

Kilroy Realty Corporation

GREEN BOND FRAMEWORK

Introduction:

Kilroy Realty Corporation (KRC)'s goal is to deliver a steady stream of high quality, adaptable and productive work environments for the wide range of industries attracted to the vibrant economic centers on the West Coast of the United States. Because a high quality work environment is one that is sustainably built and operated, our sustainability programs are critical in enabling us to deliver premium product to our rapidly evolving market.

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

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

Framework Overview:

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

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

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

Use of Proceeds:

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

Selection and Evaluation of Eligible Green Projects:

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

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

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

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

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

Management of Proceeds:

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

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

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

We intend to approve the allocation of bond proceeds annually.

Reporting:

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

Assurance:

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