



# KILROY REALTY CORPORATION GREEN FINANCING FRAMEWORK

## DNV INDEPENDENT ASSESSMENT

### Scope and Objectives

Kilroy Realty Corporation (NYSE: KRC) is a real estate investment trust ("REIT") active in premier office, life science and mixed-use submarkets in Greater Los Angeles, San Diego County, the San Francisco Bay Area, Greater Seattle, and Austin, Texas. As of December 31, 2021, the company's stabilized portfolio of operating properties was comprised of 120 office buildings and 3 residential properties.

The company's sustainability strategy is to construct and acquire properties that deliver high levels of performance in areas such as energy and water efficiency, waste management, sustainable building operations, green building certifications and materials selection. The company has demonstrated its commitment to addressing various sustainability challenges facing the sector by establishing goals and targets in the following areas in alignment with achieving the Sustainable Development Goals:

- **Carbon Neutrality** - By year-end 2020, KRC achieved carbon neutrality for its direct emissions (Scope 1 and 2) and has maintained carbon neutral operations in 2021. The company was also among the first real-estate companies to with the Urban Land Institute Net Zero Goal (which aims to reduce the operational control emissions of its Greenprint members' collective buildings to net zero by year 2050)
- **Science Based Target Goal** - Reduce Scope 1, 2, and 3 emissions 31% by 2030 and 72% by 2050 from a 2017 baseline (validated by Science Based Target Initiative [SBTi] in 2018)
- **Energy Consumption and Water Use** - Reduce onsite energy consumption and water use by 20% from 2015 baseline
- **Waste Diversion** - Achieve a waste diversion rate of at least 50% in the existing portfolio by year-end 2025
- **Certifications**
  - ENERGY STAR: Achieve ENERGY STAR certification for 75% of eligible existing office buildings and 100% of eligible residential buildings by year-end 2021
  - LEED: All ground up construction will pursue LEED Gold certification or better and all major renovations will pursue LEED Silver certification or better

KRC has developed a Green Financing Framework (the "Framework") under which it can raise debt to support the financing and refinancing of activities for Class A development and redevelopment properties, as well as tenant improvements, that have received Leadership in Energy and Environmental Design (LEED) certification to Gold or Platinum level, which supports the company's goal to deliver high quality work environments that are sustainably built.

DNV Business Assurance USA, Inc. ("DNV") has been commissioned by KRC to provide a review of the Framework. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the debt instruments issued via the Company's Green Financing Framework, the value of any investments, or the long-term environmental

PUBLIC

**Page 2 of 12**

benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

## Responsibilities of the Management of Kilroy Realty Corporation and DNV

The management of KRC has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform KRC's management and other interested stakeholders in the Framework as to whether the Framework is aligned with the International Capital Markets Association (ICMA) Green Bond Principles (GBP) 2021. In our work we have relied on the information and the facts presented to us by KRC. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV 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's opinion

We have adapted our eligibility assessment methodology to create KRC's specific Green Financing Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a Green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## 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:

**Page 3 of 12**

- Creation of a KRC-specific Protocol, adapted to the purpose of the Framework, as described above;
- Assessment of documentary evidence provided by KRC on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with KRC's management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

## Findings and DNV's opinion

DNV's findings are listed below:

### 1. Principle One: Use of Proceeds.

KRC intends to allocate proceeds of the Green Bond ISIN US49427RAR30 (USD \$450m) under the Framework to finance: Green Building projects – Kilroy Oyster Point, Phase 1 which is the development of Class A Office Building in San Francisco designed to achieve LEED Gold certification. The Framework has also been set out to use the proceeds of Bonds issued under the Framework to finance and refinance green projects (the "Eligible Green Projects"). The Eligible Green Projects are clearly listed within the Framework and will fall under the following categories:

- Green Buildings

The Framework sets the threshold for environmental ratings as at least LEED Gold. DNV concludes that these certifications conform to the best market practice and that KRC's nominated projects and assets and Framework categories are aligned with the definition of eligible Green I project categories specified in the GBP.

### 2. Principle Two: Process for Project Evaluation and Selection.

DNV can confirm that the Bond proceeds will be allocated to finance and refinance the assets as defined in Schedule 1. Issuances under the Framework undergo evaluation and selection as new Eligible Green Projects by KRC's green financing committee which is comprised of members of the Sustainability department, including the Senior Vice President of Sustainability and members of the corporate finance team.

DNV has reviewed the evidence and also confirms that the process for evaluation and selection has been supported by the company's Sustainability governance structure. In addition, KRC regularly assess opportunities for improvement and devises action plans and initiatives to mitigate negative and social impacts from its operations

DNV concludes that KRC's Framework appropriately describes the process of project evaluation and selection and is in line with the requirements of the GBP.

### 3. Principle Three: Management of Proceeds.

DNV has reviewed the evidence showing how KRC plans to trace the proceeds from the Bond, from the time of issuance to the time of disbursement. The full amount of the proceeds will be managed within the company's internal accounting system.

DNV confirms that KRC has committed to using an amount equivalent to the net proceeds of the financial instruments issued under the Framework to finance and/or refinance the Eligible Green Projects. Any portion of the amount equal to the net proceeds from a green financing allocated to Eligible Green Projects that have been disposed of or otherwise become ineligible under the criteria set forth in the definition of Eligible Green Projects above shall be reallocate to other Eligible Green Projects.

**Page 5 of 12**

DNV has reviewed evidence and can confirm KRC has committed to appropriately managing the proceeds arising from future Bond issuances in line with the requirements of the GBP.

**4. Principle Four: Reporting.**

DNV confirms that KRC has committed to annual reporting during the term of any Green Financing until the net proceeds have been fully allocated to Eligible Green Projects. KRC will publish updates in the annual Sustainability report which will be publicly available on the company's website, detailing the allocation of the net proceeds from each Green Financing to specific Eligible Green Projects. In addition, where feasible, KRC intends to report on the overall environmental impacts from green projects and has provided examples of metrics in the Framework.

DNV concludes that KRC has made appropriate plans to produce reporting on the allocation and environmental impact of future Bond issuances, in line with the requirements of the GBP.

On the basis of the information provided by KRC and the work undertaken, it is DNV's opinion that the Framework and the Green Bond meet the criteria established in the Protocol and are aligned with the stated definition of Green bonds within the Green Bond Principles 2021. In addition, DNV notes that the nominated projects and assets are consistent with KRC's business and sustainability strategy.

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

Oakland, CA  
April 7, 2022

A handwritten signature in black ink, appearing to read "Natasha D'Silva", with a horizontal line underneath.

**Natasha D'Silva**  
Principal Consultant and Project Director

**About DNV**

Driven by our purpose of safeguarding life, property and the environment, DNV 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.

**SCHEDULE 1: USE OF PROCEEDS SUMMARY**

As provided by KRC as of March 2022

ICMA Green Project category	Asset Name	Location	Eligible Green Building Rating	Value (USD)
Green Buildings	Kilroy Oyster Point, Phase 1 (KOP 1)	South San Francisco, California	On track to achieve LEED Gold	\$517m

## SCHEDULE 2: KILROY REALTY CORPORATION-SPECIFIC GREEN FINANCING FRAMEWORK ASSESSMENT PROTOCOL

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> <li>• Use of Proceeds Bond</li> <li>• Use of Proceeds Revenue Bond</li> <li>• Project Bond</li> <li>• Securitized Bond</li> </ul> <p>Green loans are defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with KRC. Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> <li>• KRC Term Sheet</li> </ul>	<p>The KRC Green Bond falls within the Green Use of Proceeds Bond.</p>
1b	Green Project Categories	<p>The cornerstone of a Green bond/loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> <li>• KRC Term Sheet</li> </ul>	<p>We conclude that the Framework and term sheet appropriately describes the utilization of proceeds.</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with KRC. Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> <li>• KRC Term Sheet</li> <li>• KOP 1 – Project Overview</li> <li>• Oyster Point Development Phase 1 - LEED-CS v3 Checklist Worksheet</li> </ul>	<p>DNV’s assessment concluded that the designated Green Project category would present clear environmental and sustainable benefits for inclusion under the GBP.</p> <p>KOP 1 was confirmed to meet the LEED Gold certification requirements. This is considered to be a level of performance that provides environmental benefits associated with energy efficiency, reduced emissions from building operations and occupancy. The location of the nominated project is in the San Francisco Bay Area. It is DNV’s conclusion that the investment in the project would provide tangible</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				environmental benefits and is eligible for inclusion under the GBP.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced	In addition to reviewing the evidence below, we had several detailed discussions with KRC. Evidence reviewed <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> <li>• KRC Term Sheet</li> <li>• KOP Phase 1 – Job Transaction Details</li> </ul>	The funding has been earmarked for financing a new development project.  DNV notes and confirms that the KRC exposure to the eligible project of USD \$517m which exceeds the amount associated with the Bond (with ISIN US49427RAR30) of USD \$450m.

## 1. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/Loan proceeds	Evidence reviewed: <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> </ul>	As per the KRC Green Financing Framework, KRC has set out the following for project selection:  The green financing committee will select projects based on the following: <ul style="list-style-type: none"> <li>• Class A development properties that have received LEED certification to the Gold or Platinum level</li> <li>• Class A redevelopment properties that have received LEED certification to the Gold or Platinum level</li> </ul>



				<ul style="list-style-type: none"> <li>Tenant improvements that have received LEED certification to the Gold or Platinum level</li> </ul> <p>Any amount equal to the net proceeds for projects that been disposed of or otherwise become ineligible under the criteria set forth in the definition of Eligible Green Projects shall be reallocated to other Eligible Green projects.</p> <p>DNV has reviewed the structure and function of the Project Selection criteria and confirm it is in line with the criteria set out in GBP.</p>
2b	Issuer's environmental and governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with KRC. Evidence reviewed: <ul style="list-style-type: none"> <li>KRC 2021 Sustainability Report</li> <li>KRC Green Financing Framework</li> <li>KRC 2021 Annual Report</li> </ul>	We conclude that from the information provide, KRC's approach to managing sustainability is in line with the objective of GBP and the Green Bond, and the company's material issues reflect this.

## 2. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of a Bond/Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to	Evidence reviewed: <ul style="list-style-type: none"> <li>KRC Green Financing Framework</li> <li>KRC Term Sheet</li> </ul>	DNV notes that proceeds have been fully and immediately allocated to the nominated projects and assets. We found that KRC has tracked the use

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	<ul style="list-style-type: none"> <li>KOP Phase 1 – Job Transaction Details</li> </ul>	of proceeds in an appropriate manner and attested to by internal processes. DNV concludes that the process set out in KRC's Green Finance Framework is aligned with the Management of Proceeds as set out in the GBP.
3b	Tracking procedure	So long as the Bond/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> <li>KRC Green Financing Framework</li> <li>KRC Term Sheet</li> <li>KOP Phase 1 – Job Transaction Details</li> </ul>	DNV notes that proceeds have been fully and immediately allocated to the nominated projects and assets.  We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.  We conclude that KRC has in place an internal track system to manage the proceeds from the issued instrument from the time of issuance to the time of disbursement and reducing the net balance of proceeds by amounts in line with the assets financing requirements. Tracking will be continuous and maintained within the internal records.
3c	Temporary holdings	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> <li>KRC Green Financing Framework</li> <li>KRC Term Sheet</li> <li>KOP Phase 1 – Job Transaction Details</li> </ul>	DNV notes that proceeds have been fully and immediately allocated to the nominated projects and assets.  Pending the allocation of an amount equal to the net proceeds towards the green financing of Eligible Green projects, any proceeds temporarily unallocated will be placed in investment funding development and redevelopment projects, acquiring land and properties and repaying, repurchasing and redeeming indebtedness. The company may also

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				hold such net proceeds in cash, cash equivalents, and/or marketable securities.
3d	Over-collateralisation	<p>If a list of planned investments has been identified at the time of issuance, the company shall demonstrate that the value of the bond is smaller than or equal to the financing needs of the eligible nominated projects.</p> <p>A comparison of the outstanding principal of the bond to the value of the financing needs of the nominated projects should be made. The bond should be “over-collateralised” and/or a replacement project list should be drawn up.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• KRC Green Financing Framework</li> <li>• KRC Term Sheet</li> <li>• KOP Phase 1 – Job Transaction Details</li> </ul>	<p>We conclude that KRC has appropriate processes in place to ensure sufficient over-collateralization. DNV notes that KRC’s exposure for the Eligible Project is USD \$517m.</p>

### 3. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond and where appropriate Loan proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with KRC. Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• KRC 2021 Sustainability Report</li> <li>• KRC Green Financing Framework</li> </ul>	<p>We confirm KRC has committed to annual green reporting which will be made available through the annual Sustainability Report which will provide investors with information on the selected projects and include quantification of the environmental benefits of the selected projects where feasible.</p>



**DNV**

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	<ul style="list-style-type: none"><li data-bbox="1093 411 1355 469">• KRC 2021 Annual Report</li></ul>	Evidence of reporting in the Sustainability Report on the previous Green Bond was reviewed, as was evidence of the Use of Proceeds on the previous Green Bonds issued.