2017		2018
		Consumption (m3)	Consumption (m3)	Data Coverage (sf)	Max Coverage (sf)	Consumption (m3)	Consumption (m3)	Like-for-Like Change (%)
Whole Building	Combined Potable Consumption Common Areas + Tenant Space	529,166	508,573	9,779,793	9,779,793	441,472	445,024	0.8%
Total Potable Water Usage Whole Building		529,165	508,573	N/A	N/A	441,472	445,024	0.8%
Total Reclaimed Water Usage Managed Assets		46,159	43,538	N/A	N/A	21,932	21,356	-2.6%
<b>Total Water Usage Managed Assets</b>		<b>575,324</b>	<b>552,111</b>	N/A	N/A	<b>463,405</b>	<b>466,380</b>	<b>0.6%</b>

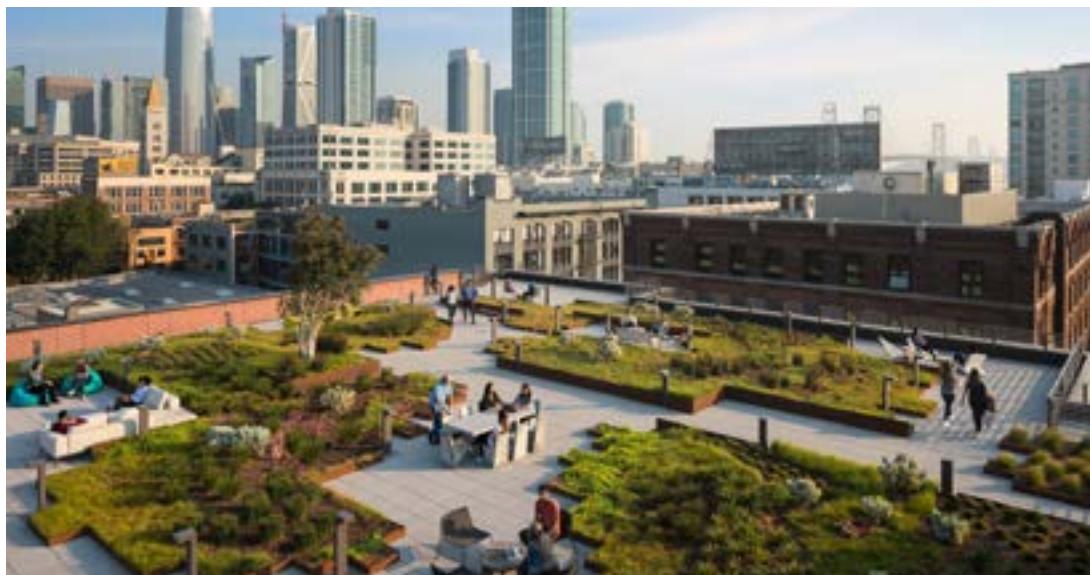
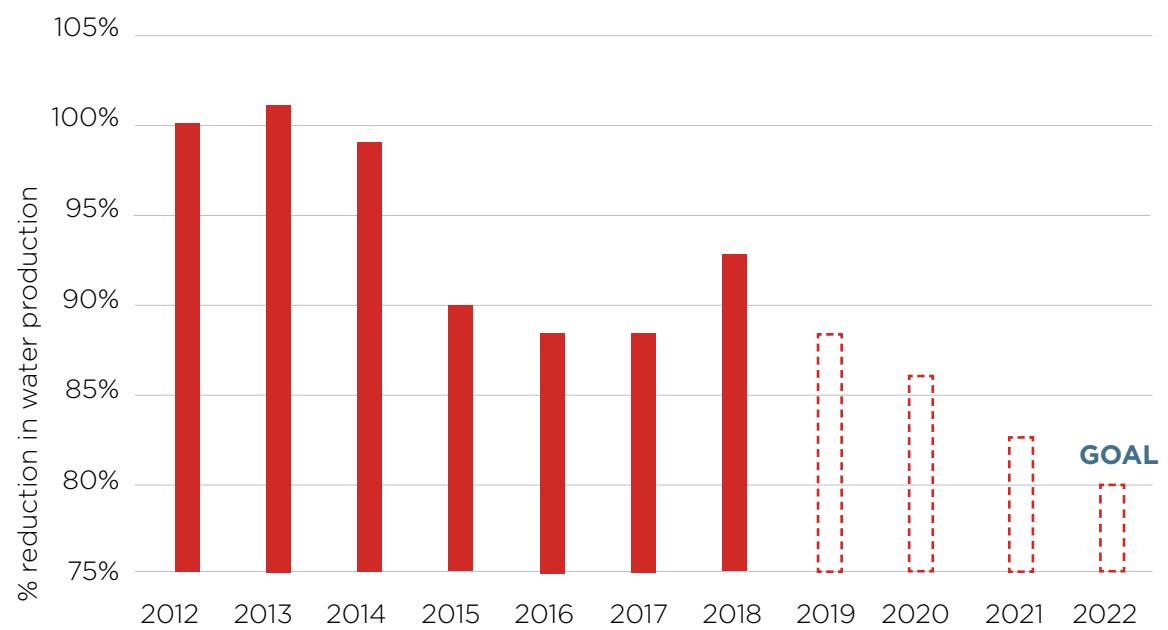
Indirectly Managed Assets		Absolute Consumption				Like-for-Like Consumption		
		2017		2018		2017		2018
		Consumption (m3)	Consumption (m3)	Data Coverage (sf)	Max Coverage (sf)	Consumption (m3)	Consumption (m3)	Like-for-Like Change (%)
Whole Building	Potable Common Areas	84,651	138,146	3,236,437	3,475,253	127,575	138,146	8.3%
	Potable Outdoor/Exterior Areas/Parking	101,165	103,910	N/A	N/A	101,165	103,910	2.7%
Total Potable Water Usage Indirectly Managed Assets		185,815	242,056	N/A	N/A	228,740	242,056	5.8%
Total Reclaimed Water Usage Indirectly Managed Assets		46,159	3,183	N/A	N/A	3,234	3,183	-1.6%
<b>Total Water Usage Indirectly Managed Assets</b>		<b>231,974</b>	<b>245,239</b>	N/A	N/A	<b>231,974</b>	<b>245,239</b>	<b>5.7%</b>
<b>Total Potable Water Usage Whole Office Portfolio</b>		<b>714,981</b>	<b>750,629</b>	N/A	N/A	<b>670,212</b>	<b>687,080</b>	<b>2.5%</b>
<b>Total Reclaimed Water Usage Whole Office Portfolio<sup>9</sup></b>		<b>92,317</b>	<b>46,722</b>	N/A	N/A	<b>25,166</b>	<b>24,539</b>	<b>-2.5%</b>
<b>Total Water Usage Whole Office Portfolio</b>		<b>807,298</b>	<b>797,351</b>	13,016,230	13,255,046	<b>695,378</b>	<b>711,619</b>	<b>2.3%</b>

Life Science		Absolute Consumption				Like-for-Like Consumption		
		2017		2018		2017		2018
		Consumption (m3)	Consumption (m3)	Data Coverage (sf)	Max Coverage (sf)	Consumption (m3)	Consumption (m3)	Like-for-Like Change (%)
Whole Building	Potable Common Areas	115,139	153,654.74	1,748,492	2,155,247	107,690.08	134,000	24.4%
	Potable Outdoor/Exterior Areas/Parking	38,483	29,853.76	N/A	N/A	4,372	5,276	20.7%
Total Potable Water Usage Life Science Assets (Directly & Indirectly Managed)		153,622	183,508	1,748,492	2,155,247	112,062	139,276	24.3%
<b>Total Water Usage Whole Portfolio</b>		<b>960,920</b>	<b>980,859</b>	<b>14,764,722</b>	<b>15,410,293</b>	<b>807,440</b>	<b>850,896</b>	<b>5.4%</b>

<sup>8</sup>Water consumption is calculated via utility bills by our third 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.

<sup>9</sup>In both 2017 and 2018, our reported reclaimed water was all municipally-supplied and the information on the amount of reclaimed water was taken from our utility bills. We are currently unable to track the volume of our two onsite rainwater collection systems.

## WATER REDUCTIONS IN THE WHOLE KRC PORTFOLIO



333 BRANNAN – SOMA, SAN FRANCISCO, CA // LEED PLATINUM, ENERGY STAR, FITWEL

## SUSTAINABILITY TOUR: WASTE EFFICIENCY

### Overall Waste diversion

We increased our total waste diversion percentage from 43% to 44.5%, from 2017.

### COMPOST

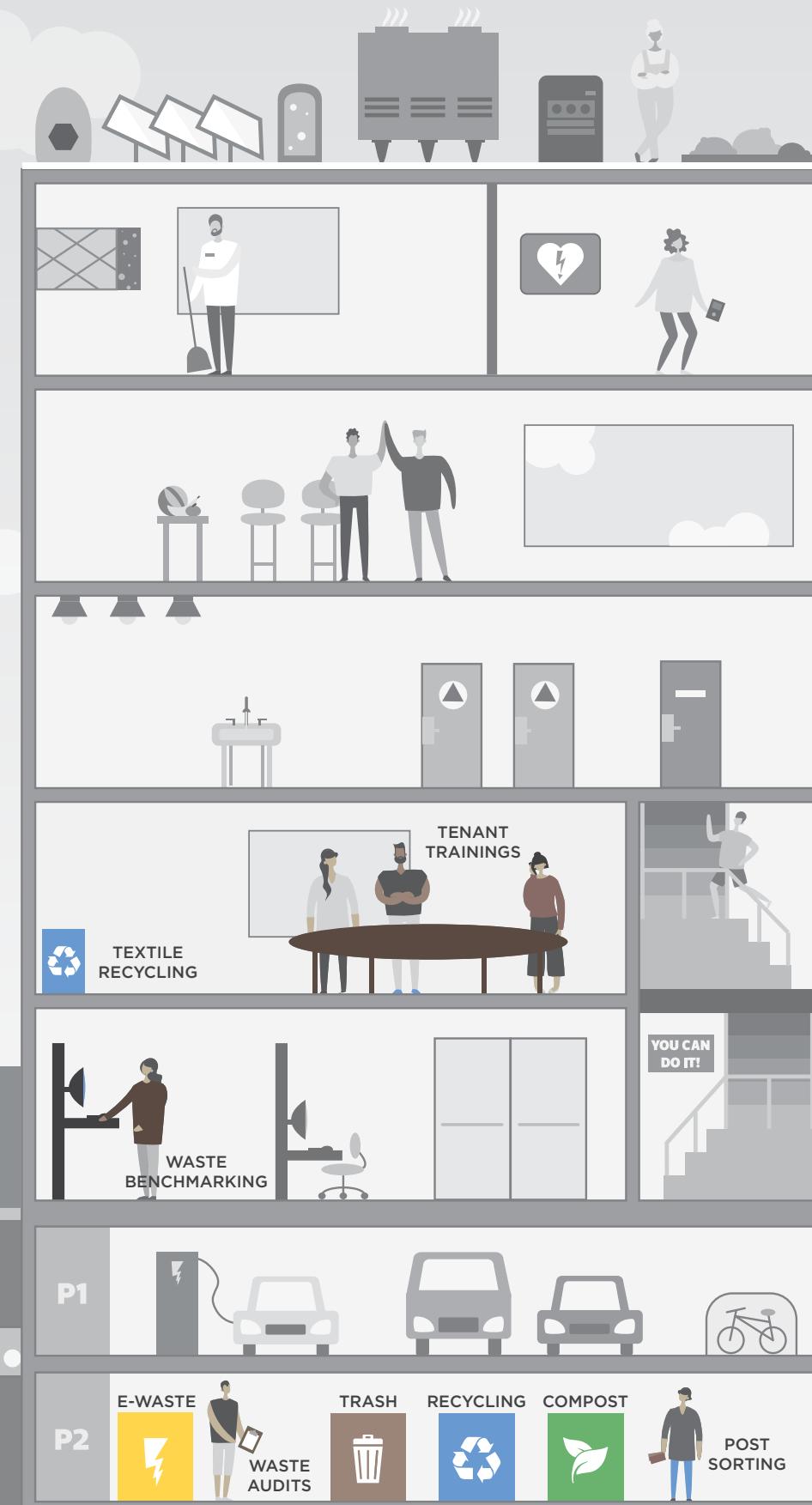
Approximately 48% of our portfolio has composting services.

### WASTE AUDITS

We conducted waste audits in 4.8 million square feet, or 36% of our portfolio. These audits indicated, among other findings, that buildings without composting services typically have significant contamination of organics in the recycling stream.

### POST SORTING

Three of our projects implemented post sorting services to further increase their recycling rates. This achieved the targeted 10% increase in the buildings' diversion rates. In 2019, we will extend post sorting further to other large buildings in our portfolio.



### WASTE BENCHMARKING

All of our waste data is benchmarked in the ENERGY STAR Portfolio Manager WasteTracker tool.

### TEXTILE RECYCLING

Three of our San Francisco properties have onsite collection for textile recycling. These properties have the population density and available collection space to take advantage of specific local textile recycling programs.

### TENANT TRAININGS

We do in-person tenant recycling and composting trainings throughout our portfolio. We see measurable decreases in recycling contamination and increases in overall diversion as a result of influencing tenant behavior around waste.

### E-WASTE

Many of our buildings conduct e-waste events to ensure safe and effective recycling of electronic waste.

### BOMA W2 CHALLENGE

We are participating in the BOMA W2 challenge across 84 assets, which requires us to report our water and waste data to BOMA quarterly.

## 2018 WASTE PERFORMANCE

		Absolute Measurement	
		2017 Weight (Tons)	2018 Weight (Tons)
Managed Assets	Total Weight of All Waste (tons)	5,174	5,257
	Total Diverted	51.1%	52.6%
	% Managed portfolio covered	98.8%	98.8%
Indirectly Managed	Total Weight of All Waste (tons)	2,918	2,900
	Total Diverted	30.5%	31.3%
	% Indirectly Managed portfolio covered	100.0%	100.0%

		Absolute Measurement	
		2017 Weight (Tons)	2018 Weight (Tons)
Life Science	Total Weight of All Waste (tons)	333	329
	Total Diverted	26.0%	30.4%
	% Life Science Portfolio Covered	89.8%	89.8%

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

Whole Portfolio	Total Weight of All Waste (tons)	8,425	8,486
	Landfill	57.0%	55.5%
	Total Diverted	43.0%	44.5%
	Diverted - Recycling	22.6%	25.1%
	Diverted - Compost	16.9%	19.3%
	% Whole Portfolio Covered	97.83%	97.83%

<sup>9</sup>We utilize the EPA guidelines, via their WasteTracker tool, for the estimated weight of trash, recycling and composting bins. The EPA guidelines can be found here: <https://portfoliomanager.zendesk.com/hc/en-us/articles/225876328-What-are-the-volume-to-weightconversion-factors>



100 FIRST ST – SOMA, SAN FRANCISCO, CA // LEED GOLD, ENERGY STAR, FITWEL

## TRUE WASTE CASE STUDY

## 350 MISSION STREET

In December 2018, our 350 Mission Street property achieved TRUE Zero Waste Certification at the Gold level. 350 Mission Street, encompassing 455,340 square feet, is the largest single commercial property in the world to achieve TRUE Zero Waste certification and was also the first commercial building in San Francisco to do so. 350 Mission Street is additionally LEED Platinum, ENERGY STAR and Fitwel certified.

TRUE is a Zero Waste Certification system from USGBC that enables facilities to define, pursue and achieve zero waste goals, cut their carbon footprint and support public health. The waste diversion threshold for TRUE Zero Waste certification is 90% diversion, which is what 350 Mission Street was targeting. The project ultimately achieved a 91.9% diversion in addition to meeting other rigorous performance requirements. The project achieved this by diverting 610,000 pounds of waste in 2018, resulting in a reduction in greenhouse gas emissions of 24,000 pounds.

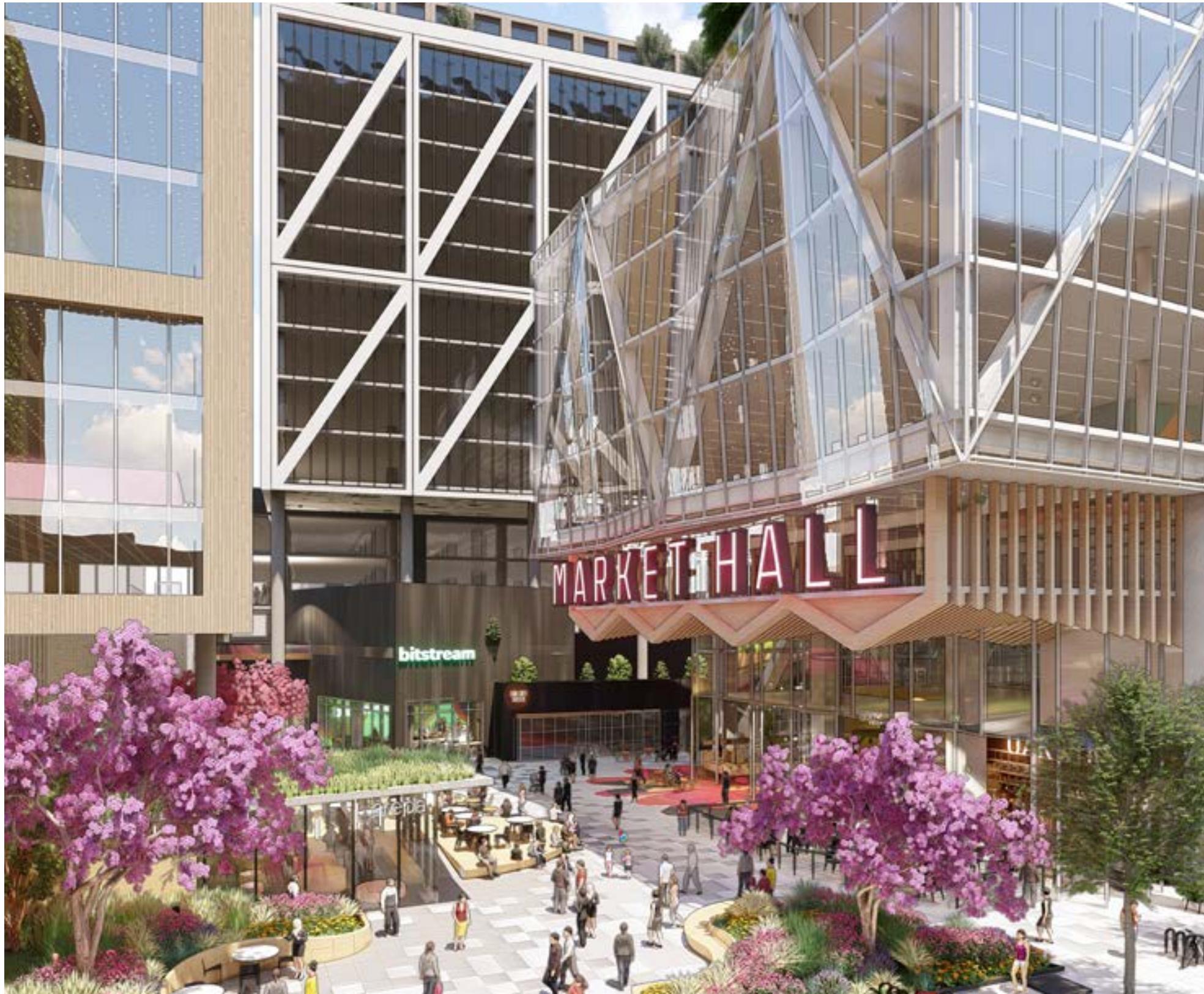
"We wanted to take a bold and meaningful stance on waste management to reaffirm our commitment to minimizing the environmental impacts of our buildings," says Maya Henderson, director of sustainability for KRC. "Undergoing the rigorous TRUE certification process also had the added benefit of helping to optimize building operations and cost savings."

Key strategies that enabled 350 Mission to achieve TRUE Zero Waste certification include:

- Investing in reusable pantry supplies and ordering in bulk
- Replacing individual desk bins with central waste collection with appropriate signage
- Developing ongoing education and awareness programs
- Implementing post-sorting services to further increase occupant diversion rates
- Procuring critical consulting services from All About Waste
- Onsite performance verification with representatives from the Green Building Certification Institute



350 MISSION STREET – SAN FRANCISCO, CA // LEED PLATINUM, ENERGY STAR, FITWEL, TRUE ZERO WASTE



FLOWER MART – SOMA, SAN FRANCISCO, CA

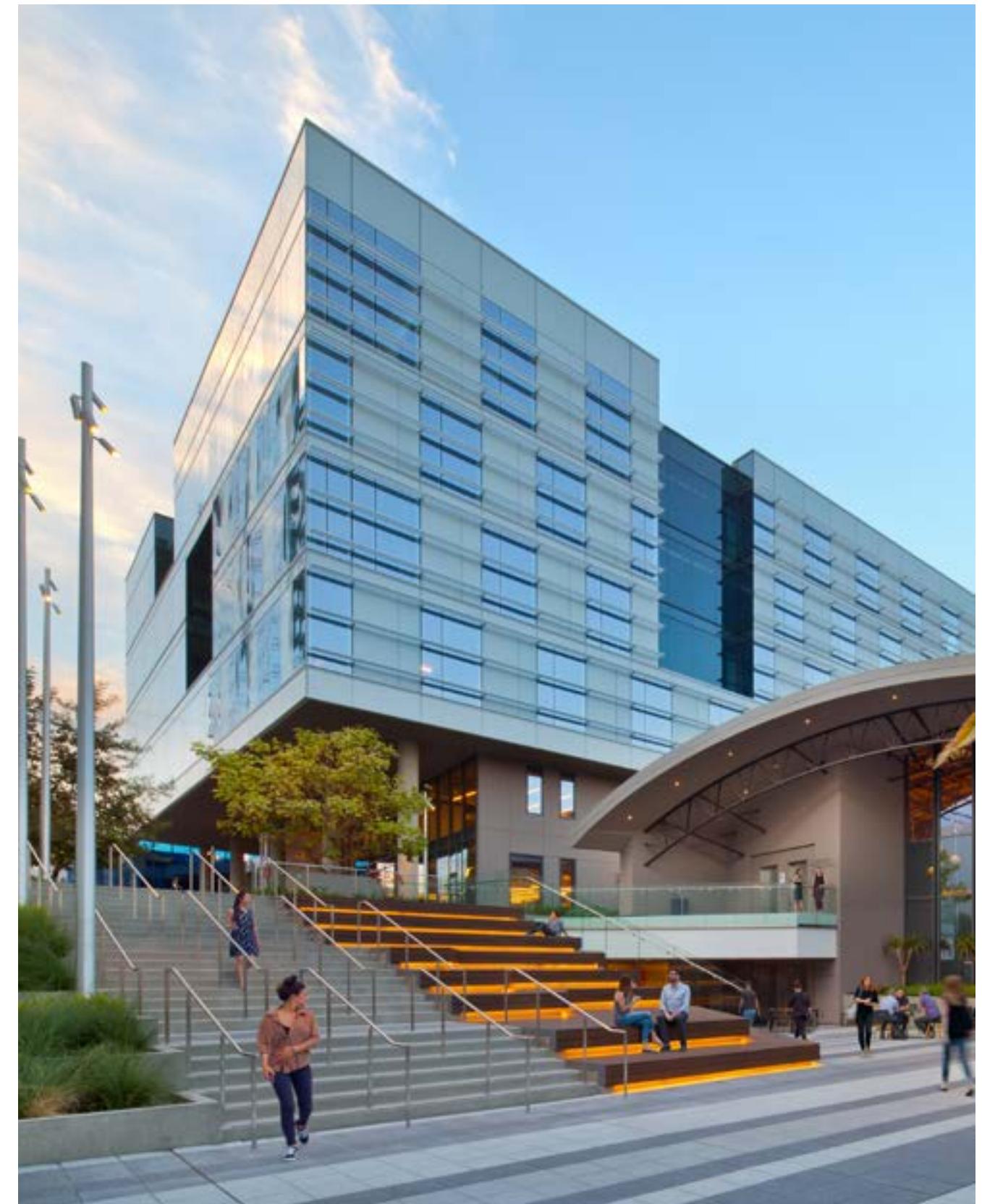
# New Development

## HIGHLIGHTS

- In 2018, we had an impressive array of development projects underway, all targeting LEED Gold or Platinum. These included 333 Dexter in Seattle (targeting Gold), 100 Hooper in San Francisco (targeting Platinum), On Vine in Hollywood (targeting Gold), One Paseo in San Diego (office buildings targeting Gold), Kilroy Oyster Point in South San Francisco (targeting Gold), Flower Mart in San Francisco (targeting Platinum), 2100 Kettner in San Diego (targeting Platinum) and 9455 Towne Centre in San Diego (targeting Platinum).
- The Exchange on Sixteenth in San Francisco received its LEED Platinum certification, our only project eligible for a LEED development certification in 2018. More information on this project on page 60.
- We increased our commitment to providing all-electric Core & Shell buildings as a means to further reduce the carbon footprint of our development projects. Neither On Vine nor 2100 Kettner include natural gas in their Core & Shell designs.
- At year end 2018, 63% of our stabilized portfolio had achieved LEED certification and we have an additional 9 projects, across 15 buildings and 6 million square feet, registered for certification.
- We continue to influence our supply chain through our strong commitment to recycled, healthy, and regionally-sourced materials.

## DEVELOPMENT OBJECTIVES

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	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 Exchange on 16th earned LEED Platinum certification. More information on page 60.	ON TRACK
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	Total materials used in development projects will achieve at least 20% recycled content and 20% regional sourcing	On track. All 2018 development projects achieved this goal.	ON TRACK
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	Development projects will achieve at least 75% diversion of construction waste from landfill	On track. All 2018 projects achieved this target.	ON TRACK
<b>15</b> LIFE ON LAND 	All new landscape projects will include at least two pollinator-friendly plants in the landscape design	On track. More information on page 68.	ON TRACK



MAIN CAMPUS – COLUMBIA SQUARE, LOS ANGELES, CA // LEED GOLD, ENERGY STAR, FITWEL

## NEW DEVELOPMENT CASE STUDY

# THE EXCHANGE ON SIXTEENTH

Our 750,000 square foot office development, The Exchange on Sixteenth, earned LEED Platinum certification in November, 2018. The project is fully leased to Dropbox. The Exchange's four buildings feature people-first architecture with an intuitive environmental design for today's workforce.

The Exchange on Sixteenth is located on a former brownfield in the vibrant Mission Bay district of San Francisco with high connectivity to public transit, restaurants, art galleries, breweries and the Giants and new Warriors Stadiums.

Rios Clementi Hale Studios, together with Flad Architects, used a thoughtful combination of brick, timber, clear glazing, steel, perforated metal, glass fiber reinforced concrete and reclaimed elements to create a bridge between the area's rich history and modern Mission Bay.

A gracious and dynamic lobby along Owens Street connects to pedestrian-friendly open urban plazas, pocket-parks and lush rain gardens. West facing green walls and prominent internal art walls visible from the street create an urban oasis and invite a village atmosphere for neighboring development. Customized amenities include via bike spa, ground level market, specialty retail and a pollinator-friendly rooftop garden.

"The Exchange on Sixteenth demonstrates the successful execution of combining great design with ambitious sustainability goals," says Jonas

Vass, Senior Vice President of Development at KRC. "The LEED Platinum certification shows the team's extensive focus on sustainability from inception through completion, successfully incorporating various environmental goals throughout the process."

Additional sustainability features include 48% water reduction using highly efficient water fixtures, a 29% reduction in energy consumption via an efficient mechanical system, materials purchasing focused on recycled content, regional sourcing, FSC wood, a robust enhanced commissioning program, electric car charging stations and more.

The project used a holistic approach to health and wellness including ample daylight, access to views, activated stairwells, a mechanical design emphasizing thermal comfort and low-emitting materials. The Exchange on Sixteenth is pursuing a health certification to provide third party verification of its health-focused design.

Dropbox will be taking occupancy in phases through 2020.

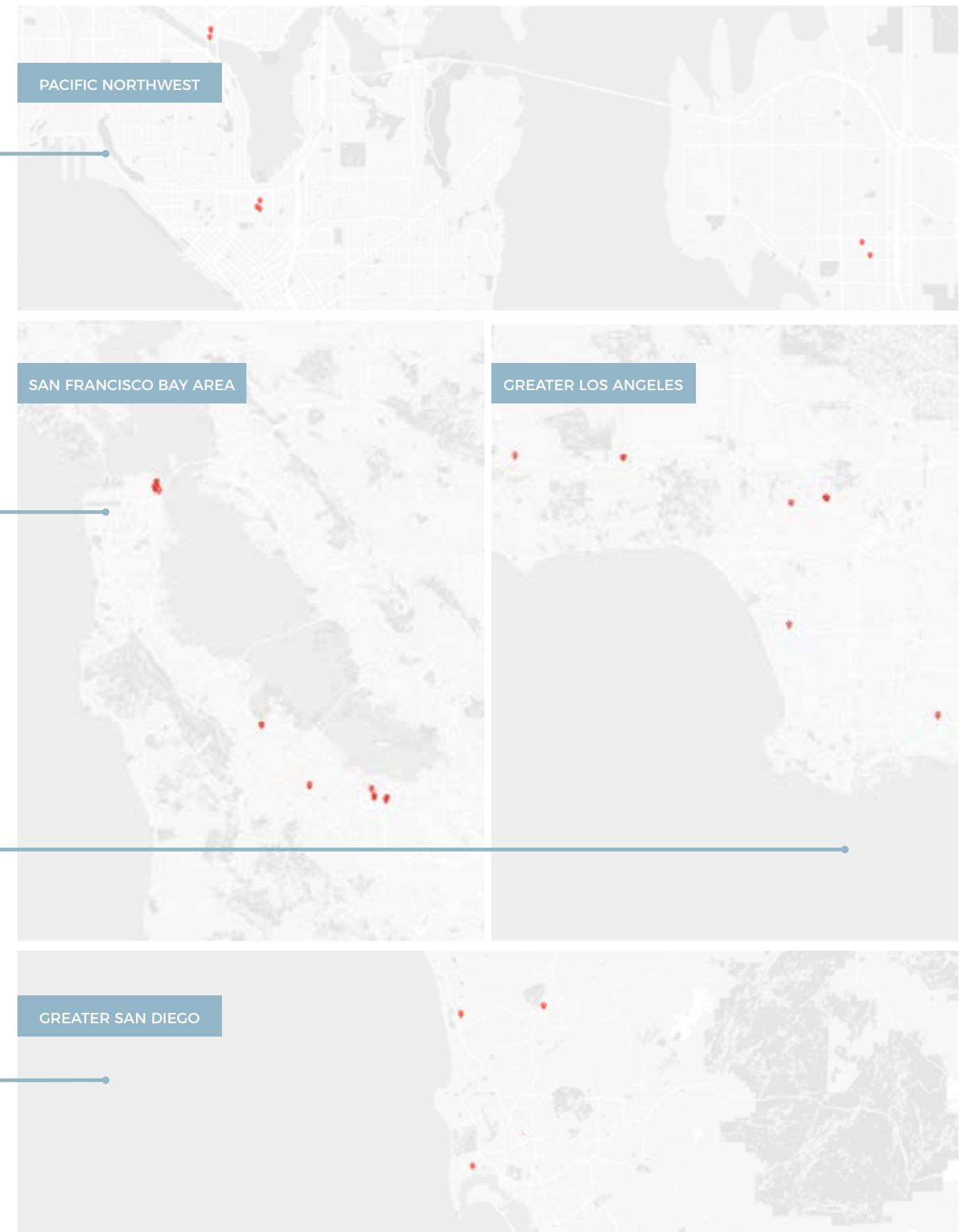
The proceeds for the 4.75% Green Bonds due 2028 that we raised in November 2018 were entirely allocated to this project. More information on our green bond can be found on page 105. Climate Bond Verification, the Assurance Letter and our Green Bond Framework can be found starting on page 124.



THE EXCHANGE ON SIXTEENTH – MISSION BAY, SAN FRANCISCO, CA // LEED PLATINUM

## 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	Gold (Core & Shell and Commercial Interiors--149077 sf on Cl)	Seattle	320,398
401 N. Terry Avenue*	Gold (Commercial Interiors)	Seattle	95,611
Key Center/601 108th Avenue NE	Platinum (Existing Buildings)	Bellevue	488,470
Skyline Tower/10900 NE 4th Street	Gold (Existing Buildings)	Bellevue	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	Gold (Core & Shell)	Redwood City	347,269
331 Fairchild Drive	Gold (Core & Shell and Commercial Interiors)	Mountain View	87,147
Mountain View Campus/680-690 Middlefield Road	Gold (Core & Shell)	Mountain View	340,913
Sunnyvale Campus/505 & 555 N Mathilda Avenue	Gold (Core & Shell)	Sunnyvale	424,644
Sunnyvale Campus/605 N Mathilda Avenue	Gold (New Construction)	Sunnyvale	152,589
1701 Page Mill Road	Gold (Core & Shell)	Palo Alto	116,172
23975 Park Sorrento	Gold (Existing Buildings)	Calabasas	104,797
24025 Park Sorrento	Gold (Existing Buildings)	Calabasas	108,671
2829 Townsgate	Gold (Existing Buildings)	Calabasas	81,067
Sunset Media Center/ 6255 West Sunset Boulevard	Gold (Existing Buildings)	Los Angeles	324,617
Columbia Square/6121 West Sunset Boulevard	Gold (Core & Shell)	Los Angeles	108,517
Columbia Square/6115 West Sunset Boulevard	Gold (Core & Shell)	Los Angeles	377,000
The Sunset/ 8650 West Sunset Boulevard	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
The Heights at Del Mar/12770 El Camino Real	Gold (Core & Shell)	San Diego	73,000
The Heights at Del Mar/12790 El Camino Real	Gold (Core & Shell)	San Diego	78,349
<b>TOTAL SF // % OF TOTAL PORTFOLIO</b>			<b>9,081,683 // 65%**</b>



\* Partial building certification

\*\* Total Portfolio square footage includes The Exchange



2100 KETTNER – LITTLE ITALY, SAN DIEGO, CA // TARGETING LEED PLATINUM

## LOCAL COMMUNITIES

We recognize that our buildings have the potential to either benefit or detract from their local communities. To navigate these concerns, we created an in-house land use team in 2011 which helps us create buildings that complement and benefit their neighborhoods. For example, as part of our Flower Mart project, we have made a binding commitment to the community to build the existing flower vendors a new state-of-the-art space as part of the project and maintain rents at a level that will help ensure their ability to stay and thrive. As part of our 2100 Kettner project in San Diego, we have built additional pedestrian improvements in response to a request from the local community group. In addition, we implement local community engagement and environmental impact assessment programs in all of our development projects. By square footage, our development programs comprise 36% of our operations.

- All development projects involve an assessment of the existing environmental conditions.
- Where needed, we create an Environmental Impact Report (EIR). EIRs are disclosed publicly as part of the entitlement process.
- We proactively engage local communities as part of our development process using a variety of forums, from town hall meetings to charettes and 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.
- During construction, community members that have noise, traffic or pollution concerns are encouraged to bring those concerns to the relevant asset management or construction teams; in rare instances community members have contacted the appropriate city official to investigate a noise issue.
- 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 by the general contractor and concerns that cannot be resolved by the general contractor are brought to the relevant KRC construction team manager.
- Brownfield locations tend to be in attractive, dense urban areas so we embrace brownfield development. For example, 333 Dexter, The Exchange on Sixteenth and 100 Hooper are all on brownfield sites, which we have remediated.

## SUSTAINABILITY TOUR: BIODIVERSITY

### POLLINATOR-FRIENDLY PLANTS

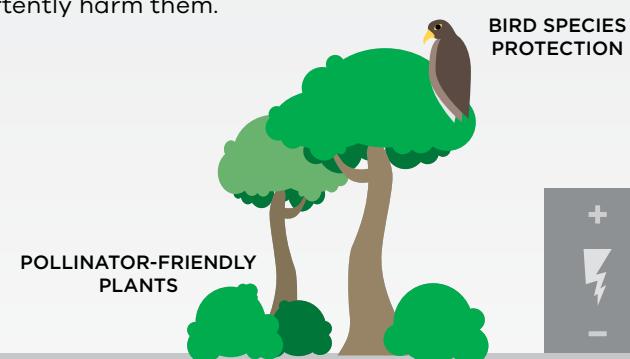
All new landscape is required to include at least two plant types, which otherwise meet our reduced water requirements, that are considered Pollinators by The Pollinator Partnership ([www.pollinator.org](http://www.pollinator.org)). A list of the pollinators used on our development projects can be found on page 68. We have no operational sites owned, leased, managed in, or adjacent to, protected areas or areas of high biodiversity value outside protected areas.

### BEEHIVES

We helped our tenant Neuehouse install a beehive in their space at Columbia Square in Hollywood. Any beehives discovered in undesirable locations are to be relocated either on or offsite in partnership with local beekeeping organizations rather than destroyed.

### BIRD SPECIES PROTECTION

We use a falcon to mitigate an unwanted pigeon issue in a more humane way as opposed to the use of spike-based bird deterrents on certain properties. Our falconer helps us identify protected bird species on these sites so that we do not inadvertently harm them.



## POLLINATORS IN THE KRC DEVELOPMENT PORTFOLIO

TYPE	METHOD
100 Hooper	California Poppy ( <i>Eschscholzia californica</i> )* Blue Thimble Flower ( <i>Gilia capitata</i> )* Cleveland's Sage ( <i>Salvia clevelandii</i> )* Milkweed ( <i>Asclepias fascicularis</i> )* Eastern Redbud ( <i>Cercis canadensis</i> )
9455 Towne Centre Dr	Yarrow ( <i>Achillea millefolium</i> )* Lion's Tale ( <i>Agave attenuata</i> ) Manzanita ( <i>Arctostaphylos bakeri</i> )* California Lilac ( <i>Ceanothus</i> )*
On Vine	California Buckley ( <i>Aesculus californica</i> )* Kinnikinnick ( <i>Arctostaphylos uva-ursi</i> )* California Buckwheat ( <i>Eriogonum fasciculatum</i> )*
333 Dexter	Yarrow ( <i>Achillea millefolium</i> )*
Exchange	Manzanita ( <i>Arctostaphylos bakeri</i> )* Sweetshrub ( <i>Calycanthus occidentalis</i> )* California Fuchsia ( <i>Epilobium canum</i> )* Buckwheat ( <i>Eriogonum arborescens</i> )* Seaside Buckwheat ( <i>Eriogonum latifolium</i> )*
2100 Kettner	Blue Chalk Sticks ( <i>Senecio mandraliscae</i> )* Madagascar Senecio ( <i>Senecio decaryi</i> )*
Kilroy Oyster Point	Rosaly Checker ( <i>Sidalcea malviflora</i> ) Yarrow ( <i>Achillea millefolium</i> )* Scarlet Monkeyflower ( <i>Mimulus cardinalis</i> )* Tansy Phacelia ( <i>Phacelia tanacetifolia</i> )*

\*Native

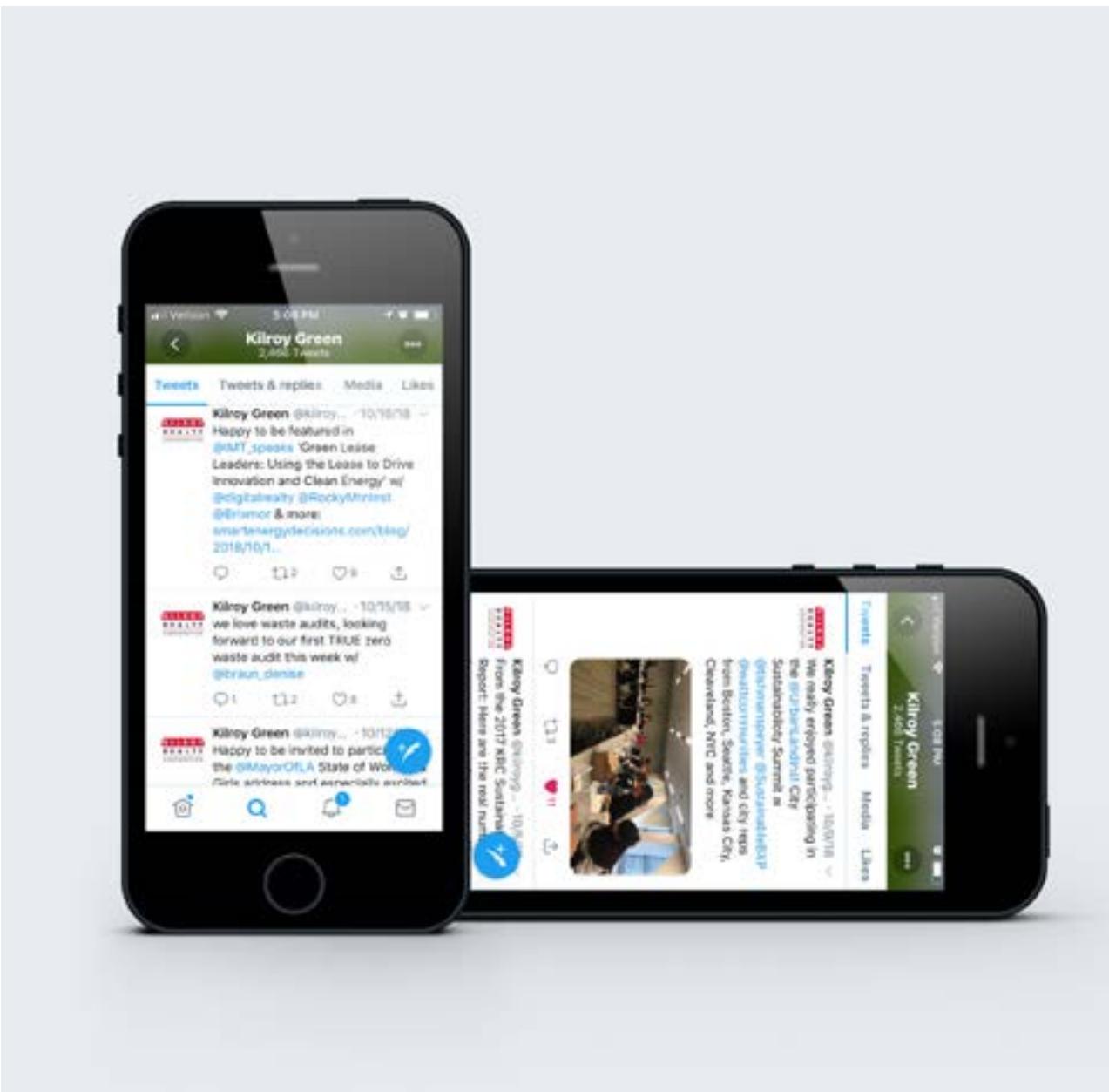


ROOF DECK – 9455 TOWNE CENTRE, SAN DIEGO, CA // TARGETING LEED PLATINUM

# Other Environmental Programs

## COMMUNICATION HIGHLIGHTS

- 44 speaking events given by our sustainability staff in 2018, reaching approximately 2,965 professionals.
- We received sustainability coverage in nine publications in 2018, including the San Francisco Business Times, Building Operator Magazine, Commercial Property Executive, REIT Magazine and USGBC+. These publications have an estimated total audience size of 3.6 million.
- 'Brokers for Better Buildings' Twitter campaign: the sustainability team highlighted the sustainability accomplishments of 28 of our brokers. More information on page 72.
- Press releases via BusinessWire around major sustainability accomplishments that are seen by 100+ media outlets. Daily tweets on sustainability programs and projects. Our Twitter page received 182,400 impressions in 2018, a 26% increase over the 144,933 impressions we received in 2017.



2018 TWEETS



GREEN LEASE LEADERS AWARD PRESENTATION

## GREEN LEASING AND BROKER ENGAGEMENT

We continue to be industry leaders in green leasing and our brokers were the main focus of our external communications in 2018. Specifically, we focused our annual summer Twitter campaign on our brokers, which we called 'Brokers for Better Buildings.' We highlighted individual brokers who had executed green leases in our ENERGY STAR buildings; every tweet included the broker and firm name, address and size of the deal. We received very positive responses from the broker community; they retweeted and asked friends and family to do the same. In addition, we earned Green Lease Leaders recognition for the third time in 2018, this time at the newly-created Gold level. This required our brokers and legal team to further enhance our green leasing language by adding the contact information for a landlord sustainability representative to meet the more stringent Green Leasing Gold requirements.

## GREEN JANITORS

We are proud that 93 of our janitors across 40% of our portfolio have gone through the Green Janitor Education Program. 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 the Green Janitor Education program to provide training on sustainability topics like vampire power, turning off lights and reporting leaks. Graduates from the program receive a Certified Green Janitor credential, which transfers to any future employment, as well as a financial bonus.



GREEN JANITOR GRADUATION

## TENANT ENGAGEMENT

TYPE	METHOD	FREQUENCY	STATUS
Green Lease	Incorporate environmental language in leases	Beginning of Occupancy	100% of new leases contain green language
Building Standards	Incorporate environmental language in building standards	Beginning of Occupancy	Company-wide policy achieved in 2017
Onboarding Calls	Call with whole building new tenants before move in to engage on sustainability programs	Beginning of Occupancy	We completed all of these calls in 2018
Ongoing Social Media	Twitter	Daily	Our Twitter page is viewed 495 times every month and in a typical month our tweets are seen approximately 12,000 times
Sustainability Highlights	Tenant memos	Twice	100% of our buildings receive biannual memos
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 no company-wide policy
Recognition	Pursue ENERGY STAR certifications in buildings where tenants pay some or all utilities	Yearly	Achieved 14 ENERGY STAR certifications of this type in 2018
Demand Response	Install equipment and software that allows participation in Demand Response events, engage tenants to participate	6-12 Events Annually	24 buildings participating

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	We completed 6 LEED for Existing Buildings Certifications through Arc in 2018
Soliciting Feedback	Tenant Satisfaction Surveys	Once every 2 years	90%+ response rate on tenant satisfaction surveys and comments addressed
Health	Onsite Amenities, events, competitions, collaboration on Fitwel certifications, more info on page 88	Continuous	Every building has a tenant health program
Solar	Enter into solar agreements on behalf of tenants who cannot do so themselves	Once per installation	Installation completed in 2017
Transparency	Tenant Sustainability Surveys	On Demand	Respond to all tenant requests for sustainability information in their property
Social Media Campaign	Green Tenant Heroes' Twitter campaign, which ran in summer 2017	Onetime campaign	We featured the sustainability accomplishments of 16 tenants in our 'Green Tenant Heroes' Campaign
Energy, Water and Waste Efficiency, Materials 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



KRC DIRECTOR OF SUSTAINABILITY MAYA HENDERSON TRAINS LOS ANGELES TRADE TECH STUDENTS TO USE ENERGY STAR PORTFOLIO MANAGER

# 3 SOCIAL

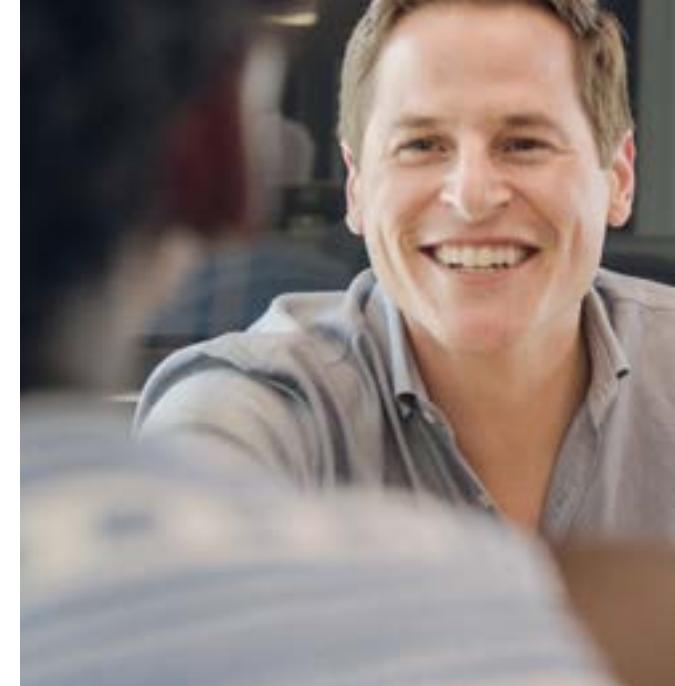
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Human Capital Development // Buildings // Community

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## SOCIAL OBJECTIVES

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	ON TRACK	UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	ON TRACK
 <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	Evaluate all Tier 1 suppliers on their social and environmental practices	On track. We began this process in 2018 and are on track to complete it by year end 2019.	ON TRACK	 <b>3 GOOD HEALTH AND WELL-BEING</b>	Enhance employee wellness	On track. We regularly conduct employee satisfaction surveys and modify our programs as a result.	ON TRACK
 <b>13 CLIMATE ACTION</b>	Implement TCFD recommendations	On track. We anticipate addressing all of the TCFD recommendations by year end 2021.	ON TRACK	 <b>8 DECENT WORK AND ECONOMIC GROWTH</b>	Continue to develop employee talent	On track. We provided several training programs in 2018 focused on talent development. More information available on page 84.	ON TRACK
 <b>3 GOOD HEALTH AND WELL-BEING</b>	40% of all existing assets to earn Fitwel certification by year end 2019	On track. 35% of our portfolio had achieved Fitwel certification by the end of 2018.	ON TRACK	 <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>	Engage our communities through service events	On track. Each Kilroy region engaged in at least one community service event in 2018. More information on page 95.	ON TRACK
 <b>3 GOOD HEALTH AND WELL-BEING</b>	Completed development projects to earn a health certification within 12 months of full occupancy	On track. Columbia Square earned Fitwel certifications across all office buildings in 2018.	ON TRACK	 <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>	Engage our communities through strategic philanthropic giving	On track. We conducted targeted giving in 2018 around our key topic areas of Healthy Environment and Strong Communities. More information on page 99.	ON TRACK
 <b>3 GOOD HEALTH AND WELL-BEING</b>	Enhance employee satisfaction	On track. We solicit feedback from employees periodically and modify our employee engagement programs as necessary. Our 2018 programs focused on improving communication across regions and departments More information on page 84.	ON TRACK				



“

Kilroy is committed to cultivating a diverse culture of inclusion that makes a positive difference in its employees' lives by helping build meaningful relationships, dedicating ourselves to corporate social responsibility and promoting wellness.



# Human Capital Development

Our Human Capital Development goals are focused on enhancing employee growth, satisfaction and wellness while maintaining a diverse and thriving culture.

## DIVERSITY

We are an equal opportunity employer that recruits, hires, trains and promotes personnel for all areas of employment without regard to race, color, religious creed (including religious dress and grooming practices), sex (including pregnancy, childbirth, breastfeeding or related medical conditions), sexual orientation, gender, gender identity, gender expression, national origin (including language use restrictions), ancestry, age (40 or over), physical or mental disability (including HIV and AIDS), medical condition (cancer and genetic characteristics), genetic information, Family and Medical Care Leave Status, California Rights Act Leave Status, denial of Family and Medical Care Leave, military or veteran status, or marital status, or any other status protected by federal, state or local laws. We had no incidents of discrimination reported during 2018.

## DIVERSITY AT KRC

### TOTAL WORKFORCE

Total Employees	276
Female	156
Male	120

### SUPERVISORS

	FEMALE	MALE	TOTAL
Administrative Support	22	0	2
Dayporter	0	1	1
Executive/Senior Level	1	7	8
First/Mid Level	20	27	47
Professional	8	18	26

### SUPERVISED WORKERS (172)

Female	105
Male	67

### TOTAL WORKFORCE BY REGION

Irvine/San Diego	38
Female	23
Male	15
Los Angeles Region	140
Female	74
Male	66
San Francisco Region	79
Female	52
Male	27
Seattle Region	19
Female	7
Male	12

### GOVERNANCE BODY (61 ELECTED OFFICERS)

#### Gender

Female	15	25%
Male	46	75%

#### Age Group

Under 30 years old	1	2%
30-50 years old	37	61%
Over 50 years old	23	38%

#### Racial Groups

Asian	6	10%
Hispanic or Latino	1	2%
White	53	87%
Other	1	2%

### ALL EMPLOYEES

#### Gender

Female	156	57%
Male	120	43%

#### Age Group

Under 30 years old	64	23%
30-50 years old	156	57%
Over 50 years old	56	20%

#### Racial Groups

Asian	52	19%
Black or African American	9	3%
Hispanic or Latino	28	10%
Two or More Races	20	7%
White	165	60%

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 reporting on the work performed by third party vendors and contractors in the construction and operation of our buildings. We have had no significant variations in employment numbers. We have two part-time employees; all other employees work full-time. 1% of our total employees are covered by collective bargaining agreements.

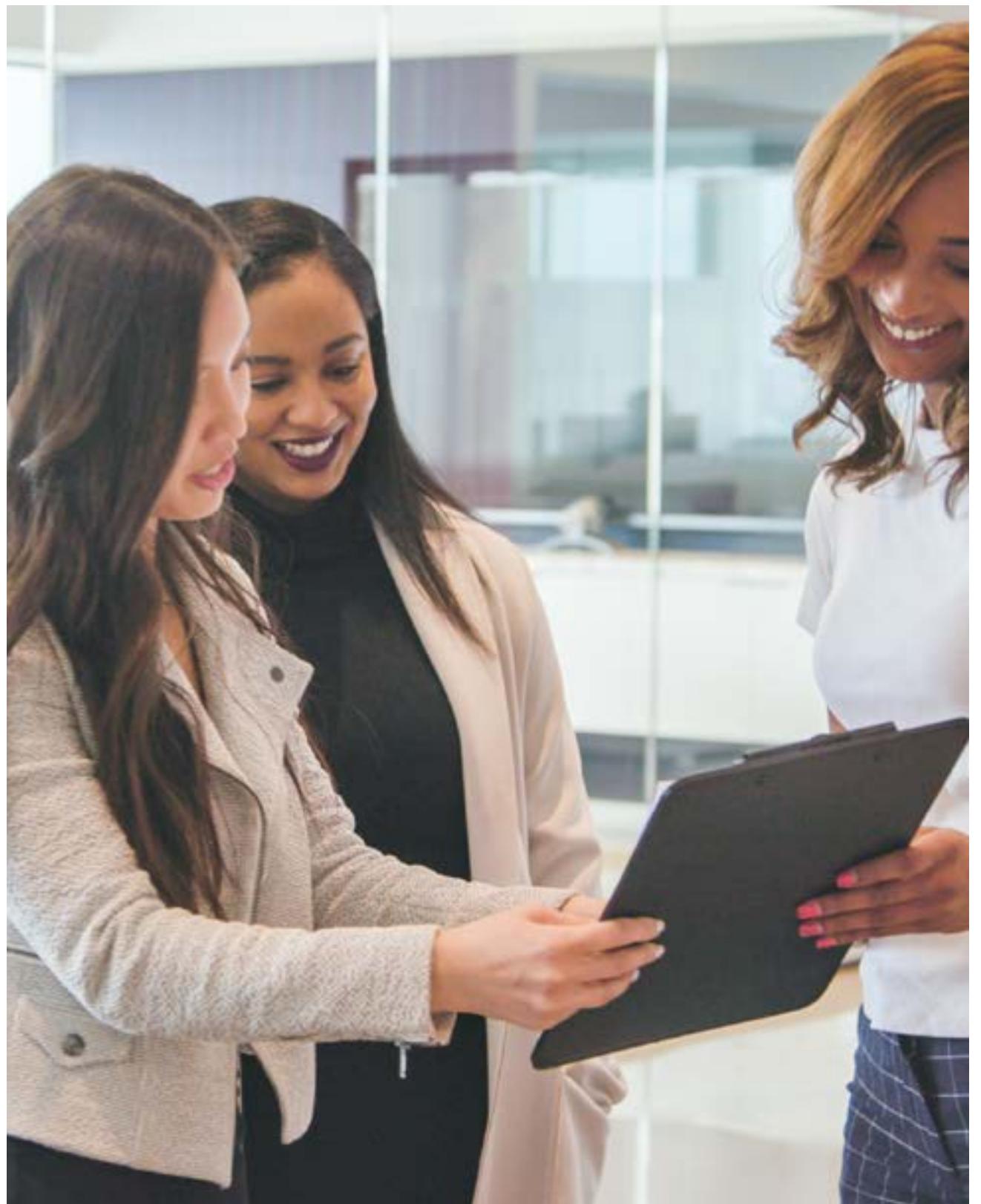
## TRAINING AND EDUCATION

We support the continual improvement of training and education programs for our employees.

- We ran several corporate trainings in 2018 and individual teams conducted additional sustainability trainings, as appropriate. Our employees on average had 1.4 hours of sustainability training and 13.3 hours of training unrelated to sustainability in 2018.
- 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.

### Performance and Career Development Reviews

- All of our employees receive an annual performance review in the same time frame as the review of annual incentive compensation. 100% of employees received performance reviews in 2018.
- 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 and conduct rules, other regulations and adheres to 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 cover the costs of sustainability education and testing for interested employees.





## EMPLOYEE SPOTLIGHT

## INFORMATION TECHNOLOGY TEAM

Our Information Technology (IT) team is a key player in the success of our sustainability programs and works closely with the Engineering, Asset Management and Sustainability teams to execute efficiency projects in our portfolio. In 2018, our IT team focused on connecting our building systems with a new secure building network that will give us greater visibility into consumption trends. They also support the Engineering and Asset Management teams with the addition of new systems to improve building operations.

Other 2018 IT team accomplishments include:

- Compressor Integration Project: The IT team worked with the Engineering team at our Sunset Media Center project to install hardware and software that allows the compressors to communicate with the current Energy Management system. This allows the engineers to have better control of the compressors, which should extend the equipment life in addition to saving energy.
- Leak Detection: The IT team helped migrate our leak detection systems from analog phone lines to a digital network. This upgrade will increase the reliability of our leak detection systems and help provide a more stable platform to prevent false leak alarms.
- Smart Elevators: The IT team is part of the group that helps convert older elevators to more modern demand dispatch elevators, which also save energy.
- Smart Bike Meters: The IT team helped integrate smart bike lockers with our 100 Hooper building in San Francisco to the larger building management system.

## EMPLOYEE HEALTH

The health and wellness of our employees is of central importance to our culture and we conduct an annual Wellness survey to help us better tailor our employee health programs.

The programs we had in place in 2018 included:

- Discounted employee gym passes
- Work-Life Balance Employee Assistance Program, services including:
  - 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 every other year
- 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, Nippon Life Benefits
  - “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
- Nippon Prenatal Program
- Parental Leave Coaching

# Healthy & Resilient Buildings

We recognize that our buildings have human impacts both within and outside their walls. Our building-related social programs span our Supply Chain, Building Health and Climate Change Resilience.

## SUPPLY CHAIN

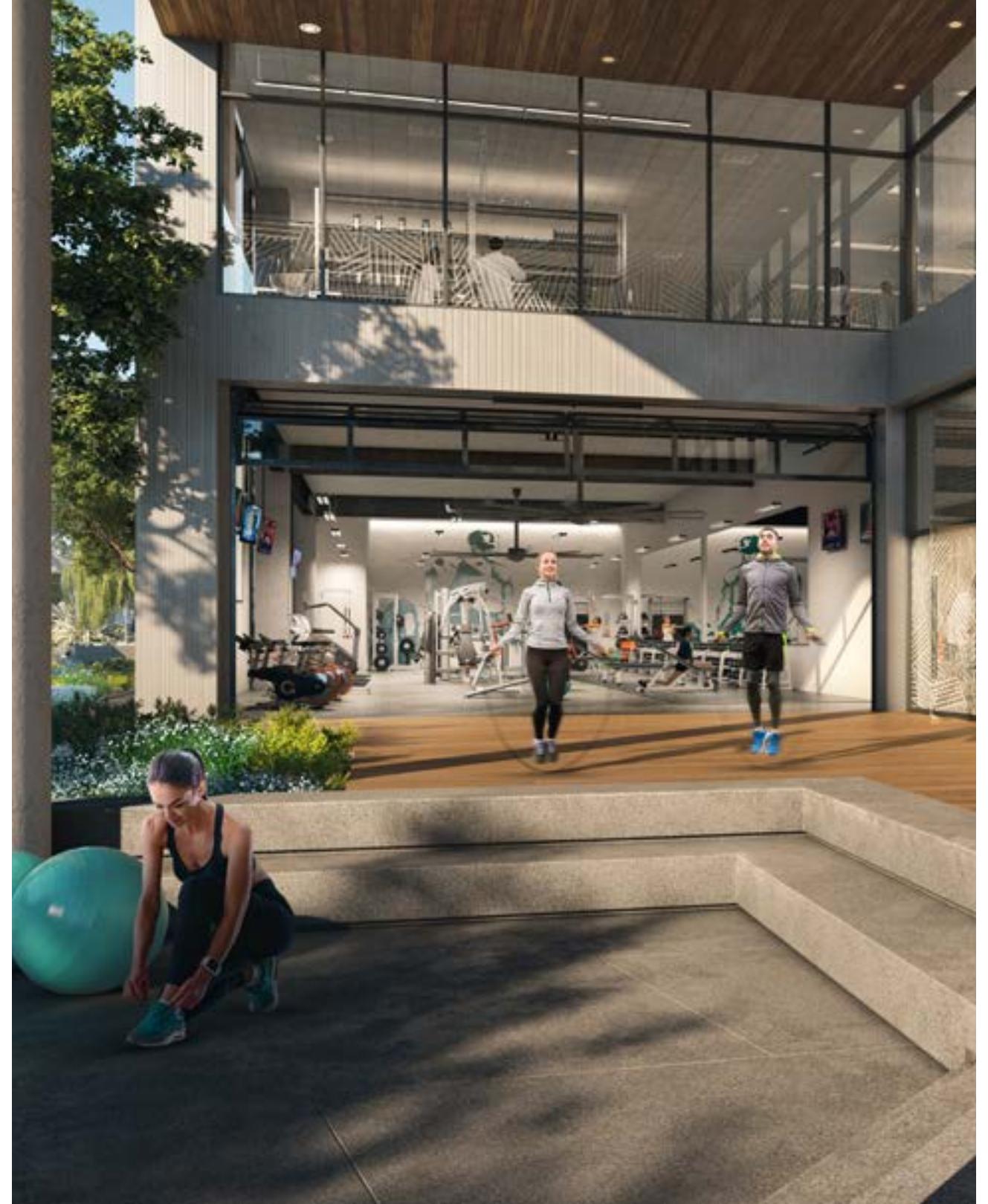
We recognize that much of the environmental footprint of our operations lies in our supply chain, the services and products we procure to construct and operate our buildings and the services and products that those suppliers in turn procure. In 2018, we performed an analysis to identify our Tier 1 suppliers and began developing a Supplier Social Sustainability Survey, which we sent to selected Tier 1 suppliers as a beta test. Using our analysis of those results, we will send an improved Supplier Survey to all Tier 1 suppliers in 2019 and analyze results.

## BUILDING HEALTH

We have a robust building health program that promotes and verifies great indoor air quality, and emphasizes active design features that help our building occupants stay physically active.

AVERAGE  
WALKSCORE  
of our existing  
portfolio:

67



9455 TOWNE CENTRE DRIVE – SAN DIEGO, CA // TARGETING LEED PLATINUM

# BUILDING HEALTH

## AIR QUALITY TESTING

To verify the quality of our indoor air, we had 5.8 million square feet or 44% of stabilized portfolio go through extensive IAQ testing in 2018. All received certificates verifying their performance.

## GREEN CLEANING

All cleaning products we use meet the relevant LEED environmental standard, either GreenSeal or the California Volatile Organic Compound (VOC) limit and our vacuums achieve the Carpet and Rug Institute Seal of Approval.

## LOW EMITTING MATERIALS

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

## MERV FILTERS

Every building has at least Minimum Efficiency Reporting Value (MERV) 8 filters. The average MERV rating in our portfolio is 9.4.

## ROOF GARDENS

Landscape amenities can improve mental health and reduce stress levels.

## ACCESS TO DAYLIGHT AND VIEWS

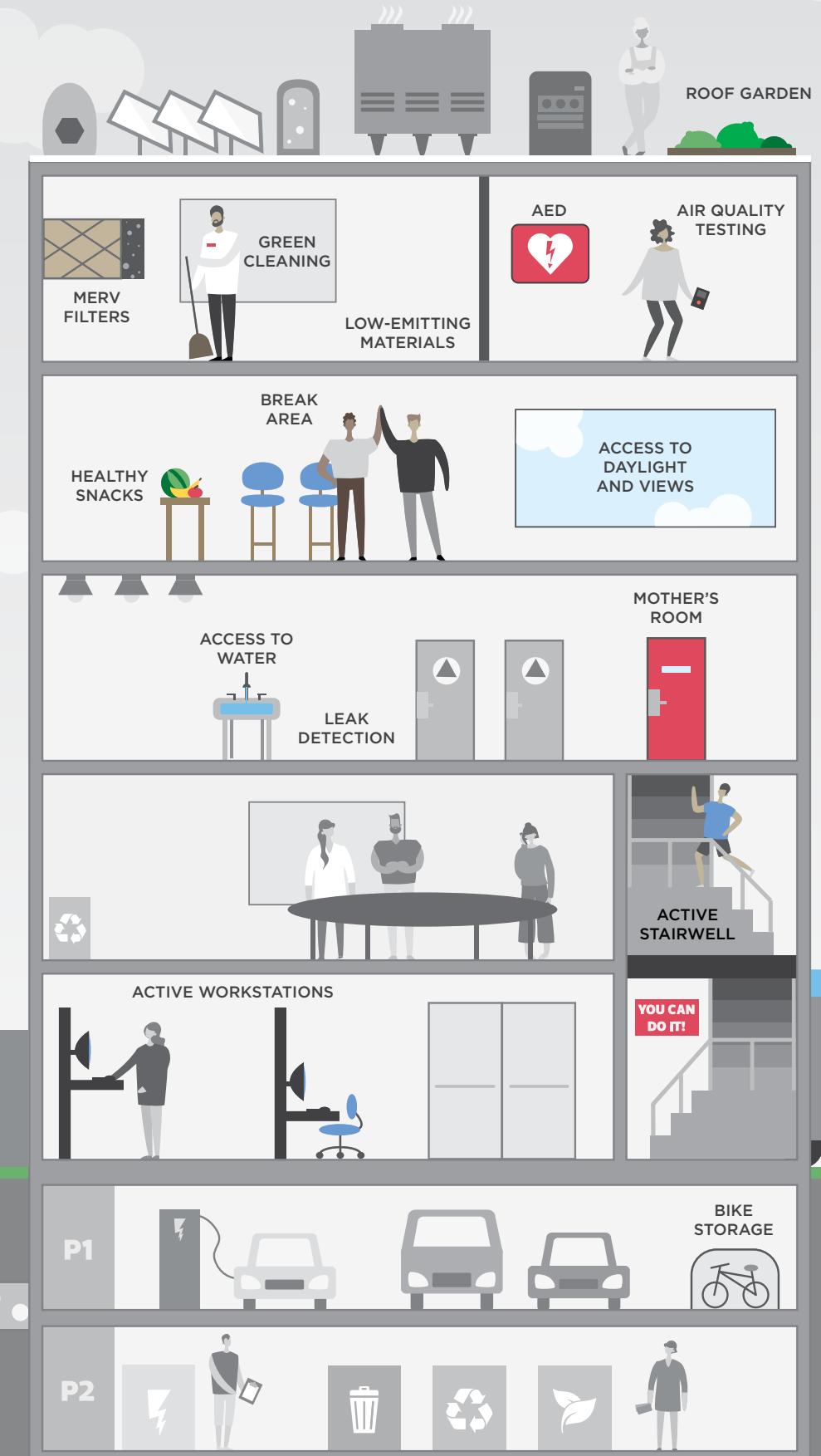
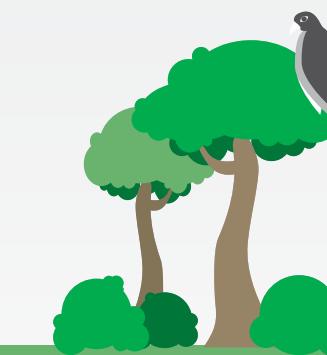
Access to daylight and views may improve mental and physical health, as well as performance in the workspace.

## HEALTHY SNACKS

Access to healthy food and beverages can increase wellbeing, as well as decrease obesity and related diseases.

## BREAK AREA

The ability to take a break away from the workstation can improve well-being, increase the likelihood of eating healthier foods and increase productivity.



## ACCESS TO WATER

Readily accessible drinking water improves regular hydration and may decrease consumption of sugar-sweetened beverages.

## MOTHER'S ROOM

A dedicated lactation room can increase productivity, decrease health claims and absenteeism to care for sick children.

## ACTIVE WORKSTATIONS

Active workstations may decrease sedentary time and increase physical activity, contributing to improved health and weight control.

## PUBLIC TRANSIT

Easy access to transit improves health via increased walking.

## BIKE STORAGE

Bicycle storage may increase the appeal of cycling to work, which can increase levels of physical activity.

## ACTIVE STAIRWELLS

Taking two flights of stairs a day can help prevent most typical adult weight gain, so we try to have one open stairwell in every building.

## COMPREHENSIVE EMERGENCY PREPAREDNESS PROGRAMS

Our emergency preparedness programs increase employee and tenant safety during emergency situations.

## AEDS

Readily accessible and tested AED can increase response time for negative cardiac events.

## FITNESS CENTERS

Many of our buildings have fitness centers, which can increase employee well-being and decrease absenteeism due to sickness.

## LEAK DETECTION

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

## SPOTLIGHT

## FITWEL

We ended 2018 with 15 Fitwel certifications, the greatest number of certifications of any non-government real estate owner in the world, for which the Center for Active Design awarded us one of its 'Fitwel 2018 Best in Building Health' Awards.

Said Joanna Frank, chief executive officer of the Center for Active Design, "We are thrilled to partner with the world-renowned owner and operator of office properties, Kilroy Realty, as a Fitwel Champion. By integrating Fitwel's scientific design and operational strategies within its portfolio, Kilroy Realty is recognizing the shift in the market by providing office spaces that promote the health of its tenants and the communities in which they are located."

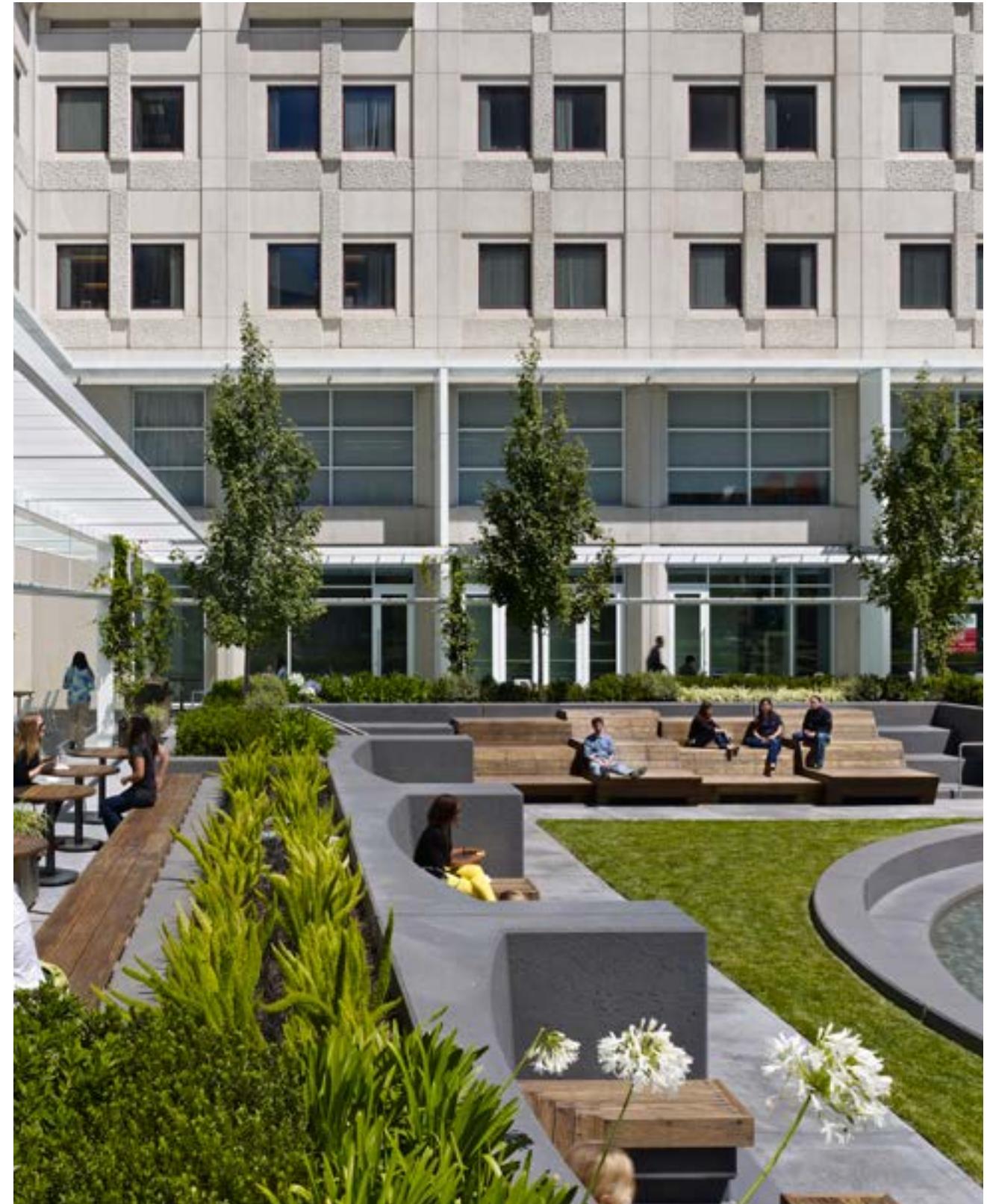
In addition to achieving these certifications, we have used the Fitwel system to benchmark the extent to which our current property management offices promote health outcomes for our employees and we are using this information to make improvements in those assets.

We will continue pursuing Fitwel certifications for our stabilized buildings that can qualify for the certification and use the Fitwel system as a guide to making health-related improvements in our existing portfolio.

**Fitwel Certified Buildings**

- Columbia Square, Viacom – 226,446 SF
- Columbia Square, Neuehouse – 74,585 SF
- 100 First St – 467,095 SF
- 12100 W. Olympic – 150,167 SF
- 12200 W. Olympic – 152,534 SF
- 201 Third St – 346,538 SF
- 303 Second St – 740,047 SF
- 333 Brannan – 185,602 SF
- 350 Mission – 492,658 SF
- 360 Third St – 451,807 SF
- 6255 W. Sunset – 358,204 SF
- Key Center – 526,131 SF
- Skyline Tower – 416,755 SF
- Tribeca West – 151,029 SF
- Westlake Terry – 320,399 SF

**Total – 5,059,997 SF // Total Kilroy Portfolio – 13,232,580 SF // % Certified – 38%**

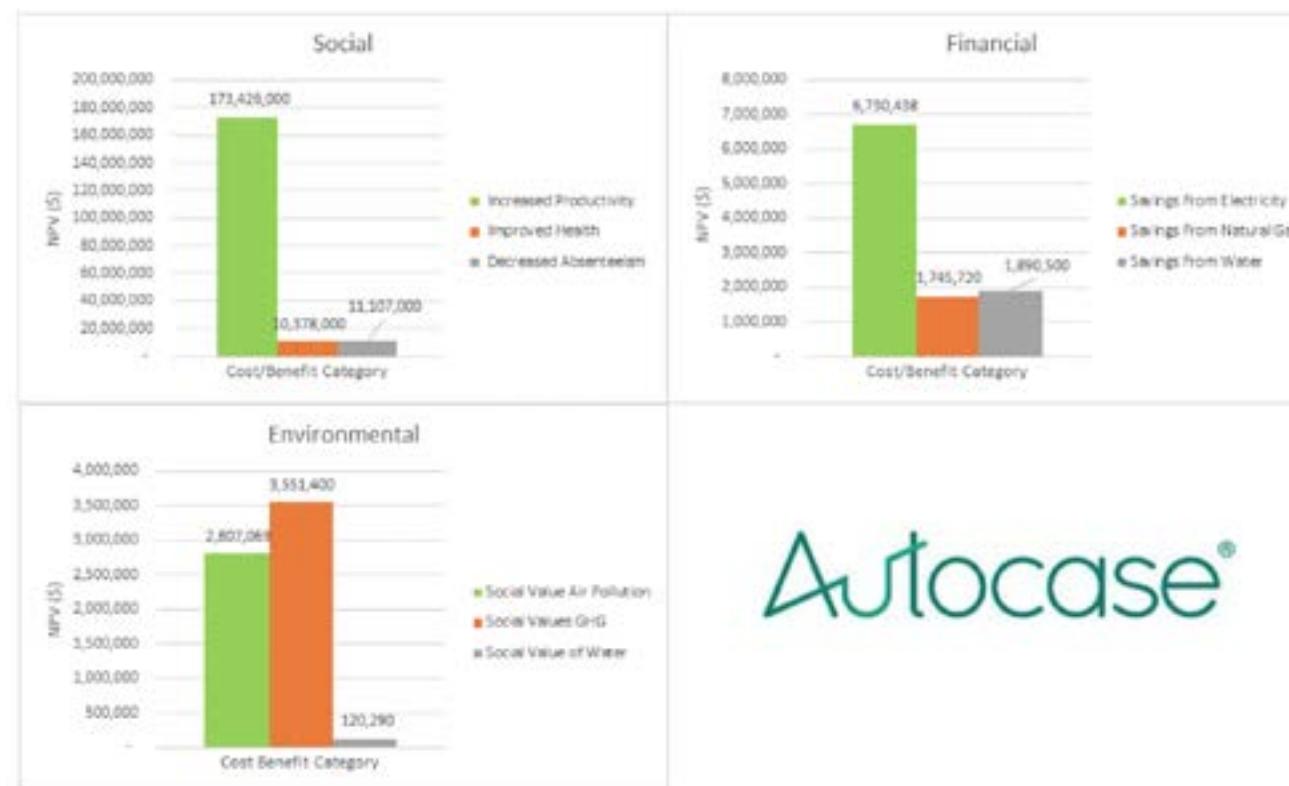


303 SECOND ST – SOMA, SAN FRANCISCO, CA // LEED GOLD, ENERGY STAR, FITWEL

## TRIPLE BOTTOM LINE ANALYSIS

In order to better understand the impact that our buildings have on people and planet, in 2018 we partnered with Autocase to run our first triple bottom line analyses of six development projects.\* These preliminary analyses indicate that for every square foot we build, \$190 of environmental and social value is created over the lifetime of the asset. Social value is defined by public health benefits from improved air quality, decreased absenteeism, increased productivity, reduced carbon emissions and the avoidance of depletions in groundwater and streamflow water sources.

\*The projects evaluated include 100 & 150 Hooper, 333 Dexter, The Exchange, On Vine and One Paseo



SCREENSHOT OF AUTOCASE ANALYSIS

Autocase®

## Community

At KRC, we are deeply aware that our buildings are part of larger community systems and we thrive when the communities around us thrive. We are proud to make these communities better places to live and work. Our employee volunteerism and philanthropy programs have two core areas of focus: Strong Communities and Healthy Planet. As individual employees, regional groups and as a company, those concepts inspire our volunteerism and philanthropy initiatives.

## EMPLOYEE VOLUNTEERISM

Each of the four Kilroy regions has the goal of organizing at least one employee volunteer event annually, which strengthens communities while giving regional teams the opportunity to connect outside of the office. All regions met this goal, with most regions organizing multiple events, which ranged from beach cleanups to reading programs to building backpacks for victims of domestic violence to packing lunches for people experiencing food scarcity. In addition, many properties host community events such as blood drives, safety events with local law enforcement and Earth Day celebrations.

<b>217</b>	<b>379</b>	<b>100</b>
Total Employee Volunteers	Total Volunteer Hours	Organizations Supported
<b>2,256</b>	<b>217</b>	<b>200</b>
Cigarette Butts Removed from Beaches	Pints of Blood Collected	Care Kits Made



1

3

2

4

1

**Heal the Bay** Our employees from the LA region gathered at Dockweiler Beach to clean up our coast. Within 2 hours, we collectively picked up 116 pounds of trash and 2,256 cigarette butts. This beach clean-up provided a fun atmosphere for team building while opening up our eyes to the severity of trash pollution affecting our very own beaches.

2

**Bellevue LifeSprings** Volunteers from our Greater Seattle office prepared healthy snacks for children in need supported by Bellevue LifeSpring. By addressing a child's basic needs, Bellevue LifeSpring helps students focus on their education and break the cycle of poverty.

3

**St Anthony's** Many of our San Francisco employees participated in St. Anthony's Free Clothing Program in the Tenderloin. St. Anthony's provides a plethora of services for community members, including an addiction recovery program, mental health services, justice education, social work, technology access/training, clothing and meals. The Kilroy team helped in the free clothing store by sorting acceptable clothing and hanging clothes by type and size.

4

**Alexandria House and Amanacer KRC** employees from all regions came together to make 200 care kits for victims of domestic violence for our annual service event that precedes our holiday celebration. Alexandra House provides domestic and sexual violence services to women, men, youth and families and Amanacer is a trauma-informed, multicultural agency that provides skilled mental health and case management services for children and adults.



KILROY NAME ON LMU CENTENNIAL SOCIETY WALL

## PHILANTHROPY

We also provide financial support to charitable organizations focused on Strong Communities and a Healthy Planet. Our philanthropic philosophy is to provide unrestricted grants to allow the organizations we believe in to execute their programs most efficiently. We also have a matching gift program to match employee contributions to 501(c)(3) nonprofit organizations, schools and universities. Over 91 nonprofits are supported by these efforts.

### 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.



# GOVERNANCE

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Board Committee // Policies // Ethics & Advocacy

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ON VINE – HOLLYWOOD, LOS ANGELES, CA // TARGETING LEED GOLD

## BOARD CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

In 2018, our Board of Directors established a Corporate Social Responsibility and Sustainability Committee. Their charter charges them with oversight of environmental and social issues at KRC and their role is to oversee and advance our corporate social responsibility and sustainability initiatives and recognize that community engagement and sustainable operations benefit all of our stakeholders and are key to preserving our value and credibility. They both provide input on social and environmental issues based on their broad market experience as well as strategic guidance around employee initiatives in these areas. Jolie Hunt serves as chair of the committee, which is also includes Peter Stoneberg and our CEO, John Kilroy. A new internal KRC team that spans Sustainability, Legal, Human Resources, Administration and Marketing meets regularly to discuss initiatives and progress around social and environmental issues and the Senior Vice President, Sustainability Sara Neff reports to the CSR&S Committee on a quarterly basis.

Jolie Hunt

Peter Stoneberg

John Kilroy

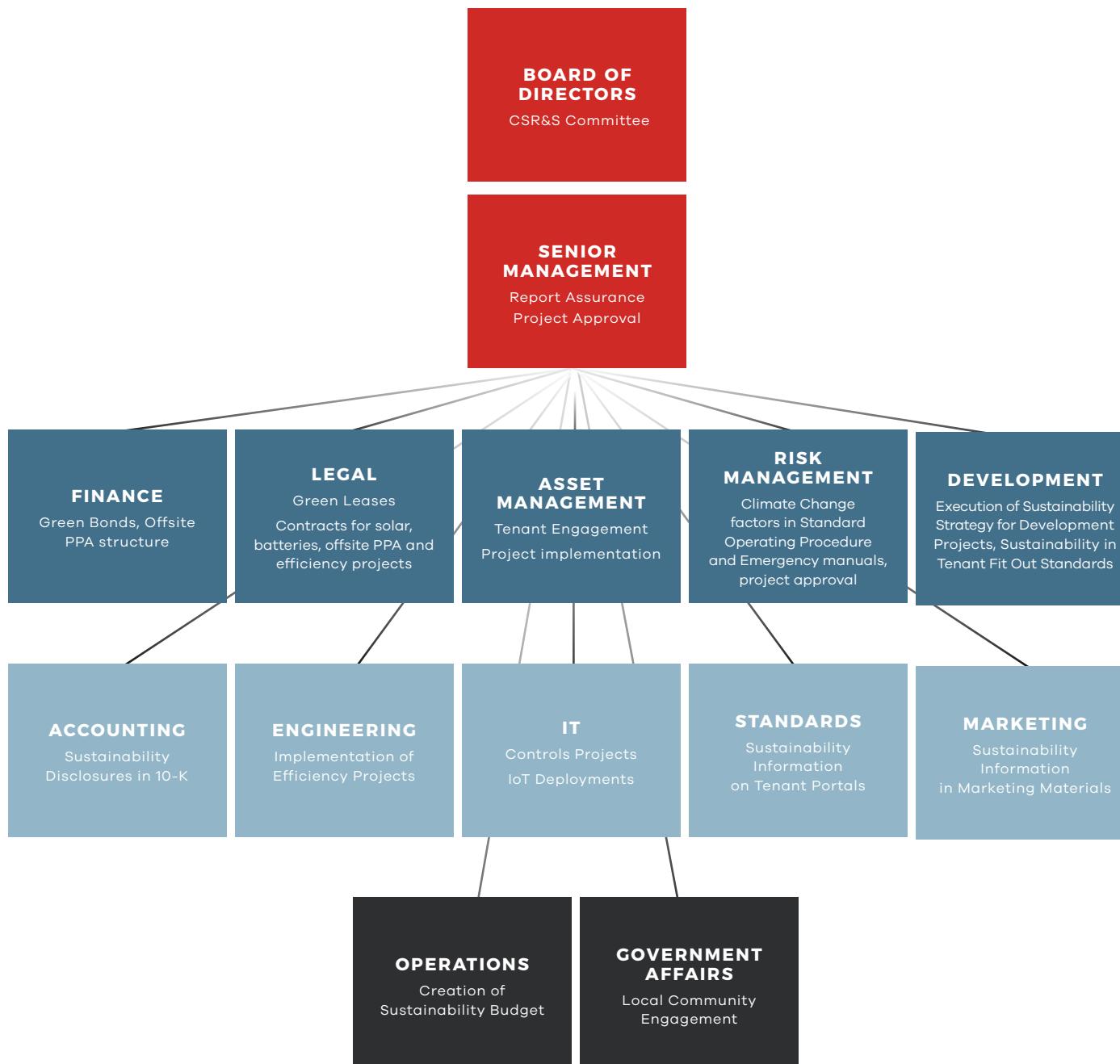
Biographies for the CSR&S Committee members can be found on page 3 of our 2019 proxy statement available here: (<http://investors.kilroyrealty.com/FinancialDocs>).

## POLICIES

KRC sustainability policies (full policy text can be found at: <https://kilroyrealty.com/commitment-sustainability> under 'Action Plan'):

1. SUSTAINABLE SITES POLICY (Effective April 19, 2010)
2. BIODIVERSITY AND HABITAT POLICY (Effective May 5, 2016)
3. SOLID WASTE MANAGEMENT POLICY (Effective July 7, 2013)
4. CONSTRUCTION WASTE POLICY (Effective August 2, 2010)
5. REFRIGERANT MANAGEMENT POLICY (Effective July 7, 2013)
6. GREENHOUSE GAS (GHG) MANAGEMENT POLICY (Effective April 17, 2013)
7. CLIMATE CHANGE POLICY (Effective August 2, 2010)
8. ENERGY POLICY (Effective April 17, 2013)
9. ENERGY MANAGEMENT POLICY (Effective April 17, 2013)
10. INDOOR AIR QUALITY (IAQ) POLICY (Effective July 7, 2013)
11. ENVIRONMENTAL TOBACCO SMOKE (ETS) CONTROL POLICY (Effective January 1, 1995)
12. IAQ MANAGEMENT FOR FACILITY ALTERATIONS AND ADDITIONS POLICY (Effective July 7, 2013)
13. INTEGRATED PEST MANAGEMENT (IPM) POLICY (Effective July 7, 2013)
14. BUILDING EXTERIOR AND MAINTENANCE POLICY (Effective July 7, 2013)
15. GREEN CLEANING POLICY (Effective January 12, 2011)
16. HEALTH AND SAFETY POLICY (Effective July 7, 2013)
17. CONSTRUCTION MATERIALS DESIGN CRITERIA AND BUILDING STANDARDS POLICY (Effective August 2, 2010)
18. VENDOR CODE OF CONDUCT (Effective December 15, 2016)
19. SUSTAINABLE PURCHASING POLICY (Effective July 7, 2013)
20. BUILDING MATERIALS POLICY (Effective March 20, 2012)
21. WATER MANAGEMENT POLICY (Effective July 2, 2014)
22. PLUMBING FIXTURE REPLACEMENT POLICY (Effective July 2, 2014)
23. CALIFORNIA DROUGHT POLICY (Effective January 21, 2014)
24. RESILIENCE POLICY (Effective December 2, 2013)
25. HUMAN RIGHTS POLICY (Effective December 15, 2016)
26. PHILANTHROPY POLICY (Effective December 15, 2016)

## SUSTAINABILITY ACROSS KRC



**Climate Bond Certified**

On November 14, 2018 we announced that our operating partnership, Kilroy Realty, LP priced an underwritten public offering of \$400 million aggregate principal amount of 4.750% senior notes due 2028 with a commitment to allocate the proceeds from these bonds to one or more Eligible Green Projects. We allocated the entirety of the proceeds to our LEED Platinum project the Exchange on Sixteenth. (More information about the environmental benefits of this project can be found on page 60.) This is the first green bond issued in the United States allocated to green buildings that has been certified by the Climate Bonds Initiative, which is the only global certification body for green bonds. This means our use of proceeds verification has been subject to tougher qualification criteria than other green bond issuers and has achieved a higher benchmark. Our Green Bond Framework, Climate Bond Verification and Assurance Opinion letter can be found starting on page 124.

## Partnerships and Industry Associations



**BOMA**



NAREIT  
REIT

2030  
DISTRICTS<sup>®</sup>

**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

- Urban Land Institute (ULI) Greenprint member
- San Diego, San Francisco and Seattle 2030 Districts member
- Institute of Real Estate Management (IREM)
- International Facility Management Association (IFMA)
- National Association of Industrial and Office Properties (NAIOP)
- Young Professionals in Energy (YPE)
- Fitwel Leadership Advisory Board
- Hawthorn Club

## Entities

No entity included in our consolidated financial statements (<http://investors.kilroyrealty.com/>)

**FinancialDocs** 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 our public website and internal intranet and is additionally sent out once a year to all employees via email from our Chief Operating Officer. Additionally, all Section 16 officers of the Company certify and affirm that they have received, read and understand the terms of and have fully complied with the Code of Conduct on an annual basis. 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 and is posted on our public website. Under the Code of Conduct, all consultants 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 consultant'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 consultant does not feel comfortable discussing the matter with the representative, the consultant is to report the matter to the Audit Committee of the Board of Directors through its anonymous and confidential Conduct Hotline.

We did not have any significant bribery, fraud or corruption issues in 2018 or in any prior reporting years. In addition, we had no legal actions for anticompetitive behavior, anti-trust and monopoly practices in 2018 or any prior reporting years.

We subscribe to the precautionary principle, which we interpret by assuming that the construction and operation of our buildings has the potential to threaten the environment and the health of building occupants and those in our supply chain. 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. In addition, we constantly work to stay abreast of industry best practices in procurement and incorporate these practices into our projects.

## Advocacy

- Participated in the City of Santa Monica Workshop on Commercial Buildings to comment on proposed benchmarking legislation
- Attended a series of workshops to provide feedback to Our County, the Los Angeles County sustainability plan under development by the Los Angeles County Chief Sustainability Office
- Attended a series of workshops for the refresh of the City of Los Angeles's Sustainability plan
- Alliance of Regional Collaboratives for Climate Adaptation's (ARCCA) Quarterly Member Meeting
- City of Los Angeles stakeholders meeting for Bloomberg Philanthropies American Cities Climate Challenge

## Environmental Grievances

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 may arise at our urban development sites include contaminated soil, soil vapor and groundwater, hazardous materials, underground storage tanks and encountering unknown structures and materials. We did not have any significant fines or non-monetary sanctions regarding environmental compliance in 2018. We had no significant spills in 2018. We had no grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.



STAKEHOLDER ENGAGEMENT FOR CITY OF LOS ANGELES' SUSTAINABILITY PLAN REFRESH PROCESS

## STAKEHOLDER ENGAGEMENT MATRIX

STAKEHOLDER GROUP	ENGAGEMENT APPROACH	MATERIAL ASPECTS AND TOPICS OF DISCUSSION	STAKEHOLDER GROUP	ENGAGEMENT APPROACH	MATERIAL ASPECTS AND TOPICS OF DISCUSSION
Employees	<ul style="list-style-type: none"> <li>Annual Kickoff calls with sustainability team</li> <li>Annual Employee Satisfaction Survey</li> <li>Internal Quarterly Sustainability Update Memos</li> <li>Training programs and support</li> <li>Annual performance reviews</li> <li>Intranet site for internal communications</li> <li>Whistleblower mechanism</li> <li>Collaboration on projects and certifications</li> <li>Regional Culture Club Events</li> <li>Town Hall Meetings</li> <li>Employee Wellness Programs</li> </ul>	Energy, Water, Effluents/Waste, Product and Service Labeling, Resilience, Awards, Training and Education, Health and Wellness, Diversity and Equal Opportunity, Nondiscrimination	Brokers	<ul style="list-style-type: none"> <li>Broker Green Leasing collaboration</li> <li>Award application collaboration</li> <li>Regional broker appreciation events</li> <li>Attendance and hosting of various broker meetings</li> <li>Panel discussions/webinars</li> </ul>	Product and Service Labeling, Green Leasing, Utility Disclosure, Green Building Standards
Tenants	<ul style="list-style-type: none"> <li>(See Tenant Engagement Matrix page 74)</li> </ul>		NGOs	<ul style="list-style-type: none"> <li>Leadership, Membership and Employee participation in NGO activities</li> <li>Attendance at conferences and other industry events</li> <li>Employee volunteerism</li> <li>Corporate Philanthropy</li> <li>Strategic partnerships</li> </ul>	Transparency, Product and Service Labeling, Energy, Water, Emissions, Effluents and Waste, Emissions, Smart Growth, District Energy Systems, Health and Wellness
Investors	<ul style="list-style-type: none"> <li>TCFD/SASB-aligned disclosure in the Annual Financial Report filed with the SEC</li> <li>Dedicated investor disclosures</li> <li>Quarterly earnings calls including Q&amp;A with senior management</li> <li>Dedicated Investor Relations team</li> <li>Investor meetings and investor events</li> <li>Questionnaires and surveys</li> <li>Property Tours</li> <li>Green Bonds Investor Roadshow</li> </ul>	Economic Performance, Anti-Corruption, Anti-Competitive Behavior, Product and Service Labeling, GRESB Participation, Transparency, Emissions, Governance, Energy, Water, Building Certifications, Community Relations, Resilience, Health and Wellness	Industry Associations	<ul style="list-style-type: none"> <li>Active participation at conferences and meetings</li> <li>Participation on committees and leadership teams, such as BOMA International Energy and Environment Committee</li> <li>Partnerships</li> </ul>	Energy, Water, Transparency, Product and Service Labeling, Resilience, Reporting Frameworks, Health and Wellness
Government	<ul style="list-style-type: none"> <li>Advocacy related to specific development projects</li> <li>Engagement with government representatives on sustainability issues</li> <li>Working group/committee participation for the development of new legislation</li> <li>Attendance at sustainability hearings</li> <li>Collaboration throughout the permitting process</li> </ul>	Materials, Emissions, Energy, Water, Public Policy, Transit-Oriented Development, Transparency, Barriers to Utility Data Access, Benchmarking Ordinances, Compliance, Environmental Grievance Mechanisms	Contractors, Vendors and Suppliers	<ul style="list-style-type: none"> <li>Attendance at conferences and other industry events</li> <li>Contract development and interaction throughout duration of service</li> <li>One-on-one meetings and calls</li> </ul>	Materials, Energy, Water, Procurement practices, Effluents and Waste, EV Charging Infrastructure, Transparency, Health and Wellness
			Media	<ul style="list-style-type: none"> <li>Press releases</li> <li>Interviews with media regarding KRC operations and sustainability</li> <li>Events around significant achievements, such as groundbreakings</li> <li>Social media</li> </ul>	Energy, Water, Transparency, Tenant/Broker/Investor Engagement, Health/Wellness
			Communities	<ul style="list-style-type: none"> <li>Hosting community events, such as emergency preparedness awareness events</li> <li>Interaction with communities throughout the development process, such as town hall meetings</li> <li>Social media</li> <li>Community engagement websites</li> </ul>	Resilience, Energy, Water, Smart Growth, Transit, Economic Development



THE HEIGHTS – DEL MAR, SAN DIEGO, CA // LEED GOLD

# 5 WRAP UP

Materiality // Third Party Validation // Conclusion

## 2018 DISCLOSURE SCORECARD



North American Sustainability  
Leader, Listed Office sector.



One of two American Real Estate  
Companies named to the Dow Jones  
Sustainability World Index.



ISS QualityScore  
Environmental: 1-2  
Social: 1-2  
(Scale: 1-10, 1 is highest possible  
score)



Score: A



Score: B. Within the 46% highest  
scoring companies.



At Dropbox, our mission is designing a more enlightened way of working, which includes accountability for our work's environmental impact. We recently launched Planet DBX, a global organization of Dropboxers dedicated to making environmental sustainability integral to our DNA. We're incredibly excited about moving our headquarters to Kilroy's new LEED Platinum development, The Exchange on Sixteenth in San Francisco later this year. The building's abundant natural light, indoor air quality, full-size gym and other amenities will enhance our employees' health and well-being, which is central to our culture. **Kilroy is a standout amongst landlords in their collaborative, full-service approach and has been a great partner to us in thinking about how to effectively approach sustainability.**

TONY SMITH, SENIOR FACILITIES MANAGER,  
DROPBOX

# Materiality

To define our report content, we use GRI's Principles for Defining Report Content. These help us identify the most relevant environmental, social and governance impacts as they pertain to our business and stakeholders. This includes all information required for the GRI Standard: Core option as well as additional information relevant to our stakeholders. To accomplish this, the sustainability team conducts a thorough Materiality engagement every year. The team surveyed a representational cross section of both our own employees and our external stakeholders. We then shared this process with DNV GL, the third party who is verifying our sustainability report and refined our disclosures based on their findings. Several issues increased in importance according to our stakeholder survey respondents, especially the social topics of diversity and equal opportunity, nondiscrimination and anti-harassment as well as the environmental and health impacts of building materials. Environmental grievance mechanisms decreased in importance.

## External Stakeholder Group

Utility	NGO
Technology	Competitor
Investor	University
Product	City
NGO	Higher Education
Consultant	Tenant
Architect	Ratings Agency
Industry Org	Engineer

## Internal Stakeholder Group

Accounting	Marketing
Asset Management (all regions)	Residential
Investment	Human Resources
Finance	IT
Construction	Financial Reporting
Retail	Government Affairs
Engineering	Legal
Architecture	Operations

## MATERIALITY MATRIX

- Carbon Emissions
- Environmental Impacts of Materials
- Health/Wellness of Building Materials
- Equal Remuneration for Men and Women
- Market Presence
- Human Rights
- Effluents and Waste

- Economic Performance
- Energy
- Water
- Access to Transit and Amenities
- Certifications
- Resilience
- Transparency
- Local Communities
- Compliance (Environmental)
- Anti-Corruption
- Diversity and Equal Opportunity
- Nondiscrimination
- Anti-harassment

Potential Impact on Business

- Biodiversity
- Supplier Environmental Assessment
- Compliance (Social)
- Consumer Health and Safety
- Employment
- Labor Practices
- Mechanisms
- Supplier Assessment of Labor Practices
- Security Practices
- Marketing Communications
- Overall (Environmental)
- Freedom of Association/Collective Bargaining
- Security Practices
- Labor/Management Relations
- Procurement Practices
- Products & Services
- Overall (Environmental)
- Child Labor
- Forced/Compulsory Labor
- Indigenous Rights
- Supplier Human Rights Assessment
- Human Rights Grievance Mechanisms
- Indirect Economic Impacts
- Supplier Assessment for Impacts on Society
- Grievance Mechanisms for Impacts on Society
- Product and Service Labeling
- Marketing Communications
- Consumer Privacy
- Compliance (Product Responsibility)

# Third Party Validation

## CHARTERS, PRINCIPLES, INITIATIVES

- Kilroy Realty has sought third-party assurance of the company's annual GRI report to confirm the quality and completeness of the disclosure for the sixth time.
- This is the first year Kilroy Realty is using the GRI Standards guidelines for its report. For the previous 5 years, we used the GRI G4 standards.
- This sustainability report has been externally assured by DNV GL Business Assurance USA, Inc. Their Independent Assurance Statement can be found on page 134. DNV GL is a third-party assurance provider, unaffiliated with us. DNV GL also performed the assurance of the use of our Green Bond proceeds and their Assurance Opinion Letter can be found on page 128.
- 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 and Legal.

# Conclusion

Thank you for reading our eighth annual sustainability report, which was prepared by Sara Neff (Senior Vice President, Sustainability), Maya Henderson (Director, Sustainability) and Vaishali Sampat (Sustainability Manager). 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 Finland Alejo, Nick, D'Avella, Natalie Alexander, Allan Bevan, Karen Chu, Allison Colberg, Angelica Cunningham, David Cortes, Janelle Duff, Milea Fagar, Mara Farina, Sarkis Hakopyan, Keely Hale, Sarah Hladik, Grace Hwang, Danny Ho, Pauline Hudson, Meagan Johnson, Angela Lawrence, Candace Lee, Bayron Lopez, Melissa Lovett, Marina Martos, Sharon Masch, Robert Masterson, Michelle McDuffy, Tracy Meade, Mark Miltimore, Cheryl Mossa, Connie Muramoto, Heidi Ng, Michelle Ngo, Scott Ritto, Lauren Ross, Suzanne Omar, Lauren Stadler, Samantha Suon, Phil Tate, Timothy Williams, Maggi Williams and Katherine Yau for their help in the preparation of this report.

We value your feedback and welcome any questions, comments or suggestions on this report and our performance.

For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or [sneff@kilroyrealty.com](mailto: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.



Sara Neff  
SVP, Sustainability



Maya Henderson  
Director, Sustainability



Vaishali Sampat  
Manager, Sustainability

## GLOBAL REPORTING INITIATIVE

### GRI 102: GENERAL DISCLOSURES

GRI Standard	Disclosure	Externally Assured	Page # or Link
General Disclosures	102-1	Name of the organization	14
General Disclosures	102-2	Activities, brands, products, and services	14
General Disclosures	102-3	Location of headquarters	106
General Disclosures	102-4	Location of operations	14
General Disclosures	102-5	Ownership and legal form	106
General Disclosures	102-6	Markets served	14
General Disclosures	102-7	Scale of the organization	14
General Disclosures	102-8	Information on employees and other workers	82-83
General Disclosures	102-9	Supply chain	25
General Disclosures	102-10	Significant changes to the organization and its supply chain	25
General Disclosures	102-11	Precautionary Principle or approach	107
General Disclosures	102-12	External initiatives	110
General Disclosures	102-13	Membership of associations	106
General Disclosures	102-14	Statement from senior decision-maker	10-13
General Disclosures	102-15	Key impacts, risks, and opportunities	27
General Disclosures	102-16	Values, principles, standards, and norms of behavior	106-107
General Disclosures	102-18	Governance structure	see Proxy Statement <a href="http://investors.kilroyrealty.com/FinancialDocs">http://investors.kilroyrealty.com/FinancialDocs</a>
General Disclosures	102-40	List of stakeholder groups	Yes 110-111
General Disclosures	102-41	Collective bargaining agreements	83
General Disclosures	102-42	Identifying and selecting stakeholders	Yes 110-111
General Disclosures	102-43	Approach to stakeholder engagement	Yes 110-111
General Disclosures	102-44	Key topics and concerns raised	Yes 10-13
General Disclosures	102-45	Entities included in the consolidated financial statements	106

General Disclosures	102-46	Defining report content and topic Boundaries	Yes	4
General Disclosures	102-47	List of material topics	Yes	117
General Disclosures	102-48	Restatements of information		123
General Disclosures	102-49	Changes in reporting		123
General Disclosures	102-50	Reporting period		123
General Disclosures	102-51	Date of most recent report		123
General Disclosures	102-52	Reporting cycle		123
General Disclosures	102-53	Contact point for questions regarding the report		119
General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards		123
General Disclosures	102-55	GRI content index		120
General Disclosures	102-56	External assurance		118

### GRI 201: ECONOMIC PERFORMANCE

Economic Performance	103-1	Explanation of the material topics and its boundaries	KRC 10-K <a href="http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML">http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML</a>
Economic Performance	103-2	The management approach and its components	KRC 10-K <a href="http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML">http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML</a>
Economic Performance	103-3	Evaluation of the management approach	KRC 10-K <a href="http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML">http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML</a>
Economic Performance	201-1	Direct economic value generated and distributed	KRC 10-K <a href="http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML">http://www.snl.com/IRWeblinkx&gt;ShowFile.aspx?KeyFile=396760316&amp;Output=HTML&amp;Format=HTML</a>
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This is our eighth corporate sustainability report and sixth developed in accordance with GRI guidelines. For the first time, this report has been prepared in accordance with the GRI Standards: Core option. For the previous 5 years, we used the GRI G4 standards. The report covers all of our activities, all of which are located in the United States, during calendar year 2018. We publish a corporate sustainability report on an annual basis. The last Kilroy Realty corporate sustainability report was published in April 2018 and covered calendar year 2017. Since our last report, there have been no significant restatements. Since last year's report, we have decreased the square footage of our stabilized portfolio by approximately 3.8% percent, from 13.7 million square feet to 13.2 million square feet. Like-for-like, our occupancy decreased over this period from 94.5% to 94.1%. The external assurance report can be found on page 131. The external assurance provider has used the AA1000 Assurance Standard (08) as the basis of the assurance.

Kilroy Realty Corporation

## GREEN BOND FRAMEWORK

### Introduction:

Kilroy Realty Corporation (KRC)’s 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.

KRC will accomplish this goal by achieving the highest levels of performance in energy and water efficiency, waste management, supply chain management, tenant engagement, human capital development environmental construction, sustainable building operations, green building certifications, materials selection and community involvement. Our objectives in these areas are aligned with the UN Sustainable Development Goals.

KRC has a committee of the Board of Directors known as the ‘Corporate Social Responsibility & Sustainability Committee’ comprising three directors who make recommendations to the Board on social responsibility and sustainability priorities and policies. In 2018, the Committee endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations because it believes TCFD is the most robust climate change disclosure framework available and will help us define the climate change impacts that will be material to our business.

### Framework Overview:

This Green Bond Framework sets out how KRC proposes to use the proceeds of Green Bonds for the construction of Eligible Green Projects in a manner consistent with our sustainable values and provide the transparency and disclosures investors need to make investment decisions. This framework includes the four core components of the Green Bond Principles:

- Use of Proceeds
- Selection and Evaluation of Eligible Green Projects
- Management of Proceeds
- Reporting

This Green Bond Framework is established in accordance with the Climate Bonds Standard version 2.1. It also adheres to the Green Bond Principles, 2018, issued by the International Capital Markets Association (ICMA.) This framework may, from time to time, be updated and will be applied to any green bond issued by KRC.

### Use of Proceeds:

The proceeds from the issuance of Green Bonds by KRC will be applied to finance investments in property development projects that earn either LEED Gold or LEED Platinum under any of the US Green Building Council (USGBC) Building Design & Construction Rating Systems: Core & Shell or New Construction. The environmental objective of the bond is to finance buildings that have thoughtfully reduced their environmental footprint in accordance with rigorous international standards and our bonds will be aligned with the Climate Bond Standard Sector guidance on Low Carbon Buildings.

### Selection and Evaluation of Eligible Green Projects:

We have chosen to allocate all KRC Green Bonds to LEED Gold and Platinum development projects. We believe that LEED is the correct framework because LEED is the most widely used and recognized green building rating system in the world and it provides a framework to create healthy, highly efficient and cost-saving green buildings. LEED Gold buildings on average use 30% less energy than standard buildings and Platinum buildings use on average 40% less energy than standard buildings and we believe these significant sustainability gains are in line with the goals of the Climate Bond Standard.

With this objective in mind, a feasibility report is prepared prior to embarking on every KRC development project to determine the project’s ability to earn a particular level of LEED certification. This is done via a LEED charette conducted prior to the design phase of the project which includes representatives from KRC, the project architect, the project mechanical, electrical and plumbing engineer, the civil engineer and the general contractor. Based on this charette, KRC’s Senior Vice President, Sustainability then sets the LEED target for the project.

The KRC Finance team will make an assessment of potentially eligible projects on the basis of the above framework (see “Use of Proceeds”) to determine if the proceeds of the Green Bond issuance can be deployed to particular projects. If the criteria are met, Finance would recommend the utilization of proceeds from the bond issuance to respective Eligible Green Projects for approval by the Chief Financial Officer. A project would be excluded if any person on the development, sustainability or finance teams believed that a project was in material danger of not achieving at least LEED Gold certification. Greenfield projects would also be excluded, as would any that would trigger additional social disclosures under the Global Reporting Initiative (GRI) Standard framework. No current project in our development pipeline would be at risk of exclusion under these criteria and since 2014 we have never failed to earn at least LEED Gold on a ground up development project or a major renovation as a result of our aggressive sustainability objectives and robust internal capacity for achieving those objectives.

The Finance team would also check if any previous green bond proceeds have been allocated to the project and ensure that there is no double counting of expenditure for the use of proceeds in future green bond issuances.

In respect of subsequent issuance of green bond or changes to the initial list of projects, a similar assessment and approval process would be carried out by the company.

#### Management of Proceeds:

KRC will allocate an amount equal to the net proceeds from the issue of Green Bonds for the financing of Eligible Green Projects. The company will establish internal tracking systems to monitor and account for the allocation of the proceeds.

The Development Accountant assigned to the development project will manage the use of proceeds via properly tracking project expenses in our internal job cost tracking system. The allocation of the use of proceeds is monitored constantly by the Development Accountant and is then reviewed annually by a member of the Sustainability Team. If a chosen project failed to meet eligibility criteria we would remove the project from the Green Bond allocation and replace it with an eligible project. With a robust development pipeline, we are confident that we have enough projects to which we could reallocate proceeds should this become necessary.

If the proceeds are not fully allocated to the chosen project we have accounting mechanisms in place to ensure that the balance remains in a separate account and that this balance can then be allocated as cash to a different eligible project.

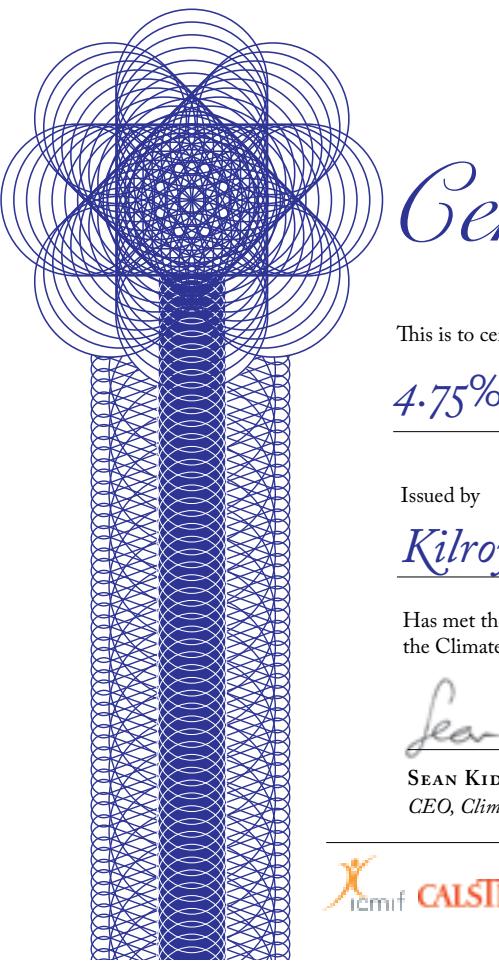
We intend to approve the allocation of bond proceeds annually.

#### Reporting:

So long as KRC has Green Bonds outstanding, the Company will annually report in its sustainability report and on its website, 1) the use of proceeds (project name, LEED certification date and level) for each green bond issued, 2) the total amount of proceeds allocated to Eligible Projects and balance of unallocated proceeds contractual maturity dates, 3) energy and water savings achieved from the LEED baseline in the development project, as well as current energy star scores once the projects achieve eligibility through 12 months of continuous occupancy and 4) management confirmation that the use of proceeds of the Green Bonds is in alignment with the KRC Green Bond Framework. Wherever possible, KRC will also report on the other environmental impacts of the investments.

#### Assurance:

KRC's Green Bond Framework will be reviewed by DNV GL, whose opinion letter will be published on the KRC website and will appear in KRC's Annual Sustainability Report.



## Certification

This is to certify that the

**4.75% Green Bond Due 2028**

Issued by

*Kilroy Realty, LP*

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative

*Sean Kidney*

SEAN KIDNEY  
CEO, Climate Bonds Initiative

*2 April 2019*



Climate Bonds  
INITIATIVE



## KILROY REALTY CORPORATION GREEN BOND

### DNV GL ASSURANCE OPINION

#### Scope and objectives

Kilroy Realty Corporation ("KRC" or "Issuer") has issued a \$400 million bond in USD with ISIN: US49427RAN26 in USD (henceforth referred to as "BOND") and has achieved Pre Issuance Certification against the Climate Bonds Standard (CBS). KRC has submitted the BOND to DNV GL Business Assurance Pty Ltd ("DNV GL") for Pre and Post Issuance Verification.

KRC intended to use the proceeds of the BOND to finance a nominated projects and assets falling under the following categories:

- Low Carbon Buildings – Commercial

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as "DNV GL") has been commissioned by KRC to provide verification of the BOND as an independent and approved verifier under the Climate Bonds Standard. Our criteria and information covered to achieve this is described under 'Work Undertaken' below.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BONDS, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the BOND has met the criteria of the Climate Bonds Standard and the associated Technical Criteria on the basis set out below.

The scope of this DNV GL opinion is limited to the Climate Bonds Standard Version 2.1 and the following associated Sector Technical Criteria:

- Low Carbon Buildings – Commercial

#### Responsibilities of the Management of KRC and DNV GL

The management of KRC has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform KRC management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by KRC. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by KRC's management and used as a basis for this assessment were not correct or complete.

#### Basis of DNV GL's opinion

DNV GL has conducted the verification against the CBS v2.1 and associated Sector Technical Criteria through the creation and execution of a verification protocol addressing each requirements of the CBS



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v2.1 and the associated Sector Technical Criteria. The detail of areas covered in the DNV GL verification is summarised in Schedule 2 below.

#### Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by KRC in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation and execution of a Climate Bonds Standard Protocol, adapted to include the relevant Sector Technical Criteria for the BOND nominated projects and assets, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by KRC on the BOND and supplemented by a high-level desktop research, meetings and correspondence for documentation review and interviews with key personnel from the issuer KRC. These checks refer to current assessment best practices and standards methodology;
- Discussions with KRC management, and review of relevant documentation;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.



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## Findings and DNV GL's opinion

DNV GL has performed the Pre and Post Issuance Verification of the KRC Green Bond with ISIN: US49427RAN26. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the KRC Green Bond with the Climate Bonds Standard.

DNV GL conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits or Reviews of Historical Information*. The verification included i) checking whether the provisions of the Climate Bonds Standard were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's verification approach draws on an understanding of the risks associated with conforming to the Climate Bonds Standard and the controls in place to mitigate these. DNV GL planned and performed the verification by obtaining evidence and other information and explanations that DNV GL considers necessary to give limited assurance that the KRC Green Bond meets the requirements of the Climate Bonds Standard.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the KRC Green Bond is not, in all material respects, in accordance with the Pre and Post Issuance requirements of the Climate Bonds Standard Version 2.1 and Associated Commercial Low Carbon Buildings Criteria.

**for DNV GL Business Assurance USA, Inc**

Oakland, 29 March 2019

**Mark Robinson**  
Manager, Sustainability Services  
DNV GL – Business Assurance

**Natasha D'Silva**  
Senior Consultant, Sustainability & Supply Chain Services  
DNV GL – Business Assurance

### About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.



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## SCHEDULE 1: DESCRIPTION OF NOMINATED ASSETS

Eligible Projects & Assets Category	Sub category	Project name	Emissions Intensity Benchmark Limit <sup>1</sup> (kg CO <sub>2</sub> e/m <sup>2</sup> /yr)	Emissions Intensity Performance (kg CO <sub>2</sub> e/m <sup>2</sup> /yr)	KRC exposure as at 29 March 2019 (USD \$m)
Low Carbon Buildings	Commercial Low Carbon Buildings	The Exchange, Mission Bay	9.74	5.48	408
<b>Total</b>					<b>\$408m</b>

<sup>1</sup> San Francisco CBI Baseline (base building) for Bond term of 2018 – 2028 <https://www.climatebonds.net/standard/buildings/commercial/calculator>

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**SCHEDULE 2: VERIFICATION CRITERIA****Summary criteria for assertions of compliance with the Climate Bonds Standard v2.1**

The criteria against which KRC and its nominated projects and assets have been reviewed prior to inclusion in the Bond are grouped under the requirements as detailed within the Climate Bonds Standard Version 2.1 including:

**Part A: General Requirements**

<b>Area</b>	<b>Requirement</b>
Project Nomination	The Climate Bond issued must specify the project collateral or physical assets with which it is associated
Use of Proceeds	Proceeds must be allocated to Nominated Project(s)
Non-Contamination	Issuers are permitted a grace period to allocate or re-allocate funds to Nominated Project(s)
Confidentiality	The information disclosed to the Verifier and the Climate Bonds Standards Board may be subject to confidentiality arrangements
Reporting	Reporting on use of proceeds and nominated projects and assets

**Part B: Low Carbon Contribution - Eligible projects and physical assets**

Nominated projects and assets include financing of or investments in equipment and systems which enable the mitigation of greenhouse gasses, as detailed in Appendix B.

<b>Area</b>	<b>Requirement</b>
Low Carbon Buildings (Commercial)	If a city baseline is available for setting emissions intensity performance benchmarks for Green Buildings, that option must be used to demonstrate compliance.

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	For San Francisco, the emissions intensity performance benchmark (base building) for a Bond term of 2018 to 2018 is 9.74 kgCO <sub>2</sub> e/m <sup>2</sup> /yr as per the CBI Low Carbon Buildings Calculator. To qualify, the nominated projects and assets must have an emissions intensity below this benchmark.
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**Part C: Bond structures**

<b>Area</b>	<b>Requirement</b>
Project Holding	The issuer of a Corporate Climate Bond with Nominated Projects linked to a portfolio of assets must continue to hold eligible assets at least equal to the Fair Market Value at the time of issuance of the original principal
Settlement Period	Climate Bond issuing entities must demonstrate that the proceeds of a Climate Bond have been allocated to the Nominated Project(s) within 24 months after the bond is issued
Earmarking	The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets

## Independent Assurance Statement

### Scope and Objectives

**DNV GL Business Assurance USA, Inc. (DNV GL)** was commissioned by Kilroy Realty Corporation (KRC) to conduct independent assurance of its 2018 Sustainability Report (the Report), for the year ended 31 December 2018, as published on the company's website at: <https://kilroyrealty.com/sites/default/files/kilroy-realty-corporation-sustainability-report-2018.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 KRC 2018 Annual Report, which is 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 which include energy consumption (page 41), greenhouse gas (GHG) Scope 1, 2 and 3 emissions<sup>1</sup> (page 26), waste generated (page 52), and water use assertions (page 48) (the performance data).
- GRI Indicators:
  - 102-40 and 102-42 to 102-44: Stakeholder Engagement; 102-46: Report Content & Boundaries; 102-47: Material Topics
  - 302-1: Energy Consumption; 302-4: Reduction of Energy Consumption
  - 303-5: Water Consumption
  - 305-1: Direct GHG Emissions; 305-2: Indirect GHG Emissions; 305-3: Other Indirect GHG Emissions; 305-5: Reduction of GHG Emissions
  - 306-2: Waste

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 KRC's data protocols for how the data are measured, recorded, and reported. The reporting criteria against which the GHG verification was conducted is the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) Greenhouse Gas Protocol – Corporate Accounting Standard.

### Responsibilities of Kilroy Realty Corporation and of the Assurance Providers

KRC has sole responsibility for preparation of the Report. DNV GL's responsibility was to carry out the assurance engagement on the Report in accordance with our contract with KRC. Our statement, however, represents our independent opinion and is intended to inform all KRC'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 sixth year of providing assurance for KRC. 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. We undertook the following activities:

- Review of the current corporate responsibility issues that could affect KRC and are of interest to stakeholders;
- Review of KRC's approach to stakeholder engagement and recent outputs;

<sup>1</sup> Scope 3 categories verified include; Category 13

- Review of information provided to us by KRC on its reporting and management processes relating to the Principles;
- Conduct interviews with the Senior Vice President Corporate Finance, Treasurer and Investor Relations; Vice President Risk Management; Manager Operational Technology; Vice President Corporate, Legal; Senior Coordinator 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 KRC's governance arrangements, stakeholder engagement activity, management priorities, and systems;
- Assess documentation and evidence that supported and substantiated claims made in the Report;
- Review 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;
- Provide feedback on a draft of the report based on our assurance scope.

In addition, the following methods were applied during the verification of KRC's GHG Scope 1, 2 and 3 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 KRC'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.**

KRC has demonstrated proactive engagement with stakeholders throughout its business operations and in its value chain. The Report reflects the significant sustainability challenges as well as stakeholder expectations and concerns identified through these formal and informal processes. The company has continued to increase its efforts to engage its suppliers and expand its understanding of corporate responsibility and sustainability risks in its supply chain. In 2018, the company conducted a pilot of its Supplier Social Sustainability Survey with the intent to roll out the survey to all Tier 1 suppliers in 2019. As part of the process to update its objectives related to this issue area, including the related UN SDG #12, DNV GL recommends that the company seek the input of key external stakeholders to validate whether the identified metrics are meaningful and measure the performance that is of interest. This can help KRC ensure that the newly established targets and KPIs are aligned with the company's core business strategy as well as addresses the expectations of stakeholders.

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

KRC conducted a materiality assessment in 2018 to confirm the topics covered in the Report. The assessment process is documented and considers inputs from diverse range of sources including external stakeholders and internal business functions, megatrends, financial considerations, and overall sustainability context. The resulting prioritization of material issues has been reviewed by the company's management team. KRC has noted within the Report the issues, such as diversity on the Board and in the company workforce as well as environmental and health impacts of buildings, which have increased in importance from the previous reporting period.

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

During our review, we found evidence that KRC engages and responds to stakeholders throughout the company's operations and that sustainability is integrated into decision-making process. The Report presents a good overview of how the company has consulted with stakeholders and responded to emerging sustainability issues. In 2018, the company established a Corporate Social Responsibility and Sustainability Committee on the Board. Committee membership includes Board Members with expertise in the issues that have increased in importance to stakeholders.

### Performance Information:

KRC's reporting of performance including the disclosure of data is comprehensive and the indicators are disclosed in a balanced manner. Goals and performance data are presented objectively, with clear and balanced representation of 2018 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.

DNV GL recommends as part of the company's continual improvement in its reporting of carbon emissions, KRC conduct an analysis to determine what percent of operational control, if any, it has in each of the company's indirectly managed assets (across both office and life-science) as it relates to energy consumption and carbon emissions. This will help the company determine the significance of these operations to its Scope 1 and Scope 2 emissions and more clearly define its Scope 3 boundaries.

### Data Verified

The environmental footprint claims for KRC's whole portfolio which includes managed assets, indirectly managed assets, and Life Science assets are listed below. For detail of environmental performance by managed assets, indirectly managed assets, and Life-Science assets, please see page numbers of the Report referenced in the first page of this assurance statement.

### Greenhouse Gas Emissions

- 2018 Greenhouse Gas Emissions
  - Scope 1 Emissions 3,908 MtCO<sub>2</sub>e
  - Scope 2 Emissions (Location-Based) 33,207 MtCO<sub>2</sub>e
  - Scope 2 Emissions (Market-Based) 30,439 MtCO<sub>2</sub>e
  - Scope 3 Emissions (Downstream Leased Assets) 31,984 MtCO<sub>2</sub>e

### Energy

- 2018 Total Energy Consumption 299,510 MWh

### Water

- 2018 Total Water Consumption 980,859 m<sup>3</sup>

### Waste

- 2018 Waste Generated 8,486 tons

2018 Like for Like: (Buildings are excluded from the like for like portfolio if they were bought or sold within the 2018 or 2017 reporting period, or stabilized in the current reporting period)

### Greenhouse Gas Emissions

- 2018 Greenhouse Gas Emissions
  - Scope 1 Emissions 3,782 MtCO<sub>2</sub>e
  - Scope 2 Emissions (Location-Based) 31,336 MtCO<sub>2</sub>e
  - Scope 2 Emissions (Market-Based) 28,568 MtCO<sub>2</sub>e
  - Scope 3 Emissions (Downstream Leased Assets) 25,961 MtCO<sub>2</sub>e

### Energy

- 2018 Total Energy Consumption 267,546 MWh

### Water

- 2018 Water Consumption 850,896 m<sup>3</sup>

DNV GL Business Assurance USA Inc.

Oakland, California

April 5, 2019

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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.dnvg.com](http://www.dnvg.com)



