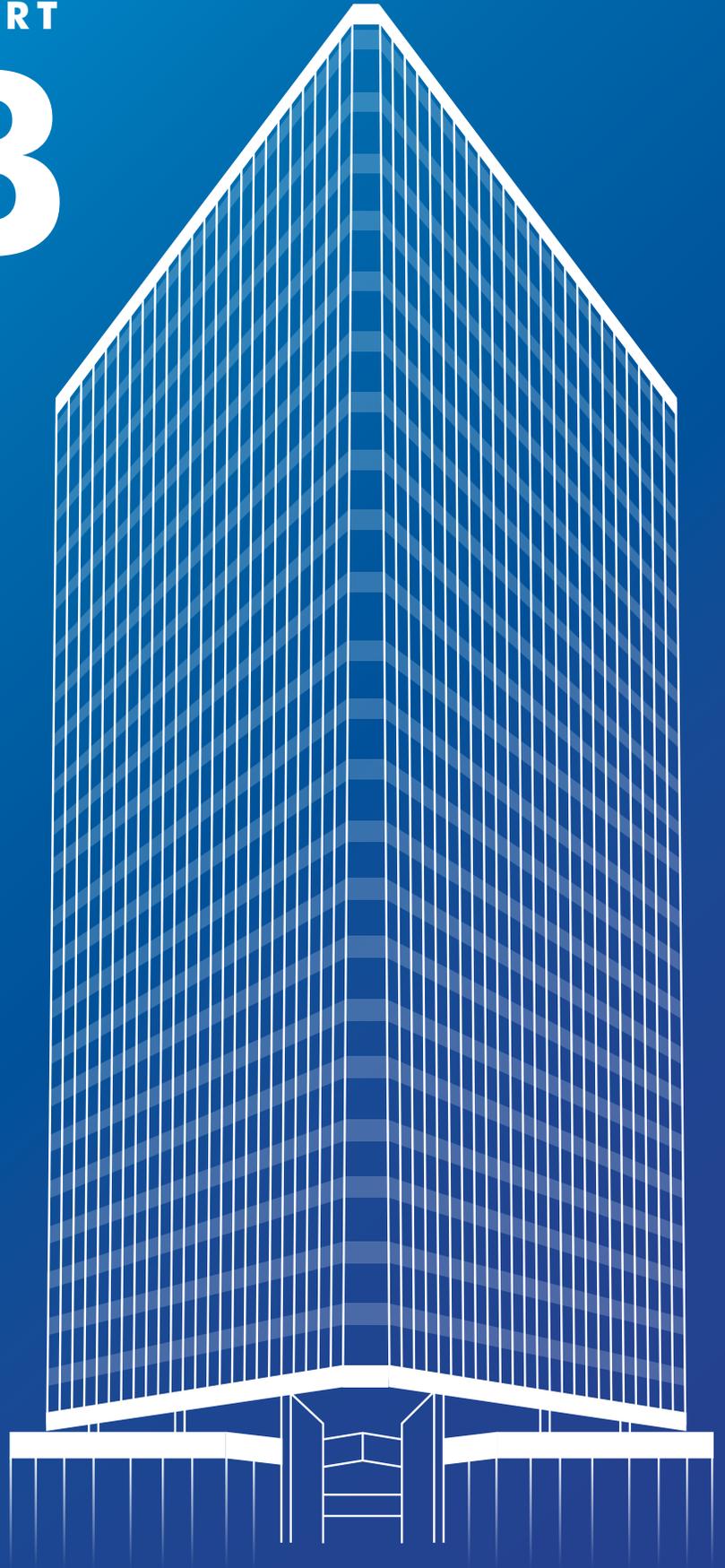




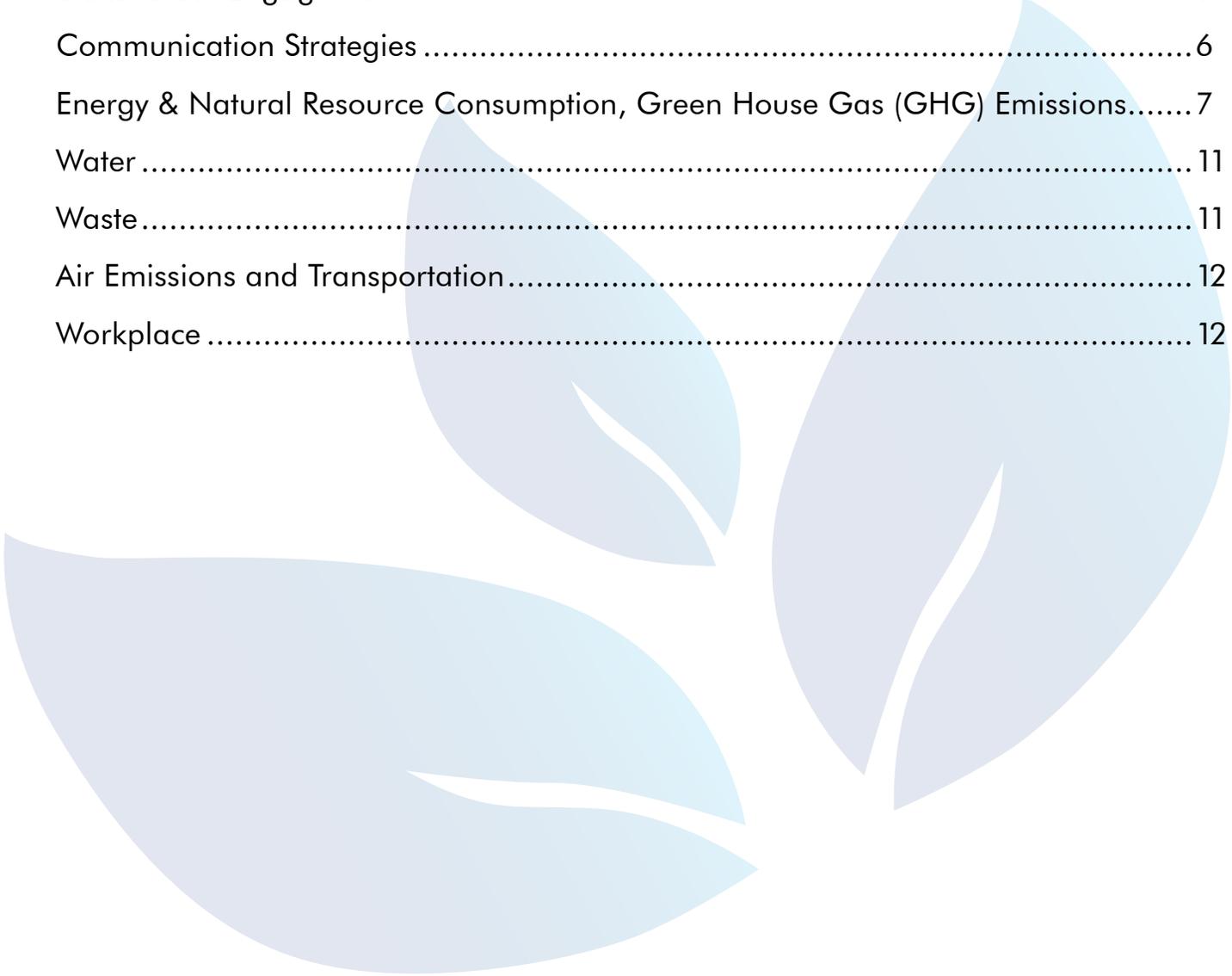
SUSTAINABILITY REPORT

2018



**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 3,642 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 39% of the 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 our 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 \$35 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 eight times during 2018 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 635 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, such as 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 (EPA), meaning that these buildings are more energy efficient than 75% of the buildings in the United States. We exceeded that goal in 2018, as more than 95% of that space was “ENERGY STAR Certified” as of August 2018,\* including 97% in California and 100% in Hawaii. Our average ENERGY STAR score across all our eligible buildings as of August 2018 was 89, meaning on average our buildings are more energy efficient than 89% 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 2018, reducing our per square foot electrical usage by 2.1%, and bringing our cumulative reduction from the 2009 baseline to 21%. 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.

Having achieved our long term goal of a 20% per square foot electricity usage reduction two years early, we are setting a new long term objective of achieving an additional 10% reduction in our 2018 per square electricity usage by 2029.

Our concentrated focus and aggressive investment in energy savings over the last decade has yielded tremendous results and a very efficient portfolio. 100% of our buildings already save energy through automated energy management systems and use Gridium software to access real time energy usage data. We have already installed energy efficient LED lighting in all of our buildings parking garages and common areas. As a result, a further 10% reduction in energy consumption is a goal that will challenge us to find new areas for savings and stay on the forefront of technological advances in energy efficiency.

\* In August 2018 the EPA announced it was updating the performance metrics used to determine ENERGY STAR building scores. At the time of this report, the EPA is still reviewing those scoring models and has not resumed certification under a new scoring standard.

## 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. Over 95% of our eligible office space (excluding buildings which we have just acquired and which are being upgraded) was "ENERGY STAR Certified" as of August 2018 (latest certifiable scores), which means that they are more energy efficient than 75% of the buildings in the United States.



### Key Projects and Initiatives.

During 2018 we implemented a number of specific energy retrofit projects, including:

- Installation or upgrade of automated energy management systems in 3 recently acquired buildings and 1 building in our existing portfolio, at a total investment of \$611,000. 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 chillers at 5 buildings with more efficient models, at a cost of \$582,000
- Replacement of cooling towers at 6 buildings with more efficient models, at a cost of \$468,000
- Installation of carbon monoxide controls to reduce electricity consumption at 6 buildings, at a cost of \$91,000: and
- LED lighting retrofits in the parking garages at 2 buildings, with project costs totaling \$33,000

These capital projects, totaling just under \$1.8 million, are projected to save over \$300,000 in annual energy costs, in addition to modernizing the HVAC and controls infrastructure in the impacted buildings.

### Energy Impact Case Study – – *The Tower in Westwood, Acquired February 2016*

When we acquire an office building, we move quickly to bring the building up to our high standards for energy efficiency. Through investments in new systems and equipment we can often achieve significant energy savings and reduce emissions. The Tower in Westwood was acquired in February 2016 and as of February 2018 we had achieved the following results:

- 25% reduction in annual energy usage
- 13% reduction in energy costs
- ENERGY STAR score increase from 79 to 89
- 252 MTCO<sub>2</sub>e reduction in annual greenhouse gas emissions - Equivalent to taking 54 cars off the road

## 2018 Results.

The table below details our total GHG emissions and energy consumption for 2018 for our buildings with sufficient historical data:

2018 TOTALS			
	Los Angeles	Honolulu	Company Total
<b>Electricity Use - Grid Purchase (kWh)</b>	207,325,039	27,766,662	235,091,700
<b>Natural Gas Use (therms)</b>	1,283,178	0.0	1,283,178
<b>Site EUI (kBtu/ft<sup>2</sup>)</b>	50.6	58.3	51.3
<b>Total GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	50,645	21,098	77,743
<b>Total GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	3.4	13.0	4.3
<b>Direct GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	6,816	0.0	6,816
<b>Direct GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	0.4	0.0	0.4
<b>Indirect GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	48,824	21,098	70,928
<b>Indirect GHG Emissions Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</b>	3.0	13.0	3.9

**Year over Year Savings.** The following table shows our year over year savings from 2017-2018:\*

	2017			2018			Total % Change
	Los Angeles	Honolulu	Total	Los Angeles	Honolulu	Total	
<b>Overall Summary</b>							
Property GFA - EPA Calculated (Buildings) (ft <sup>2</sup> )	16,437,984	1,602,688	18,040,672	16,437,984	1,591,341	18,029,325	-0.1%
Total GHG Emissions (Metric Tons CO <sub>2</sub> e)	57,020	21,768	78,788	56,391	21,063	77,454	-1.7%
Average ENERGY STAR Score	88.4	84.7	88.1	90.5	86.7	90.2	2.4%
<b>Energy Totals</b>							
Site Energy Use (kBtu)	838,562,478	97,749,691	936,312,169	829,669,081	94,582,522	924,251,603	-1.3%
Weather Normalized Site Energy Use (kBtu)	842,223,575	98,508,439	940,732,014	829,823,135	93,918,700	923,741,835	-1.8%
Source Energy Use (kBtu)	2,141,004,479	273,699,134	2,414,703,614	2,115,858,078	264,831,062	2,380,689,140	-1.4%
Weather Normalized Source Energy Use (kBtu)	2,131,364,019	275,823,630	2,407,187,649	2,092,708,351	262,972,361	2,355,680,711	-2.1%
<b>Energy Intensities</b>							
Site EUI (kBtu/ft <sup>2</sup> )	51.0	61.0	51.9	50.5	59.4	51.3	-1.2%
Weather Normalized Site EUI (kBtu/ft <sup>2</sup> )	51.2	61.5	52.1	50.5	59.0	51.2	-1.7%
Source EUI (kBtu/ft <sup>2</sup> )	130.2	170.8	133.8	128.7	166.4	132.0	-1.3%
Weather Normalized Source EUI (kBtu/ft <sup>2</sup> )	129.7	172.1	133.4	127.3	165.3	130.7	-2.0%

\* Only includes buildings where comparable data was available.

## 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 2017 (the most recent available data):

PROVIDER	2017 % OF ENERGY FROM RENEWABLE SOURCES
LADWP	30%
Southern California Edison	32%
Hawaii Electric Company	27%

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

SOURCE	LADWP	SO CAL EDISON	HAWAII ELECTRIC
Biomass & Biowaste	1%	0%	5%
Geothermal	4%	8%	4%
Small Hydroelectric	4%	1%	0%
Solar	11%	13%	12%
Wind	10%	10%	6%
<b>Total</b>	<b>30%</b>	<b>32%</b>	<b>27%</b>

Through our goal of reducing our per square foot electricity usage by 10% by 2029, we expect to meet our related goal of reducing our indirect consumption from non-renewable sources by at least 10%, 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 60% 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 50% 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 eight 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 ground-water 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 2018:

2018 TOTALS			
	Los Angeles	Honolulu	Company Total
<b>Water Use (All Water Sources) (kgal)</b>	242,751.7	54,345.1	297,096.8
<b>Water Use Intensity (All Water Sources) (gal/ft<sup>2</sup>)</b>	14.7	33.4	16.4



**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 2018, 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 (NOx), sulfur oxides (SOx), 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 10% through reducing our per square foot electricity usage by 10% during the 10 years ending in 2029. 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 70 EV charging stations at our properties with plans to add an additional 250 stations over the coming years.

## WORKPLACE

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.

<b>EMPLOYEE DEMOGRAPHICS SNAPSHOT</b>						
	Gender		Age			Racial Minorities*
	Male	Female	Under30	30-50	Over 50	
<b>Board</b>	89%	11%	0%	0%	100%	0
<b>Senior Management</b>	66%	34%	0%	53%	47%	29%
<b>All Employees</b>	57%	44%	13%	50%	37%	72%

\* 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

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