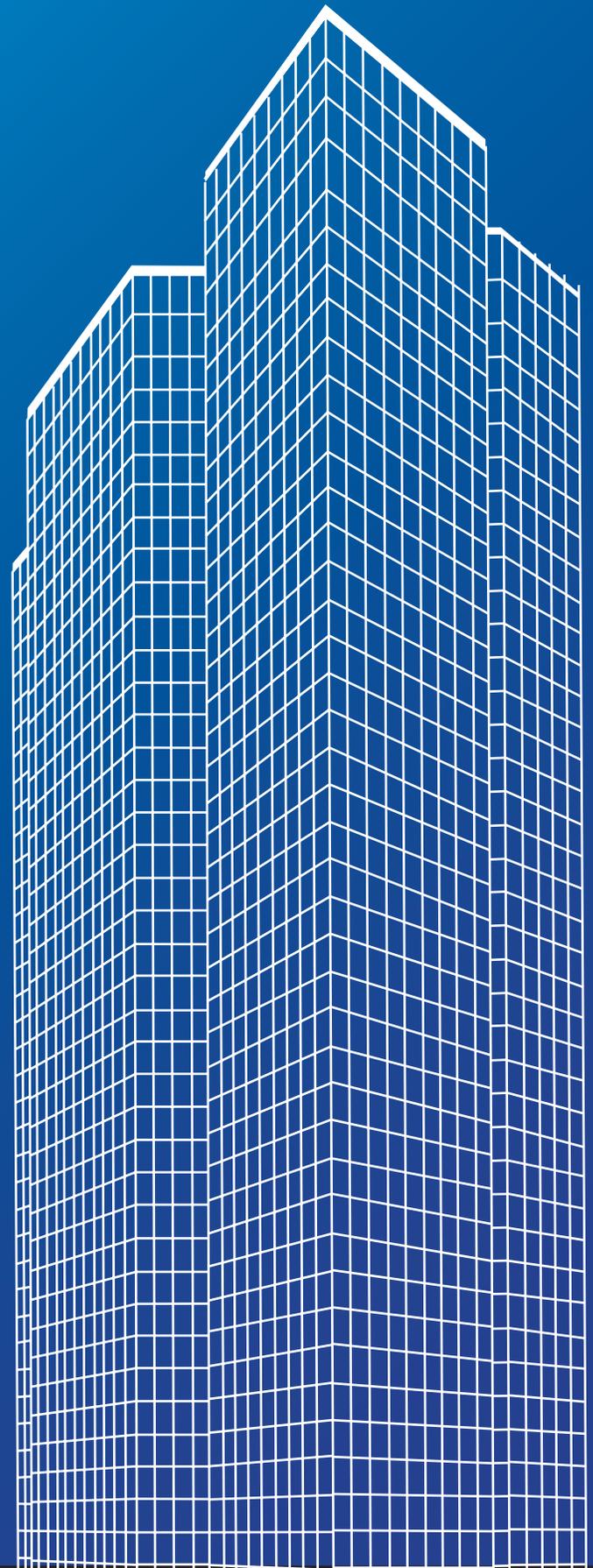




SUSTAINABILITY REPORT

2017

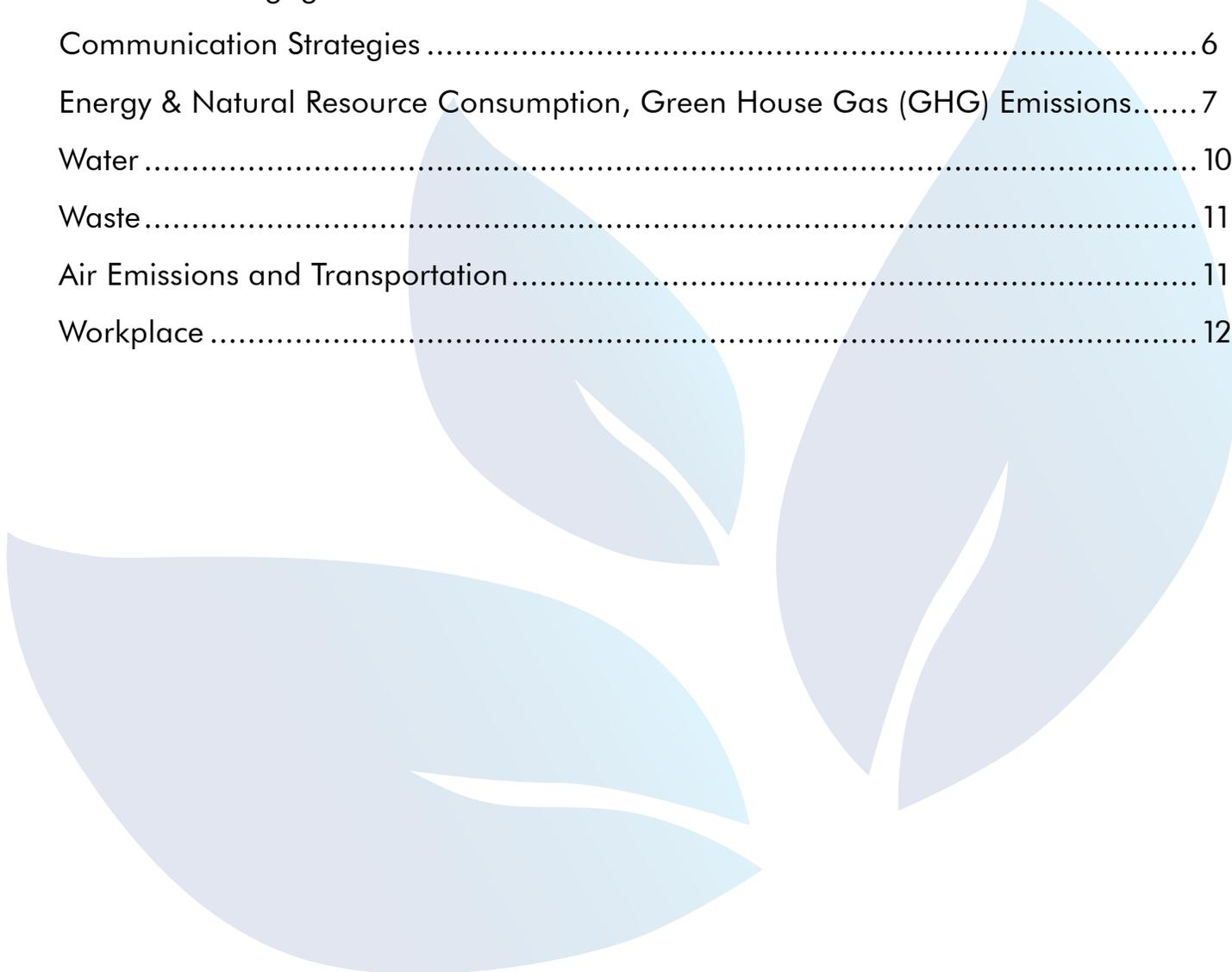


**Douglas  
Emmett**

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# CORPORATE OVERVIEW

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🍃 Douglas Emmett is a New York Stock Exchange listed company (ticker symbol “DEI”). We own and operate approximately 18.4 million square feet of Class A office space and 3,380 apartment units within the premier coastal submarkets of Los Angeles and Honolulu.

Our submarkets are characterized by proximity to high-end executive housing, key lifestyle-amenities, and a strong, diverse economic base. In our target Los Angeles submarkets, we own on average about 28% of the Class A office space; in Honolulu, we own and operate about 34% of the Central Business District Class A office space. Our significant market presence provides us with extensive local market information, economies of scale in property management, and strength in lease and vendor negotiations. Our fully integrated operating platform provides the unsurpassed tenant service demanded in our submarkets, with in-house leasing, proactive asset and property management, and internal design and construction services.

# LONG-TERM ENVIRONMENTAL RISKS AND OPPORTUNITIES

Environmental factors will continue to be closely linked to the health and well-being of tenants, employees and surrounding communities, particularly in the face of climate change. To support our responsible business growth, we assess long-term environmental risks and opportunities and prioritize those areas we should address, including:

- 1. Increasing temperatures as a result of climate change, which will require additional cooling and could potentially strain our buildings' cooling systems infrastructure
- 2. Increasing costs for energy and water, which can be offset by increased efficiency
- 3. Increasing frequency of drought conditions as a result of climate change, which could reduce availability, and increase the cost, of water
- 4. Increasing need to control waste disposal, through reductions in waste generation and increased recycling
- 5. Technological shifts, which can be expected to create both new environmental challenges and new opportunities to promote efficiency, value and health
- 6. Potential impacts from rising sea levels on a few of our buildings

These risks and opportunities may affect all areas of our business from day to day operations to long-term financial planning and strategy for future growth and investment. In addition, we expect to see environmental responsibility continue to increase in importance for our tenants, our investors and our communities. We expect to respond with transparency and accountability in our environmental reporting and performance.



# OUR SUSTAINABILITY PROGRAM

With these risks and opportunities in mind, our sustainability program is committed to environmentally sustainable initiatives that deliver near-term efficiency, value, and health for our business, tenants and community. Our program covers four key areas:

-  Energy usage
-  Water usage
-  Controlling waste, including hazardous waste and recycling
-  Air Emissions, including transportation

Since the program's inception, we have invested over \$33 million in sustainability projects.



# SUSTAINABILITY MANAGEMENT AND OVERSIGHT

Our Corporate Sustainability Committee oversees our policies and operational controls for environmental, health, safety and social risks, and is led by the Chairman of our Board of Directors and our Chief Operating Officer. The Committee meets monthly to set goals, budgets, and implementation timelines and monitor progress and results. The Committee met twelve times during 2017 and the meetings were well attended, with the Chairman of the Board and Chief Operating Officer in attendance for all meetings.

On an annual basis, our Board of Directors identifies material climate-related risks, and assesses each such risk by assigning numeric values based on both the likelihood of occurrence and the impact, with mitigation approaches considered and evaluated.

Our Director of Engineering Services and our six Regional Engineers meet monthly and are responsible for implementing the policies set by our Corporate Sustainability Committee. Regional Engineers then hold monthly meetings with the Building Engineers in their respective regions to review specific building operating issues and opportunities for improvement.

We also use external resources to provide critical expertise, tools and resources for our sustainability program:

-  Servidyne, a partner of Douglas Emmett for almost 20 years, provides energy and sustainability consulting, and participates on the Corporate Sustainability Committee.
-  Our utility providers (LA Department of Water and Power, Southern California Edison, Hawaii Electric Company and Southern California Gas) provide technical expertise and financial resources in the form of rebates and incentives.
-  We use Gridium software at our properties to access real time energy usage data and analytics, which includes predictive weather forecasting and allows us to shift energy loads off of peak periods.
-  We partner with Siemens to install automated energy management systems.
-  We work with Clear Blue Energy to implement portfolio LED lighting retrofit programs.



# STAKEHOLDER ENGAGEMENT

We believe that through effective stakeholder engagement we can align sustainability efforts and improve the efficiency and health of our business and communities. We share our sustainability goals and standards with our tenants, vendors and suppliers and work closely with them to gather information, develop solutions, and implement technologies and programs to achieve our goals. In the communities where we own and develop buildings, we seek community input and participate in local Business Improvement Districts. We have integrated sustainability into our property management practices, tenant improvement build-outs and meetings with existing and prospective tenants.

# COMMUNICATION STRATEGIES

Our primary internal audience consists of our approximately 600 employees. Our sustainability efforts, particularly our energy savings, are integrated into most of our management discussions, with each building manager and building engineer expected to focus and report on energy usage. Our employee web portal, used on a daily basis, includes sustainability information, including key metrics and accomplishments of the Douglas Emmett energy program, and links to our ENERGY STAR® materials, including “Bring Your Green to Work with ENERGY STAR” and “Test Your Energy IQ.”

Our primary external audiences are our investors, our tenants and our communities. Our primary means of communication about our sustainability leadership, commitment, specific initiatives implemented, and recognition are our website, including our sustainability report. In addition, the tenant web portals at our buildings, accessible to the over 50,000 people who occupy those buildings, include information on ways our tenants can contribute to our sustainability efforts.



# ENERGY AND NATURAL RESOURCE CONSUMPTION, GREEN HOUSE GAS (GHG) EMISSIONS

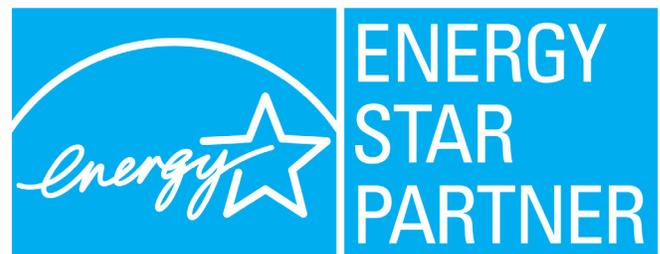
## Objectives and Progress.

Our actual energy consumption from year to year is impacted by many factors, such as weather, occupancy in each of our buildings and activities of our tenants. Many of these factors are beyond our control. However, we can and do seek to make our buildings more energy efficient. Accordingly, in addition to short term goals for individual buildings, we have set two key targets for each of our portfolios in Hawaii and in California (the two states in which we operate)

1. Our first goal is that at least 75% of our eligible office space (excluding buildings which we have just acquired and which are being upgraded) should be “ENERGY STAR Certified” by the United States Environmental Protection Agency, meaning that these buildings are more energy efficient than 75% of the buildings in the United States. We exceeded that goal in 2017, as 95% of that space was “ENERGY STAR Certified” as of December 31, 2017, including 95% in California and 100% in Hawaii. Our average ENERGY STAR score across all our eligible buildings in 2017 was 88, meaning on average our buildings are more energy efficient than 88% of the buildings in the United States.
2. Our second goal is to achieve a 20% reduction in our 2009 per square foot electricity usage by 2020, an average of 2% per year. We exceeded that goal in 2017, reducing our per square foot electrical usage by 2.6%, and bringing our cumulative reduction from the 2009 baseline to 19%. This goal directly relates to reducing our carbon footprint, our indirect use of nonrenewable resources, our indirect production of waste and our indirect air emissions.

## ENERGY STAR®.

As an ENERGY STAR Partner of the United States Environmental Protection Agency for many years, we were one of the first companies to be recognized by the EPA as an ENERGY STAR Leader. Our buildings’ energy, water and GHG information is continuously monitored and benchmarked via the EPA’s online tool. 95% of our eligible office space (excluding buildings which we have just acquired and which are being upgraded) was “ENERGY STAR Certified” as of December 31, 2017, which means that they are more energy efficient than 75% of the buildings in the United States.



## Key Projects and Initiatives.

During 2017, we implemented a number of specific energy retrofit projects, including

- LED lighting retrofits in the parking garages at 45 buildings, with project costs totaling \$1,030,000 and projected annual savings of 4,215,000 kWh and \$659,000.
- Installation or upgrade of automated energy management systems in 4 recently acquired buildings and 2 buildings in our existing portfolio, at a total investment of \$605,000, with expected annual savings of \$230,000. 100% of our office buildings (excluding buildings which we have just acquired and which are being upgraded) are currently saving energy through automated energy management systems.
- Replacement of cooling towers at 7 buildings with more efficient models, at a cost of \$322,000; and
- Installation of carbon monoxide controls to reduce electricity consumption at 4 buildings, at a cost of \$64,000.

## 2017 Results.

The table below details our total GHG emissions and energy consumption for 2017 for our buildings with sufficient historical data:

2017 TOTALS			
	Los Angeles	Honolulu	Company Total
<b>Electricity Use - Grid Purchase (kWh)</b>	210,826,315	28,139,395	238,965,710
<b>Natural Gas Use (therms)</b>	1,086,449	-	-
<b>Site EUI (kBtu/ft<sup>2</sup>)</b>	50.7	59.1	51.4
<b>Total GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	60,324	19,022	79,346
<b>Total GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	3.7	11.7	4.4
<b>Direct GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	5,771	-	5,771
<b>Direct GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	0.4	-	0.3
<b>Indirect GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	54,553	19,022	73,575
<b>Indirect GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	3.3	11.7	4.1

## Year over Year Savings.

The following table shows our year over year savings from 2016-2017:

	2016			2017			Total % Change
	Los Angeles	Honolulu	Total	Los Angeles	Honolulu	Total	
<b>Overall Summary</b>							
Property GFA - EPA Calculated (Buildings) (ft <sup>2</sup> )	15,877,865	1,625,288	17,503,153	15,877,488	1,625,288	17,502,776	0.0%
Total GHG Emissions (Metric Tons CO <sub>2</sub> e)	60,775	20,105	80,881	59,151	19,366	78,518	-2.9%
Average ENERGY STAR Score	88.0	82.7	87.5	88.4	84.7	88.1	0.7%
<b>Energy Totals</b>							
Site Energy Use (kBtu)	833,762,862	101,479,659	935,242,521	814,657,373	97,749,691	912,407,064	-2.4%
Weather Normalized Site Energy Use (kBtu)	829,297,793	100,487,666	929,785,459	817,374,856	98,508,439	915,883,295	-1.5%
Source Energy Use (kBtu)	2,392,177,280	318,646,130	2,710,823,410	2,316,092,286	306,934,029	2,623,026,315	-3.2%
Weather Normalized Source Energy Use (kBtu)	2,343,942,482	315,531,270	2,659,473,751	2,300,948,704	309,316,499	2,610,265,203	-1.9%
<b>Energy Intensities</b>							
Site EUI (kBtu/ft <sup>2</sup> )	52.5	62.4	53.4	51.3	60.1	52.1	-2.4%
Weather Normalized Site EUI (kBtu/ft <sup>2</sup> )	52.2	61.8	53.1	51.5	60.6	52.3	-1.5%
Source EUI (kBtu/ft <sup>2</sup> )	150.7	196.1	154.9	145.9	188.8	149.9	-3.2%
Weather Normalized Source EUI (kBtu/ft <sup>2</sup> )	147.6	194.1	151.9	144.9	190.3	149.1	-1.8%

## Renewable Energy.

With the exception of a small co-generation plant we operate at one of our buildings, our energy and electricity is provided by utility providers through the grid (LA Department of Water and Power, Southern California Edison, and Hawaii Electric Company). Accordingly, we estimate the percentage of our energy use and of the gross total energy used by us that is generated by renewable and non-renewable sources based on percentages disclosed by our utility providers in 2016 (the most recent available data):

PROVIDER	2016 % OF ENERGY FROM RENEWABLE SOURCES
LADWP	29%
Southern California Edison	28%
Hawaii Electric Company	26%

Our utility providers also reported that their renewable sources of energy further broke down as follows:

SOURCE	LADWP	SO CAL EDISON	HAWAII ELECTRIC
Biomass & Biowaste	2%	1%	5%
Geothermal	5%	7%	4%
Small Hydroelectric	2%	0%	0%
Solar	5%	10%	11%
Wind	15%	11%	6%
<b>Total</b>	<b>29%</b>	<b>28%</b>	<b>26%</b>

Through our goal of reducing our per square foot electricity usage by 20% by 2020, we expect to meet our related goal of reducing our indirect consumption from non-renewable sources by at least 20%, even without taking into account the announced plans of our utility suppliers to reduce the percentage of the energy they supply us from non-renewable sources. The State of California has set a target of 33% renewable energy by 2020 and 50% renewable energy by 2030. In its November 2017 annual report, the California Public Utilities Commission projects that the large investor owned utilities (including Southern California Edison) will achieve the 50% target a decade early in 2020. The State of Hawaii has set a target of 100% clean energy usage by 2045.



In an effort to conserve water across our portfolio, we have undertaken a number of initiatives. Our buildings use low flow faucets and toilets; we have also installed over 850 waterless urinals over the past seven years, which alone saves over 25 million gallons of water annually. Where permitted (by law, we cannot recycle most of the water used in our buildings since it must be fit for human consumption), we try to recycle used water. In a few of our buildings where groundwater naturally seeps into our subterranean parking garages, we treat the water before pumping it back into the ground.

The table below reports our total water consumption in 2017:

2017 TOTALS			
	Los Angeles	Honolulu	Company Total
<b>Water Use (All Water Sources) (kgal)</b>	239,667	55,435	295,103
<b>Water Use Intensity (All Water Sources) (gal/ft<sup>2</sup>)</b>	14.7	34.1	16.4

# WASTE



## Recycling.

In partnership with our vendors and tenants we have implemented business waste and e-waste recycling programs (we do not generate any production waste or packaging waste) at our properties. We provide our employees and tenants with recycling collection containers and cardboard boxes for each desk in which to collect paper for recycling. These containers are serviced by our janitorial staff and waste haulers. We organize and promote e-waste recycling events at our properties, holding over 150 such events last year.

## Non-Hazardous Waste.

Our routine operations only generate modest amounts of ancillary waste, primarily from typical operations in an office setting. A major source of our waste is the debris generated by refurbishment of our buildings, particularly in recurring tenant improvements that can be generated when a new tenant moves into a building. To minimize that waste, we attempt to construct tenant improvements that will be usable by future tenants, and to fit tenants into existing spaces without substantial refurbishment. Our goal is to keep our average hard costs for tenant improvement (which generally correlates with the volume of debris) at less than \$35 per square foot leased. During 2017, we exceeded that goal, with average hard costs for tenant improvement costs less than \$20. Debris and other waste is disposed of in accordance with industry standards and applicable laws and regulations.

## Hazardous Waste.

Our operations only generate modest, ancillary amounts of hazardous waste (mostly office supplies), which we dispose of in accordance with all applicable waste regulations. Similarly, our tenants are almost entirely limited by their leases to general office uses that prohibit the use of additional hazardous wastes and are required by their leases to comply with all applicable waste regulations.

# AIR EMISSIONS AND TRANSPORTATION



Although our operations do not create significant air emissions, including nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), volatile organic compounds (VOCs) or particulate matter (PM), there is a small amount of emissions at our Los Angeles properties from stationary sources, consisting of natural gas boilers, which we have been replacing with low-emissions models that meet the requirements of the Southern California Air Quality Management District. Accordingly, our principal focus is on the indirect air emissions from our utility suppliers and the transportation

utilized by our tenants. We expect to reduce our indirect emission impacts per square foot from utilities by 20% through reducing our per square foot electricity usage by 20% during the 10 years ending in 2020. We have less control over our tenant’s transportation utilization. We do encourage sustainable transportation across our portfolio by installing infrastructure for electric vehicles (EV’s) in our buildings. To date, we have installed over 30 EV charging stations at our properties with plans to add an additional 300 stations over the coming year.



We promote an atmosphere of openness, respect and trust and bring a sense of teamwork and inclusion to all we do. We recognize that having a range of experiences, backgrounds and perspectives allows us to find new ways of doing things. We make sure to walk the talk in fostering a workplace culture that encourages and empowers all our employees to have a voice and fulfill their potential.

We value and advance the diversity and inclusion of the people with whom we work. We are committed to equal opportunity in workplaces that are free from discrimination or harassment on the basis of race, sex, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, political opinion or any other status protected by applicable law. Recruitment, hiring, placement, development, training, compensation and advancement may not be based on any of these factors, but should instead be based on rational factors such as qualifications, performance, skills and experience.

We do not accept disrespectful or inappropriate behavior, harassment or retaliation in the workplace or in any work-related circumstance outside the workplace. We provide each of our employees with detailed policies and materials to provide information on equal opportunity, discrimination and harassment, and require participation in training on these matters. The company uses several mechanisms to actively monitor internal compliance with its Business Ethics Policy and Code of Conduct. We have quarterly disclosures meetings to discuss any compliance concerns. We provide confidential “whistleblower” channels for employees to communicate concerns and we monitor activity through these channels. Our internal controls staff, our human resources team and our auditors also regularly review our control mechanisms and activity for possible compliance issues. For a complete description of our human rights policy, please visit [www.douglasemmett.com/humanrights](http://www.douglasemmett.com/humanrights)

A snapshot of our employee demographics is presented below. All of our employees work full-time.

EMPLOYEE DEMOGRAPHICS SNAPSHOT						
	Gender		Age			Racial Minorities*
	Male	Female	Under30	30-50	Over 50	
<b>Board</b>	89%	11%	0%	0%	100%	0
<b>Senior Management</b>	65%	35%	0%	62%	38%	27%
<b>All Employees</b>	56%	44%	15%	49%	36%	68%

\* These figures represent the diversity of our company and are inclusive of the following racial minority groups: Black/African American, Hispanic/Latino, Asian/Pacific Islander and American Indian/Alaskan Native.

# Douglas Emmett

808 WILSHIRE BLVD., SUITE 200  
SANTA MONICA, CA 90401