At Kilroy Realty Corporation, we believe in aggressively pursuing high-performance environmental building initiatives that create economic value for our tenants, shareholders and employees.
In 2014, we achieved significant milestones in sustainability and received global recognition for our commitment to reducing the environmental footprint of our buildings.

The Global Real Estate Sustainability Benchmark (GRESB), the global real estate industry’s most rigorous standard for sustainability performance, ranked us first among 151 North American real estate companies across all asset types. The National Association of Real Estate Investment Trusts awarded us its Leader in the Light award for superior, comprehensive and continuous sustainability practices in the office sector. Further, we embarked on a range of innovative tenant engagement projects that spanned Demand Response, social media campaigns, in-person trainings, and competitions. BOMA San Francisco recognized us with an Earth Award for our tenant engagement and GRESB highlighted these efforts as innovative in its annual report.

As we operate at this higher standard, we will continue to expand our sustainability programs even further. We are keenly focused on the fundamentals of real estate sustainability, such as energy and water reductions, LEED certifications, recycling, composting, and green cleaning, while also embracing innovative ideas and strategies.

Let’s take a look at the numbers. Some of our accomplishments in 2014 include the following:

- We are proud that for the last three years we have met our goal of decreasing like-for-like yearly portfolio energy consumption by at least 2%, a target we hit again in 2014 despite a 1% increase in occupancy over the prior year period.
- The percentage of our portfolio certified under ENERGY STAR increased from 53% to 56%, now spanning 36 buildings, and we were honored to be recognized for the second year in a row with the ENERGY STAR Partner of the Year Award.
- We reduced our like-for-like portfolio water usage by 1.8% via installing more efficient fixtures and irrigation systems.
- We maintained a recycling diversion rate of over 50% and extended composting services to an additional 660,000 square feet of space.

We are the premier developer and operator of LEED properties on the West Coast. All of our development projects are built to LEED Platinum and Gold standards and our stabilized portfolio is 39% LEED certified. We believe that LEED certification is of central importance to prospective tenants because we provide environments that help our tenants attract and retain the most effective employees, and sustainability is highly important to today’s modern workforce.

- Within our development program, we added 520,000 square feet of LEED certified projects to our portfolio, which encompass four projects: the LEED Gold campus for Synopsys, Inc. in Mountain View, CA, the build-to-suit building for Audience, Inc. also in Mountain View, a major renovation of 12790 El Camino Real in San Diego, and the tenant improvement of an additional San Diego property.
- We embarked on a new building certification focused on human wellness in the built environment for two projects.
- We completed LEED Master Site review for two of our campuses, Columbia Square and our build-to-suit project for LinkedIn.

Within our stabilized portfolio, we continue to make significant progress in our LEED for Existing Buildings certification program, whose goal is to convert eligible existing buildings into state-of-the-art LEED certified properties via our LEED Volume prototype. In 2014, we recertified three buildings in our stabilized portfolio. Most notably, we increased the certification levels for two of these projects. Our Key Center building in Bellevue is now LEED Platinum and our Skyline Tower building, also in Bellevue, is now LEED Gold.
We delivered on our promise to further our green leasing efforts in 2014 and demonstrated our industry leadership in this area by joining the inaugural class of Green Lease Leaders, a new recognition program developed by the Institute of Market Transformation. As a Green Lease Leader, we demonstrate that leases should incorporate real estate sustainability goals and that leasing brokers are instrumental in facilitating the implementation of sustainability programs in office buildings.

In addition, we have continued to support the Rozalia Project, assisting in its removal of over 40,000 pieces of marine debris from our waterways. We have supported the Rozalia Project since 2011 and are constantly impressed with its ability to successfully tackle new challenges in its quest for a clean ocean.

By the end of 2015, we project reaching our goal of reducing energy usage by 10% from 2010 levels. Over the coming five years, we aim to re-double our efforts around water and expect to get to 10% reduction from 2012 levels by year-end 2018. Collaborating with our existing tenants on aggressive energy and water reduction projects in their spaces will remain a focus. Finally, we anticipate playing an increasing role in advocacy as our state and city representatives seek our input on the creation of new regulations that impact both new and existing buildings. We will continue to lead our industry in sustainable construction by developing state of the art facilities designed to the highest sustainability standards. We believe such projects will generate enduring shareholder value.

To date, we have accomplished most of the available ‘low-hanging fruit’ energy and water projects, making it more difficult each year to identify reduction opportunities in our buildings that meet our financial requirements. It is also challenging to adopt new sustainability technologies in our development projects and existing portfolio while balancing maintainability concerns for the long term. As such, we must increasingly tackle multi-stakeholder reduction initiatives that require innovation and cross-sector collaboration with utilities, tenants and local governments. We are confident that we will be able to navigate these concerns and grow our sustainability programs even further in coming years.

We have continued to expand our definition of sustainability to include even more social and governance factors, and have increased their coverage in this report. For example, we are now reporting on our advocacy work. Reporting on all of these issues gives users of this report a more holistic picture of our sustainability programs, which demonstrate excellence not just in environmental performance but also in Risk Management, Land Use, Legal and Human Resources.

We have been recognized by organizations around the world for our commitment to investing in high-performing buildings that create long-term value for the benefit of our shareholders, tenants and employees. We aim to maintain our leadership position and deepen our commitment to sustainability, and we look forward to reporting on even more achievements in 2015.

Sincerely,

John Kilroy
Chairman of the Board, President and Chief Executive Officer
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Kilroy Realty Corporation (KRC), a publicly traded real estate investment trust and member of the S&P MidCap 400 Index, is one of the region’s premier landlords. The company provides physical work environments that foster creativity and productivity and serves a broad roster of dynamic, innovation-driven tenants, including technology, entertainment, digital media and health care companies.

At December 31, 2014, the company’s stabilized portfolio\(^1\) totaled 14.1 million square feet of office properties, all located in the coastal regions of greater Seattle, the San Francisco Bay Area, Los Angeles, Orange County and San Diego. Total revenue for the year ending December 31, 2014 was $521.7 million. The company is recognized by the Global Real Estate Sustainability Benchmark (GRESB) as the North American leader in sustainability and was ranked first among 151 North American participants across all asset types. At the end of the fourth quarter, the company’s properties were 39% LEED certified and 56% of eligible properties were ENERGY STAR certified. In addition, KRC had approximately 1.7 million square feet of new office and mixed-use development under construction with a total estimated investment of approximately $1.0 billion.

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\(^1\) Our stabilized portfolio includes all of our properties with the exception of development and redevelopment properties currently under construction or committed for construction, “lease-up” properties, undeveloped land, and real estate assets held for sale. We define redevelopment properties as those properties for which we expect to spend significant development and construction costs on the existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. We define “lease-up” properties as properties we recently developed or redeveloped that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. Our stabilized portfolio also excludes our future development pipeline.
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SUSTAINABILITY PROGRAM, VISION AND STRATEGY

At KRC, our sustainability vision is a portfolio that minimizes the environmental impact of the construction and operation of our buildings while maximizing tenant comfort, health and financial savings. We will accomplish this by achieving the highest level of performance in energy and water efficiency, waste management, tenant engagement, environmental construction, sustainable building operations, green building certifications, materials selection and community involvement.

Our sustainability programs incorporate Social, Governance and Environmental aspects of our operations. Social topics include Human Resources as well as our Philanthropy and Nonprofit partnerships. Governance issues span our corporate governance structures, disclosures and whistleblower mechanisms as well as our relationship with certain stakeholder groups, such as investors. KRC identifies its stakeholders as any person or group of persons who may affect or be affected by our business operations. This includes customers, employees, investors, contractors, communities, associations, brokers, governments, vendors and suppliers.

We see our Environmental programs as comprising three interacting divisions: Existing Buildings, New Development, and Community Outreach. Our Existing Buildings program spans all of our energy projects, water projects, recycling revitalizations, installations of electric vehicle charging stations, tenant engagement, and the LEED for Existing Buildings Volume Program. The New Development program focuses on minimizing the environmental impact of ground up construction and major renovations projects, embracing environmentally-focused leading-edge building materials and technologies, WELL certifications (more information on WELL on page 32) and LEED certifications in the Building Design & Construction and Commercial Interiors rating systems. Finally, our Community Outreach program is comprised of our sustainability disclosures to our investors and other stakeholders, our partnerships with sustainability-focused organizations, our participation in sustainability challenges, our industry outreach efforts, our awards, our partnership with the waterway-cleanup nonprofit the Rozalia Project and the creation of our annual sustainability report. We identified the critical issues within these areas to be included in our sustainability programs via an extensive Materiality process. This involved in-person meetings with all relevant departments in which we collectively identified issues that were both fundamental to our business operations and important to our stakeholders. More information on our materiality process can be found on page 10.

Our sustainability strategy involves four stages: Market Assessment, Action Plan, Implementation and Review. The first stage is market assessment, which allows us to identify sustainability trends in real estate. We learn about these trends via educational events, participation in relevant sustainability committees, other industry forums and trade publications. We then assess the performance of our existing operations and buildings in relation to these trends. This involves, for example, looking at our existing governance policies to see if they match sector governance trends, such as the creation of a Lead Independent Director role in the event that a Chairman of the Board of Directors is also CEO. Key trends in 2014 included water and human health in buildings, as well as resilience programs. We then formulate an action plan, such as developing a new training module, which we then implement. For example, we did create a Lead Independent Director role in response to our governance market assessment. We then review our results, which involves tasks such as monitoring the before-and-after water consumption of a property. This last stage then informs our analysis of available market research and allows us to create and modify our action plans in an ongoing process of continuous improvement. This process has allowed us to, for instance, determine our environmental objectives (see page 6). For information about our governance objectives, please see our proxy statement at http://phx.corporate-ir.net/phoenix.zhtml?c=79637&p=irol-sec.

While various aspects of our operations are constantly in each of the four stages, the entire process for any particular initiative takes approximately two years, and the market assessment phase particularly impacts our investment activities. For example, our Market Assessment indicated that human health concerns are a growing topic of interest for our tenants, so we are investing in a human health certification in two of our development properties.
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**ENVIRONMENTAL OBJECTIVES**

**Existing Buildings**

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>STATUS</th>
<th>PROGRESS</th>
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<tbody>
<tr>
<td>Reduce energy use by 10% from 2010 consumption levels by 2015</td>
<td></td>
<td>On track. In 2014 we achieved a 2% reduction, and we hope to achieve our 10% reduction goal at year-end 2015.</td>
</tr>
<tr>
<td>Reduce water use by 10% from 2012 consumption levels by 2017</td>
<td></td>
<td>Delayed. We achieved a 1.8% reduction this year, but as we increased in water usage last year we are unlikely to meet our 2017 goal, which we now hope to complete by year end 2018. Water reduction will be a significant focus in 2015.</td>
</tr>
<tr>
<td>Implement Green Leasing</td>
<td></td>
<td>Complete. We have incorporated environmental language into our standard lease template. To maintain our leadership in this area, we will monitor industry trends and incorporate new language as appropriate.</td>
</tr>
<tr>
<td>Achieve ENERGY STAR certification for 75% of eligible existing buildings</td>
<td></td>
<td>On track. We have achieved ENERGY STAR certification for 56% of eligible buildings, and hope to reach 75% by 2018.</td>
</tr>
<tr>
<td>Perform energy audits or retrocommissioning (RCx) every 5 years on all existing buildings</td>
<td></td>
<td>On track. These audits and retrocommissioning projects have been happening on schedule. We pursued audits/retrocommissioning over 3.2 million square feet of space in 2014.</td>
</tr>
<tr>
<td>Achieve a recycling annual diversion rate of at least 75% in the existing portfolio</td>
<td></td>
<td>On track. We achieved a diversion rate of 52% in 2014 and reset our goal to 75% last year, and continue to pursue recycling revitalizations in tenant spaces.</td>
</tr>
<tr>
<td>Benchmark all energy, water and waste data on at least a monthly basis, including tenant data</td>
<td></td>
<td>Complete in landlord-managed assets and 57% of tenant-managed assets in 2014. We have had increasing success working with our tenants to share data as a result of our green leasing efforts and hope to have all tenant data by 2018.</td>
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**OBJECTIVES CONT'D**

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<tr>
<th>OBJECTIVES</th>
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<th>PROGRESS</th>
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</thead>
<tbody>
<tr>
<td>Engage tenants to reduce their environmental impact through regular communication and action-oriented programs</td>
<td></td>
<td>On track. We engaged 100% our tenants in 2014 using a variety of methods, more information on page 26. Tenant engagement is critical to our ability to achieve our energy, water and recycling goals.</td>
</tr>
<tr>
<td>Maintain a portfolio-wide green cleaning program that would earn maximum points under LEED EB</td>
<td></td>
<td>Complete. All buildings have this program implemented, and our objective is now to maintain the quality of the program.</td>
</tr>
<tr>
<td>Provide electric car charging stations per tenant needs</td>
<td></td>
<td>On track. We installed 13 additional stations in 2014 in response to tenant requests. Our goal is to install stations in each building where at least four electric vehicle drivers have made requests for a charging station within 12 months of the request.</td>
</tr>
<tr>
<td>Enroll in the LEED EB Volume Program</td>
<td></td>
<td>On track. Expected prototype submittal Q2 2015.</td>
</tr>
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</table>

These goals are accomplished through close collaboration among asset management teams, the engineering teams, vendors and the sustainability team to identify projects, secure funding and execute programs. The sustainability team is comprised of the Vice Presidents of Sustainability and Engineering and the Sustainability Coordinator. We take advantage of utility-funded auditing and commissioning programs to accomplish many of the audits, which identify high-potential efficiency projects. We self-fund the rest, and currently the targeted buildings for audits are those pursuing LEED EB certification. The asset management teams and engineers, in addition to the sustainability team, identify and implement additional attractive energy and water projects. The sustainability team works with our Legal and Standards departments on lease language and conducts in-person trainings with tenants to accomplish our recycling objectives. Starting in 2013 we began using a third party, Goby, to do our energy and water benchmarking; waste benchmarking is still done in-house. Tenant engagement is a collaboration between the asset management teams and the sustainability team. The sustainability team works with the construction team to install electric vehicle charging stations.
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New Development

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<tbody>
<tr>
<td>All ground-up construction will pursue LEED Gold certification or better</td>
<td>On track. All 3 ground-up 2014 projects achieved this target, in addition to a large tenant fit out, and future projects are on track to achieve it as well.</td>
<td></td>
</tr>
<tr>
<td>Total materials used in development projects will achieve at least 10% recycled content</td>
<td>Complete. All 2014 projects achieved this goal and our new target is 20%.</td>
<td></td>
</tr>
<tr>
<td>Construction projects will achieve at least 75% diversion of construction waste from landfill</td>
<td>On track. All 2014 projects achieved this target and future projects are planning to achieve it as well.</td>
<td></td>
</tr>
</tbody>
</table>

An important strategy in helping us to achieve our development objectives is having the vast majority of our certifications coordinated in-house. This allows us to quickly resolve issues because of greater communication between the LEED coordinator and the project manager than would result if the LEED coordinator were an independent consultant.

We recognize that our buildings are our product, and our supply chain involves the procurement of the materials we use to build and operate our buildings. This is why we have set goals around our materials use and disposal. We have achieved our goal of having every major development project source at least 10% of its building materials from recycled sources, and our new goal is 20%, in accordance with LEED v3 point thresholds for recycled content performance.

We also make every effort to source our construction materials within 500 miles of the project site, per LEED guidelines, for large projects via working with our General Contractors throughout the construction process to achieve the LEED Regional Materials credit; four of our largest development projects are pursuing the 20% regional materials LEED credit. However, because in certain areas sourcing materials regionally is more difficult than in others, achieving regional materials sourcing can be quite challenging and we have not formalized a regional sourcing goal for all construction projects.

The Exchange on 16th
Targeting LEED Platinum (San Francisco, CA)
KRC is a member of numerous industry associations and trade groups, including:

- Building Owners and Managers Association (BOMA)
  (More information about our BOMA membership can be found on pages 37 and 41)
- Institute of Real Estate Management (IREM)
- International Facility Management Association (IFMA)
- National Association of Industrial and Office Properties (NAIOP)
- National Association of Real Estate Investment Trusts (NAREIT)
  (More information about our NAREIT membership can be found on page 38)
- U.S. Green Building Council (USGBC)
  (More information about our USGBC membership can be found on pages 25, 29, 31, 34, 37 and 39)
- Urban Land Institute (ULI)

Our sustainability team prepares our sustainability report and is responsible for our participation in GRESB and the ENERGY STAR Partner of the Year application. To ensure that our reporting meets the highest standards for transparency, this report is externally audited in accordance with the AccountAbility 1000 Assurance Standard (AA1000AS 08). We have an ongoing commitment to the Rozalia Project, with whom we work to maximize their effectiveness in our markets. To participate in industry-specific forums, many of our employees serve on local BOMA and USGBC sustainability committees and we have a twitter feed (@kilroygreen) to stay abreast of cutting-edge innovations and changes in the world of commercial real estate sustainability. More information on our partnerships can be found on page 37.
KRC has decided to seek third-party assurance of the company’s annual GRI report to confirm the quality and completeness of the disclosure for the second time this year. This is the second year KRC is using the G4 guidelines for its report, and in 2012 we used the G3 guidelines. A copy of KRC’s most recent report and more information about our sustainability policies can be found at: http://kilroyrealty.com/sustainability/.

This sustainability report has been externally assured by DNV GL - Business Assurance, USA & Canada Sustainability. Their external assurance assessment can be found on pages 65-67. DNV GL is an outside vendor, unaffiliated with us. Our senior management team was involved in the external assurance process, which included in-person interviews with our COO & CFO and representatives of several departments including Risk Management, Human Resources, In-House Counsel and Land Use.

We also respond to the GRESB each year. In 2014, GRESB ranked us first among all 151 North American respondents across all asset classes. This is the most prestigious recognition our sustainability programs have achieved since their inception.
MATERIALITY PROCESS
To define our report content, the sustainability team has worked to gather, analyze and report all information that our various stakeholder groups would find relevant regarding our sustainability programs. This includes all information required for the GRI G4 ‘Core’ In Accordance option as well as additional information relevant to our employees, investors, tenants, local communities, vendors, NGO partners, and other interested parties. The GRI organizes disclosures by defining potential subject areas, called Aspects, for disclosure. Using the guidance in the GRI Implementation Manual, we created matrices to determine which Aspects were significant to our operations and influential to our stakeholders. Our final matrix appears on page 11. Our analysis was informed by conversations with many stakeholders, such as investors, NGO partners and industry peers, and we are exploring directly engaging certain stakeholders in this process next year. We are reporting on all Aspects that are both significant and influential, and on additional Aspects that we determined were influential but not significant. To define our Aspect Boundaries, the sustainability team met with all groups within KRC that the sustainability team initially believed had an impact on any of the potential Aspects available under the G4 guidelines. These groups included Human Resources, Environmental Compliance, In-House Counsel, Land Use and Risk Management. We then shared this process with DNV GL, the third party who is verifying our sustainability report, and refined our disclosures based on their feedback.
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MATERIALITY MATRIX

Influence on Stakeholder Assessments and Decisions

Economic Performance
- Energy
- Water

Non-Discrimination
- Diversity and Equal Opportunity

Local Communities
- Environmental Grievance Mechanisms

Potential Impact on Our Business

Supplier Assessment of Labor Practices
- Human Rights Assessment
- Human Rights Grievance Mechanisms
- Indirect Economic Impacts
- Supplier Assessment for Impacts on Society
- Grievance Mechanisms for Impacts on Society
- Product and Service Labeling
- Marketing Communications
- Consumer Privacy
- Compliance (Product Responsibility)

Labor Practices Grievance Mechanisms
- Equal Remuneration for Men and Women
- Occupational Health and Safety
- Anti-Corruption
- Anti-Competitive Behavior

Materials
- Compliance (Social)
- Market Presence
- Public Policy
- Consumer Health and Safety

Compliance (Environmental)

Emissions
- Employment
- Freedom of Association/Collective Bargaining
- Biodiversity
- Supplier Environmental Assessment

Supplier Human Rights Assessment

Non-Discrimination

Diversity and Equal Opportunity

Local Communities

Environmental Grievance Mechanisms

Supplier Human Rights Assessment

Human Rights Grievance Mechanisms

Indirect Economic Impacts

Supplier Assessment for Impacts on Society

Grievance Mechanisms for Impacts on Society

Product and Service Labeling

Marketing Communications

Consumer Privacy

Compliance (Product Responsibility)
EXISTING BUILDINGS
ENERGY EFFICIENCY
Reducing our energy consumption is the primary objective of our existing building environmental programs, and our goal since the inception of our sustainability programs in 2010 has been to achieve a 10% reduction from 2010 energy consumption levels by 2015. In 2014, we achieved our goal of reducing energy usage by 2% in the like-for-like portfolio from last year, and we are on track to achieve the 10% reduction from 2010 levels by the end of next year.

The 2% reduction in energy consumption represents a like-for-like decrease in annual energy use by 3,732,588 kwh. This figure is based on the difference in portfolio-wide like-for-like weather-adjusted energy consumption from 2013 to 2014 as generated by ENERGY STAR Portfolio Manager and verified by Goby. The annual CO₂ reduction from the implementation of our energy projects, 2,574 metric tons, is equivalent to taking 542 cars off the road for a year, providing a year of electricity to 354 homes, planting 65,995 trees and letting them grow for 10 years, and avoiding burning over 13.8 railcars’ worth of coal (per http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results).

SCALED PROJECTS
Demand Response
Perhaps our most challenging 2014 project was the scaling of our partnership with Enerliance to increase demand response participation in our portfolio. Demand Response is an energy reduction project in which a building reduces its energy consumption in response to a utility signal during regional high-demand events. Demand Response in commercial buildings is very difficult because the utility incentives are typically too small to offset the potential liability resulting from tenant discomfort, and it has taken several years for us to gather the right group of software providers (see also Gridium below) to make the programs work for us both from a tenant comfort and a financial perspective. Specifically, Demand Response programs are often binary, and when switched on reduced building systems too much to maintain comfortable temperatures. If tenants experienced discomfort once, building engineers often abandon the Demand Response system altogether.

To overcome the binary problem, we began partnering with Enerliance, whose Demand Response software allows for a 10 stage, as opposed to binary, Demand Response program. Building engineers can choose a target energy reduction that keeps tenants comfortable depending on the constraints of a particular day. This way, if a tenant is uncomfortable, the engineer can choose a lower stage during the next Demand Response event rather than abandon the system, and we have discovered that this flexibility is a key to Demand Response success. Last year we enrolled 800,000 square feet of space into Demand Response with Enerliance, and we increased that this year via enrolling additional buildings in San Diego, Orange County, and San Francisco totaling an additional 2.7 million square feet, so we now have 3.5 million square feet enrolled. As a result of these efforts Southern California Edison gave us its Integrated Demand Side Management Award and the Peak Load Management Association (PLMA) named us Outstanding Demand Response Customer of the Year; we have also spoken on a PLMA webinar to help utilities and providers improve the success of other Demand Response programs.
Another 2014 key project is our partnership with Goby. We were introduced to Goby at several industry forums in the winter and again at the 2013 ENERGY STAR Partner of the Year awards. Realizing that our interests were aligned, we began a partnership with Goby this year that has scaled quickly in our portfolio. Goby is now automating our energy benchmarking in places where our utilities have not made this available as well as our water benchmarking. Goby is also providing our first sophisticated and integrated portfolio-level dashboards to monitor energy usage and was instrumental in getting over 410,000 feet of our office space ENERGY STAR certified for the first time. In 2015 we intend to have Goby provide these services in all of our buildings.

Gridium

We have been partnering with Gridium since 2012 to get weekly load profile analysis information, which gives our building operators and asset management teams insight into operational issues that may indicate opportunities for additional energy savings. This typically translates into 3-5% energy savings annually. Importantly, Gridium also helps us predict the days of the month that we are likely to hit our peak energy usage; our engineers can then run our Demand Response programs on these additional days and save significant dollars on demand charges. It is this ability to leverage our Demand Response programs to do additional peak shaving that makes Demand Response a financially viable project. We added 3 additional buildings in Calabasas to Gridium this year, bringing the total number of buildings with Gridium to 25. In 2014 Gridium was available only to buildings in Pacific Gas & Electric and Southern California Edison territories, and we have rolled out Gridium in all but two of the full service gross buildings in those territories. We will extend it to the final two Pacific Gas & Electric buildings when those buildings get Demand Response capabilities through Enerliance in 2015; they currently do not have the ability to act on Gridium’s information.

MACH Energy

We began partnering with MACH Energy in 2014 to provide weekly load profile analysis information for our Mission City Corporate Center and Kilroy Sabre Springs campuses, as well as Liberty Station, in San Diego. The MACH interface gives our building operators and asset management teams insight into operational issues that may indicate opportunities for additional energy savings. The buildings that used MACH Energy reduced energy consumption by 7.2% compared with 2013, a savings of approximately $16,000. In addition, MACH corrected an improper tariff at Liberty Station, reducing the monthly bill on that meter by 20%.

Permafrost

In 2011 we piloted our first oil fouling removal technology, and last year we did two installations with a competing product, Permafrost. Based on our success during these 2013 installs, we did an additional installation of Permafrost in 2014 in our Sunset Media Center building along with full-building HVAC upgrades.

Elevator Modification

Elevator Modifications: We completed two energy saving elevator modifications in 2014. We did a full overhaul of the elevators at 201 3rd St, replacing the machinery with more efficient equipment. At 303 2nd St we reprogrammed the elevator controls to shut down the elevator generators at night.
Energy Audits and Retrocommissioning (RCx)
We also scaled our partnership with Carbon Lighthouse, which provides ASHRAE Level II energy audits and then implements their findings via On Bill Financing. We implemented this program in 800,000 square feet of space this year in San Francisco and Calabasas. We also conducted other ASHRAE Level II energy audits in 880,000 square feet of space in conjunction with LEED for Existing Buildings recertifications, and LEED EB will be driving where we conduct these audits for the next several years. These audits revealed further lighting retrofit opportunities, as well as HVAC control issues on makeup air and certain air handlers. In addition, 1.5 million square feet in San Francisco and Seattle went through retrocommissioning in 2014. Issues uncovered during the RCx process in these buildings included rooftop exhaust fans running continuously and dampers in the wrong position, and we are hoping to see significant savings from addressing these problems.

Duct Sealing
We piloted a duct sealing technology in July in which we identified duct leakage locations via infrared and then sent a robot into the ducts to spray sealant in the identified areas. We did this in two buildings, including our corporate headquarters, and have reduced energy usage in these buildings 3% over the first 5 months after the installation. In 2015 we are planning to identify other buildings in the portfolio that may have duct leakage issues and extend this technology to them in 2016.

Building IQ
Staying on the cutting edge of building optimization technology is key for us to maintain our energy performance, so this year we conducted pilots with Building IQ in two of our San Diego buildings as part of the San Diego Gas & Electric Emerging Technologies program. Building IQ is a sophisticated software system that overlays onto a building’s control system and, on the air handler level, manipulates building setpoints to retain nighttime cooling into more daytime hours. We chose these buildings based on the availability of utility funding, the buildings’ lease structure, and the sophistication of their controls systems. This project is not fully operational so we do not yet have results on its implementation; we expect the pilot to be finished by year end 2015.

Protechcall
For the first time we piloted a ceramic HVAC equipment coating product called SuperTherm, made by Protecall. We coated a 60 ton Trane Intellipak and 30 feet of associated exposed ductwork in our 23975 Park Sorrento building in Calabasas. We took three sets of before and after measurements, and after the coating was installed the equipment reduced its energy consumption by 16.26%. That equates to an annual savings of approximately $4500 for this pilot.
Continuing Programs

BAS Upgrades
We continue to upgrade our BAS systems, and in 2014 undertook extensive upgrades in 3.5 million square feet of property in San Diego, Hollywood, Calabasas and the San Francisco Bay Area. These projects include the installation of new control panels and upgrades to WebCTRL 6.0.

HVAC Upgrades
Every year we do extensive HVAC upgrades, and 2014 was no exception. Our 2014 HVAC projects included upgrading from pneumatic to DDC controls, installing VFDs, replacing end-of-life equipment with new energy efficient units, a large economizer overhaul, upgrading pump insulation, supply fan motor upgrades, and garage exhaust fan upgrades. In total we completed major upgrades in one third of our properties.

White Roofs
We replaced the roofs of 3 San Diego buildings with white roofs to reduce cooling loads resulting from solar heat gain.

Lighting
We completed extensive lighting projects in 2014. LED lighting projects included large parking area retrofits in San Francisco, Seattle, Calabasas, Hollywood, Kirkland and Menlo Park, spanning 1.9 million square feet. In addition, we replaced common area lighting with LEDs in 2 million square feet of space in San Francisco, Seattle, and Kirkland. We also retrofitted many stairwells with LED lights in Kirkland and Hollywood, and did LED retrofits in common areas and exteriors as well. Four of these projects spanning approximately 600,000 square feet used On Bill Financing, and additional lights were procured through a BOMA purchasing program. We retrofit another 3.6 million square feet using allocated capital dollars. Non-LED projects included bilevel stairwell lights in another 1.3 million square feet of space. We also installed motion sensors and repaired three-way light switches. We also completed most of our last non-LED, traditional lighting retrofit; we project that in 2015 and beyond all retrofits will be LED only.
Energy and Water Benchmarking

In 2014 we tracked our energy and water usage in ENERGY STAR Portfolio Manager. In Pacific Gas & Electric, Southern California Edison and City of Seattle territories, our bills upload into Portfolio Manager automatically each month. In Los Angeles Department of Water and Power and Washington State territories outside of Seattle, we manually upload our energy data into Portfolio Manager. San Diego Gas & Electric did not fully bring back their automated benchmarking services in 2014, but were able to accept some meters; the majority are still done manually in that territory. However, in 2014 we began a partnership with Goby, who will be taking over our benchmarking needs for energy and water throughout the portfolio. We look forward to using both ENERGY STAR Portfolio Manager and their SeaSuite platform to analyze our energy and water data in 2015, and potentially set new energy and water reduction goals. Our 2014 benchmarking efforts showed strong reductions in energy and water use, more information on those reductions are on pages 13 and 20.

In all areas, we are proactive in reaching out to our tenants that pay their own energy bills to share their energy and water consumption data with us. These efforts are supported by our green leasing, which includes utility disclosure language standard in all our new leases. The vast majority of our tenants readily share their data with us, which has allowed us to launch mutually beneficial efficiency projects in those buildings despite triple net leases, a major feat in commercial real estate. For example, we are launching a large Demand Response project with DirecTV at our Kilroy Airport Center campus in El Segundo, and look forward to completing that project in 2015. More information about Demand Response can be found on page 13.
### Energy Performance

#### Managed Assets

<table>
<thead>
<tr>
<th></th>
<th>Absolute</th>
<th>Like for Like</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>Like for Like Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consumption (MWh)</td>
<td>Consumption (MWh)</td>
<td>Data Coverage (sf)</td>
<td>Maximum Coverage (sf)</td>
<td>Consumption (MWh)</td>
<td>Consumption (MWh)</td>
<td></td>
</tr>
<tr>
<td>Whole Building</td>
<td>Fuel</td>
<td></td>
<td>14,669</td>
<td>14,385</td>
<td>7,576,097</td>
<td>7,576,097</td>
<td>9,425</td>
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<tr>
<td></td>
<td>District Heating &amp; Cooling</td>
<td></td>
<td>80,984</td>
<td>82,865</td>
<td>4,722,607</td>
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<td>70,217</td>
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<tr>
<td></td>
<td>Electricity</td>
<td></td>
<td>37,326</td>
<td>36,675</td>
<td>2,853,490</td>
<td>2,853,490</td>
<td>30,987</td>
</tr>
<tr>
<td></td>
<td><strong>Total Energy Usage of Whole Building</strong></td>
<td></td>
<td><strong>132,978</strong></td>
<td><strong>133,925</strong></td>
<td><strong>7,576,097</strong></td>
<td><strong>7,576,097</strong></td>
<td><strong>110,630</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total Energy Usage of Managed Assets</strong></td>
<td></td>
<td><strong>132,978</strong></td>
<td><strong>133,925</strong></td>
<td><strong>7,576,097</strong></td>
<td><strong>7,576,097</strong></td>
<td><strong>110,630</strong></td>
</tr>
</tbody>
</table>

#### Indirectly Managed Assets

<table>
<thead>
<tr>
<th></th>
<th>Absolute</th>
<th>Like for Like</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>Like for Like Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consumption (MWh)</td>
<td>Consumption (MWh)</td>
<td>Data Coverage (sf)</td>
<td>Maximum Coverage (sf)</td>
<td>Consumption (MWh)</td>
<td>Consumption (MWh)</td>
<td></td>
</tr>
<tr>
<td>Whole Building</td>
<td>Fuel</td>
<td></td>
<td>36,376</td>
<td>29,690</td>
<td>4,135,565</td>
<td>7,297,304</td>
<td>27,712</td>
</tr>
<tr>
<td>District Heating &amp; Cooling</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
<td></td>
<td>88,014</td>
<td>78,539</td>
<td>4,135,565</td>
<td>7,297,304</td>
<td>48,617</td>
</tr>
<tr>
<td>Outdoor Exterior/ Parking</td>
<td>Fuel</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>District Heating &amp; Cooling</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
<td></td>
<td>314</td>
<td>287</td>
<td>-</td>
<td>-</td>
<td>314</td>
</tr>
<tr>
<td></td>
<td><strong>Total Energy Usage of Indirectly Managed Assets</strong></td>
<td></td>
<td><strong>124,704</strong></td>
<td><strong>108,516</strong></td>
<td><strong>4,135,565</strong></td>
<td><strong>7,297,304</strong></td>
<td><strong>76,644</strong></td>
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<tr>
<td></td>
<td><strong>Total Renewable Energy Usage</strong></td>
<td></td>
<td><strong>312.9</strong></td>
<td><strong>312.9</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>312.9</strong></td>
</tr>
</tbody>
</table>

The 'Like-for-Like' comparison includes only stabilized assets that we owned both in 2013 and 2014. This provides users of this report with a clearer picture of changes in consumption in our portfolio because it excludes buildings that only have partial consumption data in the last two years, which skew the results.

A more detailed breakdown of our energy usage, aligned with GRESB, can be found in Appendix 1 on page 64.
ENERGY STAR Certified Buildings

Key Center, Bellevue WA
Skyline Tower, Bellevue WA
Fremont Lake Union Center (801 N 34th St), Seattle, WA
Westlake Terry, Seattle, WA
100 First St, San Francisco, CA
303 Second St, San Francisco, CA
201 Third St, San Francisco, CA
360 Third St, San Francisco, CA
250 Brannan St, San Francisco, CA
301 Brannan St, San Francisco, CA
24025 Park Sorrento, Calabasas, CA
23975 Park Sorrento, Calabasas, CA
2829 Townsgate Rd, Thousand Oaks, CA
Sunset Media Center, Hollywood, CA
12100 W Olympic Blvd, Los Angeles, CA
12200 W Olympic Blvd, Los Angeles, CA
Tribeca West, Los Angeles, CA
3130 Wilshire Blvd, Santa Monica, CA
501 Santa Monica Blvd, Santa Monica, CA
3760 Kilroy Airport Way, Long Beach, CA
3780 Kilroy Airport Way, Long Beach, CA
3800 Kilroy Airport Way, Long Beach, CA
3900 Kilroy Airport Way, Long Beach, CA
2211 Michelson Dr, Irvine, CA
7525 Torrey Santa Fe, San Diego, CA
7535 Torrey Santa Fe, San Diego, CA
7555 Torrey Santa Fe, San Diego, CA
13480 Evening Creek Dr, San Diego, CA
13500 Evening Creek Dr, San Diego, CA
13520 Evening Creek Dr, San Diego, CA
2355 Northside Dr, San Diego, CA
2365 Northside Dr, San Diego, CA
2375 Northside Dr, San Diego, CA
2385 Northside Dr, San Diego, CA
Liberty Station, San Diego, CA

ENERGY STAR Certified Square Footage

Number of ENERGY STAR Certified Buildings

303 Second St
LEED Gold
ENERGY STAR Certified (San Francisco, CA)
WATER EFFICIENCY

Because we fell short of our water reduction goal in 2013 and because of the severe drought California is facing, we focused heavily on water in 2014, both in our interiors and exteriors. The result of both our interior and exterior projects has been an overall decrease in water use like-for-like by 1.8%. In addition, we have increased our usage of reclaimed water 129% from 2013. While we are quite proud of achieving a water reduction and to be using more reclaimed water, we are not on target to achieve a 10% reduction from 2012 water usage levels by 2017 because of the 2013 increase in water consumption. We have pushed that goal to 2018, and will be aggressively pursuing water reduction projects to meet the 2018 goal over the next several years. This will be a challenging goal to achieve; because water is still relatively inexpensive, it is difficult to find water projects that meet our financial thresholds, which is why fewer buildings pursue water projects than they do energy projects.

Interior Projects

Interior water reduction projects included replacing toilets with lower-flow models across 740,000 square feet of San Francisco office space, and installing low-flow aerators in 850,000 square feet of space in San Francisco and Calabasas. In addition, our tenant at Kilroy Sabre Springs in San Diego installed a Cooling Tower Water Softener/ZeroBleed system that we are monitoring for water reduction results, and we replaced a domestic water pump in Hollywood to reduce process water usage.

Exterior Projects

We also executed several projects to reduce exterior water use. These included an extensive irrigation retrofit across four San Diego buildings which included retrofitting nearly 600 nozzles and adding nearly 200 weather-based controllers. In addition, 303 2nd St added VFD enhancement to its fountain pumps, and many buildings that discovered leaks as a result of last year’s water benchmarking fixed them immediately. In 2015 we have two more large irrigation projects planned for the first half of the year and we intend to do more domestic projects as well.

Reclaimed Water

Our impressive reclaimed water infrastructure saves nearly 17 million gallons of potable water in Calabasas, Irvine, and San Diego yearly. Intuit, our tenant at our Santa Fe Summit campus in San Diego, switched to reclaimed water this year, which was the primary driver of the large increase we saw in reclaimed water in our portfolio.
## Water Performance

<table>
<thead>
<tr>
<th>Managed Assets</th>
<th>Absolute Consumption</th>
<th>Like-for-Like Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Whole Building</td>
<td>Consumption (cubic meter)</td>
<td>Consumption (cubic meter)</td>
</tr>
<tr>
<td>Combined Consumption</td>
<td>688,972</td>
<td>691,888</td>
</tr>
<tr>
<td>Base Building</td>
<td>Common Areas</td>
<td>-</td>
</tr>
<tr>
<td>Outdoor/Exterior Area/Parking</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Water Usage Whole Building</td>
<td>688,972</td>
<td>691,888</td>
</tr>
<tr>
<td>Tenant Space</td>
<td>Common Areas</td>
<td>-</td>
</tr>
<tr>
<td>Outdoor/Exterior Area/Parking</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Water Usage Tenant Areas</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Water Usage Managed Assets</td>
<td>688,972</td>
<td>691,888</td>
</tr>
<tr>
<td>Total Reclaimed Water Usage Managed Assets</td>
<td>36,491</td>
<td>44,242</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Indirectly Managed Assets</th>
<th>Absolute Consumption</th>
<th>Like-for-Like Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Whole Building</td>
<td>Consumption (cubic meter)</td>
<td>Consumption (cubic meter)</td>
</tr>
<tr>
<td>Common Areas</td>
<td>105,404</td>
<td>101,630</td>
</tr>
<tr>
<td>Outdoor/Exterior Area/Parking</td>
<td>150,175</td>
<td>142,040</td>
</tr>
<tr>
<td>Total Water Usage Indirectly Managed Assets</td>
<td>255,579</td>
<td>243,670</td>
</tr>
<tr>
<td>Total Reclaimed Water Usage Indirectly Managed Assets</td>
<td>4,051</td>
<td>19,111</td>
</tr>
</tbody>
</table>

Total Water Usage Whole Portfolio | 944,551 | 935,558 | 13,147,072 | 15,171,891 | 684,791 | 672,600 | -1.8% |
RECYCLING AND COMPOSTING

Composting was a key focus of our waste reduction program in 2014. We rolled out composting services in two large campuses, the 380,000 square foot Menlo Corporate Center and the 280,000 square foot Plaza at Yarrow Bay campus. We choose buildings for composting based on availability of composting services, tenant interest, and asset management availability. We consider a composting rollout successful if 10% of a building’s waste is composted and the compost is not contaminated more than three times in the first year. Overall the KRC portfolio composted over 907 tons of organic waste in 2014, an 11% increase in composting from 2013.

These composting rollouts complement our traditional recycling revitalizations, which involve meeting with tenants in person to boost diversion in the building. We conducted recycling revitalizations across 1 million square feet of space in San Francisco this year. These programs typically involve training our tenants to throw away only recyclable materials at their desks and take their non-recyclable waste to common area bins. The program starts with an in-person kickoff with the tenant, the asset manager and the recycling company representative. After that, email memos remind all tenants to participate starting two weeks before the building changes its trash and recycling service levels to accommodate the increased recycling. The recycling representative then conducts monthly audits to make sure the program is being followed, and we send a congratulatory email to all tenants three months post-launch with the new diversion results. This program typically results in a diversion rate of 50% or better in participating buildings. All of these programs save our tenants money by reducing the number of trash containers we need to service and increasing the amount of recycling, which often generates rebates.

In addition, we had many successful e-waste events; each building targets hosting two events per year. Our Fremont Lake Union complex was able to recycle 5,241 pounds of ewaste in 2014 alone, for example. We ensure that e-waste providers are processing our electronic waste domestically and not shipping it abroad, a common practice that causes significant environmental and health problems.

In preparing this year’s Annual Sustainability Report, we discovered that we overreported last year’s diversion percentage due to a clerical error in our final analysis, for which we apologize. Last year’s correct diversion rate was 51%, not 54%, and the corrected numbers appear in the adjacent table. This year’s diversion rate is 52%. We believe that the reason we did not increase our diversion rate as much as we had hoped in 2014 despite our recycling revitalization efforts is because we had one very large triple net tenant move in that did not set up strong recycling programs right away, which reduced our otherwise-strong numbers. We are actively working with that tenant to increase their diversion rates in 2015. Despite this, we are still targeting increasing our diversion to 75%, which we hope to achieve in 2018. We recognize that while our diversion percentage has stayed strong, our total amount of waste has increased. We believe this is due both to our increased occupancy and increased tenant density within already-occupied spaces.

We have had no significant spills.
Waste Benchmarking
We track our waste usage via excel spreadsheets. Where buildings have compacters, we enter actual tonnages hauled each month for landfill waste, recycling, and organics via information provided by our waste vendors. Where buildings have bins, we make the following assumptions: a 3 yard trash bin weighs 300 pounds, a 3 yard recycling bin weighs 350 pounds, and a 3 yard organics bin weighs 455 pounds. These are industry averages. We also assume that all bins, regardless of content, are three quarters full when they are serviced. A major contributor to the increase in our diversion percentage last year was our working with our waste vendors and asset managers to get more accurate diversion information in places where, in the absence of data, we had assumed very low recycling diversion levels.

<table>
<thead>
<tr>
<th>Managed Assets</th>
<th>Absolute Consumption</th>
<th>Like-for-Like Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Consumption (tonnes)</td>
<td>Consumption (tonnes)</td>
</tr>
<tr>
<td>Total Weight of Non-Hazardous Waste</td>
<td>4,907</td>
<td>4,935</td>
</tr>
<tr>
<td>Total Waste Managed Assets</td>
<td>4,907</td>
<td>4,935</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indirectly Managed Assets</th>
<th>Absolute Consumption</th>
<th>Like-for-Like Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Consumption (tonnes)</td>
<td>Consumption (tonnes)</td>
</tr>
<tr>
<td>Total Weight of Non-Hazardous Waste</td>
<td>1,623</td>
<td>1,492</td>
</tr>
<tr>
<td>Total Waste Indirectly Managed Assets</td>
<td>1,623</td>
<td>1,492</td>
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</table>

<table>
<thead>
<tr>
<th>Portion of Waste by Disposal Route</th>
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</thead>
<tbody>
<tr>
<td>Recycling</td>
</tr>
<tr>
<td>Composting</td>
</tr>
<tr>
<td>Landfill</td>
</tr>
<tr>
<td>Total Diversion Rate</td>
</tr>
<tr>
<td>38%</td>
</tr>
<tr>
<td>12%</td>
</tr>
<tr>
<td>50%</td>
</tr>
<tr>
<td>50%</td>
</tr>
<tr>
<td>39%</td>
</tr>
<tr>
<td>12%</td>
</tr>
<tr>
<td>49%</td>
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<tr>
<td>51%</td>
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<tr>
<td>2.9%</td>
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<tr>
<td>-3.4%</td>
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<tr>
<td>-0.2%</td>
</tr>
<tr>
<td>1.3%</td>
</tr>
</tbody>
</table>
EV CHARGING STATIONS

We continued to expand our network of electric vehicle charging stations in 2014, adding an additional 13 stations in Long Beach, Seattle, Irvine, Calabasas and San Francisco. We install these stations in response to tenant demand for the stations, and typically we conduct a survey to gauge tenant interest. Installations in 2015 are already planned for Hollywood and Los Angeles.

GREEN CLEANING

In 2014 we continued to expand our use of aqueous ozone, which allows us to clean without chemicals. Aqueous ozone can safely be used as a replacement for traditional chemical cleaners and kills all known food and human pathogens. Aqueous ozone has no emissions and we believe it improves indoor air quality and further protects our janitorial providers. We piloted this technology in one million square feet of office space in San Francisco and Hollywood in 2013, and expanded it to San Diego in 2014. Our pilot projects indicated that there were specific applications for which the aqueous ozone was not appropriate, such as cleaning particular metal surfaces, but overall the pilots were successful.

In addition, our Kilroy Sabre Springs complex in San Diego incorporated their green janitorial practices into their Earth Day celebration, educating tenants about their program and giving away green cleaning products. Similarly, as part of their tenant outreach activities, our Westlake Terry campus invited their janitorial vendor in to educate their tenants about their green cleaning program.

All cleaning products we use meet the relevant LEED environmental standard, either GreenSeal or the California VOC limit. Our vacuums achieve the Carpet and Rug Institute Seal of Approval, and we use microfiber cloths and rags to capture additional dirt to improve air quality. The overall goal of our green cleaning program is to maintain green cleaning protocols that would earn the highest level of certification under LEED for Existing Buildings 2009 in all buildings in our portfolio; these protocols were implemented across the entire portfolio in 2012.
LEED VOLUME FOR EXISTING BUILDINGS

LEED for Existing Buildings certification demonstrates to our tenants and investors that we understand how to run high-performing buildings, and that we can maintain excellence in building operations over time. We enrolled in the USGBC LEED Volume Program for Existing Buildings in 2013, and have continued to make great progress towards the completion of our prototype. This prototype will allow us to certify much of our existing portfolio through the LEED for Existing Buildings: Operations & Maintenance rating system. The prototype is a conceptual framework of standards that can be applied across a group of projects that have major elements in common and can therefore pursue a common set of credits.

To familiarize ourselves with the LEED EB certification process and begin the prototype creation, in 2014 we undertook the recertification of three projects, Key Center, Skyline Tower & 100 First St. With these three projects our goal was to establish a method to address each of the individual credits and prerequisites, as well as standardize our operations policies and procedures. We had successful recertifications of all three projects, with two achieving even higher levels of certification:

- **Key Center** in Bellevue, WA upgraded its previous LEED Gold certification to a LEED Platinum certification. A few of the building features and practices that contributed to the increased level of certification include an excellent ENERGY STAR score (95), efficient water fixtures and an increased use of public transportation by occupants of the building (70%).

- **Skyline Tower** in Bellevue, WA also upgraded its certification from a previous LEED Silver certification to a LEED Gold certification. Successful strategies for the increased level of certification included conducting an ASHRAE Level II energy audit, implementing environmentally-friendly pest management and tracking weekly water meter readings for any inconsistencies.

- **100 First St** in San Francisco, CA maintained its initial LEED Gold certification. The building implemented the following as part of its recertification, full points for participation in the Transportation Management Association of San Francisco, a solid waste management program and a comprehensive green cleaning program.

In 2015, with the completion of our LEED Volume prototype, we will conduct the recertifications of 201 Third St and 303 Second St, as well as begin certifying additional buildings in our existing portfolio. Our goal is to complete the certifications of the existing portfolio by the end of 2018. In anticipation of these certifications we have begun scaling best practices from the LEED EB rating system to the non-certified portfolio, such as implementing a standard Integrated Pest Management Plan.
TENANT ENGAGEMENT

Partnering with our tenants to push the environmental performance of our buildings became increasingly central to our sustainability programs in 2014. Tenant sustainability programs focus mainly on helping tenants reduce their energy and water consumption, and increase their recycling diversion rates, in our buildings. The foundation of our tenant partnerships is strong communication on sustainability, and we use a wide range of channels to communicate with our tenants. These include portfolio-wide quarterly tenant memos tailored to each building’s sustainability programs and increased outreach around accomplishments (such as a LEED certification), projects (such as a lighting retrofit), the National Buildings Competition and Better Buildings Challenge, and Earth Day. We also hold yearly ENERGY STAR Tenant Appreciation Events, featuring ENERGY STAR temporary tattoos, as well as Earth Day events. Based on tenant feedback we installed more electric vehicle charging stations in our properties (more information on page 24) and helped numerous tenants with their own sustainability disclosures.

In 2014, we increased our tenant sustainability communications even more via two main channels: 1) incorporating sustainability into our Electronic Tenant Handbooks, which are the high-traffic websites that tenants use to interact with our building teams and 2) social media. Every building that has earned a LEED or ENERGY STAR certification displays those labels on its Electronic Tenant Handbook homepage and all handbooks discuss the building’s energy efficiency programs. In addition to our regular tweets about our sustainability programs on the @kilroygreen Twitter handle, our 201 3rd St building hosted a Tenant Earth Day Twitter Party, which invited tenants to tweet about ways to save energy in their building. This initiative won a BOMA San Francisco Earth Award and was recognized as an industry-leading innovation by GRESB. In addition, in 2014 we sent postcards to our tenants to celebrate our winning of the NAREIT Leader in the Light Award.

Our participation in the National Building Team Competition in San Diego, Los Angeles and San Francisco includes the efforts of over 4,800 tenants and in the Better Buildings Challenge at four Los Angeles buildings includes the efforts of over 3,200 tenants. The Los Angeles Better Buildings Challenge gave us an Energy Innovation Award for our work in the challenge.
The foundation of good tenant engagement on sustainability is a green lease, and in 2014 we continued to scale our green leasing program via incorporating language into all of our new leases that align tenant and landlord interests on energy, water and waste efficiency. We were honored in 2014 to be part of the inaugural class of Green Lease Leaders, the Institute for Market Transformation’s program designed to encourage more green leasing in real estate (more information page 38). Also, utility disclosure language is standard in our leases, and in 2014 we began a partnership with Goby, LLC, which we hope will make it easy for our triple net tenants to share their energy and water data with us; we intend to coordinate and pay for the ENERGY STAR certifications for any eligible triple net tenant and anticipate those certifications beginning in the first half of 2015. Complementing the green lease are the building standards documents, and we have incorporated language related to energy and water efficiency as well as indoor environmental quality into those documents as well.

Because we have been proactive in communicating our focus on sustainability to our tenants, we have started partnering with tenants on environmental projects. A good example is an LED lighting program in which we buy LED lights upfront for tenants and bill them back later, a financing structure that allows many more tenants to get LEDs (more information on page 28). With other tenants we collaborate on HVAC upgrades in triple net buildings, and the participation of our tenants was crucial to our three successful LEED for Existing Buildings recertifications that we completed in 2014 (more information page 25). Those tenants had to fill out multiple surveys and participate in rigorous recycling programs. In addition, we work directly with tenants outside of LEED EB certifications to increase recycling and composting rates in their buildings, as well as to coordinate electronic waste events.

Also, we enrolled an additional 2.7 million square feet of tenant space in 2014 in Demand Response. We will be expanding our Demand Response programs even more in 2015 to additional buildings in locations served by utility Demand Response programs, mostly in San Francisco and the Los Angeles region. We will consider our Demand Response programs successful when every building in a utility’s service area that has a Demand Response program is participating in load reduction events.

Finally, we organized a panel for a local BOMA Sustainability Seminar called ‘The Tenant Perspective on Green Buildings and Office Space,’ which featured an office tenant, an industrial tenant, and a broker and which provided attendees with insight into the tenant perspective on office sustainability and how brokers can help or hinder efficiency in office spaces via the leasing process. For example, attendees were surprised to learn that tenants do not typically see a reason to tell landlords if the tenant is engaging in independent energy efficiency projects. This is unfortunate, as a common reason asset managers refuse to take on energy efficiency projects is a belief that tenants do not care about energy efficiency. The solution is proactive communication to the tenant by the asset management team; the panelists indicated that such communications, rather than being bothersome, as many asset managers fear, are in fact very welcome. This has encouraged our asset management teams to reach out to our tenants more for participation in our programs, which has, for example, resulted in a Demand Response collaboration with a triple net tenant that we look forward to sharing in the 2015 Sustainability Report.
CASE STUDY: EXISTING BUILDINGS

FREMONT LAKE UNION CENTER & FREMONT LAKE VIEW
SEATTLE, WA

Our Fremont Lake Union Center and Fremont Lake View portfolio, which spans 701, 801 and 837 North 34th Street in Seattle, Washington, is an excellent example of sustained operational excellence focused on environmental performance. The three-building office campus is comprised of approximately 420,000 square feet and 100% leased to a tenant list that includes Adobe, Inc, Tableau Software and Deloitte, LLP. 801 N 34th St has earned LEED for Existing Buildings Platinum certification and will be going through recertification in 2015.

KRC property management team implemented an impressive array of sustainability programs in 2014. For example, they took on a massive garage lighting retrofit project, replacing old metal-halide fixtures that were constantly illuminated with LED fixtures equipped with occupancy sensors to dramatically reduce energy costs; the month after the retrofit the building overall used 27% less energy than same month 2013. This retrofit was so impressive because of its energy reduction and improved aesthetics that the City of Seattle now uses the garage to provide tours of garage lighting best practices.

Building on that success, the property management team introduced an LED program to help their tenants to improve efficiency in tenant spaces. Typically, tenants found it difficult to gather the upfront capital to purchase LEDs. However, the tenants were able to pay for these lights through their Common Area Maintenance (CAM) charges. So, the building launched a program in which it would buy upfront any amount of LEDs for its tenants on request and then bill them back in their CAM charges later. This system allowed half of the tenants to complete lighting retrofits in their spaces, and the building hopes that the remaining tenants will take advantage of the program next year. This is the first KRC team to pilot this approach and we are planning to extend the program to more buildings in 2015.

The KRC property management team also completed a major overhaul of the Fremont Building Management System to maintain control of the buildings’ mechanical systems and to add energy efficiency controls measures to further reduce energy consumption. The result of these programs is that, despite an increase in occupant density, the campus reduced its energy consumption in 2014 by .5%.

“It is important to embrace both new as well as proven methods to reduce energy in a building,” says Shanna Braga, Property Manager. “Working with tenants to reduce energy use is a win-win because it saves money and improves tenant satisfaction.”

The KRC team also installed a dual-head electric vehicle charging station in response to tenant requests in 2014, and they are looking into expanding to more stations based on demand in coming years. Fremont Lake Union Center also boasts an impressive and popular bicycle rack sculpture, which promotes cycling over driving to work.

The Fremont management team has also worked with their tenants to achieve a campus-wide recycling rate of 76%; the minimum recycling rate to earn LEED points is 50%. The campus also holds biannual electronic waste events. The buildings have excellent green cleaning programs and walk-off mats, and they maintain an environmentally-friendly pest control strategy. The buildings reduces water use via having low-flow plumbing fixtures and smart irrigation controllers.

The KRC team also makes sure to communicate with all of their tenants on a regular basis on their sustainability projects, doing so at least quarterly via an electronic memo. The results of all of these efforts are efficient buildings that engage tenants to push the envelope on sustainable building operations. The management team believes that the fact that the Fremont buildings are 100% occupied indicates that the tenants are highly satisfied with the building’s sustainability programs.
## LEED Buildings

<table>
<thead>
<tr>
<th>Building Details</th>
<th>LEED Certification Details</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Center, Bellevue WA</td>
<td>LEED Platinum, Existing Buildings</td>
<td>488,470 sf</td>
</tr>
<tr>
<td>Skyline Tower, Bellevue WA</td>
<td>LEED Gold, Existing Buildings</td>
<td>416,755 sf</td>
</tr>
<tr>
<td>Fremont Lake Union Center (801 N 34th St), Seattle, WA</td>
<td>LEED Platinum, Existing Buildings</td>
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<td>320,398 sf</td>
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<td>401 N Terry*, Seattle, WA</td>
<td>LEED Gold, Commercial Interiors</td>
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<td>100 First St, San Francisco, CA</td>
<td>LEED Gold, Existing Buildings</td>
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<td>680-690 Middlefield Rd, Mountain View, CA</td>
<td>LEED Gold, Core &amp; Shell</td>
<td>340,913 sf</td>
</tr>
<tr>
<td>331 Fairchild Dr, Mountain View, CA</td>
<td>LEED Gold, Core &amp; Shell and Commercial Interiors</td>
<td>87,147 sf</td>
</tr>
<tr>
<td>1633 26th St, Santa Monica, CA</td>
<td>LEED Certified, Core &amp; Shell</td>
<td>44,915 sf</td>
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<td>Hollywood Regional Office*, Sunset Media Center, Hollywood, CA</td>
<td>LEED Gold, Commercial Interiors</td>
<td>3,831 sf</td>
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<tr>
<td>2260 E Imperial Hwy, El Segundo, CA</td>
<td>LEED Platinum, Core &amp; Shell and Commercial Interiors</td>
<td>298,728 sf</td>
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<tr>
<td>3880 Kilroy Airport Way, Long Beach, CA</td>
<td>LEED Silver, New Construction</td>
<td>96,035 sf</td>
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<tr>
<td>2211 Michelson Dr, Irvine, CA</td>
<td>LEED Silver, Core &amp; Shell</td>
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<td>Santa Fe Summit (7525-7555 Torrey Santa Fe), San Diego, CA</td>
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<td>465,812 sf</td>
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<tr>
<td>13480 Evening Creek Dr, San Diego, CA</td>
<td>LEED Silver, Core &amp; Shell</td>
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<tr>
<td>Liberty Station, San Diego, CA</td>
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<td>103,900 sf</td>
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<tr>
<td>2375 Northside Dr*, San Diego, CA</td>
<td>LEED Silver, Commercial Interiors</td>
<td>25,758 sf</td>
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<tr>
<td>12790 El Camino Real, San Diego, CA</td>
<td>LEED Gold, Core &amp; Shell</td>
<td>78,349 sf</td>
</tr>
</tbody>
</table>

* LEED certification covers indicated square feet and not complete building

Total SF: 5,438,491 sf
NEW DEVELOPMENT

The goal for all KRC ground-up new development has been LEED Gold or Platinum since the launch of our sustainability programs in 2010. At end of year 2014, 39% of our portfolio had achieved LEED certification, and we have an additional 12 projects, across 33 buildings and 5.1 million square feet, registered for certification.

In 2014 we achieved LEED certifications on four projects, totaling over 532,000 square feet. Our largest success was completing the LEED Gold for Core & Shell certification for 680 and 690 Middlefield in Mountain View, CA, a campus we built for Synopsys. 331 Fairchild, also in Mountain View and built to suit for Audience, achieved LEED Gold both for Core & Shell and for Commercial Interiors. We also achieved LEED Gold for Core & Shell certification for our fully-leased building located at 12780 El Camino Real on our campus known as the Heights in San Diego. Finally, we achieved LEED Silver certification on behalf of our tenant, the San Diego Regional Water Quality Control Board, at 2375 Northside Drive in San Diego. In addition, we took two projects, Columbia Square in Hollywood and our build-to-suit campus for LinkedIn in Sunnyvale, through LEED Master Plan review, and will be completing additional phases of those certifications in 2015. The two LinkedIn Core & Shell buildings also completed LEED design review in 2014.

Finally, we are proud that six more of our employees earned their LEED credentials in 2014. We are actively recruiting employees that have earned their LEED credentials and we have implemented a program in which we are covering the costs of LEED education and testing for employees who work in the operation and construction of our LEED buildings. We are confident that as a result of this program our number of LEED professionals will keep increasing in the future.

Building on our success with our previous LEED projects, we have an impressive array of development projects already underway that are all targeting LEED Gold or Platinum in addition to those mentioned above. These include 333 Dexter in Seattle (targeting Gold), Crossing/900 in Redwood City (targeting Gold), 12770 El Camino Real in San Diego (targeting Gold), the Academy in Hollywood (targeting Gold) and three San Francisco projects targeting Platinum: 350 Mission, 333 Brannan and The Exchange on 16th. 350 Mission, 100% leased to SalesForce, will feature advanced stormwater filtration, an extremely efficient mechanical system and a radiant floor, more information on 350 Mission can be found on page 35. 333 Brannan, 100% leased to Dropbox, will have sustainability features that include a green roof, biomimicry-based materials, operable windows, use of stormwater for toilet flushing, and onsite generation of electricity. The Exchange on 16th is a four-building campus that, at year end 2014, is still in the design phase; it is likely to include a green roof and ultra-low-flow toilets.
These projects add to KRC’s already-impressive history with LEED. We built the first LEED for Core & Shell building in San Diego and are developing one of the world’s first LEED for Neighborhood Development (LEED ND) projects, One Paseo. We chose LEED ND for One Paseo because of the project’s large scope and to demonstrate that we were thinking carefully about sustainability at the master plan level. LEED ND is a very difficult standard to meet, as it requires the expertise of, for example, master planners, cartographers and arborists in addition to engineers and architects and spans many phases of a project’s development, and our early adoption of this standard demonstrates our leadership on sustainability in development. Building and operating our buildings to LEED standards demonstrates to current and prospective tenants and investors that we have a high-performing team that knows how to build and operate best-in-class buildings. Typical features of our LEED development projects include enhanced commissioning, high levels of recycled content and FSC wood, measurement & verification protocols, water reduction both in irrigation and domestic use, low-emitting materials, and a mechanical design that emphasizes thermal comfort.

In addition, in 2014 we began working on WELL certifications for two projects in partnership with the International Well Building Institute. The WELL Building Standard is a new protocol, available to Core & Shell projects like ours for the first time in 2014, that focuses on human wellness in the built environment. It is our hope that these certifications will demonstrate that our buildings are not only resource efficient but also contribute to the health and productivity of our tenants. We chose to pursue WELL because we believe that our tenants are increasingly interested in the human health impacts of their buildings. Based on our current construction timelines, we will achieve our first WELL certifications in 2017.
In 2012 we acquired the 40-year old, 322,000 square foot office building at 6255 W Sunset Blvd, known as Sunset Media Center, and in less than two years successfully transformed the property into a contemporary office and studio space for Hollywood’s entertainment and media tenants. The property is now 92% leased as of December 31, 2014 and commanding rents significantly higher than prior to the acquisition.

“The supply of efficient and memorable office space in Hollywood is arguably in short supply and our projects are designed to meet the demand. Sunset Media Center is a prime example,” said David Simon, KRC’s Executive Vice President, Southern California. “Less than eighteen months from its purchase, we have benefited from rents significantly above our initial proforma.”

The building underwent a major renovation that included both a complete aesthetic redesign of common spaces and an overhaul of the building’s mechanical and electric systems. The renovation of the base building focused on energy efficiency, and in 2014 the Los Angeles Better Buildings Challenge recognized the building with its Energy Innovation Award for these efforts. The projects the building undertook included:

- Whole-building Window Film Installation
- Energy Management System/DDC Upgrade
- Condenser Tower Replacement
- Fan Coil Replacement
- Garage Exhaust/CO Monitors
- Roof Top Mechanical Room Astro Foil
- Mecho Shades Installation
- Permafrost
- LED Lighting Retrofit

“Winning the Los Angeles Better Buildings Challenge Energy Innovation Award is very exciting because it demonstrates to our tenants and employees how committed we are to reducing building energy usage,” said Lauren Phillips, Senior Project Manager at KRC, who oversaw the bulk of the energy efficiency projects in the building. “It is our hope that other buildings can use this success as inspiration to take on similar projects.”

In addition, the building added water-efficient landscaping and bike racks, and is getting ready to install its first electric vehicle charging stations. In 2014 it also launched a building-wide composting program.

These efforts have paid off in leasing and rent increases. Notable tenants include FilmLA, which decided to relocate to the building in 2013, Nielsen, which is responsible for the famous Nielsen ratings and renewed and extended its lease for the 14th, 19th and 20th floors, and Magical Elves, which has produced hit shows such as ‘Top Chef’ and ‘Project Runway.’

We placed the KRC Hollywood Regional Office on the top floor, which earned LEED for Commercial Interiors Gold certification in 2013 for, among other features, reducing lighting density 45% over the LEED baseline via extensive reliance on daylighting.
## LEED Projects Finished in 2014

<table>
<thead>
<tr>
<th>Project Name</th>
<th>LEED Rating</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Center, Bellevue, WA (Recertification)</td>
<td>LEED Platinum, Existing Buildings</td>
<td>488,470 sf</td>
</tr>
<tr>
<td>Skyline Tower, Bellevue, WA (Recertification)</td>
<td>LEED Gold, Existing Buildings</td>
<td>416,755 sf</td>
</tr>
<tr>
<td>100 First St, San Francisco, CA (Recertification)</td>
<td>LEED Gold, Existing Buildings</td>
<td>466,490 sf</td>
</tr>
<tr>
<td>680-690 Middlefield Rd, Mountain View, CA</td>
<td>LEED Gold, Core &amp; Shell</td>
<td>340,913 sf</td>
</tr>
<tr>
<td>331 Fairchild, Mountain View, CA</td>
<td>LEED Gold, Core &amp; Shell and Commercial Interiors</td>
<td>87,147 sf</td>
</tr>
<tr>
<td>2375 Northside Dr, San Diego, CA</td>
<td>LEED Silver, Commercial Interiors</td>
<td>25,758 sf</td>
</tr>
<tr>
<td>12790 El Camino Real, San Diego, CA</td>
<td>LEED Gold, Core &amp; Shell</td>
<td>78,349 sf</td>
</tr>
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</table>

## LEED Projects in Development

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>333 Dexter Ave, Seattle, WA</td>
<td>556,000 sf</td>
</tr>
<tr>
<td>505-605 Mathilda Ave, Sunnyvale, CA</td>
<td>587,429 sf</td>
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<tr>
<td>350 Mission St, San Francisco, CA</td>
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</tr>
<tr>
<td>333 Brannan St, San Francisco, CA</td>
<td>185,000 sf</td>
</tr>
<tr>
<td>The Exchange on 16th, San Francisco, CA</td>
<td>645,000 sf</td>
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<tr>
<td>Flower Mart, San Francisco, CA</td>
<td>900,000 sf</td>
</tr>
<tr>
<td>Crossing /900, Redwood City, CA</td>
<td>339,000 sf</td>
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<tr>
<td>Columbia Square, Hollywood, CA</td>
<td>480,000 sf</td>
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<tr>
<td>Academy Project, Hollywood, CA</td>
<td>475,000 sf</td>
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<tr>
<td>The Heights at Del Mar, San Diego, CA</td>
<td>73,000 sf</td>
</tr>
<tr>
<td>One Paseo, San Diego, CA</td>
<td>500,000 sf</td>
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## LEED Credentialed Employees at KRC

<table>
<thead>
<tr>
<th>Employee Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1 Rich Ambidge</td>
<td>LEED AP</td>
</tr>
<tr>
<td>2 Brian Brady</td>
<td>LEED AP</td>
</tr>
<tr>
<td>3 Kyle Brown</td>
<td>LEED AP</td>
</tr>
<tr>
<td>4 Morgan Clarke</td>
<td>LEED GA</td>
</tr>
<tr>
<td>5 Christa Duggan</td>
<td>LEED GA</td>
</tr>
<tr>
<td>6 Sarkis Hakopyan</td>
<td>LEED GA</td>
</tr>
<tr>
<td>7 Grace Hwang</td>
<td>LEED AP</td>
</tr>
<tr>
<td>8 Whitney Jorgenson</td>
<td>LEED GA</td>
</tr>
<tr>
<td>9 Alex King</td>
<td>LEED AP</td>
</tr>
<tr>
<td>10 Eileen Kong</td>
<td>LEED GA</td>
</tr>
<tr>
<td>11 Robert Masterson</td>
<td>LEED GA</td>
</tr>
<tr>
<td>12 Yana Medlock</td>
<td>LEED GA</td>
</tr>
<tr>
<td>13 Robert Paratte</td>
<td>LEED GA</td>
</tr>
<tr>
<td>14 Sara Neff</td>
<td>LEED AP</td>
</tr>
<tr>
<td>15 Sharla Shimono</td>
<td>LEED AP</td>
</tr>
</tbody>
</table>
Throughout 2014 we watched our 450,000 square foot office tower at 350 Mission St rise next to San Francisco's new Transbay Transit Center. We bought the project in October 2012 and fully leased it to Salesforce.com before that year’s end. After breaking ground in 2013, the project, targeting LEED Platinum, has continued to impress the San Francisco real estate market throughout its development process. This is because the design team incorporated sustainable and environmentally friendly elements into all aspects of the building core and shell.

350 Mission addresses energy efficiency through a variety of strategies and is anticipating a nearly 33% savings over the LEED baseline. The multistory open-air lobby will use underfloor air distribution to more effectively distribute heating and cooling from the floor to occupied areas, avoiding the need to heat or cool the entire large atrium. This system does not require as low a cooling temperature as traditional buildings do because higher delivery temperatures will be sufficient to produce the same ambient temperature conditions, substantially reducing energy requirements. This approach conserves energy when compared to traditional schemes that expend energy to first cool the area between an occupant's head and the ceiling. The engineering team also conceived a unique zoned heating and cooling approach that uses only enough energy to regulate the temperature of spaces used by occupants, and which delivers only the amount of air needed for comfort from the occupied floor level.

Another unusual feature of the building is its 11-foot exterior glass walls, which will not be perfectly vertical. They will instead cant slightly in or out on alternate floors. Beyond the architectural design benefit, this feature allows as much daylight in as vertical glass would but the slight angle will reduce solar loading.

The building will be capable of using 100% outside air for cooling. While most modern office buildings, even those in San Francisco's mild climate, are designed to limit the use of natural ventilation, 350 Mission will allow the use of ambient conditions to provide "free cooling" instead of mechanical refrigeration, further reducing the building's carbon emissions and delivering additional operational cost savings. Employing state-of-the-art computer software, the destination control elevator system will require fewer elevator cabs and will deliver occupants directly to their floors faster and with substantial energy savings.

The building plans to assist tenants in reducing their use of fossil-fuel powered vehicles by installing charging stations for electric vehicles, as well as the popular Zipcar® system. Over 100 bicycle racks are slated for installation, and bike commuters will be invited to use lockers and showers in the building's fitness facility.

When compared to conventional concrete construction, the structural design of 350 Mission eliminates the equivalent of 600 truckloads of concrete, which equates to the carbon emissions of 3.1 million miles of vehicle travel. The concrete will utilize 25% less cement than traditional concrete by using high volumes of fly ash, which is a recycled, regionally sourced material. Another benefit of the system is that less steel (used for rebar to strengthen the concrete) is required, and 90% of that steel will made of recycled materials. The structural design has two added benefits: it reduces the construction schedule by approximately a month by removing the need for a perimeter moment frame through performance-based seismic design. Also, it eliminates the need for a traditional ceiling system by providing a completely flat concrete soffit which Salesforce.com can leave exposed.

The project completed LEED design review in 2014, achieving all points for which it applied, and it will complete its LEED certification after construction is complete in 2015.
COMMUNITY OUTREACH
PARTNERSHIPS AND INDUSTRY CHALLENGES
In 2014, we worked with the following organizations and initiatives to meet our sustainability goals:

**2030 Districts**
2030 Districts are unique private/public partnerships that bring property owners and managers together with local governments, businesses, and community stakeholders to provide a business model for urban sustainability through collaboration, leveraged financing, and shared resources. Together they benchmark, develop and implement creative strategies, best practices and verification methods for measuring progress towards a common goal.

We were proud to be founding members of the San Francisco 2030 District, and have enrolled all of our San Francisco buildings that are within that District’s boundaries into the program. We also participate in monthly meetings to shape the goals and strategies of that District. In addition, we have also enrolled all of our Seattle buildings that are in the Seattle 2030 District’s boundaries into their program. Finally, though we do not have any buildings in the boundaries of the Los Angeles 2030 District, we still collaborate with that District as well to share best practices and learn from our peers.

**Better Buildings Challenge**
The Better Buildings Challenge (BBC) invites buildings to target reducing energy use at least 20% by 2020 from 2010 levels. We enrolled 1.2 million square feet in the 2014 BBC and included buildings throughout our portfolio, including San Diego, Los Angeles, and San Francisco.

**BOMA**
KRC is very active in the Building Owners and Managers Association (BOMA), and in 2011 we endorsed BOMA’s 7-Point Challenge. This is a voluntary commitment to report and reduce energy use, which we continued to do in 2014. Many of our employees serve on their regional BOMA Sustainability Committees, and BOMA is a major conduit for our advocacy activities.

**BOMA STARS**
The BOMA STARS campaign recognizes those companies that see the value in benchmarking their energy usage in Portfolio Manager as a means to effectively show that market transformation is working. Because we believe strongly in benchmarking our performance, we are advocates for this program and have shared our energy data with BOMA International.

**ENERGY STAR**
We continue to be an ENERGY STAR Partner, and as such we have benchmarked the energy use of all of our buildings in ENERGY STAR’s Portfolio Manager. Over the course of our partnership with ENERGY STAR we have met and then collaborated with other ENERGY STAR Partners in some of the most innovative projects we have tackled, such as Demand Response with triple net tenant participation.

**Global Real Estate Sustainability Benchmark**
GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. It is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large. We have disclosed a wide range of data related to our sustainability performance to GRESB for the last four years and will continue to do so, and have modified our sustainability programs in response to GRESB feedback. For example, GRESB prompted us to make more of our sustainability policies available on our website.

**USGBC**
We joined the US Green Building Council in 2011 to demonstrate our commitment to LEED and sustainability in building design, construction, and operations. In 2013 we became a Gold member and continued at that membership level in 2014. Via serving on our local USGBC chapters (our Vice President of Sustainability serves on the USGBC-Los Angeles Board of Directors) we have learned about and embraced new technologies and initiatives, such as specifying a 89% diversion rate for all Southern California tenant improvements.
**AWARDS**

**GRESB Regional Leader**
GRESB named us the North American Leader on sustainability in 2014. This means that we earned a #1 ranking out of 151 North American respondents to the GRESB, across all asset classes. More information on our GRESB performance can be found on page 40.

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**GRESB Green Star**
GRESB confers its Green Star award on the portfolios that score in the top quartile worldwide on sustainability. This is the second year in a row that we have earned the Green Star designation.

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**ENERGY STAR Partner of the Year**
EPA's annual ENERGY STAR Awards honor organizations that have made outstanding contributions to protecting the environment through superior energy efficiency. The award winners are chosen from nearly 16,000 partners that participate in the ENERGY STAR program, and the selection is extremely competitive.

Commercial landlords that win the prestigious award have demonstrated an organization-wide commitment to reducing energy costs for their tenants. This is the second year in a row that we have won ENERGY STAR Partner of the Year.

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**NAREIT Leader in the Light - Office Sector**
NAREIT awarded KRC its 2014 Leader in the Light Award for the Office sector. The Leader in the Light Award is NAREIT's highest sustainability honor in recognition of superior, comprehensive and continuous sustainability practices. It recognizes one winner in each property sector. NAREIT ranked us first out of 32 NAREIT member office companies. NAREIT evaluates various factors in selecting its Leader in the Light winners, including specific energy, water and waste initiatives and incorporates the results of GRESB.

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**Green Lease Leaders**
Green Lease Leaders is a new recognition program, developed by the Institute for Market Transformation with support from leading real estate experts, that distinguishes property owners, tenants, and brokers who are effectively using lease agreements as a tool to save energy and water in commercial buildings. We were among 14 companies, spanning over 400 million square feet of real estate, that were recognized as a 2014 Green Lease Leader.

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**Cool Planet Award**
The Cool Planet Project, administered by the Climate Registry in partnership with Southern California utility companies, highlights the relationship between energy use and GHG emissions, providing utility company business customers assistance in measuring and managing their energy and carbon output. While we do not currently have plans to do a deep analysis of our carbon footprint or participate in the Carbon Disclosure Project, we recognize that quantifying our emissions may become important to our stakeholders in the future and we want to get comfortable with the tools that make that analysis possible in the short term. The Cool Planet Award recognizes our participation in the Cool Planet Project.
Los Angeles Better Buildings Challenge Energy Innovation Award

The BBC is a national leadership initiative, which calls on public and private sector leaders to demonstrate the benefits of modernizing America’s existing buildings. Our Sunset Media Center building (6255 W Sunset Blvd) enrolled in the BBC in 2012 and in 2014 was recognized for implementing a wide range of energy efficiency projects that will likely help the building achieve its goal of reducing energy use by 20% this year, well before the 2020 deadline. These projects include a comprehensive window film installation, extensive mechanical upgrades, and Permafrost. Also, the building has begun installing LEDs in the lobby, exterior plaza and parking areas. Additional projects the building is considering include replacing the roof and additional lighting upgrades, more information on Sunset Media Center’s projects can be found on page 33.

Southern California Edison Integrated Demand Side Management: Excellence in Managing Energy Demand Award

Because of our success in and expansion of our Demand Response programs in their service territory, Southern California Edison gave us its Excellence in Managing Energy Demand Award. We intend to expand our Demand Response programs even further in both Southern California Edison and Pacific Gas & Electric territories in 2015.

Peak Load Management Alliance: Outstanding Demand Response Customer Award

The Peak Load Management Alliance Award Program recognizes those energy industry leaders who create innovative methods to meet peak load requirements, mitigate price risks and manage variable generation. We received the Outstanding Demand Response Customer Award for integrating an innovative suite of solutions, service providers and tools that provide a practical means to execute viable Auto-DR projects based on today’s economics and in so doing demonstrating a vision for the future value of this Auto-DR functionality. The solutions and providers include California utility sponsored Auto-DR incentives and on-bill financing with third-party HVAC Auto-DR platform, DR aggregation, and demand visualization tools. More information on our Demand Response Programs can be found on page 13.

Commercial Property Executive 30 Greenest Real Estate Companies

In 2014 Commercial Property Executive again named KRC one of the 30 Greenest Real Estate Companies of the year, this time ranking us 4th overall up from 13th last year. Commercial Property Executive is a leading integrated resource for executives and companies that own, invest in, develop, lease and/or manage commercial real estate. More information can be found at : http://www.cipexecutive.com/researchcenter/cpe-mhn-rankings/2014-greenest-companies

Individual Award: USGBC Orange County

The US Green Building Council of Orange County gave our Vice President of Sustainability its only 2014 Individual Award for Excellence in Sustainability out of over 200 applicants.
In September 2014 we were named the North American leader in sustainability by the Global Real Estate Sustainability Benchmark (GRESB). GRESB is widely recognized as the most rigorous standard for measuring the sustainability performance of real estate companies and funds, and GRESB participation has become standard practice for most of the world’s fund managers and listed property companies. GRESB ranked us first among 151 North American participants across all asset types, and fifth worldwide out of 637 total participants.

Of this achievement, John Kilroy said, “We are thrilled to be recognized as the top North American real estate landlord by GRESB. Sustainability is fundamental to how we do business and this recognition demonstrates to our investors that our sustainability programs are best-in-class.”

GRESB also gave us its Regional Sector Leader designation for ranking first among all North American office participants and awarded us its Green Star designation. Green Stars are top quartile performers across GRESB’s seven categories, which include environmental, social and governance performance indicators. We also earned the Green Star designation in 2013.

“Sustainability at KRC creates long-term value for our shareholders, tenants and employees. Earning the Regional Sector Leader and Green Star designations is an honor and spurs us to pursue even more sustainability initiatives in the coming years,” said Sara Neff, Vice President of Sustainability at KRC.

More than 100 institutional investors, representing US $6.1 trillion of capital, use GRESB results throughout the investment management and engagement process to optimize the risk/return profile of their real estate investments.
**BOMA 360**

The BOMA 360 Performance Program, sponsored by BOMA International, evaluates buildings against industry best practices in six major areas: building operations and management; life safety, security and risk management; training and education; energy; environmental/sustainability; and tenant relations/community involvement. Individual buildings that satisfy the requirements in all six areas are awarded the BOMA 360 designation, which lasts for 3 years. We have 2.8 million square feet of buildings that currently hold this designation, and an additional 770,000 square feet of buildings are planning to pursue it in 2015. Best practices from the BOMA 360 designation that we have endeavored to scale across our entire portfolio include the creation of a Standard Operating Procedures manual, green leases, and the implementation of green purchasing policies.

<table>
<thead>
<tr>
<th>#</th>
<th>Address</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Key Center, Bellevue, WA</td>
<td>488,470 sf</td>
</tr>
<tr>
<td>2</td>
<td>100 First St, San Francisco, CA</td>
<td>466,490 sf</td>
</tr>
<tr>
<td>3</td>
<td>303 Second St, San Francisco, CA</td>
<td>740,047 sf</td>
</tr>
<tr>
<td>4</td>
<td>7525 Torrey Santa Fe, San Diego, CA</td>
<td>103,979 sf</td>
</tr>
<tr>
<td>5</td>
<td>7535 Torrey Santa Fe, San Diego, CA</td>
<td>130,243 sf</td>
</tr>
<tr>
<td>6</td>
<td>7545 Torrey Santa Fe, San Diego, CA</td>
<td>130,354 sf</td>
</tr>
<tr>
<td>7</td>
<td>7555 Torrey Santa Fe, San Diego, CA</td>
<td>101,236 sf</td>
</tr>
<tr>
<td>8</td>
<td>3579 Valley Centre Dr, San Diego, CA</td>
<td>50,677 sf</td>
</tr>
<tr>
<td>9</td>
<td>3611 Valley Centre Dr, San Diego, CA</td>
<td>130,349 sf</td>
</tr>
<tr>
<td>10</td>
<td>3661 Valley Centre Dr, San Diego, CA</td>
<td>129,782 sf</td>
</tr>
<tr>
<td>11</td>
<td>3721 Valley Centre Dr, San Diego, CA</td>
<td>114,780 sf</td>
</tr>
<tr>
<td>12</td>
<td>3811 Valley Centre Dr, San Diego, CA</td>
<td>112,067 sf</td>
</tr>
<tr>
<td>13</td>
<td>Liberty Station, San Diego, CA</td>
<td>103,900 sf</td>
</tr>
</tbody>
</table>

**Total SF**: 2,802,374 sf
EMPLOYEE SERVICE
Rozalia Project

We continued our partnership with the Rozalia Project in 2014. The Rozalia Project is a high-performing nonprofit dedicated to water stewardship and research. In addition to sponsoring their 2014 Summer Trash Tour, we organized school outreach events for the Rozalia Project in San Francisco in partnership with the USGBC’s Green Apple Day of Service and participated in an ocean cleanup event there. We look forward to sponsoring their 2015 Summer Trash Tour and assisting them as their programs expand even further.

Highlights of the Rozalia Project’s 2014 work include:

- Working with 4,700 people in direct programs and continuing to deliver content to 30,000 people through the online program
- Picking up over 40,000 pieces of trash
- Being featured or mentioned in over 35 print and web outlets
- Delivering programs and working with partners in: Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania (Philadelphia), Vermont, California (San Francisco and San Diego) and a second international program in Antigua
- Participating in Green Apple Day of Service programs with San Domenico School in San Francisco: a cleanup along the Presidio and a presentation to the entire middle school on the day they kicked off a zero-waste initiative in their cafeteria
- The nonprofit’s founder Rachael Miller giving a TEDx talk at TEDx Lowell (http://bit.ly/TEDXCleanOcean), presenting as part of the Adventure Lecture series at Mystic Seaport
- Delivering a STEM education and ecology workshop at the US Sailing Leadership Forum in San Diego
- Delivering two talks at the Kilroy Cup
- Running three expeditions: Expedition PROTECT (working on keeping a vital kelp forest from being open to bottom trawling), Expedition RESTORE (working on innovative solutions to marine debris) and Expedition CLEAN (dedicated to surface to seafloor cleanup showing how much cleanups really do make a difference)
- In 2014, producing more videos and connecting with more people via social media than ever before increasing social media presence across all platforms by over 300%
PHILANTHROPY
Kilroy Scholarship at Loyola Marymount University
In furtherance of our recognized industry leadership on sustainability in LEED development and building operations, energy and water efficiency, waste reduction, and environmental community outreach, and in recognition of John B. Kilroy, Sr.’s unique and longstanding role as chairman of KRC, we established the Kilroy Scholarship at Loyola Marymount University (LMU) in 2013 with a gift of $100,000 each year for 10 years. The Kilroy Scholarship supports undergraduate students in the Frank R. Seaver College of Science and Engineering who are pursuing a degree in Environmental Science. This scholarship will allow academically deserving LMU students in financial need to pursue a high caliber education and enter careers in areas such as environmental protection, environmental education and natural resource management.

Charitable Donations (includes employee matching donations)
- Boys and Girls Clubs of San Francisco
- Breast Cancer Initiative
- Canyon Booster Club
- City of Hope LARE Spirit of Life Celebration
- CREW San Diego
- Cystic Fibrosis Foundation
- Ggwanga Mujje
- HAAS Business School Fund
- Junior League of Seattle
- Lasuen Reunion Run
- Reading Partners
- San Diego Fire Rescue Foundation
- Special Olympics of Southern California
- St Francis Sailing Foundation
- The American Cancer Society
- University of California, San Diego Foundation
- West Covina Alumni Association
- Yerba Buena Night
- YMCA of San Diego
ADVOCACY
Advocacy is becoming increasingly important to our sustainability programs as expanded regulation continues to drive change in our market. Many of our efforts in 2014 focused on California’s mandatory disclosure law, AB 1103, which has come under criticism since it went into effect January 1, 2014. Many of these criticisms surround data access issues, in which landlords are required to provide information that neither tenants nor utilities are obligated to give them. Later in 2014, the California Energy Commission decided this year to take the unusual, because the law had already gone into effect, step of holding a day of hearings. We participated on the ‘Impact on Building Owners and Real Estate Industry’ panel at these hearings to describe our experiences complying with this law. This complimented our work educating our own community about AB 1103, which we did through a series of BOMA speaking events and webinars. As a result of our interactions with the AB 1103 process, we have strengthened our lease language requiring tenants to provide their utility data directly to us, as we do not believe that our utilities will provide us tenant data without tenant authorization.

In addition, we are part of the AB 758 Steering Committee. AB 758 will require the Energy Commission to develop a comprehensive program to achieve greater energy efficiency in the state’s existing buildings, a large part of which involves energy benchmarking support.

Also in 2014 we began participating in the Department of Energy Stakeholder Engagement Data Accelerator to help formulate ideas to overcome the data access barriers faced by many building owners, and we participated in the City Energy Project’s Energy-Aligned Leasing Charettes. Additionally, we provided feedback to ENERGY STAR on two initiatives: expanding its certification program and refining its Share Forward feature.

In addition, we comment on legislation related to energy efficiency through BOMA; it is our policy to advocate for disclosure because we feel that since we are proactive on energy efficiency, we will be viewed favorably if our competitors have to disclose as well. We attended multiple Los Angeles Department of Water and Power hearings to advocate for the expansion of the Solar Feed in Tariff as well. Finally, we have engaged the LA Mayor’s office on energy efficiency and spoken at City Hall about our energy efficiency programs, including our Los Angeles ENERGY STAR certifications. We participate in other cities depending on the legislation they are considering that would impact our operations.
OTHER COMMUNICATIONS

We are very active in promoting our sustainability programs through a variety of channels. In 2014, social media became increasingly central to our communications. In addition to our typical tweets which highlight our various sustainability programs and projects, we were excited to launch our ‘How We Stay Certified’ twitter campaign in the summer of 2014, in which we tweeted daily about a tactic that each of our ENERGY STAR buildings used to maintain its certification. Our goal was to educate our community on the broad range of strategies we use to make our buildings as energy efficient as possible. According to Simply Measured, our reach on Twitter is 2,038,620 users. On a typical week, our sustainability tweets reach 10,421 accounts and, in a typical month, are seen approximately 12,800 times.

Other forms of communication include our corporate website and our Electronic Tenant Handbooks, both of which have a dedicated sustainability section. In addition, our sustainability team actively seeks out speaking events in the building sustainability community and beyond, and is proactive on engaging with students. Our 22 speaking events in 2014, an increase from 14 speaking events in 2013, reached approximately 760 professionals, 80 students and 15 utility representatives. We write articles in trade publications on energy efficiency, and work with the media to generate coverage of our programs. In particular, for very significant achievements such as winning NAREIT’s Leader in the Light Award we put out press releases via BusinessWire that are seen by 100+ media outlets and which often spur additional media coverage. We have received sustainability coverage in seven other publications, including the Motley Fool, REIT Magazine, Bisnow, the Eco Report, National Real Estate Investor, Cogeneration and Onsite Power Magazine, and Corporate Citizenship Briefing. These publications have a total audience size of over 2.4 million.

To help our community learn from our best practices, in 2014 we shared data with graduate students at the University of Southern California and the USGBC Demand Response research team to further knowledge of building energy efficiency. We share all of our consumption data with BOMA through its BOMA Stars program.
ETHICS & GOVERNANCE
CORPORATE GOVERNANCE

We are committed to corporate governance practices that support a business environment of uncompromising integrity. We reinforce this objective through our governance policies and compliance with the Sarbanes-Oxley Act of 2002, the Foreign Corrupt Practices Act and the rules of the Securities and Exchange Commission (“SEC”) and the New York Stock Exchange (“NYSE”).

The Board of Directors (the “Board”) is the Company’s highest governance body, followed by our executive officers. John Kilroy is the Chairman of the Board and the President and Chief Executive Officer.

The Board is comprised of five directors who are elected annually, four of whom are independent. The Board also has a Lead Independent Director who is elected annually from amongst the independent directors of the Board. The Board has three committees: the (1) Audit Committee, (2) Executive Compensation Committee and (3) Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee is responsible for making decisions related to social impacts.

We require that a majority of the Board be independent in accordance with the applicable provisions of the Securities Act of 1934 and the standards adopted by the NYSE. Additionally, the Audit Committee, Executive Compensation Committee and Nominating/Corporate Governance Committee consist entirely of independent directors as required by applicable law and NYSE listing rules. Of the five directors on the Board, all are white men between the ages of 58 and 66.

Interested parties may communicate with any of the directors, individually or as a group, by sending written communications to them at the below address:

Kilroy Realty Corporation
12200 W. Olympic Blvd, Suite 200
Los Angeles, CA 90064
Attn: Secretary

All communications should prominently indicate on the outside of the envelope that they are intended for the full Board, for independent directors only, or for a particular group or member of the Board, as applicable. A stockholder seeking to have a proposal included in our annual proxy statement for the 2015 annual meeting of stockholders must comply with the applicable rules and regulations of the SEC.


Our sustainability performance is reported to the Board via our quarterly Earnings Report, prepared by our Treasurer, and our boilerplate language.

There are several mechanisms available for employees and others to report issues to governing bodies at KRC. These include speaking to Designated Officers (as defined in the Company’s Code of Business Conduct and Ethics) or reporting to the Audit Committee of the Board of Directors through our anonymous and confidential Conduct Hotline, which is hosted by NAVEX Global, Inc., an independent third-party provider. The Conduct Hotline can either be accessed by phone at 877/874-8416 or online at: [https://kilroyrealty.alertline.com/](https://kilroyrealty.alertline.com/). Issues reported via the Conduct Hotline are sent to our corporate counsel and the appropriate Designated Officer. There were no significant issues raised via the Conduct Hotline in 2014.
Corporate Overview
Existing Buildings
New Development
Community Outreach
Ethics & Governance
GRI Index

ECONOMIC PERFORMANCE
Information on the company's financial performance, dividend and market capitalization can be found by visiting: http://phx.corporate-ir.net/phoenix.zhtml?c=79637&p=irol-reportsannual.

ENTITIES
Kilroy Realty Corporation is a publicly-traded real estate investment trust, or REIT, and the general partner of Kilroy Realty, L.P. Kilroy Realty, L.P. and its subsidiaries own, develop, acquire and manage real estate assets in West Coast real estate markets. Kilroy Realty Corporation has a 100% ownership interest in Kilroy Realty Finance, Inc., which is the general partner of Kilroy Realty Finance Partnership, L.P. Kilroy Realty Finance Partnership, L.P. and its subsidiaries also own, develop, acquire and manage West Coast real estate assets. Kilroy Realty Corporation and Kilroy Realty, L.P. are the entities included in our consolidated financial statements. No entity included in our consolidated financial statements is excluded from coverage in this sustainability report. We are headquartered in Los Angeles, California.

STAKEHOLDER ENGAGEMENT
We take an active approach to stakeholder engagement, and we incorporate stakeholder comments into our business decisions. Our stakeholders are the main drivers of our operations, and we take pride in communicating with them via a wide variety of methods. These include tenant satisfaction surveys, quarterly earnings calls, community town hall meetings, community service events, social media, industry conferences and other events, press releases, third party surveys, employee meetings, tenant sustainability memos, government hearings, broker gatherings, and in-person interactions with contractors, vendors and suppliers. We disclose our sustainability data to our investors via GRESB and this report. The activities listed below were not specifically undertaken as part of the report preparation process.
Stakeholder Engagement

Tenants
- Dedicated Asset Management teams
- Biennial tenant satisfaction surveys
- Social media
- Electronic Tenant Handbooks
- Quarterly tenant sustainability memos
- Tenant appreciation events
- In-person recycling revitalization training
- Competition participation
- Collaboration on efficiency projects
- Earth Day events

Our tenants increasingly tell us how important sustainability is to them, especially energy and water efficiency, as well as availability of composting. This is the main driver behind our continued commitment to energy, water and recycling projects. Our tenants are also more and more interested in having us install electric vehicle charging stations in their properties, and as a result of this feedback we have installed additional stations throughout our portfolio. Social media is becoming an increasingly important way we communicate with and engage our tenants. In response to 2014 tenant feedback, we have scaled our aqueous ozone pilot and increased bicycle accessibility in several buildings.

Employees
- Training programs and support
- Annual performance reviews
- Intranet site for internal communications
- Whistleblower mechanism

At the beginning of each year the Sustainability team meets with each Asset Management team to discuss projects that the team would like to engage in that year, typically ranging between five and ten projects. This sustainability report is an important vehicle for celebrating the sustainability accomplishments of our teams.

Investors
- Quarterly earnings calls including Q&A with senior management
- Dedicated Investor Relations team
- Investor meetings and investor events
- Questionnaires and surveys from investors and their consultants regarding social responsibility and sustainability efforts
- Property Tours

Transparency is a key concern for our investors, which is why we believe several of our investors have requested that we participate in GRESB, and we have done so since 2011 as a result of this feedback. We received no proposals from shareholders for the 2015 annual meeting.
Government

- Attendance at hearings related to sustainability
- Collaboration throughout the permitting process for new developments and major renovations
- Engagement with government representatives on sustainability issues
- Advocacy related to specific development projects
- Working group/committee participation for the development of new legislation

Our local governments have indicated through their permitting processes their increasing focus on sustainability. As a result, our development projects are targeting higher and higher levels of sustainability performance, and this has led to expedited permitting in many areas. We are participating with the California Energy Commission on the creation of AB 758, the Energy Efficiency in Existing Buildings bill, via its AB 758 Steering Committee. We also began participating in the Department of Energy Stakeholder Engagement Data Accelerator in 2014 to help formulate ideas to overcome the data access barriers faced by many building owners. Finally, specific development projects require the approval of local or city planning commissions, and we engage in government advocacy around those projects.

Brokers

- Annual broker appreciation event
- Informal broker events throughout the year
- Attendance and hosting of various broker meetings
- Panel discussions/webinars

We have been increasingly engaging our brokers on sustainability issues, and in 2014 this was recognized when we earned Green Lease Leaders recognition, more information on page 38. Our utility disclosure language in our leases, which last year we noted was problematic for many brokers, has turned out to be particularly effective. We continue to put additional sustainability language into our leases to ensure that our buildings are occupied and operated as sustainably as possible. In addition, in 2014 we participated in multiple panel discussions and webinars with brokers on tenant engagement and green lease issues.
On a regular basis we fill out surveys distributed by a variety of NGOs, which suggests that there is expanding interest in the owner perspective on sustainability concerns. We received extremely positive feedback from the NGOs we engaged with for employee volunteerism, and will be increasing our participation in these events in the future. In addition, we have engaged in strategic partnerships with certain NGOs, such as The Climate Registry on its Cool Planet initiative.

Industry Associations
- Writing articles for publication
- Participation on committees and leadership teams, such as BOMA
- Active participation at conferences and meetings
- Partnerships

Our industry associations, most notably BOMA, have indicated that we are considered leaders in environmental sustainability, and we are requested more and more often to contribute to trade publications, conferences, seminars, and other industry forums. In response to this we have increased our presence in these forums, and 760 industry professionals attended our 22 sustainability speaking engagements in 2014.

Contractors, Vendors and Suppliers
- Attendance at conferences and other industry events
- Contract development and interaction throughout duration of service
- One-on-one meetings and calls
- Collaboration on publications

Contractors, vendors and suppliers are interested in our capital budget process and the environmental criteria for choosing with whom we work, including how we calculate the financial return for an environmental investment. We are working to be as transparent as possible on these issues.
Media
- Press releases
- Articles written for relevant news outlets
- Interviews with media regarding KRC operations and sustainability
- Events around significant achievements, such as groundbreakings
- Social media
All of the media articles which mention our sustainability programs in 2014 can be found here: [http://www.kilroyrealty.com/Sustainability/PressReleases.aspx](http://www.kilroyrealty.com/Sustainability/PressReleases.aspx). Our social media presence grew significantly in 2014.

Communities
- Hosting community events, such as emergency preparedness awareness events
- Interaction with communities throughout the development process, such as town hall meetings

Our local communities provide us with specific feedback on development projects in their areas. Our Development & Government Affairs team identifies community stakeholders via engagement with local officials and their experience developing projects in our core markets, and they solicit feedback through town halls, charrettes and dedicated project websites, among other methods. We have changed our development programs as a result of this feedback by, for example, reducing the size of the One Paseo project or increasing public transportation access at Columbia Square.

ETHICS
Obeying the law, both in letter and in spirit, is the foundation on which our ethical standards are built. Each employee has an obligation to comply with federal laws and the laws of the states, counties and cities in which we have properties and operate our business. We will not tolerate any activity that violates any laws, rules or regulations applicable to us. This includes, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. This policy is addressed in the corporate Code of Conduct each employee is given upon their hiring and is additionally sent out once a year to all employees from our Chief Operating Officer. Employees who become aware of noncompliance with our Code of Conduct are encouraged to make use of our whistleblower hotline if they do not feel comfortable bringing up the issue with a supervisor or Human Resources. Vendors and contractors are asked to bring any issues to their building management team.
EMPLOYEES
At KRC, we believe our people make a difference. The success of our business is tied to the quality of our staff and we strive to maintain a corporate environment without losing the entrepreneurial spirit on which we were founded more than 65 years ago.

Within the scope of this report, there is no substantial portion of our work that is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. We are not reporting on the work performed by third-party vendors and contractors in the construction and operation of our buildings.

We have had no significant variations in employment numbers.

4% of our total employees are covered by collective bargaining agreements.

TOTAL WORKFORCE AS OF DECEMBER 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Total Employees</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPERVISORS</td>
<td>109</td>
<td>46</td>
<td>63</td>
</tr>
<tr>
<td>SUPERVISED WORKERS</td>
<td>117</td>
<td>84</td>
<td>33</td>
</tr>
</tbody>
</table>

TOTAL WORKFORCE BY REGION AS OF DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Employees</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRVINE/SAN DIEGO REGION</td>
<td>31</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>LOS ANGELES REGION</td>
<td>124</td>
<td>67</td>
<td>57</td>
</tr>
<tr>
<td>SAN FRANCISCO REGION</td>
<td>54</td>
<td>34</td>
<td>20</td>
</tr>
<tr>
<td>SEATTLE REGION</td>
<td>17</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>
We support the continual improvement of training and education programs for our employees. We had one in-person training module in 2014 for our managers to improve their leadership and communication skills. The total number of training hours related to Human Resources totaled approximately 4.5 hours per person.

There were many other training topics that happened throughout the company in 2014. Individual teams conducted training as appropriate on topics such as energy, water and waste benchmarking and the operating of new mechanical equipment.

### Training and Education by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
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</tr>
<tr>
<td>Male</td>
<td>4.5</td>
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</table>

### Employee Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive/Senior Level Officials &amp; Managers</td>
<td>4.5</td>
</tr>
<tr>
<td>First/Mid-Level Officials &amp; Managers</td>
<td>4.5</td>
</tr>
<tr>
<td>Professionals</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Education Tuition Reimbursement**

We will consider individual requests for tuition reimbursement from employees who have completed at least one year of continuous service. For reimbursement under this policy, courses must be job-related, and have direct applicability to the employee’s growth and development.

If an employee wishes to receive tuition reimbursement to attend classes, seminars, conferences, and meetings he or she should first receive written approval from his or her immediate supervisor and department head prior to enrolling to verify eligibility of this reimbursement benefit. The request must identify the date, time, location and subject matter of the presentation; how it is job related, and an estimate of the expenses. The supervisor will then forward the request to the Human Resources department for final approval.

If the request is approved, the employee will be required to submit written evidence upon successful completion prior to reimbursement. Approvals are required for each class, course, seminar, conference or meeting. We will reimburse the employee for his/her related expenses including travel, registration fees, workbooks, lodging and meals not included in the registration fees. The time off for employee’s attendance and travel will be paid at the employee’s normal rate of pay.

The time spent by an employee in voluntarily attending any continuing education program covered by this policy is not regarded as hours worked and therefore is not calculated for purposes of overtime.

Employees within our Asset/Property Management department are encouraged to take BOMA courses each year to reach the applicable professional designations for their position. BOMA International is a leading source for industry education that offers a variety of programs designed to enhance and advance the careers of commercial real estate professionals. Approximately 37% of our asset management team took BOMA courses in 2014.
Performance and Career Development Reviews
All of our employees receive an annual performance review. We have an established process for annual performance evaluations. These evaluations are done in the same timeframe as the review of annual incentive compensation. One of the general factors on the performance appraisal form is ‘Attendance/Adherence to Policy’ which requires the supervisor to address whether the employee follows safety & conduct rules, other regulations and adheres to company policies. The CEO, COO and CFO, at their discretion, may also discuss performance expectations with respective employees either verbally and/or in written form.

<table>
<thead>
<tr>
<th>EMPLOYEE CATEGORY</th>
<th>Performance Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Support Workers</td>
<td>100%</td>
</tr>
<tr>
<td>Craft Workers</td>
<td>100%</td>
</tr>
<tr>
<td>Executive/Senior Level Officials &amp; Managers</td>
<td>100%</td>
</tr>
<tr>
<td>First/Mid-Level Officials &amp; Managers</td>
<td>100%</td>
</tr>
<tr>
<td>Professionals</td>
<td>100%</td>
</tr>
<tr>
<td>Service Workers</td>
<td>100%</td>
</tr>
</tbody>
</table>

Diversity and Equal Opportunities
We are an equal opportunity employer that recruits, hires, trains, and promotes personnel for all areas of employment without regard to race, color, creed, religion, sex, sexual orientation, gender, national origin, ancestry, age (over 40), physical or mental disability, medical condition, veteran status, marital status, genetic characteristics or traits, or any other status protected by federal, state or local laws.

Non-Discrimination
We had no incidents of discrimination reported during 2014.
ENVIRONMENTAL STEWARDSHIP

The concept of formal environmental grievance mechanisms as contemplated by the GRI guidance documents is not applicable to us as a REIT. However, we have procedures in place for responding to environmental incidents. Examples of environmental issues that can arise at a property include water intrusion, mold, air quality or water quality issues, leaking underground storage tanks or pipes, and the presence of asbestos-containing materials or lead-based paint. There were approximately 93 reports completed in 2014 relating to the discovery, investigation and remediation or abatement of various environmental incidents throughout our portfolio. There are a handful of incidents that arose during 2014 that are still in the process of discovery and/or remediation or abatement, but other than these few incidents, we are not aware of any other incidents that arose in 2014 that remain unresolved. None of these issues have been deemed significant.

We have flexible procedures in place for responding to environmental issues that arise, including those discovered or raised by tenants. The procedures are somewhat flexible, because each situation requires a specific, targeted response for best results, however, we implement and abide by all applicable statutory and regulatory requirements when responding to an environmental incident. There are currently written procedures in place for addressing suspected mold, as well as asbestos, and written protocols for responding to other types of environmental incidents are being formulated for distribution throughout the organization.

We handle all other environmental incidents in generally the same manner. For example we: (1) have a set internal person (our internal environmental counsel) that oversees, coordinates and is accountable for addressing all environmental incidents that arise; (2) ensure that internal counsel, external counsel, and external environmental consultants are involved as early as possible in the process; (3) have written reports completed to detail the incident, the related investigation, findings pertaining to the investigation, and (4) ensure that the report gets into the hands of those who need it including property managers, asset managers, and our internal insurance coordinator. Moreover, our internal environmental counsel is used as a resource to guide our employees on how to handle environmental incidents that arise throughout the portfolio.

Many issues are first discovered by janitorial, contractors or other maintenance personnel, or tenants. This party reports the issue to their asset management or construction contact. The asset or construction manager then reports the issue to Kilroy’s environmental attorney, triggering the investigation process. The attorney will evaluate the issue and if necessary bring in outside environmental counsel, who will then contract with the appropriate consultants to further evaluate and/or remediate the issue. If environmental consultants have been engaged, a matter will be closed upon receipt from the consultant a clearance report, which indicates that the issue was corrected or remediated and the consultant has inspected the area and deemed the corrective action to be sufficient.

We did not have any significant fines or non-monetary sanctions regarding environmental compliance in 2014.
LOCAL COMMUNITIES
We recognize that our buildings are part of larger community systems. Our tenants are looking for prime locations within neighborhoods close to public transportation and amenities such as restaurants and fitness centers, and community features are a deciding factor in our development and acquisition plans. We also recognize that our buildings have the potential to either benefit or detract from their local communities, which also impacts our decision-making, and is why we created an in-house Land Use team. We strive to create buildings that complement and benefit their neighborhoods; for example, we designed 333 Brannan Street with a brick exterior to match the aesthetic of neighboring buildings, and we decided proactively to reduce the size of our Columbia Square project. Our sensitivity to community systems has enabled us to become a successful landlord in a variety of desirable west coast locations.

In addition, we implement local community engagement and environmental impact assessment programs in all of our development projects. By square footage, our development programs comprise 27% of our operations. All of these projects involve an assessment of the existing environmental conditions, and, where needed, an Environmental Impact Report (EIR). EIRs are disclosed publicly as part of the entitlement process. We also proactively engage local communities as part of our development process using a variety of forums, from town hall meetings to charettes to websites that solicit feedback to open houses. The goal of these programs is to ensure that our development projects meet the needs of the local community. Our One Paseo project, for example, is in a lengthy local community engagement process, and has reduced the size of the development plan in response to community feedback. During construction, community members that have noise, traffic or pollution concerns are encouraged to bring those concerns to the relevant asset management or construction teams; in rare instances community members have contacted the appropriate city official to investigate a noise issue. For large development projects, a community hotline is prominently displayed on billboards on active corners of the project site to provide community members information and an avenue to address concerns. Concerns brought to us via the hotline are addressed within 48 hours. These billboards also display the high-level construction activity schedule.

CLIMATE CHANGE IMPACTS AND RISKS
We are well-positioned among office REITs to minimize the financial risk of climate change and to capitalize on business opportunities that may result. Because we have been proactive on sustainability in both developing and operating buildings that meet high industry standards for environmental performance, we have been and will continue to be able to meet the increased tenant demand for sustainable buildings that we think will be one of the results of climate change concerns. By addressing customer and community sustainability objectives, we can be more successful in our development efforts and win more business.

Being proactive in our community on sustainability via articles, industry forums and interviews also protects our reputation in our industry. In addition, we have comprehensive risk management procedures and disaster recovery plans in place in the event of a disruption to our business or our properties. Also, because we recognize that as a result of climate change our stakeholders are asking for increased transparency, we are improving our voluntary disclosure efforts, which include this report, many survey and questionnaire responses, participating in GRESB and the information available on our website. We have found that because we are so proactive on managing climate change risks, we are able to leverage those efforts on the risk management side by obtaining competitive insurance premiums for our buildings.
We see the following as possible consequences of climate change:

1) Higher costs for energy and water

We manage rising costs for energy and water through our efficiency programs to protect our tenants, but it is possible that as a result of climate change these costs could increase much faster than we can reduce our energy and water use. In particular, California is experiencing an intense drought and we anticipate severe pricing signals around water use in the short term. We are actively pursuing aggressive water reduction projects to mitigate this risk.

While we believe we will remain an attractive landlord in comparison to other West Coast landlords, tenants could decide to leave our area entirely for parts of the country where utility costs are lower. To mitigate this risk, we focus on initiatives designed to decrease energy and water costs in our buildings.

In addition, climate change may cause changes in building energy consumption patterns leading to increased costs because our buildings may set their peak demand charges at unexpected times. We are in the process of enabling all of our buildings to participate in Demand Response to mitigate this risk. Similarly, utilities will increasingly change our rate structures to dynamic pricing structures, and our ability to shed load on an immediate as-needed basis will help with this risk as well.

2) Increased environmental regulation

We strive to implement sustainability measures far before they are required by code, so we have mitigated this risk, and in the event that even stricter regulations than anticipated are implemented, we are well positioned to respond quickly. We believe we are ahead of our peers in anticipating new energy regulations; for example, because we were prepared, complying with AB 1103 was less burdensome for us than certain competitors. Increased regulation could, however, result in increased costs that motivate some tenants to leave California entirely.

We do not currently anticipate that the office real estate industry will be regulated by carbon emissions legislation in the short term, though the effects of this legislation on other industries may indirectly affect us through higher energy costs, higher raw materials costs, and increased tenant demand for sustainable properties. In this case, we believe that the market will reward our energy conservation efforts because our highly energy efficient buildings will be increasingly attractive to future tenants.

As a result of California’s drought, we anticipate water regulation impacting our buildings in the short term. We have taken significant measures to reduce our water use, but may see the need to make more drastic reductions in the future, which could impact building operations and the tenant experience. However, we believe that these regulations will be much more negative for our competitors that have not been proactive on water efficiency.

In addition, there may be increased government incentives for energy conservation, and we are well positioned to take advantage of these opportunities. We already take advantage of a range of government and utility incentives to improve the efficiency of our portfolio.
3) Higher costs and more regulation on development activities
As a result of climate change, sourcing materials for our buildings could become increasingly expensive, and there could be disruptions to the supply chains of our building materials, potentially extending construction times. Also, there could be increased permitting restrictions around new construction, potentially around water use or renewables. We have an experienced development team who will be able to mitigate these increases as much as possible. In addition, by committing to sustainable building, we have experienced expedited approvals and community support.

4) Emphasis on Resilience
We anticipate an increased market focus on resilience as a result of climate change both in the existing and the development portfolios. We have completed some mitigation of this risk in the existing portfolio, by, for example, adding backup generators to many of our buildings. However, we must make both our existing and our new buildings as resilient as possible, so we are actively investigating new technologies focused on resilience such as battery storage. We anticipate positive synergies between these technologies and our existing energy efficiency systems.

5) Increased attractiveness of West Coast properties
We believe that the increased number of severe weather events and temperature fluctuations predicted by the scientific community will make our properties increase in attractiveness to potential tenants who may, for example, want to avoid the hurricane-prone eastern seaboard. Our office locations are in temperate climates that will experience relatively fewer extreme temperature fluctuations as elsewhere in the country, especially our Northern California and Washington properties.
CONCLUSION

Thank you for reading our fourth annual sustainability report. We have continued to build on our previous success and our sustainability programs are now robust and innovative. We were thrilled that we received even more recognition from outside stakeholders for our work this year.

Our goal is always 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. We want to be the standard against which other real estate developers, owners and operators are judged on their sustainability performance, and we will do so by having the most rigorous and comprehensive sustainability programs in the market. The recognition we received in 2014 for our programs indicates that we have made progress towards achieving this goal.

Sara Neff (Vice President, Sustainability) and Sharla Shimono (Sustainability Coordinator) prepared this report. We attest that the information contained in this report is accurate and addresses all aspects of our sustainability programs material to our stakeholders.

Special thanks to Tyler Rose, Jeff Hawken, Pauline Hudson, Keely Hale, Joe Magri, Lauren Follett, Scott Ritto, Mary Watkins, Brooke Dowling, Phil Tate, Michelle Ngo, Jim Rosales, Bill Wendt, Shanna Braga, Alex King, Robert Masterson and Josh Garza for their help in the preparation of this report.

For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or sneff@kilroyrealty.com. More information about our sustainability programs and corporate responsibility practices is available on our website at www.kilroyrealty.com/sustainability and on Twitter @kilroygreen.
This is our fourth corporate sustainability report and third developed in accordance with Global Reporting Index (GRI) guidelines. This is our second report using the G4 guidelines. The report covers all of our activities, all of which are located in the United States, during calendar year 2014. We publish a corporate sustainability report on an annual basis. The last KRC corporate sustainability report was published in April 2014 and covered calendar year 2013. Since our last report, we have restated the 2013 energy reduction information, on page 18. We have also restated the 2013 waste diversion information, on page 22. There have been no other restatements. Since last year’s report, we have increased the square footage of our stabilized portfolio by approximately 11% percent, from 12.7 million square feet to 14.1 million square feet. Like-for-like, our occupancy increased over this period from 93.4% to 94.4%. We have chosen the ‘Core’ in accordance option for our sustainability report. The external assurance report can be found on pages 65-67. The external assurance has used the AA1000 Assurance Standard (08) as the basis of the assurance.
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### Base Building

#### Common Areas
- **Fuel**: 36,376, 29,690
- **District Heating & Cooling**: 80,984, 82,865
- **Electricity**: 37,326, 36,675

#### Shared Services/ Central Plant
- **Fuel**: 14,669, 14,385
- **District Heating & Cooling**: 132,978, 133,925
- **Electricity**: 7,576,097, 7,576,097

### Whole Building

#### Combined Consumption
- **Fuel**: 36,376, 29,690
- **District Heating & Cooling**: 88,014, 78,539
- **Electricity**: 88,014, 78,539

### Whole Energy Usage of Base Building
- **Total Energy Usage of Base Building**: 132,978, 133,925
- **Total Energy Usage of Managed Assets**: 132,978, 133,925

### Tenant Space

#### Purchased By Landlord
- **Fuel**: 14,669, 14,385
- **District Heating & Cooling**: 132,978, 133,925
- **Electricity**: 7,576,097, 7,576,097

#### Purchased By Tenant
- **Fuel**: 14,669, 14,385
- **District Heating & Cooling**: 132,978, 133,925
- **Electricity**: 7,576,097, 7,576,097

### Whole Energy Usage of Tenant Areas
- **Total Energy Usage of Tenant Areas**: 132,978, 133,925
- **Total Energy Usage of Whole Building**: 132,978, 133,925

### Indirectly Managed Assets

#### Whole Building
- **Fuel**: 36,376, 29,690
- **District Heating & Cooling**: 88,014, 78,539
- **Electricity**: 88,014, 78,539

#### Outdoor Exterior/ Parking
- **Fuel**: 14,669, 14,385
- **District Heating & Cooling**: 132,978, 133,925
- **Electricity**: 7,576,097, 7,576,097

### Total Energy Usage of Indirectly Managed Assets
- **Total Renewable Energy Usage**: 312.9, 312.9

### Total Energy Usage of Whole Portfolio
- **Total Energy Usage of Whole Portfolio**: 257,683, 242,441

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*Corporate Overview*  
*Existing Buildings*  
*New Development*  
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INDEPENDENT ASSURANCE STATEMENT

Scope and Objectives

DNV GL Business Assurance USA Inc. (DNV GL) was commissioned by Kilroy Realty Corporation (KRC) to conduct independent assurance of its 2014 Sustainability Report (the Report), as published on the company’s website at http://www.kilroyrealty.com/Sustainability/SustainabilityReport.aspx.

The assurance process was conducted in accordance with the AccountAbility 1000 Assurance Standard (AA1000AS 08). We were engaged to provide Type 2 assurance to a moderate level, which covers:

- Evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality, and responsiveness (the Principles)
- The reliability of specified sustainability performance information. This included data relating to Energy, Water and Waste and related claims in the report.

We followed the procedures as outlined in our VeriSustain protocol to complete the project. Information presented in the Report, with the exception of financial information presented in the Corporate Overview, was included in the scope of our assurance engagement. We used the Global Reporting Initiative (GRI) Quality of Information Principles (Balance, Clarity, Accuracy, Reliability, Timeliness and Comparability) as criteria for evaluating performance information.

Responsibilities of KRC and of the Assurance Providers

KRC has sole responsibility for preparation of the Report. DNV GL, in performing our assurance work, is responsible to KRC management. Our statement, however, represents our independent opinion and is intended to inform all stakeholders including KRC management.

DNV GL was not involved in the preparation of any part of the Report. This is our second year of providing assurance for KRC. Our sister company, DNV GL Energy Services USA, Inc. is additionally employed by KRC to provide new building commissioning, energy modeling, and development of energy measurement and verification plans. We adopt a balanced approach towards all stakeholders when performing our evaluation.

Our team included: Dave Knight and Natasha D'Silva and Stephanie Alderson. Further information, including individual competencies relating to the team, can be found at: www.dnvglsustainability.com.

Basis of Our Opinion

Our work was designed to gather evidence with the objective of providing assurance as defined in AA1000AS 08. We undertook the following activities. We:

- Visited Corporate Headquarters in Los Angeles;
- Conducted interviews with the Chief Financial Officer, Chief Operating Officer, Senior Director Risk Management, VP Human Resources, Senior Vice President Corporate Counsel, VP Development and Government Affairs, and VP Sustainability. They are responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand KRC’s governance arrangements, stakeholder engagement process, management priorities, and systems;
- Conducted a general review of issues that could be relevant to KRC’s operations and policies to provide a check on the appropriateness of statements made in the Report;
- Assessed documentation and evidence that supported and substantiated claims made in the Report;
- Reviewed the specified sustainability data collated at the corporate level and statements made in the Report;
- Interviewed managers responsible for internal data validation, reviewed their work processes, and undertook sample checks on consolidated sustainability data;
- Provided feedback on early versions of the Report based on our assurance scope. As a result, some changes were incorporated into later versions of the report.
Our Opinion
On the basis of the work conducted, nothing came to our attention to suggest that the Report does not properly describe KRC’s adherence to the Principles of Inclusivity, Materiality, and Responsiveness. Moreover, nothing came to our attention to suggest that the data and claims made in the Report are not accurate and complete.

We consider the Report to be an impartial description of KRC’s sustainability strategy, management and performance.

Observations
Without affecting our assurance opinion, we have noted the following areas of strong practice as well as opportunities for KRC to further improve its adherence to the Principles and reporting of performance information:

Inclusivity: the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability
The REIT sector is extremely active in sustainability as it sees results being impacted by performance in this area. KRC is a leader in its sub-sector as shown by the multiple awards won, benchmarking performance and the clear engagement at every level of the organization. This means that sustainability aspects are embedded in most engagement activities at KRC, and that this engagement is structured as part of normal business activities. There is clear evidence that the insight and expectations of stakeholders are informing decisions made at KRC and that this is reflected in the report content.

The examples provided are relevant and demonstrate how KRC is using engagement to push sustainability performance in line with its business strategy. For example, the information on advocacy and on involvement in industry forums shows the company’s commitment to pursue sustainability improvements outside its direct control. It would be useful to understand how specific city advocacy could be more widely replicated and how advocacy is prioritized.

Tenant engagement including green leasing remains a strong area and more detail on engagement around new development is provided. As per last year’s recommendations, it would be beneficial to understand more about contractor and supply chain engagement.

Materiality: identification of those issues which are necessary for stakeholders to make informed judgments concerning KRC and its impacts
The Report provides a comprehensive overview of KRC’s activities and addresses the most material environmental, social and governance issues facing the company and its stakeholders.

KRC updated its materiality assessment through internal review and has included the 2014 matrix in the report. We recommend that external stakeholders are formally involved in this process in future in order to help validate the systematic thinking behind issue prioritization and report coverage.

The implications of climate change risk on the portfolio are again commendable as is the increased coverage of health impacts of buildings and the use of the Well Building Standard. Interviewees clearly articulated the importance of site selection and the role KRC buildings will have within a neighborhood. This understanding of system conditions could usefully be expanded in the report.

Responsiveness: the extent to which an organization responds to stakeholder issues
A number of examples are included which demonstrate how KRC has altered proposed developments in light of community concerns and other feedback. For example, the One Paseo development case study, which is subject to ongoing engagement with the community and remains at planning stages, is useful to help build an understanding of how the development process works and how it needs to adapt in order to ensure the development balances the needs of its multiple stakeholders.

As sustainability management becomes more sophisticated, we recommend that KRC provide further examples of how it intends to achieve the scale of change that accepted science indicates is required across various aspect areas. For example, with limited scope to include renewables directly in developments, how is KRC going to continue its trend of energy reduction and low carbon energy provision for its buildings?
Performance Information

The Report reflects KRC’s desire to present a balanced account of the activities and results relevant to the reporting year, which is consistent with the corporate strategies.

Goals and performance data is presented clearly and in a way that trends can be seen. The balance of the information is good with areas where performance has not met expectations covered alongside areas where performance has exceeded targets. Further information on the context of performance as a proportion of total portfolio and the extent to which performance improvements are deemed possible in light of the science around acceptable environmental thresholds would be beneficial.

Energy, waste, and water data presented in the report are considered to be reliable and accurate as minimal technical errors were identified based on our sampling. These errors have been corrected. It would be useful to see CO2 data where systems allow its effective collation and calculation.

As a result of its partnership with Goby, KRC has begun automating its energy and water benchmarking. As KRC continues to transition its portfolio to the Goby platform, we recommend conducting quarterly checks in the like-for-like portfolio and assessing explanations for buildings with greater than 10 percent deviations from the prior year’s performance. KRC currently audits its data at various frequencies depending on the data point in question and is increasing the number of audits and coverage. As per our recommendation last year, we welcome ongoing reporting on the outputs of these audits to enable report users to understand areas of strong performance and those targeted for improvement.

DNV GL Business Assurance USA Inc.
Oakland, 10th April 2015

Dave Knight
Project Director

Natasha D’Silva
Consultant

Tom Gosselin
Technical Review

The purpose of the DNV GL group of companies is to promote safe and sustainable futures. The USA & Canada Sustainability team is part of DNV GL Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.

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