KILROY REALTY CORP
Form DEF 14A
April 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

KILROY REALTY CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, If Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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KILROY REALTY CORPORATION

12200 W. Olympic Boulevard, Suite 200

Los Angeles, California 90064

April 8, 2016

To Our Fellow Stockholders:

On behalf of the entire Board of Directors of Kilroy Realty Corporation (NYSE: KRC), we are pleased to present you with KRC s 2016 Proxy Statement and we invite you to attend KRC s 2016 annual meeting of stockholders.

Through the years, we have operated with a consistent, long-term strategy drive stockholder value by using our extensive real estate knowledge to build the premier franchise located in the best markets along the West Coast. We utilized this platform in 2015 to generate impressive results, which included strong earnings growth, sector-leading same-store growth, significant value-creating development completions, the highest grades in building sustainability metrics and the maintenance of a strong balance sheet during a period of substantial funding needs.

After generating a very strong absolute and relative stockholder return for the prior three-year period, as with most of our peers our market valuation suffered in 2015. But we believe, over time, the significant value we have created for our stockholders will be realized and reflected in our share price.

Our Board is actively involved in reviewing and overseeing our strategy and its execution. During 2015, we continued to refresh our Board by adding another new independent director after adding two in 2014. Jolie Hunt, the Principal and founder of Hunt & Gather, a marketing and communications agency based in New York City, joined the Board in May. Her extensive background working with some of the world s leading media and technology companies has been a terrific resource to our company as we operate in some of the world s leading media and technology markets.

Since our 2015 annual meeting of stockholders, our senior management team met and engaged with stockholders owning collectively more than 60% of our outstanding stock. These meetings provided an important platform for us to engage directly with our stockholders on a wide range of topics, including market conditions, corporate strategy and corporate governance practices. We appreciate this dialogue and are committed to maintaining open lines of communication with investors.

The accompanying proxy materials contain detailed information about the matters on which you are being asked to vote at the 2016 annual meeting. We urge you to read the materials carefully and vote in accordance with the Board s recommendations. Your vote is very important to us.

Sincerely,

John Kilroy
Chairman, President and Chief Executive Officer

Edward Brennan, Ph.D.
Lead Independent Director

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This Proxy Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our current expectations, beliefs and assumptions, and are not guarantees of future performance. Forward-looking statements are generally identified through the inclusion of words such as believe, *expect, goals and target or similar statements or variations of such terms and other similar expressions. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in forward-looking statements, including, among others, risks associated with: investment in real estate assets, which are illiquid; significant competition, which may decrease the occupancy and rental rates of properties; the ability to successfully complete acquisitions and dispositions on announced terms; the ability to successfully operate acquired properties; adverse changes in applicable laws; the ability to successfully complete development and redevelopment projects on schedule and within budget; and the other factors discussed in the risk factors section of Kilroy Realty Corporation s most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

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KILROY REALTY CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date and Time:	Thursday, May 19, 2016 at 9:00 a.m. local (Pacific) time
Place:	Our principal executive offices at 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064.
Items of Business:	***1.*** Elect as directors the six nominees named in the attached Proxy Statement. ***2.*** Approve, on an advisory basis, the compensation of our named executive officers. ***3.*** Ratify the appointment of Deloitte & Touche LLP as our independent auditor for the year ending December 31, 2016.
Record Date:	The Board of Directors (the Board) has fixed the close of business on March 11, 2016 as the record date for determining the stockholders entitled to receive notice of and to vote at the 2016 annual meeting of stockholders (the Annual Meeting), or any adjournment(s) or postponement(s) thereof.
Proxy Voting:	**Your vote is very important to us.** Whether or not you plan to attend the Annual Meeting, we urge you to submit your proxy or voting instructions as soon as possible to ensure your shares are represented at the Annual Meeting. If you attend the Annual Meeting and vote in person, your proxy or voting instructions will not be used.

By Order of the Board of Directors,

Tyler Rose

Executive Vice President,

Chief Financial Officer and Secretary

April 8, 2016

Los Angeles, California

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

The Notice of Annual Meeting, Proxy Statement and our 2015 Annual Report on Form 10-K are available at www.proxyvote.com.

You are encouraged to access and review all of the important information contained in our proxy materials before voting.

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Proxy Summary

This section highlights information about Kilroy Realty Corporation, a Maryland corporation (we, our, us or the Company), that is contained elsewhere in this Proxy Statement. This section does not contain all of the information that you should consider and you should read the entire Proxy Statement before voting.

BUSINESS HIGHLIGHTS

We delivered strong year-over-year operating and financial results in 2015.

As with most of the companies in our peer group identified on page 39, our market valuation declined in 2015. However, we delivered strong returns for the three-year period ended December 31, 2015. Our total stockholder return[2] (TSR) for the three-year period ended December 31, 2015 **outperformed** the average TSR for our peer group, the SNL US REIT Office Index and the MSCI US REIT Index for that period of time.

	TSR for the Three-Year Period Ended December 31, 2015
Kilroy Realty Corporation	**43.3%**
Peer Group[3]	36.6%
SNL US REIT Office Index	35.5%
MSCI US REIT Index	37.0%

More information on the Company s 2015 performance is detailed on pages 23 through 25.

COMPENSATION HIGHLIGHTS

Our Executive Compensation Committee (the Compensation Committee) approved the 2015 compensation arrangements for our named executive officers identified on page 22 (our NEOs). Below are highlights of our 2015 compensation arrangements for our NEOs from the Compensation Discussion and Analysis (the CD&A) section of this Proxy Statement:

No Increases in Base Salaries	Target Cash Bonuses Remained Consistent
None of our NEOs received a base salary increase for 2015.	NEO target annual cash incentives for 2015 remained at their 2014 levels, except that our Chief Executive Officer s (CEO) 2015 target annual cash incentive was set at $2.7 million, which was higher than the 2014 level, but again below the $3.0 million level provided for in his employment agreement. This reduction again lowers the total potential annual cash incentive opportunity for our CEO and places a greater emphasis on long-term equity compensation.

Continued Emphasis on Long-Term Incentive Awards and Performance-Based Compensation

Equity compensation is the largest component of each NEO s total compensation opportunity to align with stockholder interests. Approximately two-thirds of the 2015 annual long-term incentive awards for our NEOs (and nearly three-quarters for our CEO) are subject to performance-based vesting requirements over a three-year performance period and include a performance measure indexed to our relative TSR.

[1] See Appendix A for the definition of FFO per share and a reconciliation of FFO per share to our net income available to common stockholders computed in accordance with U.S. generally accepted accounting principles (GAAP), as well as the definition of same-store cash NOI and a reconciliation of adjusted same-store cash NOI to our net income available to common stockholders computed in accordance with GAAP.

[2] For purposes of this Proxy Statement, total stockholder returns are calculated assuming dividend reinvestment.

[3] The TSR for the peer group, identified on page 39, is calculated by SNL Financial on a weighted basis, determined based on the average market capitalization for each company in the peer group during the applicable period.

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Proxy Summary

CORPORATE GOVERNANCE HIGHLIGHTS

The Company is committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens accountability of the Board and helps build public trust in the Company. Highlights include the following:

Board Practices	Lead Independent Director With a Well-Defined Role and Robust Responsibilities Majority of Directors are Independent (5 out of 6 Current Directors) Board Recently Refreshed with Three New Independent Directors (One in 2015 and Two Others in 2014) Robust Risk Oversight Practices Regular Executive Sessions of Independent Directors Regular Board and Committee Self-Evaluations Independent Audit, Executive Compensation and Nominating/Corporate Governance Committees Regular Succession Planning CEO May Only Serve on the Board of Directors of One Other Public Company
Stockholder Rights	Stockholder Proxy Access Majority Voting for Directors in Uncontested Elections Annual Election of All Directors (Declassified Board)

Annual Say-On-Pay Voting

Stockholder Right to Call a Special Meeting

No Stockholder Rights Plan

Compensation and Governance Practices

Minimum Stock Ownership Guidelines for Executives

Minimum Stock Ownership Guidelines for Non-Employee Directors

Stock Holding Requirements

Anti-Hedging Policy

Anti-Pledging Policy

Clawback Policy

Related Party Transactions Policy

No Single Trigger Change in Control in any Employment Agreements

No Excise Tax Gross-Ups

No Repricing of Underwater Stock Options Without Stockholder Approval

Regular Engagement with Investors, Including Discussions Since Our 2015 Annual Meeting of Stockholders with Stockholders who Together Own More Than 60% of our Common Stock

INDUSTRY LEADING COMMITMENT TO SUSTAINABILITY

EARNED THE HIGHLY COMPETITIVE GRESB	RANKED BY GRESB AS	CO-WINNER OF NAREIT S
Green Star	**1st** In Sustainability Performance	**2015 Leader in the Light Award**

Designation Last 3 Years for Ranking in Top 25% of Companies Worldwide in Sustainability Performance	Among 155 North American Real Estate Companies	In the Office Category

ONE OF ONLY 149 COMPANIES TO RECEIVE THE U.S. ENVIRONMENTAL PROTECTION AGENCY S (U.S. EPA)

ENERGY STAR Partner of the Year

Sustained Excellence Award

The EPA s Highest Honor

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Voting Information

VOTING MATTERS AND BOARD RECOMMENDATIONS

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HOW TO CAST YOUR VOTE

Internet	Phone	Mail	In Person
Follow the instructions provided in the notice or separate proxy card or voting instruction form you received.	Follow the instructions provided in the separate proxy card or voting instruction form you received.	Send your completed and signed proxy card or voting instruction form to the address on your proxy card or voting instruction form.	Ballots will be provided to anyone who attends and wants to vote at the Annual Meeting.

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General Information About the Annual Meeting and Voting Procedures

Our Board is soliciting your proxy for the Annual Meeting to be held at 9:00 a.m. local (Pacific) time on Thursday, May 19, 2016 at our principal executive offices located at 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064, and any adjournments or postponements of the Annual Meeting. On April 8, 2016, proxy materials for our Annual Meeting, including this Proxy Statement and our 2015 Annual Report on Form 10-K (the 2015 Annual Report), were first sent or made available to our stockholders entitled to vote at the Annual Meeting.

Why did I receive a notice in the mail regarding Internet availability of the proxy materials instead of a paper copy of the proxy materials?

Pursuant to rules of the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice) to our stockholders of record, while brokers, banks and other nominees who hold shares on behalf of beneficial owners will be sending their own similar Notice to the beneficial owners. All stockholders will have the ability to access the proxy materials, including this Proxy Statement and our 2015 Annual Report, on the website referred to in the Notice or to request to receive a printed copy of the proxy materials. Instructions on how to request a printed copy by mail or electronically, including an option to request paper copies on an ongoing basis, may be found in the Notice and on the website referred to in the Notice. We intend to mail this Proxy Statement, together with a proxy card, to those stockholders entitled to vote at the Annual Meeting who have properly requested paper copies of such materials, within three business days of such request.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will be asked to consider and vote on the following matters, as well as any other business properly brought before the Annual Meeting:

Proposal No. 1: Elect as directors the six nominees named in this Proxy Statement.

Proposal No. 2: Approve, on an advisory basis, the compensation of our NEOs.

Proposal No. 3: Ratify the appointment of Deloitte & Touche LLP (Deloitte) as our independent auditor for the fiscal year ending December 31, 2016.

What are the Board s recommendations on each of the proposals?

The Board recommends that stockholders vote:

1. **FOR** each of the Board s six nominees for election to the Board: John Kilroy, Edward Brennan, Ph.D., Jolie Hunt, Scott Ingraham, Gary Stevenson and Peter Stoneberg;

2. **FOR** approval, on an advisory basis, of the compensation of our NEOs; and

3. **FOR** ratification of the appointment of Deloitte as our independent auditor for the fiscal year ending December 31, 2016.

Who is entitled to vote?

Only the holders of record of the shares of our common stock at the close of business on March 11, 2016 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. Each share of common stock is entitled to one vote on each matter voted upon at the Annual Meeting. As of the Record Date, 92,228,435 shares of common stock were outstanding.

May I attend the Annual Meeting?

You may attend the Annual Meeting if you were a stockholder of record or a beneficial holder of shares of common stock at the close of business on the Record Date, or you hold a valid legal proxy for the Annual Meeting. If you are a stockholder of record, your name will be verified against the list of stockholders of record prior to your being admitted to the Annual Meeting. You should also be prepared to present a valid government-issued photo identification, such as a driver s license or passport, before being admitted. If you are not a stockholder of record but you are a beneficial holder of shares of common stock because you hold your shares in street name, you should provide proof of beneficial ownership as of the Record Date, such as an account statement reflecting your stock ownership as of the Record Date, a copy of the Notice or voting instruction form provided by your broker, bank or other nominee, or other similar evidence of ownership, as well as your photo

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General Information About the Annual Meeting and Voting Procedures

identification, for admission. We reserve the right to determine the validity of any purported proof of beneficial ownership. If you do not have proof of ownership, you may not be admitted to the Annual Meeting. Cameras, recording devices and other electronic devices will not be permitted, and attendees may be subject to security inspections and other security precautions. For directions to the Annual Meeting, contact the Company in writing at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064, Attn: Secretary or by telephone at (310) 481-8400.

How do I vote?

You may vote by submitting a proxy or voting instructions prior to the Annual Meeting or you may vote by attending the Annual Meeting and voting in person.

Submitting a Proxy for Shares Registered Directly in the Name of the Stockholder. If you hold your shares of common stock as a record holder and you are viewing this Proxy Statement on the Internet, you may vote by submitting a proxy over the Internet by following the instructions on the website referred to in the Notice previously mailed to you. If you hold your shares of common stock as a record holder and you are reviewing a printed copy of this Proxy Statement, you may vote your shares by completing, dating and signing the proxy card that was included with this Proxy Statement and promptly returning it in the preaddressed, postage paid envelope provided to you, or by submitting a proxy over the Internet or by telephone by following the instructions on the proxy card. If you vote by Internet or telephone, then you need not return a written proxy card by mail.

Submitting Voting Instructions for Shares Registered in Street Name. If you hold your shares of common stock in street name, which means your shares are held of record by a broker, bank or nominee, you will receive instructions from your broker, bank or other nominee on how to vote your shares. Your broker, bank or other nominee will allow you to deliver your voting instructions over the Internet and may also permit you to vote by telephone. In addition, if you received a printed copy of this Proxy Statement, you may submit your voting instructions by completing, dating and signing the voting instruction form that was included with this Proxy Statement and promptly returning it in the preaddressed, postage paid envelope provided to you. If you vote by Internet or telephone, then you need not return a written voting instruction form by mail.

Vote in Person at the Annual Meeting. If you plan to attend the Annual Meeting and wish to vote in person, you will be given a ballot at the Annual Meeting. Please note that if your shares are held of record by a broker, bank or other nominee and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from your broker, bank or other nominee.

What is the deadline for voting my shares if I do not attend the Annual Meeting?

If you are a stockholder of record, your proxy must be received by telephone or the Internet by 11:59 p.m. Eastern time on May 18, 2016 in order for your shares to be voted at the Annual Meeting. If you are a stockholder of record and you received a printed set of proxy materials, you also have the option of completing, signing, dating and returning the proxy card enclosed with the proxy materials before the Annual Meeting in order for your shares to be voted at the meeting. If you are a beneficial owner of shares of our common stock, please comply with the deadlines included in the voting instructions provided by the bank, broker or other nominee that holds your shares.

Can I revoke or change my vote after I submit my proxy or voting instructions?

A stockholder of record may revoke a previously submitted proxy at any time before it is exercised by (i) delivering a later dated proxy card or by submitting another proxy by telephone or the Internet (your latest telephone or Internet voting instructions will be followed); (ii) delivering to the Secretary of the Company a written notice of revocation prior to the voting of the proxy at the Annual Meeting; or (iii) by voting in person at the Annual Meeting. Simply attending the Annual Meeting will not revoke your proxy. If your shares are held in street name, you must contact your broker, bank or other nominee to find out how to change or revoke your voting instructions. Any change to your proxy that is provided by telephone or the Internet must be submitted by 11:59 p.m. Eastern time on May 18, 2016.

How will my shares be voted on the proposals at the Annual Meeting?

The shares of common stock represented by all properly submitted proxies will be voted at the Annual Meeting as instructed or, if no instruction is given, will be voted FOR each of the director nominees named in Proposal No. 1, FOR Proposal No. 2, and FOR Proposal No. 3.

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General Information About the Annual Meeting and Voting Procedures

If you hold your shares of common stock in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may generally vote your shares in its discretion on routine matters. However, a broker cannot vote shares held in street name on non-routine matters unless the broker receives voting instructions from the street name holder. Proposal No. 3 (the ratification of the appointment of Deloitte as our independent auditor for the fiscal year ending December 31, 2016) is considered routine under applicable rules of the New York Stock Exchange (the NYSE), while each of the other proposals to be submitted for a vote of stockholders at the Annual Meeting is considered non-routine. Accordingly, if you hold your shares of common stock in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote on Proposal No. 3 at the Annual Meeting, but will not be permitted to vote your shares on any of the other proposals at the Annual Meeting. If your broker exercises this discretion, your shares will be counted as present for determining the presence of a quorum at the Annual Meeting and will be voted on Proposal No. 3 in the manner directed by your broker, but your shares will constitute broker non-votes on each of the other items at the Annual Meeting.

How will voting on any other business be conducted?

As to any other business that may properly come before the Annual Meeting, all properly submitted proxies will be voted by the proxyholders named in the proxy card, at their discretion. We do not presently know of any other business that may come before the Annual Meeting.

What constitutes a quorum?

A majority of the shares of common stock issued and outstanding on the Record Date must be represented at the Annual Meeting in person or by proxy to constitute a quorum for the transaction of business at the Annual Meeting. Shares represented by proxies that reflect abstentions or broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

What vote is required to approve each proposal?

Proposal No. 1 Election of Directors. Each director nominee will be elected at the Annual Meeting if he or she receives a majority of the votes cast with respect to his or her election (that is, the number of votes cast FOR the nominee must exceed the number of votes cast AGAINST the nominee). This majority voting standard is discussed further under Proposal 1 Election of Directors Vote Required below.

Proposal No. 2 Advisory Approval of Compensation of our NEOs. The affirmative vote of a majority of votes cast at the Annual Meeting will be required for the advisory approval of the compensation of our NEOs (Say-on-Pay). The Say-on-Pay vote is advisory only, and therefore not binding on the Company, the Compensation Committee or our Board. Although non-binding, our Board values the opinions that our stockholders express with their votes and the votes will provide information to our Compensation Committee regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when determining executive compensation in the future.

Proposal No. 3 Ratification of the Appointment of Deloitte as our Independent Auditor. The affirmative vote of a majority of votes cast at the Annual Meeting will be required for the approval of the ratification of the appointment of Deloitte as our independent auditor for the fiscal year ending December 31, 2016.

Note on Abstentions and Broker Non-Votes. For purposes of determining the number of votes cast, only shares voted FOR or AGAINST are counted. Abstentions and broker non-votes are not treated as votes cast, although they are counted for purposes of determining whether a quorum is present at the Annual Meeting.

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Proposal 1 Election of Directors

Pursuant to our Articles of Restatement, the Bylaws and resolutions adopted by the Board, the Board presently consists of six directors, with each director serving a term that continues until the annual meeting of stockholders to be held in the year following the year of his or her election and until his or her successor is duly elected and qualified. As further described below, our Board has selected all six of our incumbent directors for re-election at the Annual Meeting.

NOMINEES FOR DIRECTOR

Upon the recommendation of the Nominating/Corporate Governance Committee (the Governance Committee), the Board nominated John Kilroy, Edward Brennan, Ph.D., Jolie Hunt, Scott Ingraham, Gary Stevenson and Peter Stoneberg for election to the Board for a term continuing until the annual meeting of stockholders to be held in 2017 and until their respective successors are duly elected and qualified. All of our director nominees are currently directors of the Company and were previously elected to serve on the Board by our stockholders. In this Proxy Statement, references to John Kilroy or our CEO are to John B. Kilroy, Jr. Information about each of our director nominees, including biographical summaries of their experience and qualifications, can be found in this Proxy Statement under the caption Our Board of Directors.

Except as otherwise instructed, proxies solicited by this Proxy Statement will be voted for the election of all of the nominees to the Board. The nominees have consented to be named in this Proxy Statement and to serve as directors if elected. If any nominee of the Board is unable to serve or for good cause will not serve as a director at the time of the Annual Meeting, the persons who are designated as proxies intend to vote, in their discretion, for such other persons, if any, as may be designated by the Board. As of the date of this Proxy Statement, the Board has no reason to believe that any of the director nominees named above will be unable or unwilling to stand as a nominee or to serve as a director if elected.

VOTE REQUIRED

Each director nominee will be elected at the Annual Meeting if he or she receives a majority of the votes cast with respect to his or her election (that is, the number of votes cast FOR the nominee must exceed the number of votes cast AGAINST the nominee). The majority voting standard does not apply, however, in a contested election where the number of director nominees exceeds the number of directors to be elected at an annual meeting of stockholders. In such circumstances, directors will instead be elected by a plurality of all the votes cast in the election of directors at the annual meeting at which a quorum is present. The election of directors at the Annual Meeting is not contested.

Under Maryland law, if an incumbent director is not re-elected at a meeting of stockholders at which he or she stands for re-election, then the incumbent director continues to serve in office as a holdover director until his or her successor is elected. To address this holdover issue, our Bylaws provide that if an incumbent director is not re-elected due to his or her failure to receive a majority of the votes cast in an uncontested election, the director will promptly tender his or her resignation as a director, subject to acceptance by the Board. The Governance Committee will then make a recommendation to our Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. Our Board will act on the Governance Committee s recommendation and publicly disclose its decision, along with its rationale, within 90 days after the date of the certification of the election results.

RECOMMENDATION

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

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Proposal 2 Advisory Approval of Our Executive Compensation

We are asking our stockholders to provide advisory approval of the compensation of our NEOs (as identified in the CD&A) as such compensation is disclosed pursuant to the SEC s executive compensation disclosure rules and set forth in this Proxy Statement (including in the compensation tables, the narratives accompanying those tables and the CD&A).

Our executive compensation philosophy is designed to achieve the following objectives:

- To set total compensation to be competitive with companies in our peer group identified on page 39, taking into account our active portfolio management strategy and the skill set required to implement that strategy;
- To align executive compensation with the Company s corporate strategies, business objectives and the creation of long-term value for our stockholders without encouraging unnecessary or excessive risk taking;
- To provide an incentive to achieve key strategic and financial performance measures by linking annual cash incentive award opportunities to the achievement of corporate and operational performance objectives in these areas;
- To provide a majority of target total direct compensation (TDC) for our NEOs in the form of long-term incentive equity awards; and
- To help the Company attract, retain and incentivize talented and experienced individuals in the highly competitive West Coast employment and commercial real estate markets.

Our Compensation Committee approved the 2015 compensation arrangements for our NEOs. Below are highlights of the 2015 compensation arrangements for our NEOs from the CD&A section of this Proxy Statement.

- ***Base Salaries Remained Flat.*** None of our NEOs received a base salary increase for 2015.

Annual Cash Incentives Based on a Performance Measurement Framework. The Compensation Committee continued to make final annual cash incentive determinations based on a performance measurement framework that measures the Company s annual achievement of pre-set financial and operational goals and each NEO s contribution to such goals. The framework evaluated the Company s 2015 performance within the following five categories: (1) operations, (2) balance sheet management, (3) acquisitions, (4) dispositions and (5) development, and took TSR performance into account. The Compensation Committee determined that the final 2015 annual cash incentives for our NEOs would be above target levels but less than maximum.

Majority of Target TDC is in the Form of Long-Term Incentives. The most significant component of each NEO s total compensation opportunity is in the form of long-term incentive awards that vest over a three-year period. In 2015, approximately 59% of our CEO s (and approximately 56% of our other NEOs) target TDC was in the form of a long-term incentive award. The purpose of this weighting is to further align the interests of our NEOs with those of our stockholders.

Majority of Long-Term Incentives are Performance-Based. In 2015, nearly three-quarters of our CEO s (and approximately two-thirds of each of our other NEOs) long-term incentive award was subject to performance-based vesting requirements that cliff-vest at the end of a three-year performance period, subject to continued service through the end of such performance period, and includes a performance measure indexed to our relative TSR over that period. The balance of each NEO s total RSU award vests ratably in annual installments over a three-year vesting period, subject to continued service through the applicable vesting date.

We also maintain a range of executive compensation and governance policies, listed on page 40, that we believe reflect current best practices.

[4] As used in this Proxy Statement, target TDC and target total direct compensation means the executive s base salary, target annual cash incentive and grant date fair value (based on the value approved by the Compensation Committee and used to determine the number of shares subject to the award) of annual long-term incentive awards granted to the executive in 2015.

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Proposal 2 Advisory Approval of Our Executive Compensation

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the related rules of the SEC, our Board requests your advisory vote to approve the following resolution at our Annual Meeting:

RESOLVED, that the compensation paid to the Company s NEOs, as disclosed in this Proxy Statement pursuant to the Securities and Exchange Commission s executive compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis section, the compensation tables and the narrative discussion that accompanies the compensation tables), is hereby approved.

This vote is an advisory vote only and will not be binding on the Company, the Board or the Compensation Committee, and will not be construed as overruling a decision by, or creating or implying any additional fiduciary duty for, the Company, the Board or the Compensation Committee. However, the Compensation Committee will consider the outcome of this vote when making future compensation decisions for our NEOs.

The Company s current policy is to provide our stockholders with an opportunity to approve the compensation of our NEOs each year at the annual meeting of stockholders. It is expected that the next Say-on-Pay vote will be held at the 2017 annual meeting of stockholders.

VOTE REQUIRED

The compensation of our NEOs will be approved, on an advisory basis, if a majority of the votes cast at the Annual Meeting are cast in favor of the proposal.

RECOMMENDATION

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE RESOLUTION APPROVING, ON AN ADVISORY BASIS, THE COMPENSATION OF THE COMPANY S NEOs.

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Proposal 3 Ratification of Appointment of Independent Auditor

We are seeking stockholder ratification of our appointment of Deloitte, an independent registered public accounting firm, as our independent auditor for the fiscal year ending December 31, 2016. Deloitte has served as our independent auditor since the completion of the Company s initial public offering in January 1997 and, prior to the Annual Meeting, the Audit Committee is expected to re-appoint Deloitte as our independent auditor for the year ending December 31, 2016.

Additional information about Deloitte, including the fees we paid to Deloitte in fiscal years 2015 and 2014, can be found in this Proxy Statement under the caption Audit and Non-Audit Fees. The report of the Audit Committee included in this Proxy Statement under the caption Audit Committee Report also contains information about the role of Deloitte with respect to the audit of the Company s annual financial statements.

A representative of Deloitte is expected to be present at our Annual Meeting, be available to respond to appropriate questions and will have the opportunity to make a statement, if desired.

Stockholder ratification of the appointment of Deloitte as our independent auditor is not required by our Bylaws or otherwise. However, the Board is submitting the appointment of Deloitte to the stockholders for ratification as a matter of good corporate governance. If the stockholders fail to ratify the appointment, the Audit Committee may reconsider whether or not to retain Deloitte. Even if the appointment is ratified, the Audit Committee, in its discretion, may appoint a different independent auditor at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and our stockholders.

VOTE REQUIRED

Ratification of the appointment of Deloitte as our independent auditor will be approved if a majority of the votes cast at the Annual Meeting are cast in favor of the proposal.

RECOMMENDATION

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE AS OUR INDEPENDENT AUDITOR FOR FISCAL 2016.

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Our Board of Directors

We believe all of the current members of our Board possess the professional and personal qualifications necessary for effective service as a director. In addition to each nominee s specific experience, qualifications and skills, we believe that each nominee has a reputation for integrity, honesty and adherence to high ethical standards and has demonstrated business acumen and an ability to exercise sound business judgment. We believe all nominees have a commitment to the Company and to building long-term stockholder value. Below is a summary of the experience, qualifications and skills of each director nominee, who together (excluding our CEO) have any average tenure on our Board of approximately five years.

DIRECTOR NOMINEES

John Kilroy

President, Chief Executive Officer and Chairman of the Board

Age: 67

Director Since 1996

John Kilroy was elected to serve as our Chairman of the Board (Chairman) in February 2013 and has been our President, Chief Executive Officer and a director since our incorporation in September 1996. Having led our private predecessor, Kilroy Industries, in a similar capacity, he became its President in 1981 and was elected CEO in 1991. Mr. Kilroy has been involved in all aspects of commercial and industrial real estate development, construction, acquisition, sales, leasing, financing and entitlement since 1967. Mr. Kilroy actively led the Company to be one of the premier landlords on the West Coast with one of the largest LEED portfolios, spanning some of the strongest markets in the country, from Seattle to San Diego.

Mr. Kilroy serves on the board of governors of the National Association of Real Estate Investment Trusts and the Policy Advisory Board for the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley. Mr. Kilroy previously served on the board of New Majority California and as Chairman of New Majority Los Angeles. He is a past trustee of the El Segundo Employers Association, Viewpoint School, Jefferson Center for Character Education and the National Fitness Foundation. He was also a member of the San Francisco America s Cup Organizing Committee. Mr. Kilroy attended the University of Southern California.

Specific Qualifications, Attributes, Skills and Experience:

Mr. Kilroy was nominated to serve on our Board because of his more than 30 years of experience with our Company and its predecessors, including 19 years as our President and CEO and approximately 15 and five years as our predecessor s President and CEO, respectively, as well as his experience in acquiring, owning, developing and managing real estate, and his service on the board of governors of a national real estate trade organization.

Edward Brennan, Ph.D.

Lead Independent Director

Age: 64

Director Since 2003

Edward Brennan, Ph.D. has been a member of our Board since July 2003 and our Lead Independent Director since March 2014. Until March 2014, Dr. Brennan was Chief Executive Officer of Nexus Dx, Inc., a medical diagnostics company located in San Diego, California. In November 2011, Nexus was acquired by Samsung Electronics Co., Ltd. from ITC Nexus Holding Company, where Dr. Brennan had been Chief Integration Officer following the merger of Nexus Dx, Inc. and International Technidyne Corporation. Previously, he was President and Chief Operating Officer of CryoCor, Inc. until June 2008, when the company was sold to Boston Scientific Corporation. From January 2004, he served as chairman of HemoSense Inc. until its sale to Inverness Medical Innovations in November 2007. While a director of HemoSense since 2000, he was also a Managing Partner of Perennial Ventures, a Seattle-based venture capital firm beginning in 2001. Prior to that time, he served as Vice President at Tredegar Investments. Dr. Brennan has participated in the development, management and financing of new medical technology ventures for over 30 years, including scientific and executive positions with Syntex, Inc., UroSystems, Inc., Medtronic Inc., DepoMed Systems, Inc. and CardioGenesis Corp. Dr. Brennan also serves on the board of directors of several private companies and previously served on the Board of Trustees of Goucher College, Baltimore, Maryland. Dr. Brennan holds Bachelor s Degrees in Chemistry and Biology and a Ph.D. in Biology from the University of California, Santa Cruz.

Edward Brennan, Ph.D.

(Continued)

Specific Qualifications, Attributes, Skills and Experience:

Dr. Brennan was nominated to serve on our Board because of his executive management and board of directors experience with both public and private companies and specifically, his over 30 years of experience with companies in the health sciences and medical industries, which have historically been target tenants of the Company.

Jolie Hunt

Director

Age: 37

Director Since 2015

Jolie Hunt has been a member of our Board since 2015. She is the founder and Principal of Hunt & Gather, a marketing and communications agency that helps launch startup ventures, revive the strategic marketing and communications efforts of established brands and utilizes discreet influencer relations to pair like-minded people and places together where there is mutual benefit. Before founding Hunt & Gather in 2013, Ms. Hunt served as Chief Marketing & Communications Officer for AOL, Inc. from 2012 to 2013, and held the role of Senior Vice President, Global Head of Brand & Public Relations at Thomson Reuters from 2008 to 2012. Prior to that time, Ms. Hunt was the Global Director of Corporate & Business Affairs at IBM Corporation from 2006 to 2008 and served as Director of Public Relations for the Financial Times from 2002 to 2006. Ms. Hunt currently serves on the boards of PopTech, The Lowline, the Civilian Public Affairs Council for West Point Military Academy and The Episcopal School of Los Angeles. Ms. Hunt earned a Bachelor s Degree in Mass Communication from Boston University and completed the Global Executive Program at Dartmouth University Tuck School of Business and Spain s IE Business School in 2010.

Specific Qualifications, Attributes, Skills and Experience:

Ms. Hunt was nominated to serve on our Board because of her significant marketing and communications experience, knowledge about trends in the media, entertainment and technology world and the use of technology to advance company brands, which she acquired through her experience working with multiple multinational corporations and as the founder and Principal of Hunt & Gather. The Board believes these positions and experience bring additional, unique skills, perspective and connections to our Board.

Scott Ingraham

Director

Age: 62

Director Since 2007

Scott Ingraham has been a member of our Board since 2007. He is the co-owner of Zuma Capital, a firm engaged in private equity and angel investing. He was the co-founder (1999), Chairman and CEO of Rent.com, an Internet-based multi-family real estate site, before it was sold to eBay in 2005. Mr. Ingraham was also a co-founder and previously served as the President and CEO of Oasis Residential (Oasis), a public apartment REIT founded in 1992 that merged with Camden Property Trust (Camden) in 1998. In addition to serving on the Company s Board, Mr. Ingraham serves on the board of trust managers of Camden, CPT: NYSE (since 1998), the audit committee of Camden (for six years previously and beginning again in 2016) and the board of directors of RealPage, Inc., RP: NASDAQ (since 2012). He also served on the board of directors of LoopNet, LOOP: NASDAQ, for six years before it was acquired by Co-Star in 2012. Prior to co-founding Oasis, Mr. Ingraham s career was devoted to real estate finance, mortgage and investment banking. He earned a Bachelor s Degree in Business Administration from the University of Texas at Austin in 1976.

Specific Qualifications, Attributes, Skills and Experience:

Mr. Ingraham was nominated to serve on our Board because he possesses extensive financial and real estate knowledge based on his experience as Chairman and CEO of Rent.com, President and CEO of Oasis, a member of the board of trustees and a member of the nominating and corporate governance committee, audit committee and compensation committee of Camden, a member of the board of directors and audit committee of LoopNet and a member of the board of directors and audit committee of RealPage, Inc.

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Our Board of Directors

Gary Stevenson Director Age: 59 Director Since 2014	**Gary Stevenson** has been a member of our Board since 2014. Mr. Stevenson has been President and Managing Director of MLS Business Ventures of Major League Soccer since July 2013. Prior to such time, Mr. Stevenson served as President of PAC-12 Enterprises (Pac-12) from 2011 to 2013, where he managed a diversified and integrated company, including the Pac-12 Networks and Pac-12 Properties. Before joining Pac-12, Mr. Stevenson was Chairman and Chief Executive Officer of OnSport Strategies, a sports and entertainment consulting company that he founded in 1997 and later sold to Wasserman Media Group in 2007. From 2007 to 2010, Mr. Stevenson served as Principal for Wasserman Media Group to help handle the integration of OnSport Strategies. Mr. Stevenson previously also served as President of NBA Properties, Marketing and Media for the National Basketball Association from 1995 to 1997, as Chief Operating Officer and Executive Vice President of The Golf Channel from 1994 to 1995 and as Executive Vice President, Business Affairs for PGA Tour from 1987 to 1994. Mr. Stevenson received his Bachelor s Degree from Duke University and his Master s Degree in Business Administration from George Washington University. ***Specific Qualifications, Attributes, Skills and Experience:*** Mr. Stevenson was nominated to serve on our Board because of his extensive business and operational experience, including his founding role at OnSport Strategies, and his roles as President of Pac-12 and currently as President and Managing Partner of MLS Business Ventures of Major League Soccer. The Board believes these positions and Mr. Stevenson s entrepreneurship success bring a diverse set of skills, experiences and relationships to our Board.
Peter Stoneberg Director	**Peter Stoneberg** has been a member of our Board since 2014. Mr. Stoneberg is currently Managing Partner of Velocity Ventures, LLC (Velocity Ventures), a merchant banking firm that he founded in 2000. From 2000 to 2006, Mr. Stoneberg was with Bank of America Capital Investors (BACI), an investment firm specializing in middle market and large capitalization companies, serving as an investment partner to BACI. Mr. Stoneberg also served as Senior Managing Director of Montgomery Securities, where he founded and led the Technology

Age: 60

Director Since 2014

M&A group, beginning in 1994 until its acquisition by Bank of America in 1999. Prior to such time, Mr. Stoneberg served in various other roles, including Managing Director of Broadview Associates from 1992 to 1994. Previously, he was with IBM and ROLM Corp. as a Marketing Manager and has served as a private equity investor and on the board of directors for Cupertino Electric, Saleslogix Corp. and Netcom Systems. Mr. Stoneberg also previously served as a founder and member of the San Francisco America s Cup Organizing Committee. Mr. Stoneberg received his Bachelor s Degree in Business from the University of Colorado.

Specific Qualifications, Attributes, Skills and Experience:

Mr. Stoneberg was nominated to serve on our Board because of his significant relationships, experience with and knowledge of large and small companies in the high-technology industry, particularly those within the San Francisco Bay Area, which have become target tenants of the Company. Mr. Stoneberg also possesses extensive knowledge in the areas of raising equity and debt capital, and mergers and acquisitions based on his experience at BACI, Montgomery Securities and Velocity Ventures. Mr. Stoneberg also has experience as an active board member at three companies, including as a member of the audit and compensation committees of Netcom Systems and Cupertino Electric.

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Corporate Governance

The Company is committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens accountability of the Board and helps build public trust in the Company. Highlights include the following:

Board Practices

- Lead Independent Director With a Well-Defined Role and Robust Responsibilities
- Majority of Directors are Independent (5 out of 6 Current Directors)
- Board Recently Refreshed with Three New Independent Directors (One in 2015 and Two Others in 2014)
- Robust Risk Oversight Practices
- Regular Executive Sessions of Independent Directors
- Regular Board and Committee Self-Evaluations
- Independent Audit, Executive Compensation and Nominating/Corporate Governance Committees

	Regular Succession Planning
	CEO May Only Serve on the Board of Directors of One Other Public Company
Stockholder Rights	Stockholder Proxy Access
	Majority Voting for Directors in Uncontested Elections
	Annual Election of All Directors (Declassified Board)
	Annual Say-On-Pay Voting
	Stockholder Right to Call a Special Meeting
	No Stockholder Rights Plan

BOARD COMPOSITION AND GOVERNANCE

Director Attendance

During 2015, the Board held five meetings. All directors who served on the Board during 2015 attended at least 75% of the total number of meetings of the Board and meetings of the Board committees on which each director served that were held during the period of the director s service during the year. Directors are encouraged to attend in person the annual meeting of stockholders of the Company. All directors attended the 2015 annual meeting of stockholders.

Independent Directors

Under the corporate governance rules of the NYSE, a majority of the members of the Board must satisfy the NYSE criteria for independence. No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). The Board has determined that each of Dr. Brennan, Ms. Hunt and Messrs. Ingraham, Stevenson and Stoneberg is independent under the current listing standards of the NYSE. In addition, pursuant to our Bylaws, each of Dr. Brennan, Ms. Hunt and Messrs. Ingraham, Stevenson and Stoneberg, comprising at least a majority of the members of the Board, is not an employee, officer or affiliate of the Company or any of its subsidiaries or divisions, or a relative of a principal executive officer, and is not an individual member of an organization acting as an advisor, consultant or legal counsel receiving compensation from the Company in addition to director s fees. In this Proxy Statement, we refer to each of Dr. Brennan, Ms. Hunt and Messrs. Ingraham, Stevenson and Stoneberg as our Independent Directors.

Independent Director Meetings

The Independent Directors meet regularly in executive session without the presence of management. These meetings are generally held on the date of each regularly scheduled Board meeting and on an as-needed basis. Dr. Brennan, our Lead Independent Director (as defined below), presides over these meetings.

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Corporate Governance

Board Leadership Structure and Lead Independent Director

Our Corporate Governance Guidelines and our Bylaws permit the roles of Chairman and CEO to be filled by the same or different individuals. Our Board believes it is important to select our Chairman and our CEO in the manner it considers in the best interests of the Company and our stockholders at any given point in time. The Independent Directors on our Board assess the role of Chairman and CEO annually to ensure that the Company s leadership structure best fits the Company s specific circumstances and short and long-term challenges.

At this time, our Board believes that the Company and our stockholders are best served by having Mr. Kilroy serve as our Chairman and CEO. Mr. Kilroy s combined role as Chairman and CEO demonstrates clearer accountability and provides a single leader who speaks with one voice to our stockholders, tenants, partners, employees, other stakeholders and the public. The combined Chairman and CEO role also enhances transparency between management and our Board by serving as an efficient and effective bridge for communication between the Board and management on significant business developments and time-sensitive matters, and provides unified leadership for carrying out our strategic initiatives and business plans. The combined Chairman and CEO role is balanced by the number of independent directors serving on our Board, our independent committee chairs and our Lead Independent Director.

In March 2014, our Board amended our Corporate Governance Guidelines to provide that if the Chairman is also our CEO, or if the Chairman is not otherwise an Independent Director, the Independent Directors will elect annually from amongst themselves a Lead Independent Director. Dr. Brennan is currently our Lead Independent Director and brings to this role considerable skills and experience, as described above in Our Board of Directors. The role of our Lead Independent Director is designed to further promote the independence of our Board and appropriate oversight of management and to facilitate free and open discussion and communication among the Independent Directors.

The responsibilities of our Lead Independent Director are clearly delineated in our Corporate Governance Guidelines and include:

- Presiding at all meetings of our Board at which the Chairman is not present, including executive sessions of the Independent Directors;

- Serving as liaison between the Chairman and the Independent Directors;

- Approving information sent to our Board;

- Approving agendas for meetings of our Board;

Approving meeting schedules of our Board to ensure that there is sufficient time for discussion of all agenda items;

Developing agendas for and calling meetings of the Independent Directors when necessary or appropriate; and

Being available for consultation and direct communication if requested by major stockholders.

We believe this current leadership structure with the combined Chairman and CEO leadership role and a Lead Independent Director enhances our Board s ability to provide insight and direction on important strategic initiatives and, at the same time, promotes effective and independent oversight of management and our business.

Board Oversight of Risk

Our Board is actively involved in risk oversight and the Board as a whole directly oversees strategic, operating, financial and liquidity risks. Operational, financial and strategic presentations by management to the Board include consideration of the challenges and risks to our business, and the Board and management actively engage in discussion on these topics.

In addition, our Board has delegated oversight for specific areas of risk exposure to committees of our Board as follows:

Audit Committee. Reviews specific critical accounting issues with management and the overall impact that those issues may have on our financial position and risk profile. Discusses legal and compliance matters and assesses the adequacy of our risk-related internal controls, which includes an annual review of our fraud risk assessment as part of its general oversight responsibility for the quality and integrity of our financial statements and accounting internal controls.

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Compensation Committee. Oversees, among other things, the assessment and management of risks related to the Company s compensation plans and policies, and structures our executive compensation programs so as to appropriately reward executives for operating performance and growth without undue risk taking. The Compensation Committee has evaluated our compensation policies and programs and believes that our compensation policies and practices provide appropriate incentives and controls and are not reasonably likely to have a material adverse effect on the Company.

Governance Committee. Oversees Board processes and corporate governance-related risks and reviews all Related Party Transactions and Principal Party Transactions, each as defined below under Other Matters Certain Relationships and Related Transactions, including the risks relating to those transactions impacting the Company.

At each regular meeting of our Board, the chairperson of each committee reports to the full Board regarding the matters reported and discussed at any committee meetings, including any matters relating to risk assessment or risk management. Our CEO, Chief Financial Officer, Chief Operating Officer, Chief Accounting Officer and Senior Vice President, Corporate Counsel regularly attend meetings of these committees when they are not in executive session and often report on matters that may not be otherwise addressed at these meetings. In addition, our directors are encouraged to communicate directly with members of management regarding matters of interest, including matters related to risk, at times when meetings are not being held.

Our Board believes that the process it has established to administer the Board s risk oversight function would be effective under a variety of leadership frameworks and, therefore, do not have a material effect on our choice of the Board s leadership structure described above under Board Leadership Structure and Lead Independent Director.

Succession Planning

Pursuant to our Corporate Governance Guidelines, our Board and our CEO review succession planning, management performance and management development on a regular basis. The Board also maintains an emergency succession plan that it and our CEO review periodically.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that applies to our directors, officers (including our CEO, Chief Financial Officer, Chief Accounting Officer and Controller and other members of senior financial management), employees, agents and consultants. This Code of Business Conduct and Ethics satisfies the requirements of a code of business conduct and ethics under the NYSE listing standards and a code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules. This Code of Business Conduct and Ethics is available in the Investors Overview Corporate Governance section of the Company s website at http://www.kilroyrealty.com. Amendments to, or waivers from, a provision of this Code of Business Conduct and

Ethics that apply to the Company s directors or executive officers, including our CEO, Chief Financial Officer, Chief Accounting Officer, Controller and other members of senior financial management, may be made only by the Board or a Board committee and will be promptly posted on our website to the extent required by applicable SEC rules and NYSE listing standards.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines, which provide the framework for the governance of our Company and represent the Board s current views with respect to selected corporate governance issues considered to be of significance to our stockholders. The Corporate Governance Guidelines direct our Board s actions with respect to, among other things, Board composition and director qualifications, selection of the Chairman of the Board and the Lead Independent Director, establishment of the Board s standing committees, director stock ownership guidelines, succession planning and the Board s annual performance evaluation. A current copy of the Corporate Governance Guidelines is available in the Investors Overview Corporate Governance section of our website at http://www.kilroyrealty.com.

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Corporate Governance

BOARD COMMITTEES

Our Board has a standing Audit Committee, Compensation Committee and Governance Committee. Our Audit Committee, Compensation Committee and Governance Committee each operate under a written charter adopted by our Board, which is available in the Investors Overview Corporate Governance section of the Company s website at http://www.kilroyrealty.com.

Director Name	Independent	Audit	Compensation	Governance
Edward Brennan, Ph.D. L		M	C	M
Jolie Hunt			M	M
Scott Ingraham		C		M
John Kilroy				
Gary Stevenson			M	
Peter Stoneberg		M		C

L Lead Independent Director Financial Expert
M Committee Member **C** Committee Chairperson

Audit Committee

The Audit Committee s purpose is to assist the Board in fulfilling its oversight responsibilities regarding (i) the quality and integrity of the Company s financial statements; (ii) the Company s compliance with legal and regulatory requirements; (iii) the independent auditor s qualifications and independence; (iv) the Company s accounting and system of internal controls; and (v) the performance of the Company s internal audit function and independent auditor. Our Board has determined that each member of the Audit Committee satisfies the enhanced independence standards applicable to audit committees pursuant to Rule 10A-3(b)(i) under the Exchange Act and the NYSE listing standards. In addition, each of Messrs. Ingraham and Stoneberg and Dr. Brennan is financially literate and each of Messrs. Ingraham and Stoneberg and Dr. Brennan is an audit committee financial expert as determined by the Board in accordance with the applicable rules of the NYSE and the SEC. The Board based its determination on the qualifications and business experience of each of Messrs. Ingraham and Stoneberg and Dr. Brennan described above under Our Board of Directors Director Nominees.

The Audit Committee held six meetings during 2015. Additional information regarding the specific functions performed by the Audit Committee is set forth in the Audit Committee Report below.

Executive Compensation Committee

The purpose of the Compensation Committee is to formulate, evaluate and approve the compensation of our officers, as defined in the rules under Section 16 of the Exchange Act, and to discharge our Board s duties and responsibilities relating to our compensation programs and practices, including its incentive and equity-based compensation plans and programs. The Compensation Committee is responsible for, among other things: (i) reviewing and making changes to our compensation philosophy; (ii) reviewing and approving corporate goals and objectives relevant to the compensation of our CEO, evaluating the performance of our CEO in light of those goals and objectives, and determining and approving our CEO s compensation level based on such evaluation; (iii) reviewing and approving the compensation for our other executive officers and all executive officers employment agreements, severance arrangements or any other compensation-related agreements; (iv) reviewing and making recommendations to the Board regarding compensation for non-employee members of our Board; (v) reviewing and making recommendations to the Board regarding the adoption, amendment or any discontinuation of any compensation plans under which Company securities may be issued or which otherwise requires stockholder approval, and approving award grants under any such plan and the terms of any such awards; and (vi) preparing the Compensation Committee Report included in this Proxy Statement. The Compensation Committee held three meetings in 2015.

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Corporate Governance

Our Board has determined that each member of the Compensation Committee satisfies the additional independence requirements specific to compensation committee membership under the NYSE listing standards. In making this determination, the Board considered whether the director has a relationship with the Company that is material to the director s ability to be independent from management in connection with the duties of a member of the Compensation Committee.

In fulfilling its responsibilities, the Compensation Committee may delegate any or all of its responsibilities to a separate committee of the Board or a subcommittee of the Compensation Committee. The Compensation Committee has not delegated any of its authority to set compensation levels of our executive officers or to grant equity awards, but has delegated certain limited administrative authority to management to address the settlement of fractional share interests arising under certain awards and to determine whether certain awards would be settled in cash or stock.

In accordance with the Compensation Committee s charter, the Compensation Committee may retain independent compensation advisors and other management consultants. Such advisors and consultants may assist with, among other things, evaluating our various compensation programs, both individually and in the aggregate, including levels of salary, cash and long-term incentives, benefits and other perquisites and awards payable to our key personnel, as well as to advise the Compensation Committee with respect to the development of performance objectives that will contribute to our short-term and long-term profitability, growth and total return to stockholders. In 2015, the Compensation Committee retained Mercer to assist it in reviewing our compensation programs and the evaluation of specific compensation-related matters. Mercer provides data on the compensation and relative performance of our peer group, makes presentations on matters affecting compensation, provides assessments of the degree to which our compensation arrangements are consistent with market practices and our corporate objectives, provides assistance with the design and performance considerations associated with our annual and long-term incentive programs, and consults on other compensation matters as needed. Mercer also periodically meets privately in executive session with the Compensation Committee. As described further under Compensation Discussion and Analysis Role of Independent Compensation Consultant below, the Compensation Committee has assessed the independence of Mercer and has concluded that its engagement of Mercer does not raise any conflict of interest with the Company or any of its directors or executive officers.

At the request of the Compensation Committee, certain of our executive officers aid the Compensation Committee in reviewing and analyzing our executive compensation program. Specifically, our CEO provides recommendations to the Compensation Committee regarding the compensation of all other executive officers. Our CEO and Chief Financial Officer also present the overall results of the Company s performance and achievement of historical and go-forward goals and objectives, and our CEO provides evaluations for other executive officers, reviews peer group information and compensation consultant recommendations and participates in certain Compensation Committee meetings at the invitation of the Compensation Committee. Our Chief Financial Officer evaluates the financial implications and affordability of the Company s compensation programs. Other executive officers may periodically participate in the compensation process and Compensation Committee meetings at the invitation of the Compensation Committee to advise on performance and/or activity in areas with respect to which these executive officers have particular knowledge or expertise.

Nominating/Corporate Governance Committee

The purpose of the Governance Committee is to (i) identify individuals qualified to become Board members consistent with criteria approved by the Board; (ii) recommend director nominees for the next annual meeting of stockholders for approval by the Board; (iii) develop and recommend to the Board a set of Corporate Governance Guidelines; (iv) oversee the evaluation of the Board; and (v) generally advise the Board on corporate governance and related matters. The Governance Committee also serves as the Independent Committee of our Board pursuant to Article III, Section 7 of our Bylaws and approves all transactions between the Company and John B. Kilroy, Sr. or John B. Kilroy, Jr. and their respective affiliates. The Governance Committee held three meetings in 2015.

Additionally, the Governance Committee has the authority to engage any independent counsel or other outside expert or advisors it deems desirable or appropriate. During 2015, Korn Ferry, an independent executive search firm retained by the Governance Committee in the first quarter of 2015, assisted the Governance Committee in the process of identifying and evaluating qualified prospective director candidates for nomination by our Board in connection with our 2015 annual meeting of stockholders and evaluated and screened Ms. Hunt prior to her nomination by our Board in 2015.

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Corporate Governance

DIRECTOR SELECTION, EVALUATION AND COMMUNICATIONS

Qualifications of Director Nominees

The Board is committed to having a membership comprised of individuals who by occupation, background and experience are in a position to make a strong, positive contribution to the Company and its stockholders. In considering candidates for nomination or appointment to the Board, the Governance Committee and the Board seek director candidates who, both individually and collectively, have such knowledge, experience and education based on criteria determined from time to time by the Governance Committee to be appropriate in the context of the perceived objectives of the Company at a given point in time and to provide balance to the Board s knowledge, perspective, experience and expertise. The Governance Committee has established board membership criteria (the Membership Criteria), which it uses as a guideline in considering nominations to the Company s Board. The criteria include, but are not limited to loyalty, reputation and character, mature business judgment, sufficient time, energy and attention to dedicate to the Company s affairs and compliance with the Company s stock ownership guidelines as set forth in the Corporate Governance Guidelines. In addition, the Company s Bylaws and listing standards of the NYSE require the Board to be composed of a majority of directors who qualify as independent directors as defined therein. In considering director candidates, the Governance Committee and Board do not discriminate based on race, ethnicity, national origin, gender, religion or disability. In addition, in considering the diversity of the Board, the Governance Committee and the Board recognize that nominees for the Board should reflect a reasonable diversity of backgrounds and perspectives, including those backgrounds and perspectives with respect to business experience, professional expertise, age, gender and ethnic background. The Membership Criteria established by the Governance Committee are not exhaustive and the Governance Committee and the Board may consider other qualifications and attributes that they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board. The Governance Committee reviews and assesses the Membership Criteria annually.

Process for Identifying Nominees for Director

At any appropriate time prior to each annual meeting of stockholders at which directors are to be elected, and whenever there is otherwise a vacancy on the Board, the Governance Committee will assess the qualifications and effectiveness of the current Board members and, to the extent there is a need, will seek other individuals qualified and available to serve to become Board members. The Governance Committee will review each potential candidate s qualifications in light of the Membership Criteria described above. The Governance Committee will select the candidate or candidates it believes are the most qualified to recommend to the Board for selection as a director nominee.

Stockholder-Recommended Director Candidates

The Governance Committee will consider director candidates recommended by stockholders of the Company. Candidates recommended by a stockholder are evaluated in the same manner as candidates identified by the

Governance Committee. All recommendations must be directed to the Governance Committee c/o Secretary at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064. Recommendations for director nominees to be considered at the 2017 annual meeting of stockholders must be received in writing not later than November 30, 2016.

Each stockholder recommending a person as a director candidate must provide the Company with the following information for the Governance Committee to determine whether the recommended director candidate is independent from the stockholder, or each member of the stockholder group, that has recommended the director candidate:

If the recommending stockholder or any member of the recommending stockholder group is a natural person, whether the recommended director candidate is the recommending stockholder, a member of the recommending stockholder group, or a member of the immediate family of the recommending stockholder or any member of the recommending stockholder group;

If the recommending stockholder or any member of the recommending stockholder group is an entity, whether the recommended director candidate or any immediate family member of the recommended director candidate is an employee of the recommending stockholder or any member of the recommending stockholder group or has been at any time during the current or preceding calendar year;

Whether the recommended director candidate or any immediate family member of the recommended director candidate has accepted directly or indirectly any consulting, advisory or other compensatory fees from the recommending stockholder or any member of the group of recommending stockholders, or any of their respective affiliates during the current or preceding calendar year;

Whether the recommended director candidate is an executive officer or director (or person fulfilling similar functions) of the recommending stockholder or any member of the recommending stockholder group, or any of their respective affiliates; and

Whether the recommended director candidate controls the recommending stockholder or any member of the recommending stockholder group.

The recommending stockholder must also provide supplemental information that the Governance Committee may request to determine whether the recommended director candidate (i) is qualified to serve on the Audit Committee; (ii) meets the standards of independence established by the NYSE; and (iii) satisfies the Membership Criteria described above. In addition, the recommending stockholder must include the consent of the recommended director candidate and the recommended director candidate must make himself or herself reasonably available to be interviewed by the Governance Committee. The Governance Committee will consider all recommended director candidates submitted to it in accordance with these established procedures, although it will only recommend to the Board as potential nominees those candidates it believes are most qualified. However, the Governance Committee will not consider any director candidate if the candidate s candidacy or, if elected, Board membership, would violate controlling state or federal law.

Annual Board Evaluations

Pursuant to our Corporate Governance Guidelines and the charter of the Governance Committee, the Governance Committee oversees an annual evaluation of the performance of the Board. Each standing committee also conducts a separate evaluation of its own performance and of the adequacy of its charter and reports to the Board on the results of this evaluation. The evaluation process is designed to assess the overall effectiveness of the Board and its committees and to identify opportunities for improving Board and Board committee operations and procedures. The Governance Committee also reviews the qualifications and effectiveness of individual directors each year when the directors stand for re-nomination. The review of individual directors includes an assessment of each director s skills and experience in relationship to the Membership Criteria and that director s commitment to the Board as evidenced by preparation for, understanding of, and attendance at Board meetings. The results of the individual director evaluations and the Governance Committee s recommendations regarding director nominations are reported to the Board. The annual evaluations are generally conducted in the fourth quarter of each year or in the first quarter of the following year.

Stockholder Communications with the Board

Stockholders may send correspondence to the Board c/o Secretary at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064. The Secretary will review all correspondence addressed to the Board, or any individual Board member, for any inappropriate correspondence and correspondence more suitably directed to management. The Secretary will summarize all correspondence not forwarded to the Board and make the correspondence available for review at the Board s request. The Secretary will forward stockholder communications to the Board prior to the next regularly scheduled meeting of the Board following the receipt of the communication, as appropriate.

Interested Party Communications with the Independent Directors

Any interested party may send correspondence to the Independent Directors as a group, or to Dr. Brennan, as our Lead Independent Director, directly, c/o Secretary at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064. The Secretary will review all correspondence addressed to the Independent Directors or to the Lead Independent Director individually, for any inappropriate correspondence and correspondence more suitably directed to management. The Secretary will summarize all correspondence not forwarded to the Independent Directors or our Lead Independent Director and make the correspondence available for review at the Independent Directors or our Lead Independent Director s request, as applicable. The Secretary will forward interested party communications to the Independent Directors or our Lead Independent Director promptly following the receipt of the communication, as appropriate.

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Audit and Non-Audit Fees

Deloitte has served as the Company s independent auditor since the completion of the Company s initial public offering in January 1997 and is expected to be reappointed by the Audit Committee for the current fiscal year at its meeting to be held during the second quarter, which will precede the Annual Meeting.

The Audit Committee of the Board has determined that Deloitte is independent with regard to the Company within the meaning of the Exchange Act and the applicable published rules and regulations thereunder in effect on the date of this Proxy Statement. The Audit Committee annually reviews and pre-approves certain audit and non-audit services that may be provided by Deloitte and establishes a pre-approved aggregate fee level for these services. Any proposed services not included within the list of pre-approved services or any proposed services that will cause the Company to exceed the pre-approved aggregate amount requires specific pre-approval by the Audit Committee. Additionally, the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals, provided such approvals are presented to the Audit Committee at a subsequent meeting.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed to the Company by Deloitte for professional services rendered in fiscal years 2015 and 2014 are as follows:

Fees[1]	**2015**	**2014**
Audit Fees[2]	$ 1,379,368	$ 1,693,565
Audit-Related Fees	$	$
Tax Fees[3]	$ 379,072	$ 740,880
All Other Fees	$	$
Total Fees	**$ 1,758,440**	**$ 2,434,445**

(1) All services rendered for these fees were pre-approved by the Audit Committee in accordance with the Audit Committee s pre-approval policies and procedures described above. The Audit Committee has concluded that the provision of the non-audit services rendered for the listed fees is compatible with maintaining Deloitte s independence.

(2) Includes the aggregate fees billed for the audits of the Company s and the Operating Partnership s annual financial statements and internal controls over financial reporting, review of financial statements

included in their quarterly reports on Form 10-Q, consultations with management on technical accounting and regulatory issues, consultation and review of filings associated with the Company s and the Operating Partnership s 2014 and 2015 equity and bond offerings, and services provided for assistance with and review of other regulatory filings.

(3) Includes the aggregate fees billed for the review and assistance with the preparation of tax returns, the review of quarterly REIT test compliance, assistance with the preparation of the annual earnings and profit analysis, and review of technical accounting issues. The tax fees incurred in 2014 also include one-time fees billed for assistance with the acquisition of The Flower Mart in San Francisco, California and assistance with the adoption of the tangible property regulations issued by the IRS.

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Audit Committee Report

The Audit Committee of the Company s Board is composed of Independent Directors who satisfy the requirements of Section 10A(m)(3) of the Exchange Act and Rule 10A-3(b)(i) thereunder and the current listing standards of the NYSE. The Audit Committee operates pursuant to a written charter available in the Investors Overview Corporate Governance section of the Company s website at http://www.kilroyrealty.com.

The Audit Committee oversees the Company s financial reporting process on behalf of the Board. In fulfilling its oversight responsibilities, the Audit Committee appoints the Company s independent auditors and reviews and discusses the audited financial statements included in the Company s and the Operating Partnership s Annual Report on Form 10-K with management and Deloitte, including the reasonableness of significant judgments and the clarity of disclosures in the financial statements. Management has primary responsibility for the financial statements and the reporting process, including the Company s internal controls over financial reporting.

Deloitte is responsible for performing an audit of the Company s financial statements and expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. The Audit Committee reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2015 with management and Deloitte. The Audit Committee discussed with Deloitte its judgments as to the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board (the PCAOB). In addition, the Audit Committee received the written disclosures and the letter from Deloitte required by the PCAOB regarding Deloitte s communications with the Audit Committee concerning its independence, and discussed with Deloitte its independence from the Company. The Audit Committee also considered the compatibility of Deloitte s provision of non-audit services with Deloitte s independence.

The Audit Committee discussed with Deloitte the overall scope of its audits of the Company s and the Operating Partnership s financial statements. The Audit Committee meets with Deloitte, with and without management present, to discuss the results of its examinations, its assessments of the Company s internal controls over financial reporting and the overall quality of the Company s financial reporting. In the performance of their oversight function, the members of the Audit Committee relied upon the information, opinions, reports and statements presented to them by the Company s management and by Deloitte. The Audit Committee held six meetings during 2015.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements as of and for the year ended December 31, 2015 be included in the Company s and the Operating Partnership s Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 12, 2016.

Audit Committee

Scott Ingraham, Chairman

Edward Brennan, Ph.D.

Peter Stoneberg

The foregoing report of the Audit Committee is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in such filing.

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Our Executive Officers

John Kilroy President, Chief Executive Officer and Chairman of the Board Age: 67	**John Kilroy** was appointed as Chairman in February 2013 and has served as our President and CEO since our incorporation in September 1996. Biographical information regarding Mr. Kilroy is set forth above under the caption Our Board of Directors.
Jeffrey Hawken Executive Vice President and Chief Operating Officer Age: 57	**Jeffrey Hawken** has served as our Chief Operating Officer since our inception as a public company in January 1997. Mr. Hawken is responsible for overseeing the Company s overall operations, including leasing, acquisitions and dispositions, asset and property management functions, human resources and legal affairs. Prior to our initial public offering, Mr. Hawken served in the same capacity for Kilroy Industries and was responsible for the management and operations of Kilroy Industries real estate portfolio and served on its acquisitions and executive committees. In 1980, after graduating from college, Mr. Hawken joined Kilroy Industries as a Senior Financial Analyst, and has been involved in property and asset management with the Company since May 1983. Mr. Hawken is a member of the World Presidents Organization (WPO), Angeleno Chapter and held leadership roles in WPO, Santa Monica Bay Chapter and Young Presidents Organization, Santa Monica Bay Chapter. Mr. Hawken was a past Chairman of BOMA Greater Los Angeles and currently serves on the National Advisory Committee. Mr. Hawken serves on the Executive Committee at the University of Southern California Lusk Center for Real Estate. He is an active member of the City of Hope Los Angeles Real Estate and Construction Industries Council. Mr. Hawken holds a Bachelor of Science degree in Business Administration from the University of Southern California and he is a licensed Real Estate Broker in the State of California.

Tyler Rose Executive Vice President, Chief Financial Officer and Secretary Age: 55	**Tyler Rose** was appointed Executive Vice President and Chief Financial Officer in December 2009 after serving as Senior Vice President and Treasurer since 1997. Prior to his tenure at the Company, Mr. Rose was Senior Vice President, Corporate Finance of Irvine Apartment Communities, Inc. from 1995 to 1997, and was appointed Treasurer in 1996. Prior to that, Mr. Rose was Vice President, Corporate Finance of The Irvine Company from 1994 to 1995. From 1986 to 1994, Mr. Rose was employed at J.P. Morgan & Co., serving in its Real Estate Corporate Finance Group until 1992 and as Vice President of its Australia Mergers and Acquisitions Group from 1992 to 1994. Mr. Rose also served for two years as a financial analyst for General Electric Company. He currently serves as a director of Rexford Industrial Realty, Inc. and on the Policy Advisory Board for the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley. Mr. Rose received a Master of Business Administration degree from The University of Chicago Booth School of Business and a Bachelor of Arts degree in Economics from the University of California, Berkeley.
Heidi Roth Executive Vice President, Chief Accounting Officer and Controller Age: 44	**Heidi Roth** was appointed Executive Vice President, Chief Accounting Officer and Controller of the Company in January 2015. Ms. Roth has been with the Company since 1997 and was appointed Senior Vice President and Controller in July 2005. Prior to such time, Ms. Roth held various other positions with the Company, including serving as the Company s Vice President, Internal Reporting and Strategic Planning. Prior to joining the Company, Ms. Roth was a CPA for Ernst & Young in Los Angeles. Ms. Roth is a Certified Public Accountant and a member of the AICPA. Ms. Roth currently serves on the Board of Directors of Crystal Stairs, Inc., a nonprofit child development organization, and is an emeritus member of the National Association of Real Estate Investment Trust s Best Financial Practices Council. Ms. Roth received her Bachelor of Science degree in Accounting from the University of Southern California.

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Our Executive Officers

David Simon

Executive Vice President, Southern California

Age: 53

David Simon was appointed Executive Vice President, Southern California in September 2014 after serving as Executive Vice President since March 2012 and is responsible for executing the development and repositioning of office and mixed-use projects, as well as identifying and acquiring value-add opportunities throughout Southern California. Mr. Simon was formerly a Managing Director at BRCP. Prior to joining BRCP in 2004, Mr. Simon was a Partner with Kearny Real Estate Company, a partnership originally established as a subsidiary of Morgan Stanley Real Estate Funds. Previously, Mr. Simon was with the Morgan Stanley Real Estate Funds in Southern California where he focused on acquisitions, asset management and dispositions of real estate across all asset types. Mr. Simon received a Master s Degree in Real Estate Development from Columbia University and a Bachelor of Arts Degree from the University of Florida. He is a licensed California Real Estate Broker and a full member of the Urban Land Institute. He is a board member of the Hollywood Chamber of Commerce, a board member and trustee of the Oakwood School in North Hollywood, and previously served as a member of the board of directors and a trustee for the non-profit Affordable Living for the Aging based in Southern California. In 2011, he established the Simon Family Drug Research Fund at the University of Alabama to promote drug research for neurofibromatosis.

Justin Smart

Executive Vice President, Development and Construction Services

Age: 56

Justin Smart was appointed Executive Vice President, Development and Construction Services in January 2013. He served as Senior Vice President of Development and Construction Services from August 2000 through December 2012. Mr. Smart has in excess of 25 years of real estate development experience covering a wide range of product types, including office, industrial, residential and resort properties throughout the United States. From June 1996 to August 2000, Mr. Smart was Vice President of Development with Intrawest Corporation, a leading developer of resorts and resort real estate. Prior to 1996, Mr. Smart served as Vice President of Construction with Kilroy Industries.

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Compensation Discussion and Analysis

INTRODUCTION

This CD&A describes the material elements of our executive compensation program, the compensation decisions made under the program and the factors considered in making those decisions for the NEOs listed below for 2015.

Name	Title
John Kilroy	President, Chief Executive Officer and Chairman of the Board
Jeffrey Hawken	Executive Vice President and Chief Operating Officer
Tyler Rose	Executive Vice President, Chief Financial Officer and Secretary
David Simon	Executive Vice President, Southern California
Justin Smart	Executive Vice President, Development and Construction Services

Our Business

We are a self-administered REIT that is active in the premier office submarkets along the West Coast of the United States. With more than 65 years of experience as a California-based real estate company, we have built deep experience in the region through multiple business cycles and operating environments. In 1997, we became a publicly traded REIT and in 2013, we were added to the S&P MidCap 400 Index. We believe the following aspects of our business make us one of the leading office REITs in the United States:

A fully integrated real estate enterprise. Our core management capabilities encompass all aspects of real estate, including the acquisition, financing, development, redevelopment, construction management, leasing, asset management and disposition of office and mixed-use projects.

Strong development experience. We maintain an active, multi-year development program that focuses on economically dynamic locations where anticipated long-term demand is strong, supply is limited and barriers to entry are high.

A leader in sustainability. We are an advocate of sustainability practices and are a leader in LEED-certified design, development and property operations.

An innovator in work spaces. We strive to be a leader in rethinking and reshaping the physical work environment, which we believe is necessary to meet the needs of the fast-paced and knowledge-driven businesses that choose to locate in the coastal economies of the western United States.

STOCKHOLDER ENGAGEMENT AND RESPONSE TO OUR 2015 SAY-ON-PAY VOTE

The Compensation Committee values input from the Company s stockholders regarding the Company s executive compensation program. At each annual meeting, we hold a non-binding advisory vote to approve the compensation of our NEOs, which is commonly referred to as a Say-on-Pay vote. At our 2015 annual meeting of stockholders, approximately 95.6% of the votes cast were in favor of our Say-on-Pay proposal. The Compensation Committee believes the results of our 2015 Say-on-Pay vote demonstrate that stockholders support the significant changes made to our executive compensation program over the past few years and endorse our current executive compensation practices. Since our 2015 annual meeting of stockholders, we engaged with and solicited input from stockholders who together own more than 60% of our outstanding common stock on a variety of topics, including market conditions, corporate strategy and corporate governance practices. Taking this feedback and our 2015 Say-On-Pay vote into account, the Compensation Committee approved our executive compensation program for 2015 without making any significant changes compared to our executive compensation program for 2014. The most significant change to our 2015 executive compensation program was to increase the portion of shares covered by our CEO s annual equity award that are subject to performance-based vesting requirements to nearly three-quarters of the total award.

When making future compensation decisions for our NEOs, the Compensation Committee will continue to consider the opinions that stockholders express through annual Say-On-Pay votes and through direct communication with our lead independent director, our Board and management.

2015 COMPANY PERFORMANCE

The Company achieved strong financial and operational results and further positioned the Company during 2015 for continued long-term growth. Below is a summary of our key achievements.

Outperforming Long-Term Total Stockholder Return. While we delivered excellent operating and financial results in 2015, our stock price performance was impacted by macro-economic and market specific headlines. Nevertheless, we outperformed the SNL US REIT Office Index, the MSCI US REIT Index and our peer group identified on page 39 over a three-year period. The following chart shows the value of a $100 investment at market close on December 31, 2012 in the Company, the MSCI US REIT Index, the SNL US REIT Office Index, and our peer group, over the three-year period ended December 31, 2015 (assuming dividend reinvestment):

Strong 2015 Financial Performance. During 2015, we generated strong year-over-year financial results, which included the following:[5]

Increased revenues from continuing operations 11.4%

Increased FFO 26.3%

Increased FFO per share 19.0%

Increased adjusted Same-Store Cash NOI 4.7% and increased adjusted Same-Store GAAP NOI 3.6%

Strong Leasing Activity. During 2015, we generated strong leasing results, which included the following:

Signed new or renewing leases on approximately 1.5 million square feet of office and retail space

Increased average occupancy in our stabilized portfolio 2.10% over 2014

Increased average rents on leases executed during 2015 by 22.3% on a cash basis and 33.0% on a GAAP basis[6]

5 See Appendix A for the definition of FFO and a reconciliation of FFO to our net income available to common stockholders computed in accordance with GAAP, for the definition of net operating income or NOI and a reconciliation of net operating income to our net income available to common stockholders computed in accordance with GAAP, and for the definition of same-store cash NOI and a reconciliation of adjusted same-store cash NOI to our net income available to common stockholders computed in accordance with GAAP. Increases are reported as 2015 performance above 2014 levels.

6 See Appendix A for the definition of change in GAAP/cash rents (leases executed) .

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Compensation Discussion and Analysis

Efficiently Managed Development Projects and Replenished Development Pipeline. During 2015, we efficiently managed our development program and replenished our development pipeline as highlighted below.

- During 2015, we delivered two 100% leased projects totaling approximately 449,000 square feet on schedule and on budget with an estimated total investment of approximately $271 million.

- During summer 2015, we commenced construction on a 700,000 square foot office project in the Mission Bay submarket of San Francisco, California. The total estimated investment is approximately $485.0 million and construction is expected to be completed in the second half of 2017.

- At year-end 2015, we had five development projects under construction that totaled approximately 1.9 million square feet of space and had a total estimated investment of approximately $1.2 billion. The office space was 50% preleased.

- During 2015, we expanded our development pipeline with the acquisition of two development opportunities a fully entitled site in San Francisco, California and a property in the prime South Lake Union submarket of Seattle, Washington. We have the opportunity to create substantial incremental value by developing office and retail space, subject to obtaining appropriate approvals and entitlements.

- During 2015, we continued to make significant progress on the entitlement process for our near and medium-term development projects. In particular, at our Flower Mart project in San Francisco, California, we successfully found common ground and reached agreements with local community groups, enabling us to advance the entitlement and design process. Upon final approval, we plan to develop a world class mixed-use project that includes office space, retail space and a new state-of-the-art flower mart.

Strong Execution of Capital Recycling Program. Capital recycling continues to play an important role in funding our activities and growth. Our general strategy has been to sell non-strategic assets and redeploy some or all of the capital into acquisitions, development and/or re-development where we can leverage our experience and add value to generate higher returns. In 2015, we contracted to sell 14 office buildings (13 in San Diego, California and one in Seattle, Washington) as well as two non-income producing land parcels (one in Orange County, California and one in San Diego, California). In 2015, we closed on the sale of 10 office buildings and one land parcel. The sale of the remaining four office buildings and one land parcel closed in January 2016. The total gross proceeds from these dispositions were approximately $602.0 million.

Prudent Balance Sheet Management. During 2015, we continued to build and maintain a strong and flexible balance sheet that enables us to respond quickly to attractive opportunities as they arise. Below is a list of key 2015 achievements:

Received a one notch investment grade upgrade to Baa2 and BBB from Moody s and S&P, respectively.

Completed several opportunistic financing transactions that lowered our cost of capital and enhanced our liquidity, including the repayment of $475.3 million of unsecured and secured debt at par, issuing $138.2 million of net common equity under our at-the-market offering program, issuing $249.6 million of net common equity through a registered direct placement and issuing $400.0 million of 10-year, 4.375% senior unsecured notes.

Extended our weighted average debt maturities from approximately six years at year-end 2014 to approximately seven years at year-end 2015.

Significantly reduced our debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio from 7.4x at year-end 2014 to 5.7x at year-end 2015 during a period of extensive development spending.

Decreased our total debt as a percentage of total market capitalization from 28.2% at year-end 2014 to 26.7% at year-end 2015, which is amongst the lowest in our peer group.

Maintained Leadership Position in Sustainability. We continue to be recognized for our industry leading sustainability practices.

Ranked 1st in sustainability performance among 155 North American real estate companies by GRESB.

Earned the highly competitive GRESB Green Star designation for the last three years for ranking in the top 25% of companies worldwide in sustainability performance.

One of only 149 companies selected from approximately 16,000 applicants to receive the U.S. EPA s annual ENERGY STAR Partner of the Year Sustained Excellence Award, the U.S. EPA s highest honor.

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Compensation Discussion and Analysis

Co-winner of NAREIT s 2015 Leader in the Light Award in the Office category.

Increased our LEED certified square footage by an additional 577,233 square feet in 2015, resulting in 47% of the stabilized portfolio being LEED certified at year-end 2015.

Increased percentage of stabilized portfolio that has earned ENERGY STAR certifications from 56% in 2014 to 64% in 2015.

Pursuing platinum or gold LEED certification for all development projects.

To learn more about the Company s sustainability efforts, please view our 2015 sustainability report on the Company s website, by visiting http://www.kilroyrealty.com/sites/default/files/Kilroy_Realty_Corporation_Sustainability_Report__2015.pdf.

DESIGN FEATURES OF 2015 EXECUTIVE COMPENSATION PROGRAM

We believe that the structure of our executive compensation program strikes an appropriate balance between the need to attract and retain executives with the expertise and talent required to execute on our active portfolio management strategy, and the need to link compensation with the performance of the Company, including stockholder return. Below is a summary of some of the key design features of our 2015 executive compensation program.

Majority of NEO Target TDC is At Risk. Approximately 87% of our CEO s (and approximately 81% of our other NEOs) target TDC for 2015 was not guaranteed but rather was tied directly to the performance of the Company, the Company s stock price and/or individual performance, as depicted in the below pay mix charts.

Annual cash incentives are at risk because the final annual cash incentive awards are based on Company and individual performance and subject to variation. Actual cash incentives could range from 0% to approximately 150% of each NEO s target annual cash incentive based on actual performance.

Long-term incentives (equity awards) are at risk because the final award value depends on our stock price, continued service over a three-year vesting period and, for nearly three-quarters of our CEO s 2015 equity award (and approximately two-thirds for our other NEOs), the satisfaction of performance-based vesting conditions that include (1) the possibility of complete forfeiture if a minimum operating performance threshold is not achieved in the year in which the award is granted without the opportunity to vest in any future year, and (2) relative TSR goals that apply to the entire three-year vesting period.

Compensation Discussion and Analysis

Base Salaries Remained Flat. None of our NEOs received a base salary increase for 2015.

Annual Cash Incentives Based on a Performance Measurement Framework. The Compensation Committee continued to make final annual cash incentive determinations based on a performance measurement framework that measures the Company s annual achievement of pre-set financial and operational goals and each NEO s contribution to such goals. The framework evaluated the Company s 2015 performance within the following five categories: (1) operations, (2) balance sheet management, (3) acquisitions, (4) dispositions and (5) development, and took TSR performance into account. The Compensation Committee determined that the final 2015 annual cash incentives for our NEOs would be above target levels but less than maximum.

Majority of Target TDC is in the Form of Long-Term Incentives. The most significant component of each NEO s total compensation opportunity is in the form of long-term incentive awards that vest over a three-year period. In 2015, approximately 59% of our CEO s (and approximately 56% of our other NEOs) target TDC was in the form of a long-term incentive award. The purpose of this weighting is to further align the interests of our NEOs with those of our stockholders.

Majority of Long-Term Incentives are Performance-Based. In 2015, nearly three-quarters of our CEO s (and approximately two-thirds of each of our other NEOs) long-term incentive award was subject to performance-based vesting requirements that cliff-vest at the end of a three-year vesting period, subject to continued service through the end of such performance period, and includes a performance measure indexed to our relative TSR over that period. The balance of each NEO s total RSU award vests ratably in annual installments over a three-year vesting period, subject to continued service through the applicable vesting date.

Target TDC Considers Market Pay Levels and Payouts Linked to Performance. The Compensation Committee did not set 2015 target TDC levels at any specific percentile against our peer group. Rather, the Compensation Committee considered final 2014 peer group compensation data to inform its decision making process for 2015. In setting the 2015 compensation levels, the Compensation Committee believed that our NEOs 2015 target TDC levels would generally be above the median for executives holding similar positions at companies in our peer group for 2015 and that the 2015 target TDC levels for our NEOs were appropriate for the following reasons:

- Ø ***Active Portfolio Management Strategy in Highly Competitive Markets.*** Our business model requires an active portfolio management strategy. Implementing this strategy requires a broader skill set than those of executives who focus primarily on managing cash flows of a more static investment portfolio.

Our active portfolio management strategy distinguishes us from many of the companies in our peer group. We set pay above the median in order to attract and retain executives with the skill sets that we believe are best suited to successfully implement our strategy and create long-term value for our stockholders.

Ø ***Target TDC Realized Only if Target Goals Achieved.*** In 2015, 72% of our CEO s (and 62% of our other NEOs) target TDC was performance-based. As a result, our NEOs will only receive 100% of their target TDC if the Company achieves all of its pre-established performance goals.

Ø ***Majority of NEO Target TDC Linked to Performance and Subject to Forfeiture.*** 100% of the annual cash incentive value that our NEOs can realize is linked to Company performance through a formalized performance measurement framework, which allows each NEO to earn between 0% and approximately 150% of their target cash incentive depending on the Company s performance against pre-established goals. In addition, and as noted above, nearly three-quarters of our CEO s (and approximately two-thirds of our other NEOs) 2015 equity award is performance-based and subject to complete forfeiture if a minimum FFO Per Share threshold is not achieved in the year in which the award is granted and is further subject to relative TSR performance against the SNL US REIT Office Index over the entire three-year vesting period. Furthermore, both the time- and performance-based portion of the equity awards have direct alignment with share price movement and dividends paid.

Ø ***Outperforming TSR.*** As indicated in the chart on page 23, our TSR for the three-year period ending December 31, 2015 outperformed our peer group, the SNL US REIT Office Index and the MSCI US REIT Index.

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Compensation Discussion and Analysis

COMPENSATION PHILOSOPHY AND OBJECTIVES

Our executive compensation philosophy is designed to achieve the following objectives:

- To set total compensation to be competitive with companies in our peer group, taking into account our active portfolio management strategy and the skill set required to implement that strategy;
- To align executive compensation with the Company s corporate strategies, business objectives and the creation of long-term value for our stockholders without encouraging unnecessary or excessive risk taking;
- To provide an incentive to achieve key strategic and financial performance measures by linking annual cash incentive award opportunities to the achievement of corporate and operational performance objectives in these areas;
- To provide a majority of target total direct compensation for the NEOs in the form of long-term incentive equity awards; and
- To help the Company attract, retain and incentivize talented and experienced individuals in the highly competitive West Coast employment and commercial real estate markets.

WHAT WE PAY AND WHY: EXECUTIVE COMPENSATION ELEMENTS

The following table sets forth the key elements of our executive compensation program, along with the primary objective and key features associated with each element of compensation.

Compensation Element	Primary Objective	Key Features	Page Reference

Base Salary	To provide a regular source of income so employees can focus on day-to-day responsibilities. To recognize ongoing performance of job responsibilities.	Competitive pay, taking into account job scope, position, knowledge, tenure, skills and experience.	Page 28
Annual Cash Incentives **(Cash Bonuses)**	To motivate and reward for achievement of annual financial and operational goals and other strategic objectives measured over the year.	Final payouts are awarded to our NEOs under a cash incentive performance measurement framework that is based on specific metrics and pre-set objective goals.	Page 28
Long-Term Incentives **(Equity Awards)**	To emphasize long-term performance objectives. To align the interests of our NEOs with stockholder interests. To encourage the maximization of stockholder value and retain key executives through the performance and vesting periods.	For 2015, approximately two-thirds of each NEO s long-term incentive award (and nearly three-quarters for our CEO) was subject to performance-based vesting requirements over a three-year vesting period, subject to complete forfeiture if a minimum FFO Per Share threshold is not achieved in the year in which the award is granted (without the opportunity to vest in any future year) and further subject to a relative TSR modifier over the entire three-year vesting period.	Page 31

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Compensation Discussion and Analysis

2015 NAMED EXECUTIVE OFFICER COMPENSATION

The Compensation Committee reviews and authorizes each NEO s compensation on an annual basis. Executive compensation is not established at any particular level against peer group data. Rather, the Compensation Committee generally considers the following factors:

- The performance of the Company (e.g., TSR, operations, financial performance, acquisitions, dispositions, development and balance sheet management);
- The performance of each NEO;
- The contribution of each NEO to our overall results;
- Input from our CEO (with respect to our other NEOs);
- Additional roles or responsibilities assumed;
- Experience, skill set and tenure;
- Base salary, target annual cash incentive and long-term incentive grant levels for comparable positions at companies in our peer group;
- The NEO s employment agreement (if any); and
- The relative need to retain the NEO.

Base Salary

General Description

As noted above, we provide base salaries to provide a regular source of income so employees can focus on day-to-day responsibilities and to recognize ongoing performance of job responsibilities.

Decisions for 2015

The Compensation Committee determined that each NEO s 2015 base salary level would remain at the same level as in effect for 2014. The 2015 base salary for each of our NEOs was as follows: $1,225,000 for Mr. Kilroy, $675,000 for Mr. Hawken and $500,000 for each of Messrs. Rose, Smart and Simon.

Annual Cash Incentives

General Description

Our annual cash incentives are based on the annual performance of our Company, as measured by a performance measurement framework, and each individual s contribution to the annual performance of our Company.

During the first quarter of the performance year, the Compensation Committee establishes a target annual cash incentive amount for each NEO and approves a performance measurement framework for that year. The Compensation Committee selects the performance categories, metrics and goals that it believes will accurately assess the annual performance of the Company and the building of long-term value for our stockholders. The performance measurement framework is comprised of performance categories (e.g., operations, balance sheet management, acquisitions and dispositions, and development) and each category includes performance metrics and specific objective goals that relate to each metric.

During the first quarter following the end of the performance year, the Compensation Committee compares the Company s actual performance results to the pre-established objective goals. The Compensation Committee then rates performance as either Extraordinary, Superior, On Target, Below Expectations or Well Below Expectations, re in payouts approximating 150% of target, 125% of target, 100% of target, 50% of target or 0% of target, respectively. As a result, the Compensation Committee s final annual cash incentive determinations may be more or less than the targeted amount based on the Company s actual performance and the ultimate rating assigned by the Compensation Committee.

Individual awards, however, may vary based on the Compensation Committee s consideration of each NEO s contributions or achievements. Awards may also vary based on a greater emphasis on certain categories, which may result in annual cash incentive variations between executives who are principally responsible for those categories and those who are not. The Compensation Committee does not apply specific weighting to performance categories and final annual cash incentive amounts are determined based on a holistic assessment of results achieved, including consideration of the Company s TSR.

The Compensation Committee believes this approach reflects an appropriate balance between applying objective criteria to determine NEO annual cash incentives, on the one hand, and a desire to keep NEOs focused on strategic decisions that are in the long-term best interests of our stockholders, on the other hand. Since our business strategy requires us to actively manage our property portfolio, the Compensation Committee believes that a rigid annual cash incentive formula could undermine opportunistic decisions that compress short-term gains but create long-term stockholder value (e.g., midyear changes in our strategy or portfolio due to a shift in market conditions or unanticipated opportunities can significantly alter specific objective goals that are set early in the year).

Decisions for 2015

In January 2015, the Compensation Committee determined that each NEO s 2015 target annual cash incentive amount would remain at the same level as 2014, except for our CEO. Although our CEO s employment agreement provides for a $3,000,000 target annual cash incentive amount, our CEO s 2014 target level was reduced from $3,000,000 to $2,450,000 in order to place a greater emphasis on long-term incentives and enhance alignment with long-term stockholder returns. Our CEO s 2015 target level was similarly reduced from $3,000,000 to $2,700,000 in order to continue to place a greater emphasis on long-term incentives and enhance alignment with long-term stockholder returns. Mr. Hawken s target cash incentive level for 2015 was 200% of his base salary and the target cash incentive level for each of our other NEOs was 100% of the executive s base salary.

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Compensation Discussion and Analysis

The following table shows the 2015 performance measurement framework and 2015 goals approved by the Compensation Committee in January 2015 and the Company s actual 2015 performance.

2015 Performance Measurement Framework

Category	Metric	2015 Goals	2015 Performance
Operations	FFO ($MM)(1):	$303.0	$316.6
	FFO Per Share(1):	$3.27	$3.39
	FAD ($MM)(2):	$158.0	$199.0
	FAD Payout Ratio(2):	82%	66%
	FAD Per Share(2):	$1.70	$2.13
	Revenue ($MM):	$569.0	$581.3
	NOI ($MM)(2):	$408.0	$422.0
	Adjusted Same-Store Cash NOI Growth(2):	2.5% - 3.5%	4.7%
	Leasing SF:	1.0M	1.5M
	Year-End Occupancy:	94.0%	94.8%
Balance Sheet Management(3)	Debt/EBITDA:	6.3x	5.7x
	Equity:	$300.0	$387.8
	Debt Financing:	$445.0	$400.0
Acquisitions	Total Acquisitions ($MM):	$0.0	$0.0
Dispositions	Total Dispositions ($MM):	$426.0	$335.2

	In 2015, we contracted to sell 14 office buildings (13 in San Diego and one in Seattle) and two non-income producing land parcels (one in Orange County and one in San Diego). In 2015, we closed on the sale of 10 office buildings and one land parcel. The remaining four office buildings and one land parcel closed in January 2016. The total gross proceeds from these dispositions were approximately $602.0 million.
Development	We delivered, on time and on budget, two fully-leased office projects encompassing approximately 449,000 square feet. We also opportunistically acquired two development opportunities one fully entitled 3.3 acre mixed-use site in San Francisco for approximately $78.0M and four development parcels totaling 2.4 acres in Seattle for approximately $49.5M.

(1) See Appendix A for the definition of FFO and a reconciliation of FFO to our net income available to common stockholders computed in accordance with GAAP, and for the definition of FFO per share and a reconciliation of FFO per share to our net income available to common stockholders computed in accordance with GAAP. FFO Per Share is also used as a performance metric under the performance-based component of our NEO equity awards. The Compensation Committee believes it is nevertheless appropriate to take FFO Per Share into account in our performance measurement framework because it is a key metric for the Company, frequently used by investors to assess REIT performance and is only one of many measures (disclosed above) used to assess performance under the framework.

(2) See Appendix A for the definition of FAD (or Funds Available for Distribution), FAD Per Share, FAD Payout Ratio, NOI and a reconciliation of NOI to our NOI computed in accordance with GAAP, and for the definition of same-store cash NOI and a reconciliation of adjusted same-store cash NOI to our net income available to common stockholders computed in accordance with GAAP.

(3) As of December 31, 2015.

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Compensation Discussion and Analysis

Based on the Compensation Committee s review of the Company s actual 2015 performance disclosed in the chart above, the Compensation Committee determined that the Company s overall performance for 2015 was above Superior but below Extraordinary. In addition, and while the Company s TSR performance is more directly taken into account through the value of, and applicable performance metrics under, the Company s equity awards, the Compensation Committee also took the Company s 2015 TSR performance into account in determining that it was appropriate to pay 2015 annual cash incentive amounts for the NEOs at less than the maximum levels. As a result, the 2015 annual cash incentive amounts exceeded target payout levels but were below the maximum payout level.

The Compensation Committee determined that each of the NEOs made significant contributions to the Company in 2015, although the level of impact each NEO had on the Company s 2015 results varied somewhat. Differences between each NEO s actual 2015 annual cash incentive amount compared to each NEO s 2015 target annual cash incentive amount also reflect the Compensation Committee s overall qualitative assessment of each NEO s performance, and relative contribution to and responsibility for each of the performance categories and metrics.

The 2015 target and actual annual cash incentive amount determined by the Compensation Committee for each NEO is set forth in the chart below.

Named Executive	2015 Target Cash Incentive Amount	2015 Actual Cash Incentive Amount
John Kilroy	$2,700,000	$3,800,000
Jeffrey Hawken	$1,350,000	$1,600,000
Tyler Rose	$ 500,000	$ 700,000
David Simon	$ 500,000	$ 650,000
Justin Smart	$ 500,000	$ 700,000

Long-Term Incentives

General Description

Our long-term incentives are structured as equity awards in the form of restricted stock units (RSUs). Subject to the satisfaction of applicable vesting conditions, each RSU is equivalent in value to and will be paid in one share of our common stock. Directly linking the value of RSUs to our stock price aligns our NEOs interests with those of our stockholders. RSU awards are typically granted to our NEOs, and any applicable performance goals are set, at the beginning of the performance year. In addition to annual equity awards, we occasionally make grants of equity awards at other times at the discretion of the Compensation Committee, such as in connection with hiring or promoting executive officers. However, no such other equity awards were granted to our NEOs in 2015.

Decisions for 2015

The design of the RSU awards granted to our NEOs in 2015 is consistent with the design of the RSU awards granted to our NEOs in 2014. Based on the grant date fair value of each 2015 RSU award granted to our NEOs, the 2015 RSU awards consist of the following:

Approximately two-thirds of each NEO s total RSU award (and nearly three-quarters for our CEO), is subject to performance-based vesting requirements (performance-based RSUs). The performance-based RSUs cliff vest, if and to the extent the performance goals are achieved, in one lump sum after the end of the three-year vesting period.

Approximately one-third of each NEO s total RSU award (and approximately one quarter for our CEO), is subject to a time-based vesting schedule (time-based RSUs). The time-based RSUs vest ratably in annual installments over a three-year vesting period and payouts are subject to continued service through the applicable vesting date.

Compensation Discussion and Analysis

The Compensation Committee also believed that a majority of each NEO s total 2015 RSU award should be subject to performance-based vesting requirements to accomplish the following objectives:

Align overall reward opportunity with actual performance delivered;

Require achievement of pre-defined operating goals using a performance measure that is reflective of management s efforts (i.e., the FFO Per Share metric);

Require sustained longer-term performance of the Company s share price by including a relative TSR modifier that measures the Company s performance against other office REIT competitors in the SNL US REIT Office Index over the entire three-year vesting period (i.e., the TSR percentile ranking metric); and

Create an additional retention incentive, as vesting is contingent on each NEO s continued service through the end of the three-year vesting period.

The NEOs do not have the right to vote or dispose of the 2015 RSUs awarded prior to vesting, but do have the right to receive dividend equivalents (in cash or stock) based on the amount of dividends (if any) paid by the Company during the term of the award on a number of shares equal to the number of outstanding and unpaid RSUs then subject to the award. Dividend equivalents on the RSUs awarded in 2015 are subject to the same vesting, payment and other terms and conditions as the original RSUs to which they relate.

2015 RSU Award Values

In January 2015, the Compensation Committee granted each NEO a number of time-based RSUs and a target number of performance-based RSUs, each expressed as a dollar value that was then converted into a number of RSUs by reference to the fair market value of the Company s common stock on the date of grant. These dollar values are set forth in the chart below. The Compensation Committee determined that the aggregate dollar value for each NEO s 2015 RSU award was appropriate based on its consideration of the factors listed on page 28.

	January 2015 Annual Equity Awards		
		Target	
Named Executive	**Time-Based RSUs(1)**	**Performance-Based RSUs(1)**	**Total Equity Award**
John Kilroy	$1,500,000	$4,250,000	$5,750,000

Jeffrey Hawken	$ 617,000	$1,234,000	$1,851,000
Tyler Rose	$ 550,000	$1,100,000	$1,650,000
David Simon	$ 500,000	$1,000,000	$1,500,000
Justin Smart	$ 500,000	$1,000,000	$1,500,000

(1) These amounts are the values approved by the Compensation Committee in January 2015 and converted into the corresponding number of RSUs (the number of RSUs at the target level of performance in the case of the performance-based RSUs) based on the closing price of the Company s common stock on the date of grant of the awards and rounded up to the nearest whole share. For the accounting fair value of these awards as reflected in the Summary Compensation Table, please refer to footnote (1) to the Summary Compensation Table.

2015 Performance-Based RSUs

The 2015 performance-based RSUs vest in one lump sum on the first date following December 31, 2017 on which the Compensation Committee determines if, and to the extent, the performance vesting conditions have been achieved by the Company. The total number of 2015 performance-based RSUs that ultimately vest will be determined as follows:

(1) The target number of performance-based RSUs granted to each NEO is first multiplied by an Applicable FFO Per Share Percentage that ranges from 0% to 150%. The Applicable FFO Per Share Percentage is determined by calculating the Company s FFO Per Share for the 2015 performance year, plotting it on the below table and identifying the corresponding Applicable FFO Per Share Percentage (the number of RSUs resulting from this calculation is referred to as Banked Shares subject to the award).

FFO Per Share (for 2015)*	Applicable FFO Per Share Percentage*
$3.42 or greater	150%
$3.27	100%
$3.12	50%
Less than $3.12	0% (complete forfeiture)

* Determined on a pro-rata basis between points

(2) The Banked Shares are then multiplied by an Applicable TSR Percentage that ranges from 66.6667% to 133.3333% for each NEO except our CEO (and from 50% to 150% for our CEO). The Applicable TSR Percentage is determined by (a) calculating the Companys TSR Percentile Ranking relative to the companies in the SNL US REIT Office Index for each of the three years in the performance period (2015-2017), (b) averaging those three relative TSR Percentile Rankings and (c) plotting such average TSR Percentile Ranking on the below table and identifying the corresponding Applicable TSR Percentage.

TSR Percentile Ranking* (2015-2017)	Applicable TSR Percentage* (for NEOs except CEO)	Applicable TSR Percentage* (for CEO)
80th percentile or greater	133.3333%	150%
40th percentile or greater,	100%	100%

but equal to or less than 60th percentile		
20th percentile or lower	66.6667%	50%

* Determined on a pro-rata basis between points

(3) The above calculation will have the effect of either increasing or decreasing the Banked Shares subject to the award by the Applicable TSR Percentage as follows:

If the final average TSR Percentile Ranking is between the 40th percentile, but equal to or less than the 60th percentile, then there is no modification up or down to the Banked Shares.

If the final average TSR Percentile Ranking is below the 40th percentile, the Banked Shares may be reduced by up to 50% for our CEO s award and by up to 33% for our other NEOs awards.

If the final average TSR Percentile Ranking is greater than the 60th percentile, the Banked Shares may be increased by up to 50% for our CEO s award and by up to 33% for our other NEOs awards.

The FFO Per Share measure applies to the year in which the award was granted. This measure was selected as a performance metric because it is a financial measure commonly used by analysts and investors to evaluate a REIT s operating performance and overall management of its property portfolio. This measure adjusts the initial target number of performance-based RSUs upward or downward depending on the Company s FFO Per Share performance and also provides for the complete forfeiture of the performance-based RSUs with no opportunity to vest in a future year if the pre-established threshold FFO Per Share amount is not achieved.

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Compensation Discussion and Analysis

The TSR Percentile Ranking measure applies to all three-years of the performance period and was included to further align executives interests and potential rewards with stock price performance on a relative basis over a longer-term performance period. The increased up-side and down-side leverage applied to the TSR Percentile Ranking for the award to our CEO reflects his responsibility for the overall performance of the Company.

Please see the discussion under Named Executive Officer Compensation Tables Description of Plan-Based Awards Performance-Based RSUs on page 49 below for more information on determining FFO Per Share, TSR Percentile Ranking and the Applicable FFO Per Share Percentage and Applicable TSR Percentage for purposes of these awards.

The following chart illustrates the operation of the performance-based RSUs awarded in 2015 and discussed above:

2015 Performance Year Under 2015 Annual Equity Awards

In January 2016, the Compensation Committee determined that the Company s actual FFO for 2015 on a per-share basis, when adjusted in accordance with the definition of FFO Per Share applicable to these awards, was $3.44. As a result, 150% of the target number of RSUs subject to each NEO s award is eligible to vest based on this FFO Per Share level, subject to (1) further adjustment (up or down) based on our average TSR Percentile Ranking over the 2015-2017 performance period and (2) the NEO s continued employment with us through the remainder of the three-year performance period. The Compensation Committee determined that the percentile ranking of the Company s TSR for 2015 against the companies included in the SNL US REIT Office Index at the start of 2015 and that remained in the Index through the end of 2015 was at the 27th percentile. This percentile ranking will be averaged with the TSR Percentile Rankings, calculated on the same basis, for the Company for 2016 and 2017 to determine the final Applicable TSR Percentage ranking. If both FFO Per Share performance for 2015 and the Company s TSR percentile ranking for 2015 are taken into account, between 100% and 189.3% (between 75% and 209% in the case of the award for our CEO) of the target number of RSUs subject to each NEO s award will vest at the end of the three-year performance period, subject to the applicable time-based vesting requirements and with the final number in this range determined based on the Company s TSR percentile rankings for 2016 and 2017.

2015 Performance Year Under 2014 Annual Equity Awards

In January 2014, the Compensation Committee awarded the NEOs RSUs that had a structure similar to the RSUs awarded to the NEOs in January 2015. With respect to the performance-based RSUs awarded in 2014, the Compensation Committee determined in January 2015 that 150% of the target number of RSUs subject to each NEO s award is eligible to vest based on the Company s FFO Per Share level for 2014, but subject to and as described for the 2015 RSU awards (1) further adjustment

(up or down) based on our average TSR Percentile Ranking over the 2014-2016 performance period applicable to these awards and (2) the NEO s continued employment with us through the remainder of the three-year performance period. The Compensation Committee determined in January 2015 that the percentile ranking of the Company s TSR for 2014 against the companies included in the SNL US REIT Office Index at the start of 2014 and that remained in the Index through the end of 2014 was at the 95th percentile. The Compensation Committee determined in January 2016 that the percentile ranking of the Company s TSR for 2015 against the companies included in the SNL US REIT Office Index at the start of 2014 and that remained in the Index through the end of 2015 was at the 30th percentile. These percentile rankings will be averaged with the similar TSR percentile ranking for the Company for 2016 to determine the final Applicable TSR Percentage for these 2014 awards. If both FFO Per Share performance for 2014 and the Company s TSR percentile rankings for 2014 and 2015 are taken into account for these awards, between 150% and 187.5% of the target number of RSUs subject to each NEO s award will vest at the end of the three-year performance period, subject to the applicable time-based vesting requirements and with the final number in this range determined based on the Company s TSR percentile ranking for 2017.

2012 and 2013 Special Performance Awards (TSR Metric Resulted in No Awards Vesting in 2015)

The Company awarded performance-based RSUs to Messrs. Kilroy and Hawken in 2012 and 2013, respectively, that are eligible to vest in substantially equal annual installments over the term of the award (2012-2018 in the case of the award granted to Mr. Kilroy in 2012 and 2013-2018 in the case of the award granted to Mr. Hawken in 2013). These awards are referred to in this Proxy Statement as the Special TSR Awards. The vesting of each installment of the Special TSR Awards is subject to the achievement of one of the following performance goals, and further subject to the executive s continued employment through the applicable vesting date: (1) achievement of an annual TSR equal to 7.5% for the applicable calendar year; (2) achievement of a TSR that exceeds the TSR for the SNL US REIT Office Index for the applicable calendar year; or (3) achievement of a cumulative stockholder return goal not later than December 31, 2018. The cumulative stockholder return goal is based on an annualized TSR over the applicable term of the award of 7.5%. No portion of the Special TSR Awards vested based on our TSR during 2015.

Additional Compensation Elements

Indirect Elements of Compensation

To assist us in attracting and retaining key executives, our NEOs are eligible to participate in the same health, welfare and insurance benefit plans in which our salaried employees are generally able to participate. In addition, we provide our NEOs with certain other benefits such as an automobile allowance, a medical allowance, supplemental life insurance, and certain reimbursements for club dues, financial planning services and home office expenses. We believe that these other elements of compensation are important to attract, motivate and retain the top executive talent for which we compete.

Stock Award Deferral Program

We maintain a Stock Award Deferral Program under which our directors and certain of our management employees, including our NEOs, may elect to participate and defer receipt of restricted stock awards granted under the 2006 Plan and receive an equivalent number of RSUs in lieu of such restricted stock (or may elect to defer payment of RSUs that would otherwise be made when the RSUs vest). Each RSU issued under the deferral program represents the right to receive one share of our common stock in the future, subject in each case to the vesting conditions provided in the restricted stock or RSU award. In addition, deferred RSUs carry with them the right to receive dividend equivalents that credit participants, upon our payment of dividends in respect of the shares underlying the participant s RSUs, with additional RSUs equal to the value of the dividend paid in respect of such shares. Shares of stock underlying RSUs will be paid to the participant holding the RSUs on the earliest to occur of a change in control, the participant s separation from service with us, the participant s death or disability, or a pre-determined date, if specified by the participant. By electing to receive deferred RSUs, participants are generally able to defer income taxes on these awards, which makes our compensation program more desirable and helps us to attract, retain and incentivize top talent without significant additional cost to the Company. Since RSUs are paid in our common stock and the value of each RSU is directly tied to the value of our common stock, RSUs enhance the alignment between management and stockholder interests.

Compensation Discussion and Analysis

Defined Contribution Plans

We maintain a Section 401(k) Savings/Retirement Plan (the 401(k) Plan) that covers our eligible employees, including our NEOs, and those of certain designated affiliates. The 401(k) Plan permits our eligible employees to defer receipt of (and taxation on) a portion of their annual compensation, subject to certain limitations imposed by the 401(k) Plan and under the Internal Revenue Code. The employees elective deferrals are immediately vested and nonforfeitable upon contribution to the 401(k) Plan. We currently make matching contributions to the 401(k) Plan in an amount equal to fifty cents for each dollar of participant contributions, up to a maximum of 10% of the participant s annual salary (thus, the maximum match is 5% of the participant s base salary) and subject to certain other limits under the tax laws. Participants vest immediately in the amounts contributed by us to their plan accounts. Our employees are eligible to participate in the 401(k) Plan after three months of credited service with us. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code so that contributions by employees to the 401(k) Plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan. This tax-preferential savings option fits our compensation philosophy by helping us to attract, retain and incentivize top talent.

Deferred Compensation Plan

We maintain a cash deferred compensation plan, the 2007 Deferred Compensation Plan (the Deferred Compensation Plan), under which our directors and certain of our management employees, including our NEOs, may defer receipt of their compensation, including up to 70% of their salaries and up to 100% of their director fees and cash bonuses, each as applicable. In addition, eligible management employees, including our NEOs, will generally receive monthly contributions from us to their Deferred Compensation Plan accounts equal to 10% of their respective gross monthly base salaries. The Deferred Compensation Plan provides that we may also make additional discretionary contributions to participant accounts. To date, we have not made any discretionary contributions. The Deferred Compensation Plan fits into our compensation philosophy by providing our NEOs with the ability to accrue compensation and generate savings in a tax-efficient manner in excess of limits imposed on our 401(k) Plan, thereby providing additional financial security that enables our executives to focus on their work-related obligations. For additional information, refer to the Nonqualified Deferred Compensation table below.

Severance and Change in Control Arrangements

We have entered into employment agreements with our CEO, Chief Operating Officer, Chief Financial Officer and Executive Vice President, Development and Construction Services that include certain severance and change in control benefits. Provisions of our equity awards also provide for continued or accelerated vesting in certain circumstances in connection with a termination of the award holder s employment. We believe that these provisions help to ensure the day-to-day stability and focus of our management team. The Compensation Committee evaluates the level of severance benefits to provide our NEOs on a case-by-case basis, and in general, we consider these severance protections an important part of an executive s compensation and consistent with competitive practices as of the date they were entered into.

For a description of the material terms of these arrangements, see Named Executive Officer Compensation Tables Employment Agreements Salary and Annual Cash Incentive (Bonus) Amounts, Named Executive Officer Compensation Tables Grants of Plan-Based Awards 2015 Description of Plan-Based Awards and Named Executive Officer Compensation Tables Potential Payments Upon Termination or Change in Control below. As discussed in those sections, our Chief Operating Officer s employment agreement was amended in December 2015, and the employment agreements with our Chief Financial Officer and Executive Vice President, Development and Construction Services, were amended in January 2016, to, among other items, extend the terms of their agreements (including the severance and change in control benefit protections noted above).

Decisions for 2016

In January 2016, the Compensation Committee approved our executive compensation program for 2016 without making any significant changes compared to our executive compensation program for 2015 with the exception of a grant to Mr. Hawken. None of our NEOs received a base salary increase, increase in target annual cash incentive amount, or increase in grant date value of annual equity awards (as approved by the Compensation Committee and used to determine the number of shares subject to the awards) for 2016 compared to the corresponding level approved by the Compensation Committee for the NEOs for 2015. Mr. Hawken received a special equity award of 33,910 RSUs in January 2016 in addition to his regular annual equity award for 2016 based on the Compensation Committee s assessment of his additional responsibilities and as an additional retention incentive.

Half of the RSUs granted in connection with Mr. Hawken s special 2016 RSU award are subject to time-based vesting requirements with vesting scheduled to occur in four equal annual installments on December 31 each year from 2016 through 2019, subject to his continued service. The other half of the RSUs granted in connection with Mr. Hawken s special 2016 RSU award are subject to both time-based and performance-based vesting conditions.

The performance-based RSUs awarded are eligible to vest in substantially equal annual installments over a four-year period (2016-2019) based on the achievement of one of the following performance goals, subject to Mr. Hawken s continued employment through the end of the applicable year: (1) achievement of an annual TSR equal to 7.5% for the applicable calendar year; (2) achievement of a TSR that exceeds the TSR for the SNL US REIT Office Index for the applicable calendar year; or (3) achievement of a cumulative stockholder return goal not later than December 31, 2019. The cumulative stockholder return goal is based on an annualized TSR over the applicable period of 7.5%. The Compensation Committee believes that the ability to vest based on the cumulative goal (even if the annual TSR goal is not achieved for a particular year) is consistent with a long-term view of stockholder returns, helps ensure that Mr. Hawken will also take a long-term view of performance and mitigates risks attendant with short-term annual goals and stock market volatility.

HOW WE MAKE COMPENSATION DECISIONS

Role of Independent Compensation Consultant

The Compensation Committee has sole authority to hire, retain and terminate the services of an independent compensation consultant to assist in its decision-making process. The Compensation Committee retained Mercer (US) Inc. (Mercer) as its independent compensation consultant in 2015.

Mercer performed a comprehensive review of our 2015 executive compensation program before it was established, including the composition of our peer group, amounts and nature of compensation paid to executive officers, structure of our various compensation programs, design of our annual cash incentive performance measurement framework, performance vesting requirements for our annual long-term incentive awards and appropriate target total direct compensation levels and potential payment and vesting ranges for our executive officers. During 2015, Mercer also provided data to the Compensation Committee on the compensation and relative performance of our peer group, advised and provided peer group data regarding the Company s compensation arrangements for its non-employee directors, reviewed drafts of the CD&A and related compensation tables for inclusion in the Company s Proxy Statement filed in 2015, provided advice as the Compensation Committee began its considerations of our executive compensation framework for 2016, and reviewed data in connection with the Compensation Committee s determination of annual cash incentive and performance-based incentive vesting levels for completed performance periods. A representative of Mercer regularly attends meetings of the Compensation Committee and regularly meets privately in executive session with the Compensation Committee to discuss its recommendations.

Mercer is a subsidiary of Marsh & McLennan Companies, Inc. (collectively, MMC), a diversified conglomerate of companies that provide insurance, strategy and human resources consulting services. During 2015, affiliates of MMC other than Mercer received $714,585 in fees for providing services to the Company, and Mercer received $185,900 for its services with respect to executive and director compensation described above. The decision to engage other MMC affiliates to provide services other than assisting the Compensation Committee with executive compensation matters was made by members of management. Although the Compensation Committee did not specifically approve these engagements, the Compensation Committee has reviewed the other services provided by other MMC affiliates and, after consideration of such services and other factors prescribed by the SEC for purposes of assessing the independence of compensation advisors, has determined that no conflicts of interest exist between the Company and Mercer (or any individuals working on the Company s account on Mercer s behalf). In reaching this determination, the Compensation Committee considered the following factors, all of which were confirmed by Mercer:

Other than the services identified above, MMC provided no services to the Company during 2015;

The aggregate amount of fees paid or payable by the Company to MMC for 2015 represented less than 1% of MMC s total revenue for 2015;

Compensation Discussion and Analysis

Mercer has established Global Business Standards to manage potential conflicts of interest for executive rewards consulting services, which policies and procedures were provided to the Company;

There are no business or personal relationships between our Mercer executive remuneration advisors and any member of the Compensation Committee other than in respect of (1) the services provided to the Company by Mercer as described above, or (2) work performed by Mercer for any other company, board of directors or compensation committee for which such Compensation Committee member also serves as an independent director;

Our Mercer executive remuneration advisors do not own stock in the Company; and

There are no business or personal relationships between our Mercer executive remuneration advisors, Mercer or other MMC affiliates, and any executive officer of the Company other than in respect of the services provided to the Company as described above.

Role of Management in Executive Compensation Planning

Our CEO provides recommendations to the Compensation Committee regarding the compensation of our executive officers (other than for himself). Our CEO further participates in the executive compensation decision-making process as follows:

Presents overall results of the Company s performance and achievement of historical and go-forward business objectives and goals from management s perspective;

Provides evaluations for all other executive officers (including our NEOs); and

Reviews peer group information and compensation recommendations and provides feedback regarding the potential impact of proposed compensation decisions.

Our Chief Financial Officer evaluates the financial implications and affordability of the Company s compensation program. Other executive officers (including other NEOs) may periodically participate in the compensation process and in Compensation Committee meetings at the invitation of the Compensation Committee to advise on performance and/or activity in areas with respect to which these executive officers have particular knowledge or expertise. None of our NEOs are members of the Compensation Committee or otherwise had any role in determining the compensation of the other NEOs.

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Compensation Discussion and Analysis

Market Review and Compensation Peer Group

Our Compensation Committee reviews peer group data to assess the competitiveness of our executive compensation program and help inform its decision-making process by providing a competitive framework within which to analyze its determinations. The 2015 peer group considered for these purposes (referred to as our peer group in this Proxy Statement) was the same as our 2014 peer group, except BRE Properties, Inc. was not included in the 2015 peer group because it was acquired by Essex Property Trust, Inc. in April 2014. The 2015 peer group consisted of the 15 publicly-traded REITs shown in the below table. These 15 publicly-traded REITs had equity market values ranging from approximately $2.4 billion to $19.6 billion as of December 31, 2015, and, as a group, had a median equity market capitalization of approximately $4.2 billion as of December 31, 2015. Our equity market capitalization by comparison was approximately $6.0 billion as of December 31, 2015.

Kilroy Realty Corporation

Peer Group: KRC Alignment Characteristics

				Comparable Categories				
Company	**Total Revenues[1]** (MM)	**Equity Market Cap[2]** (MM)	**Total Assets[3]** (MM)	**Office REITs[4]**	**Total Revenues[5]**	**Equity Market Cap[6]**	**Total Assets[7]**	**W. Coast Concentration[8]**
Boston Properties	$2,520	$ 19,587	$ 18,379	ü				ü
Digital Realty Trust	$1,776	$ 11,067	$ 11,451			ü	ü	ü
SL Green Realty Corp	$1,675	$ 11,270	$ 19,858	ü		ü		
Realty Income Corp	$1,023	$ 12,893	$ 11,866		ü	ü	ü	
Alexandria Real Estate Equities	$ 845	$ 6,551	$ 8,911	ü	ü	ü	ü	ü
BioMed Realty Trust[9]	$ 677	$ 4,822	$ 6,461	ü	ü	ü	ü	ü
Douglas Emmett	$ 659	$ 4,577	$ 6,066	ü	ü	ü	ü	ü
Highwoods Properties	$ 630	$ 2,064	$ 3,909	ü	ü	ü	ü	
Corporate Office Properties Trust	$ 612	$ 4,156	$ 4,493	ü	ü	ü	ü	
Brandywine Realty Trust	$ 603	$ 2,393	$ 4,555	ü	ü	ü	ü	
Mack-Cali Realty Corp	$ 598	$ 2,085	$ 4,002	ü	ü	ü	ü	
Piedmont Office Realty Trust	$ 587	$ 2,747	$ 4,435	ü	ü	ü	ü	
Tanger Factory Outlet Centers	$ 521	$ 2,518	$ 6,254		ü	ü		
Hudson Pacific Properties	$ 451	$ 3,134	$ 2,327	ü	ü	ü	ü	ü
PS Business Parks	$ 374	$ 2,362	$ 2,187		ü	ü		

70th Percentile	$ 811	$ 6,205	$ 8,421
50th Percentile	$ 630	$ 4,156	$ 6,066
25th Percentile	$ 592	$ 2,456	$ 4,218
Kilroy Realty Corporation	**$ 581**	**$ 5,836**	**$ 5,939**

(1) For the fiscal year ending December 31, 2015 unless final year reporting not available as of the proxy filing date, based on publicly-available information pulled from the S&P Research Insight database.

(2) As of December 31, 2015, based on publicly-available information pulled from the S&P Research Insight database.

(3) As of December 31, 2015, based on publicly-available information pulled from the S&P Research Insight database.

(4) Office REITS as defined by the GICS Office REIT Sub-Industry.

(5) Comparable firms based on total revenues defined as those that fall within 0.4x 2.0x of the Company s revenue level based on the information summarized in the chart.

(6) Comparable firms based on equity market capitalization defined as those that fall within 0.3x 3.0x of the Company s market capitalization as of December 31, 2015.

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Compensation Discussion and Analysis

(7) Comparable firms based on asset size defined as those that fall within 0.5x 2.0x of the Company s asset size as of the most recently reported fiscal quarter on February 25, 2016.

(8) Defined as possessing a significant portfolio of properties on the West Coast and/or being a significant West Coast talent competitor.

(9) Acquired by Blackstone and ceased trading on NYSE before January 31, 2016.

Peer group compensation analyses for 2015, together with other reports and information prepared by Mercer for the Compensation Committee, were used by the Compensation Committee to evaluate our executive compensation program generally and to inform its decision-making process. Differences in compensation levels for our NEOs are driven by the Compensation Committee s assessment, in its judgment, of each of our executive s responsibilities, experience and compensation levels for similar positions at companies in the peer group. Our pay positioning versus the peer group also incorporates the degree of expertise and experience needed to oversee and direct our active portfolio management strategy. For example, our strategy requires different skill sets than executives who focus primarily on managing cash flows from a more static investment portfolio. Further, our compensation levels reflect the need to attract, retain and incentivize talented and experienced individuals in the highly competitive West Coast employment and commercial real estate markets.

For 2015, the Compensation Committee did not set compensation levels at any specific level or percentile against the peer group data. Except as otherwise noted in this CD&A, the Compensation Committee s executive compensation determinations are subjective and the result of the Compensation Committee s business judgment, which is informed by the experiences of the members of the Compensation Committee, the analysis and input from, and peer group data provided by, the Compensation Committee s independent executive compensation consultant, as well as the Compensation Committee s assessment of overall compensation trends and trends specific to the REIT market.

COMPENSATION GOVERNANCE PRACTICES

We maintain a number of compensation and governance-related policies that we believe represent current best practices. Below is a summary of our executive compensation and other compensation-related governance practices.

Compensation Governance Practices	
	Clawback Policy
	Anti-Hedging Policy

	Anti-Pledging Policy
	Minimum Stock Ownership Guidelines for Executives
	Minimum Stock Ownership Guidelines for Non-Employee Directors
	Stock Holding Requirements
	No Single Trigger Change in Control in any Employment Agreements
	No Excise Tax Gross-Ups
	Related Party Transactions Policy
	No Repricing of Underwater Stock Options Without Stockholder Approval
	Independent Compensation Consultant
	Regular Stockholder Engagement

Compensation Clawback Policy

We maintain a clawback policy under which we may require reimbursement and/or cancellation of any bonus or other incentive compensation, including equity-based compensation, awarded to our executive officers under certain circumstances in the event of a restatement of our financial statements. Under our clawback policy, subject to the discretion and approval of our Board, we may require reimbursement and/or cancellation of any bonus or other incentive compensation, including equity-based compensation, awarded to an executive officer, in any case where all of the following factors are present: (i) the award was predicated upon the achievement of certain financial results that were subsequently the subject of an accounting

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restatement due to material noncompliance by us with any financial reporting requirements under securities laws; (ii) the Board determines that the executive officer engaged in misconduct that was a substantial contributing cause to the need for the restatement; and (iii) a lower award would have been made to the executive officer based upon the restated financial results. In each such instance, we may recover the individual executive officer s entire annual bonus in addition to any gain received from the award within the relevant period, plus a reasonable rate of interest. These clawback provisions are in addition to provisions of our employment agreement with Mr. Kilroy, and the provisions of the Non-Competition, Non-Solicitation and Non-Disclosure Agreements we have entered into with our other NEOs, described below under Named Executive Officer Compensation Tables Potential Payments Upon Termination or Change in Control that provide for the executive to forfeit certain equity awards if he fails to comply with certain restrictive covenants in our favor.

Anti-Hedging Policy

We maintain a policy that restricts our directors, officers, other employees and their family members from engaging in any transaction that might allow them to gain from declines in the price of Company securities. Specifically, we prohibit transactions by these individuals using derivative securities, or otherwise participating in hedging, stop loss or other speculative transactions involving Company securities, including short-selling Company securities, trading in any puts, calls, covered calls or other derivative products involving Company securities, or writing purchase or call options, short sales and other similar transactions.

Anti-Pledging Policy

We have a policy prohibiting our NEOs and other Section 16 officers from pledging, or using as collateral, Company securities in order to secure personal loans, lines of credit or other obligations, which includes holding Company securities in an account that has been margined. Exceptions to this policy are granted where the securities pledged (i) are not needed to satisfy the minimum ownership level required by the Company s stock ownership guidelines, as discussed below, (ii) do not total more than 10% of the individual s total beneficial ownership of Company securities and (iii) are not utilized as part of any hedging strategy that would potentially immunize the individual against economic exposure to such securities. In addition, our Board may grant other exceptions to this policy in such circumstances as it may consider appropriate; no such other exceptions have been made.

Minimum Stock Ownership Guidelines

As part of our compensation objectives, we believe that our NEOs should hold a significant amount of the Company s stock to link their long-term economic interests directly to those of our stockholders. Accordingly, we maintain minimum stock ownership guidelines applicable to all of our NEOs. We believe that these guidelines, reflected in the table below, constitute significant amounts for our NEOs and provide a substantial link between the interests of our NEOs and those of our stockholders. Under our minimum stock ownership guidelines, each NEO has six years from the point of first being subject to the guidelines to satisfy the minimum guideline level of ownership. As of December 31, 2015, all of our NEOs continue to meet the minimum guideline level of ownership.

Named Executive	Ownership Requirement as a % of Base Salary	Ownership Requirement Met as of December 31, 2015
John Kilroy	600%	Yes
Jeffrey Hawken	300%	Yes
Tyler Rose	300%	Yes
David Simon	300%	Yes
Justin Smart	300%	Yes

Compensation Discussion and Analysis

Stock Holding Requirements

Our stock ownership guidelines provide that, if an executive falls short of the applicable level of stock ownership, the executive is expected to hold (and not sell) at least 50% of the net shares acquired upon exercise, vesting or payment, as the case may be, of any equity award granted by us to the executive. Net shares for this purpose means the total number of shares acquired by the executive upon exercise, vesting or payment, as the case may be, of the award, after reduction for shares having a fair market value equal to the exercise price of the award (in the case of a stock option) and after reduction for shares having a fair market value equal to the executive s expected tax liability resulting from the exercise, vesting or payment of the award.

No Single Trigger Change in Control Severance Provisions

None of our executives employment agreements provide single trigger severance arrangements, meaning that severance benefits aren t triggered simply because a change in control transaction occurs.

No Excise Tax Gross-Ups

None of our executives employment agreements provide for tax gross-up payments.

Tax Considerations

Section 162(m) generally limits the deductibility of compensation paid to certain of our executive officers. To qualify for deductibility under Section 162(m), compensation in excess of $1,000,000 paid by us to our NEOs (other than the chief financial officer) during any year must qualify as performance-based compensation as determined under Section 162(m). Compensation generally qualifies as performance-based, if among other requirements, it is payable only upon the attainment of pre-established, objective performance criteria based on performance goals that have been approved by our stockholders.

The Compensation Committee s policy is to take Section 162(m) into account in establishing compensation of our executive officers. However, while the tax impact of any compensation arrangement is one factor considered, such impact is evaluated by the Compensation Committee in light of the Company s overall compensation philosophy and objectives. The Compensation Committee may therefore design and award compensation for our executive officers that is not fully deductible if it determines that such approach is consistent with our philosophy and is in our and our stockholders best interests. In addition, we believe that we qualify as a REIT under the Internal Revenue Code and are not subject to federal income taxes, meaning that the payment of compensation that does not satisfy the requirements of Section 162(m) should not have a material adverse consequence to us, provided we continue to remain qualified as a REIT under the Internal Revenue Code. The Compensation Committee reserves the right to design programs that recognize a full range of factors and performance criteria important to our success, even where the compensation paid under such programs may not be deductible.

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Compensation Committee Matters

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed our Compensation Discussion and Analysis section with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis section be included in this Proxy Statement on Schedule 14A.

Executive Compensation Committee

Edward Brennan, Ph.D., Chairman

Jolie Hunt

Gary Stevenson

The foregoing report of the Compensation Committee is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in such filing.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Dr. Brennan and Mr. Stevenson were members of the Compensation Committee during all of 2015. Ms. Hunt was appointed to the Compensation Committee in May 2015. No one who served on the Compensation Committee at any time during 2015 is or has been an executive officer of the Company or had any relationships requiring disclosure by the Company under the rules of the SEC requiring disclosure of certain relationships and related party transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director of the Company or a member of the Compensation Committee during the year ended December 31, 2015.

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Named Executive Officer Compensation Tables

The Summary Compensation Table quantifies the value of the different forms of compensation earned by or awarded to our NEOs for 2013, 2014 and 2015. The primary elements of each NEO s total compensation reported in the table are base salary, an annual cash incentive (bonus) and long-term incentive equity awards. Our NEOs also received the other benefits listed in Column (i) of the Summary Compensation Table, as further described in the footnotes to the table.

The Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. A description of the material terms of each NEO s employment agreement regarding base salary and annual cash incentive amounts is provided immediately following the Summary Compensation Table. The Grants of Plan-Based Awards table, and the accompanying description of the material terms of the annual cash and equity incentive awards granted in 2015, provides information regarding the awards granted to our NEOs in 2015. The Outstanding Equity Awards at Fiscal Year End and Option Exercises and Stock Vested tables provide further information on the NEOs potential realizable value and actual value realized with respect to their equity awards.

SUMMARY COMPENSATION TABLE 2013, 2014 AND 2015

The following table sets forth summary information regarding compensation of our NEOs for all services rendered to us in all capacities in 2013, 2014 and 2015.

Name & Principal Position(s) (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (1) (e)	Option Awards (1) (f)	Non-Equity Incentive Plan Compensation (2) (g)	Change in Pension Value & Non-qualified Deferred Compensation Earnings (h)	All Other Compensation (3) (i)	Total (4) (j)
John Kilroy	2015	$1,225,000		$6,020,797		$3,800,000		$509,604	$11,555,401
President and Chief	2014	$1,225,000	$3,700,000	$5,525,385				$484,776	$10,935,162
Executive Officer	2013	$1,225,000	$3,000,000	$3,127,979				$480,794	$ 7,833,773
Jeffrey Hawken	2015	$ 675,000		$1,903,684		$1,600,000		$151,803	$ 4,330,487

Executive Vice President and	2014	$ 675,000	$1,600,000	$2,087,380		$175,816	$ 4,538,196
Chief Operating Officer	2013	$ 675,000	$1,350,000	$2,104,309		$160,961	$ 4,290,270
Tyler Rose	2015	$ 500,000		$1,696,966	$ 700,000	$112,980	$ 3,009,946
Executive Vice President,	2014	$ 500,000	$ 750,000	$1,227,904		$100,352	$ 2,578,256
Chief Financial Officer and Secretary	2013	$ 500,000	$ 500,000	$ 521,372		$ 93,782	$ 1,615,154
David Simon[5]	2015	$ 500,000		$1,542,704	$ 650,000	$111,238	$ 2,803,942
Executive Vice President, Southern California							
Justin Smart	2015	$ 500,000		$1,542,704	$ 700,000	$108,852	$ 2,851,556
Executive Vice President, Development	2014	$ 500,000	$ 750,000	$ 857,971		$101,310	$ 2,209,281