

# 2017 SUSTAINABILITY REPORT

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**KILROY**

**@KILROYGREEN**



**ENERGY STAR**

Partner of the Year 2014 - 2018  
Sustained Excellence 2016 - 2018



**GRESB**

Green Star 2013 - 2017  
Sector Leader & #1 Ranking in North America 2014 - 2017



**NAREIT**

Leader in the Light Award,  
Office Sector 2014 - 2017



**DOW JONES SUSTAINABILITY WORLD INDEX**

Member 2017



At Kilroy Realty Corporation, we believe in aggressively pursuing **high-performance environmental building initiatives** that create economic value for our tenants, shareholders and employees.

# A Word from our CEO

**-4%**  
**REDUCTION**  
 in office energy  
 consumption

**73%**  
**ENERGY  
 STAR**  
 certified  
 portfolio

**5x**  
**RECOGNIZED**  
 Energy Star  
 Partner of the  
 Year Award

**58%**  
**LEED**  
 certified  
 portfolio

**-9%**  
**GREENHOUSE  
 GAS REDUCTION**  
 whole portfolio

In 2017 we solidified our position as the North American leader in sustainable office development and operations. This required us to implement a variety of industry-leading innovations while again shrinking the environmental footprint of our assets.

For the fourth year in a row, the Global Real Estate Sustainability Benchmark (GRESB), the global real estate industry's most rigorous standard for sustainability performance, ranked us first in North American office out of 49 participants. 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 fourth year in a row for superior, comprehensive and continuous sustainability practices in the office sector. Finally, we were added to the Dow Jones Sustainability World Index in 2017. This index includes 319 top ranked companies on sustainability across 60 industries, and we were one of only three North American real estate companies named to the World Index in 2017.

Let's take a look at the numbers for 2017:

- We reduced energy consumption in our office portfolio by 4%, dramatically exceeding our science-based target of 2%.
- Installed 4 MW of solar across 6 sites in Northern and Southern California.
- We reduced water -0.2% in 2017, bringing our total reduction since 2012 to 12%.
- The percentage of our portfolio certified under ENERGY STAR increased from 69% to 73%, encompassing 55 buildings, and we were honored to be recognized for the fifth year in a row with the ENERGY STAR Partner of the Year Award, winning its highest honor, Sustained Excellence, for the third time.



2100 KETTNER, SAN DIEGO, CA

- We completed Fitwel certifications of 10 assets, representing 23% of our portfolio.
- Our recycling diversion rate increased from 43% to 44%

We are the premier developer and operator of LEED properties on the West Coast. All of our development projects are built to LEED Platinum and Gold standards and our stabilized portfolio is 58% 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 Gold certification of the third building at our campus The Heights in San Diego, and continued to pursue the LEED certifications on additional 5.3 million square feet of space in our development pipeline.
- We completed the WELL certification of Hollywood Proper Residences, the residential tower on our Columbia Square campus. This was the first WELL certification for rental units in the world.
- We successfully incorporated all new development projects into our biodiversity program.



ONE PASEO, SAN DIEGO, CA

We have also had successes in our company-wide social and governance practices, also detailed in this report. In particular, we became the first publicly traded company to align our Annual Financial Report with Sustainability Accounting Standards Board (SASB) practices. We did so because we believe that our sustainability data is a material non-financial indicator of our performance and therefore belongs in investor disclosures filed with the SEC.

Going forward, we will continue to lead the market in sustainability, building health, biodiversity, and other cutting-edge initiatives to push our entire industry to reduce its environmental impact. To demonstrate our commitment to innovation around sustainability, we launched the Kilroy Innovation Lab in 2017 to formalize the process through which we implement new technologies in our portfolio.

Over the next 5 years, our focus will be resetting and then meeting science-based targets for carbon reductions in our existing and development portfolios. This will require deep collaboration with tenants, supported by an expansion of our green leasing efforts. It will also require us to push ourselves in sustainable construction by developing innovative, state of the art facilities, and support the sustainable operation of those buildings via strong building standards and highly trained property management teams and engineers. We will increase our focus on

health, achieving additional WELL and Fitwel certifications. Finally, we will continue to lead in policy advocacy, both regionally and nationwide.

Our sustainability challenges include increasing our waste diversion rates despite market obstacles, sourcing water projects to meet our financial targets, and further expanding our biodiversity, health and resilience programs while still delivering the highest levels of excellence in sustainability in our core programs. We have successfully navigated these concerns in the past and are confident that we will continue to do so and grow our sustainability programs even further in coming years.

We are deeply proud of our position as a world leader in sustainable real estate development and operations, and we will continue to grow our sustainability programs via aggressively pursuing sustainability initiatives that bring value to our tenants, shareholders and employees. We look forward to reporting on even more achievements in 2018.

Cordially,

John Kilroy  
Chairman of the Board,  
President and Chief Executive Officer

# Corporate Overview

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

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

At December 31, 2017, the company's stabilized portfolio<sup>1</sup> totaled 13.7 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, 2017 was \$719 million, our office properties were 94.1% occupied and our residential property was 70.2% occupied. In addition, Kilroy Realty had approximately 1.8 million square feet of office space, 237 residential units and 96,000 square feet of retail development under construction with a total estimated investment of approximately \$1.2 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 TOTALED 13.7 MILLION SQUARE FEET OF OFFICE

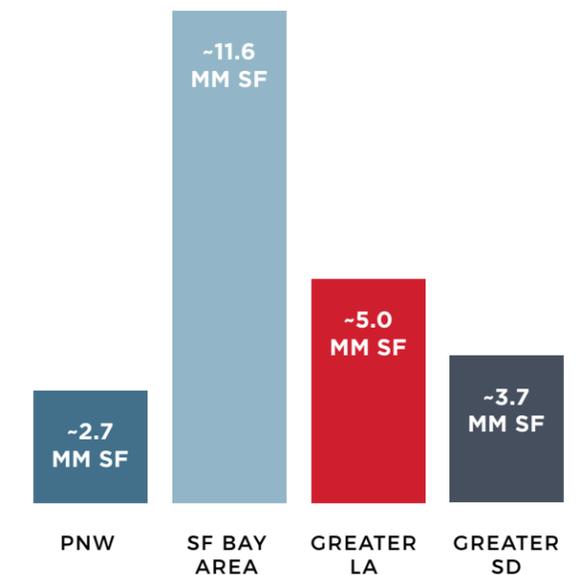
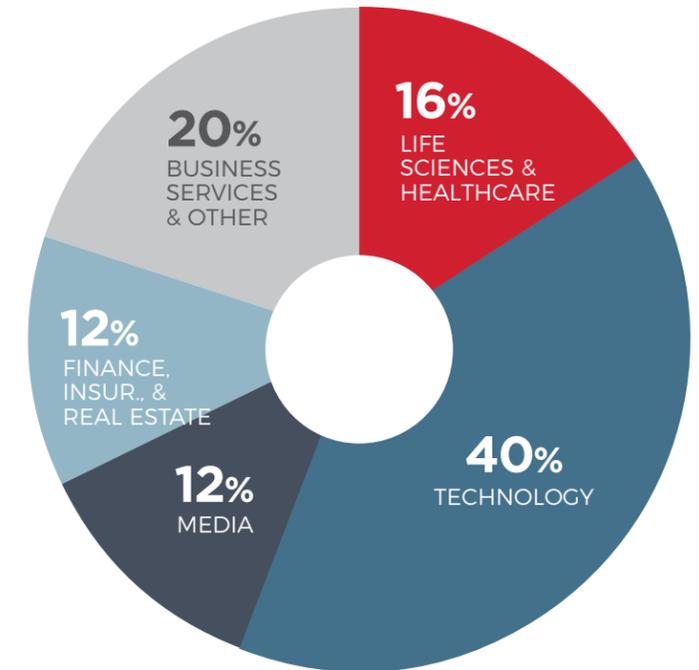
13.7 MILLION

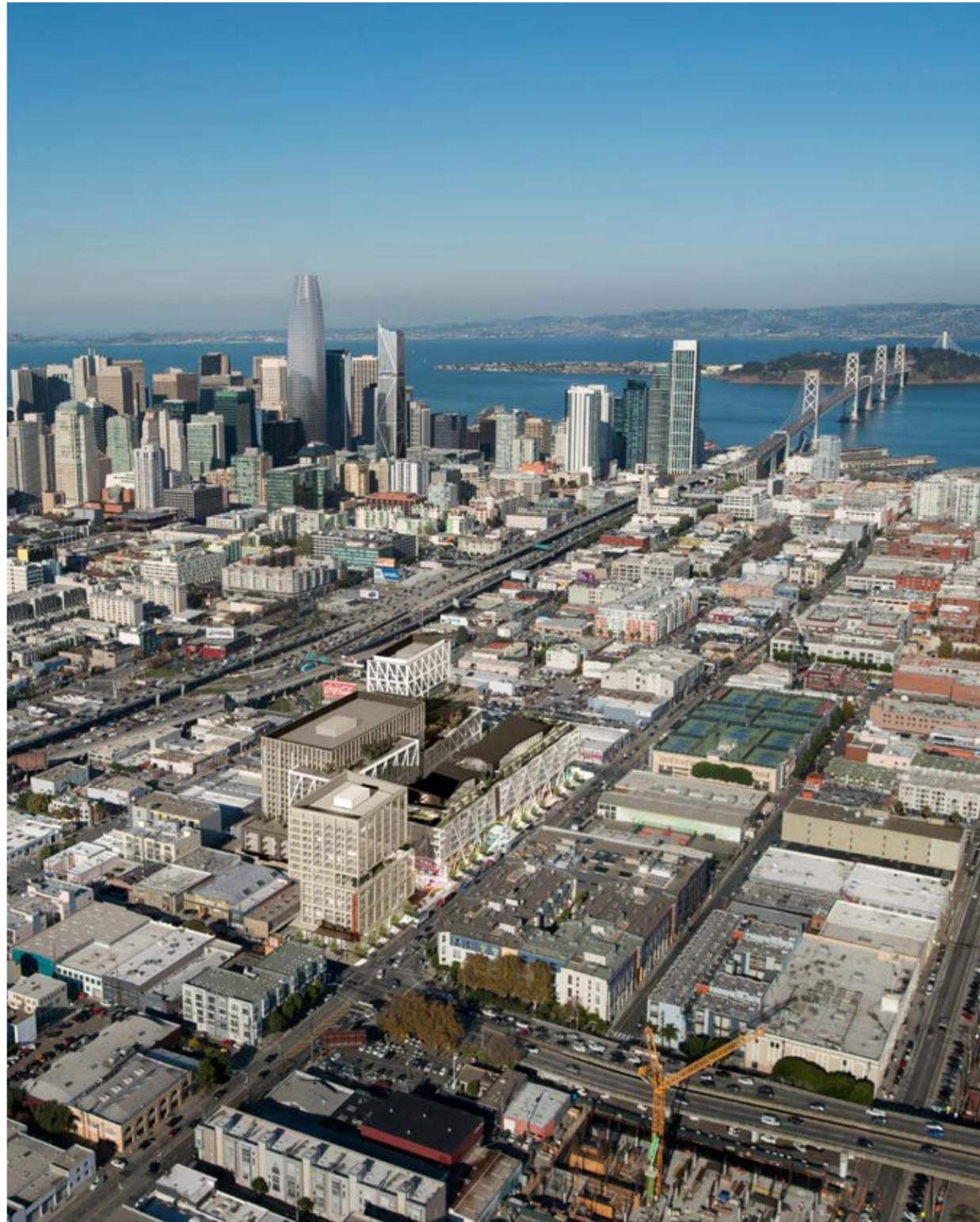
TOTAL REVENUE FOR THE YEAR ENDING 12/31/17

\$719 MILLION

OFFICE PROPERTIES WERE NEARLY 100% OCCUPIED

94.1%





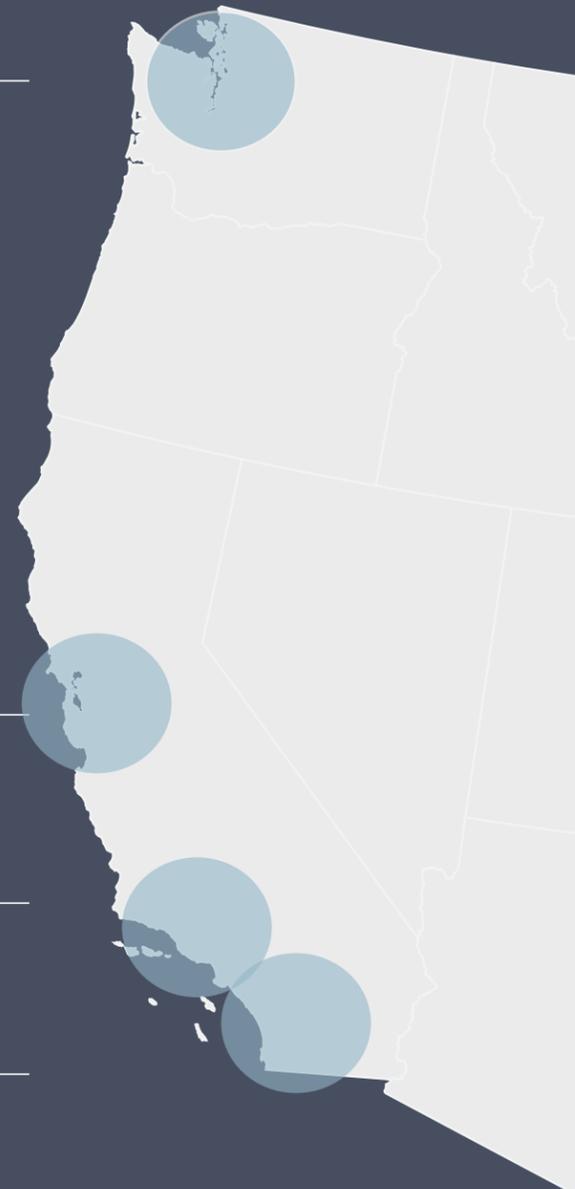
SAN FRANCISCO BAY AREA, CA

**PACIFIC NORTHWEST**  
~2.7MM SF

**SAN FRANCISCO BAY AREA**  
~11.6MM SF

**GREATER LOS ANGELES**  
~5.0MM SF

**GREATER SAN DIEGO**  
~3.7MM SF





# SUSTAINABILITY PROGRAM

Existing Buildings Objectives / New Development Objectives  
/ Program, Vision, Strategy / Sustainability Strategy / KRC  
Sustainability Policies

## EXISTING BUILDINGS OBJECTIVES

For the second 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	
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><b>-72%</b> Achieve a 72% in Scope 1 and Scope 2 GHG emissions from 2015 levels by 2050, a goal derived using Science-Based Targets Guidance. We have submitted this goal to the Science Based Targets Initiative and are awaiting approval.</p>	<p><b>-8.94%</b> Our whole portfolio achieved a 5.52% reduction in Scope 1 and Scope 2 GHG emissions in 2017.</p>	ON TRACK
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><b>-10.3%</b> Our onsite energy consumption is the primary driver of our Scope 1 and 2 GHG emissions, so our short term energy goal that will allow us to meet our long term GHG reduction target is a 10.3% reduction from 2015 energy consumption levels by 2020.</p>	<p><b>-4.48%</b> We achieved a 4.48% reduction in energy consumption in 2017. This is included in our Scope 1 and Scope 2 emissions. Our whole portfolio achieved a 1.63% reduction in energy consumption in 2017.</p>	ON TRACK
 <p>6 CLEAN WATER AND SANITATION</p>	<p><b>-10%</b> Reduce water use 10% from 2015 levels by 2020.</p>	<p><b>-0.2%</b> On track. We achieved a 0.5% water reduction in 2017. Though we had hoped for a more significant reduction, with our performance in 2015 and 2016 we are still on track to meet our 2020 goal.</p>	ON TRACK

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Implement Green Leasing.</p>	<p>Complete. All new leases in our stabilized portfolio and development projects meet The Institute for Market Transformation (IMT)'s highest standards for green leasing. We won two IMT Green Lease Leaders awards in 2016.</p>	COMPLETE
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><b>75%</b> Achieve ENERGY STAR certification for 75% of eligible existing buildings.</p>	<p><b>73%</b> Delayed. We have achieved ENERGY STAR certification for 73% of eligible buildings, and hope to reach 75% by year-end 2018.</p>	DELAYED
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><b>5</b> Perform energy audits or retrocommissioning every 5 years on all existing buildings.</p>	<p><b>1.8 million sf</b> On track. We pursued audits/ retrocommissioning over 1.8 million square feet of space in 2017.</p>	ON TRACK
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p><b>50%</b> Achieve a recycling annual diversion rate of at least 50% in the existing portfolio by 2020.</p>	<p><b>44%</b> While we increased our recycling diversion percentage in 2017, we need to augment our current programs in order to meet our 2020 goal. We are considering wider deployment of post sorting services among other ideas.</p>	DELAYED

## EXISTING BUILDINGS OBJECTIVES (CONT.)

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
	<p><b>100%</b></p> <p>Benchmark all energy, water and waste data on at least a monthly basis, including tenant data.</p>	<p><b>94%</b></p> <p>100% in directly-managed assets and 86% of tenant managed assets, for a 94% coverage rate across our entire portfolio.</p>	COMPLETE
	<p>Engage tenants to reduce their environmental impact through regular communication and action-oriented programs.</p>	<p>On track. More information on page 56.</p>	ON TRACK
	<p>Maintain a portfolio-wide green cleaning program that would earn maximum points under LEED for Existing Buildings.</p>	<p>Complete.</p>	COMPLETE
	<p>Provide electric car charging stations per tenant needs.</p>	<p>On track. More information on page 37.</p>	ON TRACK
	<p>33% of all existing assets earn Fitwel certification.</p>	<p>On track. 23% of our assets earned the certification in 2017.</p>	ON TRACK

## NEW DEVELOPMENT OBJECTIVES

UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	
	<p>All ground-up construction will pursue LEED Gold certification or better, and all major renovations will pursue LEED Silver certification or better</p>	<p>12790 El Camino Real achieved LEED Gold certification in 2017. More information on page 86.</p>	ON TRACK
	<p><b>20%</b></p> <p>Total materials used in development projects will achieve at least 20% recycled content and 10% regional sourcing</p>	<p>On track. All 2017 development projects achieved this goal. We are raising the regional sourcing goal to 20% in 2018.</p>	ON TRACK
	<p><b>75%</b></p> <p>Construction projects will achieve at least 75% diversion of construction waste from landfill</p>	<p>On track. All 2017 projects achieved this goal.</p>	ON TRACK
	<p>All new landscape projects will include at least two pollinator-friendly plants in the landscape design</p>	<p>On track. More information on page 90.</p>	ON TRACK
	<p>Completed development projects earn a health certification within 12 months of full occupancy.</p>	<p>On track. Hollywood Proper Residences, 333 Brannan and 350 Mission all achieved health certifications in 2017.</p>	ON TRACK

## PROGRAM, VISION, STRATEGY

Our sustainability programs incorporate Social, Governance, and Environmental aspects of our operations. Our sustainability vision is a portfolio that minimizes negative social and environmental impacts of the construction and operation of our buildings while maximizing tenant comfort, health and financial returns. We will accomplish this by achieving the highest levels of performance in governance, energy and water efficiency, waste management, tenant engagement, environmental construction, supply chain management, sustainability building operations, green building certifications, materials selection and community involvement.

### SOCIAL

- Hiring Practices
- Employee Engagement
- Philanthropy
- Nonprofit Partnerships
- Health

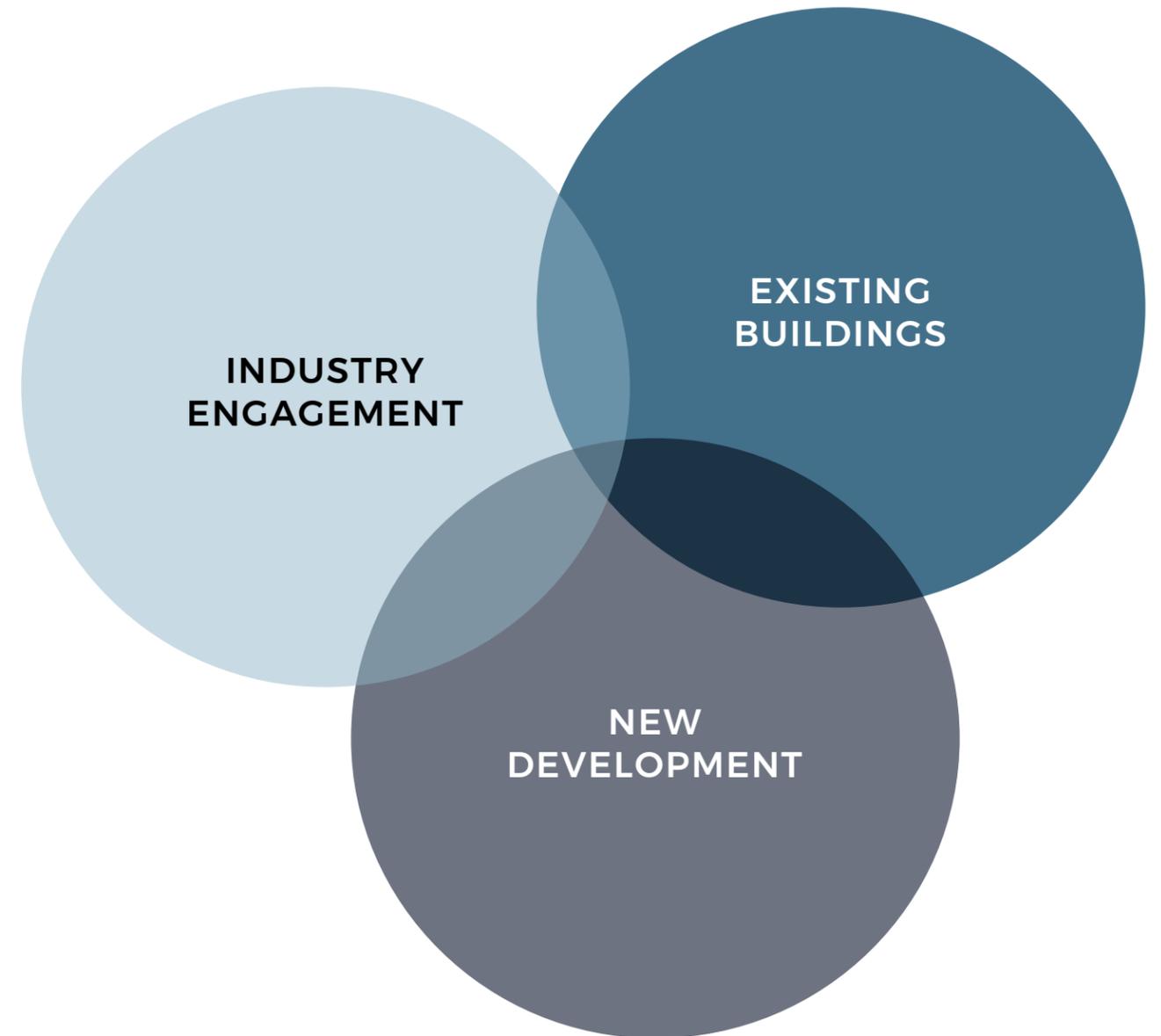
### GOVERNANCE

- Corporate Governance Structures
- Disclosures
- Whistleblower Mechanisms
- Investor Relations

Our Environmental programs span three interacting divisions: Existing Buildings, New Development, and Industry Engagement. We identified the critical issues within these areas to be included in our sustainability programs via a Materiality process. More information on our materiality process can be found on page 122.

### ENVIRONMENTAL PROGRAMS

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Existing Buildings                             <ul style="list-style-type: none"> <li>– Energy Retrofits</li> <li>– Solar and Batteries</li> <li>– Water Efficiency</li> <li>– Tenant Engagement</li> <li>– Recycling</li> <li>– Revitalizations</li> <li>– Electric Vehicle Charging Stations</li> <li>– LEED for Existing Buildings</li> <li>– Certifications</li> <li>– Fitwel Certifications</li> <li>– Biodiversity</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• New Development                             <ul style="list-style-type: none"> <li>– Sustainability Strategy for New Construction and Major Renovations</li> <li>– Investigation of New Building Materials and Technologies</li> <li>– Solar Installations</li> <li>– LEED for Core &amp; Shell and New Construction</li> <li>– Certifications</li> <li>– WELL certifications</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Industry Engagement                             <ul style="list-style-type: none"> <li>– Annual Sustainability Report</li> <li>– Investor Disclosures such as GRESB, DJSI and CDP</li> <li>– Partnerships</li> <li>– Industry Outreach through Speaking Events and Articles</li> <li>– Awards</li> </ul> </li> </ul> |
|--|---|---|



### STEP 1 MARKET ASSESSMENT

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

### STEP 2 ACTION PLAN

- Write Policies
- Create Budget
- Build Consensus
- Design for high environmental performance



### STEP 4 REVIEW

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

### STEP 3 IMPLEMENTATION

- Efficiency Investments
- Sustainable Construction



333 DEXTER, SEATTLE, WA

## KRC SUSTAINABILITY POLICIES

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

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

# 2

## EXISTING BUILDINGS

Energy / Energy Star Certifications / Solar / Storage  
/ EV Charging / Water / Waste / Green Cleaning /  
Green Leasing / LEED / Green Tenant Heroes / Tenant  
Engagement / BOMA 360



333 BRANNAN, SAN FRANCISCO, CA

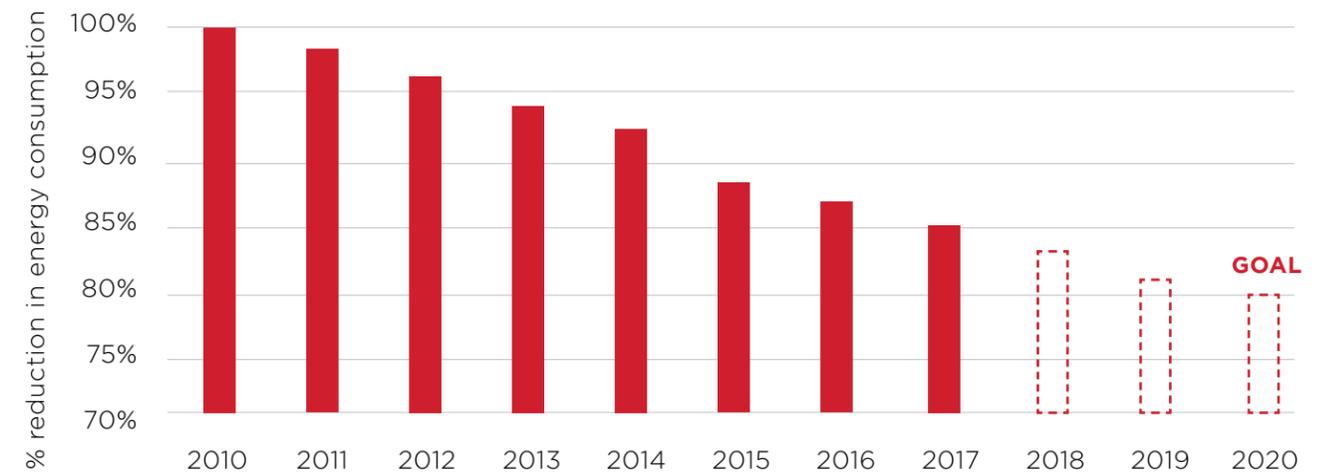
# Energy

## HIGHLIGHTS

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

- **Auditing:** Energy audits and retrocommissioning are a core practice in our energy efficiency programs, and we completed 470,000 square feet of ASHRAE Level II energy audits in 2017. An additional 1.4 million square feet went through retrocommissioning this year. Combined these projects spanned 13% of our portfolio. Energy Conservation Measures recommended as a result of the retrocommissioning and ASHRAE Level II audit processes in these buildings included resetting supply air temperatures and duct static pressure settings. We implemented the recommended changes within 1 month of receiving the results.
- **Solar:** We installed 6 onsite solar projects in 2017. See highlight page 35.
- **Load Profile Analysis:** We have partnered with Gridium since 2012 to get weekly energy load profile analysis information, adding two additional buildings in 2017. In 2015 we began a partnership with MACH Energy to provide us a similar weekly load profile analyses in San Diego.
- **Demand Response:** 28% of our portfolio participates fully in Demand Response events. We hope to enhance our existing Demand Response capabilities with the battery storage capacity we intend to install in 2018. More information on our battery storage program can be found on page 36.
- **Blue Box:** Blue Box is a gentle foam cleanser designed to clean fan coils, as dirty fan coils reduce building energy efficiency and air quality. We did a successful pilot in 2016 in one San Diego building, resulting in a 10.2% pressure drop across the coils, and added an additional six buildings in 2017. These projects also met their projected energy savings goals.
- **Emerging Technologies:** We launched the Kilroy Innovation Lab in 2017. More information on page 37.
- **Controls Upgrades:** Our most exciting controls project was the implementation of the LOBOS Fault Detection and Diagnostic system in 1.2 million square feet of our office space across 9 assets in Long Beach and Calabasas. Long Beach experienced

## ENERGY REDUCTIONS IN THE WHOLE KRC PORTFOLIO



an overall annual 8% energy savings and Calabasas a 3% savings. In addition, we continue to upgrade our Building Automation Systems to optimize energy efficiency throughout our existing portfolio.

- **HVAC Upgrades:** Every year we do extensive HVAC upgrades, and 2017 was no exception. Our 2017 HVAC projects included chiller upgrades, installing VFDs, economizer repairs, replacing supply fans, and installing carbon monoxide sensors. We completed major upgrades in 26% of our square footage and minor upgrades across most of the portfolio.
- **Lighting:** We completed 21 lighting projects spanning approximately 3.6 million square

feet (26% of our portfolio). These primarily focused on parking lot and garage retrofits. We expect approximately 1.6 million kWh of annual savings from these projects and \$316,000.

- **Window Film:** We completed the third phase of a window film project at our large 303 2nd St property in San Francisco. The savings are approximately 105,000 kWh and over \$17,000 annually.
- Our total estimated financial investment in energy efficiency improvements in the existing portfolio totaled approximately \$4.3 million in 2017.

2017 ENERGY PERFORMANCE

Managed Assets			Absolute Consumption				Like-for-Like Consumption		
			2016		2017		2016		2017
			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	18,078	20,431	6,677,026	6,677,026	15,537	15,865	2.11%
		District Heating & Cooling	76,659	71,737	4,903,699	4,903,699	73,271	68,194	-6.93%
		Electricity	49,869	59,210	4,794,373	4,713,306	43,583	42,408	-2.70%
Total Energy Consumption Managed Office Assets			144,606	151,378	N/A	N/A	132,392	126,467	-4.48%

Indirectly Managed Assets			Absolute Consumption				Like-for-Like Consumption		
			2016		2017		2016		2017
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)
Whole Building	Fuels	98,139	97,910	3,414,517	3,655,325	96,629	96,217	-0.43%	
	Electricity	52,586	49,839	3,490,189	3,757,701	48,152	45,073	-6.39%	
Total Energy Consumption Indirectly Managed Office Assets			150,725	147,749	N/A	N/A	144,781	141,290	-2.41%
Total Energy Consumption Whole Office Portfolio			295,331	299,127	N/A	N/A	277,173	267,757	-3.40%

Life Science Assets			Absolute Consumption				Like-for-Like Consumption		
			2016		2017		2016		2017
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)
Whole Building	Fuels	29,404	30,696	1,131,838	1,412,576	11,437	14,364	25.60%	
	Electricity	56,560	52,865	1,521,077	1,895,542	32,587	35,052	7.57%	
Total Energy Consumption Life Science Assets (Directly & Indirectly Managed)			85,964	83,561	N/A	N/A	44,023	49,417	12.25%
Total Energy Consumption Whole Portfolio			381,295	382,688	N/A	N/A	321,196	317,173	-1.25%

<sup>2</sup> 2. The absolute portfolio includes all buildings owned for any portion of 1/1/2016-12/31/2017. These assets total 15,351,315 square feet. Of these assets, 63.2% are directly managed office assets and 26.2% are indirectly managed office assets. The remaining 10.6% are life science assets, all of which are indirectly managed.

<sup>3</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.

<sup>4</sup> For four buildings in San Diego, we obtained whole building energy data for the first time in 2017 as a result of AB 802. To be able to compare this data with the partial building data we had for these buildings in 2016, we multiplied the 2016 consumption by the inverse of the 2016 coverage percentage. This allows us to compare the two years as if they both had complete data coverage. The formula is: 2016 consumption kwh \* (1 / 2016 data coverage %) = adjusted 2016 consumption.

<sup>5</sup> One building in San Diego, which was neither sold nor stabilized during the performance period, stood vacant in 2017. Accordingly, a sharp reduction in energy utilization was evident. This asset accounts for 0.98% of the absolute portfolio based on square footage.



SKYLINE TOWER ASSET MANAGEMENT AND ENGINEERING TEAMS

ENERGY PROJECTS SPOTLIGHT

# MULTIPHASE RETROCOMMISSIONING

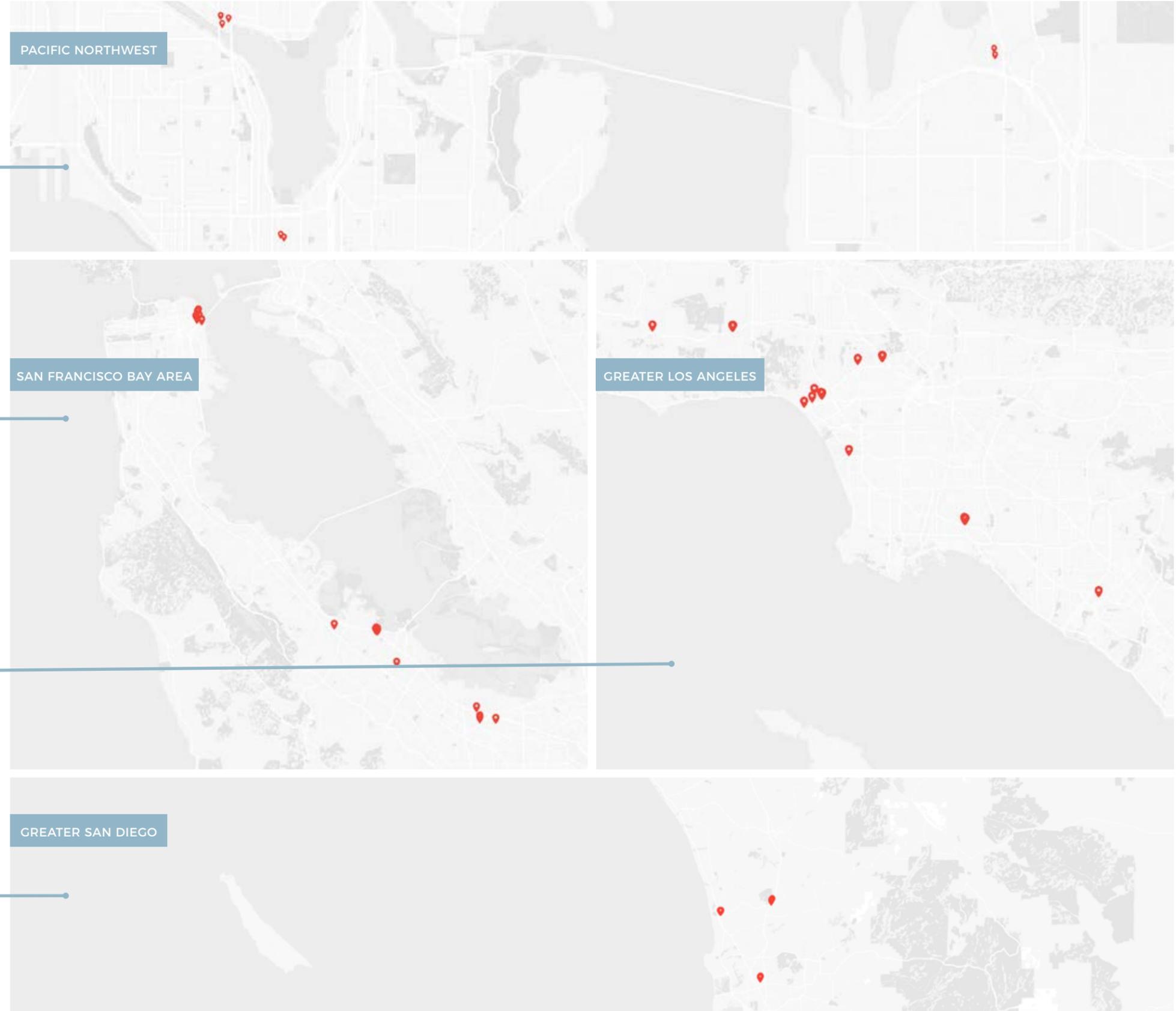
Our Skyline Tower building in Bellevue underwent an extensive, multi-year retrocommissioning program in partnership with Puget Sound Energy. After conducting an initial study, the building replaced an old Siemens Apogee frontend that was running existing pneumatic end devices. They later moved forward with a web-based Tridium controls system. The team conducted the project in 3 large phases over 3 years:

- 2014 - BAS upgrade \$64,457
- 2015 - Mechanical upgrades \$348,272.92
- 2016 - \$53,427.96
- Total upgrade cost: \$466,157.

Puget Sound Energy provided a grant

of \$142,366 at completion of project in 2016, after which the project underwent 12 months of performance metering to ensure that the savings would be maintained going forward. Over the period of the project, the cost per square foot of energy at Skyline Tower went from \$2.01 in 2014 to \$1.71 in 2017, a 15% decrease. As a result of these excellent results, Puget Sound Energy provided an additional a \$90,713 grant at the end of the performance metering period. This represents 50% of the overall project cost, which is the maximum grant amount offered by the utility.

# ENERGY STAR CERTIFICATIONS



PROJECT NAME	REGION	SQ. FT.
321 Terry Avenue North	Seattle	135,755
801 North 34th Street	Seattle	169,412
701 N. 34th Street	Seattle	138,995
837 N. 34th Street	Seattle	111,580
320 Westlake Avenue North	Seattle	184,643
601 108th Avenue NE	Bellevue	488,470
10900 NE 4th Street	Bellevue	416,755
10220 NE Points Drive	Kirkland	49,851
10230 NE Points Drive	Kirkland	84,641
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
900 Jefferson Avenue	Redwood City	228,505
900 Middlefield Road	Redwood City	118,764
4300 Bohannon Drive	Menlo Park	63,079
4400 Bohannon Drive	Menlo Park	48,146
4100 Bohannon Drive	Menlo Park	47,379
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
24025 Park Sorrento	Calabasas	108,671
23975 Park Sorrento	Calabasas	104,797
8560 W. Sunset Boulevard	Hollywood	71,875
6255 W. Sunset Boulevard	Los Angeles	324,617
12200 W. Olympic Boulevard	Los Angeles	150,167
12100 W. Olympic Boulevard	Los Angeles	150,117
12233 W. Olympic Boulevard	Los Angeles	151,029
1550 N El Centro	Los Angeles	200 units
3130 Wilshire Boulevard	Santa Monica	88,340
501 Santa Monica Boulevard	Santa Monica	73,115
2100 Colorado Avenue	Santa Monica	102,864
999 N. Sepulveda Boulevard	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
3900 Kilroy Airport Way	Long Beach	126,840
3840 Kilroy Airport Way	Long Beach	136,026
2211 Michelson Drive	Irvine	271,556
2829 Townsgate Road	Westlake Village	81,067
2355 Northside Drive*	San Diego	53,610
2365 Northside Drive*	San Diego	96,436
2375 Northside Drive*	San Diego	51,516
2385 Northside Drive*	San Diego	89,023
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

**TOTAL SF // TOTAL %**                      **9,123,017 // 73%**

\*Sold in 2017. Not included in square footage.

\*\* Residential Building

## ENERGY PROJECTS SPOTLIGHT

## UTILITY LIGHTING RETROFIT PARTNERSHIP

We partnered with the Los Angeles Department of Water and Power (LADWP) to perform extensive parking lot lighting retrofits in 2017 in both our corporate headquarters at Westside Media Center in West Los Angeles and our Columbia Square project in Hollywood. Recognizing that upfront capital expenditures are still a barrier to the ability of real estate owners to execute energy efficiency projects, LADWP began rebating 100% of the cost of certain projects with straightforward savings, such as lighting retrofits. We enrolled both properties in this program and LADWP covered the \$233,745 expense of retrofitting all of the lights in both parking garages with LEDs. The two projects will together save over 1 million kilowatt hours and over \$160,000 annually.





SOLAR RIBBON CUTTING CEREMONY, SAN DIEGO, CA

## SOLAR

We cut the ribbon on our first seven solar installations in 2017, which will generate 3.9 MW of renewable energy each year. Two more installations are planned for 2018. When complete, our solar project portfolio will total 5.2 MW DC, and consist of solar carport and rooftop applications located in San Diego, San Francisco, Menlo Park and Long Beach. The solar panels provide shaded canopy parking, source clean and renewable energy, reduce the community's dependence on non-renewable fuels and strengthen the resiliency of the energy grid. The projects are projected to generate approximately 7.5 million kilowatt hours annually, enough to power 603 homes. We are very excited to become 'prosumers', players in the energy market that both consume and produce power, with these installations.

Nautilus Solar Energy developed and will own the solar systems and we will purchase the solar energy from Nautilus through a power purchase agreement. Black Bear Energy facilitated the project acting as our owner's representative.

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Projected energy production equivalencies sourced from the EPA's Greenhouse Gas Equivalencies Calculator <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

## STORAGE

We have executed contracts with two different providers of battery storage for 2018 installations. Our deal with Advanced Microgrid Solutions will allow for the installation of 11 MWh of battery storage at five of our buildings in El Segundo, Long Beach and Irvine. Similarly, our deal with Stem will deploy over 7.5 MWh of energy storage at eight of our buildings, four in Southern California and four in San Francisco. Black Bear Energy acted as our owner's representative on the Stem deal. The systems, which will range from 1500 kWh to 5,000 kWh, are designed to automatically shift the buildings to battery power based on prices and demand response signals from Southern California Edison. The batteries will support strained local grids and enable higher penetrations of clean power in the community.

## EV CHARGING STATIONS

2017 EV Charging Highlights:

- 167 stations
- 1879 unique drivers (2016: 1057 unique drivers)
- 117.6 tons of CO2 saved (2016: 67.4 tons of CO2 saved)
- 31,984 gallons of gasoline saved (2016: 20,146 gallons of gasoline saved)
- EV Charging stations installed at every new development project

## KILROY INNOVATION LAB

At Kilroy Realty Corporation we are actively seeking emerging technologies and ideas that measurably improve the environmental performance of our real estate assets. The Kilroy Innovation Lab will pilot these innovations in order to improve our portfolio's performance and rapidly transform the larger commercial real estate market.

### BACKGROUND

Kilroy Realty Corporation has been on the forefront of sustainability in commercial real estate for over seven decades, and has been recognized as the North American Leader on sustainability in the office sector for the last four straight years by GRESB. We are one of only three American real estate companies to be listed on the Dow Jones Sustainability World Index. 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.

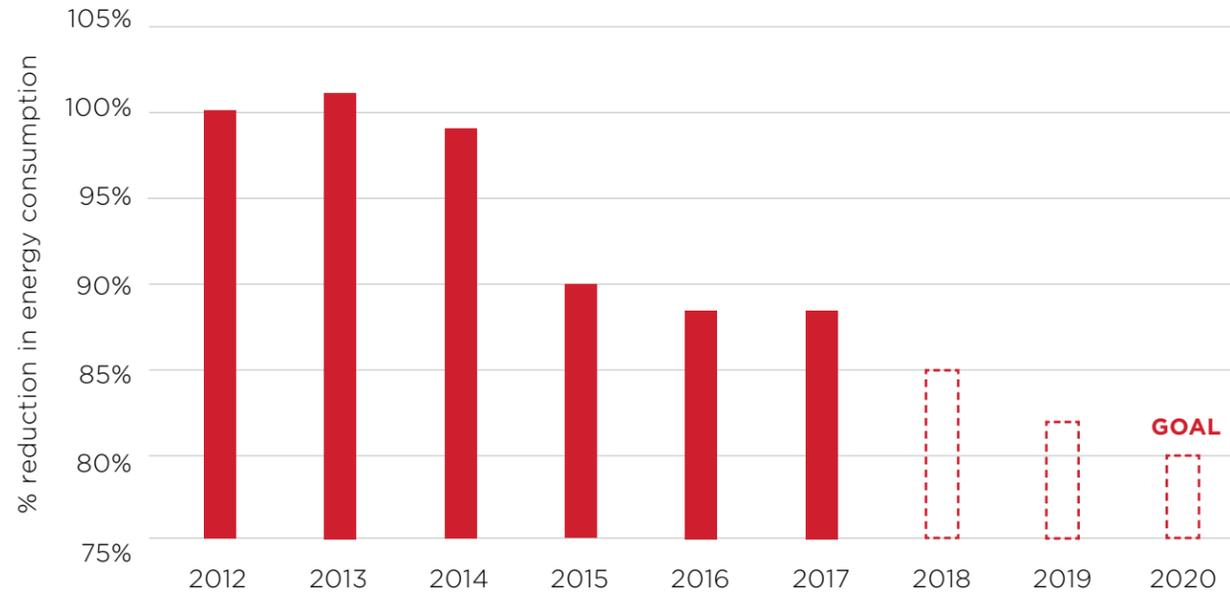
One of the major drivers of our continued sustainability performance is our willingness to embrace emerging technologies that improve the environmental performance of our existing and new assets. Launched in 2017, the Kilroy Innovation lab formalizes the process for the implementation of sustainability 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 is our first technology partner. We look forward to announcing the first group of Kilroy Innovation Lab pilots in 2018.

# Water

## HIGHLIGHTS

- Achieved a 0.2% reduction in water use from 2016 levels, bringing our total reduction from 2012 levels to 12%.
- Completed a major turf removal project in Long Beach.
- In addition, upgraded irrigation controllers, retrofit fountains, installed isolation valves and installed condenser water filters to reduce water use.
- Saved nearly 19 million gallons of potable water via our reclaimed water infrastructure.
- 2100 Kettner will also use reclaimed water for all of its irrigation.
- Specified extremely low flow 1.1 gpf toilets in addition to hybrid waterless urinals in our development projects.
- 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.

### WATER REDUCTIONS IN THE WHOLE KRC PORTFOLIO



## 2017 WATER PERFORMANCE

Managed Assets		Absolute Consumption				Like-for-Like Consumption		
		2016	2017			2016	2017	
		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	480,351	503,449	8,559,548	8,559,548	442,281	427,208	-3.4%
Total Potable Water Usage Whole Building		480,351	503,449	N/A	N/A	442,281	427,208	-3.4%
Total Reclaimed Water Usage Managed Assets		45,632	46,159	N/A	N/A	38,509	33,880	-12.0%
Total Water Usage Managed Assets		525,983	549,607	N/A	N/A	480,790	461,088	-4.1%

Indirectly Managed Assets		Absolute Consumption				Like-for-Like Consumption		
		2016	2017			2016	2017	
		Consumption (m3)	Consumption (m3)	Data Coverage (sf)	Max Coverage (sf)	Consumption (m3)	Consumption (m3)	Like-for-Like Change (%)
Whole Building	Potable Common Areas	139,812	141,210	3,709,450	3,709,450	134,456	132,867	-1.2%
	Potable Outdoor/Exterior Areas/Parking	61,093	75,341	N/A	N/A	59,931	75,341	25.7%
Total Potable Water Usage Indirectly Managed Assets		200,905	216,551	N/A	N/A	194,387	208,208	7.1%
Total Reclaimed Water Usage Indirectly Managed Assets		2,953	3,234	N/A	N/A	2,953	3,234	9.5%
Total Water Usage Indirectly Managed Assets		203,858	219,785	N/A	N/A	197,340	211,442	7.1%
Total Potable Water Usage Whole Office Portfolio		681,256	719,999	N/A	N/A	636,668	635,416	-0.2%
Total Reclaimed Water Usage Whole Office Portfolio		48,584	49,392	N/A	N/A	41,461	37,114	-10.5%
Total Water Usage Whole Office Portfolio		729,840	769,392	12,268,998	12,268,998	678,129	672,530	-0.8%

Life Science		Absolute Consumption				Like-for-Like Consumption		
		2016	2017			2016	2017	
		Consumption (m3)	Consumption (m3)	Data Coverage (sf)	Max Coverage (sf)	Consumption (m3)	Consumption (m3)	Like-for-Like Change (%)
Whole Building	Potable Common Areas	98,875	101,149.61	1,546,299	1,877,559	79,309.30	81,173	2.4%
	Potable Outdoor/Exterior Areas/Parking	27,574	28,448.13	N/A	N/A	20,867	23,417	12.2%
Total Potable Water Usage Life Science Assets (Directly & Indirectly Managed)		126,450	129,598	1,546,299	1,877,559	100,176	104,590	4.4%
Total Water Usage Whole Portfolio		856,290	898,990	13,815,297	14,146,557	778,305	777,120	-0.2%

<sup>6</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>7</sup> In both 2016 and 2017, 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.

<sup>8</sup> One building in San Diego, which was neither sold nor stabilized during the performance period, stood vacant in 2017. Accordingly, a sharp reduction in water utilization was evident. This asset accounts for 0.98% of the absolute portfolio based on square footage.

# Waste Diversion

## HIGHLIGHTS

- We increased our recycling diversion performance from 43% to 44% in 2017
- Approximately 43.8% of our portfolio has composting services.
- We conducted waste audits in 21% of our portfolio
- All of our waste data is benchmarked in the Energy Star Portfolio Manager WasteTracker tool.
- We are participating in the BOMA W2 challenge across 84 assets, which requires us to report our water and waste data to BOMA quarterly, more information on page 100.
- 100 First Street and 201 3rd Street in San Francisco have onsite collection for textile recycling. These properties have the population density and available collection space to be able to take advantage of specific local textile recycling programs.
- We do in-person tenant recycling and composting trainings throughout our portfolio.
- For the first time in 2017, we obtained data related to the recycling of confidential destruction materials and added this to our waste diversion data



THE RECYCLE FOR CHANGE PROGRAM AT 303 SECOND STREET OFFERS TENANTS THE OPPORTUNITY TO RECYCLE TEXTILES

## 2017 WASTE PERFORMANCE

OFFICE		Absolute Measurement	
		2016 Weight (Tons)	2017 Weight (Tons)
Managed Assets	Total Weight of All Waste (tons)	5,351	5,677
	Total Diverted	50.9%	51.4%
	% Managed portfolio covered	97.8%	100.0%
Indirectly Managed	Total Weight of All Waste (tons)	1,584	1,633
	Total Diverted	26.5%	27.6%
	% Indirectly Managed portfolio covered	71.1%	71.1%

LIFE SCIENCE		Absolute Measurement	
		2016 Weight (Tons)	2017 Weight (Tons)
Life Science	Total Weight of All Waste (tons)	529	697
	Total Diverted	11.7%	22.2%
	% Portfolio Covered	79.6%	79.6%

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

Whole Portfolio	Landfill	57.0%	56.0%
	Total Diverted	43.0%	44.0%
	Diverted - Recycling	25.9%	27.0%
	Diverted - Compost	17.1%	17.0%

<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-weight-conversion-factors->

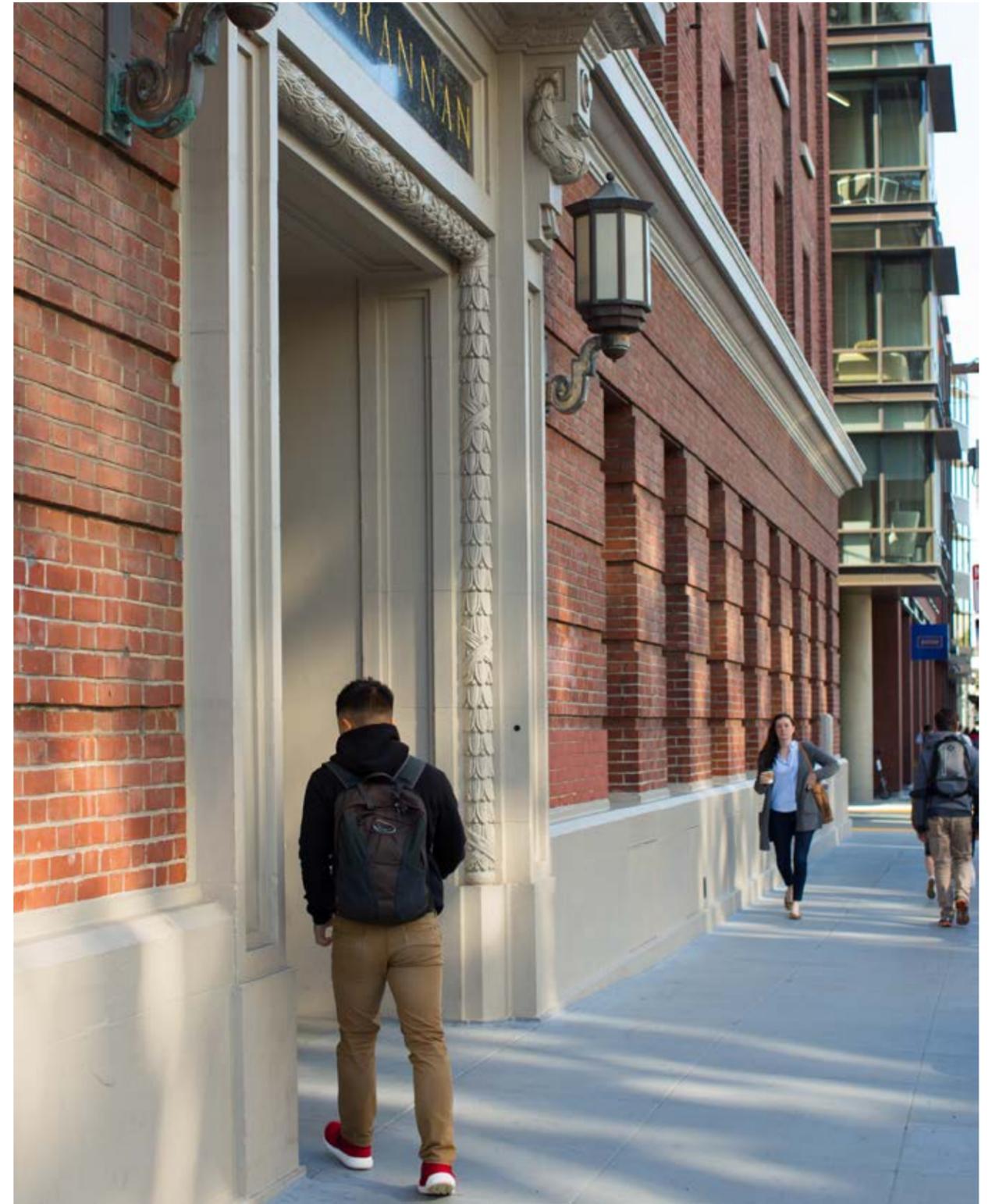
<sup>10</sup> One building in San Diego, which was neither sold, nor stabilized during the performance period, stood vacant in 2017. Accordingly, a sharp reduction in waste generation was evident. This asset accounts for 0.98% of the absolute portfolio based on square footage.

<sup>11</sup> Improved data capture of 2016 waste reports determined our waste diversion rate for the 2016 performance year was 43%.

WASTE PROJECT SPOTLIGHT

## BEST IN CLASS WASTE DIVERSION

301 Brannan in San Francisco is one of our top performing buildings on waste diversion, diverting 85% of its waste from landfill. Best practices that help 301 Brannan achieve this high level of performance include reusable dishware and utensils in tenant spaces, tenant communications through signage and the building tenant website, annual waste audits, and the implementation of post-sorting by the janitorial team. The property team ensures these measures are maintained through frequent site visits. The building hopes to improve its diversion number even more and be eligible for Zero Waste Certification, which requires a 90% diversion level, in the next two years.



301 BRANNAN, SAN FRANCISCO, CA



OUR JANITORS AT GREEN JANITOR EDUCATION PROGRAM GRADUATIONS

# Green Cleaning Operations

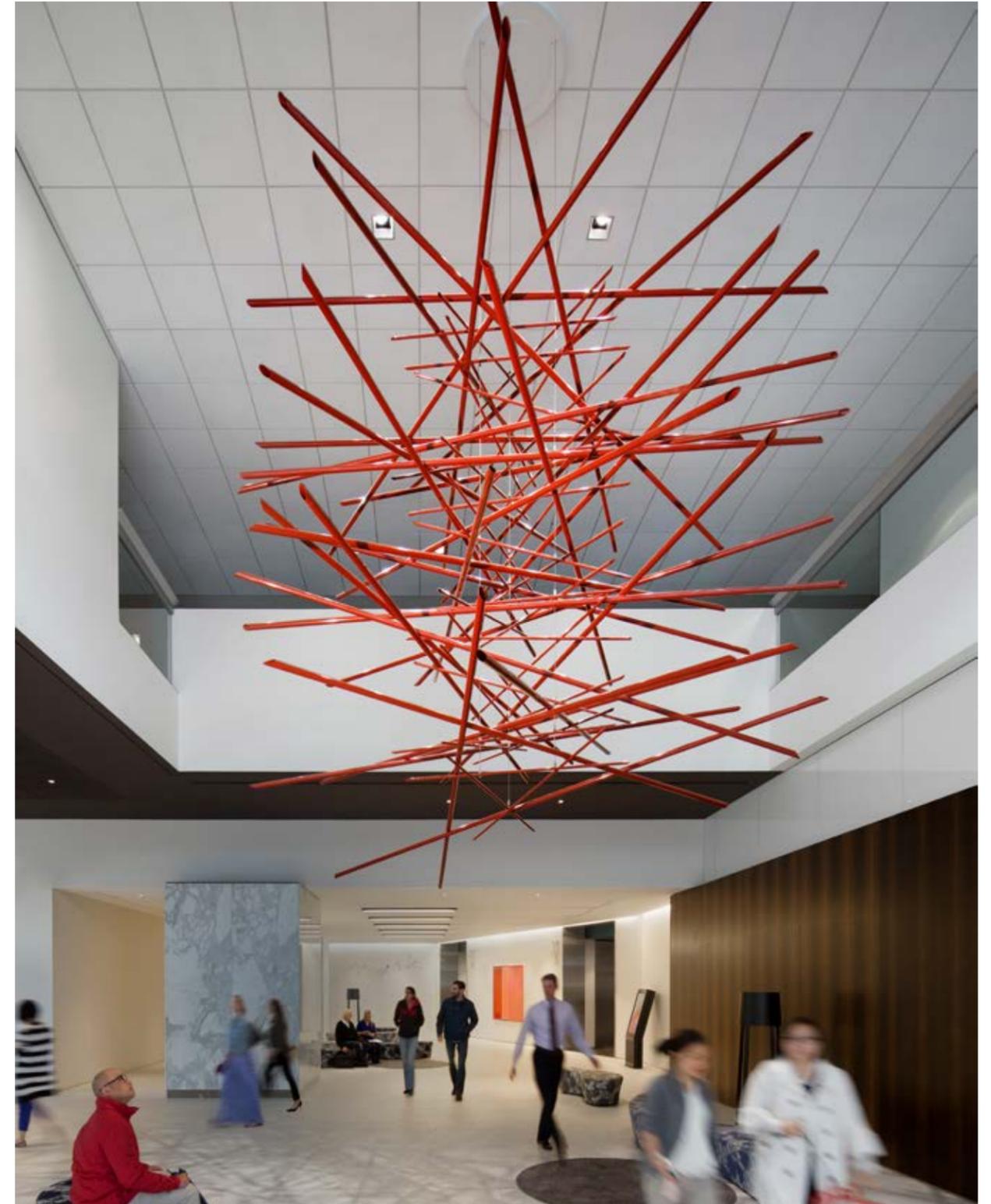
We are proud that our janitors across 40% of our portfolio have gone through the Green Janitor Education Program. The US Green Building Council Los Angeles Chapter (USGBC-LA), Building Owners and Managers Association of Greater Los Angeles (BOMA-GLA), Building Skills Partnership, and the Service Employees International Union created the Green Janitor Education program to provide training on sustainability topics like vampire power, turning off lights, and reporting leaks. We piloted this training in our 800,000 square foot Long Beach campus in 2014, and the program was so popular and successful that we scaled it to our entire eligible Los Angeles, Orange County and San Diego portfolios through 2015 and 2016- over 5.1 million square feet, or nearly 40% of our portfolio and 93 total janitors. In 2017, because we had no more staff eligible to enroll in the program, we successfully worked to invite other eligible landlords to enroll their janitors in the program as well.

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

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

## GREEN LEASING

Our green leasing program remains best in class, and we continue to push the sustainability aspect of our leases in keeping with industry best practices. In 2017 we added the contact information of our SVP, Sustainability to our standard lease template to further communicate to our tenants the importance of sustainability to our ongoing operations. This builds on our previous successes, which include being recognized with Green Lease Leaders designation in 2014 and again 2016, and participating in the BOMA Green Lease Working Group. In 2018 we intend to pursue the new Gold level of recognition in the Green Lease Leaders program administered by the Institute of Market Transformation.



SKYLINE TOWER, BELLEVUE, WA

## EXISTING BUILDINGS CASE STUDY

# 303 SECOND STREET

The 740,000 square foot, twin-tower, 9 and 10-story Class 1A building joined our portfolio in 2010. It features a well landscaped outdoor plaza, highlighted by a cascading fountain, reflecting pool and terraced seating. The property continuously pursues excellence in sustainability through application of best practices to ensure a green and safe environment for its tenants.

303 Second Street was LEED for Existing Buildings certified to the Gold level in 2010 and recertified Gold in 2017 through the Arc platform, and has received 11 ENERGY STAR certifications with a current score of 95. Maintaining this high level of energy performance requires constant effort. The building has gone through several retrocommissioning projects over the last 6 years, implementing all identified conservation measures. This has included installing a state of the art Direct Digital Control enabled building management system, installation of DDC controllers, implementing DSP resets, testing Variable Air Volume boxes, adding Variable Frequency Drives, isolating the pneumatic compressor loop after hours, implementing automated boiler plant lockout when outside air temperature exceeds 70 degrees, and automatically shutting down elevators after hours. The building has also undergone a full LED retrofit.

In addition, the building contributes to the resilience of the grid via being a longtime participant in Demand Response. The property team engages its tenants on Demand Response via frequent emails on

how to load shed, using tactics like switching to task lighting and turning off appliances when not in use. This has been a theme of past building Earth Day events, which they host annually. In 2018, a small battery installation with Stem will compliment the existing measures to reduce load during peak hours.

The engineering team performs preventative maintenance (PM) monthly, quarterly, semi, and annually depending on the equipment. Completion of these PM's is measured as a performance metric in monthly meetings with the engineer's contract service provider. For example, a PM of fan RE3 revealed that the motor was running hot and had bearing noise, so the building team retrofit the motor, greatly reducing temperature and eliminating noise. The staff undergoes continuous education to learn about new best practices is In order to maximize energy efficiency, such as offsite classes through the Local 39 Stationary Engineering Union, an onsite brown bag lunch series, online modules through the engineering contract service provider, and the annual Kilroy Chief Engineering conference.



303 SECOND STREET, SAN FRANCISCO, CA

Water reduction is also important to the building. It has a water efficiency economic assessment policy, which ensures that a water efficiency economic assessment is performed for any future water fixture upgrades. As a result, the building installed low-flow toilets throughout in 2014, greatly reducing potable water use. The weather-based irrigation system at 303 Second Street also reduces watering cycles.

303 Second Street has a robust green cleaning program that addresses sustainable cleaning products, sustainable cleaning equipment, standard operating procedures, guidelines for safe handling and storage of cleaning chemicals, requirements for staffing and training, and a method for collecting occupant feedback for continuous improvement. In addition, it uses the Lotus Pro system, which converts tap water to aqueous ozone as a substitute for cleaning chemicals, for flat surfaces, chrome, glass, and flooring. The green cleaning program is a major part of the building's health

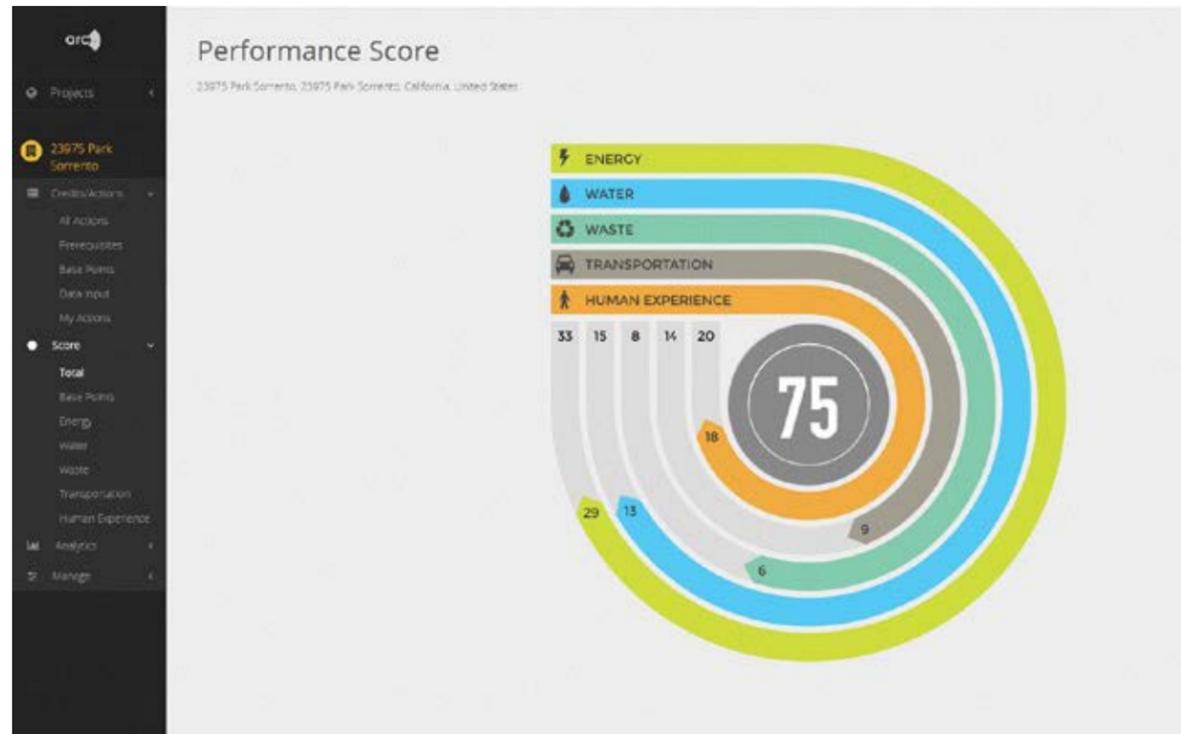
program. As is typical of our entire portfolio, air quality concerns are taken very seriously at 303 Second Street, and the building undergoes annual air quality testing to maintain its LEED certification as well as additional testing if there are complaints. 303 Second Street will pursue Fitwel certification in 2018. Also, the building participates in the Transportation Management Association of San Francisco (TMAASF) Connects program, and as a result has demonstrated that less than 10% of its tenants drive to work in single occupant vehicles. The garage features four electric vehicle charging stations.

As a result of all of these efforts, 303 Second Street has reduced energy consumption 18% and water consumption 29% since we acquired the building. 303 Second Street has also won a TOBY (The Office Building of the Year) award through the Building Owners and Managers Association of San Francisco.

## LEED FOR EXISTING BUILDINGS CERTIFICATION STRATEGY

In 2017 we successfully LEED certified to the Gold level five buildings (303 2nd Street, San Francisco; 2829 Townsgate, Westlake Village; 23975 Park Sorrento, Calabasas; 24025 Park Sorrento, Calabasas; 6455 W Sunset Blvd, Hollywood) spanning nearly 1.4 million square feet through USGBC’s performance-based

certification platform, Arc. Using Arc increases the rate at which we certify buildings, and also holds us to a higher standard of excellence because it requires annual recertification, rather than recertification every five years. We have many additional certifications through Arc planned for 2018 and beyond.



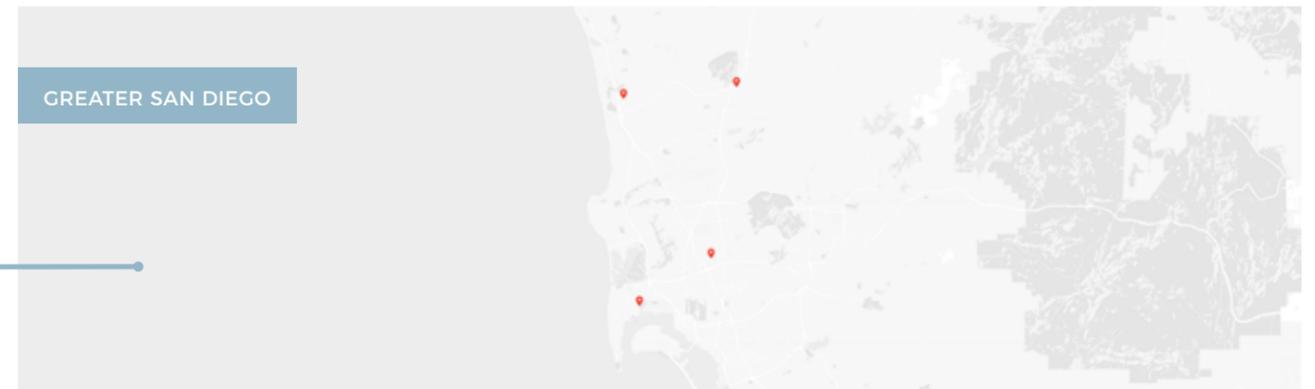
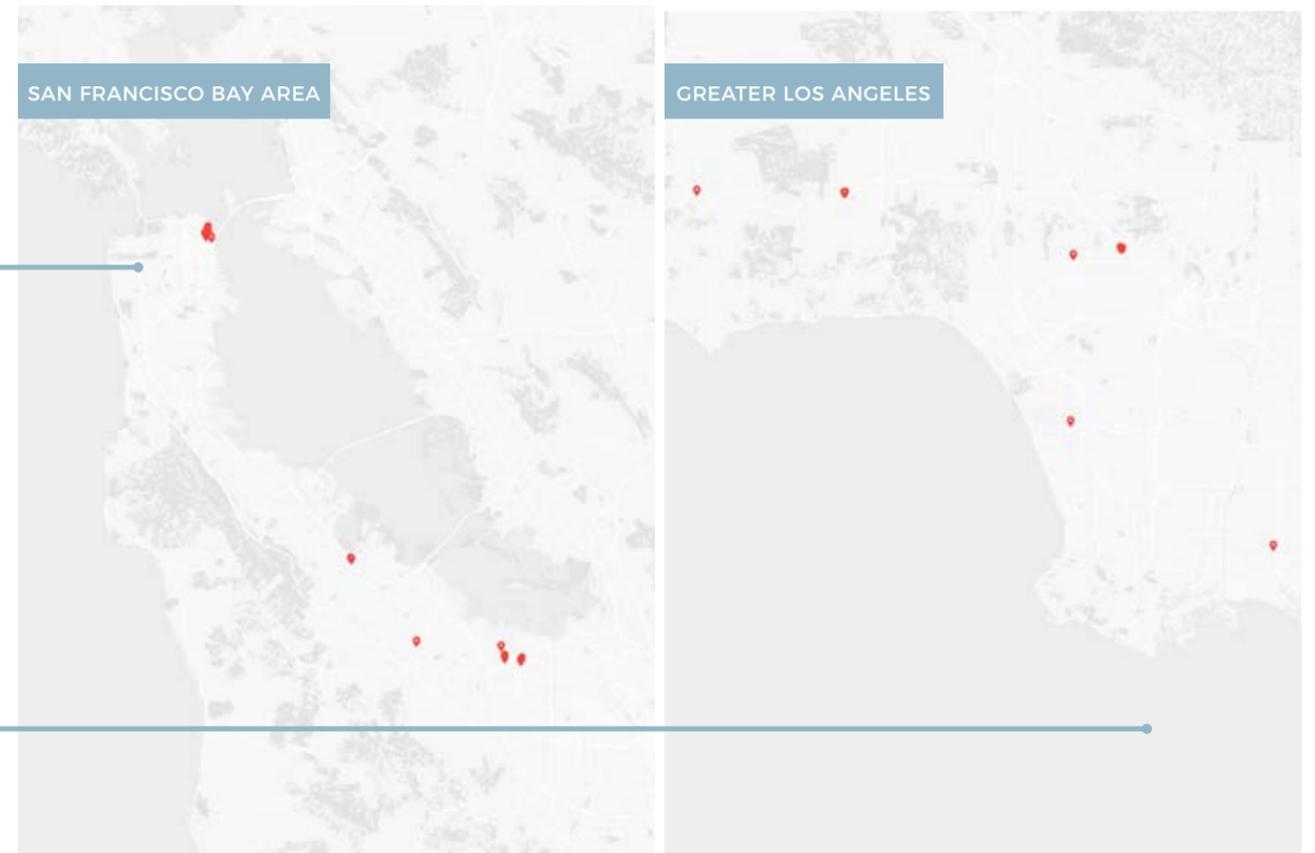
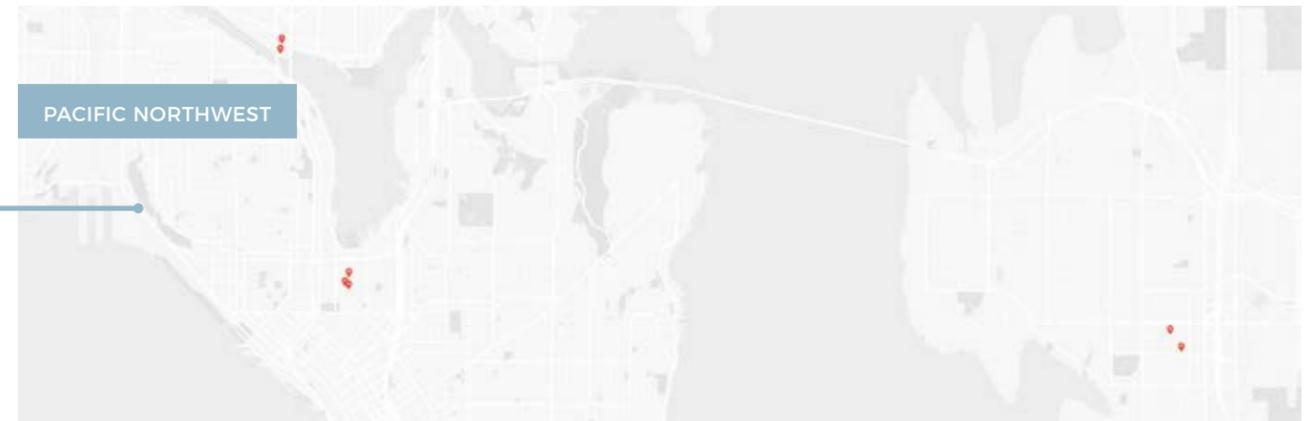
23975 PARK SORRENTO'S LEED PERFORMANCE SCORE IN ARC

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We aim for the highest level of performance in energy and water efficiency, waste management, tenant engagement, environmental construction, sustainable building operations, green building certifications, materials selection and community involvement.

# LEED CERTIFIED BUILDINGS

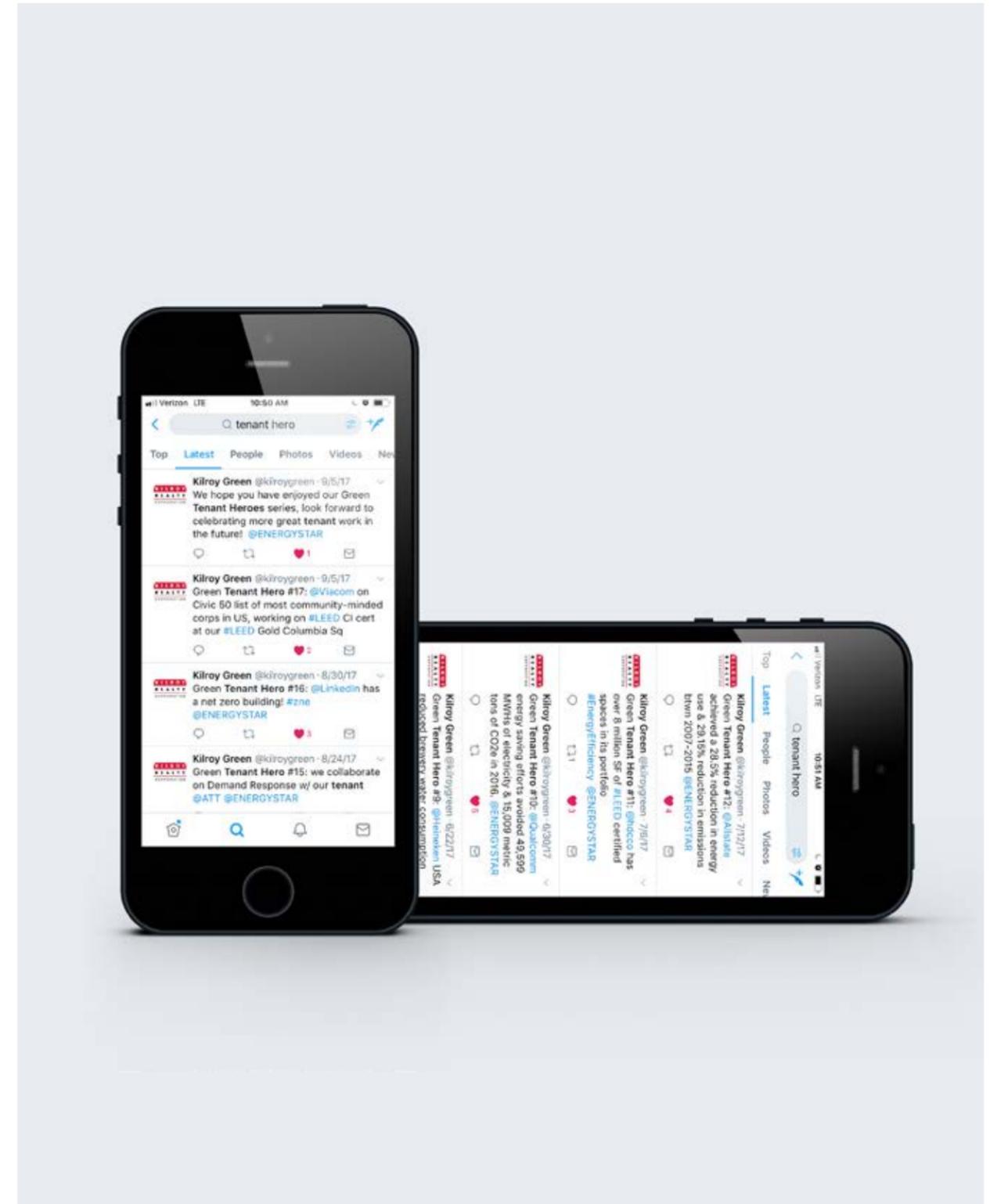
PROJECT NAME	LEED CERTIFICATION	REGION	SQ. FT.
Fremont Lake Union Center/801 N 34th Street	Platinum (Existing Buildings)	Seattle	169,412
Fremont Lake View/737 N 34th Street	Certified (Core & Shell)	Seattle	111,580
Westlake Terry/320 Westlake Avenue North	Gold (Core & Shell)	Seattle	184,643
Westlake Terry/321 Terry Avenue North	Gold (Core & Shell and Commercial Interiors)	Seattle	135,755
401 N. Terry Avenue*	Gold (Commercial Interiors)	Seattle	95,611
Key Center/601 108th Avenue NE	Platinum (Existing Buildings)	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 900/900 Middlefield Road	Gold (Core & Shell)	Redwood City	173,634
Crossing 900/900 Jefferson Avenue	Gold (Core & Shell)	Redwood City	173,634
331 Fairchild Drive	Gold (Core & Shell and Commercial Interiors)	Mountain View	87,147
Mountain View Campus/680 Middlefield Road	Gold (Core & Shell)	Mountain View	170,457
Mountain View Campus/690 Middlefield Road	Gold (Core & Shell)	Mountain View	170,457
Sunnyvale Campus/505 N Mathilda Avenue	Gold (Core & Shell)	Sunnyvale	212,322
Sunnyvale Campus/555 N Mathilda Avenue	Gold (Core & Shell)	Sunnyvale	212,322
Sunnyvale Campus/605 N Mathilda Avenue	Gold (New Construction)	Sunnyvale	152,589
1701 Page Mill Road	Gold (Core & Shell)	Palo Alto	116,172
23975 Park Sorrento	Gold (Existing Buildings)	Calabasas	104,797
24025 Park Sorrento	Gold (Existing Buildings)	Calabasas	108,671
2829 Townsgate	Gold (Existing Buildings)	Westlake Village	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	370,000
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
"Mission City Corporate Center/2375 Northside Drive**"	Silver (Commercial Interiors)	San Diego	25,758
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>7,970,984 // 58%</b>



\* Partial building certification | ^ Sold September 2017

## GREEN TENANT HEROES

This summer, we ran our 'Green Tenant Heroes' Twitter campaign in which we highlighted the sustainability accomplishments of 16 of our tenants. For example, we tweeted about Salesforce's announcement that it had achieved carbon neutrality for scope 1 and 2 emissions, and that YuMe had collaborated with us on a Green Lease Leaders Team Transaction award. Previous summer Twitter campaigns have featured our engineers, individual buildings, and asset managers. We chose to feature our tenants this year as an extension of our robust tenant engagement programs, since we recognize that only when we collaborate with our tenants can our sustainability programs achieve their full potential.



## TENANT ENGAGEMENT

TYPE	METHOD	FREQUENCY	STATUS
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
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
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 portfolios receive memos twice per year
Recycling Revitalizations	In Person	At start of composting services or once every 5 years	Goal is 50% diversion under new EPA Wastetracker methodology
Tenant Appreciation Events	Lobby Displays and Activities	Yearly	Regional adoption but no company-wide policy
Building-Specific Information	Electronic Tenant Handbooks	Always available, updated yearly	100% of Electronic Tenant Handbooks contain building-specific sustainability information
Recognition	Pursue ENERGY STAR certifications in buildings where tenants pay some or all utilities	Yearly	Achieved 14 ENERGY STAR certifications of this type in 2017
Demand Response	Install equipment and software that allows participation in Demand Response events, engage tenants to participate	6-12 Events Annually	26 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 five LEED for Existing Buildings Certifications through Arc in 2017
Soliciting Feedback	Tenant Satisfaction Surveys	Once every 2 years	90%+ response rate on tenant satisfaction surveys comments addressed
Health	Onsite Amenities, events, competitions and more, more info on page 74	Continuous	Every building has a program focused on tenant health
Solar	Enter into solar agreements on behalf of tenants who cannot do so themselves	Once per installation	Installation completed in 2017
Transparency	Tenant Sustainability Surveys	On Demand	Respond to all tenant requests for sustainability information in their property
Energy and Water 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
Energy and Water 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



801 N. 34TH STREET, SEATTLE, WA

## BOMA 360 CERTIFIED PROJECTS

PROJECT NAME	REGION	SQ. FT.
601 108th Avenue NE	Seattle	488,470
801 N. 34th Street	Seattle	169,412
303 Second Street	San Francisco	740,047
100 First Street	San Francisco	466,490
201 Third Street	San Francisco	346,538
360 Third Street	San Francisco	410,000
3760 Kilroy Airport Way	Long Beach	165,278
3800 Kilroy Airport Way	Long Beach	192,476
3840 Kilroy Airport Way	Long Beach	136,026
3880 Kilroy Airport Way	Long Beach	96,035
3900 Kilroy Airport Way	Long Beach	126,840
3579 Valley Centre Drive	San Diego	50,677
3611 Valley Centre Drive	San Diego	130,349
3661 Valley Centre Drive	San Diego	129,782
3721 Valley Centre Drive	San Diego	114,780
3811 Valley Centre Drive	San Diego	112,067
2305 Historic Decatur Road	San Diego	103,900
<b>TOTAL</b>		<b>3,979,167</b>
<b>PERCENT OF TOTAL PORTFOLIO</b>		<b>29%</b>



# RESILIENCE

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Introduction / Resilience Program and Strategy  
Climate Change Mitigation and Adaptation /  
Environmental Grievance Mechanisms

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We define resilience as management of recovery or continuity in the event of a disaster. The concept of 'disaster' is a broad term that encompasses environmental events, seismic events, cyberattacks, acts of terrorism, personnel issues and more.

<p><b>ACQUISITIONS</b></p>	<p>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 evaluations, and property condition reports.</p>
<p><b>DEVELOPMENT</b></p>	<p>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.</p>
<p><b>OPERATIONS</b></p>	<p>All of our buildings have Emergency Response Plans that outline a building's response to particular emergency scenarios. We also use a mobile-enabled system to quickly communicate to employees and tenants in the event of an emergency. In addition, 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. In 2018, we will add content to our Emergency Response Plans to incorporate additional risks due to climate change in those potentially impacted assets. In addition, we conduct energy risk assessments through ASHRAE Level II energy audits and retrocommissioning studies (more information page 26).</p>

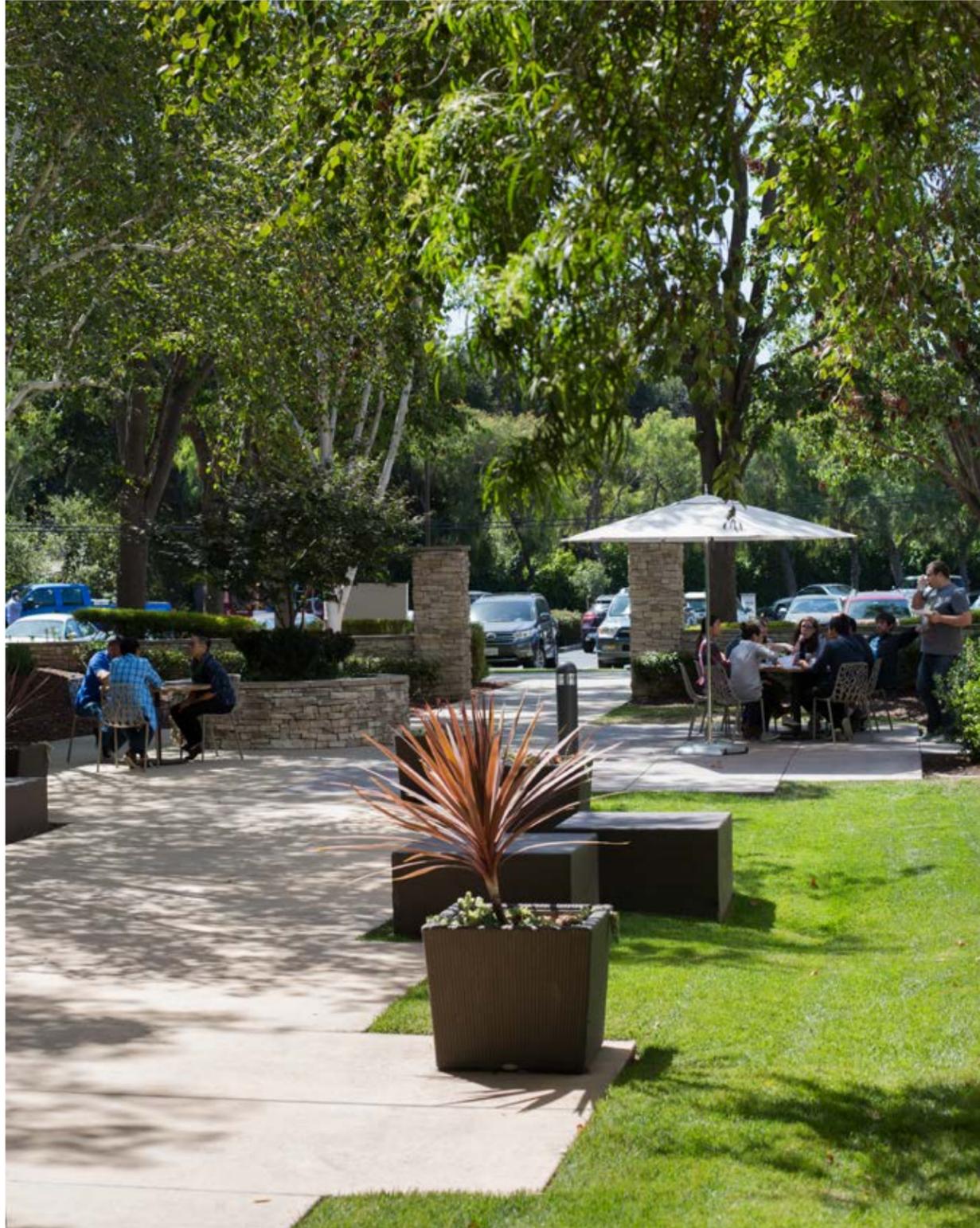
## RESILIENCY PROGRAM AND STRATEGY

Our Resiliency Program has four areas:

1. **IT-Disaster Recovery Plan**
  - > Example: Support loss prevention and monitoring; ability to restore IT operations from a remote location
2. **Emergency Response**
  - > Example: Develop event-driven responses to emergency events
3. **Business Continuity Planning**
  - > Example: Identify the business processes required to maintain operations, or return to business as usual
4. **Crisis Management**
  - > Example: Define communication and escalation procedures for crises; defined responsibilities for Crisis Management Team, Crisis Leader and Crisis Team Members

Our expanded resilience strategy involves five steps:

1. **Identify:** Perform Risk Assessment and Identify Interdependencies
2. **Analyze:** Perform Business Impact Analysis
3. **Develop:** Select Recovery Strategies
4. **Implement:** Implement Updated Business Recovery Plans
5. **Maintain:** Plan Testing, Training, and Maintenance



MENLO CORPORATE CENTER INSTALLED 358 KW OF SOLAR CAPACITY IN 2017

## CLIMATE CHANGE MITIGATION AND ADAPTATION

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

### 1. HIGHER COSTS FOR ENERGY AND WATER

- We manage rising costs for energy and water through our efficiency programs to protect our tenants, but it is possible that as a result of climate change these costs could increase faster than we can reduce our energy and water use. In particular, California has recently experienced an intense drought and we anticipate severe pricing signals around water use in the short term. We are actively pursuing aggressive water reduction projects to mitigate this risk.
- While we believe we will remain an attractive landlord in comparison to other West Coast landlords, tenants could decide to leave our area entirely for parts of the country where utility costs are lower. To mitigate this risk, we focus on initiatives designed to decrease energy and water costs in our buildings.
- In addition, climate change may cause changes in building energy consumption patterns leading to increased peak demand costs and altered rate structures. Our Demand Response and battery storage initiatives are in place to help mitigate this risk.

## 2. INCREASED ENVIRONMENTAL REGULATION

- We believe we are ahead of our peers in anticipating new energy regulations; for example, because we were prepared, complying with AB 1103 was less burdensome for us than certain competitors, as it will be for AB 802 when that goes into effect. We successfully and proactively influence new environmental regulation such as the new Los Angeles benchmarking 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 costs, 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.
- There may be increased government incentives for energy and water conservation, and we are well positioned to continue to take advantage of these opportunities.

## 3. HIGHER COSTS AND MORE REGULATION IN OUR SUPPLY CHAIN

- Sourcing materials for our buildings could become increasingly expensive, and there could be disruptions to the supply chains of our building materials, potentially extending construction times or preventing us from delivering buildings on time. Demographic changes resulting from climate change could prevent us from being able to source the labor needed to develop and operate our properties.
- Climate change could impact or stress services on which we rely, such as the energy grid, making it more difficult to operate our properties.
- Also, there could be increased permitting restrictions around new construction, potentially around water use or renewables.
- We have experienced development and asset management teams who will be able to mitigate these increases as much as possible. In addition, by committing to sustainable building, we have experienced expedited approvals and community support. Our 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 ([www.resilience.la](http://www.resilience.la)) 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 (more information on page 99) and disclosing to the DJSI.

2017 GHG PERFORMANCE

Office	Absolute Consumption				Like-for-Like Consumption		
	2016	2017			2016	2017	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1	3,696	4,165	10,461,039	10,461,039	2,747	2,821	2.68%
Scope 2	39,670	39,516	13,557,757	13,584,461	35,009	32,059	-8.43%
					37,756	34,880	-7.62%

Life Sciences	Absolute Consumption				Like-for-Like Consumption		
	2016	2017			2016	2017	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1	363	476	1,322,576	1,322,576	363	476	31.09%
Scope 2	4,475	4,489	1,801,815	1,895,542	4,475	4,489	0.32%
					4,838	4,965	2.63%

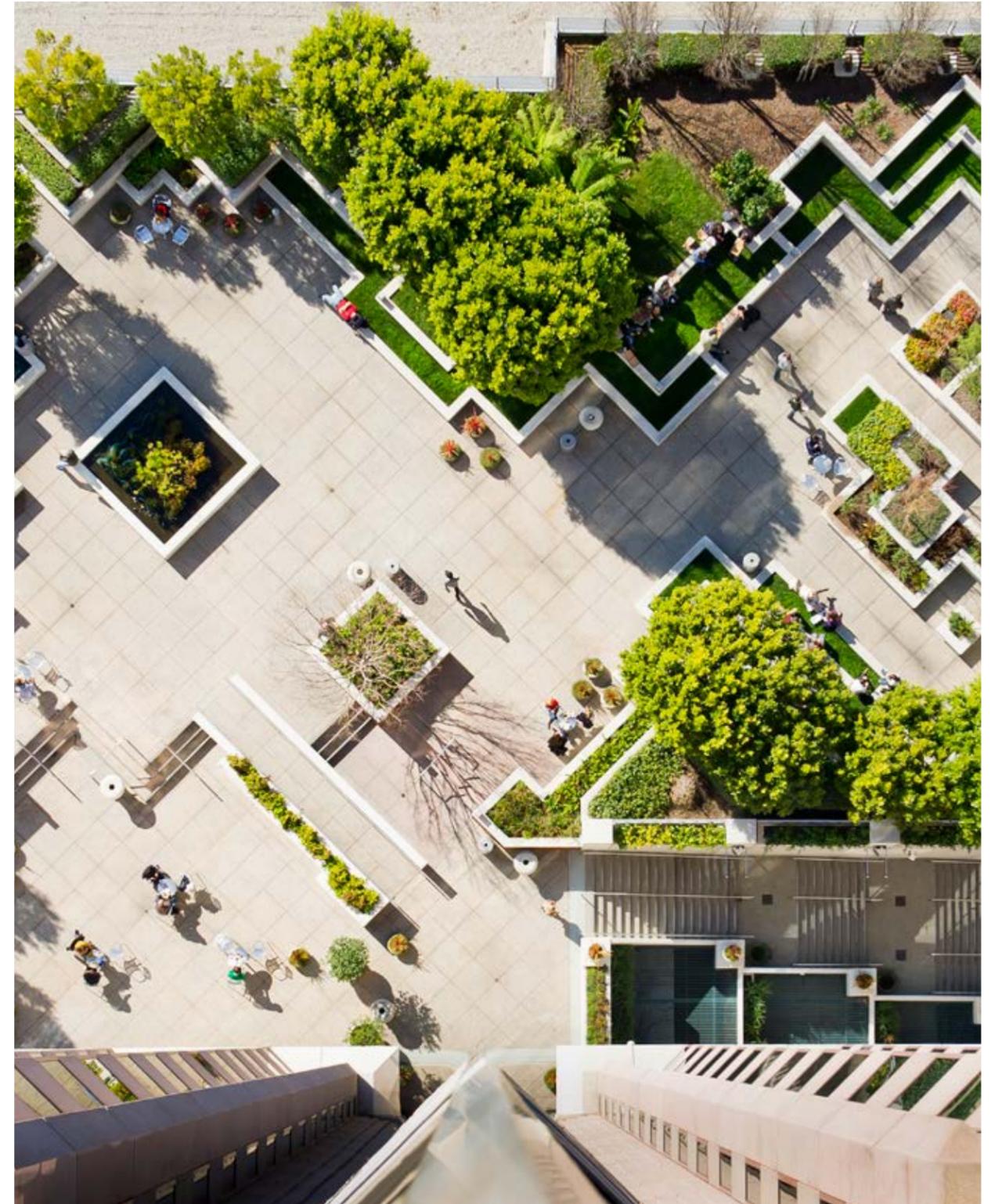
Whole Portfolio	Absolute Consumption				Like-for-Like Consumption		
	2016	2017			2016	2017	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1	4,059	4,641	11,783,615	11,783,615	3,110	3,296	6.00%
Scope 2	44,145	42,947	15,359,572	15,480,003	39,484	35,490	-10.12%
					42,594	38,786	-8.94%

<sup>12</sup> We utilize the EPA guidelines, via Energy Star Portfolio Manger’s Reporting tool, to generate 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/use-portfolio-manager/understand-metrics/how>.

<sup>13</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>14</sup> One building in San Diego, which was neither sold, nor stabilized during the performance period, stood vacant in 2017. Accordingly, a sharp reduction in emissions was evident. This asset accounts for 0.98% of the absolute portfolio based on square footage.

<sup>15</sup> 21 buildings began sourcing 100% of their energy from renewable sources in 2017 through the San Diego Gas & Electric EcoChoice program. An additional building began sourcing 100% of its power through the CleanPowerSF program. The reductions from these enrollments are reflected in the table above.



100 FIRST STREET, SAN FRANCISCO, CA



SUNSET MEDIA CENTER'S EMERGENCY PREPAREDNESS PROGRAM CONTRIBUTED TO ITS 2017 FITWEL CERTIFICATION

## ENVIRONMENTAL GRIEVANCE MECHANISMS

The concept of formal environmental grievance mechanisms as contemplated by GRI is not applicable to us as a REIT. However, we have procedures in place for responding to environmental incidents, and our focus on developing urban core brownfield sites requires us to have expertise in coordinating environmental remediation. Examples of environmental issues that can arise at an existing property include water intrusion, mold, air quality or water quality issues, leaking underground storage tanks or pipes, and the presence of asbestos-containing materials or lead-based paint. Examples of environmental issues that 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. There were approximately 82 reports completed in 2017 relating to the discovery, investigation and remediation or abatement of various environmental incidents throughout our portfolio. 5-10% of incidents that arose during 2017 are still in the process of discovery and/or remediation or abatement, but other than these few incidents, we are not aware of any other incidents that arose in 2017 that remain unresolved. None of these issues have been deemed significant, and we did not have any significant fines or non-monetary sanctions regarding environmental compliance in 2017. We had no significant spills in 2017. We had no grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.



# HEALTH

Introduction / Employees / Tenants /  
Buildings / Fitwel

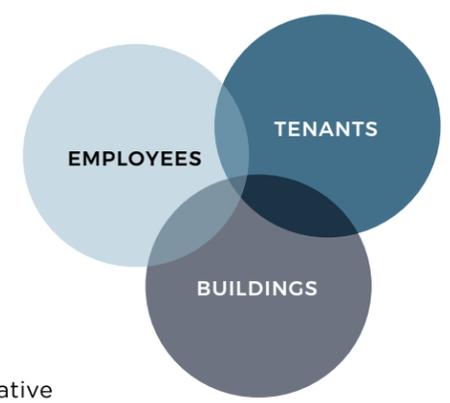


ACADEMY ON VINE, HOLLYWOOD, CA



## EMPLOYEES

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



9455 TOWNE CENTRE DRIVE, SAN DIEGO, CA (RENDERING)

In 2017 we rapidly formalized and expanded our Health programs. Most notably, we achieved the first WELL certification for rental apartments in the world (see WELL spotlight) as well as 10 Fitwel certifications across 23% of our existing portfolio (see Fitwel spotlight). We believe that the wellbeing of the people that interact with our buildings is critical, and that our buildings have the ability to either promote or diminish human health and productivity. Our challenge in creating a health program is devoting adequate time and resources to health while maintaining our core sustainability programs. Our program has three overlapping components: Employees, Tenants, and Buildings.



GRAPHICS ENCOURAGING STAIR CLIMBING, TRIBECA WEST, LOS ANGELES, CA

## TENANTS

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

### Physical Fitness

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

### Reduced Sickness

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

### Nutrition

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

### Community Programs

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

## BUILDINGS

### Indoor Air Quality (IAQ)

To verify the quality of our indoor air, we had 32 buildings (out of our total 101 buildings, 35% of stabilized portfolio by square footage) go through extensive IAQ testing in San Diego, Long Beach, Los Angeles, Calabasas, San Francisco and Seattle with Healthy Buildings in accordance with LEED procedures for verifying indoor air quality. The heating, ventilation, and air-conditioning systems and ductwork serving the buildings were examined, the ventilation rates and filtration standards were reviewed, overall maintenance levels were assessed, and representative samples of indoor air from the occupied spaces were collected for analysis as part of our on-going proactive indoor air quality optimization program. No problems were discovered and all 32 buildings received certificates verifying their performance.

### Green Cleaning

Our green cleaning program, which uses only products permitted in the LEED for Existing Buildings rating system, prevents our indoor air from being contaminated by toxic cleaning chemicals. In addition, an 11-building portfolio in San Diego and our 303 Second Street building in San Francisco have implemented an aqueous ozone system to reduce the use of cleaning chemicals even further, and nearly 40% of our janitors have gone through the Green Janitor Education Program to reinforce these practices, more information on page 45.

### Building Standards

Our building standards prohibit the use of high VOC adhesives, sealants, paints, and coatings as well as products containing added urea formaldehyde. We are expanding our materials programs in 2018 to further reduce toxicity in our materials procurement process.

### Filtration

We choose filtration media that helps maintain our high indoor air quality. Most buildings have at least Minimum Efficiency Reporting Value (MERV) 8 filters, but certain buildings have MERV 13 and 14 filters. The average MERV rating of our filters is 9.4.

### Location

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

### Leak Detection

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



COLUMBIA SQUARE RESIDENTIAL TOWER, HOLLYWOOD, CA

## SPOTLIGHT

## WELL

In August 2017 we announced that Hollywood Proper Residences, the 200-unit luxury high-rise at our Columbia Square mixed-use project, became the world's first apartment rental project to earn WELL Multifamily Residential Certification under the WELL Building Standard™ (WELL). Administered by the International WELL Building Institute™ (IWBI), WELL is a performance-based system for measuring, certifying, and monitoring features of the built environment that promote the health and wellness of the people who live, work, and learn in these spaces.

The residential tower demonstrates forward-thinking, health-focused design that includes the following features:

- Performance-verified indoor air quality achieved through a variety of methods, including increased outdoor air and a suite of innovative filtration media
- Extensive onsite fitness center
- Health-focused building materials
- Increased daylight access

- Augmented green cleaning program
- Verified acoustic comfort
- Biophilic environment
- Performance-verified water quality

Said Rick Fedrizzi, chairman and CEO of IWBI, "We congratulate KRC for targeting and achieving WELL for the Columbia Square Residential Tower and applaud the company for putting the health and well-being of its tenants front and center of their efforts. As the newest member of the family of WELL Certified™ projects, the Columbia Square Residential Tower is a strong representation of our growing movement and we are proud to work with KRC in this leadership achievement."

The project was constructed by Webcor Builders and designed by GBD Architects.

The historic Columbia Square campus, which includes office buildings that earned LEED Gold certification in 2016, was nominated for the Los Angeles Business Journal's Commercial Real Estate Awards.

SPOTLIGHT

# FITWEL

In 2017 we achieved Fitwel certification, administered by the Center for Active Design, for 10 of our assets representing 23% of our stabilized portfolio. Two additional assets pursued Fitwel certification but did not meet the requirements; these assets are making improvements and hope to recertify in 2018. The Fitwel certification system, which rates workplaces that promote positive health outcomes for occupants, was created as a joint initiative led by the US Centers for Disease Control and Prevention (CDC) and the General Services Administration (GSA) in addition to experts in public health and design over a five-year process completed in 2015. As of this publication, we have the most Fitwel certified space of any private real estate owner.

The ten buildings that earned this certification include properties in Los Angeles, San Francisco and Seattle, with final scores ranging from one to two stars, two being the highest possible score. The features attributed to the Fitwel certifications include:

- High Walkscores as a result of locations in transit-oriented and walkable areas
- Open stairwells
- Fitness centers
- Green cleaning and purchasing programs

- Availability of healthy food options
- Comprehensive emergency preparedness programs
- Access to water
- Availability of daylight and views in tenant spaces

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, in 2017 we 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 intend to both continue pursuing Fitwel certifications for our stabilized buildings that can qualify for the certification and to using the Fitwel system as a guide to making health-related improvements in our existing portfolio.

## FITWEL BUILDINGS

ADDRESS	SF	STATUS	STARS
100 First Street	467,095	Certified	2
201 Third Street	346,538	Certified	2
12100 W Olympic Boulevard	150,167	Certified	1
12200 W Olympic Boulevard	150,117	Certified	1
10900 NE 4th Street	416,755	Certified	2
601 108th Avenue NE	488,470	Certified	2
12233 W. Olympic Boulevard	151,029	Certified	1
6255 W. Sunset Boulevard	324,617	Certified	2
350 Mission Street	492,658	Certified	2
333 Brannan Street	159,595	Certified	2
	3,147,041 /		
	23%		

**AVERAGE WALKSCORE**  
of our existing portfolio:

# 67



GRAPHICS ENCOURAGING STAIR CLIMBING, SUNSET MEDIA CENTER, HOLLYWOOD, CA

HEALTH AND  
WELLNESS SPOTLIGHT

## WESTSIDE MEDIA CENTER

Our three building Westside Media Center campus, which includes our corporate headquarters, held its first Health & Wellness Happy Hour in 2017. The asset management team invited exhibitors representing many aspects of health and wellness including healthy foods, chiropractic services, fitness, and more. The event was so successful that the team has made it an annual event, with the next Health & Wellness Happy Hour scheduled for March 2019.



TENANTS IN LINE FOR FREE HEALTH SCREENINGS AT WESTSIDE MEDIA CENTER'S HEALTH AND WELLNESS HAPPY HOUR



# NEW DEVELOPMENT

Highlights / Local Communities / Biodiversity

## HIGHLIGHTS

Building to LEED standards demonstrates to prospective tenants and investors that we have a high-performing team that builds best-in-class buildings. The goal for all Kilroy Realty ground-up new development has been at least LEED Gold since the launch of our sustainability programs in 2010. Since then, 100% of ground up development has earned LEED Gold or Platinum.

In 2017 we had an impressive array of development projects underway all targeting LEED Gold or Platinum. These include 333 Dexter in Seattle (targeting Gold), 100 Hooper in San Francisco (targeting Platinum), 150 Hooper (targeting Gold), The Exchange on Sixteenth in San Francisco (targeting Platinum) and Academy on Vine in Hollywood (targeting Gold).

- The Heights at Del Mar/12770 El Camino Real in San Diego achieved its LEED Gold certification in 2017; this was the only project that could have earned a LEED development certification in that year. The project features a large solar system as well as an energy and water efficient design.
- At year end 2017, 58% of our portfolio had achieved LEED certification, and we have an additional 9 projects, across 19 buildings and 5.3 million square feet, registered for certification.
- Our only eligible project, 150 Hooper in San Francisco earned Designed to Earn the Energy Star certification in 2017.
- Typical features of our LEED development projects include efficient glazing, green roofs, pedestrian-oriented outdoor space including roof decks, transit-oriented locations, enhanced commissioning, high levels of recycled content and Forest Stewardship Council (FSC) certified wood, measurement & verification protocols, dramatic water reduction both in irrigation and domestic use, low-emitting materials, and a mechanical design that emphasizes thermal comfort.

## LOCAL COMMUNITIES

We recognize that our buildings are part of larger community systems, and that our buildings have the potential to either benefit or detract from their local communities. To navigate these concerns, we created an in-house land use team in 2011. We strive to 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 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 Kettner and Hawthorne project in the Little Italy neighborhood of San Diego, we have built in 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 12% 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 to open houses to websites that solicit feedback. The goal of these programs is to ensure that our development projects meet the needs of the local community.
- 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 Kilroy Realty construction team manager.
- Brownfield locations tend to be in attractive, dense urban areas so we embrace brownfield development. 333 Dexter, the Exchange on Sixteenth and 100 Hooper are all on brownfield sites, which we are remediating.

## NEW DEVELOPMENT CASE STUDY

**2100 KETTNER**

2100 Kettner is a class A ground-up commercial project with 174,380 rentable square feet located in downtown San Diego targeting LEED Platinum. The project offers diverse experiences bridged by an open air staircase, active street level retail, balconies and an outdoor roof terrace. The project represents a forward leap for us in terms of sustainability in terms of carbon reductions, materials procurement and more.

Designed by Gensler, the 6-story project is designed to maximize tenant flexibility via large floorplates and an activated street level via providing an 'urban living room' on the ground floor, which creates an inviting pedestrian experience. The roof terrace will feature exceptional views, green roof areas and a 200 KW solar array to create a unique collaborative workspace.

The project has numerous other sustainability attributes, many of which are related to reducing the overall carbon emissions impact of the project. The Core & Shell of the building will be all electric to avoid gas combustion onsite, and the efficient Variable Refrigerant Volume HVAC system, high performance glazing and solar array will reduce Scope 2 emissions through decreased energy consumption. 2100 Kettner is also our first project to incorporate Cross Laminated Timber (CLT), which will reduce the project's carbon impact by 2.1 tons for every ton of CLT used.

Water efficiency is extremely important to the building's design. There will be significant water reduction in domestic use via the use of 1.1 gallon per flush toilets, low flow urinals, .35 gallon per minute faucets, and 1.5 gallon per minute showers, which will compliment the drought-ground level vegetation and green roof. A municipal reclaimed water system will provide reclaimed water for all of the building's nonpotable needs. The plant palette will be chosen to be friendly to pollinators such as butterflies.

2100 Kettner is also designed to encourage alternative transportation. The robust nearby bus system will help employees get to the building and the project features a shower facility with bike lockers that is accessible to everyone on the campus, and EV charging stations in the parking garage.

After completion the project will pursue Fitwel certification to demonstrate its proactive design focused on health and productivity. Features that will contribute to the future Fitwel certification include activated stairwells and a site-wide prohibition of smoking.

Construction will commence in late 2018 and will be complete mid-2020.



2100 KETTNER, SAN DIEGO, CA

## BIODIVERSITY

We expanded our biodiversity programs in 2017. The major biodiversity highlight was the first beehive installation in our portfolio, on the roof of our tenant Neuhouse's space at Columbia Square in Hollywood. In addition, we continued with the following existing biodiversity program components:

1. All new landscape in both the existing and development portfolios is required to include at least two plant types, which otherwise meet our reduced water requirements, that are considered Pollinators by The Pollinator Partnership ([www.pollinator.org](http://www.pollinator.org)). Pollinators are part of the installed landscape at Columbia Square and are included in the landscape design at all current development projects: 100 Hooper, The Exchange at 16th, One Paseo, 333 Dexter, the Academy on Vine, 9455 Towne Centre, Oyster Point and 2100 Kettner. A list of pollinators being used on these projects appears on page 92.
2. Any beehives discovered in undesirable locations are to be relocated either on or offsite in partnership with local beekeeping organizations rather than destroyed.
3. We use a falcon to mitigate an unwanted pigeon issue rather than install 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.

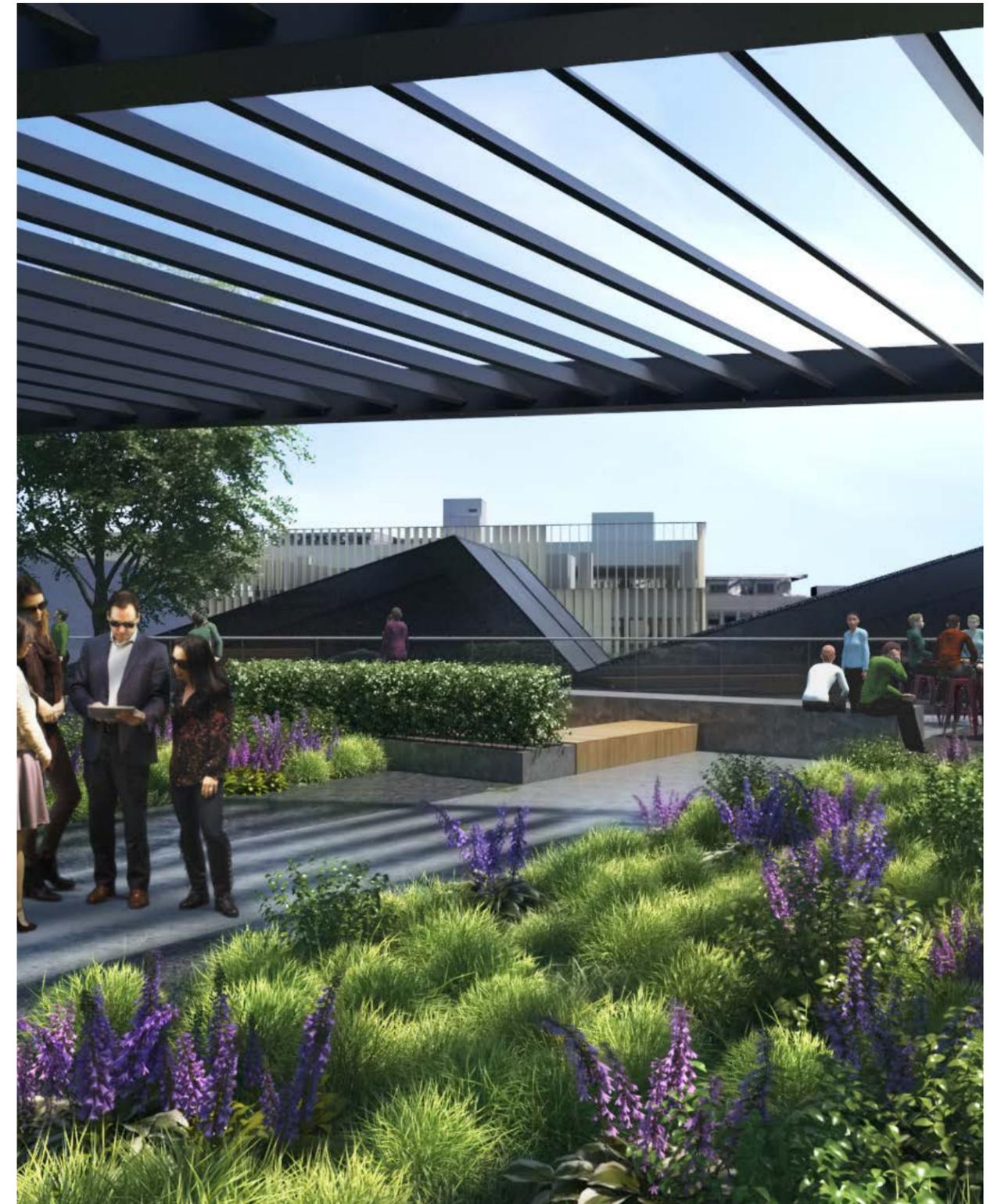


LANDSCAPING, COLUMBIA SQUARE, HOLLYWOOD, CA

## POLLINATORS IN THE KRC DEVELOPMENT PORTFOLIO

TYPE	METHOD	
100/150 Hooper	<ul style="list-style-type: none"> <li>Eschscholzia californica (California Poppy)*</li> <li>Gilia capitata (Blue Thimble Flower)*</li> <li>Salvia clevelandii (Cleveland's Sage)*</li> <li>Asclepias fascicularis (Milkweed)*</li> <li>Cercis canadensis (Eastern Redbud)</li> </ul>	<ul style="list-style-type: none"> <li>Achillea (Yarrow)*</li> <li>Penstemon spectabilis (Showy Penstemon)*</li> <li>Echinacea purpurea (Purple Cone Flower)</li> <li>Arctostaphylos bakeri (Manzanita)*</li> </ul>
9455 Towne Centre Dr	<ul style="list-style-type: none"> <li>Achillea millefolium (Yarrow)*</li> <li>Agave attenuata (Lion's Tale)</li> <li>Arctostaphylos (Manzanita)*</li> <li>Ceanothus (California Lilac)*</li> </ul>	<ul style="list-style-type: none"> <li>Iris douglasiana (Douglas Iris)*</li> <li>Rhus integrifolia (Lemonade Sumac)*</li> <li>Salvia clevelandii (Fragrant Sage)*</li> </ul>
Academy on Vine	<ul style="list-style-type: none"> <li>Aesculus californica (California Bukley)*</li> <li>Arctostaphylos uva-ursi (Kinnikinnick)*</li> <li>Eriogonum fasciculatum (California Buckwheat)*</li> </ul>	<ul style="list-style-type: none"> <li>Fragaria chiloensis (Beach strawberry)*</li> <li>Mimulus (Monkey Flower)</li> </ul>
333 Dexter	<ul style="list-style-type: none"> <li>Achillea millefolium (Yarrow)*</li> </ul>	<ul style="list-style-type: none"> <li>Iris douglasiana (Douglas Iris)</li> </ul>
Exchange	<ul style="list-style-type: none"> <li>Arctostaphylos (Manzanita)*</li> <li>Calycanthus occidentalis (Sweetshrub)*</li> <li>Epilobium canum (California Fuschia)*</li> <li>Eriogonum arborescens (Buckwheat)*</li> </ul>	<ul style="list-style-type: none"> <li>Eriogonum latifolium (Seaside Buckwheat)*</li> <li>Heuchera sp. (Alumroot)*</li> <li>Lupinus sp. (Lupine)*</li> <li>Salvia spathacea (California Hummingbird Sage)*</li> </ul>
2100 Kettner	<ul style="list-style-type: none"> <li>Senecio mandraliscae (Blue Chalk Sticks)*</li> <li>Senecio decaryi (Madagascar Senecio)*</li> </ul>	<ul style="list-style-type: none"> <li>Sedum (Stonecrop)</li> <li>Salvia spathacea (Sage)*</li> </ul>
Oyster Point	<ul style="list-style-type: none"> <li>Sidalcea malviflora (Rosaly Checker)</li> <li>Achillea millefolium var. californica (Yarrow)*</li> <li>Mimulus cardinalis (Scarlet Monkeyflower)*</li> <li>Phacelia tanacetifolia (Tansy Phacelia)</li> </ul>	<ul style="list-style-type: none"> <li>Verbena lasiostachys (Western Vervain)*</li> <li>Helenium puberulum (Rosilla)*</li> <li>Salix laeviagata (Red Willow)*</li> <li>Aesculus californica (California Buckeye)*</li> </ul>

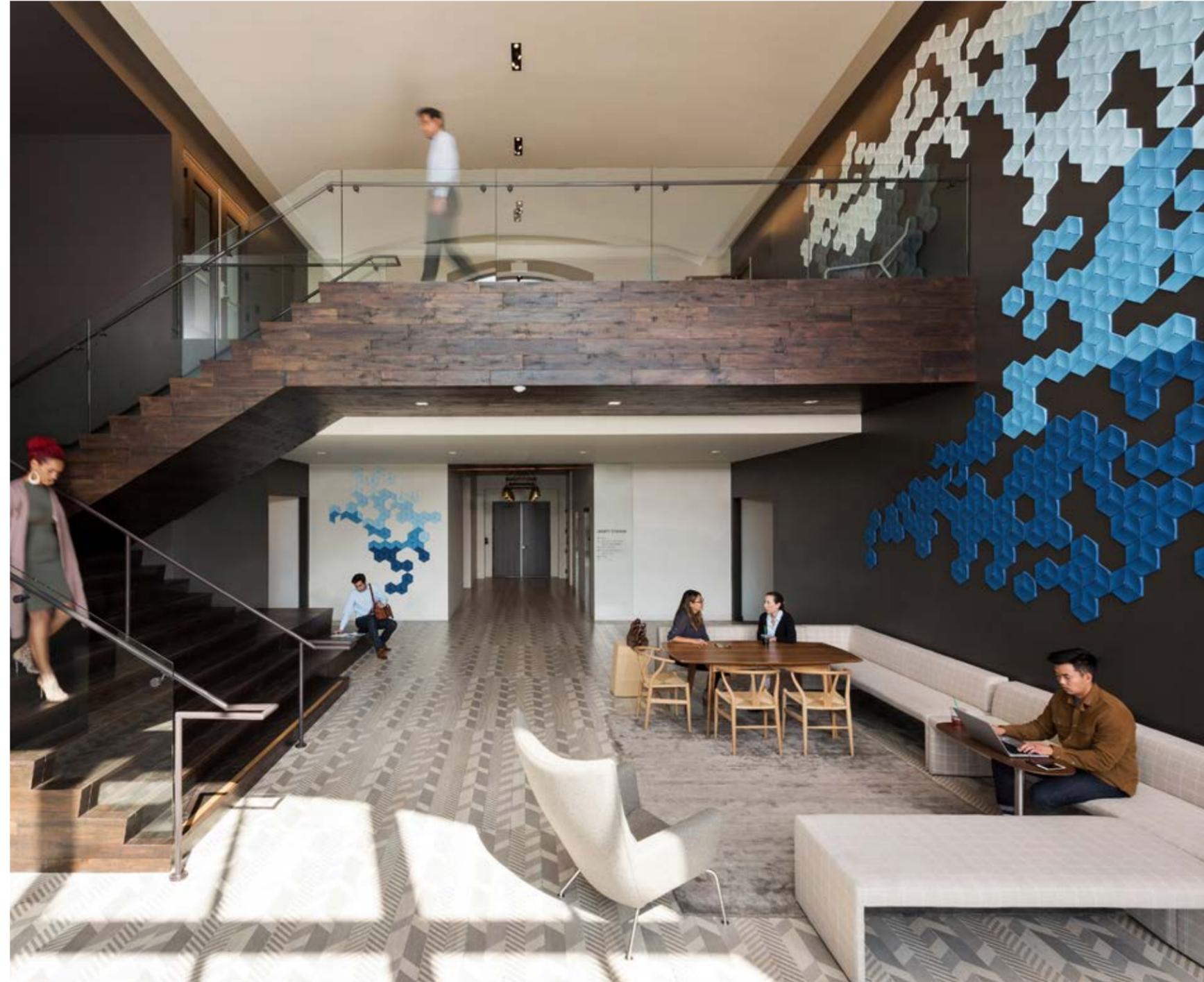
\*Native



THE EXCHANGE ON 16TH STREET, SAN FRANCISCO, CA

# 6 INDUSTRY ENGAGEMENT

Stakeholder Engagement / Disclosure / SASB / GRESB / Partnerships & Associations / Advocacy / Communication



LIBERTY STATION, SAN DIEGO, CA

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> </ul>	Energy, Water, Effluents/Waste, Product and Service Labeling, Resilience, Awards, Training and Education, Health and Wellness, Diversity and Equal opportunity, Nondiscrimination
Tenants	<ul style="list-style-type: none"> <li>(See Tenant Engagement Matrix page 56)</li> </ul>	
Investors	<ul style="list-style-type: none"> <li>SASB-aligned disclosure in the Annual Financial Report filed with the SCE</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> </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
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
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

STAKEHOLDER GROUP	ENGAGEMENT APPROACH	MATERIAL ASPECTS AND TOPICS OF DISCUSSION
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
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
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,

### 2017 DISCLOSURE SCORECARD



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



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



Score: 92. Ranked first out of 49 respondents in North American Office.



Score: A. Within the 41% highest scoring companies.



First publicly traded company to align the Annual Financial Report with SASB.

## SASB

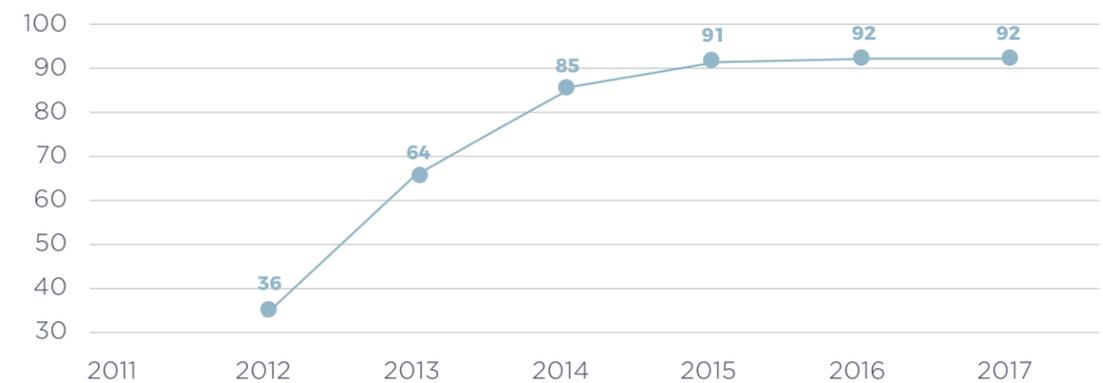
While many companies recognize that sustainability issues are material to their business, and have included some sustainability disclosures in their financial reports or publish publicly-available standalone sustainability reports, as we have done since 2011, historically there have been no standardized sustainability disclosures included in annual financial reports filed with the Securities and Exchange Commission (SEC). This is unfortunate, as these SEC filings are critical for the investment community to make informed decisions about companies. When the Sustainability Accounting Standards Board (SASB) announced the creation of standard sustainability disclosures specific to real estate for inclusion in SEC filings, we saw an opportunity to further align our annual financial reporting with our materiality assessment and broaden our communication around sustainability to the investment community.

Putting the SASB disclosures into our 10-K demonstrates that we are committed to fully integrating sustainability into all functions. This is because many of our teams had to collaborate to include these disclosures, as the 10-K is created and reviewed by our accounting, financial reporting, operations, asset management and legal teams. These team members had participated for several years in other sustainability disclosures here and were enthusiastic to take on this new challenge.

We filed our first SASB-aligned 10-K with the SEC in February 2017 (see <http://services.corporate-ir.net/SEC.Enhanced/SecCapsule.aspx?c=79637&fid=14827749> pages 9 and 10), becoming the first publicly traded company in America to do so. The recognition we have received so far has been very favorable, and all of our departments are committed to aligning all future annual SEC filings with SASB.

## GRESB

### KRC GRESB SCORE OVER TIME





SARA NEFF, SVP, SUSTAINABILITY ANNOUNCES THE W<sup>2</sup> CHALLENGE AT THE 2017 BOMA INTERNATIONAL CONFERENCE IN NASHVILLE

PARTNERSHIP SPOTLIGHT

# BOMA W<sup>2</sup> CHALLENGE

In 2017 we were instrumental in the creation of the BOMA W<sup>2</sup> Challenge through our Vice Chair role on the BOMA International Energy and Environment Committee, a subcommittee of the Government Affairs Committee. The W<sup>2</sup> challenge is a two-year initiative to support commercial real estate practitioners in benchmarking water and waste consumption and associated costs, and implementing best practices to improve performance. The program will run from January 1, 2018 to December 31, 2019. Year 1 will establish a baseline and Year 2 will promote performance improvements. We have enrolled over 80 of our buildings, all those for whom are responsible for water or waste usage, into the challenge and look forward to participating over the next two years. Our goal with our support in the creation of this challenge and participation in it is to push the real estate industry beyond thinking about just energy when they assess the environmental importance of their operations. The program has been very successful, with over 1000 buildings enrolled as of year end 2017.

## PARTNERSHIP AND ASSOCIATION



- ENERGY STAR Partner
- BOMA Energy and Environment Committee; BOMA Energy Education Program (BEEP) Working Group
- U.S. Green Building Council (USGBC) Corporate Gold Member; USGBC Los Angeles sponsor
- National Association of Real Estate Investment Trusts (NAREIT) Real Estate Sustainability Council
- GRESB
- 2030 Districts Board of Governors; 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)
- Urban Land Institute (ULI)
- Young Professionals in Energy (YPE)
- Fitwel Leadership Advisory Board
- Hawthorn Club

## ADVOCACY HIGHLIGHTS

- Participating in the San Francisco Electric Vehicle Charging Station Ordinance stakeholder engagement process
- Engaged in the development of the Los Angeles Resilience Plan
- Volunteered for the Los Angeles Existing Buildings Energy and Water Efficiency Ordinance speaker's bureau
- Collaborated on the creation of BOMA's building owner engagement process best practices and policy variables toolkit for new benchmarking ordinances



## COMMUNICATION HIGHLIGHTS

- Daily tweets on sustainability programs and projects. Our twitter page is viewed 495 times every month, and in a typical month our tweets are seen approximately 12,700 times. In total, in 2017 we had 5948 visits to our profile, and 144,933 impressions.
- 'Green Tenant Heroes' Twitter campaign: the sustainability team highlighted the sustainability accomplishments of 16 of our tenants. More information on page 54.
- 29 speaking events in 2017, reaching approximately 2940 professionals.
- We received sustainability coverage in nine publications in 2017, including Commercial Property Executive, REIT Magazine, National Real Estate Investor, Globe Street, Urban Land and USGBC+. These publications have an estimated total audience size of over 3.3 million.
- Press releases via BusinessWire around major sustainability accomplishments, such as our #1 GRESB ranking, that are seen by 100+ media outlets



KEY CENTER, BELLEVUE, WA



# EMPLOYEES

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Introduction / Diversity and Equal Opportunities / Non-Discrimination / Training & Education / Performance and Career Development Reviews / Community Service and Philanthropy

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## EMPLOYEES

At Kilroy Realty, we believe that the success of our business is tied to the quality of our staff and we strive to maintain a corporate environment without losing the entrepreneurial spirit on which we were founded nearly 70 years ago.

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 one part-time employee; all other employees work full-time.
- 2% of our total employees are covered by collective bargaining agreements.

### DIVERSITY AND EQUAL OPPORTUNITIES

We are an equal opportunity employer that recruits, hires, trains, and promotes personnel for all areas of employment without regard to race, color, 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.

### NON-DISCRIMINATION

We had no incidents of discrimination reported during 2017.

### TOTAL WORKFORCE

Total Employees	251
Female	143
Male	108

### SUPERVISORS

	FEMALE	MALE
Administrative Support	3	0
Craft	0	1
Executive/Senior Level	1	5
First/Mid Level	30	34
Professional	14	7
Total	48	47

### SUPERVISED WORKERS (156)

Female	95
Male	61

### TOTAL WORKFORCE BY REGION

Total Employees	251
Irvine/San Diego	35
Female	22
Male	13
Los Angeles Region	131
Female	72
Male	59
San Francisco Region	66
Female	41
Male	25
Seattle Region	19
Female	8
Male	11

**ORGANIZATION'S GOVERNANCE BODY (54 ELECTED OFFICERS)**

**Gender**

Female	14	26%
Male	40	74%

**Age Group**

Under 30 years old	0	0%
30-50 years old	32	59%
Over 50 years old	22	41%

**Racial Groups**

Asian	4	7%
Hispanic or Latino	1	2%
White	48	89%
Other	1	0%

**ALL EMPLOYEES (251)**

**Gender**

Female	143	57%
Male	108	43%

**Age Group**

Under 30 years old	58	23%
30-50 years old	140	56%
Over 50 years old	53	21%

**Racial Groups**

Asian	49	20%
Black or African American	8	3%
Hispanic or Latino	26	10%
Two or More Races	14	6%
White	152	61%

**TRAINING & EDUCATION**

- We support the continual improvement of training and education programs for our employees
- We ran several corporate trainings in 2017 and individual teams conducted trainings as appropriate on topics such as energy, water and waste benchmarking and the operating of new mechanical equipment.
- We will consider individual requests for job-related tuition reimbursement from employees who have completed at least one year of continuous service. We will reimburse the employee for his/her related expenses including travel, registration fees, workbooks, lodging and meals not included in the registration fees.

- The time off for employee's attendance and travel will be paid at the employee's normal rate of pay.
- The time spent by an employee in voluntarily attending any continuing education program covered by this policy is not regarded as hours worked and therefore is not calculated for purposes of overtime.
- Employees within our Asset/Property Management department are encouraged to take BOMA courses each year to reach the applicable professional designations for their position.

**PERFORMANCE AND CAREER DEVELOPMENT REVIEWS**

All of our employees receive an annual performance review. These evaluations are done in the same time frame as the review of annual incentive compensation. One of the general factors on the performance appraisal form is 'Attendance/Adherence to Policy' which requires the supervisor to address whether the employee follows safety & conduct rules, other regulations and 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 are proud that we had employees earn both LEED and WELL credentials in 2017. We cover the costs of LEED and WELL education and testing for employees who work in the operation and construction of our buildings.

**TRAINING & EDUCATION**

Training Name or Description	Type	Time	# of Employee Participants	% of Relevant Employees
Public Speaking Mastery	Professional Development	16	21	8%
Workplace Behavior Training	Anti-Harrassment	1	252	100%
Additional Workplace Behavior Training for Supervisors	Anti-Harassment	1	95	100%

Annual Performance Reviews - 100%

## EMPLOYEE SPOTLIGHT

**KRISTEN STEWART  
+ THERESA LEE**

Our financial reporting team was deeply involved in the SASB alignment of the 10-K starting a year prior to the disclosure. Our Senior Directors of Financial Reporting, Kristen Stewart and Theresa Lee, are a critical component of the team that creates the 10-K and were the primary drivers of our ability to embed and communicate the importance of sustainability to our business in our financial disclosures, which required several rounds of cross-functional review both internally and externally.



KRISTEN STEWART + THERESA LEE



KRC EMPLOYEES VOLUNTEERING AT CLIC, A SPANISH IMMERSION ELEMENTARY SCHOOL IN MID-CITY LA

## COMMUNITY SERVICE AND PHILANTHROPY

On December 15, 2017, about 40 KRC employees volunteered at CLIC, a Spanish immersion elementary school in Mid-City LA that serves students from a variety of socioeconomic backgrounds. The school recently moved to a new site and needed help completing their campus. In just 4 hours, we painted a mural in their playground, built 3 raised planting beds, hung a vertical garden with 100 plant pockets, assembled student desks, filled up a basketball base with sand, and cleaned classroom windows.

### PHILANTHROPY - Kilroy Environmental Scholarship at Loyola Marymount University

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

Other philanthropic endeavors include:

(PARTIAL CHARITABLE DONATIONS LIST, INCLUDES EMPLOYEE MATCHING DONATIONS)

- All Stars Project
- American Association of Retired Persons Foundation
- American Cancer Society
- American Parkinson Disease Association
- American Society for the Prevention of Cruelty to Animals
- Breast Cancer Research Foundation
- Children's Tumor Foundation
- City of Hope
- Defy Ventures
- Doctors Without Borders
- Donate Life Run/Walk
- Institute of Real Estate Management Foundation
- Kitten Rescue
- Leukemia and Lymphoma Society
- Los Angeles Boys and Girls Club
- Mercy Housing California
- Nihonmachi Little Friends
- Operation Smile
- Pancreatic Cancer Action Network
- Planned Parenthood
- Royal Family Kids
- Rozalia Project
- Ryther Giving Tree
- Save the Children
- Toast to Literacy
- Urban Land Institute Annual Fund Donation
- World Vision
- Young Dreamer Network



# ETHICS & GOVERNANCE

Introduction / Entities / Ethics



CROSSING 900, REDWOOD CITY, CA

For a complete description of our corporate governance practices, please visit: <http://investors.kilroyrealty.com/phoenix.zhtml?c=79637&p=irol-govhighlights>. Our sustainability performance is reported to our Board of Directors via our quarterly Earnings Report, prepared by our Treasurer, and our boilerplate language.

We subscribe to the precautionary principle, which we interpret by assuming that the construction and 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 are constantly working to stay abreast of industry best practices in procurement and incorporating these practices into our projects. In particular, we have greened our janitorial practices and construction standards to minimize environmental and health impacts even in non-certified buildings. We will continue to be as aggressive as possible in minimizing our company's impact on the environment and human health in the coming years.

## ENTITIES

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

## ETHICS

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

This policy is addressed in the corporate Code of Conduct each employee is given upon their hiring, is available on 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 2017 or in any prior reporting years. In addition, we had no legal actions for anticompetitive behavior, anti-trust, and monopoly practices in 2017 or any prior reporting years.



100 FIRST STREET, SAN FRANCISCO, CA



# PREPARING THIS REPORT

Third Party Validation / Materiality / Conclusion



333 BRANNAN STREET, SAN FRANCISCO, CA

## 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 fifth time this year.
- This is the fifth year Kilroy Realty is using the GRI G4 guidelines for its report.
- This sustainability report has been externally assured by DNV GL--Business Assurance, USA & Canada Sustainability. Their external assurance assessment can be found on page 131. DNV GL is an outside vendor, unaffiliated with us.
- To ensure that our reporting meets the highest standards for transparency, this report is externally audited in accordance with the AccountAbility 1000 Assurance Standard (AA1000AS 08).
- Our senior management team was involved in the external assurance process, which included interviews with senior management and representatives of several departments including Finance, Asset Management, Risk Management, Human Resources, In-House Counsel and Land Use.

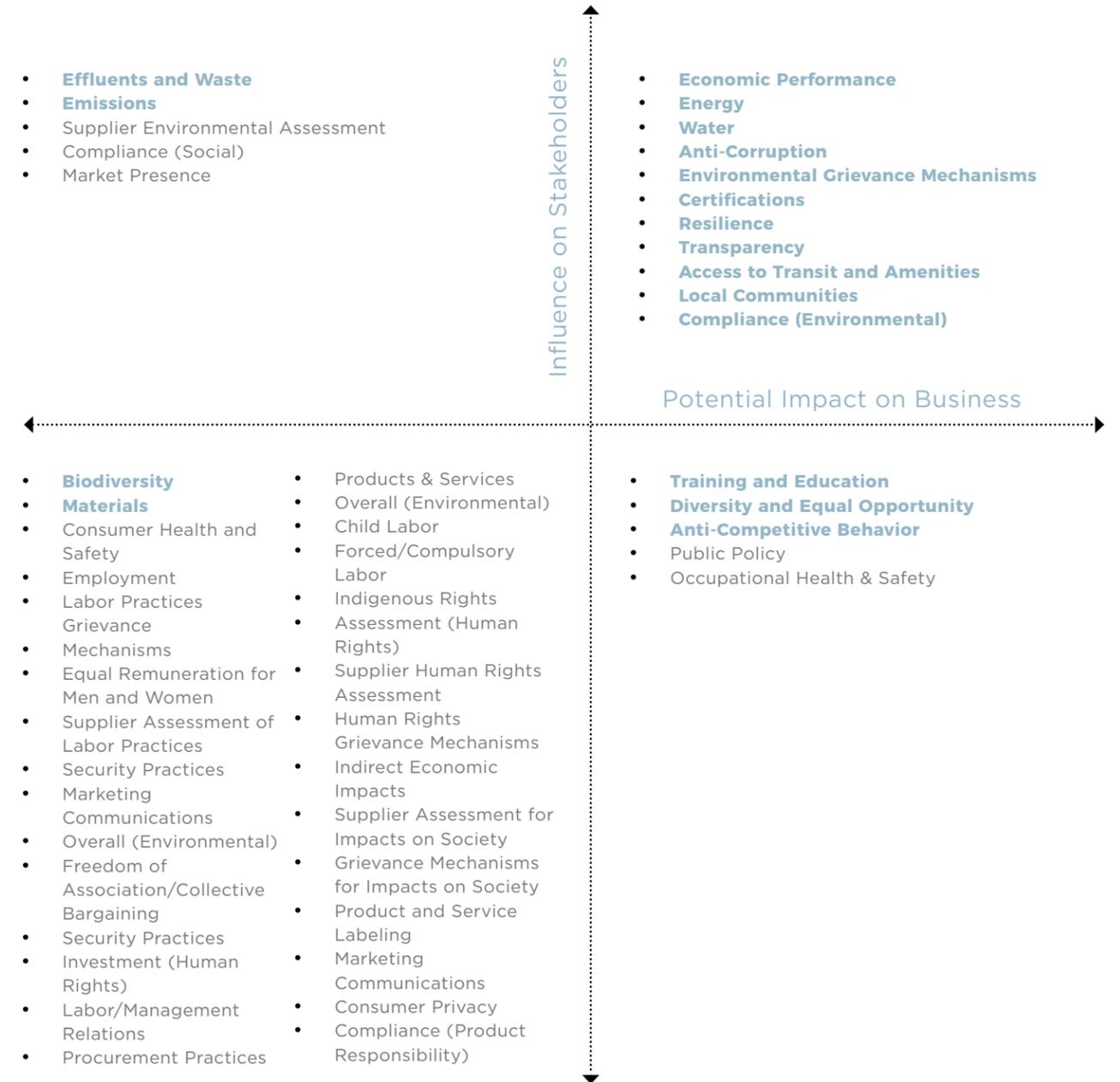
# MATERIALITY

To define our report content, the sustainability team worked to gather, analyze and report all information that our various stakeholder groups would find relevant regarding our sustainability programs. This includes all information required for the GRI G4 'Core' In Accordance option as well as additional information relevant to our stakeholders. To accomplish this, the sustainability team conducts a thorough Materiality engagement every other year, and did so for this year's report. The team surveyed a representational cross section of both our own employees, and our external stakeholders:

EXTERNAL STAKEHOLDER GROUP		INTERNAL STAKEHOLDER GROUP	
Utility	Competitor	Admin	Engineering
Technology	City	Lease Accounting	Human Resources
Investor	Consultant	Asset Management (San Francisco)	IT
Product	Higher Education	Asset Management (San Diego)	Financial Reporting
NGO	Tenant	Finance	Asset Management (Seattle)
Consultant	Ratings Agency	Construction	Government Affairs
Architect	City	Asset Management (Los Angeles)	Legal
Industry Org	Lawyer	Engineering	Retail
NGO	Engineer	Architecture	Operations
Competitor		Accounting	

The external stakeholders included a tenant, a utility, an industry association, a competitor, a product manufacturer, an architect, a general contractor, an educator, a lawyer, a technology incubator, a Non-Government Organization (NGO), a local government representative, and an investor representative. We then shared this process with DNV GL, the third party who is verifying our sustainability report, and refined our disclosures based on their feedback. More information on third party verification can be found on page 121.

# MATERIALITY MATRIX



\*ASPECTS IN BLUE INCLUDED IN THIS REPORT

## MATERIAL WITHIN / OUTSIDE KRC

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

## Conclusion

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

Sara Neff (Senior Vice President, Sustainability) and Maya Henderson (Sustainability Manager) prepared this report. We attest that the information contained in this report is accurate and addresses all aspects of our sustainability programs material to our stakeholders. Special thanks to Allen Bevan, Amanda Burkey, Karen Chu, Shahla Ergash, Keely Hale, Grace Hwang, Meagan Johnson, Candace Lee, Marina Martos, Sharon Masch, Robert Masterson, Michelle McDuffy, Cheryl Mossa, Troy Ransome, Lauren Ross, Suzanne Omar, Vaishali Sapat, Lauren Stadler, Kristen Stewart, Phil Tate, Theresa Trinh, Angelina Vannicola, Monique Willet and Katherine Yau for their help in the preparation of this report. For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or [sneff@kilroyrealty.com](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.

## GLOBAL REPORTING INITIATIVE

		Page	External Assurance
<b>GENERAL STANDARD DISCLOSURES</b>			
<b>Strategy and Analysis</b>			
G4-1	Statement from the Chairman and CEO.		
<b>Organizational Profile</b>			
G4-3	Name of the organization.	8	
G4-4	Primary brands, products and services.	8	
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This is our seventh corporate sustainability report and sixth developed in accordance with GRI guidelines. This is our fifth report using the G4 guidelines. The report covers all of our activities, all of which are located in the United States, during calendar year 2017. We publish a corporate sustainability report on an annual basis. The last Kilroy Realty corporate sustainability report was published in April 2017 and covered calendar year 2016. 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 2.2% percent, from 14.0 million square feet to 13.7 million square feet. Like-for-like, our occupancy decreased over this period from 96% to 95.2%. We have chosen the 'Core' in accordance option for our sustainability report. 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.



## 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 2017 Sustainability Report (the Report), for the year ended 31 December 2017, as published on the company's website at: <http://kilroyrealty.com/sites/default/files/kilroy-realty-corporation-sustainability-report-2017.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 2017 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 including energy consumption (page 28), greenhouse gas (GHG) Scope 1 and 2 emissions (page 68), waste generated (page 41), and water use assertions (page 39) (the performance data)

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

We followed the procedures as outlined in the VeriSustain protocol to complete the project. We used the Global Reporting Initiative (GRI) Quality of Information Principles (Balance, Clarity, Accuracy, Reliability, Timeliness and Comparability) as criteria for evaluating performance information together with 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 (WBSCD)/World Resources Institute (WRI) Greenhouse Gas Protocol.

### 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 fifth 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 and site level. 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;
- Review of information provided to us by KRC on its reporting and management processes relating to the Principles;
- Visit to the corporate Headquarters in Los Angeles
- Conduct interviews with the Senior VP Development and Government Affairs, VP Legal Corporate, 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 and 2 emissions:

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

### Opinion

On the basis of the work conducted, nothing came to our attention to suggest that the Report does not properly describe 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 is committed to continuous dialogue with its stakeholders, using both formal and informal avenues, to understand their expectations, concerns, and needs as well as to increase awareness of the company's sustainability objectives. This is evident in efforts such as the Green Janitor Education Program, the 2017 employee satisfaction survey, and community engagement during the development process.

Furthermore, the company's approach to its sustainability strategy and reporting is informed by inputs at different levels of the organization from varied sources such as government officials, tenants, employees and non-

governmental organizations. During the materiality refresh conducted in preparation for the development of the 2017 report, KRC engaged internal stakeholders and a limited number of external stakeholders. We recommend that Kilroy continue to validate its prioritization of its material issues with key stakeholders to ensure that the company is shaping its sustainability strategy to effectively address the issues most relevant to these 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 refresh in 2017-2018 to confirm the topics covered in the Report. As part of this process, KRC reviewed its mapping of stakeholders impacted by the company's activities and the material issues that are most relevant to them. The Report presents an update of KRC's activities and sustainability performance and addresses the most material environmental and social issues facing the company and its stakeholders.

In 2017, KRC conducted a preliminary analysis of its Tier 1 suppliers and engaged with them to better understand their ethics programs. The company also reviewed risks related to health and safety for contracted janitorial services. We recommend that the company build on these efforts and perform a formal sustainability risk assessment process which can inform the development of systems for monitoring and reviewing supplier performance in areas of high risk.

#### **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. After reporting its Scope 1 and 2 GHG emissions for the first time in its 2016 report, we commend the company for updating its science-based target for its GHG emissions based on best practices from the Science Based Targets Initiative.

#### **Performance Information:**

KRC's reporting of performance including the disclosure of data is comprehensive and the indicators disclosed in a balanced manner. Goals and performance data are presented objectively, with clear and balanced representation of 2017 performance and challenges.

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

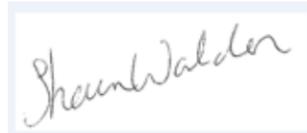
As noted in previous assurance statements, we recommend that Kilroy continue to follow an established quality review process for all data collected in Energy Star Portfolio Manager. Furthermore, we recommend that the company document within Energy Star Portfolio Manager any unique factors related to data assumptions, invoices, metering, etc. at the building level to ensure replicability of performance calculations. These two process checks can help ensure reliability of the data collection and consolidation processes as well as consistency in the assumptions used across the portfolio to calculate the environmental data.

KRC's GHG assertions are that 47,588 metric tons of CO<sub>2</sub>e were emitted in 2017; 4,641 metric tons of CO<sub>2</sub>e for Scope 1, 42,947 metric tons of CO<sub>2</sub>e for Scope 2. Based on the processes and procedures conducted with a moderate assurance, there is no evidence that these GHG assertions are not materially correct and are not a fair representation of GHG data and information, and have not been prepared in accordance with the WBSCD/WRI GHG Protocol referenced above.

**DNV GL Business Assurance USA Inc.**  
**Oakland, California**  
**May 10, 2018**



Natasha D'Silva  
**Lead Assuror**



Shaun Walden  
**Technical Reviewer**

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