

KILROY

“Sustainability is truly at the foundation of everything we do.” - John Kilroy¹

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| Ticker | KRC (NYSE) ² |
| Headquarters | Los Angeles, California |
| Market Cap | USD \$10.7 billion ³ |
| Company History | Founded in 1947 Became a REIT in 1996 |
| Properties | 118 office properties 1,001 residential units |
| Total Sq. Ft. | 14.2 million sq. ft. |
| Green Building Certifications | 9.9 million sq. ft. LEED certified |
| | 9.1 million sq. ft. ENERGY STAR certified |



One Paseo in Del Mar, San Diego, California.
Source: Kilroy Realty. www.kilroyrealty.com

*Data as of December 31, 2020.

Recent Awards



Dow Jones
Sustainability World Index
4th consecutive year



GRESB
#1 in the Americas 2020
Global Sector Leader
Office and Office
Development 2020



Best in Building Health:
Fitwel Excellence Award
Most Certifications of
All-Time 2019-2021



ENERGY STAR
Sustained
Excellence Award
6th consecutive year



Green Lease Leader:
Leader 2014-2020
Gold Level 2018-2020

Sustainability Initiatives Set Kilroy Apart

The average American spends nearly 80% of their time indoors.⁵ With so much time spent inside, Kilroy Realty recognizes it's important that the buildings we live and work in be safe, healthy, and resilient. A diversified REIT, Kilroy develops, acquires, and manages real estate properties on the West Coast. They are a leader in green buildings with 68% of their current portfolio LEED-certified. The company aims to obtain LEED Gold certification for all new construction and LEED Silver certification for all major renovations.

Kilroy recognizes sustainable operations benefit their stakeholders and preserve their own value long-term. The company believes paying attention to environmental, social, and governance (ESG) issues improves its corporate strategy. Kilroy's programs address several sustainability issues including energy efficiency, supply chain sustainability, building health, and disclosure auditing. Kilroy's leadership leads it to be one of only seven real estate companies in North America included in the Dow Jones Sustainability Index.⁶

Leadership on Climate

Kilroy is committed to tackling their overall emissions from operational and embodied carbon. In 2018, the company verified carbon reduction targets with the Science-Based Targets Initiative (SBTi) consistent with projected to keep global warming within to 2°C.⁷ The company committed to reducing Scope 1, 2, and 3 emissions 31% by 2030 and 72% by 2050 from a 2017 base-year. In 2020, the company was the first North America REIT to achieve carbon neutrality in their operations.⁸ Carbon neutrality in real estate means that the balance of emissions produced by the company's owned properties is zero through carbon-reduction strategies. Kilroy first reduced their overall operational carbon by 1) increasing the energy efficiency technologies in their buildings, 2) installing on-site renewables in the form of solar photovoltaics, and 3) purchasing renewable energy offsite with virtual power purchase agreements. The company then purchased renewable energy certificates and carbon offsets for the residual carbon that they couldn't eliminate. Next, Kilroy plans to reduce their Scope 3 emissions. The company will utilize alternative building materials to replace carbon-intensive materials like concrete and steel. Green leases and tenant engagement will help Kilroy reduce emissions from its leased properties. The company will reduce emissions from employee commuting by endorsing green commuting programs and installing EV charging stations at their properties.



Scope 1, 2, 3

Scope 1 and Scope 2 emissions from owned property and purchased energy, respectively, are easily accounted for today. Scope 3 emissions, which often make up a majority of a company's carbon footprint, are emissions indirectly created by a company through several activities and are difficult to measure. In real estate, Scope 3 emissions are primarily generated during the production of building materials, by leased buildings' tenants' energy use, and those created from employee commuting.

Healthy Buildings

Kilroy's attention to sustainability is not limited to the environment; their social sustainability and health initiatives have earned their portfolio WELL and Fitwel healthy building certifications. With these certifications Kilroy proves a commitment to providing building occupants with increased access to public transportation, natural lighting, healthy food, and workspaces with good air quality.⁹ Kilroy is also bringing their sustainability expertise to private residences. Columbia Square in Los Angeles is one of the first residential buildings to achieve WELL certification.¹⁰

| ACCOMPLISHMENTS: | LOOKING FORWARD: |
|--|---|
| <p>Carbon neutral operations (Scope 1 and 2 emissions)</p> <p>12.9% energy use reduction from 2019 levels</p> <p>30.6% water use reduction from 2019 levels</p> <p>ENERGY STAR certification for all eligible residential buildings</p> <p>21 Fitwel certifications</p> | <p>Goal 1: 72% Scope 3 emissions reduction by 2050</p> <p>Goal 2: 20% onsite energy and water use reductions from 2015 levels by year-end 2025</p> <p>Goal 3: All new construction certified LEED Gold and all major renovations certified LEED Silver</p> <p>Goal 4: Maintain Fitwel certifications for 40% of portfolio</p> <p>Goal 5: Evaluate all Tier 1 transactional suppliers in 2021</p> |

Project Spotlight: Kilroy Innovation Lab

The Kilroy Innovation Lab builds on Kilroy’s commitment to client health and wellbeing, planet, and financial savings. Launched in 2017, Kilroy’s Innovation Lab is where the company pilots sustainability projects and emerging technologies before rolling it out across their portfolio. The Lab considers projects that reduce energy use, water use, and waste generation or projects that promote health, biodiversity, sustainability reporting, and supply chain sustainability. Importantly, the Lab looks to pilot emerging technologies that generate savings for Kilroy and have a payback period of three years or less.¹¹ One such product piloted through the Lab is an energy-saving window film that, unlike traditional films, is invisible to the naked eye, ensuring that building aesthetics are not affected. The first full-building installation led to energy savings of over 140,700 kWh per year, and \$27,000 in annual operational savings, successfully meeting the 3-year payback period. The film has since then been installed at two Kilroy properties.¹²

Notes and Sources:

¹ Kilroy Realty (2020) "Kilroy Realty continues Sustainability Leadership Position Ranked by GRESB" Available at: <https://investors.kilroyrealty.com/press-room/news-details/2020/Kilroy-Realty-Continues-Sustainability-Leadership-Position-Ranked-by-GRESB/default.aspx>.

² Kilroy, Inc. is 0.83% of the Vert Global Sustainable Real Estate Fund (VGSRX) as of June 30, 2021.

³ Kilroy Realty (2020). "2020 Sustainability Report". Available at: <https://kilroyrealty.com/wp-content/uploads/2021/05/kilroy-realty-corporation-sustainability-report-2020.pdf>

⁴ Kilroy Realty (2021). "Q2 2021 Supplemental Financial Report". Available at: https://s26.q4cdn.com/455049799/files/doc_financials/2021/q2/07.28.21-2Q21-Supplemental.pdf

⁵ U.S. Environmental Protection Agency. "Indoor Air Quality". Available at: <https://www.epa.gov/report-environment/indoor-air-quality#note1>

⁶ Kilroy Realty (2020). "2020 Sustainability Report". Available at: <https://kilroyrealty.com/wp-content/uploads/2021/05/kilroy-realty-corporation-sustainability-report-2020.pdf>

⁷ Science-Based Targets Initiative. "Companies Taking Action". Available at: <https://sciencebasedtargets.org/companies-taking-action?sector=Real%20Estate#table>

⁸ Kilroy Realty (2021). "Sustainability". Available: <https://kilroyrealty.com/sustainability>

⁹ Fitwel (2021). "Fitwel v2.1 Multi-Tenant Whole Building Scorecard Worksheet-2021".

¹⁰ BusinessWire (2017). "Kilroy Realty's Columbia Square Residential Tower Achieves WELL Certification". Available at:

<https://www.businesswire.com/news/home/20170809006228/en/Kilroy-Realty%E2%80%99s-Columbia-Square-Residential-Tower-Achieves-WELL-Certification>

¹¹ Anna Robaton (2019). "How Kilroy Realty is Lighting the Way for ESG Progress". *Nareit*. Available at: <https://www.reit.com/news/reit-magazine/july-august-2019/how-kilroy-realty-lighting-way-esg-progress>

¹² Kilroy Realty (2021). "Kilroy Innovation Lab". Available at: <https://kilroyrealty.com/wp-content/uploads/2021/05/kilroy-realty-corporation-sustainability-innovation-lab-guide.pdf>

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Mutual fund investments involve risk. Principal loss is possible. Investors should be aware of the risks involved with investing in a fund concentrating in REITs and real estate securities, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. A REIT's share price may decline because of adverse developments affecting the real estate industry. REITs may be subject to special tax rules and may not qualify for favorable federal tax treatment which could have adverse tax consequences. The Fund's focus on sustainability may limit the number of investment opportunities available to the fund and at time the fund may under perform funds that are not subject to similar investment considerations.

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