# 2019 SUSTAINABILITY REPORT



**@KILROYGREEN** 



#### COMMITTED TO CARBON NEUTRAL OPERATIONS

by Year-End 2020

#### **ENERGY STAR**

Partner of the Year 2014 - 2020 Sustained Excellence 2016 - 2020

#### GRESB

Green Star 2013 - 2019 #1 in North America Sector Leader, Listed Office 2014 - 2019

#### NAREIT

Leader in the Light Award, Office Sector 2014 - 2019

## DOW JONES SUSTAINABILITY WORLD INDEX

Member 2017 - 2019

#### BLOOMBERG GENDER EQUALITY INDEX

Member 2020

#### **GREEN LEASE LEADER**

Leader 2014 - 2019 Gold level 2018 - 2019

#### **CLIMATE REGISTRY**

Climate Leadership Award 2020

#### **BEST IN BUILDING HEALTH**

2019 - 2020

PAGE 2

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

## "

# Table of Contents

INTRODUCTION	<u>6</u>
Sustainability by the Numbers	8
A Word From Our CEO	<u>12</u>
Corporate Overview	<u>16</u>
Vision, Strategy, Program	<u>18</u>
Climate Change	25
ENVIRONMENTAL	<u>36</u>
Existing Buildings	40
Energy	<u>42</u>
Water	<u>52</u>
Waste	<u>56</u>
New Development	<u>61</u>
Highlights	<u>61</u>
New Development Case Study: 9455 Towne Centre	<u>62</u>
Local Communities	<u>67</u>
Biodiversity	<u>68</u>
Other Environmental Programs	<u>73</u>
Green Leasing	<u>75</u>
SOCIAL	<u>78</u>
Human Capital Development	83
Training and Education	88
Employee Spotlight: Legal Team	<u>92</u>
Employee Health	94
Building Health	<u>96</u>
Supply Chain	<u>104</u>
Community	<u>106</u>
GOVERNANCE	<u>112</u>
Board Corporate Social Responsibility and Sustainability Committee	<u>114</u>
Policies	<u>116</u>
Green Bond	<u>118</u>
Stakeholder Engagement Matrix	<u>126</u>

#### WRAP UP

Materiality

Third Party Validation

Conclusion

GRI Index

Independent Assurance Statement

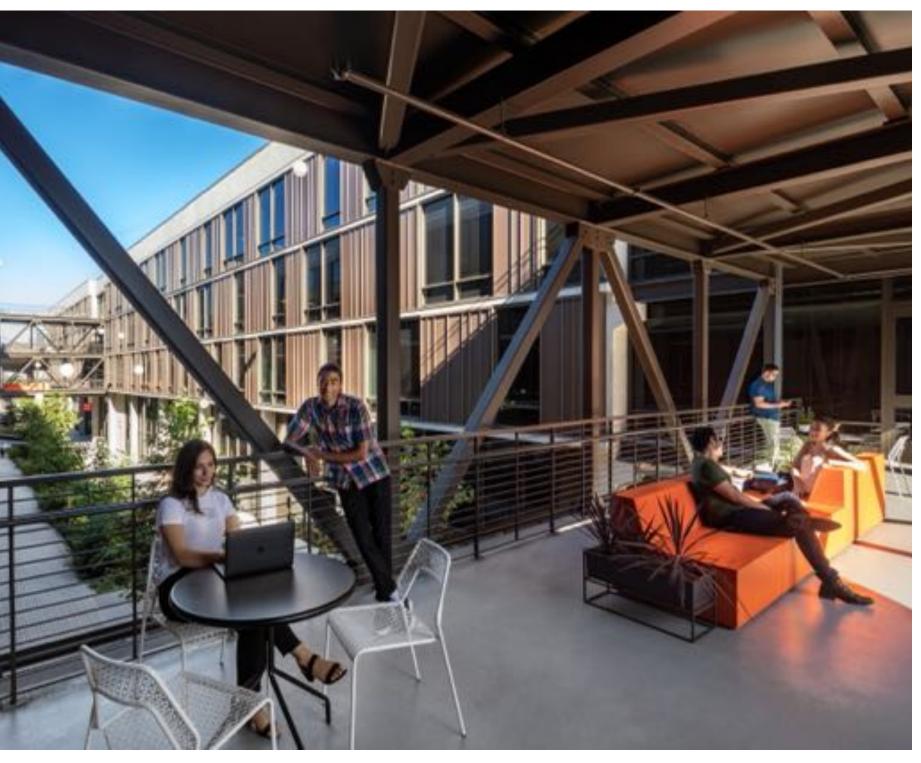
#### **APPENDIX**

Performance Tables

Green Bond Assurance Statement

This Sustainability Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 193A, as amended. These statements include, among other things, information concerning our sustainability strategies and objectives, including projected cost savings, water usage, waste, energy consumption, building certifications, development activity and other forward-looking financial data. In some instances, forward-looking statements are based on Kilroy Realty Corporation's current expectations, beliefs and assumptions and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of Kilroy Realty Corporation's current expectations control. Accordingly, actual performance, results and events may vary materially from those indicated in the forward-looking statements are predictions of future performance, results or events. Numerous factors could acuse actual future performance, results and events to differ materially from those indicated in the forward-looking statements, including, among others, global market and general economic conditions and their effect on our liquidity and financial conditions and these of our teansits, adverse economic or real estate conditions generally and specifically, in the States of California and Washington, risks associated with our investment in regulations, including environmental remediation, the availability of ash for distribution and debt service and exposure to risk of default under debt abligations; increases in interest rates and our ability to auspense rate acquired development regulations, including environmental remediation, trenses state and our ability to pursues; development and acquisition opportunities and refinance existing debt; a decline in real estate asset valuations, which may diverse and exposures to risk at attractive prices or obtain or maintain debt financing and which may

<u>128</u>
<u>130</u>
<u>132</u>
<u>133</u>
<u>134</u>
<u>140</u>
<u>144</u>
<u>146</u>
<u>150</u>

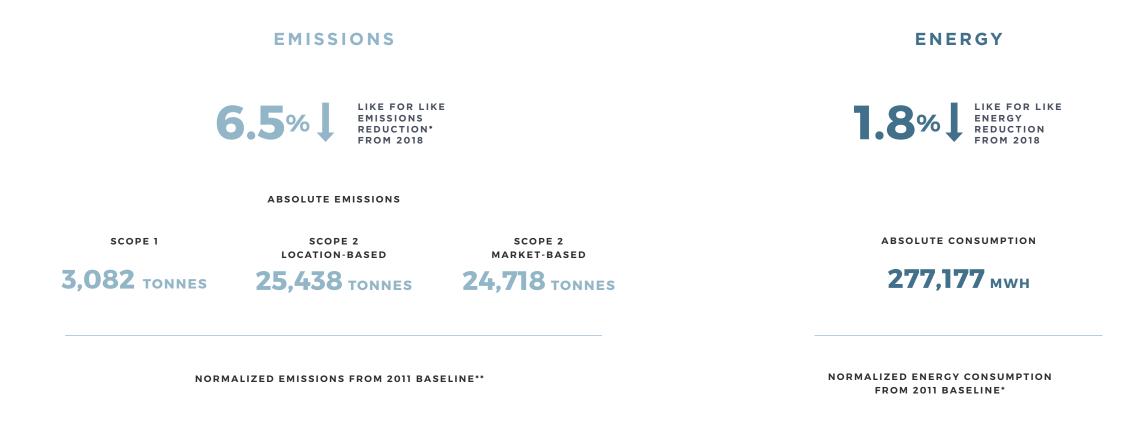


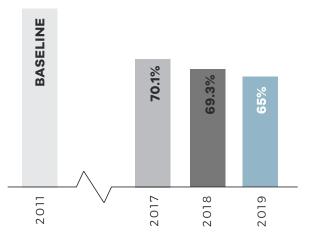


- Sustainability by the Numbers • A Word from our CEO • Corporate Overview • Vision, Strategy, Program • Climate Change and TCFD

# **INTRODUCTION**

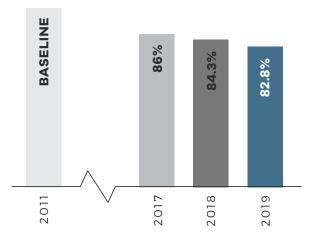
# 2019 Sustainability by the Numbers





\*Reduction for scope 1 + scope 2 market based combined.

\*\*Emissions are calculated on a like-for-like basis each year. 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.



\*Energy usage is calculated on a like-for-like basis each year. 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.

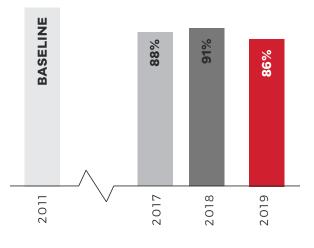
#### WATER



#### ABSOLUTE CONSUMPTION

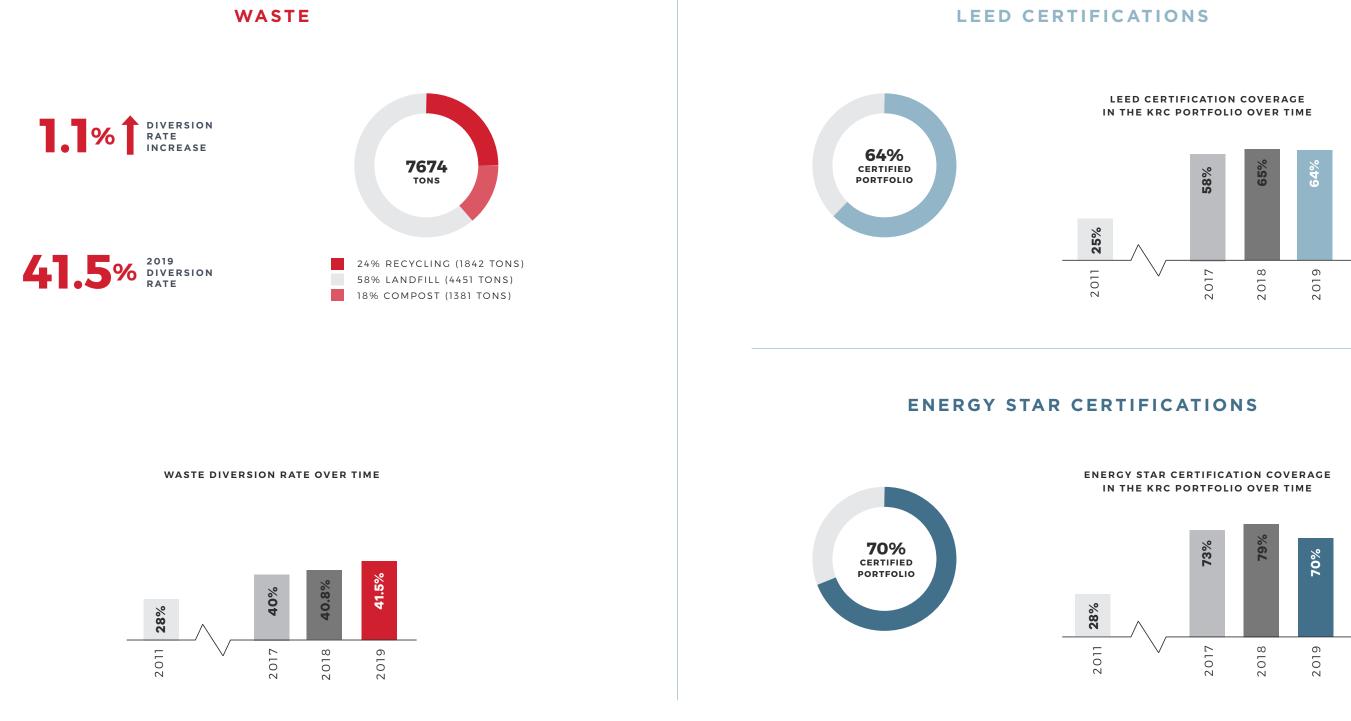
## **212,262** KGALS

#### NORMALIZED WATER CONSUMPTION FROM 2011 BASELINE\*



\*Water usage is calculated on a like-for-like basis each year. 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.

# 2019 Sustainability by the Numbers



PAGE 10

PAGE 11

# A Word from our CEO

First and foremost, our thoughts go out to those impacted by COVID-19 (coronavirus disease), both globally and in the communities in which we live, work and operate. The recent virus outbreak represents an unprecedented period of uncertainty. While it is not clear what the ultimate impact will be on our economy and society, we believe that we are well-positioned to weather this challenging moment in time. We have a strong balance sheet, ended the year with our stabilized portfolio 97% leased and have prefunded the majority of our well-leased, underconstruction development program.

During times like these, our values as a company matter more than ever and we maintain our focus on ensuring that we are a leader in environmental, social and governance issues.

In 2019, we dramatically expanded our corporate social responsibility initiatives while continuing to raise the bar on our environmental programs, building on our momentum of becoming the first North American REIT to commit to carbon neutral operations by year-end 2020. We also became the first U.S. REIT to complete a comprehensive analysis of the environmental and social impacts on the most critical components of our supply chain. We shared the results and recommendations for improvement both publicly and with our suppliers. Additionally, as a result of our efforts to enhance the diversity and inclusiveness of our corporate culture, we were listed on the Bloomberg Gender Equality Index (GEI) for the first time. Other achievements this year included signing another megawatt of solar transactions and incorporating ESG factors in named executive officer compensation decisions.

This work has earned us worldwide recognition. The Global Real Estate Sustainability Benchmark (GRESB), the global real estate industry's most rigorous standard for sustainability performance, ranked us first in

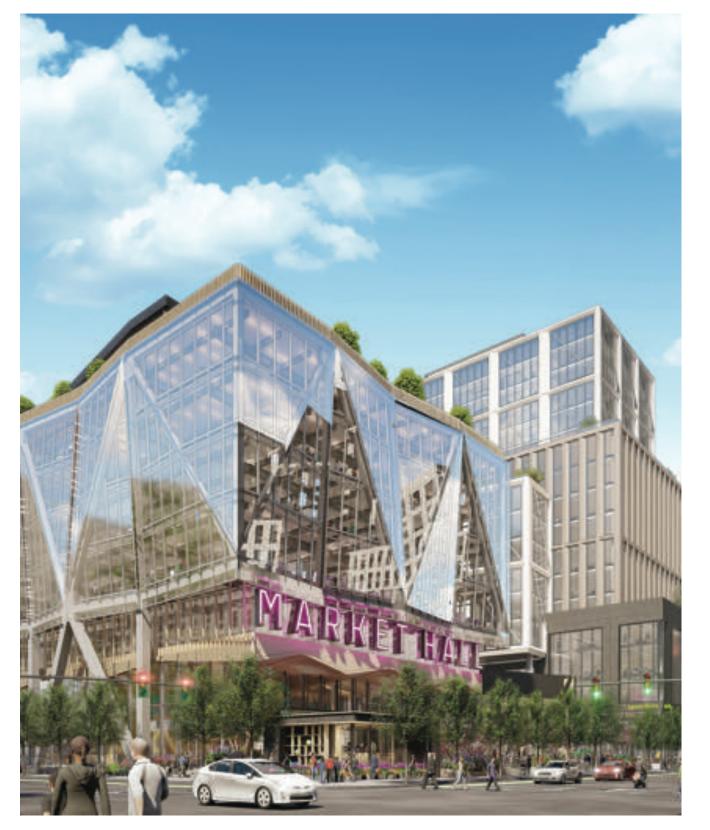


the Americas on sustainability across all asset classes, public and private, out of 250 respondents. This was our sixth time achieving Sector Leader recognition from GRESB. In addition, the National Association of Real Estate Investment Trusts (NAREIT) awarded us its Leader in the Light award for the sixth year in a row for superior, comprehensive and continuous sustainability practices in the office sector. We also won our fifth ENERGY STAR Partner of the Year Sustained Excellence award. Finally, we maintained our position on the Dow Jones Sustainability World Index, making us one of only six North American real estate companies on the Index. This Index includes 245 top ranked companies on sustainability across 24 industries and 18 countries.

These accomplishments are the result of our deep commitment to reduce the environmental and social impacts of our portfolio. Let's look at the numbers for 2019:

- We reduced energy consumption in our office portfolio by 1.8%.
- We reduced water consumption by a very strong 5.6%.
- We piloted cutting-edge technology through the Kilroy Innovation Lab.
- certifications across 43% of our portfolio.
- Our recycling diversion rate increased from 40.4% to 41.5%.

• 70% of our portfolio is ENERGY STAR certified under the new, more rigorous ENERGY STAR scoring system. • We ended the year with more Fitwel certifications than any non-government landlord, with 19



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 64% LEED certified. LEED certification demonstrates to prospective tenants that our assets reduce operating expenses and thoughtfully minimize their environmental impact. Within our development program, we completed the LEED Platinum certification of 100 Hooper, a 394,000 square foot project, and continued to pursue LEED certifications on an additional 2.3 million square feet of space within our under-construction development pipeline.

Over the next five years, our focus will be on expanding our climate change resilience programs as well as our workforce development programs. We have significantly expanded our understanding of our climate change risk, both physical and transitional, but must further refine our analysis. Also, while we are proud to be listed on the Bloomberg Gender Equality Index, we know we can make our corporate culture even more diverse and inclusive through training, mentoring, providing additional resources to employees and more. Finally, we will continue to lead in policy advocacy, both regionally on the West Coast and nationwide.

Our main sustainability challenge is managing our Scope 3 carbon emissions, which are created by our operations outside of our electricity and gas consumption. Scope 3 emissions are our largest source of emissions and are also the most difficult to calculate and manage. However, we are committed to improving our Scope 3 emissions via targeting significant reductions in the embodied carbon of our construction materials and procuring additional renewables for our portfolio. We will also reduce Scope 3 emissions through expanding our electric vehicle charging station infrastructure and working with our government officials and utilities to make the grid greener. In addition, we must also further expand our newer programs, such as supply chain excellence and resilience, while still delivering the highest levels of sustainability in performance across our core programs.

We believe that a company cannot be sustainable if it focuses on environmental concerns without looking at its impact on its employees, tenants, and communities. This is why we continue to build on our award-winning building health and diversity programs while working to reach our environmental goals. We look forward to reporting on additional industry-leading achievements in 2020.

Cordially,

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

# Corporate Overview

Kilroy Realty Corporation (KRC), a publicly traded real estate investment trust and member of the S&P MidCap 400 Index, is one of the West Coast's premier landlords. Headquartered in Los Angeles, we have over 70 years of experience developing, acquiring, and managing office and mixed-use real estate assets. We provide physical work environments that foster creativity and productivity and serve a broad roster of dynamic, innovationdriven tenants, including technology, entertainment, digital media, and health care companies.

At December 31, 2019, the company's stabilized portfolio totaled approximately 13.5 million square feet of office space located in the coastal regions of Los Angeles, San Diego, the San Francisco Bay Area and Greater Seattle and 200 residential units located in the Hollywood submarket of Los Angeles. The stabilized portfolio was 94.6% occupied and 97.0% leased. In addition, KRC had under construction six projects totaling approximately 2.3 million square feet of office and life science space that were 89% leased and 564 residential units. KRC also had 237 residential units in lease-up, which was 50% leased, and two projects in the tenant improvement phase, The Exchange on 16th, totaling 750,000 square feet, and One Paseo retail, totaling 96,000 square feet, that were both 100% leased.

<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.

# PACIFIC NORTHWEST ~2.4MM SF

# SAN FRANCISCO BAY AREA ~11.2MM SF

GREATER LOS ANGELES **~4.4MM SF** 

GREATER SAN DIEGO ~**3.4MM SF** 

#### DY REALTY

(STABILIZED, UNDER F & KILROY OYSTER POINT

A G E 17

# Vision, Strategy, Program

Our vision is a resilient portfolio that minimizes the environmental impact of the development and operation of our buildings while maximizing the health and productivity of our tenants, employees and communities as well as our financial returns.



## SUSTAINABILITY STRATEGY



#### Learn about Environmental Social Governance (ESG) best practices and new opportunities

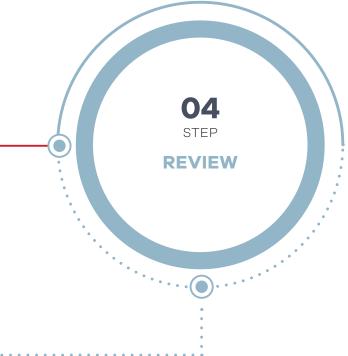
- Attend Educational Events
- Review Trade Publications
- Participate in Sustainability Committees
- Benchmark Portfolio and
   Development Operations

Determine which projects to pursue and gather resources for implementation

- Set Objectives
- Write Policies
- Create Budget
- Build Consensus

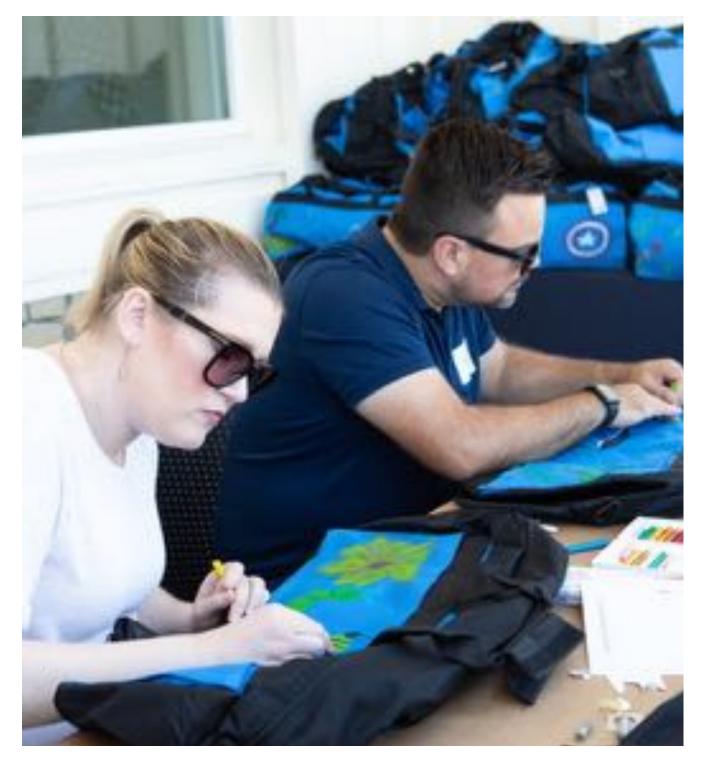
#### Implement projects

- Efficiency Investments
- High Environmental
   Performance Development
- Implement Diversity and
   Inclusion Training



# Analyze quantitative results to inform future project phases and directions

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



#### **ENVIRONMENTAL**

**Vision:** Aggressively minimizing our environmental footprint **Programs:** 





Efficiency Projects

SOCIAL

**Programs:** 



	1	n
	1	۳.
	L	
	3	L
	- 6	
	- 1	
	1	

Supply Chain Auditing

#### GOVERNANCE

**Vision:** Maintain best-in-class ESG leadership and transparency **Programs:** 





Board of Directors Governance of ESG Issues



Renewable Energy Generation



Environmental Building Certifications

#### **Vision:** Promote the wellness of our employees, tenants, partners and communities



Diversity & Inclusion Training



Building Health Certifications



Excellence in ESG Reporting



Third Party Auditing of ESG Disclosures

## **TCFD INDEX**



	Page
GOVERNANCE	
Board's oversight of climate related risks and opportunities	25
Management role in assessing and managing climate related risks and opportunities	25
STRATEGY	
Climate related risks and opportunities we have identified over the short, medium and long term	26
RISK MANAGEMENT	
Organizational processes for identifying, assessing and managing climate related risks	26
METRICS AND TARGETS	
Scopes 1 and 2 Greenhouse Gas emissions	31
Targets used to manage climage-related risks and opportunities, and performance	31

# **Climate Change**

We identify climate change as a risk to our business and an opportunity for long-term value creation and a key driver in long-term strategic business decisions. These risks may span transitional and physical risks, as detailed below. We became a supporter of the Task Force for Climate Related Financial Disclosures (TCFD) in 2018, and our discussion of our climate change risks and opportunities follows that framework. We have chosen the TCFD framework because we believe it is the most robust climate change disclosure framework available and will help us define the climate change impacts that will be material to our business. We are proud that our resilience programs ranked us first in North American Office in 2019, which indicates that we have a strong foundation to further grow our climate change resilience programs. Our TCFD index can be found on page 24.

#### GOVERNANCE

Climate-related risks and opportunities are governed by the Board through its Corporate Social Responsibility and Sustainability Committee. More information can be found on page 114. In 2018, the Committee endorsed the TCFD recommendations and tasked management with assessing and reporting against climate related risk. The management team that will be executing those tasks includes representatives from sustainability, Risk Management, Security, Asset Management and Engineering.



350 MISSION - SAN FRANCISCO, CA // LEED PLATINUM, ENERGY STAR, FITWEL

PAGE 25

## **RISKS AND OPPORTUNITIES**

#### **TRANSITIONAL RISKS**

#### **Policy and Legal Risks**

- More cities and states in which we operate have implemented or are considering implementation of legislation to severely limit the built environment's carbon emissions. Complying with many of these policies could be expensive or could require us to redesign projects in development. We believe we are ahead of our peers in anticipating new energy regulations. For example, because we were prepared, complying with the Los Angeles benchmarking ordinance was less burdensome for us than certain competitors because we had already ensured access to all of our building data. We have successfully and proactively influenced new environmental regulation such as electric vehicle legislation in San Francisco and benchmarking legislation in Santa Monica.
- Anticipated rising costs for energy and water may result in increased operating costs at our properties. In particular, California has recently experienced extreme wildfires, and we expect increases in energy costs as California utilities work to make their infrastructure safer. We manage these increases through our efficiency programs to protect our tenants, but these costs could increase faster than we can reduce our energy and water use. In addition, climate change may cause changes in building energy consumption patterns leading to increased peak demand costs. While we have battery storage and demand response programs to mitigate this risk, they may not be sufficient. Our solar installations will also help reduce some peak demand charges during morning start-ups.
- We do not currently anticipate that the 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. Enhanced emissions-reporting obligations could also increase operating expenses.
- We do not believe we are exposed to litigation risk as a result of climate change.

#### **Technology Risk**

- We anticipate technology risk around climate change primarily creating increased capital costs around investing in new technologies to reduce the carbon footprint of our buildings.
- Once base building systems are installed, making significant changes is often difficult and expensive. Many of our existing buildings use natural gas, which is considered a high-carbon fuel source. Demand for mixed fuel buildings could decrease because tenants are looking to reduce their carbon footprints. If so, this could place us at technology risk because transitioning to a lower-carbon, all-electric building through retrofitting an existing mixed fuel building is difficult. This is because the current technology that enables switching from gas to electric heating is not yet cost-effective.

#### **Market Risk**

being able to source the labor needed to develop and operate our properties.

#### **Reputation Risk**

investments in our sector as a whole, which would impact us.

#### **PHYSICAL RISKS**

#### Acute

physical risks likeliest to impact our portfolio.

#### Chronic

make certain of our markets less attractive to tenants.

#### **OPPORTUNITIES**

#### **Resource Efficiency**

lower costs from turnover.

- 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 and there are fewer environmental regulations. 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

- We do not believe that we are at extreme reputation risk due to climate change. However, real estate as a sector contributes approximately 40% of global climate emissions, and despite our efforts to differentiate ourselves as climate leaders investors could decide to scale back on

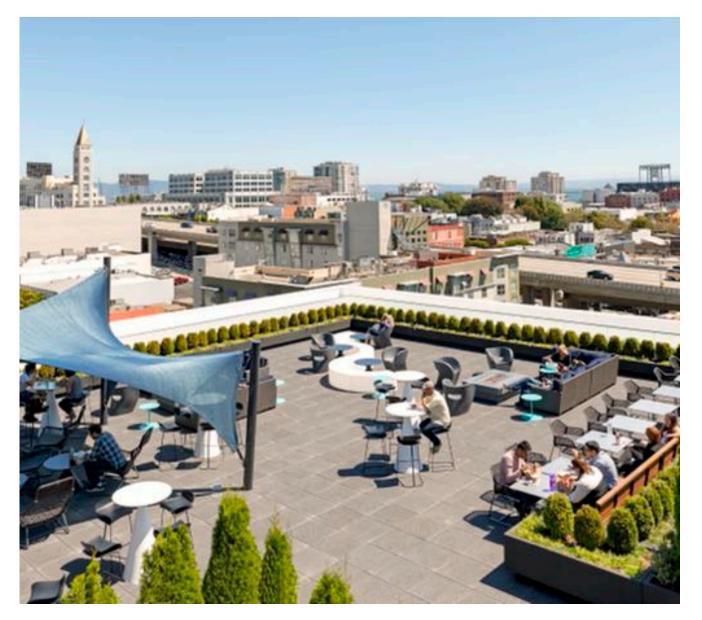
- We do not believe we are at short term, acute physical risk as a result of climate change, as our assets are not in locations currently prone to flooding, fire or extreme heat, which are the three

- We believe that longer-term shifts in climate patterns may lead to exposure to flooding due to sea level rise and extreme heat, or extreme rain in some of our regions. This could result in reduced revenues because of negative impacts on our workforce and/or our tenants, increased operating and capital costs, and increased insurance premiums. Sustained higher temperatures could also

- We see many opportunities to improve our business in the face of a changing climate. As more drivers switch to electric vehicles, we could see increased revenues from charging stations. Increased diversion rates could lower our waste costs. We have the opportunity to reduce our energy and water consumption enough to cause operating cost decreases, and not just avoidance of increases from higher rates. We also believe that our buildings that have earned prestigious sustainability certifications could increase in value. Health programs and employee satisfaction in our proactive environmental stewardship could benefit our workforce management, resulting in

#### **Energy Source**

- We believe we will have the opportunity to increase our revenues through procurement of additional offsite and onsite renewable power, expanded battery storage and energy efficiency installations, as well as through sourcing renewable power from the grid. We anticipate returns on investment in low-emission technology through the Innovation Lab in reduced operating costs, and we may experience increased capital availability if more investors favor lower-emissions real estate assets. We may also see reputational benefits resulting in increased demand for our properties.



#### **Products and Services**

benefit from reduced insurance premiums relative to our peers.

#### Markets

interest from ESG-focused investors.

#### Resilience

buildings that can better ensure business continuity.

#### Reputation

that community increasingly looks for climate-positive investments.

- Our largest climate change opportunity is in increased tenant demand for our buildings that outperform their peers in the market on sustainability. We have the opportunity to achieve even more aggressive environmental targets in our development pipeline, as well as make existing assets more attractive. This would put us in a better competitive position that reflects shifting consumer preferences for lower-carbon buildings, resulting in increased revenues. We could also

- We have a well-established history in taking advantage of public sector incentives to improve the sustainability performance of our portfolio, and we believe we will have the opportunity to take advantage of similar incentives in the future. We also foresee opportunities arising from diversification of financial assets, such as through potential additional green bond offerings. Our first green bond offering in 2018 has already diversified our investor base by drawing increased

- We believe that our proactive risk management programs, in both physical infrastructure and emergency response planning, increase the resilience of our buildings, and that we could experience increased market valuation as a result. We also think that our buildings could be perceived as more resilient and therefore receive increased rents from tenants that are looking for

- We believe that our reputation could benefit through increased confidence from stakeholders, including winning faster support for our development projects from local communities and municipalities. Continuing to earn recognition as a global leader in climate change mitigation and sustainability could further ensure we are looked on favorably by the investment community when

#### **CLIMATE CHANGE RISK MANAGEMENT IN ACTION**

We manage climate change risks and opportunities at each state of the building cycle:

ACQUISITIONS OPMENT **DEVEL** 

**OPERATIONS** 

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.

We are currently exploring a range of mitigation strategies to cope with potential sea level rise and other climate-related impacts. This includes putting important equipment on risers or relocating it from basements entirely. 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.

In 2019, we ensured that all of our buildings have Emergency Response Plans that outline a building's response to particular emergency scenarios that contemplate extreme weather due to climate change. We also use a mobile-enabled system to quickly communicate to employees and tenants in the event of an emergency. In addition, though we have no property in a FEMA floodplain, we have benchmarked our buildings for their flood risk under a 10-foot sea level rise scenario, which we believe to be a reasonable result of current 100-year climate change projections. A significant portion of our portfolio would be impacted under this 100-year scenario and our Emergency Response Plans also address flooding risk. In addition, we conduct energy risk assessments through ASHRAE Level II energy audits and retrocommissioning studies; we conducted these audits across 600,000 square feet of space in 2019.

#### **Climate Change Metrics and Targets**

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



(1) Science-Based Targets is a collaboration between the Carbon Disclosure Project, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature, which independently assesses and approves the carbon reduction goals of companies.

PAGE 31

#### **2019 EMISSIONS PERFORMANCE**

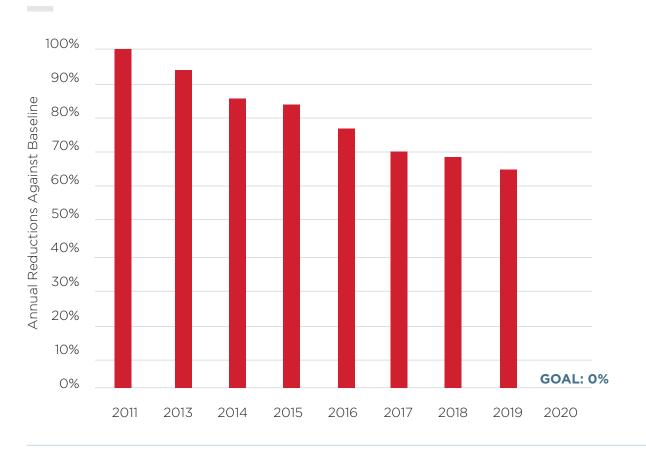


**3,082** TONNES SCOPE 1 ABSOLUTE EMISSIONS

25,438 TONNES SCOPE 2 LOCATION-BASED ABSOLUTE EMISSIONS

24.718 TONNES SCOPE 2 MARKET-BASED ABSOLUTE EMISSIONS

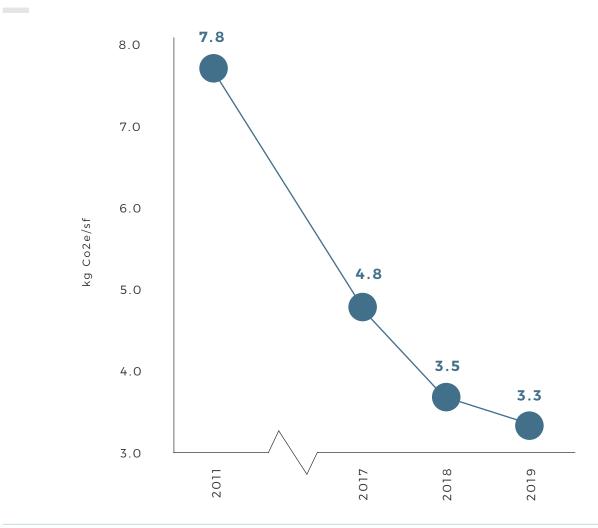
#### NORMALIZED EMISSIONS AGAINST 2011 BASELINE\*



\*Emissions are calculated on a like-for-like basis each year. 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



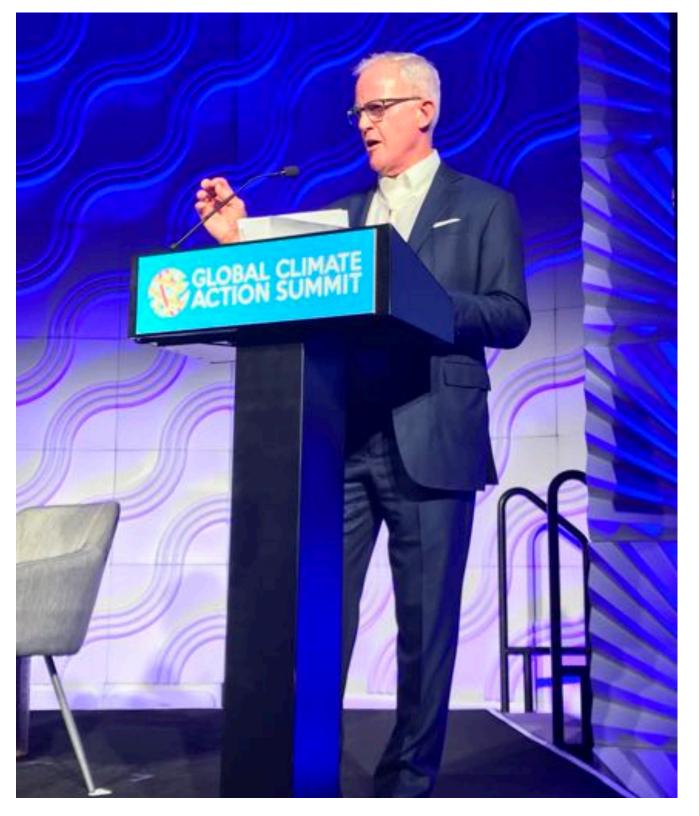
#### **EMISSIONS INTENSITY REDUCTION OVER TIME\***



\*Intensity figures are calculated based on LFL performance and square footage as reported in our sustainability disclosures in the reporting year, except for where data has been restated

For full carbon data, please see page 146





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

#### **Carbon Neutral Operations Commitment**

Our CEO, John Kilroy, announced at the 2018 Global Climate Action Summit (GCAS) that we commit to achieving carbon neutral operations by year end 2020. This was the most meaningful climate commitment made at the Summit from the American real estate sector.

Achieving carbon neutral operations will involve three steps for us. First, we will continue to reduce the energy consumption of our stabilized properties and entire announced development pipeline through maximizing onsite energy reductions, and we achieved a 1.8% reduction in 2019. We will continue to take advantage of all onsite solar and battery installation opportunities. Finally, we will make the remainder of the energy consumption 100% renewably powered, making our Scope 2 market based emissions zero tonnes of GHG, by adding capacity to the grid through an offsite energy power purchase agreement, executed in 2018. We chose to enter an offsite power purchase agreement to ensure that our offsite renewables are "additional." Additional renewable power is renewable power that would not have been added to the grid in the absence of our intervention. We believe that ensuring additionality in our offsite renewables is the best way to drive the most positive environmental impact.

Through these programs, KRC will reach Scope 1 (direct emissions from onsite combustion of natural gas) and Scope 2 market-based (indirect emissions from onsite consumption of electricity, including offsite work) carbon neutrality by the end of 2020, exceeding our carbon reduction goals previously validated by Science-Based Targets (see page 8).



**Reduce energy** consumption through maximizing onsite energy reductions

Utilize onsite solar and battery installation opportunities

Make remainder of our energy consumption 100% renewably powered via adding offsite renewables to the grid

# 2 ENVIRONMENTAL

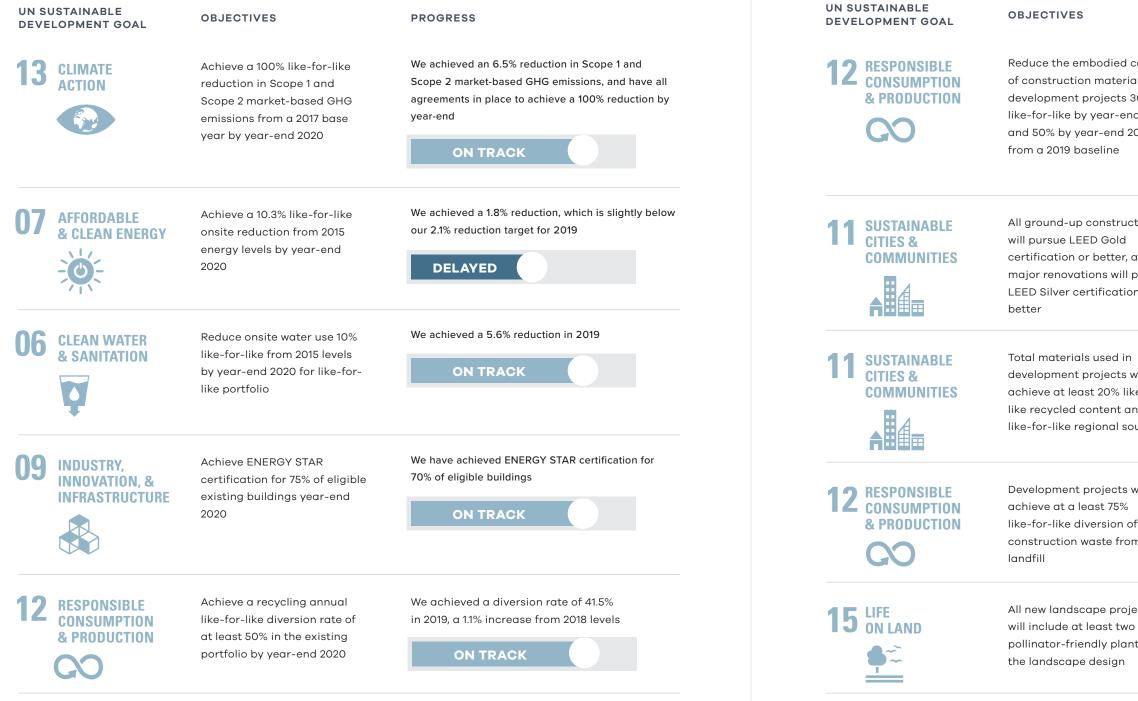
- Existing Buildings
- New Development
- Other Environmental Programs



ROOFTOP SOLAR INSTALLATION AT 100 HOOPER, SAN FRANCISCO, CA

## **ENVIRONMENTAL OBJECTIVES**

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



PAGE 38

#### PROGRESS

carbon als in 30% id 2030 2050	We will continue to benchmark all current development projects using the EC3 tool and proactively reduce embodied carbon of construction materials on all future projects. More information on page 64 BEGINNING
and all pursue on or	100 Hooper earned LEED Platinum certification. More information on page 60 ON TRACK
will ke-for- nd 20% purcing	All 2019 development projects achieved this goal ON TRACK
will of m	All 2019 development projects achieved this goal ON TRACK
ects onts in	More information about our biodiversity programs can be found on page 68 ON TRACK

# Existing Buildings

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

• .•

• •

•



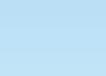


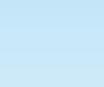




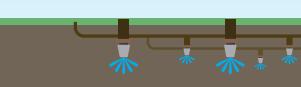












## **ENERGY EFFICIENCY** SUSTAINABILITY TOUR:

#### **Overall Energy Performance**

We reduced energy consumption by 1.8% across the whole portfolio in 2019.

#### **1. EFFICIENT LIGHTING**

We completed lighting retrofits, both interior and exterior, across 5 million square feet, or 43% of our portfolio in 2019. This will result in an over 1.2 MWh reduction in energy consumption.

#### 2. SOLAR

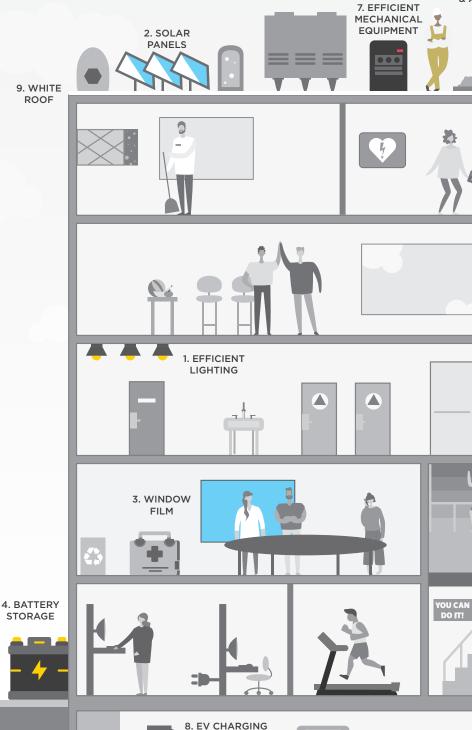
Our total installed solar portfolio is 4.3 MW across seven sites, and their production in 2019 was over 6,000 MWh, which represents 2.2% of our overall energy consumption.

#### 3. WINDOW FILM

We piloted an innovative spray window film in 2018 through the Kilroy Innovation Lab, and then scaled that in 2019 to a full-building installation. That installation is estimated to save over 140,700 kwh annually with a payback of less than 3 years. The installation is innovative because, unlike traditional window films, it is invisible when applied and therefore does not impact building aesthetics.

#### **4. BATTERY STORAGE**

Our 9 battery storage projects, which total 4.3 MW in capacity, were completed in 2019.





T

#### 6. HVAC

#### 7. ALL ELECTRIC

#### 8. EV CHARGING

#### 9. WHITE ROOF





P1

#### 5. RETROCOMMISSIONING AND AUDITING

We completed 5 retrocommissioning and ASHRAE Level II projects across approximate 600,000 square feet of space in 2019.

We completed major HVAC projects in 4.3 million square feet of our portfolio and minor projects in every building we manage directly. Projects included installations of VFDs, sealing ductwork, equipment replacement, and pneumatic to DDC upgrades. Total savings are conservatively estimated to be approximately 475,000 kwh.

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

• 58,750 gallons of gasoline saved (2018: 46,136 gallons saved).

• 196.6 tonnes GHG savings (2018: 154.4 tonnes).

• 8,328 unique drivers (2018: 2,697 unique drivers).

• EV Charging stations installed at every new development project.

• 84% of our portfolio has white roofs to reduce cooling loads.

#### **KILROY INNOVATION LAB**

One of the major drivers of our continued sustainability performance is our willingness to embrace emerging technologies that improve the environmental performance of our existing and new assets. Piloting new technologies gives us access to capital through utility incentive programs, helps us mitigate technology risk by helping us discover new technologies that can assist with the transition to a lower-carbon economy, and improves our brand. We launched the Kilroy Innovation Lab three years ago to formalize the process for implementing 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, the US Green Building Council Los Angeles (USGBC-LA) Net Zero Accelerator and Build Edison are our technology partners.

We have fully completed two Innovation Lab pilots. One was an innovative precooling HVAC product which saved approximately \$26,000 in its first year with a projected 1-year payback and one was a sophisticated energy analytics installation which reduced building energy consumption over 5% in its first year. We are considering scaling both projects further. The 2019 installed Innovation Lab pilots included a sprayon window film and a plug load management project, and we began investigating an additional HVAC precooling technology for a 2020 deployment.

The Innovation Lab has received very positive media coverage, including a feature in REIT magazine's 2019 July/August issue, which stated, "Kilroy's innovation lab has helped to raise the profile of its sustainability efforts among important stakeholders, including tenants, investors, and employees."



#### ENERGY SPOTLIGHT

# **THOMAS DUNN**

Thomas Dunn, one of our chief engineers in our San Diego portfolio, took on a record 13 lighting projects in 2019, including two large garages and stairwells in 11 additional buildings. These projects are estimated to save over 300,000 kwh and \$72,500 annually. Thomas was successful in accomplishing these projects through proactive lighting audits and leveraging past experience to execute the projects quickly with minimum tenant disruption.





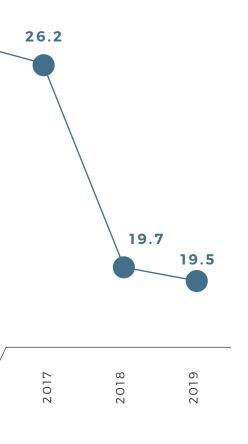
#### **2019 ENERGY PERFORMANCE**

1.	8%	LIKE ENE RED FRO	E FOR LIK RGY UCTION M 2018	Ē			2		,17 Absolu Isumptic	TE	н			<b>KWH/SF</b> NERGY NSITY
2	<b>2.2</b> %	FRO REN DES	M EWABLE OURCES				3		ABSOLU	TE	Ή	ENERGY I	NTENSITY RE	EDUCTION*
		REJ	OURCES					CON	ISUMPTIC	N			28.0	27.8
													26.0	
NORMAL	IZED EN	ERGY	CONSU	MPTION	IAGAIN	NST 201	O BASE	LINE*					ц 24.0 S/ц Х	
aselina 100% 95%													× 22.0	
Against %06	_					-	_						20.0	
eductions %08											GOAL		18.0	
V 75%														2011
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	*Intensity figure	es are calculated bas	sed on LFL performa

\*Energy usage is calculated on a like-for-like basis each year. 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.

For full carbon data, please see page 147





\*Intensity figures are calculated based on LFL performance and square footage as reported in our sustainability disclosures in the reporting year, except for where data has been restated

#### EXISTING BUILDINGS CASE STUDY

# **KEY CENTER**

Key Center is a Class A+ all-electric office building consisting of 488,470 rentable square feet with a long history in driving energy and water reductions while enhancing health and wellness for tenants and community.

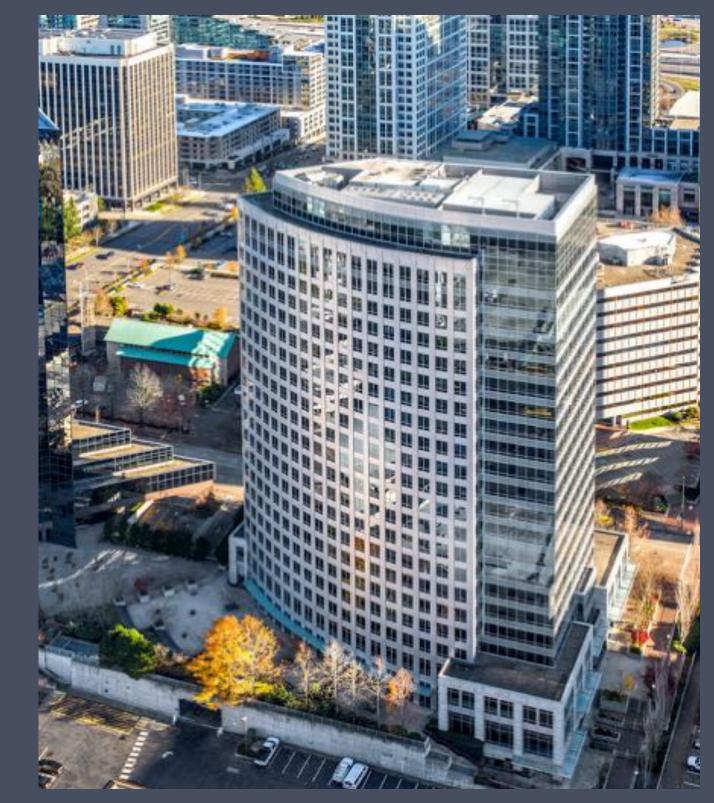
Located in the center of Downtown Bellevue, Key Center was originally constructed in 2000 and underwent a significant energy management system retrofit in 2009. This elevated the property's ENERGY STAR rating from 82 to a market-leading 95 under the new ENERGY STAR scoring methodology. The building has maintained its high energy performance through continuous education for building staff, which has enabled the building to achieve an impressive 34% energy reduction since KRC acquired the building in 2011. Key Center first earned LEED for Existing Buildings certification at the Gold level in 2009 and at the Platinum level in 2014.

Health is also important at Key Center. The building achieved Fitwel certification in 2017 for incorporating numerous active design features, such as bike lockers, coupled with its strong access to alternative transit. The building also encourages a connection with the outdoors, as the exterior of the building includes a variety of native plants in landscape beds, in addition to a large, open paver deck where summer concerts are held.

Key Center currently diverts 51% of its waste from landfill through ongoing education aimed at their tenants. This is a significant improvement from 2017, when the diversion level was 45%. The overall portfolio average improvement during that time was approximately 2%, making Key Center's 6% improvement noteworthy.

Key Center also effectively encourages alternative transportation. The building staff has board membership with the Transmanage division of the Bellevue Downtown Association. The Transmanage division focuses on the alternative transportation options to help alleviate traffic congestion within the city. In addition, the building has electric vehicle charging stations and Key Center offers two free parking days per month for individual building employees who commute with alternative transportation. Key Center also rolled out a program in which tenants who sign up for carpools or vanpools also receive a 50% reduction on the cost of a monthly parking pass.

The building also has a significant focus on the community. On a quarterly basis, KRC partners with its tenant FM Global in hosting the Puget Sound Blood Drive at Key Center. In addition, it holds multiple E-waste events and an annual Earth Day event to raise awareness of environmental issues with tenants.

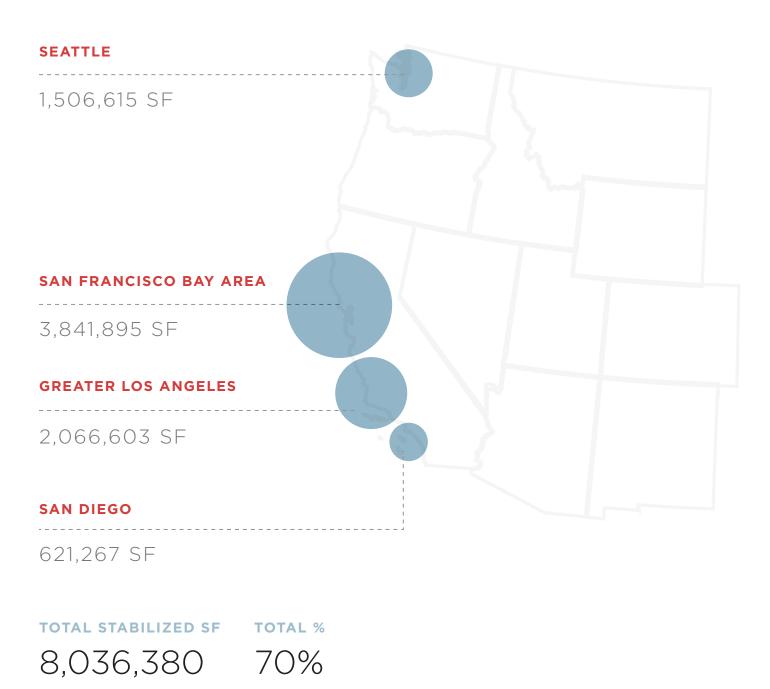


KEY CENTER - BELLEVUE, WA // LEED PLATINUM, ENERGY STAR, FITWEL

KILRO

AGE 49

## **ENERGY STAR CERTIFICATION**



Full list of certifications is available at our website at:

https://kilroyrealty.com/sites/default/files/2019%20ENERGY%20STAR%20Certifications.pdf

## LEED CERTIFICATION

#### SEATTLE

1,602,226 SF

#### **SAN FRANCISCO BAY AREA\***

4,496,411 SF

#### **GREATER LOS ANGELES**

2,084,373 SF

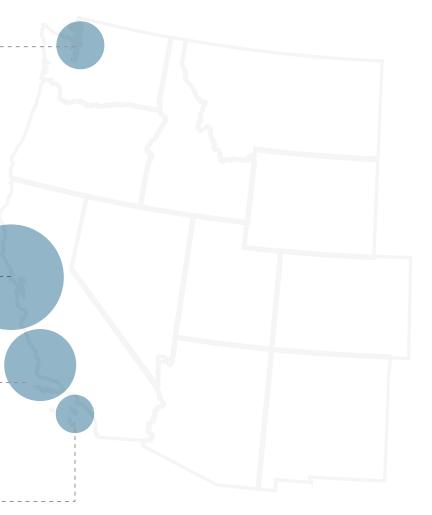
#### SAN DIEGO

405,066 SF

## TOTAL STABILIZED SF TOTAL %

8,588,076 64%

Full list of certifications is available at our website at: https://kilroyrealty.com/sites/default/files/2019%20LEED%20Certifications\_0.pdf



PAGE 51

## WATER EFFICIENCY SUSTAINABILITY TOUR:

#### **Overall Water Performance**

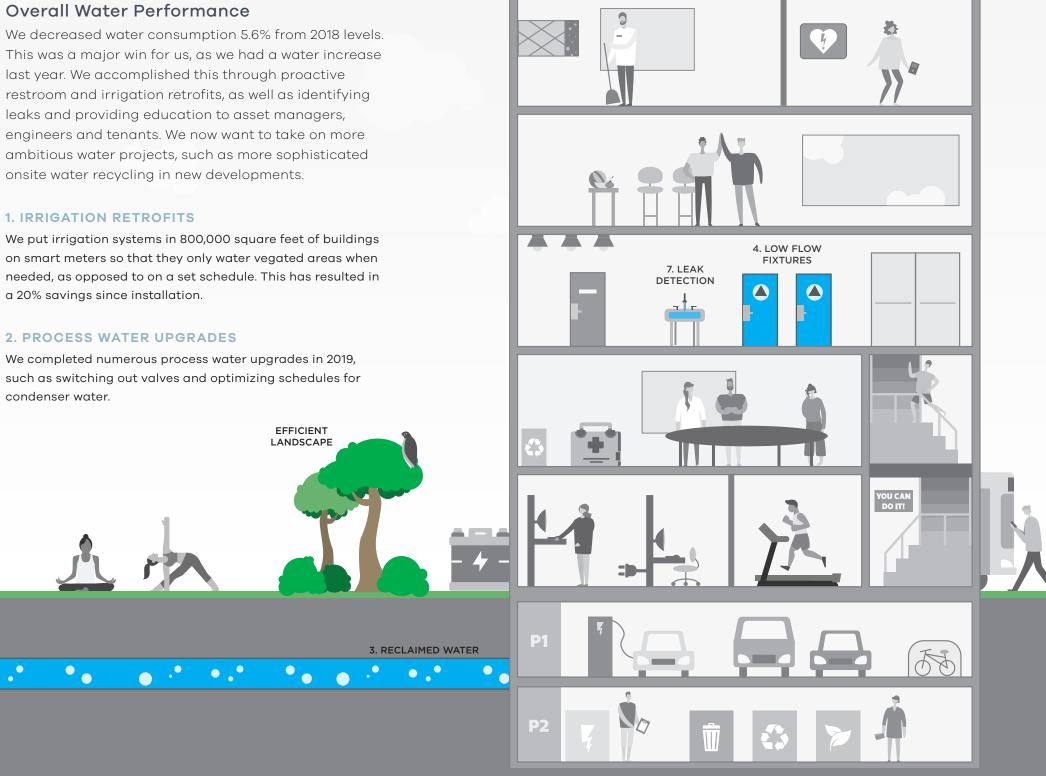
This was a major win for us, as we had a water increase last year. We accomplished this through proactive restroom and irrigation retrofits, as well as identifying leaks and providing education to asset managers, engineers and tenants. We now want to take on more ambitious water projects, such as more sophisticated onsite water recycling in new developments.

#### **1. IRRIGATION RETROFITS**

on smart meters so that they only water vegated areas when needed, as opposed to on a set schedule. This has resulted in a 20% savings since installation.

#### 2. PROCESS WATER UPGRADES

We completed numerous process water upgrades in 2019, such as switching out valves and optimizing schedules for condenser water.



5. CAPTURED

RAINWATER

2. COOLING

TOWER

#### **3. RECLAIMED WATER**

We saved nearly 840,000 gallons of potable water via our reclaimed water infrastructure. 2100 Kettner will also use reclaimed water for all of its irrigation.

#### **4. LOW FLOW FIXTURES**

We specified extremely low flow 1.1 gpf toilets in addition to hybrid waterless urinals in our development projects, in addition to retrofitting fixtures in 1.5 million square feet of existing assets.

#### **5. CAPTURED RAINWATER**

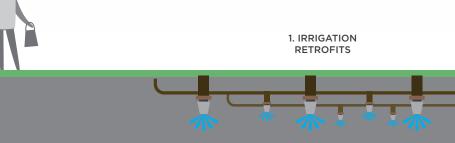
350 Mission and 333 Brannan use captured rainwater for toilet flushing.

#### 6. SOURCING

All of our water, other than captured and reused rainwater, is sourced from municipal systems.

#### 7. LEAK DETECTION

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



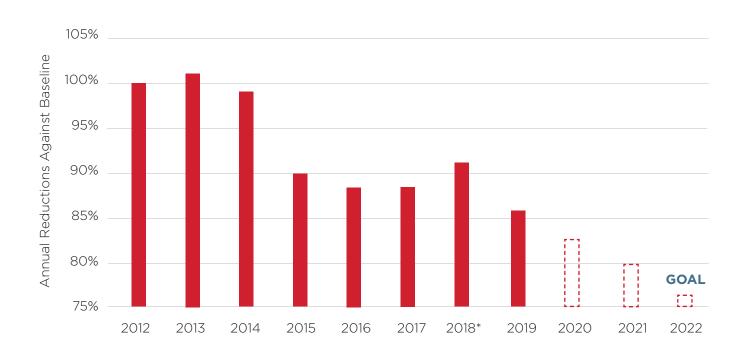
#### **2019 WATER PERFORMANCE**





## 16.4 GAL/SF 2019 WATER INTENSITY

#### YEAR OVER YEAR WATER CONSUMPTION PERCENTAGE REDUCTION

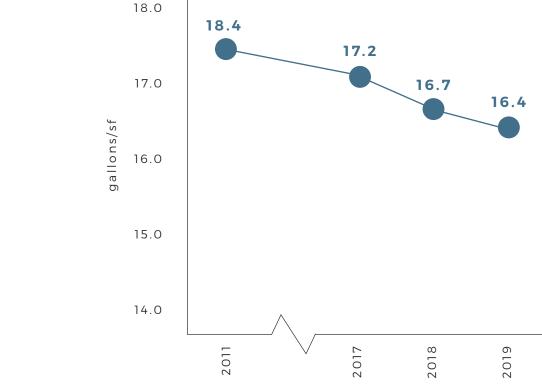


\*We have restated the 2018 like-for-like water consumption reported in our 2018 sustainability report to 219,232 kgal. This restatement has been verified by our third-party auditor. For more claims on third-party verification, please see page 132.

PAGE 54

\*\*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.

WATER INTENSITY REDUCTION\*



\*Intensity figures are calculated based on LFL performance and square footage as reported in our sustainability disclosures in the reporting year, except for where data has been restated For full water data, please see page 148

# **TERRA BELLA**



## WASTE EFFICIENCY SUSTAINABILITY TOUR:

#### **Overall Waste Diversion**

We increased our recycling diversion percentage from 40.4% in baseline year 2018 to 41.5% in 2019.

#### **1. COMPOSTING**

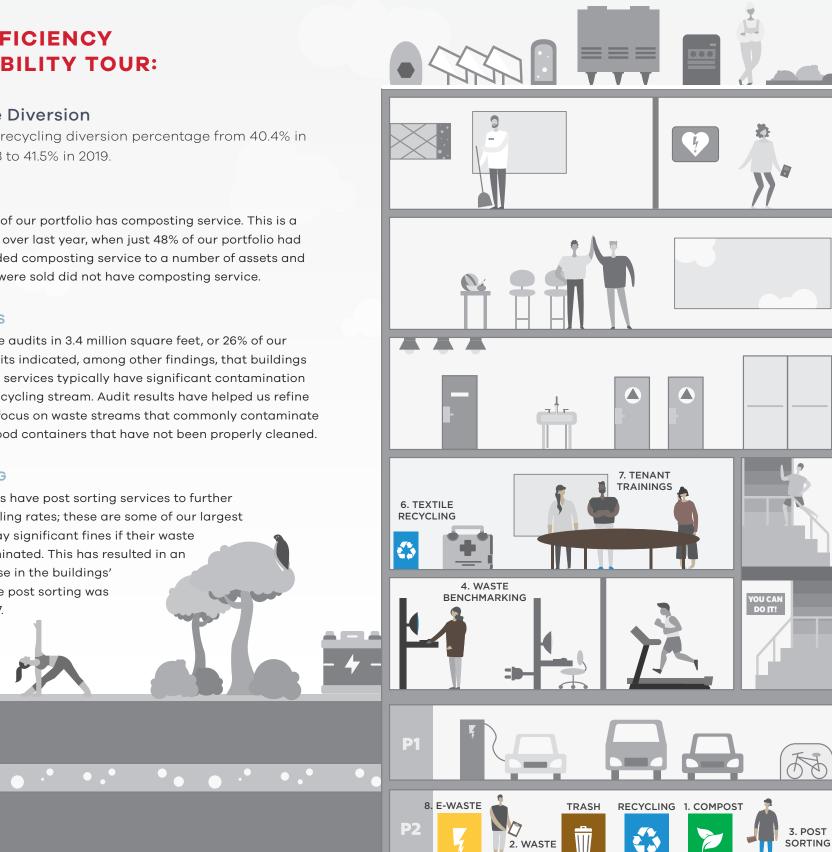
Approximately 64% of our portfolio has composting service. This is a significant increase over last year, when just 48% of our portfolio had composting. We added composting service to a number of assets and several assets that were sold did not have composting service.

#### 2. WASTE AUDITS

We conducted waste audits in 3.4 million square feet, or 26% of our portfolio. These audits indicated, among other findings, that buildings without composting services typically have significant contamination of organics in the recycling stream. Audit results have helped us refine tenant trainings to focus on waste streams that commonly contaminate recycling, such as food containers that have not been properly cleaned.

#### **3. POST SORTING**

Three of our projects have post sorting services to further increase their recycling rates; these are some of our largest properties, which pay significant fines if their waste streams are contaminated. This has resulted in an average 10% increase in the buildings' diversion rates since post sorting was implemented in 2017.



AUDITS

#### **4. WASTE BENCHMARKING**

Four of our San Francisco properties 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.

#### 8. E-WASTE



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

#### 5. BOMA W2 CHALLENGE

We are participating in the BOMA W2 challenge across 84 assets, which requires us to report our water and waste data to BOMA quarterly. We then receive quarterly reports back from the program, which help us identify our lowest-performing properties, which we can then target for interventions.

#### **6. TEXTILE RECYCLING**

#### 7. TENANT TRAININGS

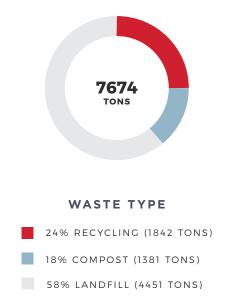
We do in-person tenant recycling and composting trainings throughout our portfolio. This is because we see decreases in recycling contamination and increases in overall diversion as a result of influencing tenant behavior around waste.

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

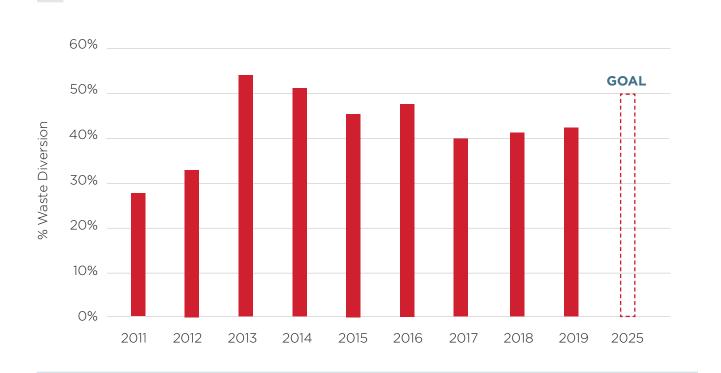








#### WASTE REDUCTIONS OVER TIME



For full waste data, please see page 149

PAGE 58



## **Kilroy Realty**

Water Use Intensity (gal/ft <sup>2</sup> )							
	2018	2019	Year-Over- Year ∆	Year-Over- Year % Δ			
Q1	17.00	18.00	1.00	6%			
Q2	19.00	18.00	-1.00	-5%			
Q3	20.00	17.30	-2.70	-14%			
Q4	20.00	17.24	-2.76	-14%			

Waste Use Intensity (gal/ft <sup>2</sup> )							
	2018	2019	Year-Over- Year ∆	Year-Over- Year % Δ			
Q1	2.39	2.00	-0.39	-16%			
Q2	2.37	2.39	0.02	1%			
Q3	2.48	2.38	-0.10	-4%			
Q4	2.00	2.35	0.35	18%			

This scorecard shows waste and water information for buildings shared with the BOMA W<sup>2</sup> Challenge and may not be representative of a company's full portfolio. Usage data reflects the most recent 12 months of uploaded data for each building per quarter.

Want tips for improving performance? Check out the Water and Waste Management Improvement Guides now available at <a href="http://www.boma.org/w2">www.boma.org/w2</a>

# **BOMA Waste & Water Challenge** Participant Scorecard – Q4 2019

# New Development

#### SEATTLE

**333 DEXTER** TARGETING LEED GOLD

#### SAN FRANCISCO BAY AREA

FLOWER MART TARGETING LEED PLATINUM

**KILROY OYSTER POINT** TARGETING LEED GOLD

#### **GREATER LOS ANGELES**

ON VINE TARGETING LEED GOLD

#### SAN DIEGO

#### 2100 KETTNER

TARGETING LEED PLATINUM

#### **ONE PASEO**

TARGETING LEED FOR NEIGHBORHOOD DEVELOPMENT SILVER, FITWEL FOR COMMUNITIES 1 STAR, OFFICE BUILDINGS TARGETING LEED GOLD, RESIDENTIAL TARGETING NGBS SILVER

#### **9455 TOWNE CENTRE**

TARGETING LEED PLATINUM



## **HIGHLIGHTS**

• In 2019, we had an impressive array of development projects underway all targeting LEED Gold or Platinum. These include 333 Dexter in Seattle (targeting Gold), On Vine Hollywood (targeting Gold), One Paseo in San Diego (office buildings targeting Gold, residential buildings targeting NGBS certification), Oyster Point in South San Francisco (targeting Gold), Flower Mart in San Francisco (targeting Platinum), 2100 Kettner in San Diego (targeting Platinum) and 9455 Towne Centre in San Diego (targeting Platinum).

100 Hooper received its LEED Platinum certification, and 150 Hooper received its LEED Gold certification prior to its sale. These were our only projects eligible for LEED development certifications in 2019.

• By announcing even more all-electric development projects compared to prior years, we increased our commitment to providing all-electric Core & Shell buildings to further reduce the carbon footprint of our development projects. Specifically, neither On Vine nor 2100 Kettner include natural gas in their Core & Shell designs.

• At year end 2019, 64% of our stabilized portfolio had achieved LEED certification, and we have an additional 7 projects, across 14 buildings and 6.3 million square feet, registered for certification. An additional project, across 3 buildings, is pursuing NGBS certification.

#### NEW DEVELOPMENT CASE STUDY

# 9455 TOWNE CENTRE

Located in the prestigious, transit-connected and amenity-rich University Towne Centre, 9455 Towne Centre Drive is a 165,000 square foot state-of-the-art life tech facility that perfectly blends form and function. The project is targeting LEED Platinum certification and is fully leased with expected occupancy in 2021.

Director, Development & Construction Services at KRC. "Our ambitious goal of LEED Platinum would not have been possible without collaboration between many teams including architecture, engineering, contracting and more."

9455 Towne Centre Drive is designed with San Diego's perfect climate in mind, improving the workplace environment for the region's brightest minds. The facility proudly highlights natural sunlight, comfortable outdoor seating and lush landscaping surrounding its numerous outdoor patios and open space gathering areas, and sustainability was at the heart of the design and execution of the project. The project is located close to the beach and a state forest as well as area athletic and retail amenities.

Flad Architects created a design using two interconnected and rotated cube elements that give the building a distinctive shape and character. The exterior skin system's goal is to bring daylight deep into the floorplate, and the energy trade off with the increased glazing is mitigated through the use of highly efficient low solar heat gain glass.

"9455 Towne Centre Drive is a great example of sustainable design combined with a highly connected location," says Jake Brehm, The project features a 589 KW solar array with bifacial panels that will offset approximately a third of the project's energy consumption. Additional sustainability features include a 41% water reduction using highly efficient water fixtures such as 1.1 gallon per flush toilets, an impressive 53% reduction in energy consumption over the LEED baseline via an efficient mechanical system and the onsite solar array, materials purchasing focused on recycled content, regional sourcing, and FSC wood, a robust enhanced commissioning program, electric car charging stations and more.

9455 Towne Centre Drive is also highly focused on health & wellness with a programmed plaza area to create a connection to the outdoors and opportunities for outdoor fitness, access to views, activated stairwells, a site-wide nonsmoking policy, a mechanical design emphasizing thermal comfort, and low-emitting materials. The landscaped areas feature pollinator-friendly plants and a lowwater irrigation system.

455 TOWNE CENTRE DRIVE - UTC, SAN DIEGO, CA /

=



TARGETING LEED PLATINUM

AGE 63

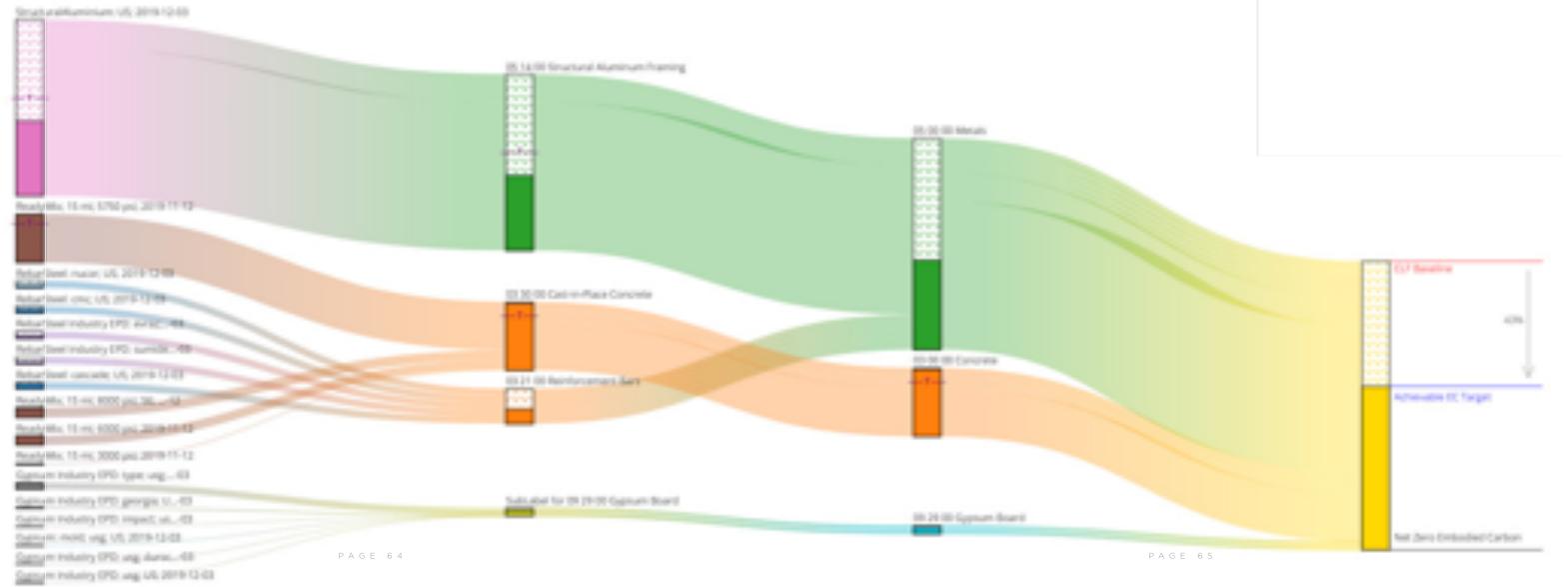
#### NEW DEVELOPMENT SPOTLIGHT

EC3

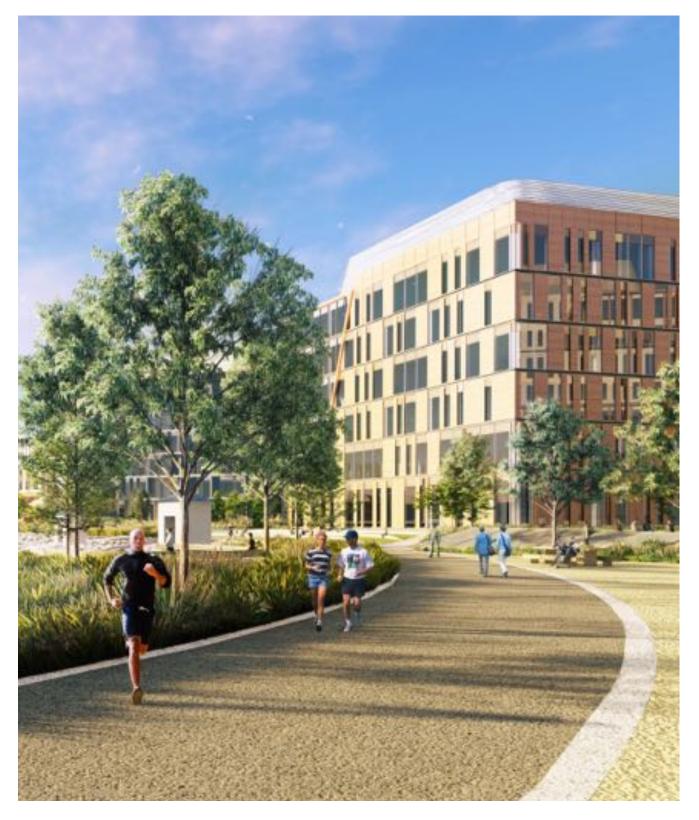
In November 2019, the Carbon Leadership Forum along with a range of partners launched the Embodied Carbon in Construction Calculator (EC3) tool. This free tool provides a userfriendly way for project teams to understand the embodied carbon of the materials they choose for construction, as well as the information they need to reduce that carbon footprint. Later in 2019, two of our general contractors, Hathaway Dinwiddie and Webcor, used EC3 to help us benchmark the embodied carbon in all five of our buildings on our upcoming On

Vine project. We chose these buildings because both of these contractors have been proactive in adopting EC3 in their projects. On Vine's embodied carbon is approximately 74 kgCO2e/sq ft, and we will baseline the rest of our development projects to provide a more robust average baseline by the end of 2020. We will be using this baseline to measure our success in reducing the embodied carbon of future projects, with the goal of reducing the embodied carbon of our construction materials 30% by 2030, and 50% by 2050.





EC3 output for On Vine residential. This graphic indicates what the relative carbon intensities are of the various materials used in the project.



KILROY OYSTER POINT, INCEPTION - PHASE 1 - SOUTH SAN FRANCISCO, CA // TARGETING LEED GOLD

## LOCAL COMMUNITIES

We recognize that our buildings have the potential to either benefit or detract from their local communities. To navigate these concerns, we created an in-house land use team in 2011. We strive to create buildings that complement and benefit their neighborhoods. For example, at our future 1633 26th St redevelopment project, we have designed the building frontage to embrace the existing vibrant food truck community on one side of the property. Our 2100 Kettner project in San Diego built additional pedestrian improvements in response to a request from the local community group. In addition, we implement local community engagement and environmental impact assessment programs in all of our development projects. By square footage, our development programs comprise 32% of our operations.

- 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. 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.
- 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. Concerns brought to us via the hotline are addressed within 48 hours by the general contractor, and concerns that cannot be resolved by the general contractor are brought to the relevant KRC construction team manager.
- Some of our peers avoid brownfield sites because of remediation costs.

## COMMUNITY SPOTLIGHT

- 333 Dexter
- The Exchange on 16th
- Kilroy Oyster Point

The goal of these programs is to ensure that our development projects meet the needs of the local

Brownfield locations tend to be in attractive, dense urban areas so we embrace brownfield development.

# **BROWNFIELD SITES**

## **BIODIVERSITY** SUSTAINABILITY TOUR:

#### **1. POLLINATOR-FRIENDLY PLANTS**

All new landscape is required to include at least two plant types, which otherwise meet our reduced water requirements, that are considered Pollinators by The Pollinator Partnership (www.pollinator.org).

#### 2. BIRD SPECIES PROTECTION

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

> 1. POLLINATOR-FRIENDLY PLANTS

• • • • • • • • •

YOU CAN DO [T!

FP)



3. BEEHIVE

•

**P1** 

**P2** 

2. BIRD SPECIES PROTECTION

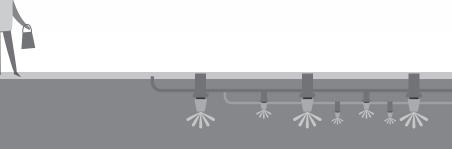


1. POLLINATOR-FRIENDLY PLANTS

Any beehives discovered in undesirable locations are to be relocated either on or offsite in partnership with local beekeeping organizations rather than destroyed.

#### 3. BEEHIVES

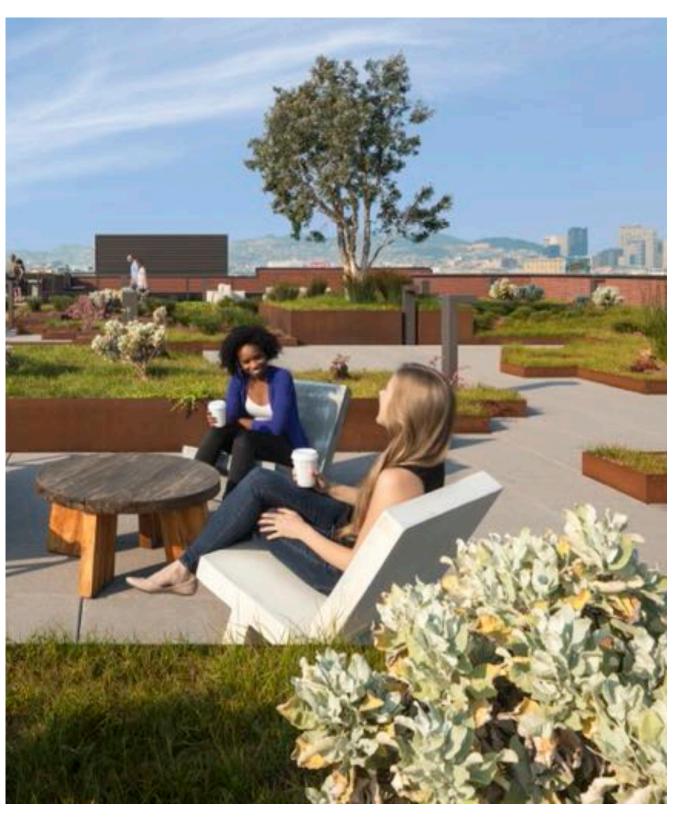
We helped our tenant Neuehouse install a beehive in their space at Columbia Square in Hollywood.



## **POLLINATORS IN THE KRC DEVELOPMENT PORTFOLIO**

ТҮРЕ	METHOD	
100 Hooper	California Poppy (Eschscholzia californica)* Blue Thimble Flower (Gilia capitata)* Cleveland's Sage (Salvia clevelandii)* Milkweed (Asclepias fascicularis)* Eastern Redbud (Cercis canadensis)	Yarrow (Achillea millefolium)* Showy Penstemon (Penstemon spectabilis) * Purple Cone Flower (Echinacea purpurea) Manzanita (Arctostaphylos bakeri)*
9455 Towne Centre Dr	Yarrow (Achillea millefolium)* Lion's Tale (Agave attenuata) Manzanita (Arctostaphylos bakeri)* California Lilac (Ceanothus)*	Douglas Iris (Iris douglasiana)* Lemonade Sumac (Rhus integrifolia)* Fragrant Sage (Salvia clevelandii)*
On Vine	California Bukley (Aesculus californica)* Kinnikinnick (Arctostaphylos uva-ursi)* California Buckwheat (Erigonom fasciculatum)*	Beach strawberry (Fragaria chiloensis)* Monkey Flower (Mimulus)
333 Dexter	Yarrow (Achillea millefolium)*	Douglas Iris (Iris douglasiana)*
The Exchange on 16th	Manzanita (Arctostaphylos bakeri)* Sweetshrub (Calycanthus occidentalis)* California Fuschia (Epilobium canum)* Buckwheat (Eriogonum arborescens)* Seaside Buckwheat (Eriogonum latifolium)*	Alumroot (Heuchera sp.)* Lupine (Lupinus sp.)* California Hummingbird Sage (Salvia spathacea)*
2100 Kettner	Blue Chalk Sticks (Senecio mandraliscae)* Madagascar Senecio (Senecio decaryi)*	Stonecrop (Sedum) Sage (Salvia spathacea)*
Kilroy Oyster Point	Rosaly Checker (Sidalcea malviflora) Yarrow (Achillea millefolium)* Scarlet Monkeyflower (Mimulus cardinalis)* Tansy Phacelia (Phacelia tanacetifolia)*	Western Vervain (Verbena lasiostachys)* Rosilla (Helenium puberulum)* Red Willow (Salix laeviagata)* California Buckeye (Aesculus californica)*

\*Native



ROOFDECK - 333 BRANNAN, SAN FRANCISCO, CA // LEED PLATINUM, ENERGY STAR, FITWEL



# **Other Environmental** Programs

### **COMMUNICATION HIGHLIGHTS**

- received in 2018.
- 58 speaking events in 2019, reaching approximately 6,199 professionals.
- million.
- that are seen by 100+ media outlets.

• Daily tweets on sustainability programs and projects. Our Twitter page received 215,785 impressions in 2019, an 18% increase over the 182,400 impressions we

We received sustainability coverage in seven publications in 2019, including Commercial Property Executive, REIT Magazine, Urban Land, and BOMA Magazine. These publications have an estimated total audience size of over 4.5

Press releases via BusinessWire around major sustainability accomplishments



#### **GREEN LEASING**

We continue to be industry leaders in green leasing. In 2019, we earned our second Green Lease Leaders recognition at the Gold level, our fourth overall win. We earned the award in the Team Transaction category, our second time winning in this category, with a coworking tenant. This was first time a coworking lease has been recognized by the program, even though coworking leases can take advantage of best practices in traditional office green leasing. The Team Transaction category required our brokers, the tenant brokers, and both legal teams to collaborate on the award, and it demonstrates that green leasing requires many parties to work together to execute a green lease.

#### **GREEN CLEANING**

We continue to use the high performance green cleaning program that was verified via the LEED for Existing Buildings Prototype certification process. All cleaning products we use meet the relevant LEED environmental standard, either GreenSeal or the California Volatile Organic Compound (VOC) limit. Our vacuums achieve the Carpet and Rug Institute Seal of Approval, and we use microfiber cloths and rags to capture additional dirt to improve air quality. Many of our janitors have graduated from the Green Janitor Education Program, more information on page 90.

### **GREEN OFFICE POLICY**

We created a Green Office Policy in 2019 to require all of our management offices to adopt environmental practices such as discontinuing disposable water bottles, installing occupancy sensors and procuring paper products with high recycled content. The policy also encourages wellness practices such as providing healthy snacks and ergonomic desks to all employees. The policy, like all our policies, is available in our Environmental Management System: https://kilroyrealty.com/sites/default/files/KRC%20Green%20Office%20 Policy.pdf

#### **TENANT ENGAGEMENT**

#### **GREEN LEASE**

#### **BEGINNING OF OCCUPANCY**

METHOD Incorporate ESG language in leases

STATUS 100% of new leases contain ESG language

#### **BUILDING STANDARDS**

#### **BEGINNING OF OCCUPANCY**

METHOD Incorporate environmental language in building standards

STATUS Company-wide policy achieved in 2017

#### **ONGOING SOCIAL MEDIA**

#### DAILY

METHOD Twitter

#### STATUS

In a typical month our tweets are seen approximately 17,982 times

#### SUSTAINABILITY HIGHLIGHTS

#### **TWICE ANNUALLY**

METHOD Tenant memos

STATUS 100% of our portfolios receive memos twice per year

#### **RECYCLING REVITALIZATIONS**

#### AT START OF COMPOSTING SERVICES OR **ONCE EVERY 5 YEARS**

#### METHOD

In person

#### STATUS Goal is 50% diversion under new EPA Wastetracker methodology

#### **BUILDING-SPECIFIC INFORMATION**

#### ALWAYS AVAILABLE, UPDATED YEARLY

METHOD Dedicated tenant website

#### STATUS

100% of dedicated building websites contain buildingspecific sustainabilty information

#### RECOGNITION

#### YEARLY

METHOD Pursue ENERGY STAR certifications in buildings where tenants pay some or all utilities

STATUS Achieved 14 ENERGY STAR certifications of this type in 2019

#### **TENANT APPRECIATION EVENTS**

#### YEARLY

METHOD Lobby displays and activities

STATUS Regional adoption but no company-wide policy

#### **DEMAND RESPONSE**

#### **6-12 EVENTS ANNUALLY**

#### METHOD

Install equipment and software that allows participation in Demand Response events, sometimes supplemented with battery storage, engage tenants to participate

STATUS

13 buildings participating

#### **ENERGY, WATER AND WASTE EFFICIENCY, MATERIALS** TRANSPARENCY

#### ON DEMAND

METHOD Collaboration on specific projects

#### STATUS

The sustainability representatives of several tenants work directly with our sustainability team on projects like materials health declarations and demand response

#### HEALTH

#### CONTINUOUS

#### METHOD

Onsite amenities, events, competitions, collaboration on Fitwel certifications, and more, more info on page 83

STATUS Every building has a program focused on tenant health

#### **OPTIMIZATION OF OPERATIONS**

#### LEED FOR EXISTING BUILDINGS CERTIFICATIONS THROUGH ARC - EVERY 3 YEARS LEGACY LEED FOR EXISTING BUILDINGS CERTIFICATIONS - EVERY 5 YEARS

METHOD LEED for Existing Buildings Certification through Arc

#### STATUS

We completed 5 LEED for Existing Buildings Certifications through Arc in 2019, including recertifications

#### SOLICITING FEEDBACK

#### **ONCE EVERY 2 YEARS**

#### METHOD Tenant Satisfaction Surveys

STATUS 90%+ response rate on tenant satisfaction surveys and comments addressed

#### SOLAR

#### ONCE PER INSTALLATION

#### METHOD Enter into solar agreements on behalf of tenants who cannot do so themselves

STATUS Installation completed in 2017

#### **TRANSPARENCY**

#### **ON DEMAND**

METHOD Tenant Sustainability Surveys

#### STATUS

Respond to all tenant requests for sustainability information in their property





- Building Health
- Community

OPERATION GRATITUDE EVENT IN SAN DIEGO, CA

• Human Capital Development

SOCIAL

### SOCIAL OBJECTIVES

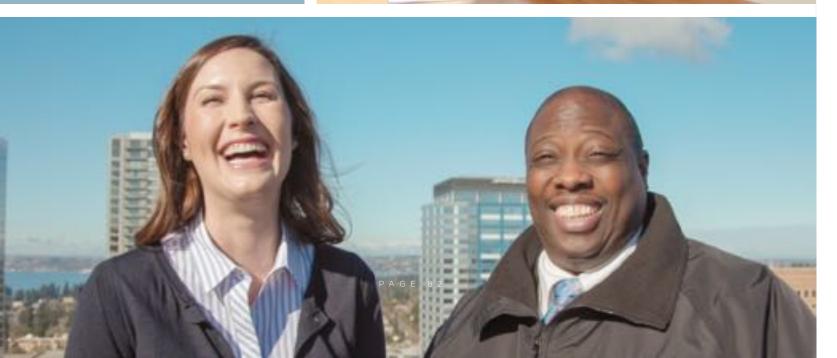
UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES	PROGRESS	UN SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVES
12 RESPONSIBLE PRODUCTION & CONSUMPTION	Evaluate all Tier 1 suppliers on their social and environmental practices by year-end 2019	Achieved for Tier 1 operational suppliers. We began this process in 2018 and completed it by year-end 2019. In 2020 we will extend this process to development suppliers	<b>OB</b> DECENT WORK & ECONOMIC GROWTH	Continue to develop employ talent
<b>03</b> GOOD HEALTH & WELL-BEING	40% of all existing assets to earn Fitwel certification by year-end 2019	43% of our portfolio had achieved Fitwel certification by the end of 2019 COMPLETE	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES	Engage our communities through service events
<b>03</b> GOOD HEALTH & WELL-BEING	Completed development projects to earn a health certification within 12 months of full occupancy	ON TRACK	<b>11</b> SUSTAINABLE CITIES & COMMUNITIES	Engage our communities through strategic philanthropic giving
<b>03</b> GOOD HEALTH & WELL-BEING	Enhance employee satisfaction	We solicit feedback from employees periodically and modify our employee engagement programs as necessary. Our 2019 programs focused on teambuilding events and wellness. More information on page 94		
<b>03</b> GOOD HEALTH & WELL-BEING	Enhance employee involvement	We conduct an employee satisfaction wellness survey annually and modify our programs as a result ON TRACK		

	PROGRESS
nployee	We provided several training programs in 2019 focused on talent development. More information available on page 88
	ON TRACK
es	Each KRC region engaged in at least one community service event in 2019. More information on page 106
	ON TRACK
es	We conducted targeted giving in 2019 around our key topic areas of Strong Communities and Healthy Planet. More information on page 36
	ON TRACK



## "

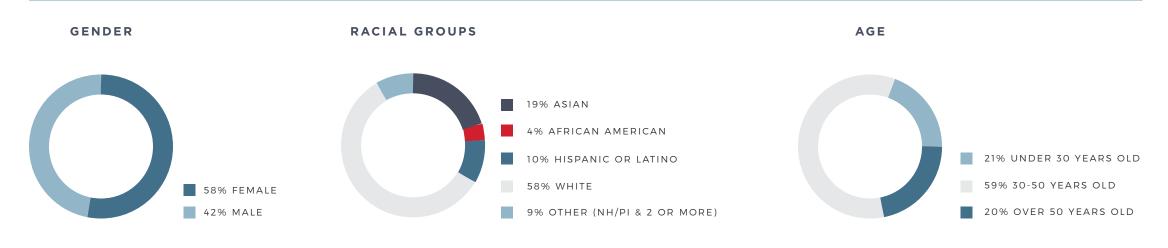




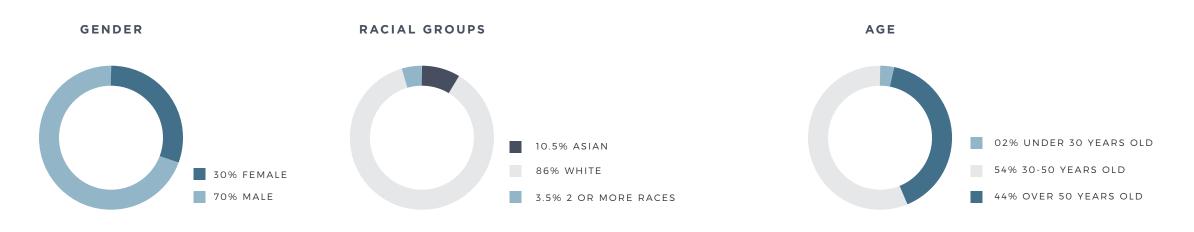
# Human Capital Development

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

#### ENTIRE COMPANY (276 EMPLOYEES)



#### GOVERNING BODY (57 EMPLOYEES, VP & ABOVE)



Within the scope of this report, there is no substantial portion of our work that is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. We are not reporting on the work performed by third party vendors and contractors in the construction and operation of our buildings. We have had no significant variations in employment numbers. We have two part-time employees; all other employees work full-time. 1% of our total employees are covered by collective bargaining agreements.

DIVERSITY AT KRC



**77%**<sup>(2)</sup> FEMALE HIRES

#### **30%**<sup>(3)</sup> MULTICULTURAL **FEMALE EMPLOYEES**

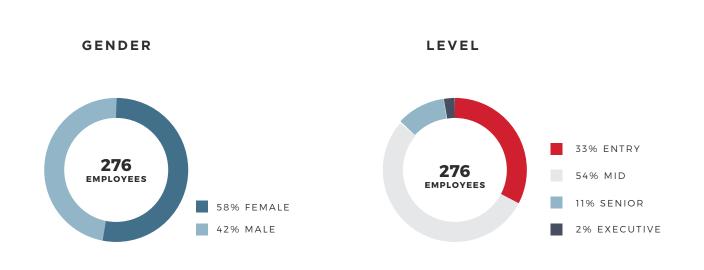
74%(4)

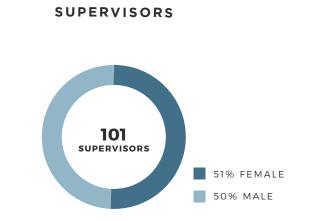
FEMALE RETENTION



(1) 36/54 2019 promotions (2) 41/53 2019 new hires (3) 79/276 2019 employees (4) 156 at end of 2019 - 41 new in 2019 / 155 at end of 2018 (5) 111 at end of 2019 - 12 new in 2019 / 121 at end of 2018

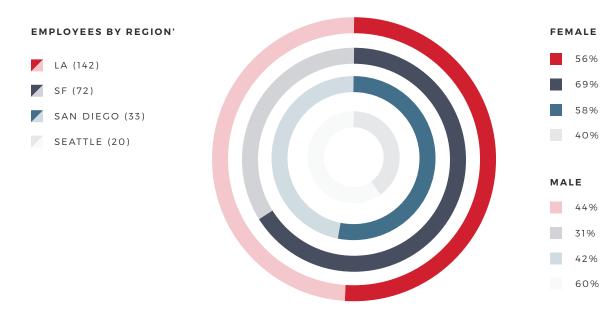
#### TOTAL WORKFORCE





SUPERVISION

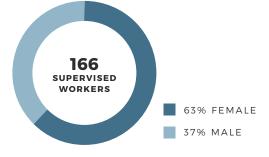
**REGION + GENDER** 

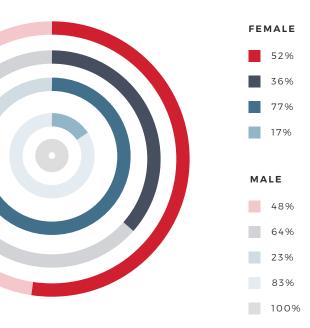


#### SUPERVISORS BY LEVEL (101 SUPERVISORS)









### TRAINING AND EDUCATION

We support training and education programs that provide continual improvement for our employees.

- We ran several corporate trainings in 2019, such as Unconscious Bias, Public Speaking and Responsive and Adaptive Supervision. In addition, individual teams conducted additional sustainability trainings as appropriate. Our employees on average had 1.3 hours of sustainability training and 7.7 hours of training unrelated to sustainability in 2019.
- 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 and testing fees, workbooks, lodging and meals not included in the registration fees. Approximately 5% of employees took advantage of this program in 2019.
- The time 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.



WORKFORCE DEVELOPMENT SPOTLIGHT

# **UNCONSCIOUS BIAS**

One of our most important trainings in 2019 was Unconscious Bias training, which all KRC employees were required to take. Unconscious biases, also known as implicit biases, are the underlying attitudes and stereotypes that people unconsciously attribute to another person or group of people that affect how they understand and engage with that person or group. It is our hope that requiring all of our employees to undergo Unconscious Bias training, we are making our corporate culture more diverse and inclusive. We are planning further trainings to enhance the diversity and inclusion of our company.



GREEN JANITOR EDUCATION PROGRAM GRADUATION

#### WORKFORCE DEVELOPMENT SPOTLIGHT

# **GREEN JANITOR EDUCATION PROGRAM**

We are proud that 93 of our janitors across 40% of our portfolio have gone through the Green Janitor Education Program. USGBC-LA, the Building Owners and Managers Association of Greater Los Angeles (BOMA-GLA), Building Skills Partnership, and the Service Employees International Union (SEIU) created the Green Janitor Education Program to provide training on sustainability topics like vampire power, turning off lights, and reporting leaks. We will be conducting supplemental janitor training for all eligible janitors between 2021-2022; this content is currently in development. Eligible janitors work on teams of four or more and are members of an SEIU chapter that supports the program.

### **BLOOMBERG GENDER** EQUALITY INDEX

We were selected for inclusion in the Bloomberg Gender-Equality Index (GEI) because of our performance on diversity and inclusion in 2019. The GEI is comprised of 325 companies headquartered across 42 countries with a combined market capitalization of over \$14 trillion. The GEI measures gender equality across five pillars: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand. The firms included in this year's index, such as ours, scored at or above a global threshold established by Bloomberg to reflect a high level of disclosure and overall performance across the framework's five pillars.

### PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

- All of our employees receive an annual performance review in the same time frame as the review of annual incentive compensation. 100% of employees received performance reviews in 2019.
- 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 cover the costs of sustainability education and testing for interested employees.

#### EQUAL OPPORTUNITY

We are an equal opportunity employer that recruits, hires, trains, and promotes personnel for all areas of employment without regard to race, color, religious creed (including religious dress and grooming practices), sex (including pregnancy, childbirth, breastfeeding or related medical conditions), sexual orientation, gender, gender identity, gender expression, national origin (including language use restrictions), ancestry, age (40 or over), physical or mental disability (including HIV and AIDS), medical condition (cancer and genetic characteristics), genetic information, Family and Medical Care Leave Status, California Rights Act Leave Status, denial of Family and Medical Care Leave, military or veteran status, or marital status, or any other status protected by federal, state or local laws. We had no incidents of discrimination reported during 2019.



#### EMPLOYEE SPOTLIGHT

### LEGAL TEAM

Our Legal team is fundamental to the success of our sustainability programs. They have enabled us to execute contracts for efficiency upgrades in our portfolio for decades, and over the last 10 years have worked closely with the sustainability team on a number of important projects:

- Green Leasing: In 2014 our Legal team helped expand our green leasing program, earning us a spot in the inaugural class of recognized Green Lease Leaders by the Institute of Market Transformation that year. They have since expanded our green leases, most recently in 2018, allowing us to achieve Green Lease Leaders recognition three more times, including at the Gold level.
- Governance: The sustainability team works closely with the Legal team to expand ESG disclosures in the proxy statement and interface with the Executive Compensation Committee and Corporate Social Responsibility and Sustainability Committee of the Board of Directors.
- Carbon-Focused Contracts: The Legal team has recently tackled increasingly difficult projects, from our onsite and offsite solar deals and onsite battery storage agreements to electric vehicle charging stations as well as incorporating performance standards into all efficiency contracts.
- Environmental Compliance: The Legal team executes our environmental compliance programs, which include initiatives such as brownfield remediation and asbestos abatement.
- Vendor Code of Conduct: In 2019, our Legal team further enhanced our sustainability programs in 2019 through incorporating an ESG-focused Vendor Code of Conduct into our standard contract language.
- DocuSign: Our Legal team implemented DocuSign in 2015, transitioning us to electronic document execution from paper-based execution. As a result, since the start of the program we have saved over 44,000 pounds of wood, 100,270 pounds of carbon, and over 6 tons of waste. The carbon savings are exclusive of savings from contracts no longer having to be transported via courier.



RC LEGAL TEAM

#### DY REALTY

### **EMPLOYEE HEALTH**

The Health and Wellness of our employees is of central importance to our culture, and we conduct an annual Wellness survey to help us better tailor our employee health programs. The programs we had in place in 2019 included:

- Maternity Paid Disability Leave: Up to 4 months, Baby Bonding Leave: Up to 12 weeks, KRC Salary Continuation
- Paternity: Baby Bonding Leave: Up to 12 weeks, KRC Salary Continuation ٠
- Fertility services, including egg freezing
- Discount shopping program (LifeMart) .
- Discounted employee gym passes
- Enhanced Employee Assistance Program, services include:
  - Work/life services
  - Childcare and/or eldercare referrals \_
  - Adoption, fertility and egg-freezing services
  - Personal relationship information (marriage/family issues) \_
  - Health information \_
  - Fitness and exercise \_
  - Legal consultations with licensed attorneys
  - Financial planning assistance \_
  - Stress management \_
  - Weight management
  - Mental illness \_
  - Grief and loss \_
  - Career development \_
  - Alcohol/drug dependency \_
  - Smoking cessation/nicotine replacement therapy \_
  - Wellness coaching and online self-help programs
  - Overall lifestyle improvement and support for chronic conditions \_
- Commuter benefit with WageWorks encourages public and alternative transportation •
- Mandatory CPR/AED/first-aid training for key teams/positions every other year .
- Easily accessible automatic external defibrillators .
- Healthy snacks
- Standing desks and other ergonomic desk requirements
- Enhanced employer paid PDL/FMLA/CFRA and FMLA/CFRA benefits

- Value Added Programs provided by our medical benefits providers
  - Nippon provides
    - > Medical PPO utilizing ASA Network
    - > Teladoc
    - > Prenatal program and breast pump
    - Mail order pharmacy >
    - Chiropractic care >
    - > Acupuncture
  - > Weight management, healthy eating and exercise
  - > (In)fertility treatment
  - LabCard / Quest Diagnostics >
  - > Wellness portal
  - > Mobile app
- Dental PPO •
- Vision •
- Life Insurance: Life, AD&D and LTD •
- UNUM Travel Assist
- UNUM Life Planning Provided
- Parental Leave Coaching



### **BUILDING HEALTH** SUSTAINABILITY TOUR:

We have a robust building health program focused on great indoor air quality and active design features that help our building occupants stay physically active.

17 FITNESS

#### **1. INDOOR AIR QUALITY** TESTING

To verify the quality of our indoor air, we had 1.4 million square feet of our portfolio go through extensive IAQ testing in 2019. All received certificates verifying their performance.

#### 2. GREEN CLEANING

See page 75.

#### **3. LOW EMITING MATERIALS**

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

#### **4. MERV FILTERS**

The average MERV rating in our portfolio is 10.2, an increase from 9.4 in 2018.

#### **5. ROOF GARDENS**

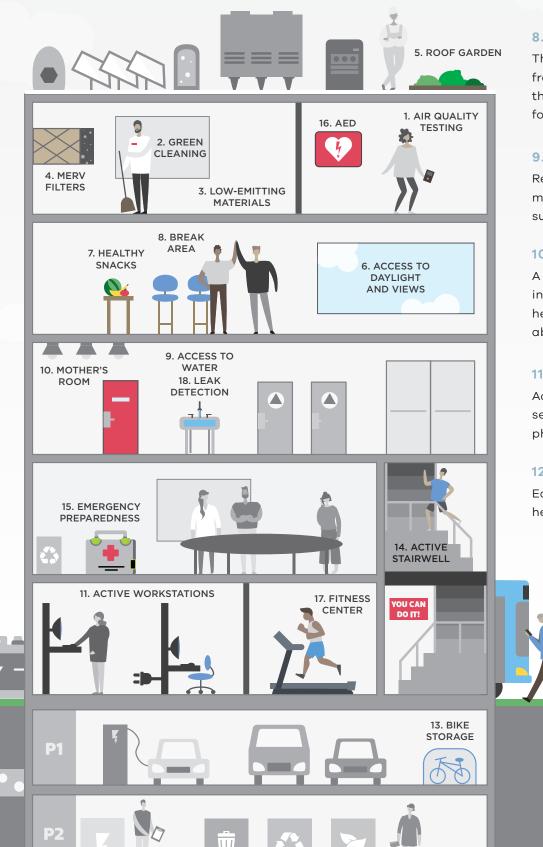
Landscape amentities can improve mental health and reduce stress.

#### 6. DAYLIGHT AND VIEWS

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

#### 7. HEALTHY SNACKS

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



8. BREAK AREAS

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

#### 9. ACCESS TO WATER

Readily accessible drinking water may decrease consumption of sugar-sweetened beverages.

#### **10. MOTHER'S ROOMS**

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

#### **11. ACTIVE WORKSTATIONS**

Active workstations may decrease sedentary time and increase physical activity.

#### **12. PUBLIC TRANSIT**

Easy access to transit improves health via increased walking.



#### **13. BIKE STORAGE**

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

#### **14. ACTIVE STAIRWELLS**

Taking two flights of stairs a day can help prevent most typical adult weight gain.

#### **15. COMPREHENSIVE EMERGENCY PREPAREDNESS** PROGRAMS

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

#### **16. AEDS**

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

#### **17. FITNESS**

Fitness centers and areas can increase employee well-being and decrease absenteeism due to sickness.

#### **18. LEAK DETECTION**

Our leak detection procedures help prevent mold growth.

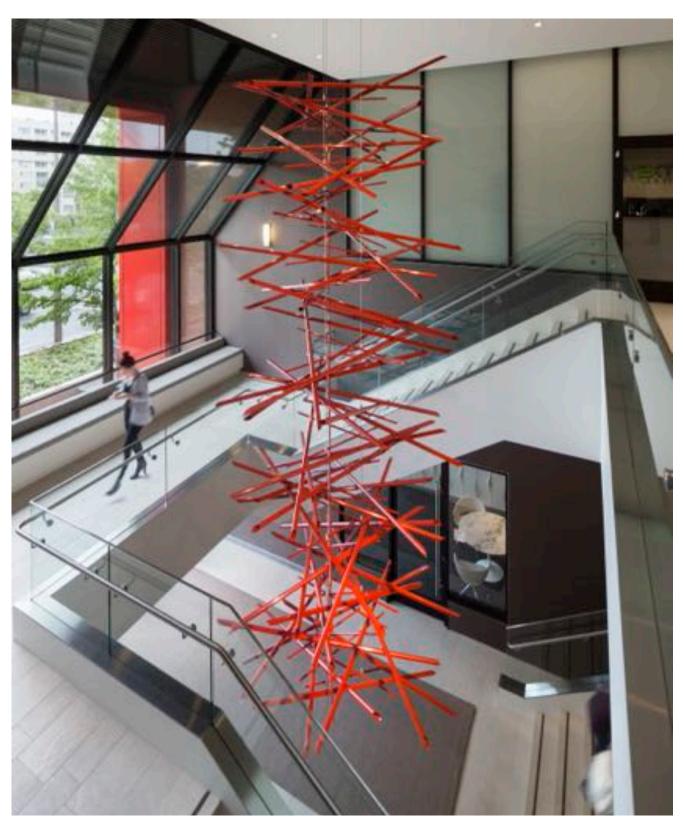




BIKE STORAGE AT 360 THIRD, SAN FRANCISCO, CA

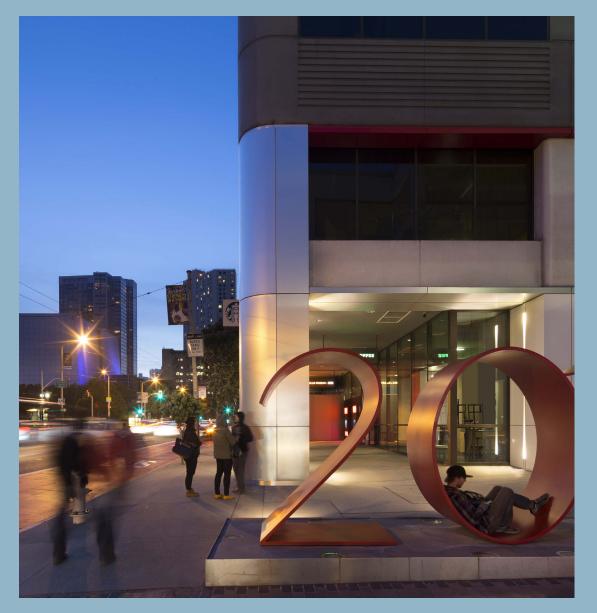


BIKE STORAGE AT 333 DEXTER, SEATTLE, WA



ACTIVATED STAIRWELL AT SKYLINE TOWER, BELLEVUE, WA

### **FITWEL**



#### **FITWEL CERTIFICATIONS**

#### SEATTLE

**KEY CENTER** 526,131 SF

**SKYLINE TOWER** 416.755 SF WESTLAKE TERRY 320,399 SF

**401 TERRY** 140,605 SF

#### SAN FRANCISCO BAY AREA

350 MISSION 492,658 SF

360 THIRD ST 451,807 SF

**333 BRANNAN** 185,602 SF

**303 SECOND ST** 740,047 SF

201 THIRD ST 346,538 SF

100 FIRST ST 467.095 SF

**CROSSING 900** 347,269 SF

#### **GREATER LOS ANGELES**

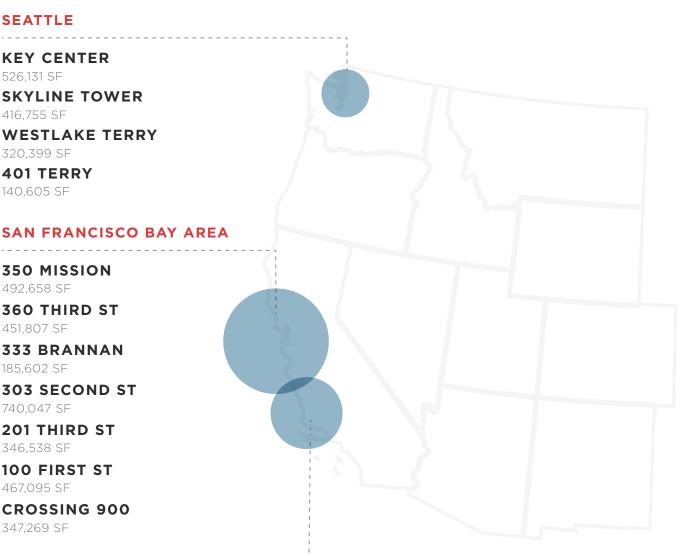
COLUMBIA SQUARE CAMPUS 414.253 SF

12100 W. OLYMPIC 150,167 SF

12100 W. OLYMPIC 152.534 SF

SUNSET MEDIA CENTER 358.204 SF

TRIBECA WEST 151,029 SF



Total Fitwel Certified – 5,661,093 SF Total Kilroy Portfolio – 13,232,580 SF **% Certified** – 43%

### **CROSSING 900**

AVERAGE WALKSCORE of our existing portfolio: 70





ONSITE AMENITIES AT CROSSING 900 ENCOURAGE SOCIAL INTERACTION

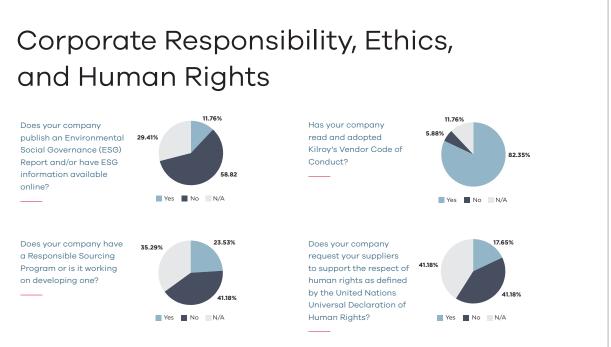
### **SUPPLY CHAIN**

We recognize that much of the environmental footprint of our business lies in our supply chain, the services and products we procure to construct and operate our buildings, and the services and products that those suppliers in turn procure. That is why we conducted a Supplier Excellence Survey between 2018 and 2019. Its goal was to understand the environmental and social performance of our critical Tier 1 operational suppliers, those suppliers with whom we interact directly and for whom a business disruption on their part would cause an immediate disruption to our business. We determined that these suppliers included our engineering, janitorial, parking, landscaping, and security vendors. We sent these suppliers an extensive survey, gathered the responses, analyzed the data, and then shared with our respondents an overall analysis of the survey with specific recommendations for improvement. Overall, we learned that our Tier 1 suppliers are more sophisticated on social issues such as human rights than environmental issues such as carbon, and we look forward to helping them improve performance in the future. Our 2020 goal is to survey our Tier 1 development suppliers, which include the architecture, engineering and general contracting companies that are working on our active ground-up development projects, and we plan to survey the operational suppliers again in 2021.



Full survey report can be found at:

https://kilroyrealty.com/sites/default/files/KRC Sustainability Supplier%20Excellence%20Survey%20Results%20(webversion).pdf



SUPPLIER SOCIAL RESPONSES ANALYSIS

# Recommendations

- 1. Publicly state your Business Ethics and Code of Conduct in an effort to increase the company's transparency.
- 2. Expand your existing Environmental Sustainability program to your owned or leased properties/workspaces.

include monitoring and measuring greenhouse gas emmissions of

3. Create an auditing process for supplier and contractors approvals.

# Community

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

### **CULTURE CREW**

In 2018, we launched a Culture Crew Committee, comprising members from all four regions who organize and execute teambuilding events for the employees in all their regions. Typical culture crew events include community service (more information below), employee health activities and art projects as well as outings to sports games.



**EMPLOYEE VOLUNTEERISM** 

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

862

Total Volunteer Hours

Hygiene Kits Packed for Domestic Violence Shelters

349

Diaper Kits Packed for Babies in Homelessness

557

**Cigarette Butts** Picked Up

Barrels of Toys Donated

### 200

### 23,088

Meals Donated

### 50

Welcome Kits Packed for Families Transitioning out of Homelessness

### 661

**Bags Packed for** Children in Foster Care

### 100

Care Kits for Troops

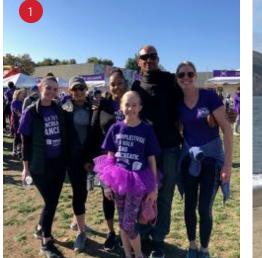
# 63

Organizations served

# 209

Flu Shots Provided

450 Pints of Blood











#### PAGE 108

#### WEEK OF SERVICE

This year, KRC conducted our first-ever companywide Week of Service, further dedicating ourselves to giving back to our communities in which we live and work.

#### WEEK OF SERVICE HIGHLIGHTS

Valley-subregion participated in the 2019 Walk.

Golden Gate National Parks The San Francisco Region partnered with Golden Gate National Parks for the second time to help restore Baker Beach in the Marin Headlands. The team worked hard picking up all the cigarette butts, bottles, plastic and other items that do not belong on our beach.

Larkin Street Youth Services The San Francisco Region volunteered to help sort and organize clothing at Larkin Street Youth Services, a nonprofit that empowers young people to move beyond homelessness. They have helped over 75,000 young adults in San Francisco by providing a continuum of healthcare, housing, employment, and education services. Our team members worked together to help organize and sort through a closet full of donated youth clothing. This made the space clean and easier for the youth to come in and find exactly what they need.

- with pens, pencils, protractors, and more.

Los Angeles Region Trashtag Challenge 50+ KRC employees in our Los Angeles region participated in this year's #TrashTag challenge, a viral clean-up movement that began on social media and has made its way around the globe. The challenge encourages people to get outside and help clean up the environment. More information available below.

PurpleStride Since the first walk in 2008, PurpleStride has been the Pancreatic Cancer Action Network's most powerful vehicle for fundraising and awareness. Team members from our Silicon

Uplift San Diego Our San Diego team partnered for the second time with Uplift San Diego, a non-profit that assists low income families with school supplies and tutoring and unhoused people with shelter and aid. This year, our volunteers were able to stuff 60 backpacks for grades 7th-12th

Family House We served breakfast, hosted arts and crafts activities, and helped with house projects for families with children undergoing life-threatening illnesses at UCSF Mission Bay.

#### COMMUNITY SPOTLIGHT

### **BLOOD DRIVE**

Our 2019 blood drives collected **450 pints of blood**, which could save up to **1,350 lives.** 



### LOS ANGELES REGION TRASHTAG CHALLENGE



#### PHILANTHROPY

We also provide financial support to charitable organizations focused on Strong Communities and Healthy Planet, and have a matching gift program to match employee contributions to 501(c)(3) nonprofit organizations, schools and universities. Our philanthropic philosophy is to provide unrestricted grants to allow the organizations we believe in to execute their programs most efficiently. Over 63 nonprofits are supported by these efforts.

#### **Rozalia Project Hudson River Microplastic Sampling Expedition**

We supported an international team of scientists, innovators and material experts who participated in the Hudson River Microplastic Sampling Expedition. That team collected over 600 samples of the air, water and soil from the Hudson River, the first-ever four-dimensional, whole river microplastic study. Investigating microplastics in the water column, soil and air will help identify the multiple sources of this pollution, and knowing the sources will lead to solutions to reducing microplastic pollution. We were joined by National Geographic Society to support this first-of its kind expedition coordinated by Rozalia Project.

#### Kilroy Environmental Scholarship at Loyola Marymount University

In recognition of John B. Kilroy, Sr.'s unique and longstanding role as chairman of KRC, we established the Kilroy Scholarship at Loyola Marymount University 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.



PAGE 110

# GOVERNANCE

- Corporate Social Responsibility
   and Sustainability Committee of the Board
- Policies
- Green Bond
- Stakeholder Engagement



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

# **Corporate Social** Responsibility and Sustainability Committee of the Board

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



Stoneberg

Kilrov

Biographies for the CSR&S Committee members can be found on page 12 of our 2020 proxy statement available here: (http://investors.kilroyrealty.com/FinancialDocs).

Hunt

### ESG FACTORS IN NAMED EXECUTIVE OFFICE COMPENSATION

In 2019, a new ESG-focused metric was added to the Company's annual cash incentive plan performance measurement framework, with a 15% weighting within the overall framework for determining 2019 cash bonus payouts. Accordingly, our Executive Compensation Committee of the Board of Directors will now consider our achievement of certain sustainability disclosures and ESG initiatives in determining such cash bonus payouts. This includes achievement of minimum LEED certifications on new development, progress on human capital initiatives, and shareholder outreach when determining the annual cash bonus payout levels for our executive management team.



PAGE 114

# Policies

- 1. SUSTAINABLE SITES POLICY (Effective April 19, 2010)
- 2. BIODIVERSITY AND HABITAT POLICY (Effective May 5, 2016)
- SOLID WASTE MANAGEMENT POLICY (Effective July 7, 2013) 3.
- 4. CONSTRUCTION WASTE POLICY (Effective August 2, 2010)
- 5. REFRIGERANT MANAGEMENT POLICY (Effective July 7, 2013)
- 6. GREENHOUSE GAS (GHG) MANAGEMENT POLICY (Effective April 17, 2013)
- 7. CLIMATE CHANGE POLICY (Effective August 2, 2010)
- 8. ENERGY POLICY (Effective April 17, 2013)
- 9. ENERGY MANAGEMENT POLICY (Effective April 17, 2013)
- 10. INDOOR AIR QUALITY (IAQ) POLICY (Effective July 7, 2013)
- 11. ENVIRONMENTAL TOBACCO SMOKE (ETS) CONTROL POLICY (Effective January 1, 1995)
- 12. IAQ MANAGEMENT FOR FACILITY ALTERATIONS AND ADDITIONS POLICY (Effective July 7, 2013)
- 13. INTEGRATED PEST MANAGEMENT (IPM) POLICY (Effective July 7, 2013)
- 14. BUILDING EXTERIOR AND MAINTENANCE POLICY (Effective July 7, 2013)
- 15. GREEN CLEANING POLICY (Effective January 12, 2011)
- 16. HEALTH AND SAFETY POLICY (Effective July 7, 2013)
- 17. CONSTRUCTION MATERIALS DESIGN CRITERIA AND BUILDING STANDARDS POLICY (Effective August 2, 2010)
- 18. VENDOR CODE OF CONDUCT (Effective December 15, 2016)
- 19. SUSTAINABLE PURCHASING POLICY (Effective July 7, 2013)
- 20. BUILDING MATERIALS POLICY (Effective March 20, 2012)
- 21. WATER MANAGEMENT POLICY (Effective July 2, 2014)
- 22. PLUMBING FIXTURE REPLACEMENT POLICY (Effective July 2, 2014)
- 23. CALIFORNIA DROUGHT POLICY (Effective January 21, 2014)
- 24. RESILIENCE POLICY (Effective December 2, 2013)
- 25. HUMAN RIGHTS POLICY (Effective December 15, 2016)
- 26. PHILANTHROPY POLICY (Effective December 15, 2016)
- 27. GREEN OFFICE POLICY (Effective September 23, 2019)

All of our policies can be found at:

https://kilroyrealty.com/commitment-sustainability under "Action Plan."

<b>BOARD OF</b> <b>DIRECTORS</b> CSR&S Committee	<b>SENI</b> Repol Proje
<b>LEGAL</b> Green Leases Contracts for solar, batteries, offsite PPA and efficiency projects	<b>ASS</b> Tenant Project i
<b>DEVELOPMENT</b> Execution of Sustainability Strategy for Development Projects, Sustainability in Tenant Fit Out Standards	<b>ACC</b> Sus Disclo
<b>ENGINEERING</b> Implementation of Efficiency Projects	STA Sus Inf on Te
<b>SUSTAINABILITY</b> Coordination and Execution of Sustainability Programs	<b>OPE</b> Cr Sustair

### ITY ACROSS KRC

#### IOR MGMT t Approval

#### ET MGMT

Engagement

# OUNTING

# NDARDS

### ERATIONS

reation of ability Budget

#### FINANCE

Green Bonds, Offsite

#### **RISK MGMT**

Climate Change factors in Standard **Operating Procedure** and Emergency manuals, project approval

#### MARKETING

#### **GOV AFFAIRS**

Local Community Engagement

# Green Bond

On November 14, 2018, we announced that our operating partnership, Kilroy Realty, L.P. priced an underwritten public offering of \$400 million aggregate principal amount of 4.750% senior notes due 2028 with a commitment to allocate the proceeds from these bonds to one or more eligible green projects. We allocated the entirety of the proceeds to our LEED Platinum project The Exchange on 16th and reported on the total use of proceeds in the 2018 sustainability report (See '2018 KRC Sustainability Report' here.) This was the first Green Bond issued in the United States allocated to green buildings that has been certified by the Climate Bonds Initiative, which is the only global certification body for green bonds. The Kilroy Realty Green Bond has met the highest global benchmark for Green Bonds, meeting and exceeding the Green Bond Principles. The most recent Verification Opinion can be found on page 132. Our Green Bond Framework, and other information about our green bond, can be found at: https://kilroyrealty.com/sites/default/files/ Green%20Bond%20Framework.pdf



This is to certify that the

4.75% Green Bond Due 2028

PAGE 118

Issued by

Kilroy Realty, LP

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

SEAN KIDNEY CEO, Climate Bonds Initiative





Climate

Bond Certified

2 April 2019





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

#### Partnerships and Industry Associations



- **ENERGY STAR Partner**
- BOMA Energy and Environment Committee
- U.S. Green Building Council (USGBC) Corporate Gold Member; USGBC Los Angeles Partner
- NAREIT Real Estate Sustainability Council member
- GRESB member
- Center for Active Design Leadership Advisory Board member
- Urban Land Institute (ULI) Greenprint member
- NAACP Centering Equity in the Sustainable Building Sector Working Group member
- San Diego, San Francisco and Seattle 2030 Districts member

- Institute of Real Estate Management (IREM) • member
- International Facility Management Association • member (IFMA)
- National Association of Industrial and Office Properties member (NAIOP)
- Young Professionals in Energy Board member (YPE)
- Fitwel Leadership Advisory Board member .
- Hawthorn Club member

#### **Entities**

No entity included in our consolidated financial statements (http://www.snl.com/Cache/IRCache/ c3a50db0d-de14-dfe2-4caa-72ec3d8b66b9.html) 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 our Code of Business Conduct and Ethics (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 officers of our officers 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 ours, 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 2019 or in any prior reporting years. In addition, we had no legal actions for anticompetitive behavior, anti-trust, and monopoly practices in 2019 or any prior reporting years.

We subscribe to the precautionary principle, which we interpret by assuming that the construction and operation of our buildings has the potential to threaten the environment and the health of building occupants and those in our supply chain. We believe that environmental and health-focused building certifications help us avoid materials and practices that may cause these negative impacts, which is why all our new construction and eligible existing buildings pursue these certifications. In addition, we are constantly working to stay abreast of industry best practices in procurement and incorporating these practices into our projects.

#### Partnership Spotlight

In 2019, we served on the Advisory Group for the ULI Real Estate Assessment on Health and Social Equity to further the understanding of our industry's current practices around health and social equity. This work was funded by the Robert Wood Johnson Foundation and stakeholders across many sectors participated, including the Center for Active Design, the International Well Building Institute, real estate owners from many asset types, NGOs and more. The report of our work will be published in 2020.



#### Advocacy

- Participated on Los Angeles Mayor Eric Garcetti's Sustainability Taskforce to promote the decarbonization of the Los Angeles built environment
- Attended a series of workshops to inform *Our County*, the Los Angeles County sustainability plan under development by the Los Angeles County Chief Sustainability Office
- Commented on proposed all-electric building legislation and collaborated with the state legislative office on reducing barriers to building electrification
- Endorsed the updated Los Angeles Green New Deal
- Provided energy data and additional information for three buildings for the US EPA Commercial Buildings Energy Consumption Survey to help improve the accuracy of the ENERGY STAR scoring system
- Participated in the NAACP Centering Equity in the Sustainable Building Sector (CESBS) Initiative (more information below)
- Attended the 2019 C40 summit to advocate for sustainable building legislation

#### NAACP CESBS Initiative

In 2018, the NAACP, the nation's largest and most widely recognized civil rights organization, launched the Centering Equity in the Sustainable Building Sector (CESBS) Initiative. The CESBS initiative seeks to shift narratives, mobilize resources, empower champions, and catalyze new norms in the building industry to help ensure sustainable development does not exacerbate social inequality. In 2019, we supported this initiative by taking part in the monthly working group meetings and participating in the CESBS Working Retreat hosted at the Brock Environmental Center in Virginia Beach, VA. Through this effort the NAACP is poised to introduce policy and practice guidance that will aid the policymakers, businesses, and community advocates in advancing a sustainable building movement that is both socially and environmentally just.





SENIOR VP, SUSTAINABILITY SARA NEFF TEACHES BEST PRACTICES IN SUSTAINABLE DEVELOPMENT AT CALIFORNIA STATE UNIVERSITY, LOS ANGELES

#### 2019 Disclosure Scorecard



Sustainability Leader, Americas



= Bloomberg Gender-Equality

Listed on Bloomberg Gender-Equality Index

One of 6 American Real Estate Companies

named to the Dow Jones Sustainability

**ISS** 

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



Score: A

World Index



Score: B. Within the 39% highest scoring companies

#### C40

C40 is a network of the world's megacities committed to addressing climate change. We participated in the C40 2019 conference in Copenhagen through speaking at both the Cities & Business Forum and the Clean Construction Summit. Our goal was to both learn about best practices for reducing carbon in the built environment from around the world and to advocate for increased public/private collaboration on the creation of new building decarbonization legislation.

#### **Environmental Grievances**

The concept of formal environmental grievance mechanisms as contemplated by GRI is not applicable to us as a REIT. However, we have procedures in place for responding to environmental incidents, and our focus on developing urban core brownfield sites requires us to have expertise in coordinating environmental remediation. Examples of environmental issues that may 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 at our urban development sites include contaminated soil, soil vapor, and groundwater, underground storage tanks, and encountering unknown structures and materials. We did not have any significant fines or non-monetary sanctions regarding environmental compliance in 2019. We had no significant spills in 2019. We had no grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.



PAGE 125

# Stakeholder Engagement Matrix

STAKEHOLDER GROUP Employees	<ul> <li>ENGAGEMENT APPROACH</li> <li>Annual kickoff calls with sustainability team</li> <li>Employee satisfaction survey</li> <li>Training programs and support</li> <li>Annual performance reviews</li> </ul>	MATERIAL ASPECTS AND TOPICS OF DISCUSSION Energy, Water, Effluents/Waste, Product and Service Labeling, Resilience, Awards, Training and Education, Health and	NGOs	• • •
	<ul> <li>Intranet site for internal communications</li> <li>Whistleblower mechanism</li> <li>Collaboration on projects and certifications</li> <li>Regional Culture Crew teambuilding events</li> <li>Regional Culture Crew service events</li> <li>Town hall meetings</li> <li>Employee wellness programs</li> </ul>	Wellness, Diversity and Equal opportunity, Nondiscrimination	Industry Associations	•
Tenants	• (See Tenant Engagement page 76)		Contractors, Vendors and	•
Investors	<ul> <li>TCFD/SASB-aligned disclosure in the Annual Financial Report filed with the SEC</li> <li>Dedicated investor disclosures</li> <li>Quarterly earnings calls including Q&amp;A with senior management</li> </ul>	Economic Performance, Anti- Corruption, Anti-Competitive Behavior, Product and Service Labeling, GRESB Participation, Transparency, Emissions,	Suppliers	•
	<ul> <li>Dedicated Investor Relations team</li> <li>Investor meetings and investor events</li> <li>Questionnaires and surveys</li> <li>Property Tours</li> <li>Green bond disclosures</li> </ul>	Governance, Energy, Water, Building Certifications, Community Relations, Resilience, Health and Wellness	Media	•
Government	<ul> <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> <li>Speaking at government-focused events such as C40</li> </ul>	Materials, Emissions, Energy, Water, Public Policy, Transit- Oriented Development, Transparency, Barriers to Utility Data Access, Benchmarking Ordinances, Compliance, Environmental Grievance Mechanisms	Communities	•

ENGAGEMENT APPROACH

•

.

.

**STAKEHOLDER** 

GROUP

Brokers

#### MATERIAL ASPECTS AND TOPICS OF DISCUSSION

Broker green leasing collaboration Award application collaboration Regional broker appreciation events Attendance and hosting of various broker meetings Panel discussions/webinars	Product and Service Labeling, Green Leasing, Utility Disclosure, Green Building Standards
Leadership, Membership and Employee participation in NGO activities Attendance at conferences and other industry events Employee volunteerism Corporate Philanthropy Strategic partnerships	Transparency, Product and Service Labeling, Energy, Water, Emissions, Effluents and Waste, Emissions, Smart Growth, District Energy Systems, Health and Wellness
Active participation at conferences and meetings Participation on committees and leadership teams, such as BOMA International Energy and Environment Committee Partnerships	Energy, Water, Transparency, Product and Service Labeling, Resilience, Reporting Frameworks, Health and Wellness
Supplier Excellence Survey participation Attendance at conferences and other industry events Contract development and interaction throughout duration of service One-on-one meetings and calls	Materials, Energy, Water, Procurement practices, Effluents and Waste, EV Charging Infrastructure, Transparency, Health and Wellness
Press releases Interviews with media regarding KRC operations and sustainability Events around significant achievements, such as groundbreakings Social media	Energy, Water, Transparency, Tenant/Broker/Investor Engagement, Health/Wellness
Hosting community events, such as emergency preparedness awareness events Interaction with communities throughout the development process, such as town hall meetings Social media Community engagement websites	Resilience, Energy, Water, Smart Growth, Transit, Economic Development





- Materiality
- Conclusion
- GRI Index

ONE PASEO - DEL MAR, SAN DIEGO, CA // TARGETING LEED GOLD



• Third Party Validation

• Independent Assurance Statement

# Materiality

To define our report content, we use GRI's Principles for Defining Report Content. These help us identify the most relevant environmental, social and governance impacts as they pertain to our business and stakeholders. This includes all information required for the GRI Standard: Core option as well as additional information relevant to our stakeholders. To accomplish this, the sustainability team conducts a thorough materiality engagement every year. The team surveyed 44 people who represent a cross section of both our own employees and our external stakeholders. We then shared this process with DNV GL, the third party who is verifying our sustainability report, and refined our disclosures based on their findings. Several issues increased in importance according to our stakeholder survey respondents, especially diversity and equal opportunity, nondiscrimination, gender pay equity, and anti-harassment as well as waste and recycling. Health impacts of buildings on occupants decreased in importance.

### MATERIALITY MATRIX

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

#### External Stakeholder Group

Architect	Investor
Competitor	Media
Consultant	NGO
Engineer	Product
General Contractor	Ratings Organization
Higher Education	Technology
Industry Association: Real Estate	Tenant
Industry Association: Sustainability	Utility

#### Internal Stakeholder Group

Accounting	Government Affairs
Architecture	IT
Asset Management (all regions)	Leasing
Construction	Legal
Corporate Services	Marketing
Development	Operations
Engineering	Residential
Finance	Retail
Financial Reporting	Risk Management
Human Resources	Тах

#### **Biodiversity** Supplier Environmental . • Assessment . Compliance (Social) Consumer Health and . .

- Safety Employment
- Labor Practices Grievance .
- Mechanisms
- Supplier Assessment of .
- Labor Practices
- Security Practices .
  - Marketing Communications •
- **Overall (Environmental)** .
- Freedom of Association/ .
- Collective Bargaining
- Security Practices .
- Labor/Management
  - Relations
- Procurement Practices
- Marketing Communications Consumer Privacy • Compliance (Product Responsibility)

•

.

.

.

.

.

laterials Materials I Women Stakenou St	<ul> <li>Effluents and Waste</li> <li>Economic Performance</li> <li>Energy</li> <li>Water</li> <li>Access to Transit and Amenities</li> <li>Certifications</li> <li>Resilience</li> <li>Transparency</li> <li>Local Communities</li> <li>Compliance (Environmental)</li> <li>Anti-Corruption</li> <li>Diversity and Equal Opportunity</li> </ul>
Infi	<ul> <li>Nondiscrimination</li> <li>Anti-harassment</li> <li>Potential Impact on Business</li> </ul>
Products & Services Overall (Environmental) Child Labor Forced/Compulsory Labor Indigenous Rights Supplier Human Rights Assessment Human Rights Grievance Mechanisms Indirect Economic Impacts Supplier Assessment for Impacts on Society Grievance Mechanisms for Impacts on Society Product and Service Labeling	<ul> <li>Training and Education</li> <li>Environmental Grievance Mechanisms</li> <li>Public Policy</li> <li>Occupational Health &amp; Safety</li> </ul>

# Third Party Validation

### **CHARTERS, PRINCIPLES, INITIATIVES**

- KRC has sought third-party assurance of the company's annual GRI report to confirm the quality and completeness of the disclosure for the seventh time this year. This is the second year we have used the GRI Standards guidelines for its report. For the previous five years, we used the GRI G4 standards.
- This sustainability report has been externally assured by DNV GL Business Assurance USA, Inc. Their Independent Assurance Statement can be found on page 140. DNV GL is Third-Party assurance provider, unaffiliated with us. DNV GL also performed the assurance of the use of our Green Bond proceeds. More information on page 118.
- 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, ٠ which included interviews with senior management and representatives of several departments including C-Suite, Engineering, Risk Management, Human Resources and In-House Counsel.

# Conclusion

Thank you for reading our ninth annual sustainability report, which was prepared by Sara Neff (Senior Vice President, Sustainability), Maya Henderson (Director, Sustainability), Vaishali Sampat (Sustainability Manager) and Jasmine Lomax (Sustainability Manager). We attest that the information contained in this report is accurate and addresses all aspects of our sustainability programs material to our stakeholders. Special thanks to Carlos Alvarez, Jake Brehm, Karen Chu, Allison Colberg, David Cortes, Angelica Cunningham, Janelle Duff, Thomas Dunn, Kayla Gonzalez, Keely Hale, Pauline Hudson, Kristen Kelley, John Kilroy, Candace Lee, Christine Luong, Katy Mansoor, Marina Martos, Sharon Masch, Robert Masterson, Michelle McDuffy, Lala Montano, Natalia Morales, Connie Muramoto, Heidi Ng, Michelle Ngo, Suzanne Omar, Scott Ritto, Tyler Rose, Lauren Ross, Jenna Sahn, Lauren Stadler, Samantha Suon, Phil Tate and Timothy Williams for their help in the preparation of this report.

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

For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or sneff@kilroyrealty.com. More information about our sustainability programs and corporate responsibility practices is available on our website at http://kilroyrealty.com/ commitment-sustainability and on Twitter @kilroygreen.





Sara Neff SVP, Sustainability

Maya Henderson Director, Sustainability



Vaishali Sampat Manager, Sustainability



Jasmine Lomax Manager, Sustainability

# Global Reporting Initiative



#### **GRI 102: GENERAL DISCLOSURES**

GRI Standard	Disclos	sure	Externally Assured	Page # or Link
General Disclosures	102-1	Name of the organization		16
General Disclosures	102-2	Activities, brands, products, and services		16
General Disclosures	102-3	Location of headquarters		16
General Disclosures	102-4	Location of operations		16
General Disclosures	102-5	Ownership and legal form		16
General Disclosures	102-6	Markets served		16
General Disclosures	102-7	Scale of the organization		16
General Disclosures	102-8	Information on employees and other workers		84-85
General Disclosures	102-9	Supply chain		104
General Disclosures	102-10	Significant changes to the organization and its supply chain		104
General Disclosures	102-11	Precautionary Principle or approach		121
General Disclosures	102-12	External initiatives		122
General Disclosures	102-13	Membership of associations		120
General Disclosures	102-14	Statement from senior decision-maker		12-15
General Disclosures	102-15	Key impacts, risks, and opportunities		26-30
General Disclosures	102-16	Values, principles, standards, and norms of behavior		121
General Disclosures	102-18	Governance structure		see Proxy Statement http://investors.kilroyrealty. com/FinancialDocs
General Disclosures	102-40	List of stakeholder groups	Yes	126-127
General Disclosures	102-41	Collective bargaining agreements		84
General Disclosures	102-42	Identifying and selecting stakeholders	Yes	130
General Disclosures	102-43	Approach to stakeholder engagement	Yes	126-127
General Disclosures	102-44	Key topics and concerns raised	Yes	130-131

General Disclosures	102-45	Entities included in the consolidated financial statements		120
General Disclosures	102-46	Defining report content and topic Boundaries	Yes	4
General Disclosures	102-47	List of material topics	Yes	131
General Disclosures	102-48	Restatements of information		139
General Disclosures	102-49	Changes in reporting		139
General Disclosures	102-50	Reporting period		139
General Disclosures	102-51	Date of most recent report		139
General Disclosures	102-52	Reporting cycle		139
General Disclosures	102-53	Contact point for questions regarding the report		146
General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards		139
General Disclosures	102-55	GRI content index		134
General Disclosures	102-56	External assurance		141-143

#### E® **GRI 201: ECONOMIC PERFORMANCE**

Economic Performance	103-1	Explanation of the material topics and its boundaries	KRC 10-K http://www.snl.com/IRWeblinkx/ ShowFile.aspx?KeyFile=396760316&Output =HTML&Format=HTML
Economic Performance	103-2	The management approach and its components	KRC 10-K http://www.snl.com/IRWeblinkx/ ShowFileaspx?KeyFile=396760316&Output =HTML&Format=HTML
Economic Performance	103-3	Evaluation of the management approach	KRC 10-K http://www.snl.com/IRWeblinkx/ ShowFile.aspx?KeyFile=396760316&Output =HTML&Format=HTML
Economic Performance	201-1	Direct economic value generated and distributed	KRC 10-K http://www.snl.com/IRWeblinkx/ ShowFile.aspx?KeyFile=396760316&Output =HTML&Format=HTML
Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	26-29

# GRI 205: ANTI-CORRUPTION, GRI: ANTI-COMPETITIVE BEHAVIOR

Anti-corruption	103-1 Explanation of the material topics and its boundaries	121
Anti-corruption	103-2 The management approach and its components	121
Anti-corruption	103-3 Evaluation of the management approach	121
Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	121
Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	121
Anti-competitive Behavior	206-1 Legal actions for anti- competitive behavior, anti-trust, and monopoly practices	121
GRI 301	MATERIALS	
Materials	301-2 Recycled input materials used	39
🛞 GRI 302	ENERGY	

Energy	103-1 Explanation of the material topics and its boundaries	147
Energy	103-2 The management approach and its components	38-39
Energy	103-3 Evaluation of the management approach	147
Energy	302-1 Energy consumption within the Yes organization	147
Energy	302-4 Reduction of energy Yes consumption	147

GRI 303: WATER AND EFFLUENTS

Water and Effluents	103-1	Explanation of the material topics and its boundaries		148
Water and Effluents	103-2	The management approach and its components		52-53
Water and Effluents	103-3	Evaluation of the management approach	:	148
Water and Effluents	303-3	Water withdrawal	Yes	148
Water and Effluents	303-5	Water consumption	Yes	148
GRI 304	I: BIOE	DIVERSITY		
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		68
GRI 305	EMIS	SSIONS		
Emissions	103-1	Explanation of the material topics and its boundaries		146
Emissions	103-2	The management approach and its components		42-44
Emissions	103-3	Evaluation of the management approach	:	25-31
Emissions	305-1	Direct (Scope 1) GHG emissions	s Yes	146
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Yes	146
Emissions	305-5	Reduction of GHG emissions	Yes	146



Water and Effluents	103-1	Explanation of the material topics and its boundaries		148
Water and Effluents	103-2	The management approach and its components		52-53
Water and Effluents	103-3	Evaluation of the management approach	t	148
Water and Effluents	303-3	Water withdrawal	Yes	148
Water and Effluents	303-5	Water consumption	Yes	148
GRI 304	I: BIOI	DIVERSITY		
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		68
CE GRI 305	5: EMIS	SSIONS		
Emissions	103-1	Explanation of the material topics and its boundaries		146
Emissions	103-2	The management approach and its components		42-44
Emissions	103-3	Evaluation of the managemen approach	t	25-31
Emissions	305-1	Direct (Scope 1) GHG emission	s Yes	146
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Yes	146
Emissions	305-5	Reduction of GHG emissions	Yes	146

23

#### GRI 306: EFFLUENTS & WASTE

Effluents and Waste	306-2	Waste by type and disposal method	Yes	149
Effluents and Waste	306-3	Significant spills		125
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations		125
GRI 404	l: TRA	INING AND EDUCATION		
Training and Education	404-1	Average hours of training per year per employee		88
Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs		88
Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews		88
GRI 405	: DIVE	ERSITY AND EQUAL OPP	ORTUNI	ГҮ
Diversity and Equal	103-1	Explanation of the material		91

Diversity and Equal Opportunity	103-1	Explanation of the material topics and its boundaries	91
Diversity and Equal Opportunity	103-2	The management approach and its components	91
Diversity and Equal Opportunity	103-3	Evaluation of the management approach	84-87
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	84

GRI
-----

**406: NON-DISCRIMINATION** 

Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
GRI 413:	EMPL	OYMENT.
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs

This is our ninth corporate sustainability report and seventh developed in accordance with GRI guidelines. For the second time, this report has been prepared in accordance with the GRI Standards: Core option. For the previous five years, we used the GRI G4 standards. The report covers all of our activities, all of which are located in the United States, during calendar year 2019. We publish a corporate sustainability report on an annual basis. The last KRC corporate sustainability report was published in April 2019 and covered calendar year 2018. Since our last report, there have been no significant restatements. Since last year's report, we have increased the square footage of our stabilized portfolio by approximately 1.8% percent, from 13.2 million square feet to 13.5 million square feet. Like-for-like, our occupancy increased over this period from 94.1% to 94.6%. The external assurance report can be found on page 140. The external assurance provider has used the AA1000 Assurance Standard (08) as the basis of the assurance.

91 67

#### SAFER, SMARTER, GREENER

#### **DNV**·GL

### **Independent Assurance Statement**

DNV GL Business Assurance USA, Inc. (DNV GL) was commissioned by Kilroy Realty Corporation (KRC) to conduct independent assurance of its 2019 Sustainability Report (the Report), for the year ended 31 December 2019, as published on the company's website at: https://kilroyrealty.com/commitment-sustanability



**Our Opinion:** On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe KRC's adherence to the Principles described below. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate. In our opinion, the Report provides sufficient information for readers to understand the company's management approach to its most material issues and impacts.

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

#### Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Through our review, we saw evidence of systematic engagement of stakeholders in the reporting year. We commend KRC for its ongoing efforts to communicate and demonstrate to stakeholders. such as tenants, employees, investors, and insurance providers that sustainability is a critical part of the company's value equation.

We found that there were several examples of the company working with stakeholders to reduce environmental impact and to increase positive social impacts such as through tenant education programs and internal diversity and inclusion trainings focused on addressing Unconscious Bias. In addition, the company conducted a Supplier Excellence Survey focused on its critical Tier 1 operational suppliers and has made the findings and recommendations public.

We encourage KRC to continue to expand its reporting on how it is using these opportunities for dialogue to help breakdown barriers to sustainability challenges for its operations and the sector.

#### Materiality

#### The identification of those issues which are necessary for stakeholders to make informed judgements concerning the organization and its impacts.

The organization conducted a materiality assessment which included engagement of internal and external stakeholders to help confirm the topics covered in the Report. The Report addresses the most material environmental and social issues of concern to its external stakeholders and their estimated impact on the company's business.

As reported last year, the company established an internal cross functional team responsible for monitoring management. stakeholder feedback, and performance of critical sustainability and ESG issues. Throughout 2019, KRC continued to formalize the role of the committee including providing quarterly updates to the Board level Corporate Social Responsibility and Sustainability Committee. We recommend that in its ongoing disclosures on sustainability governance at KRC, the company highlight changes to strategy or management approach in the reporting year that resulted from the committee's oversight. This can serve to further demonstrate the

increased accountability and clear link between business decisions and sustainability priorities.

#### **Responsiveness**

#### The extent to which the organization responds to stakeholder issues.

The company takes into consideration stakeholder interests and concerns. KRC demonstrates a commitment to sustainability and prioritizes initiatives when there is a clear business case, including return on investment, mitigated risk, or competitive advantage. In our opinion, this supports integration of sustainability into decisionmaking processes throughout business operations. For example, the legal team at KRC has served as a critical partner in formalizing ESG priorities in contracts with the addition of a vendor code of conduct and expansion of Green Leases. In addition, the Board of Directors Executive Compensation Committee will consider sustainability and ESG achievements when determining the annual bonus for the executive management team.

#### **Reliability and quality**

The accuracy and comparability of information presented in the Report, as well as the quality of underlying data management svstems.

Sustainability goals and performance are generally presented in a clear manner with a balanced representation of 2019 performance and challenges. Our review of the specified 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.

Based on the processes and procedures conducted with a moderate assurance, there is no evidence that the GHG assertions and environmental footprint data are not materially correct, are not a fair representation of GHG and environmental data and that information has not been prepared with the calculation method referenced.

KRC has continued to focus on the automation of the collection and aggregation of its sustainability performance data. We recommend that as new properties are added to the portfolio that the property managers are trained on conducting periodic data checks to support early and ongoing identification of any system produced errors. This can serve as an additional point of quality control to the sustainability team's existing data review procedures.

#### SAFER, SMARTER, GREENER

#### Scope and approach

Our assurance engagement was planned and carried out in accordance with AA1000 Assurance Standard (AA1000 AS), using DNV GL's VeriSustain methodology. VeriSustain is based on international assurance best practice including AA1000AS, International Standard on Assurance Engagements 3000 (ISAE 3000) and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

We evaluated the adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and 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. 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 – Corporate Accounting Standard.

We understand that the reported financial data and information are based on data from KRC's 2019 Annual Report which is subject to a separate independent audit process. The review of financial data taken from the company's 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 are providing a Type 2, moderate level assurance.

#### 2019 Data In Scope

- Energy consumption, greenhouse gas (GHG) Scope 1, 2, and 3 (Category 13) emissions, waste generated, and water use assertions, as reported in the Performance Tables in Section 6: Appendix, and related claims. GRI Indicators
  - o 102-40: List of Stakeholder Groups; 102-42: Identifying and Selecting Stakeholders; 102-43: Approach to Stakeholder Engagement; 102-46: Report Content & Boundaries; 102-47: Material Topics
  - 302-1: Energy Consumption; 302-4: Reduction of Energy Consumption
  - 303-5: Water Consumption
  - 305-1: Direct GHG Emissions; 305-2: Indirect GHG Emissions; 305-3: Other

  - o 306-2: Waste

#### **Data Verified**

The environmental footprint claims for KRC's whole portfolio which includes managed assets, indirectly managed assets, and Life Science assets are listed below.

#### 2019 Greenhouse Gas Emissions

- Scope 1 Emissions
- Scope 2 Emissions (Location-Based)
- Scope 2 Emissions (Market-Based)
- Scope 3 Emissions Downstream Leased Assets (Cat
- Scope 1
- Scope 2 (Location-Based)
- Scope 2 (Market-Based)

#### 2019 Energy

2019 Total Energy Consumption

#### 2019 Waste

2019 Total Waste Generate

#### 2019 Water

2019 Water Consumption

#### DNV·GL

Indirect GHG Emissions; 305-5: Reduction of GHG Emissions

	3,082 MtCO <sub>2</sub> e 25,438 MtCO <sub>2</sub> e 24,718 MtCO <sub>2</sub> e	
tegory 13)	9,277 MtCO <sub>2</sub> e 28,129 MtCO <sub>2</sub> e 22,795 MtCO <sub>2</sub> e	
	277,177 MWh	
	7,674 tons	

212,262 kgal

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

KRC has sole responsibility for preparation of the Report and selected performance indicators in accordance with the reporting criteria.

In performing our assurance work, our responsibility is to the management of KRC. Our statement, however, represents our independent opinion and is intended to inform all KRCs 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 seventh year of providing assurance for KRC's Report, Energy, Water, and Waste data and fourth year providing assurance for GHG emissions

#### Level of Assurance

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'Type 2 moderate level' of assurance. A 'high level' of assurance would have required additional work at headquarters and site levels to gain further evidence to support the basis of our assurance opinion.

#### 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. We adopt a balanced approach towards all stakeholders when performing our evaluation.

#### SAFER, SMARTER, GREENER

2019 Like for Like: (Buildings are excluded from the like for like portfolio if they were bought or sold within the 2019 or 2018 reporting period, or stabilized in the current reporting period)

#### **Greenhouse Gas Emissions**

<ul> <li>Scope 1 Emissions</li> </ul>	3,080 MtCO <sub>2</sub> e
<ul> <li>Scope 2 Emissions (Location-Based)</li> </ul>	25,066 MtCO <sub>2</sub> e
<ul> <li>Scope 2 Emissions (Market-Based)</li> </ul>	22,948 MtCO <sub>2</sub> e
<ul> <li>Scope 3 Emissions - Downstream Leased Assets (Category 13)</li> <li>Scope 1 Emissions</li> </ul>	7,689 MtCO₂e
<ul> <li>Scope 2 Emissions (Location-Based)</li> </ul>	24,222 MtCO <sub>2</sub> e
<ul> <li>Scope 3 Emissions (Market-Based)</li> </ul>	18,888 MtCO <sub>2</sub> e
Energy	
<ul> <li>Energy Consumption</li> </ul>	259,187 MWh
Water	
<ul> <li>Water Consumption</li> </ul>	207,756 kgal

#### **Basis of our opinion**

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

- Review of the current sustainability 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;
- Conduct interviews with the Chief Executive Officer, Vice President Risk Management; Chief Engineer; Vice President Corporate Counsel; Senior Generalist and Systems Administrator 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.



#### **Inherent Limitations**

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities.

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 coresponsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

#### SAFER, SMARTER, GREENER

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

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

For and on behalf of DNV GL Business Assurance USA, Inc. Oakland, CA 8 April, 2020



Natasha D'Silva Sr. Consultant and Lead Assuror



### DNV·GL

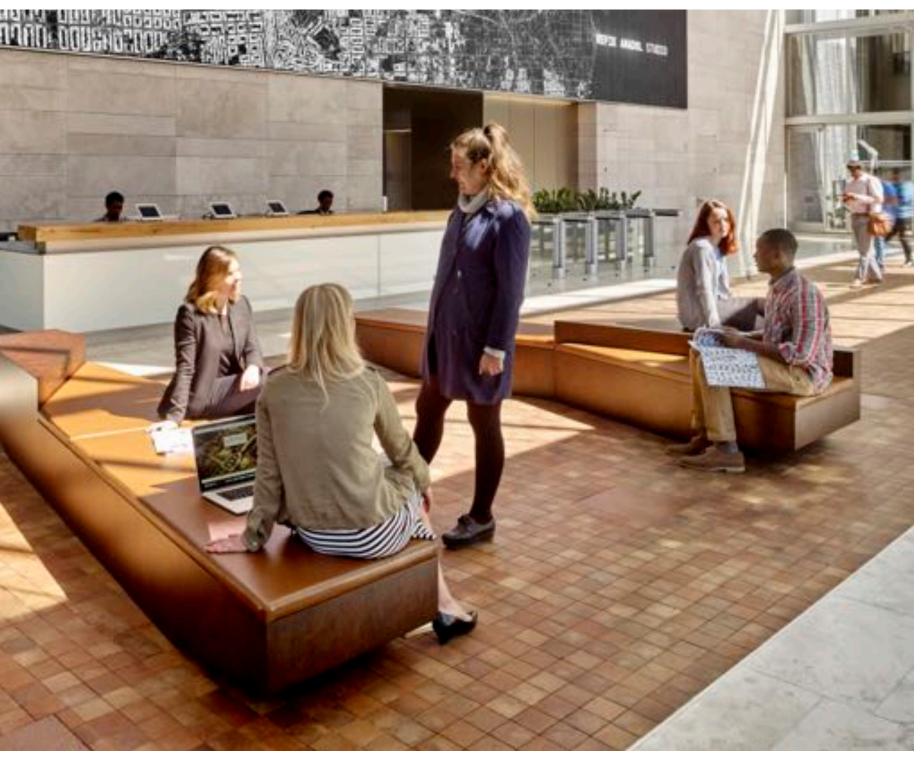
umbladden

Shaun Walden Technical Reviewer

#### DNV GL Business Assurance

DNV GL Business Assurance is a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.

https://www.dnvgl.us/assurance/





350 MISION - SOMA, SAN FRANCISCO, CA // LEED PLATINUM, ENERGY STAR, FITWEL



 Performance Tables • Green Bond Assurance Statement

#### **2019 EMISSIONS PERFORMANCE**

	Absolute Consumption <sup>1</sup>				Like-for-Like Consumption			
Office	2018	2019			2018	20	019	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Total Coverage	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1 <sup>2</sup>	3,088	3,004	6,114,112	6,114,112	100%	2,847	3,002	5.45%
Scope 2 (Location-Based) <sup>3</sup>	28,316	24,416	8,950,363	8,950,363	100%	24,926	24,044	-3.54%
Scope 2 (Market-Based) <sup>4</sup>	28,316	23,696	8,950,363	8,950,363	100%	23,418	21,926	-6.37%

	Absolute Consumption				Like-for-Like Consumption			
Life Sciences	2018	2019			2018	20	)19	
	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Total Coverage	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1	57	78	114,175	114,175	100%	57	78	37.15%
Scope 2 (Location-Based)	1,529	1,022	114,175	114,175	100%	1,529	1,022	-33.15%
Scope 2 (Market-Based)	1,529	1,022	114,175	114,175	100%	1,529	1,022	-33.15%

		Abs	olute Consumption	Like-for-Like Consumption				
	2018	2018 2019				2018	20	)19
Whole Portfolio	Emissions (Tonnes)	Emissions (Tonnes)	Data Coverage (sf)	Max Coverage (sf)	Total Coverage	Emissions (Tonnes)	Emissions (Tonnes)	Like-for-Like Change (%)
Scope 1	3,145	3,082	6,228,287	6,228,287	100%	2,904	3,080	6.07%
Scope 2 (Location-Based)	29,844	25,438	9,064,538	9,064,538	100%	26,455	25,066	-5.25%
Scope 2 (Market-Based)	29,844	24,718	9,064,538	9,064,538	100%	24,947	22,948	-8.01%

Scope 2 (Ma Total Carbon Emissions Whole Portfolio (Scope 1 + Scope 2 market-based)	32,989	27,800	9,064,538	9,064,538	100%	27,851	26,028	-6.54%
---	--------	--------	-----------	-----------	------	--------	--------	--------

<sup>1</sup>The absolute portfolio includes all buildings owned for any portion of 1/1/2019-12/31/2019. These assets total 14,656,725 square feet. Of these assets, 63.9% are directly managed office assets and 26.6% are indirectly managed office assets. The remaining 9.2% are life science assets, of which 8.5% are directly managed and 91.5% are indirectly managed. Buildings are excluded from the like for like portfolio if they were bought or sold within the current or previous reporting period, or stabilized in the reporting period.

<sup>2</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>3</sup>We utilize the EPA guidelines, via Energy Star Portfolio Manger's Reporting tool, to generate location-based Scope 1 and Scope 2 emissions data. Full details on how Portfolio Manager calculates greenhouse gas emissions can be found here: https://www.energystar.gov/buildings/ facility-owners-and-managers/existing-buildings/useportfolio-manager/understand-metrics/how.

<sup>4</sup>We calculate market-based GHG emissions by subtracting the following from our scope 2 location-based emissions: 1) the emissions of any directly-managed building enrolled in a Green-e certified utility program providing a higher proportion of renewable energy and 2) the value of any Green-e certified Renewable Energy Certificates purchased in the reporting year. Green-e® certified renewable energy and carbon offset products meet the most stringent environmental and consumer protection standards in North America. More information is available at www. green-e.org.

PAGE 146

#### **2019 ENERGY PERFORMANCE**

	Managed Assets			Absolute C	onsumption		Like-for-Like Consumption <sup>1</sup>			
			2018		2019		2018	2019		
			Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
	Combined	Fuels	18,885	19,000	6,868,569	6,868,569	17,600	18,631	5.86%	
Whole Building	Consumption Common Area &	District Heating & Cooling	70,809	68,390	4,829,527	4,829,527	66,468	66,029	-0.66%	
	Tenant Space	Electricity	56,468	48,022	4,528,508	4,528,508	49,227	44,568	-9.46%	
Total Energy (	Total Energy Consumption Managed Office Assets		149,803	135,413			133,295	129,229	-3.05%	

			Absolute C	onsumption		Like-for-Like Consumption			
Indirectly Managed Assets		2018	2019				2019		
indirectly Managed	Assels	Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
	Fuels	22,745	23,725	3,698,295	3,717,493	22,733	23,736	4.36%	
Whole Building	Electricity	56,164	55,330	3,834,623	3,898,835	56,076	55,110	-1.72%	
Total Energy Consumption Indirectly Managed Office Assets		74,438	79,055			78,809	78,836	-0.03%	
Total Energy Consumption Whole Office Portfolio		224,241	214,468			212,104	208,064	-1.90%	

			Absolute C	onsumption		Like-for-Like Consumption			
Life Science Ass	oto	2018		2019	2018	20	19		
Life Science Ass	ets	Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)	
	Fuels	33,567	28,139	1,282,026	1,347,366	20,563	21,317	3.67%	
Whole Building	Electricity	43,720	34,571	1,282,026	1,347,366	31,290	29,805	-4.74%	
Total Energy Consumption Life Science Assets (Directly & Indirectly Managed)		86,351	62,709			51,852	51,122	-1.41%	
Total Energy Consumption Who	310,592	277,177	14,474,684	14,604,236	263,956	259,187	-1.81%		

<sup>1</sup> Energy consumption is calculated via utility bills by our third party utility billing vendor, Goby, or internally by KRC team members. 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.

#### **2019 WATER PERFORMANCE**

	Managed Assets		Absolute C	Consumption		Like-for-Like Consumption <sup>1</sup>		
				2019	2018 2019		19	
managed Assets		Consumption (kgal)	Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	Like-for-Like Change (%)
Whole Building	Combined Potable Consumption Common Areas + Tenant Space	121,317	110,005	9,217,629	9,217,629	108,207	106,977	-1.1%
Total Potable V	Vater Consumption Whole Building	121,251	110,005	9,217,629	9,217,629	108,207	106,977	-1.1%
Total Reclaimed Water Consumption Managed Assets		66	-			-		
Total Water	Total Water Consumption Managed Assets <sup>2</sup>		110,005	9,217,629	9,217,629	108,207	106,977	-1.1%

			Absolute C	onsumption		Like-f	or-Like Consum	ption
Indirectly Managed Assets		2018		2019		2018	20	19
			Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	Like-for-Like Change (%)
Whole Building	Potable Common Areas	50,776	46,092	3,950,270	4,037,417	50,776.16	46,092	-9.2%%
Whole Building	Potable Outdoor/Exterior Areas/ Parking	29,399	26,885	3,950,270	4,037,417	29,399	23,885	-8.6%
	Total Potable Water Consumption Indirectly Managed Assets		68,848	3,950,270	4,037,417	76,127	68,848	-9.6%
	claimed Water Consumption irectly Managed Assets	4,048	4,129			4,048	4,129	2.0%
Total Water Con	sumption Indirectly Managed Assets	80,175	72,977	3,798,601	3,950,270	80,175	72,977	-9.0%
	Total Potable Water Consumption Whole Office Portfolio		178,853			184,334	175,825	-4.6%
Total Reclaimed Water Consumption Whole Office Portfolio		4,114	4,129			4,048	4,129	2.0%
Total Water Co	onsumption Whole Office Portfolio	201,492	182,982			188,382	179,954	-4.5%

			Absolute C	Like-for-Like Consumption				
	Life Science	2018	2018 2019			2018	201	9
		Consumption (kgal)	Consumption (kgal)	Data Coverage (sf)	Max Coverage (sf)	Consumption (kgal)	Consumption (kgal)	Like-for-Like Change (%)
	Potable Common Areas	37,950	28,220	1,738,406	2,155,247	30,192	27,802	-7.9%
Whole Building	Whole Building Potable Outdoor/Exterior Areas/ Parking		1,060	1,738,406	2,155,247	1,537	-	-100.0%
Total Potable Water Consumption Life Science Assets (Directly & Indirectly Managed)		47,374	29,280	1,738,406	2,155,247	31,729	27,802	-12.4%

Total Water Usage Whole Portfolio	248,866	212,262	14,754,636	15,323,146	220,112	207,756	-5.6%
Total Reclaimed Water Percentage Whole Portfolio	1.63%	1.95%					

<sup>1</sup>Water consumption is calculated via utility bills by our third party utility billing vendor, Goby, or by the internal KRC team. 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>2</sup> In both 2018 and 2019, 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.

### **2019 WASTE PERFORMANCE**

		Absolute Measurement <sup>1</sup>			
	Office	2018 Weight (Tons)	2019 Weight (Tons)		
	Total Weight of All Waste (tons)	4,883	4,477		
Managed Assets	Total Diverted	48.2%	51.4%		
	% Managed portfolio covered	100.0%	98.5%		
	Total Weight of All Waste (tons)	2,946	2,573		
Indirectly Managed	Total Diverted	32.7%	31.2%		
	% Indirectly Managed portfolio covered	0.0%	87.4%		

	Total Weight of All Waste (tons)	943	623
ife Science	Total Diverted	26.4%	12.8%
	% Life Science Portfolio Covered	100.0%	92.1%
Proportion of waste by disp	osal route (% of total by weight)		
	Total Weight of All Waste (tons)	8,772	7,674
	Landfill	59.6%	58.5%
	Total Diverted <sup>2</sup>	40.4%	41.5%
Nhole Portfolio	Diverted - Recycling	22.3%	23.7%
	Diverted - Compost	18.2%	17.8%
	% Whole Portfolio Covered	100.0%	94.83%

<sup>1</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://www.epa.gov/sites/production/files/2016-04/documents/volume\_to\_weight\_conversion\_factors\_ memorandum\_04192016\_508fnl.pdf

<sup>2</sup> In 2018 we reported an 44.5% diversion rate. We have restated this to a 41.5% diversion rate because in 2017 and 2018, we were able to get access to our recycling data associated with document shredding. Unfortunately, we were unable to obtain this data for 2019, so we removed the recycling shred data from our 2018 diversion rate to provide a like-for-like comparison between the years.

Absolute Measurement					
2018 Weight (Tons)	2019 Weight (Tons)				
943	623				
26.4%	12.8%				
100.0%	92.1%				

### DNV·GL

### **KILROY REALTY CORPORATION GREEN BOND**

#### **DNV GL ASSURANCE OPINION**

#### Scope and objectives

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

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

• Low Carbon Buildings – Commercial

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

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

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

• Low Carbon Buildings – Commercial

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

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

#### **Basis of DNV GL's opinion**

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

DNV GL Business Assurance Australia Ptv. 1td. Level 4, 181 Miller Street, North Sydney, NSW Australia, 2060, Ph: +61 (2) 9922 1966 https://www.dnvgl.com/assurance/

PAGE 150

#### Page 2 of 6

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

#### Work undertaken

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

- Schedule 2 to this Assessment;
- best practices and standards methodology;
- Discussions with KRC management, and review of relevant documentation;
- summary of these findings.



 Creation and execution of a Climate Bonds Standard Protocol, adapted to include the relevant Sector Technical Criteria for the BOND nominated projects and assets, as described above and in

 Assessment of documentary evidence provided by KRC on the BOND and supplemented by a high-level desktop research, meetings and correspondence for documentation review and interviews with key personnel from the issuer KRC. These checks refer to current assessment

Documentation of findings against each element of the criteria. Our opinion as detailed below is a

### DNV·GL

#### Page 3 of 6

#### Findings and DNV GL's opinion

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

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

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

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the KRC Green Bond is not, in all material respects, in accordance with the Pre and Post Issuance requirements of the Climate Bonds Standard Version 2.1 and Associated Commercial Low Carbon Buildings Criteria. DNV GL acknowledges that the Climate Bonds Standard Version 2.1 and associated Low Carbon Buildings Criteria meets and exceeds the criteria set out in the Green Bond Principles 2018.

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

Oakland, 29 March 2019

Mark Robinson Manager, Sustainability Services DNV GL – Business Assurance

#### **About DNV GL**

Natasha D'Silva Senior Consultant, Sustainability & Supply Chain Service DNV GL - Business Assurance

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

#### Page 4 of 6

#### **SCHEDULE 1: DESCRIPTION OF NOMINATED ASSETS**

	iEligRnlejeRntsje8cts& seAssΩeatseGentsygory Sut	o <b>8ategete</b> ggory Pr	oj <b>€rrbjærne</b> ame Be	n@emehkolainkit1imit1 F		ityKRCK-673-67033-upresaar-catasat 29 M249-0M1a2101h92019 (USDIU\$331D)\$m)
Lov	<b>DawbGarBoildBugks</b> lingsCor	n Canoiae Icciae) Cawo Gar Boil CBugisling Sh	e Ekehāxodeankljesklistan Baye.7	49.74 5	.485.48	408 408
Tot	\$40 <b>8\$#</b> 08m					

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

#### DNV·GI

#### Page 5 of 6

#### **SCHEDULE 2: VERIFICATION CRITERIA**

#### nary criteria for assertions of compliance with the Climate Bonds Standard v2.1

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

#### A: General Requirements

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

#### 3: Low Carbon Contribution - Eligible projects and physical assets

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

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

Page 6 of 6

#### Part C: Bond structures

DNV·G

Area	Requirement
Project Holding	The issuer of a C to hold eligible as
Settlement Period	Climate Bond iss the Nominated P
Earmarking	The Issuer of th Nominated Proje

Available on our website at: https://kilroyrealty.com/sites/default/files/Kilroy%20Green%20Bond%20-%20 DNV%20GL%20Assurance%20Opinion\_Pre%20%2B%20Post%20Issuance%20v1-1.pdf

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

DN

Corporate Climate Bond with Nominated Projects linked to a portfolio of assets must c issets at least equal to the Fair Market Value at the time of issuance of the original prin

suing entities must demonstrate that the proceeds of a Climate Bond have been alloc Project(s) within 24 months after the bond is issued

he bond shall maintain the earmarking process to manage and account for funding ects & Assets

### WHERE INNOVATION WORKS